



THE UNITED REPUBLIC OF TANZANIA

NATIONAL AUDIT OFFICE



ISO 9001:2015 Certified

AZANIA BANK PLC

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

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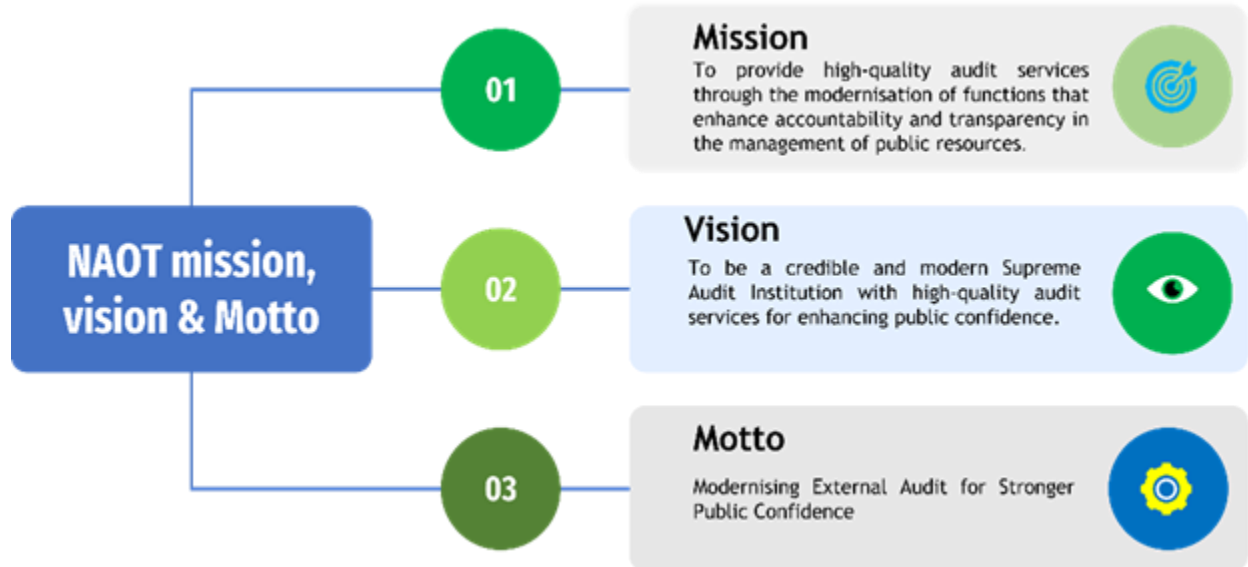
March 2026

AR/PA/ABPLC/2025

About the National Audit Office

Mandate

The statutory mandate and responsibilities of the Controller and Auditor-General are provided for under Article 143 of the Constitution of the United Republic of Tanzania of 1977 and in Section 10 (1) of the Public Audit Act, [Cap 418 R.E 2020].



Independence and objectivity

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

Teamwork Spirit

We value and work together with internal and external stakeholders.

Results-Oriented

We focus on achievements of reliable, timely, accurate, useful, and clear performance targets.



Professional competence

We deliver high-quality audit services based on appropriate professional knowledge, skills, and best practices

Integrity

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

Creativity and Innovation

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

© This audit report is intended to be used by Azania Bank Plc and may form part of the annual general report, which once tabled to the National Assembly, becomes a public document; hence, its distribution may not be limited.

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Abbreviations

AI	Artificial Intelligence
BOT	Bank of Tanzania
CAG	Controller and Auditor General
CSI	Corporate Social Investment
ECL	Expected Credit Loss
EIR	Effective Interest Rate
ESG	Environmental, Social and Governance
ICT	Information and Communication Technology
FVOCI	Fair Value Through Other Comprehensive Income
IFRS	International Financial Reporting Standards
ISSAIs	International Standard of Supreme Audit Institutions
LGD	Loss Given Default
MFI	Micro-financing Loans
MNOs	Mobile Network Operators
NAOT	National Audit Office of Tanzania
NBAA	National Board of Accountants and Auditors
NDP	National Development Program
NPL	Non-Performing Loans
OCI	Other Comprehensive Income
PAC	Public Accounts Committee
PD	Probability of Default
SCE	Statement of Change in Equity
SDGs	Sustainable Development Goals
TIN	Tax Identification Number
SMR	Statutory Minimum Reserve
TRA	Tanzania Revenue Authority
UAT	User Acceptance Test

1.0 INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL

Chairman of the Board of Directors,
Azania Bank Plc,
P.O. Box 32089,
Dar Es Salaam

1.1 REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

Unqualified Opinion

I have audited the financial statements of Azania Bank Plc, which comprise the statement of financial position as of 31 December 2025, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flow for the year ended, and the notes to the financial statements, including a summary of material accounting policies.

In my opinion, the accompanying financial statements present fairly in all material respects the financial position of Azania Bank Plc as of 31 December 2025 and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) and the manner required by the Public Finance Act, Cap. 348

Basis for Opinion

I conducted my audit in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the section below entitled “Responsibilities of the Controller and Auditor General for the Audit of the Financial Statements”. I am independent of Azania Bank Plc in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code), together with the National Board of Accountants and Auditors (NBAA) Code of Ethics, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

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

Key Audit Matters

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

1.0 INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL (CONTINUED)

No.	Key audit matter	How the audit addressed the key audit matter
1.	Credit risk and Expected Credit Losses on the financial instruments	
	<p>The IFRS 9 Expected credit losses (ECL) approach is applicable to all financial assets at amortized cost and debt financial assets at fair value through other comprehensive income, lease receivables, contract assets, loan commitments and financial guarantee contracts.</p> <p>ECL represents management’s best estimate of the losses as of the reporting date. The ECL allowances are material in the context of the financial statements due to their magnitude as well as the estimation of uncertainty and significant level of judgement inherent in determining the value of the allowances.</p> <p>The models used to determine the ECL estimate are complex and include inputs from multiple sources. Management applies adjustments to the model outputs to cater for factors not included in the model assessment, which can be highly subjective.</p> <p>As of 31 December 2025, the provision for impairment on financial assets was TZS 43.15 billion. This represents the estimation of expected losses at the year end.</p> <p>There is a risk that the provision for the impairment of financial assets may not represent a complete and accurate estimate of expected losses and that the carrying value of these items may be misstated. This includes the risk that the ECL model may not comply with IFRS 9.</p> <p>The accounting policy and key sources of estimation uncertainty about financial asset impairment provisions are disclosed in Note 6.7 and Note 42 to the financial statements.</p>	<p>The following procedures were performed:</p> <p>I undertook an assessment of the bank’s provisioning methodology in alignment with the requirements of IFRS 9.</p> <p>I reviewed the application of the business model to existing portfolios and reviewed the results of the Solely Payments of Principal and Interest test for relevant financial instruments.</p> <p>I evaluated the design and operating effectiveness of the bank’s key controls and IT controls around credit management, ECL model, and provision assessment.</p> <p>I tested key controls over completeness and accuracy of data inputs to loan loss provisioning.</p> <p>I assessed management’s assumptions in relation to the ‘significant increase in credit risk’ assessment as required by IFRS 9. I tested a sample of loans to test whether the Bank has appropriately considered and assessed an increase in credit risk and that loans have been classified in the correct categories in accordance with the bank’s methodology and IFRS 9.</p> <p>I reviewed the IFRS 7 disclosures for compliance with the amendments relating to IFRS 9.</p>

Other Information

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

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

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

As part of an audit in accordance with ISSAIs, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my opinion. The risk of not detecting a material mistake 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 to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that material uncertainty exists, I am required to draw attention in my audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the entity to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are, therefore, the key audit matters. I describe these matters in my audit report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse

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

consequences of doing so would reasonably be expected to outweigh the public interest of such communication.

In addition, Section 10 (2) of the Public Audit Act, Cap 418 [R.E 2021] requires me to satisfy myself that the accounts have been prepared in accordance with the appropriate accounting standards.

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

1.2 REPORT ON COMPLIANCE WITH LEGISLATIONS AND REGULATORY REQUIREMENTS

1.2.1 Compliance with the Public Procurement laws

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

I performed a compliance audit on the procurement of works, goods, and services in the Azania Bank Plc for the financial year ended 31 December 2025 as per the Azania procurement policy and Procurement Procedures Manual.

Conclusion

Based on the audit work performed, I state that procurement of goods, works and services of Azania Bank Plc does not comply with the Public Procurement Act and its Regulations. However, the Bank is compliant with its internal procurement policy and Procurement Procedures Manual, which govern its procurement activities. The Bank is currently engaging with the relevant regulatory authorities to obtain clear guidance on the interpretation and practical application of the Public Procurement Act, particularly as it relates to commercial financial institutions.

1.2.2 Compliance with the Budget Act and other Budget Guidelines

Subject matter: Budget formulation and execution

I performed a compliance audit on budget formulation and execution in the Azania Bank Plc for the financial year ended 31 December 2025 as per the Accounting and Financial Management Policy and Accounting and Financial Management procedures Manual.

Conclusion

Based on the audit work performed, I state that the Budget formulation and execution of Azania Bank Plc is generally in compliance with the requirements of the Accounting and Financial Management Policy and Accounting and Financial Management procedures Manual.

1.2.3 Compliance with Banking and Financial Institutions Regulations

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

Conclusion

In my opinion, the capital adequacy ratios as presented in Note 39 to the financial statements have been computed in accordance with the Banking and Financial Institutions Act, 2006, and the Banking and Financial Institutions (Capital Adequacy) Regulations, 2015 of Tanzania.

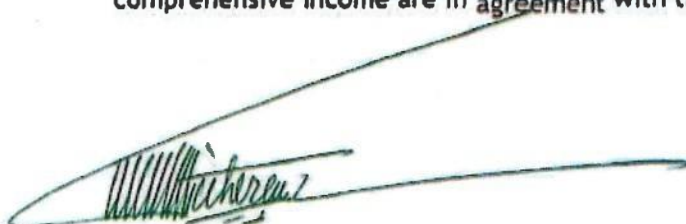
1.2.4 Compliance with the Companies Act, 2002

I report to you based on our audit of the Azania Bank Plc for the financial year ended 31 December 2025 as per the Companies Act, 2002.

Conclusion

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

- i) I have obtained all the information and explanations, which to the best of my knowledge and belief, were necessary for the purpose of the audit.
- ii) In my opinion, proper books of account have been kept by the Bank, so far as appears from my examination of those books; and
- iii) The Bank's statement of financial position; and statement of profit or loss and other comprehensive income are in agreement with the books of account.



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



Moving Together



“ Let’s continue to lead with purpose, serve with integrity, and grow together. ”

Dr. Esther G. Mang’anya
Managing Director



We support women empowerment

*Azania
Bank Plc
Growing
Stronger,
Together.*

CORPORATE INFORMATION

REGISTERED OFFICE:	<ul style="list-style-type: none"> •Mawasiliano Towers, 3rd Floor, Plot No 20 Sam Nujoma Road, P. O. Box 32089, Dar es Salaam, Tanzania.
HEAD OFFICE:	<ul style="list-style-type: none"> •Mawasiliano Towers, 3rd Floor, Plot No 20 Sam Nujoma Road, P. O. Box 32089, Dar es Salaam, Tanzania.
COMPANY SECRETARY:	<ul style="list-style-type: none"> •Mr. Charles C Mugila, Mawasiliano Towers, Plot No 20 Sam Nujoma Road, P. O. Box 32089, Dar es Salaam, Tanzania.
AUDITOR:	<ul style="list-style-type: none"> •Controller and Auditor General, National Audit Office, Audit House, 4 Ukaguzi Road, P.O. Box 950, 41101 Tambukareli, Dodoma, Tanzania.
APPOINTED AUDITOR:	<ul style="list-style-type: none"> •PricewaterhouseCoopers (PwC), Certified Public Accountants (Tanzania) of P.O. Box 45 Dar es Salaam Tanzania, NBAA registration number PF 040 and TIN 100-212-285
MAIN BANKER:	<ul style="list-style-type: none"> •Bank of Tanzania, 16 Jakaya Kikwete Road 40184, P. O. Box 2302, Dodoma, Tanzania.
CORRESPONDENT BANKS	<ul style="list-style-type: none"> •Axis Bank Ltd, Mumbai SWIFT/BIC: AXIS IN BB • Standard Chartered Bank -New York, SCB New York - IBF, One Madison Avenue, 3rd Floor, New York, NY 10010-3603, USA. •EBI SA Groupe Ecobank: Les Collines de L'Árche, Immeuble Concorde F, 92057 Paris La Defense Cedex SWIFT/BIC: ECOC FR PP Zhejiang Chouzhou Commercial Bank Co Ltd, Yiwu SWIFT/BIC: CZCB CN 2X • SCB New York -IBF: One Madison Avenue, 3rd Floor, New York, NY 10010-3603, USA., SWIFT: SBZAJJ •ODDO BHF AG : Bockenheimer Landstrasse 10, 60323 Frankfurt/M, 0049 69 718-0, info.frankfurt@oddo-bhf.co

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

The Governing Board, charged with Azania Bank's governance, has the pleasure of presenting this report together with the audited financial statements for the year ended 31 December 2025, which disclose Azania Bank Plc's ("the Bank") state of financial affairs. This report has been presented in conformity with the Tanzania Financial Reporting Standard No. 1. These financial statements for the year ended 31 December 2025 were authorized for issue following a resolution of the Board of Directors on 11th March 2026.

2.1 INCORPORATION

The Bank is incorporated in Tanzania under the Tanzanian Companies Act, 2002, as a public limited company whose shares are not publicly traded. The Bank is licensed to operate as a commercial bank by the Bank of Tanzania under the Banking and Financial Institutions Act of 2006. Our operations are both in Tanzania Mainland and Tanzania Zanzibar.

The Bank possesses a strong and effective set of Board of Directors and Management team, who ensure that all employees and other stakeholders are aligned with the Bank's values and goals to realize the vision and mission of the institution.

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

2.2 VISION, MISSION AND CORE VALUES



VISION

‘To be a One Stop Financial Centre’.



MISSION

“A customer centred Bank of choice providing quality financial products and services using dedicated staff and appropriate technology while enhancing shareholders value”.



VALUES

Professionalism

Teamwork

Innovation

Integrity

Efficiency

Passion

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

2.3 PRINCIPAL ACTIVITIES



The principal activity of Azania Bank Plc is the provision of comprehensive banking and related financial services in accordance with the Banking and Financial Institutions Act, 2006. The Bank's core activities remained unchanged during the financial year ended 31 December 2025. Azania Bank Plc serves a diverse customer base, ranging from corporate clients to individual and retail customers, through its broad suite of financial products and services.

2.4 PRODUCTS WE OFFER

Azania Bank is accessible to customers through its 40 branches, stand-alone forex bureaus as well as through digital channels and agents spread across the country, both mainland and in the isles.

The Bank serves a wide range of client base comprising of individuals, small businesses, private business corporations as well as Government entities, such as ministries, authorities and agencies. It offers a multitude of products and services, tailor made to meet each cluster of client base; these range from basic banking services to other value - added products for specifically identified or requested needs.

During the year 2025, Azania Bank secured and signed a Framework Agreement to become one of the financial institutions licensed to provide banking services to the Government of the United Republic of Tanzania. This is in addition to more than 50 GePG collection accounts-maintained by the bank for various Government institutions.

The bank also provides personal savings accounts to individuals through their life cycle, starting with children to retirees. Financial services are also provided through various products designed for salaried employees, pensioners, diaspora as well as individuals engaged in businesses, small and medium.

The bank also offers various on-and-off - balance sheet products to its corporate clients.

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

2.4 PRODUCTS WE OFFER (CONTINUED)



Microfinancing to groups and individuals through partnership with MNO. This is a contribution to financial inclusion and improving the lives of our customers.



Diaspora Products- Asili Smart Saving Account facilitates Tanzanians living abroad to save and invest in real estate in the country.



Credit facilities we offer are aligned to meet our customers' needs in the process of creating sustainable values.



Retail banking, whereby the bank offers a wide range of products designed to provide solutions to society. The products range from individual/personal to business savings, operational deposit accounts, and loans products.



Corporate banking comprises a range of tailored business products to meet institutional and company needs in a timely and affordable manner.

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

2.4 PRODUCTS WE OFFER (CONTINUED)



Business advisory and facilitation tailored to building the economy through enabling businesses for the future. We are building the future with you through our strategic approach to offering advisory services to businesses on their strategic direction to attain sustainability.



Insurance Brokerage Services whereby the bank facilitated the customers to obtain their insurance covers from qualified and reputable insurance companies with which we work closely to safeguard interests of our customers/clients.



The Treasury and capital market is designed to extend the trust customers have invested in the bank by ensuring that we offer world-class treasury services to make it money's worth for investors/customers. Our broad spectrum of services ranges from trading currencies to investment products and services for your hard-earned money. This extends to funds management and custodian services.

2.5 STRATEGIC OBJECTIVES

During the year, the bank conducted a mid-term review of its five-year strategic plan, which commenced in 2023 and is set to conclude in 2027. Following the successful implementation of the plan's first half, the bank remained confident that all strategic objectives and targets both financial and non-financial would be achieved as originally set. While the core goals remained unchanged, strategic activities were refined to better align with available resources and to capitalize on emerging opportunities.

The bank's financial performance and related business analytics continue to be presented to the Board Audit Committee (BAC) on a quarterly basis for their review and oversight. In order to strengthen oversight, and to align with emerging business and regulatory needs, the Board has approved the establishment of its committee responsible for Strategy, Performance, Investment and Sustainability.

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

2.5 STRATEGIC OBJECTIVES (CONTINUED)

The year 2025 marked the third year of implementing the plan, which is guided by the strategic themes and strategic plans outlined below:

2.5.1 Strategic Themes



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

2.5 STRATEGIC OBJECTIVES (CONTINUED)

2.5.2 Strategic Objectives



1. To enhance Bank capital.

- i. Operating profitably
- ii. Growth and quality of balance sheet.
- iii. Raising Mezanine capital
- iv. Social capital enhancement through supporting the SDGs for 2030 NDP 2022/2026 and 2050 Vision.
- v. Adherence to Environmental, Social and Governance requirements
- v. To go for Public Offering



2. Enhance comprehensive and secured ICT platforms to achieve cost-effective and efficient operations and improved delivery capability.

- i. Deployment of Artificial Intelligence (AI)
- ii. Effective use of big data for analytics and personalized customer services.
- iii. Customers' need driven system customization
- iv. Retaining and enhancing internal capability
- v. Improve bank's network systems and security
- vi. Embrace partnerships and collaborations with Mobile Network Operators (MNO's) and Fintechs.
- vii. Automation of manual processes



3. To increase customer base

- i. Expand service network
- ii. Effective use of Corporate Social Investment (CSI) largely on millennials as potential clients
- iii. Supporting the government agenda of financial inclusion by turning non-bankable population to bankable.



4. To increase market share

- i. Providing integrated financial services to reduce customer mobilities
- ii. Providing tailored products and services to different customers'
- iii. Establish Business support services
- iv. Grow retail segment through alternative channel services
- v. Expanding the relationship to recruit more stakeholders



5. Human capital development and management.

- i. Enhance business continuity plan and Disaster recovery
- ii. Upskill, Retain, Recruit and Culture transformation.
- iii. Introduction of technology hub for research and innovation
- iv. Enhance best practice for corporate governance.

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

2.6 OUR STRENGTH



OUR SERVICES ARE ALWAYS BEYOND ORDINARY.

Our Strength

Customer-Centric and Innovative Product Offerings

The Bank provides a diverse range of well-designed products tailored to meet the unique needs of individuals, SMEs, corporates, and micro-businesses, strengthening customer loyalty and satisfaction.

Strong Brand Reputation and Governance Excellence

A reputation built on ethical conduct, sound corporate governance, and consistent service quality has fostered trust and reinforced the Bank's position as a reliable and responsible financial partner.

Geographic Expansion and Enhanced Accessibility

Through an expanding branch network, digital banking platforms, and a growing network of agents, the Bank continues to improve accessibility for customers across both urban and rural areas.

Highly Skilled and Motivated Workforce

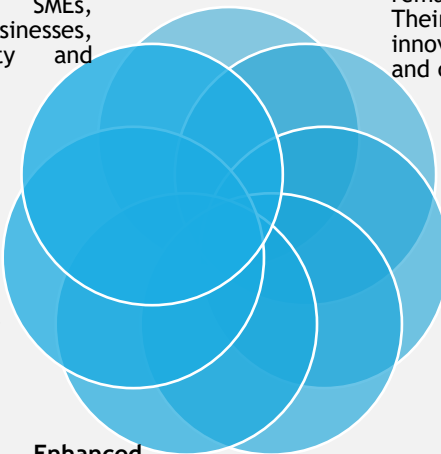
Our dedicated team of professionals remains central to the Bank's success. Their commitment, expertise, and innovation drive operational efficiency and continuous service improvement.

Strong Shareholder Partnerships and Financial Inclusion Focus

The Bank benefits from solid relationships with its shareholders and a shared commitment to advancing financial inclusion. These partnerships support strategic initiatives that broaden access to financial services nationwide.

Advanced Technology and Robust Digital Platforms

Investments in modern technology—including secure digital banking systems, mobile applications, and automated service channels—have enhanced service delivery, operational reliability, and customer convenience.



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

2.7 CHALLENGES IN IMPLEMENTING THE ANNUAL PLAN

During 2025, the financial market continued to present structural challenges that affected the Bank's operating environment. Persistent foreign currency constraints limited trading flexibility, while liquidity pressures across the sector created volatility and constrained growth opportunities. In response, the Bank adopted a proactive approach, seeking to balance risk management with the pursuit of profitable opportunities whenever market conditions are allowed.

The key challenges encountered during the year included:

ISSUE	RISK	BANK'S RESPONSE
High Costs of Funding	Reduction of profit margins, which may affect the achievement of shareholders' returns.	The Bank expanded its retail deposit base by enhancing savings and current account offerings to secure cheaper and more stable funding. In addition, it optimized the liability mix, strengthened customer engagement, and introduced digital deposit mobilization initiatives to lower reliance on expensive wholesale funding and preserve profitability.
Market Volatility	Persistent fluctuations in foreign exchange and interest rates continue to pressure profitability and capital adequacy, while inflationary trends amplify balance sheet risks.	The Bank strengthened customer relationships, resulting in higher deposits that cushioned profitability. In parallel, it implemented robust Asset Liability Management (ALM) frameworks, actively hedged FX exposures, and aligned capital buffers with Basel III requirements.
Competition from banks and non-financial institutions.	Rising competition and technological disruptions, particularly from MNOs offering money transfers and micro-loans to underserved segments, increase costs and erode market share	The Bank focused on competitive niches, strengthened shareholder and customer relationships, expanded innovative product offerings, and leveraged digital platforms. The Bank also deepened partnerships with fintechs to enhance delivery service and maintain a strong competitive edge.
Technology advancement and interruptions	Rapid technological changes and rising costs of digital infrastructure impacts returns and increase operational expenses.	The Bank strengthened its strategic partnerships with technology vendors and expanded collaborations with fintechs and digital solution providers to accelerate innovation while controlling costs. At the same time, the Bank leveraged its internal software development capacity to customize products, enhance cybersecurity, and optimize efficiency.
Digital Banking and Cybersecurity.	Cyber-attacks, fraud, and system outages may limit the adoption of digital products. This increases costs, which impacts the revenue.	The Bank continuously monitors its cyber space to prevent attacks. Invest in cybersecurity infrastructure, conduct penetration testing, establish incident response teams and build system user awareness on cybersecurity.
Regulatory & Compliance	Growing compliance costs and stringent regulations.	Maintaining good and proactive relationships with key regulators. Investing in automated compliance risk management. Expanding and diversifying the customer base to broaden revenue streams while simultaneously strengthening customer relationships.

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

2.7 CHALLENGES IN IMPLEMENTING THE ANNUAL PLAN (CONTINUED)

ISSUE	RISK	BANK'S RESPONSE
Delays in Legal Proceedings	Delayed loan repayments and increased non-performing loans.	Engagement with policymakers and communities to advocate for appropriate regulatory reform.
Climate and Sustainability	Physical risks (floods, droughts) and transition risks (carbon intensive lending).	Integrate ESG into credit risk assessment, align disclosures with BOT sustainability framework, establishing sustainability framework and set green lending targets with full compliance by 2030.
Political and Governance Environment	Political instability and civil unrest may disrupt physical access to banking outlets, limiting service provision to customers and increasing operational risks.	Strengthened digital platforms to expand self-service capabilities, ensuring continuity of essential banking services even during disruptions. The Bank also enhanced remote access channels, promoted mobile and online banking adoption, and reinforced business continuity planning to safeguard customer access and trust

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

2.8 STAKEHOLDERS

Shareholders: Shareholders of the bank provide capital that the bank uses to create value in the country's financial market, while also increasing their own value through dividends and retained earnings. At the end of the year, shareholders' funds grew due to retained earnings and new capital contributions from minority shareholders. This influx of new capital resulted in a slight dilution of the major shareholders' stakes, as mentioned in section 2.18. Additionally, the bank has strengthened its relationship with shareholders by opening branches and service centers in their areas. We are committed to maximizing returns for our shareholders by effectively utilizing both our owned and shared resources.

Customers: The bank caters to a diverse range of customers, including account holders and walk-in clients seeking financial services. We offer a variety of products for corporate, retail, and mass-market customers, providing both general and customized solutions tailored to individual needs. Our banking products and services extend beyond the ordinary, establishing the bank as a comprehensive financial center. Additionally, we have expanded our delivery channels, both physically and technologically, to ensure convenient and efficient access to all financial products and services, while adhering to Environmental, Social, and Governance (ESG) principles to promote sustainable business practices.

Regulatory Authority: Azania Bank operates under the license and regulations issued by the Bank of Tanzania, which oversees the country's financial market. Additionally, other regulatory bodies such as the Tanzania Revenue Authority, the Capital Markets and Securities Authority (CMSA), the Business Registrations and Licensing Authority (BRELA), and the Social Security Authorities also influence the bank's operations. The bank is dedicated to ensuring compliance with all requirements established by these regulatory authorities.

Vendors and Business Partners: The bank awards contracts to service providers and suppliers through a competitive tendering process. We actively monitor the quality of the services received to uphold high standards.

To ensure smooth operations and excellent service for our customers, the bank establishes contracts with all major suppliers and service providers, which include service level agreements. Additionally, the bank ensures timely payments for these services to support the sustainable growth of our vendors

Employees: The bank recruits professional employees with high integrity through a competitive recruitment process. This approach allows us to build a highly qualified and innovative workforce while providing equal employment opportunities to all social groups. Focusing on employee motivation and retention is essential for maintaining our competitive edge in the market. To ensure business continuity, the bank has established a succession plan for all managerial and governance roles.

2.9 BUSINESS PERFORMANCE

2.9.1 Business Environment

Tanzania's economy in 2025 demonstrated resilience and stability, building on the solid foundation laid in 2024. Real GDP growth averaged 5.9% in 2025, slightly higher than the 5.2% recorded in 2024, reflecting stronger performance in agriculture, mining, and construction. Zanzibar's economy outpaced the mainland, expanding by 6.8%, supported by tourism recovery and manufacturing. This acceleration highlights the country's ability to sustain growth momentum despite global headwinds, including weaker global demand and commodity price volatility.

Inflation remained well anchored throughout 2025, averaging 3.5% in Mainland Tanzania and 3.4% in Zanzibar, compared to 4.0% in 2024. The decline was driven by prudent monetary policy, subdued exchange rate passthrough, and favourable global conditions that reduced imported inflation. The stability of prices provided relief to households and businesses, reinforcing consumer confidence and supporting investment activity.

Monetary aggregates expanded significantly in 2025, with broad money supply (M3) growing by 23% in November 2025, compared to 13.6% in November 2024. Private sector credit growth accelerated to 18.1%, up from 16.1% the previous year, reflecting stronger demand in mining, trade, and agriculture. Interest rates rose modestly, with average lending rates reaching 15.27% and deposit rates climbing to 8.54%, signalling balanced liquidity conditions and continued confidence in the financial system.

The banking sector remained sound and resilient, with adequate liquidity and strong capital buffers. The nonperforming loan ratio declined to 3.1% in 2025, compared to 4.2% in 2024, well below the tolerable threshold of 5%. Payment systems operated efficiently, and the loan portfolio expanded, reflecting a favourable business environment. Improved tax revenues, enhanced compliance, and stronger foreign exchange liquidity further reinforced financial stability, creating opportunities for banks to expand their customer base and trade finance operations.

Regionally, East African economies sustained robust growth averaging above 5% in 2025, supported by recovering demand, tourism, and investment. Inflation moderated across Kenya, Rwanda, Ethiopia, and Uganda, remaining within or below central bank targets. This regional resilience provided Tanzania with a supportive external environment, particularly in trade and investment flows. Globally, 2025 was marked by mixed commodity trends: crude oil prices fell on oversupply, gold surged on haven demand, and agricultural commodities showed divergent movements. These dynamics shaped Tanzania's external sector, reinforcing the importance of prudent policy in sustaining stability.

Looking ahead to 2026, Tanzania's economic outlook remains positive, with GDP growth projected to remain close to 6%, supported by flagship infrastructure projects, continued

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

2.9 BUSINESS PERFORMANCE (CONTINUED)



2.9.1 Business Environment (Continued)

expansion in agriculture and mining, and a resilient financial sector. Inflation is expected to stay within the 3-5% target range, underpinned by effective monetary policy and stable global conditions. Private sector credit growth is likely to remain strong, while improved tax revenues and foreign exchange liquidity will provide fiscal space for development. Risks include potential global commodity price volatility and geopolitical uncertainty, but overall, Tanzania is well positioned to sustain growth and deepen financial inclusion in 2026

2.9.2 Sustainable Growth in Action: Delivering Products and Services That Drive National Development and SDG Achievement

In 2025, Azania Bank continued to play a pivotal role in advancing national development, expanding financial inclusion, and strengthening the economic resilience of communities across Tanzania. Guided by our commitment to sustainable growth, we delivered strong social, economic, and environmental impact through targeted investments in priority sectors. The year marked significant progress in agriculture, education, healthcare, clean energy, financial inclusion, and gender empowerment—reflecting the Bank’s alignment with the country’s Vision 2025 agenda and global Sustainable Development Goals (SDGs).


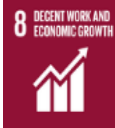



The table below summarizes on how the bank impacted the societies in alignment with the National Development Plan (NDP) and United Nations Sustainable Development Goals (SDGs).

Bank Achievement and Impact to the Economy	Metrics and Targets (KPIs)	Relevant National Development Agenda (Vision 2025 / Sector Goals)	Relevant SDGs
<p>Healthcare Infrastructure Expansion: Through dedicated sector financing, Azania Bank provided TZS 29.2 (2024: TZS 19.4) billion in loans for the construction of hospitals, health centres, and the purchase of essential medical equipment. This investment expands access to primary and emergency healthcare, particularly in underserved and rapidly growing communities, contributing to stronger national health outcomes.</p>	<p>Access to quality primary health care for all.</p>	<p>Strengthens healthcare delivery under HSSP V and Vision 2025 goals of universal access to quality health services.</p>	<div style="display: flex; flex-direction: column; align-items: center;"> <div style="display: flex; align-items: center; margin-bottom: 10px;">  <div style="margin-left: 10px;"> <p>Good Health & Well-being.</p> </div> </div> <div style="display: flex; align-items: center;">  <div style="margin-left: 10px;"> <p>Reduced Inequalities</p> </div> </div> </div>

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

2.9 BUSINESS PERFORMANCE (CONTINUED)

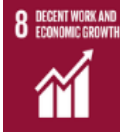




2.9.2 Sustainable Growth in Action: Delivering Products and Services That Drive National Development and SDG Achievement (Continued)

Bank Achievement and Impact to the Economy	Metrics and Targets (KPIs)	Relevant National Development Agenda (Vision 2025 / Sector Goals)	Relevant SDGs
<p>Agriculture, Food Security & Climate Resilience: Azania Bank significantly strengthened national food security and rural transformation by providing TZS 376.7 billion in financing to agribusiness, fisheries, and agro-processing projects, an increase from TZS 266.8 billion in 2024. This funding supports the transition from subsistence to commercial agriculture, boosts value-addition, and improves the availability of affordable food across communities. To enhance climate resilience, the Bank also insured 16,783 (2024: 15,620) farmers against natural calamities, helping protect livelihoods and stabilize household incomes in the face of climate-related risks.</p>	<p>Food self-sufficiency and food security.</p> <p>Climate Change Adaptation and Impacts Mitigation Measures</p>	<p>Supports ASDP II, food security, rural transformation, and commercialization of agriculture. Enhances climate resilience and risk management.</p>	<div data-bbox="1105 579 1260 709">  <p>1 NO POVERTY</p> </div> <p>Zero Hunger.</p> <div data-bbox="1105 821 1219 947">  <p>8 DECENT WORK AND ECONOMIC GROWTH</p> </div> <p>Decent Work & Economic Growth.</p> <div data-bbox="1105 1020 1214 1146">  <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p> </div> <p>Responsible Consumption & Production.</p> <div data-bbox="1105 1209 1219 1335">  <p>13 CLIMATE ACTION</p> </div> <p>Climate Action</p>
<p>Housing & Urban Development: The Bank boosted national housing and urban development by providing TZS 185.30 (2024: TZS 184.6) billion in mortgage and real-estate financing. These investments supported the construction of modern homes and commercial centres, improved living standards, and stimulated jobs in</p>	<p>Improve standard of living and employment opportunities.</p>	<p>Advances the National Housing Policy and Vision 2025 urbanization, ensuring modern, affordable and decent settlements.</p>	<div data-bbox="1105 1493 1260 1692">  <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p> </div> <p>Sustainable Cities & Communities.</p>

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

2.9 BUSINESS PERFORMANCE (CONTINUED)






2.9.2 Sustainable Growth in Action: Delivering Products and Services That Drive National Development and SDG Achievement (Continued)

Bank Achievement and Impact to the Economy	Metrics and Targets (KPIs)	Relevant National Development Agenda (Vision 2025 / Sector Goals)	Relevant SDGs
<p>construction and real-estate value chains. Additionally, outstanding mortgage loans rose to TZS 59.2 billion from TZS 45 billion in 2024, reflecting increased support for families seeking affordable and decent housing solutions.</p>			 <p>Decent Work & Economic Growth.</p>
<p>Household Welfare & Social Stability: To uplift household welfare and stimulate domestic consumption, the Bank had an outstanding amount of TZS 889.9 (2024: TZS 396.2) billion in personal loans and micro-credit to families and small businesses.</p> <p>Family resilience was further strengthened through 28,503 credit life-insurance policies, ensuring income continuity and stability during emergencies.</p> <p>Pensioners were supported through TZS 103.7 (2024: TZS 89.9) billion in WASTAAFU loans, enabling retirees to continue participating productively in the economy.</p>	<p>High-quality livelihood. Absence of abject poverty.</p>	<p>Supports Vision 2025 goals on improved household welfare, social protection, and inclusive financial access.</p>	 <p>No Poverty</p>  <p>Good Health & Well-being.</p>  <p>Reduced Inequalities</p>
<p>Education financing: TZS 111.7 billion allocated in 2025 (2024: TZS 99.8 billion), reflecting a 12% annual increase in support for</p>	<p>A well-educated and learning society</p>	<p>Supports the Education Sector Development Plan (ESDP) and Vision 2025 human capital</p>	 <p>Quality Education.</p>

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

2.9 BUSINESS PERFORMANCE (CONTINUED)


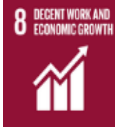


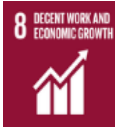
2.9.2 Sustainable Growth in Action: Delivering Products and Services That Drive National Development and SDG Achievement (Continued)

Bank Achievement and Impact to the Economy	Metrics and Targets (KPIs)	Relevant National Development Agenda (Vision 2025 / Sector Goals)	Relevant SDGs
<p>academic programs and institutional partnerships.</p> <p>Field student engagement: Hosting 141 students across diverse disciplines (2024: 124), strengthening practical exposure and workforce readiness. The bank continued expansion of partnerships with universities and vocational institutes to scale student placements and enhance employability outcomes.</p> <p>Capital allocation: Education financing represents 23.2% of core capital, underscoring the institution's prioritization of youth empowerment as a strategic pillar.</p>		development and youth skills enhancement.	 Gender Equality.  Decent Work & Economic Growth
<p>SME Development & Private Sector Growth: the year ended with an outstanding loan of TZS 230.4 (2024: TZS 139.0) billion being directed to SMEs and informal-sector actors to help them formalize operations, increase productions, improve compliance, and scale sustainably.</p>	<p>Strong and competitive economy</p> <p>High-quality livelihood.</p> <p>Absence of abject poverty.</p>	<p>Strengthens private sector competitiveness and industrialization under Vision 2025.</p>	 Decent Work & Economic Growth.  Industry, & Innovation Infrastructure
<p>Financial Inclusion & Supporting the Unbanked: The Bank expanded financial access to underserved populations through partnerships with mobile operators and digital</p>	<p>Digitalisation of banking services and customisation of the products.</p>	<p>Supports Vision 2025 financial deepening, digital economy growth, and inclusive financial services</p>	 No Poverty.

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

2.9 BUSINESS PERFORMANCE (CONTINUED)




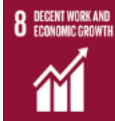
2.9.2 Sustainable Growth in Action: Delivering Products and Services That Drive National Development and SDG Achievement (Continued)

Bank Achievement and Impact to the Economy	Metrics and Targets (KPIs)	Relevant National Development Agenda (Vision 2025 / Sector Goals)	Relevant SDGs
<p>platforms, disbursing TZS 66 billion in microfinance loans in 2025 (2024: 80 billion). The Asili diaspora account enabled Tanzanians abroad to save and invest back home.</p> <p>Through group-based programs such as Jikwamue, VICOBA, Mwanamke Hodari and Jembe products, the Bank closed with outstanding balance of TZS 23 billion loans (2024: TZS 33.2 billion), turning previously unbankable groups into active participants in the formal financial system and enhancing community self-reliance and entrepreneurship.</p>		<p>for underserved communities.</p>	<p> Quality Education.</p> <p> Decent Work & Economic Growth.</p> <p> Reduced Inequalities</p>
<p>Gender Equality & Women’s Economic Advancement: Azania Bank continued to champion women’s economic empowerment in 2025 through its flagship Mwanamke Hodari financing program, which recorded an outstanding loan portfolio of TZS 15.9 billion, up from TZS 14.5 billion in 2024. This growth underscores the Bank’s commitment to expanding financial access for women entrepreneurs and advancing inclusive economic participation.</p> <p>The Bank maintained a highly inclusive workforce,</p>	<p>Participation of all social group by redressed racial and gender imbalances.</p>	<p>Drives gender equality and women-led enterprise development, aligned with Vision 2025 inclusive economic participation.</p>	<p> Gender Equality.</p> <p> Decent Work & Economic Growth</p>

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

2.9 BUSINESS PERFORMANCE (CONTINUED)




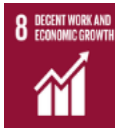

2.9.2 Sustainable Growth in Action: Delivering Products and Services That Drive National Development and SDG Achievement (Continued)

Bank Achievement and Impact to the Economy	Metrics and Targets (KPIs)	Relevant National Development Agenda (Vision 2025 / Sector Goals)	Relevant SDGs
<p>with a 52:48 gender representation being 344 male and 379 female employees compared to 329 men and 351 women in 2024. This balance reflects Azania Bank's strong commitment to equality and diversity in the workplace.</p>			
<p>Employee Welfare, Talent Development & Gender Balance: Employee welfare was reinforced through comprehensive medical coverage for staff and up to five dependents, ensuring holistic support for employees and their families. The bank aid 9% of the payroll cost for employees and their 5 family dependants health care.</p> <p>In addition, 294(2024: 249) employees benefited from professional development programs, equipping them with enhanced skills to drive innovation and service excellence.</p> <p>The Bank also strengthened its future talent pipeline by offering 141 internships in 2025, up from 124 in 2024. This initiative highlights the Bank's dedication to nurturing young professionals and building capacity for the financial</p>	<p>Strong and competitive economy</p>	<p>Aligns with Vision 2025 goals for a skilled, productive, and gender-balanced national workforce.</p>	<div data-bbox="1105 978 1219 1094">  <p>SDG 3 - Good Health & Well-being.</p> </div> <div data-bbox="1105 1163 1230 1283">  <p>Quality Education.</p> </div> <div data-bbox="1105 1356 1252 1493">  <p>Gender Equality.</p> </div> <div data-bbox="1105 1535 1219 1654">  <p>Decent Work & Economic Growth</p> </div>

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

2.9 BUSINESS PERFORMANCE (CONTINUED)




2.9.2 Sustainable Growth in Action: Delivering Products and Services That Drive National Development and SDG Achievement (Continued)

Bank Achievement and Impact to the Economy	Metrics and Targets (KPIs)	Relevant National Development Agenda (Vision 2025 / Sector Goals)	Relevant SDGs
sector's long-term sustainability.			
<p>Clean Energy & Environmental Sustainability: To support national clean-energy transition and reduce environmental pollution, the Bank's investment in financing electricity, gas, and hydropower projects stood at TZS 63.2 (2024: TZS 70.9) billion. In addition, the Bank financed environmentally responsible projects that ensure proper waste management and safe disposal of harmful materials, contributing to climate mitigation and sustainable resource use.</p>	<p>Climate Change Adaptation and Impacts Mitigation Measures</p> <p>Strong and competitive economy</p>	<p>Supports Vision 2025 green growth, industrial energy access, and national clean energy strategies.</p>	<p> Affordable & Clean Energy.</p> <p> Responsible Consumption & Production.</p> <p> Climate Action</p>
<p>Shareholder Value Creation: The Bank enhanced investor confidence and long-term value creation by paying TZS 47.26 per share (TZS 8.8 billion) dividends in 2025, an increase from TZS 30.54 per share (TZS 5.7 billion) in 2024. This reflects sound financial management and sustainable profitability.</p>	<p>Strong and competitive economy.</p>	<p>Promotes financial market stability and wealth creation under Vision 2025 economic targets.</p>	<p> Decent Work & Economic Growth</p>
<p>National Development Support (Tax Contribution): Azania Bank contributed TZS 38.4 (2024: TZS 33.4) billion in taxes to the Government of Tanzania, supporting national development</p>	<p>Strong and competitive economy</p>	<p>Supports national fiscal capacity, public investment, and socio-economic development.</p>	<p> Partnerships for the Goals</p>

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

2.9 BUSINESS PERFORMANCE (CONTIUED)

2.9.2 Sustainable Growth in Action: Delivering Products and Services That Drive National Development and SDG Achievement (Continued)

Bank Achievement and Impact to the Economy	Metrics and Targets (KPIs)	Relevant National Development Agenda (Vision 2025 / Sector Goals)	Relevant SDGs
programs, infrastructure expansion, and the delivery of public services.			
<p>CSR & Community Empowerment: TZS 1.5 (2024: TZS 1.1) billion for health, orphanages, innovation and technology, trade, financial literacy, women empowerment, clean energy and environmental sustainability.</p>	<p>Build strong communities and High-quality livelihood. Absence of abject poverty.</p>	<p>Supports Vision 2025 social welfare, youth empowerment, and poverty-reduction initiatives.</p>	 No Poverty.  Quality Education.  Reduced Inequalities.

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

2.9 BUSINESS PERFORMANCE (CONTINUED)

2.9.3 Financial Risks Associated with Climate Change

The bank is dedicated to incorporating Environmental, Social, and Governance (ESG) considerations into its business operations and decision-making processes. Our sustainability and success are significantly influenced by ESG risks. Banking activities face threats from internal and external treats like natural disasters and cyber-attacks, societal opinions, and regulatory bodies. To ensure sustainable business growth, financial performance, and the bank's long-term viability, we actively mitigate potential risks associated with climate change and its economic and financial impacts through all of the bank's instruments and resources.

(a) What Does the Bank Focus on Regarding ESG

The bank is enhancing its three lines of defence by increasing awareness and training. It also implements clear policies and procedures to ensure that all business transactions, as well as the creation of assets and liabilities, prioritize the mitigation of environmental, social, and governance risks.



On environmental issues, we focus on several key areas: air pollution (including carbon footprint reduction and greenhouse gas emissions), waste management (with attention to both land and water impacts), energy management and efficiency (focusing on renewable resources and alternative energies), biodiversity loss (addressing the transformation of resources), sustainable land use, and climate change strategies (which involve managing risks and opportunities related to climate).

During the year, the bank took the following actions:

- (i) Conducted climate-related financial risk assessments for each project financed during client onboarding, credit applications, and the credit review process.
- (ii) Increased awareness among employees and customers regarding the challenges and opportunities presented by climate change.
- (iii) Implemented effective business continuity management. Those in governance strengthened the data center and established off-site disaster recovery (DR) sites along with succession plans for each business unit. For isolated branches that may require additional costs for customers to access nearby locations in the event of a disaster, DR sites have been set up.
- (iv) Ensured that the performance of the bank is aligned with the well-being of our customers. Those in governance made certain that all projects and businesses financed by the bank were adequately insured. Thus, clients who encountered disasters during the year were compensated according to their insurance policies.

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

2.9 BUSINESS PERFORMANCE (CONTINUED)

2.9.3 Financial Risks Associated with Climate Change (Continued)

(b) What Does the Bank Focus on Regarding ESG (Continued)

At the core of our operations, we remain committed to advancing social well-being and fostering inclusive growth. Our initiatives are anchored on diversity, equality, and inclusion, while also addressing pressing societal needs across health, education, housing, food security, and community development.



On Social issues, we focus on:

- (i) Diversity, equality, and inclusion (including anti-discrimination), human rights and modern slavery, employee health and safety, decent houses, labor relations and practice, customer privacy and security, product quality, and safety, employment benefits (Fair pay and living wages) and health care and education.
- (ii) Give back to society; The bank contributed TZS 1.5 billion to corporate social investment, focusing on health, orphanages, innovation and technology, trade, financial literacy, women empowerment, clean energy and environmental sustainability.
- (iii) Ensuring food security in the society; more than TZS 266.8 billion have been invested in agriculture and agro-processing sectors.
- (iv) To build a healthy society, a total of TZS 29.2 (2024: TZS 19.4) billion has been invested in constructing hospitals, health centers, and dispensaries, as well as in the purchase and sale of medical equipment.
- (v) To provide decent housing for the community, a total of TZS TZS 422.7 (2024: 318.7) billion has been invested in mortgage financing, real estate development, constructions, transport and communication. This investment has facilitated the construction of quality business centers and residential buildings across the country and infrastructures.
- (vi) To foster a well-educated society and prepare a skilled workforce, the bank invested over TZS 111.7 (2024: TZS 99.8) billion in the education sector and hosted a total of 141 (2024: 124) field students for practical learning experiences.
- (vii) To improve individuals' standard of living, the bank had an outstanding investment of TZS 889.9 (2024: TZS 396.2) billion as personal loans to assist them in meeting family and community obligations.

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

2.9 BUSINESS PERFORMANCE (CONTINUED)

2.9.3 Financial Risks Associated with Climate Change (Continued)

(c) What Do We Care About ESG (Continued)



On Governance issues, we focus on: fundamentals to the success of any organization. At Azania Bank, we integrate governance practices at all levels, with oversight from our Board of Directors. The bank prioritizes transparency and integrity in its communications, providing full, accurate, and clear information to all stakeholders. We are dedicated to adhering to the best practices of corporate governance relevant to our operations and continuously strive to enhance our compliance in this area.

(i) The Board of Directors has formed a sub-committee to oversee the bank's going concern regarding business continuity, financial and capital performance, operational effectiveness, and the management of skilled manpower. This sub-committee also ensures that the value generated by the bank is shared with society and created in a way that protects the environment.

(ii) The Board Human Resource Committee ensures that the bank consistently has a sufficient number of motivated, well-trained, and skilled employees. Additionally, the committee works to maintain good relationships with the surrounding community. Furthermore, the committee is responsible for ensuring that the succession plan is in place and kept up to date.

(iii) The Board Audit Committee is responsible for ensuring governance, controls and risk management are operating effectively, that the bank is well-funded, adequately capitalized, and maintains sufficient liquidity. They also oversee that the bank's investments are well-balanced and that both long-term and short-term strategic objectives are effectively implemented, monitored, and evaluated. Additionally, the committee ensures that financial performance and operational efficiency are audited annually by external auditors.

(iv) The Board Credit Committee is responsible for ensuring that the bank's credit portfolio is of high quality and generates adequate income. It works to mitigate the risks associated with portfolio creation and ensures that the financed businesses and projects comply with the bank's policies and the laws of the country.

(v) The Board Risk Committee ensures that financial, operational, and market risks are properly managed and effectively mitigated to facilitate the bank's daily operations.

(vi) Bank management ensures daily business activities are well-governed, and operations run smoothly.

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

2.9 BUSINESS PERFORMANCE (CONTINUED)

2.9.3 Financial Risks Associated with Climate Change (Continued)

(d) What is Our Focus on ESG

To comply with ESG requirements, the bank has identified key focus areas that serve as the pillars of its ESG strategy.

The bank encourages its customers to adopt and adhere to ESG (Environmental, Social, and Governance) principles, particularly those with exposure to environmental issues, climate change, and social well-being. It ensures customers recognize that climate change is a critical issue and emphasizes investments that prioritize environmental care across all operational areas.

Additionally, they should maintain an active community engagement program to help communities and economies prosper. Promote engagement and diversity in employment, ensure fair remuneration, and prioritize the health and well-being of its staff. They should also focus on retaining employees and upholding a code of conduct while adhering to ethical business practices and corporate governance standards.

2.9.3.1 Our Achievements in Implementing ESG Practices

The bank continued financing clean energy, ending the year with TZS 63.2 billion invested in clean energy businesses. This led to an increased number of people transitioning from charcoal to gas, which ultimately helps protect the environment.

During the year, 256 (2024: 132) insured farmers bank customers incurred losses resulting from accidents, fire, and natural calamities. All affected customers were fully compensated by insurers. This outcome not only reinforces confidence in the bank's risk management framework but also highlights the critical role of agricultural risk coverage in safeguarding livelihoods and strengthening resilience within the insured portfolio.

The Bank emphasizes that all customers whose businesses generate negative externalities must comply with the Environmental Impact Assessment (EIA) before funds are disbursed.

In 2025, the Bank of Tanzania implemented wide-ranging regulatory and policy reforms that reinforced consumer protection, strengthened market discipline and monetary policy effectiveness, promoted financial inclusion, and aligned Tanzania's financial sector with international standards on sustainability and climate-risk management, while safeguarding systemic stability and integrity.

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

2.9 BUSINESS PERFORMANCE (CONTINUED)

2.9.4 Key Updates for Regulatory Environment

<p>Financial Consumer Protection (Amendment) Regulations; The amendments strengthened disclosure and accountability requirements by mandating upfront disclosure of fees, prior BoT approval for changes in charges, refunds for fraud-related losses not caused by consumer negligence, and quarterly publication of interest rates and charges in Kiswahili and English. Complaint resolution timelines were tightened, with penalties introduced for non-compliance.</p>	<p>Foreign Currency Usage Regulations; The Tanzanian shilling was reaffirmed as the sole legal tender for domestic transactions. Pricing and settlement in foreign currency are prohibited except in limited, specified cases. Existing foreign-currency-denominated contracts must be regularized within one year.</p>	<p>Non-Interest (Shari’ah-Compliant) Banking Regulations; A comprehensive framework for non-interest banking was introduced, requiring dedicated governance structures, separate accounts, Shari’ah Advisory Committees, and enhanced disclosure and reporting. Clear rules govern permissible financing structures and the treatment of non-permissible income, with enforcement measures for breaches.</p>
<p>Digital Payments Circular (TIPS Charges); Caps were introduced on bank-to-wallet and wallet-to-bank transfer charges, ranging from TZS 10 to TZS 5,000 depending on transaction value, effective July 2025. Institutions are encouraged to further reduce fees to support affordability and digital financial inclusion.</p>	<p>Collateral Framework for Liquidity Operations; All liquidity facilities must now be fully collateralized using Treasury bills and bonds, subject to daily valuation, margin calls, and standardized haircuts ranging from 0.5% to 25% based on maturity. The framework aligns with international best practice and strengthens monetary policy transmission.</p>	<p>Consumer Complaints Guidelines; Financial institutions are required to establish accessible complaint-handling mechanisms, appoint dedicated officers, comply with statutory resolution timelines, and submit monthly reports. Complaints may be escalated through SEMA NA BOT platforms, with records retained for a minimum of five years.</p>
<p>Sustainability Reporting Guidelines; Banks must disclose sustainability-related governance, strategy, risk management, and performance metrics in line with IFRS standards. Key areas include ESG factors, financial inclusion, data security, and business ethics. A phased implementation roadmap (2025-2029) includes greenhouse gas emissions reporting.</p>	<p>Climate-Related Financial Risks Guidelines; Institutions are required to integrate climate risk into governance and risk management frameworks, supported by scenario analysis and stress testing. Disclosures cover financed emissions, climate-vulnerable assets, and capital allocation to climate-related opportunities, aligning with Basel and ISSB standards and replacing the 2022 framework.</p>	<p>Foreign Exchange Auction Rules; New rules enhanced transparency and efficiency in the Interbank Foreign Exchange Market by standardizing eligibility, bidding, allocation, settlement procedures, and penalties.</p>

2.9.5 Competition

The technological level of banking activities in the country, as well as mobile network operators and convenience on financial transactions, has increased competition in the financial services. However, a competitive edge relies on network stability and disruptions that provide customers with a range of choices. Azania Bank continues maximizing the usage of the available opportunities in this competitive environment to penetrate and enhance its services to customers and transform services to more customer convenience. During the year, the bank continued to partner with Mobile Network Operators on customer product and service delivery. The bank continued to issue and enhance electronic short-term loans and advances.

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

2.10 THE BANK CAPITAL

Azania Bank continues to advance its vision of becoming a one-stop financial centre, delivering sustainable value to shareholders, customers, regulators, employees, service providers, and business partners. Value creation is achieved through the efficient deployment of financial, human, intellectual, natural, manufactured, and social capital, ensuring long-term growth and resilience.

Financial Capital: The maintenance of adequate financial capital remains a core governance priority. During the year, both debt and equity levels increased optimally compared to the prior period, reflecting strengthened stakeholder confidence and prudent capital management. These enhancements supported operational efficiency, business growth, and the Bank's strategic objectives. Notably, the Bank successfully received a total of TZS 150 billion as convertible preference share from existing ordinary shareholder.

Human Capital: Azania Bank ensures the availability of skilled and motivated employees to deliver superior customer experience. Human capital requirements were met through internships for short-term needs and permanent and contract employment for long-term needs. The workforce increased to 723 employees (2024: 680), with gender diversity maintained at 52% female and 48% male, achieving the Bank's 50:50 target. In addition, 141 (2024:124) field students from various education levels were supported through learning and research opportunities.

Intellectual Capital: The Bank sustained its strong market reputation through customer-focused product design, innovation, and technology-enabled service delivery. Investments in digital platforms enhanced operational efficiency, expanded service offerings, and improved customer experience, reinforcing Azania Bank's brand as a provider of accessible, reliable, and innovative financial solutions.

Natural Capital: Azania Bank remains committed to responsible environmental stewardship by financing projects with minimal environmental impact and adhering to ESG principles. During the year, the Bank strengthened efficient resource utilization practices, including responsible water and electricity usage and the safe disposal of undesirable materials, supporting both sustainability and cost efficiency. In addition, the enhancement of digital salary loans and Boom Loans significantly reduced paper usage through end-to-end digital processing, contributing to environmental conservation and reinforcing the Bank's commitment to sustainable banking practices for future generations.

Manufactured Capital: The Bank expanded its nationwide service delivery infrastructure through cost-efficient channels while maintaining service quality. Operations were supported by 28 branches, 13 service centres, 41 ATMs, 14 service desks, 5 bureau de change outlets, over 8 thousand agents and robust mobile and internet banking platforms. Extended service hours, including 24/7 operations at selected branches, improved accessibility and convenience. In-house technology capabilities further enhanced service speed and affordability for customers and business partners.

Social Capital: Azania Bank's strong brand is underpinned by trusted relationships with shareholders, customers, employees, regulators, suppliers, business partners, and surrounding communities. During the year, the Bank enhanced service turnaround times and actively participated in community initiatives through sponsorships and corporate representation, reinforcing its role as a responsible corporate citizen and strengthening stakeholder trust.

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

2.11 BOARD OF DIRECTORS

Board of directors Composition, appointments, roles and responsibilities, meetings and attendance, succession plan and Board effectiveness evaluation.

•Board composition

In the year ended 31 December 2025 Azania Bank Plc had a Board comprising of 9 Non-Executive Directors and one Executive Director. The Chairman of the Board and two Non-Executive Directors are independent pursuant to the requirement of the Banking and Financial Institutions (Licensing) Regulations, 2008.

•Appointments to the Board

Directors are subject to periodic re-appointment in accordance with the Bank's Articles of Association. On appointment, the Directors receive an induction covering the Bank's business and operations and an appreciation of the key risk areas. The Directors are advised of the legal, regulatory, and other obligations of the Director of a Bank. The Directors also receive continuous training on key issues relating to the Bank, to enable them to discharge their duties effectively.

•Roles and responsibilities

The Board meets on quarterly basis at least four times a year. The Board delegates the day-to-day management of the business to the Managing Director assisted by the executive management team. Executive management team facilitates the effective control of the bank's operational activities, acting as a medium of communication between different business units. 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 sets a standard in a manner that actions of directors and employees are in the best interest of the Bank and reflect the commitment to maintain highest standards of integrity, ethical behaviour and compliance with all applicable internal and external laws and regulations.

•Board meetings and attendance

During the year ended 31 December 2025, the Board held four scheduled ordinary meetings as required by regulations and three extra-ordinary meetings. The Bank is committed to the principles of effective corporate governance. The directors also recognize the importance of integrity, transparency, and accountability. The Board of Directors has four sub-committees which ensure a high standard of corporate governance throughout the Bank.

•Succession planning

The Bank has in place a succession plan for the Board, which is updated regularly to ensure and maintain a balance of critical skills on the Board of Directors.

•Board effectiveness evaluation

To assess the performance of the Board, its committees and individual Directors, the Board conducts a rigorous performance evaluation regularly. The process is led by the Chairman and supported by the Company Secretary. The last evaluation was conducted in April 2025 and the deficiencies depicted from the evaluation are being addressed and well tracked with the objective of improving the effectiveness of the Board.

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

2.11 BOARD OF DIRECTORS (CONTINUED)

Board Members

The Directors of the Bank, who have served in office during the year, and to the date of this report, are as follows:

			
<p>Eng. Julius B. Ndyamukama</p> <ul style="list-style-type: none">•Gender-Male•Nationality - Tanzanian•Position- Chairman•Age - 69 years•Date of appointment - 17 December 2019•Qualification/Discipline - Bsc. (Civil Engineering), MSc. (Highway Engineering)•Representation - independent director.	<p>Mr. Felix M. Maagi.</p> <ul style="list-style-type: none">•Gender-Male•Nationality - Tanzanian•Position- Vice Chairman•Age - 55 years•Date of appointment - 25 September 2017•Qualification/Discipline - B. Com, MBA, CPA(T)•Representation - independent director.•Ceased to be a director effective from 25th August 2025	<p>Dr. Esther G. Mang'anya</p> <ul style="list-style-type: none">•Gender-Female•Nationality - Tanzanian•Position- Member & Managing Director•Age - 54 years•Date of appointment - 6 January, 2022•Qualification/Discipline - BA-Economics, MBA, Phd•Representation - Executive.	<p>Mr. Charles G. Singili</p> <ul style="list-style-type: none">•Gender-Male•Nationality - Tanzanian•Position- Member•Age - 68 years•Date of appointment - 17 February 2024•Qualification/Discipline - BCom, CPA(T)•Representation - non-executive.

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

2.11 BOARD OF DIRECTORS (CONTINUED)


Board Members (Continued)

			
<p>Mr. Patrick John Ngwila</p> <ul style="list-style-type: none">•Gender-Male•Nationality - Tanzanian•Position- Member•Age - 44 years•Date of appointment - 11 June 2021•Qualification/Discipline - BAF, Msc- Social Protection Financing•Representation - non-executive.	<p>Ms Vupe Ligate.</p> <ul style="list-style-type: none">•Gender-Female•Nationality - Tanzanian•Position- Member•Age - 57 years•Date of appointment - 8 April 2019•Qualification/Discipline - LLB, MA (Gender & Development).•Representation - non-executive.	<p>Mr. Stephen L. Wambura.</p> <ul style="list-style-type: none">•Gender-Male•Nationality - Tanzanian•Position- Member•Age - 50 years•Date of appointment - 29 April 2024•Qualification/Discipline - BSC. Agriculture, The Masters in Entrepreneurship and interprises Development MEED•Representation - non-executive.	<p>Ms Happiness Jonathan Sima.</p> <ul style="list-style-type: none">•Gender-Female•Nationality - Tanzanian•Position- Member•Age - 51 years•Date of appointment - 8 November 2021•Qualification/Discipline - ADA, MBA - Corporate Management, CPA(T)•Representation - non-executive.

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

2.11 BOARD OF DIRECTORS (CONTINUED)

Board Members (Continued)

			
<p>Mrs Neema R. Kuwite</p> <ul style="list-style-type: none">•Gender-Female•Nationality - Tanzanian•Position- Member•Age - 52 years•Date of appointment - 27 October 2024.•Qualification/Discipline - B.Com, LLB, PGD-Leadership, MBA, CPA(T).•Representation - non-executive.	<p>Mr. Lushelo Njeje</p> <ul style="list-style-type: none">•Gender-Male•Nationality - Tanzanian•Position- Member•Age - 47 years•Date of appointment - 8 April 2019•Qualification/Discipline - B. Com, MBA-Finance and Manpower Planning, CPA (T), CPSP.•Representation - non-executive.	<p>Mr. Rashid K. Mchatta</p> <ul style="list-style-type: none">•Gender-Male•Nationality - Tanzanian•Position- Member•Age - 55 years•Date of appointment - 25 September 2017•Qualification/Discipline - BSc Information and Management System (IMS), MSc. (IMS).•Representation - independent director•ceased to be a director effective from 25th August 2025	<p>Mr. Yahya Majid Ally</p> <p>Gender-Male</p> <ul style="list-style-type: none">•Nationality - Tanzanian•Position- Member•Age - 57 years•Date of appointment - 2 May 2023•Qualification/Discipline - B. Com, MBA, CPA(T), CPSP•Representation - non-executive.

As of 31 December 2025, the role of Company Secretary was held by Mr. Charles Mugila, who also served as the Bank's Director of Legal Services, overseeing all legal and governance-related functions.

2.12 CORPORATE GOVERNANCE

The Board is committed to the principles of good corporate governance and recognize the importance of integrity, competency, responsibility, fairness, transparency, and accountability as well as the need to conduct the business in accordance with the generally accepted best business practices. In so doing the directors therefore confirm that:

- (i) The Board of Directors met regularly throughout the year.
- (ii) They retain full and effective control over the Bank and monitor executive management.
- (iii) The positions of Chairman and Managing Director are held by different people.
- (iv) The Chairman of the Board of Directors is a non-executive.
- (v) The Board accepts and exercises responsibility for strategic and policy decisions, the approval of budgets and monitoring of the institution's performance.
- (vi) The Board is not involved in day-to-day operations of the Bank, the task which is vested to the management team under the Managing Director.

Activities
Performed by the
Board of Directors
During the year
ended 31
December 2025.

- (i) Approved the 2024 financial reports of the bank while ensuring that, were prepared accurately and in accordance with IFRS accounting standards.
- (ii) Communicated to shareholders on the bank's performance for the year ended 31 December 2024.
- (iii) Evaluated the implementation and outcome for the 2025 corporate budget and strategic plan and approved the revised 2023/2027 strategic plan.
- (iv) Protected interest of the shareholders by preparing strategic objectives.
- (v) Approved the 2026 corporate budget of the bank.
- (vi) Approved the annual remuneration and budget of the internal audit function.
- (vii) Monitored and evaluated internal control of the management of the Bank by ensuring that assets of the bank are safeguarded.
- (viii) Reviewed and approved bank policies and frameworks.

2.12.1 Rights of Shareholders

The Bank recognizes and protects the rights of all Shareholders and treats them equitably. Over and above the basic voting rights accorded to Shareholders, the Shareholders are involved in approving major strategic and corporate decisions of the Bank that have a material impact on the equity or economic interests or share ownership rights of existing Shareholders. They are properly engaged through General meetings. The Shareholders are encouraged from time to time to exercise their rights, including to keep themselves informed about their Bank for them to make decisions. Information about the Bank's performance is provided through annual reports/accounts, which are annually distributed to them.

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

2.12 CORPORATE GOVERNANCE (CONTINUED)

2.12.2 Board Committee Members and Attendance

The Board has formed Committees that act on behalf of the Board in specific areas to direct the Bank effectively and accelerate the decision-making process.

Name of the Director	Membership and attendance	Board	Board Audit Committee	Board Credit Committee	Board Risk Management and Compliance Committee	Board Human Resources Committee
Meetings	Ordinary Meetings	4	4	4	4	4
Eng. Julius B. Ndyamukama	Membership	Chairman				
	Attendance	4				
Mr Felix M. Maagi*	Membership	Vice Chairman	Chairman			
	Attendance	3	3			
Mr. Luseshelo Njeje	Membership	Member		Chairman	Member	Member
	Attendance	4		4	1	4
Mr. Patrick Ngwila	Membership	Member		Member	Chairman	Member
	Attendance	4		4	4	4
Ms. Vupe Ligate	Membership	Member		Member	Member	Chairperson
	Attendance	3		4	1	4
Ms. Happiness Sima	Membership	Member	Member		Member	
	Attendance	2	1		1	
Mr. Yahya Majid Ally	Membership	Member			Member	
	Attendance	2			4	
Mr. Rashid K. Mchatta**	Membership	Member	Member			
	Attendance	3	3			
Stephen Wambura	Membership	Member	Member			
	Attendance	3	1			
Mr. Charles G. Singili	Membership	Member				
	Attendance	4	3			
Mrs Neema R. Kuwite	Membership	Member				
	Attendance	4	2			
Dr. Rhimo Nyansaho ***	Membership	member				
	Attendance	1				

* Mr Felix M. Maagi ceased to be a director effective from 25th August 2025, thus, during the year attended three scheduled board meeting.

** Mr. Rashid K. Mchatta ceased to be a director effective from 25th August 2025, thus, during the year attended three scheduled board meeting.

*** Dr. Rhimo S Nyansaho Appointed as a Director on 7th August 2025 and obtained clearance from the Bank of Tanzania on 19th August 2025. During the year, he attended one Board meeting. Following his presidential appointment as a Member of Parliament of the United Republic of Tanzania on 10th November 2025, he ceased to be a director.

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

2.12 CORPORATE GOVERNANCE (CONTINUED)

2.12.3 Board Committees Activities



Board Audit Committee: The main responsibilities of the Committee are to review financial information and monitor the effectiveness of management information and internal control systems. In addition, the Committee deliberates on the significant findings arising from internal and external audit and review findings by the Financial Sector Supervision Directorate of the Bank of Tanzania. In the course of the year, the Committee undertook the following key activities:

- Reviewed and proposed to the Board the 2026 corporate budget, and assessed progress on the implementation of the 2023-2027 Strategic Plan, including outlook and priorities.
- Reviewed and evaluated the Internal Audit Charter, internal audit strategies, and the annual internal audit plan, including scope, audit cycle, and budget, and made recommendations to the Board for approval.
- Reviewed and recommended to the board for its approval, the annual remuneration of the internal audit function.
- Prepared and recommended to the Board the 2024 financial statements according to the IFRS accounting standards.
- Monitored and deliberated on matters relating to information and communication technology (ICT) governance and cybersecurity risks to ensure system resilience and data integrity.



Board Credit Committee: The Committee is responsible for the review of the bank's overall lending policy, conducting independent loan reviews, review of lending limits and is responsible for the overall management of credit risk.

- Reviewed and approved all credit accommodations that were within the Committee's mandate.
- Monitored specific industry trends, evaluated the appropriateness, and recommended to the Board for approval new acceptability of banks sectoral credit limits.
- Monitored the quality of the portfolio and provided appropriate measures to ensure good performance of the assets.
- Reviewed and monitored the provisioning mechanism to ensure the bank is adequately provided to cover uncertainties.



Board Risk Management and Compliance Committee: The Committee assists the Board in fulfilling its primary responsibilities by establishing and implementing the Risk Management framework of the Bank. The Risk Management framework focuses on risk management processes which involve risk identification, evaluation, measurement, monitoring and mitigation.

- Reviewed and endorsed the Board for approval the annual risk management and compliance plan and evaluated its performance.
- Reviewed and evaluated the report and performance of customer complaints and financial consumer protection matters.
- Monitored and evaluated the risk position of the Bank in terms of capital adequacy, liquidity position, credit, compliance, operational, market as well as strategic risks.



Board Human Resources Committee: The Committee deals with all matters pertaining to employees' welfare including recruitment and remuneration.

- Reviewed and approved the Bank's succession plan for the Management and key positions.
- Reviewed and evaluated the organization's compliance with the Bank's code of conduct.
- Maintained adequate human capital to support business performance and growth.
- Ensured that employee's matter and discussed and keep employees motivated throughout the year.

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

2.13 REMUNERATION OF BOARD OF DIRECTORS











Directors' fees and other payments to Board members are approved by the Annual General Meeting. During the year, Directors' fees amounted to TZS 912 million (2024: TZS 278 million). In addition, the Bank incurred TZS 1,012 million (2024: TZS 621 million) in Board-related costs, including meeting facilitation and Directors' training. Further details on Board expenses and management compensation are disclosed in Note 40 on related party transactions and disclosures.

2.14 DIRECTORS' INTEREST

Mr. Charles G. Singili has an interest in the share capital of the bank forming part of the minority shareholding. He holds 0.01% of the ordinary share capital.

2.15 MANAGEMENT OF THE BANK

The Board of Directors is entrusted with the supervision of the bank, and the day-to-day management is under the Managing Director, who is assisted by Directors. As of 31 December 2025, the organizational structure of the Bank comprised the following departments:

					
Managing Director Dr. Esther Mang'anya	Director of Legal services and Company Secretary Mr. Charles Mugila	Acting Director of Business Development Mr. Yahaya Mbanka*	Director of Finance and Planning Mrs. Jacqueline Tinkasimile	Director of Operations Mr. Jabir Kassanga	Director of Treasury and Capital Market Mr. Gilbert Mwandimila
					
Director of Credit •Ms. Vianey Rimisho	Acting Director of Information and Communication Technology •Mr. Vinesh Davda	Director of Risk Management and compliance •Mr. Rukwaro Senkoro	Director of Internal Audit •Mr. Oswald Matilya		

The Managing Director Reports to the Board of Directors while all Directors report to the Managing Director except the Director of Internal Audit, who functionally reports to the Board Audit Committee and administratively to the Managing Director.

*Mr. Yahaya Albert Mbanka and Mr. Vinesh Davda were subsequently appointed on 16 February 2026 by the Board of Directors.

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

2.16 SHAREHOLDERS AND CAPITAL STRUCTURE

2.16.1 Ordinary Shareholders

As of 31 December 2025, the following shareholders held shares in Azania Bank Plc:

NAME OF SHAREHOLDER	2025		2024	
	Number of shares held	% Shareholding	Number of shares held	% Shareholding
PUBLIC SERVICE SOCIAL SECURITY FUND (PSSSF)	95,193,608	51.13%	95,193,608	51.24%
NATIONAL SOCIAL SECURITY FUND (NSSF)	52,008,161	27.93%	52,008,161	27.99%
NATIONAL HEALTH INSURANCE FUND (NHIF)	33,324,545	17.90%	33,324,545	17.94%
WORKERS COMPENSATION FUND (WCF)	3,309,246	1.78%	3,309,246	1.78%
EAST AFRICAN DEVELOPMENT BANK (EADB)	931,812	0.50%	931,812	0.50%
MINORITY SHAREHOLDERS (LESS THAN 1% EACH)	1,428,699	0.77%	1,016,499	0.55%
TOTAL	186,196,071	100.00%	185,783,871	100.00%

During the year ended 31 December 2025, 412,200 (2024: 37,000) new ordinary shares were injected at a face value of TZS 1,000.00 per share. The injection was made by minority shareholders.

2.16.2 Convertible Preference Share

During the year, PSSSF granted TZS 150 billion through a 9% convertible preference share, strengthening both Tier 1 and Tier 2 capital. This capital enhancement significantly improved the Bank's capital base and enabled the expansion of business investments.

2.17 ACCOUNTING POLICIES

The accounting policies used in the preparation of the accounts are set on Note 6 to the financial statements and they are in line with the IFRS Accounting Standards.

2.18 PERFORMANCE FOR THE YEAR

2.18.1 Statement of Profit or Loss and Other Comprehensive Income

The Bank's financial results are presented in detail on page 60 of the financial statements. For the year ended 31 December 2025, the Bank achieved a robust profit before tax of TZS 70,858 million, marking a substantial increase from TZS 40,443 million reported in 2024. This strong performance was primarily driven by expanded business activities, which significantly boosted both interest and non-interest income streams.

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

2.18 PERFORMANCE FOR THE YEAR (CONTINUED)

2.18.1 Statement of Profit or Loss and Other Comprehensive Income (Continued)

Total interest income rose by 40% year-on-year to TZS 322,204 million (2024: TZS 232,633 million), reflecting the Bank's strategic focus on asset growth and portfolio diversification. Key contributors included: Loans and Advances Interest income surged to TZS 276,205 million (2024: TZS 197,683 million), supported by increased lending volumes and improved asset quality. Digital Lending: Income from digital loan products climbed to TZS 50,277 million (2024: TZS 29,687 million), underscoring the Bank's commitment to innovation and financial inclusion. Government Securities: Investment income from Treasury instruments rose to TZS 35,559 million (2024: TZS 28,606 million), benefiting from prudent asset allocation and favourable market conditions.

Interest expenses grew by 40% to TZS 170,776 million (2024: TZS 118,669 million), largely due to a rise in interest-bearing liabilities. This reflects the Bank's strategic funding initiatives to support asset growth while maintaining a balanced cost of funds.

The Bank recorded a 23% increase in fees and commissions income, reaching TZS 22,033 million (2024: TZS 17,849 million). This growth reflects continued expansion in transactional volumes and service offerings. At the same time, fees and commissions expenses rose by 24% to TZS 5,261 million (2024: TZS 4,237 million), driven by higher activity levels and associated service costs.

Operating expenses increased by 11% to TZS 89,983 million (2024: TZS 80,929 million), reflecting the impact of expanded business operations. Key drivers included:

- ❖ Personnel Expenses: Up by 5.8%, consistent with workforce expansion and talent development initiatives.
- ❖ Premises maintenance costs: Increased by 20.1%, reflecting higher operational intensity and business expansions.
- ❖ Equipment Maintenance Costs: Increased by 19.5%, reflecting higher operational intensity and infrastructure upkeep.
- ❖ Other Operating Expenses: Increased by 18.4%, largely due to higher operational activity, infrastructure investments, and compliance-related costs.

The overall rise in operating expenses underscores the Bank's strategic growth trajectory, balancing investment in capacity with prudent cost management.

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

2.18 PERFORMANCE FOR THE YEAR (CONTINUED)

2.18.2 Financial Position

The Bank closed the year ended 31 December 2025 with a notable result, demonstrating resilience and strategic growth. Total assets increased by 50% to TZS 3.660 trillion from TZS 2.442 trillion in 2024, compared to 14% growth in the prior year. This expansion was driven by higher customer lending, debt instruments, and balances with other banks. The asset growth highlights the Bank's effective resource mobilization, prudent risk management, and strengthened balance sheet in support of broader economic activity.

Key asset categories recorded notable improvements during the year. Net loans and advances to customers increased to TZS 2,656,596 million from TZS 1,820,630 million, a 46% growth that highlights the Bank's continued support for business and consumer financing. Debt instruments at amortized cost rose to TZS 363,219 million from TZS 258,637 million, reflecting a diversified investment strategy. Property and equipment grew to TZS 16,850 million from TZS 12,423 million, while other assets increased to TZS 136,166 million from TZS 51,480 million, further strengthening operational capacity. Net loans and advances to banks surged to TZS 170,641 million from TZS 76,155 million, being a 124% increase.

On the liabilities hand, customer deposits climbed to TZS 2,460,784 million from TZS 1,595,417 million recorded in 2024, a 54% increase that reflects customer confidence in the Bank's products, services, and reputation. Loans and advances from banks rose to TZS 413,211 million from TZS 322,335 million a previous year record, supporting short term obligations and investment initiatives. The revolving credit line increased to TZS 78,107 million from TZS 76,999 million, while the corporate bond closed at TZS 63,338 million compared to TZS 58,769 million in 2024. These developments illustrate the Bank's ability to balance growth with liquidity and funding stability.

Equity strengthened to TZS 516,359 million from TZS 311,614 million, a 66% increase supported by retained earnings and convertible preference share capital injection. Profit after tax rose by 61% to TZS 61,185 million from TZS 38,029 million, while comprehensive income after tax improved to TZS 63,112 million from TZS 40,485 million, driven by higher interest income and effective cost control. Core capital adequacy ratios increased to 24.48% and total capital to 24.48% (2024: 14.35%), comfortably above regulatory minimums of 10% for core capital and 12% for total capital. Overall, the Bank's performance in 2025 reflects sound governance, operational efficiency, and a solid foundation for sustainable future growth.

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

2.18 PERFORMANCE FOR THE YEAR (CONTINUED)

2.18.3 Key Performance Indicators

Indicator	Definition and Formula	2025	2024
Return on Equity	Net Profit/Average Total Equity	18.05%	12.93%
Return on Assets	Profit Before Tax/Average Total Assets	2.32%	1.76%
Non-interest income to Gross income	Non-Interest Income/(Interest + non-interest Income)	13.48%	14.80%
Interest Expense to Interest Income	Interest Expense/Interest Income	53.00%	51.01%
Operating expenses to Operating income	Operating Expenses/(Net interest income + non-interest income)	47.95%	52.42%
Non-interest expense to gross income	Non-interest expenses (including provisions)/ (Interest + non-interest income)	30.06%	41.73%
Non-performing loans to total loans and advances	Non-Performing Loans / Gross Loans	3.32%	5.96%
Loans to total assets	Net Loans/Total Assets	72.64%	74.60%
Growth on Loans and Advances to customers	(Current -prev. year net loans)/prev. year Net Loans	45.11%	13.77%
Growth on customer deposits	(Current -previous year total customer deposits)/ previous year total customer deposits	54.24%	12.80%
Growth on total assets	(Current -prev. year total assets)/prev. year total Assets	49.89%	13.45%
Tier 1 Capital	Core Capital/Risk Weighted Assets (incl. Off B. sheet)	24.48%	14.35%
Tier 1+Tier 2 Capital	Total Core Capital/Risk Weighted Assets (incl. Off B. sheet)	24.48%	14.35%

2.18.4 Cashflow and Liquidity Management

During the year under review, the Bank's investment activities were financed through a combination of shareholder capital and deposits mobilized from the public. Customer deposits recorded a substantial increase of TZS 865,239 million compared to TZS 180,992 million in 2024. This growth was primarily driven by customers' continued satisfaction with the Bank's products and services, as well as the institution's strong reputation in the market. In addition to deposits, loans and advances from banks rose to TZS 90,876 million compared to TZS 33,857 million in 2024, reflecting the Bank's strategic use of external financing to support investments across diverse business avenues.

The revolving credit line balance increased by TZS 1,109 million, compared to a decline of TZS 32,302 million in the prior year, largely due to the maturity of certain contracts during the reporting period, this was compensated by receipt of TZS 78,529 million from long term borrowings and successfully as well as 9% convertible preference share amounted to

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

2.18 PERFORMANCE FOR THE YEAR (CONTINUED)

2.18.4 Cashflow and Liquidity Management (Continued)

150,000 million. Furthermore, other creditors increased by TZS 14,919 million, underscoring the Bank's ability to attract additional financing sources to strengthen its liquidity position.

On the expenditure side, significant outflows were recorded in loans and advances to customers, which amounted to TZS 835,966 million compared to TZS 218,916 million in 2024. The statutory minimum reserve requirement increased by TZS 49,370 million (2024: TZS 12,390 million), from the prior year. Investments in debt instruments at amortized cost rose sharply to TZS 104,582 million compared to TZS 20,878 million in 2024, while loans and advances to banks utilised TZS 94,487 million compared to TZS 2,964 million in the previous year. These outflows reflect the Bank's commitment to expanding its lending portfolio and strengthening its investment base in line with regulatory requirements and market opportunities.

Despite the considerable outflows, the Bank's operations continued to be financed by proceeds generated from its business investments. The overall cash flow position remained stable, ensuring that the Bank maintained sufficient liquidity to support ongoing operations, meet statutory obligations, and pursue future growth initiatives. This stability demonstrates prudent financial management and reinforces the Bank's resilience in sustaining business continuity while delivering value to shareholders and customers alike. Liquidity management of the Bank continues to be of high importance, and more details on liquidity risk management are given in note 42.3 to financial statements.

2.18.5 Dividend Payment

Maximizing shareholders' value is the paramount agenda of those charged with governance. Profit generation, enhancement of retained earnings, and adequate capital attainments enabled the bank to pay dividends to shareholders for three years consecutively. The profit and dividend have been increasing year after year.

Period	2021	2022	2023	2024	2025
					Proposed
Dividend per share (TZS/share) Paid during the year	25	30.54	47.26	61.41	96.39
Amount (TZS billion)	4.648	5.665	8.779	11.409	17.948

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

2.19 FUTURE DEVELOPMENT PLAN

The annual performance of 2025 marked the third year of implementation of the Bank's five-year strategic plan, which is ending in 2027, driven by four strategic themes: Technology Efficiency and growth, Empowering Employees, Stakeholders' Relationship Management, and Stakeholders' value creation. The year ended with the Board of Directors reviewing the 2023/2027 strategic performance and approving the 2025 corporate budgets, objectives, and goals being a continued implementation and monitoring of the long-term strategy that ends in 2027.

The long-term plan is driven by banking beyond ordinary to all of the bank's products and services to continue creating shared values between the bank and its stakeholders, aiming to ensure sustainable business and financial performance. The bank will continue excelling in customer experience services by increasing the number of branches, bank agents, service centres, and collection centres and enhancing technological alternative channels, so the bank's products and services become more convenient to the customers to enable the realization of the vision.

During the year 2025, the bank continued to enhance its digital micro-loans products by expanding the customer base and the coverage needs as well as a digital platform that provides more convenience to our customers. To remain relevant and competitive in the industry, we continue to enhance and expand the usage of the existing alternative channel products such as Internet banking, mobile banking, and agent banking to complement the existing traditional banking. These products and services give the bank a competitive advantage in service delivery. To achieve this, the bank will focus on the following:

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

2.19 FUTURE DEVELOPMENT PLAN (CONTINUED)



Continue to enhance control, governance, and risk management practices to adequately comply and remain competitive including attaining ISO certification, enhanced enterprise risk management, automation of compliance management and modernized performance management.



Cultivating talent, driving productivity and fueling long-term growth.



Embracing partnerships and collaboration with other market players. All goes hand in hand with improved business continuity management and disaster recovery plans.



Enhance comprehensive and secured ICT platforms to achieve cost-effective and efficient operations and improved delivery capability to improve service delivery through critical processes automation, deployment of artificial intelligence, and data analytics to deliver personalized services.

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

2.19 FUTURE DEVELOPMENT PLAN (CONTINUED)



Grow quality assets and Liabilities through enhanced business support, quality assurance and continued business relationship management teams.



Grow bank capital by pursuing private placement and long-term funds as well as going to Initial Public Offering(IPO).



Adherence to climatic change financing by maximizing the shared value and maximizing the created opportunities while protecting environment. The bank has in place the ESG policy that requires all banks' investments, funding and operational practices to adhere to the environmental, social and governance requirements.



Network expansion to increase the market share of the Bank through digital and non-digital channels including deployment of Agency Banking, Mobile and Internet Banking and increase in service centres and branches.

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

2.20 RISK MANAGEMENT AND INTERNAL CONTROL

Internal control and risk management continue to be fundamental components of the Bank's governance framework, which are essential for the successful realization of its short-term, medium-term, and long-term strategic objectives. In 2025, the Bank increased the accountability of its enterprise medium-term embedding across all levels of staff. Today's business activities require that each employee contribute to sustainable value creation while simultaneously protecting the Bank's interests.

The Risk Management Function continues to oversee the implementation of robust risk frameworks, including enhanced stress testing, scenario analysis, and climate-related risk assessments. The Internal Audit Function independently evaluates the adequacy and effectiveness of these processes, ensuring continuous improvement and alignment with international best practices.

The Board of Directors retains ultimate responsibility for the Bank's risk management and internal control systems. Management is tasked with designing, maintaining, and monitoring adequate financial, operational, and compliance controls that provide reasonable assurance in respect of:

- i. Operational effectiveness and efficiency: Streamlined processes, digital risk monitoring, and automation to reduce operational vulnerabilities.
- ii. Safeguarding of assets: Strengthened cybersecurity protocols, enhanced fraud detection, and improved asset protection measures.
- iii. Regulatory compliance: Adherence to evolving local and international banking regulations, including Basel II/III, IFRSs, and ESG disclosure requirements.
- iv. Reliability of accounting records: Integration of advanced reporting tools and real-time reconciliation systems to ensure transparency and accuracy.
- v. Business continuity: Updated resilience frameworks covering cyber incidents, geopolitical risks, and climate related disruptions.
- vi. Responsible stakeholder conduct: Reinforced ethical standards, customer protection measures, and sustainability commitments.

The effectiveness of any internal control system depends on strict adherence to prescribed measures. While the risk of non-compliance by staff cannot be fully eliminated, the Bank's system is designed to provide the Board with reasonable assurance that controls are operating as intended.

During the financial year ending 31 December 2025, the Board, through its Audit and Risk Committees, conducted comprehensive assessments of the Bank's internal control environment. These reviews confirmed that the systems in place meet accepted governance and regulatory criteria, and that continuous enhancements are being implemented to address emerging risks in digital banking, sustainability, and global financial markets.

General Risks the Bank is facing and the overall mitigation strategies.

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

2.20 RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

Risk	Credit Risk	Liquidity Risk	Market Risk
Definition	The possibility of a loss resulting from a customer's failure to repay a loan or meet contractual obligations	Refers to an inability to meet its obligations (whether real or perceived) threatens financial position or existence.	The risk of financial loss on earnings arising from adverse movement in market rates or prices such as interest rates, foreign exchange rates, commodity prices. Market volatility may create an opportunity when open positions are properly managed.
Mitigation strategies	Our credit risk management strategies aim at achieving quality assets and managed concentration. Risk management is done throughout the credit circle from origination, repayments monitoring to recovery. The Bank has management credit committee and the Board credit committee to ensure proper governance in managing credit risk.	Our strategies aim daily risk assessment to ensure maturing obligations are met on a daily basis and a forecast of future positions. This is done through Liquidity Management and Asset-Liability management (ALM) Committee (ALCO).	The Bank manages market risk through the Asset and Liability Management Committee and on a daily basis by Treasury and Capital Market function. Risk and Compliance function independently monitors and reports on the risk-taking against risk tolerance levels.

Risk	Compliance Risk	Operational Risk	Strategic Risk
Definition	This is a potential exposure to legal penalties, financial forfeiture, and material loss, resulting from failure to act in accordance with laws, rules, agreements and regulations, internal policies or prescribed best practices. Compliance risk is also known as integrity risk.	This is a risk of a change in value caused by the fact that actual losses incurred resulting from inadequate or failed internal processes, or people, or systems, or from external events.	This is the risk that failed business decisions may pose to the Bank. Decisions may be influenced with operating environment changes.
Mitigation strategies	Compliance risk management strategies include putting in place compliance policies and procedures, dedicated compliance function and automated compliance management tools. New regulations or laws are interpreted by Legal function and disseminated to all to understand.	The Bank strategies to mitigate operational risks include having proper policies and procedures, implementation of operational risk management tools including risk and controls self-assessment, operational risk registers, incidents logs. The Management operational risk committee (ORCO) is responsible for assessment and monitoring of operational risks. All risk owners are responsible for the identification of risks and putting measures to control its occurrence.	Finance and Planning function through it strategy unit performs a Strength, Weaknesses, Opportunities and Challenges (SWOC) analysis to determine factors that would affect attainment of the Strategy. The assessment includes assessment of political, economic, social, technological, legal, and environmental (PASTLE) conditions when developing strategic plans. Implementation of strategy is monitored on quarterly and on annual basis to ensure performance is aligned with the strategy from the Management to the Board level.

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

2.21 SERIOUS PREJUDICIAL MATTER

In the opinion of the Directors, there are no serious prejudicial matters that can affect the Bank.

2.22 SOLVENCY

The Board of Directors confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. The Board has a reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future.

On 31 December 2025, the Bank's assets exceeded its liabilities by TZS 516,359 million (2024: TZS 311,614 million). Consequently, the Bank is solvent and able to meet its obligations in full.

2.23 EMPLOYEE WELFARE

2.23.1 Management and Employees' Relationship

There were continuous good relations between employees and management for the year ending 31 December 2025. There were no unresolved complaints received by the management from employees during the year. Also, during this period, employees' participation in social events like regional and organizational marathons and group health checks increased.

2.23.2 Employment opportunities and gender parity

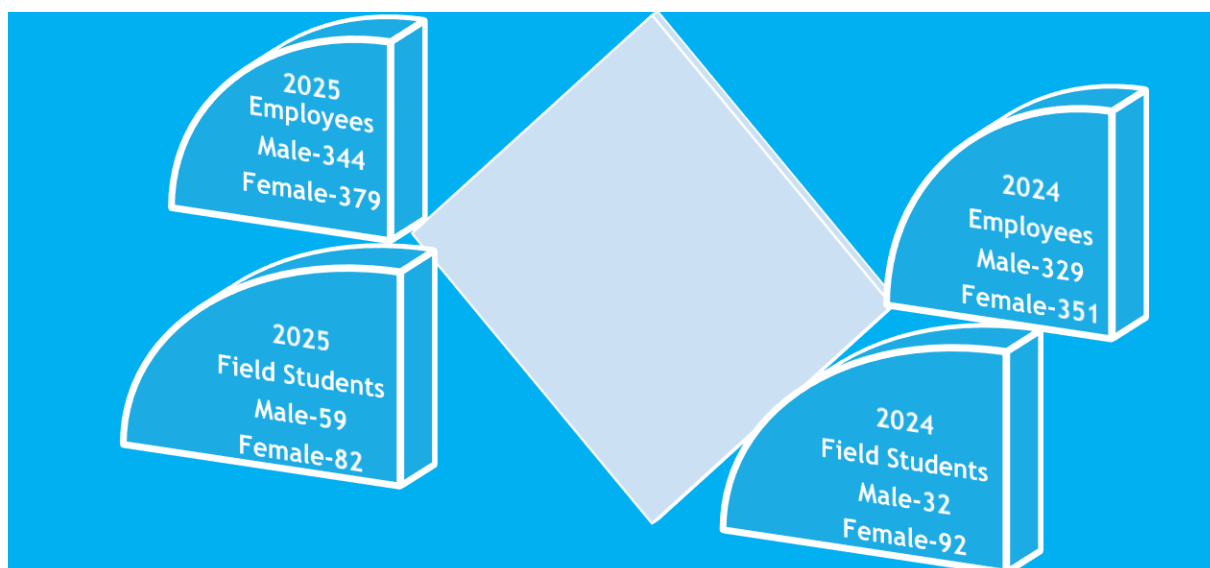
The Bank is an equal-opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position, free from discrimination of any kind. It is committed to equal opportunity employment as part of its broader ESG agenda, ensuring that recruitment and promotion are based solely on merit. Employment decisions are free from discrimination and are not influenced by gender, marital status, tribe, religion, or disability, except where such conditions materially affect the ability to perform assigned duties. This approach reflects the Bank's dedication to social responsibility, diversity, and strong governance practices, reinforcing its role as a responsible corporate citizen.

As of 31 December 2025, the Bank employed 723 staff members compared to 680 in 2024, reflecting steady growth in human capital. The workforce composition remained balanced, with 48% male and 52% female employees, consistent with the prior year. This stability underscores the Bank's sustained commitment to diversity, equity, and inclusion, reinforcing its ESG priorities and ensuring representation across all levels of the organization.

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

2.23 EMPLOYEE WELFARE (CONTINUED)

2.23.2 Employment opportunities and gender parity (continued)



During the year, the bank provided valuable opportunities for 141 students (2024: 124) from diverse educational backgrounds to gain practical, on field job experience and conduct research across its branches and departments. This initiative reflects the bank's commitment to fostering quality education and equipping the next generation with the skills and exposure needed to thrive in the workforce. By bridging academic learning with real world practice, the bank continues to play a vital role in nurturing a well prepared and capable talent pool for the country's future development.

2.23.3 Staff training

During the year ended 31 December 2025, the Bank invested TZS 744 million in staff training, compared to TZS 325 million in 2024. This represents a 129% increase (2024: 32% decrease from 2023), reflecting the Bank's dedicated efforts to equip employees with the skills required to navigate emerging business opportunities and challenges arising from technological advancements and an increasingly competitive market environment.

Those charged with governance continued to implement a blended training approach, including mass training programs, customized sessions, and online virtual learning platforms. This strategy enabled cost optimization while ensuring staff acquired relevant and practical knowledge.

Management firmly believes that operational efficiency and sustainable organizational growth are driven by a well-trained and skilled workforce. In line with this conviction, the 2026 annual training budget has been increased to TZS 1.7 billion, representing a 124% growth over 2025. This allocation underscores the Bank's commitment to enhancing staff productivity, strengthening compliance, and supporting long term institutional resilience.

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

2.23 EMPLOYEE WELFARE (CONTINUED)

2.23.4 Medical Facilities

All members of staff and up to a maximum number of six beneficiaries (principal, spouse, and dependents) for each employee have medical insurance guaranteed by the Bank.

Currently, these services are provided by the National Health Insurance Fund (NHIF). During the year, the bank paid a total of TZS 2.562 billion for employees' health insurance (2024: TZS 2.408 billion)

2.23.5 Financial assistance to staff

Loans are available to all confirmed employees depending on the assessment and are issued following the Human Resources Policy. Loans provided to staff include mortgage finance, personal loans, car loans, and salary advances and employee overdraft.

2.23.6 Employees benefit plan

The Bank pays contributions to publicly administered pension plans on a mandatory basis, which qualifies to be a defined contribution plan. The Bank's obligations in respect of these contributions are limited to 15% of the employees' monthly basic salaries.

2.23.7 Workers' Compensation Fund

This is a social security scheme established by the Government responsible for compensating workers who suffer occupational injuries or contract occupational diseases arising out of and in the course of their employment. Under this arrangement, the bank contributes to the fund 0.5% of the monthly wage bill it has paid to its staff.

2.24 RELATED PARTY TRANSACTIONS

All related party transactions and balances as of 31 December 2025 are disclosed in Note 41 to the financial statements.

2.25 POLITICAL DONATIONS

The Bank did not make any political donations during the year.

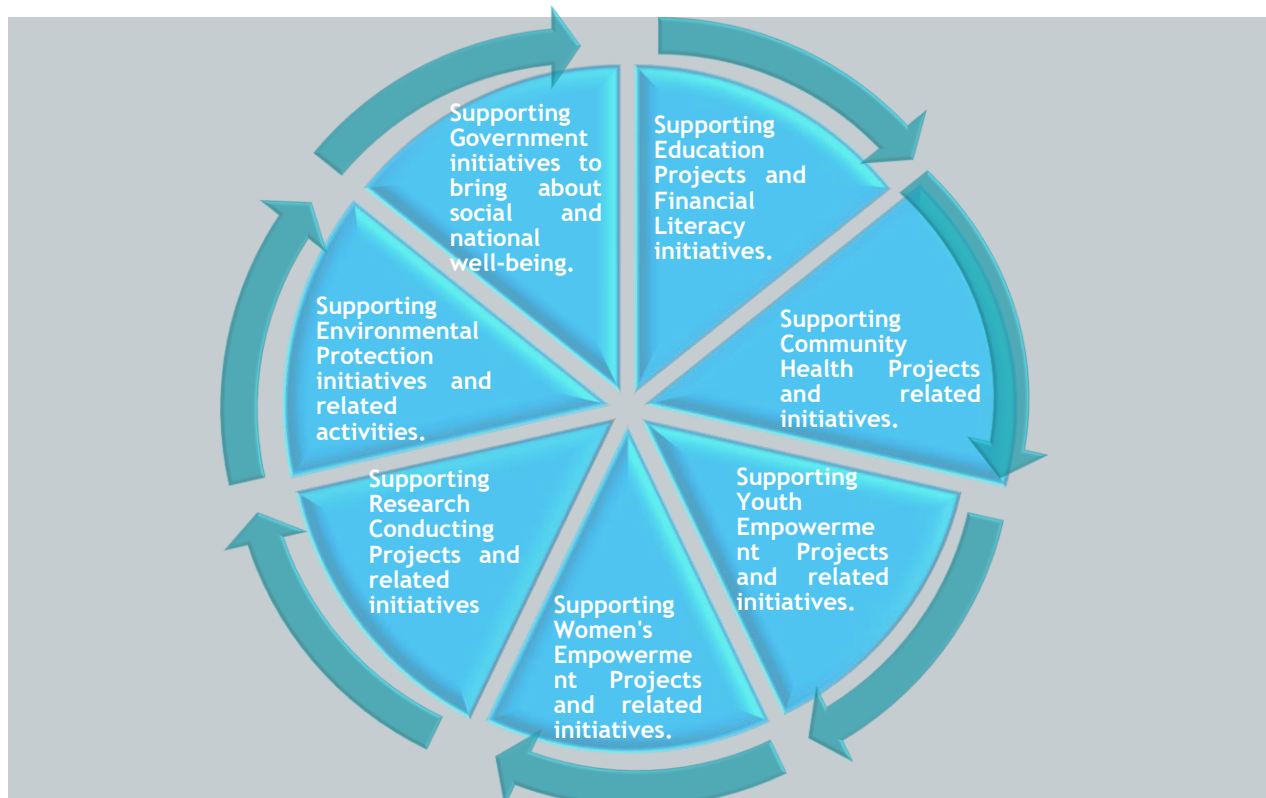
2.26 CORPORATE SOCIAL RESPONSIBILITY

The Bank has been engaging in various activities to improve the well-being of the society in which it operates. This activity demonstrates the Bank's commitment to serving society by ensuring that the community in which the Bank operates benefits from its presence. During the year, charitable donations amounting to TZS 1,531 million (2024: TZS 1,117 million) were made to various charitable organizations and institutions as part of the Bank's Corporate Social Responsibility activities.

Bank's strategy focuses on people and society; the Bank prioritizes issues most important to the business and stakeholders, and the areas where the Bank can make the greatest impact.

2.26 CORPORATE SOCIAL RESPONSIBILITY (CONTINUED)

Thus, Azania Bank’s Corporate Social Investment is always giving priority to the following areas:



During the year, Azania Bank funded several projects and events which helped to develop a unique approach to support Government Initiatives and communities. These include:

National Celebrations, Cultural Heritage and Social Cohesion: In 2025, Azania Bank invested TZS 132.9 million in initiatives promoting national unity, cultural heritage, and social cohesion. Key contributions included TZS 100 million for Mapinduzi Day National Celebrations in Zanzibar, reinforcing the Bank’s presence and community engagement, alongside support for the National Torch launch and race (TZS 25 million) and Muungano celebrations (TZS 4.96 million). Cultural diversity was further promoted through sponsorship of Swarnganga Tanzania (TZS 3 million), celebrating Indian heritage and intercultural exchange. These interventions demonstrate the Bank’s commitment to inclusive development, patriotism, and strengthening government and community relationships.

Trade, Investment and Economic Development: To support economic growth and investment facilitation, Azania Bank allocated TZS 435 million to trade and investment promotion initiatives. Major contributions included TZS 300 million to the Kigoma Business and Investment Forum, positioning Kigoma as a cross-border trade hub along Lake Tanganyika, and TZS 100 million towards Sabasaba International Trade Fair. Additional support was extended to the TUCTA-OATUU Conference (TZS 20 million) and the launch of TISEZA (TZS 15 million), fostering dialogue among investors, workers, policymakers, and financial institutions. These efforts highlight the Bank’s role in enhancing Tanzania’s investment climate and regional trade integration.

2.26 CORPORATE SOCIAL RESPONSIBILITY (CONTINUED)

Women Empowerment, Youth Inclusion and Financial Inclusion: Azania Bank invested approximately TZS 91.5 million in programs aimed at advancing gender equality, women's leadership, youth empowerment, and financial inclusion. Key initiatives included International Women's Day commemorations (TZS 59.5 million), TWCC support (TZS 7 million), TAWIFA initiatives (TZS 10 million), Power Table - Women in Diplomacy (TZS 5 million), Ilala Women Entrepreneurs Forum (TZS 10 million), and youth-focused entrepreneurship and financial literacy programs. These initiatives supported women and youth participation in leadership, entrepreneurship, and cross-border trade, reinforcing the Bank's inclusive growth strategy.

Health, Sports and Social Welfare: In support of health and social well-being, Azania Bank committed TZS 531.8 million to health, sports, and social welfare initiatives. This included sponsorship of the CRDB Marathon (TZS 7 million) supporting fistula treatment and pediatric cardiac care, Mbeya Tulia Marathon (TZS 25 million) for health and education infrastructure, Bunge Bonanza (TZS 499.8 million) supporting lawmakers' welfare and health initiatives, and community-based social support programs including orphanage assistance. These efforts reflect the Bank's commitment to improving healthcare access and social protection for vulnerable populations.

Clean Energy and Environmental Sustainability: Azania Bank invested TZS 60 million in clean energy and environmental sustainability initiatives. The Bank supported government-led clean cooking programs through Pika Kijanja (TZS 20 million), the Clean Cooking Campaign (TZS 20 million), and women-focused clean energy empowerment initiatives (TZS 20 million). These programs promoted adoption of environmentally friendly cooking solutions, contributing to improved public health, reduced environmental degradation, and climate resilience.

Capacity Building and Institutional Strengthening: To strengthen institutional effectiveness and governance, Azania Bank invested TZS 26.5 million in capacity-building initiatives. This included TZS 11.5 million for training Regional and Local Government Planning Officers on innovative public financing models and TZS 15 million for State Attorneys' training, enhancing efficiency in dispute management. These initiatives contributed to improved public service delivery, accountability, and sustainable governance.

Productive Sectors- Mining, Energy, Agriculture and Infrastructure: Azania Bank allocated approximately TZS 255 million to strategic productive sectors. This included support for the Tanzania Minerals Technology Trade Fair (TZS 20 million), Africa Energy Summit (TZS 80 million), agricultural exhibitions and summits such as Nanenane (TZS 105 million), coffee and livestock sector forums, and strategic transport infrastructure initiatives including SGR ceremonial events (TZS 50 million). These engagements strengthened sectoral development, value-chain growth, and sustainable resource utilization.

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

2.27 RESPONSIBLE BANKING: SUSTAINABILITY REPORTING

Azania Bank Plc recognises sustainability as central to its mandate as a regulated financial institution and as a key driver of long-term stakeholder value. Sustainability-related considerations, including environmental, social, and governance (ESG) factors, are integrated into the Bank's strategy, operations, risk management, and decision-making processes.

These disclosures have been prepared in alignment with the IFRS S1 and IFRS S2 ("Sustainability Disclosure Standards") and the NBAA Technical Pronouncement No. 01 of 2024. The Bank's sustainability approach supports its transformation agenda and long-term strategic priorities, strengthening financial resilience, responsible banking practices, and positive socio-economic outcomes.

As a regulated financial institution, the Bank acknowledges its role in promoting financial inclusion, economic development, ethical conduct, and environmental stewardship. This report represents a complete set of sustainability-related financial disclosures for Azania Bank Plc for the year ended 31 December 2025. This report represents a complete set of sustainability-related financial disclosures for Azania Bank PLC for the year ended 31 December 2025.

As this is the first year in which the Bank has applied the IFRS Sustainability Disclosure Standards, the Bank has elected to apply the available transitional relief. Accordingly, in this first reporting year, the Bank discloses information only on climate-related risks and opportunities and does not disclose comparative information. From next year onwards, the Bank's set of sustainability-related financial disclosures will include information on all sustainability-related risks and opportunities as per the regulatory and sustainability standards requirements that could reasonably be expected to affect the bank's prospects over the short, medium, or long term.

2.27.1 Statement of compliance

These sustainability disclosures were prepared in accordance with IFRS Sustainability Disclosure Standards. In addition to the ISSB standards, the Bank has also referred to and considered relevant disclosure topics outlined in the Sustainability Accounting Standards Board (SASB) standards for Consumer Finance.

2.27.2 Key judgements and uncertainties

In preparing these sustainability disclosures, the Bank has applied professional judgement in establishing its sustainability governance framework, including processes for identifying sustainability related risks and opportunities, materiality considerations, and related measurement approaches. Consistent with the phased implementation of IFRS Sustainability Disclosure Standards under the local regulatory roadmap, the Bank is continuing to develop the systems, data capabilities, and analytical depth required to identify and disclose specific areas of significant judgement and estimation uncertainty. As implementation progresses, these disclosures will be further refined in line with IFRS S1.

This sustainability disclosure statement is organised according to the four core pillars of sustainability-related financial disclosures: Governance, Strategy, Risk Management, and Metrics and Targets.

In preparing this report, Azania Bank applied the proportionality mechanisms and the undue cost or effort relief permitted under IFRS S1. Accordingly, qualitative disclosures have been provided in areas where quantitative information could not be obtained without incurring undue cost or effort

2.27 RESPONSIBLE BANKING: SUSTAINABILITY REPORTING (CONTINUED)

2.27.2 Key judgements and uncertainties (Continued)

Key judgements:

(i) Materiality Process

Management exercised significant judgment to identify sustainability-related risks and opportunities that could reasonably affect Azania Bank's financial prospects. In line with IFRS S1, the Bank applied a financial materiality lens to determine which information is relevant to primary users' decisions. The assessment process is detailed in **Note 5**. SASB Commercial Banks standards were also reviewed, with judgment applied to select metrics most applicable to the Bank.

(ii) GHG Emissions and Operational Boundary

Azania Bank calculated its greenhouse gas emissions using the **GHG Protocol**. Management prioritized supplier-specific data where reliable, and applied judgment in selecting calculation methods appropriate to each category. The Bank defined its operational boundary to include material sources such as fuel use in vehicles and generators, and electricity consumption across owned and leased premises, reported under Scope 1 and Scope 2.

Measurement Uncertainty

Some sustainability disclosures involve a high degree of measurement uncertainty due to reliance on estimates, assumptions, and forecasting techniques. Certain impacts cannot be measured directly and are instead derived from available data, industry benchmarks, and professional judgment.

Azania Bank applies reasonable estimation methods and ensures transparency by explaining the assumptions and limitations underlying each disclosure. As data quality improves and systems mature, the level of uncertainty is expected to reduce over time.

(i) GHG Emissions - Scope 1 & 2 (Scope 3 from 2026): Azania Bank measures greenhouse gas emissions in line with the GHG Protocol and IFRS S2. Reported metrics are subject to inherent uncertainty due to reliance on activity data and third-party emission factors. Where data is incomplete or delayed, reasonable estimation techniques are applied. See **Note 2.27.13** for details.

2.27.3 Materiality assessment

The Bank begins its materiality assessment by identifying a comprehensive list of sustainability-related risks and opportunities through review of local regulatory guidelines and the sustainability disclosure standards, national development agenda, such as Vision 2050, and sector-specific sustainability factors. Internal policy documents, credit manuals, enterprise risk frameworks, and benchmarking against local and international peers are also assessed.

Given this is the first year, the Bank is reporting under the ISSB framework, the Bank largely relied on qualitative assessment in determining the material climate related risks and opportunities. The bank applied a transition exemption to disclose climate related risks/opportunities in its first year of reporting. Disclosures on non-climate topics will be provided from the year 2026. The Bank materiality assessment process is summarised below:

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

2.27 RESPONSIBLE BANKING: SUSTAINABILITY (CONTINUED)

2.27.3 Materiality assessment (Continued)

The Bank's materiality process focused on climate-related topics, guided by IFRS S1 and S2, SASB metrics for commercial banks, and the CDSB framework. Peer disclosures and regulatory expectations from the Bank of Tanzania and NBAA were also considered.

Assessing the Effect on Prospects

Identified topics were mapped to climate-related risks and opportunities across the Bank's value chain and business model. Qualitative assessment was applied using the best available information. Some risks and opportunities are disclosed as material even though their potential financial impact cannot yet be quantified.

Outcome:

Material Topic	Identified Risks	Summary of Management Approach	Note Reference
Climate Physical Risks	Droughts and flooding	Develop sustainable products and services; embed sustainability in credit and operations; partner with key stakeholders, regulators, and investors.	2.27.5-7
Climate Transition Risks	Policy, market, technology shifts	Credit allocation; portfolio management; risk oversight; strategic positioning; governance and reporting	2.27.5-7

Impact on Business Model and Value Chain:

Climate Physical Risks - Droughts and Flooding

- Clients in agriculture, tourism, and informal trade face income volatility and operational disruption.
- Reduced repayment capacity increases credit risk and potential non-performing loans.
- Physical damage raises operational costs and weakens value chain resilience, requiring climate smart financing.

The Bank has determined that the sectors exposing it to significant physical risk include: Agriculture (classified under the Individual category in the financial statements), Transport, Tourism (within Trading and Commercial), and Construction and Real Estate (within the others category). For details on exposure amounts to these sectors, refer to Note 43.13 in the financial statements

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

2.27 RESPONSIBLE BANKING: SUSTAINABILITY (CONTINUED)

2.27.3 Materiality assessment (Continued)

Climate Transition Risks - Policy, Market, Technology Shifts

- Regulatory changes increase compliance costs and affect lending policies.
- Market preference for low-carbon products requires portfolio rebalancing.
- Technological shifts create opportunities in green finance and digital solutions.
- The Bank must adapt through strategic positioning, governance oversight, and embedding sustainability in credit and portfolio management.

The Bank has determined that the sectors exposing it to significant transition risk include Transport, Manufacturing, Mining, and Construction (classified under the 'Others' category in the financial statements). For details on exposure amounts to these sectors, refer to Note 43.1.3 in the financial statements

Governance

Azania Bank's governance provides oversight and accountability for sustainability-related risks and opportunities. The Board of Directors has ultimate responsibility for the Bank's strategic direction, including the consideration of ESG matters that may affect the Bank's long-term performance and resilience. Sustainability considerations are integrated into Board-level discussions on strategy, risk appetite, compliance, and performance. Further details on the Bank's overall corporate governance framework are provided in Section 2.14 (Corporate Governance)

2.27.4 Sustainability governance structure and oversight mechanisms

Effective governance is central to embedding sustainability within Azania Bank's strategic, operational, and reporting systems. The Bank has established a multi-tiered governance structure that ensures clear accountability, leadership, and integration of sustainability and ESG matters at every level of decision-making.

2.27.4.1 Governance structure

Azania Bank's sustainability governance operates through the following interconnected tiers:

a) Board of Directors (Level 1 - Strategic oversight)

The Board of Directors is the highest governing body responsible for setting the Bank's sustainability vision and ensuring ESG considerations are fully integrated into the Bank's strategic priorities.

The Board of Directors is responsible for setting the Bank's sustainability vision and ensuring that ESG considerations are fully integrated into strategic priorities. The Board approves the Sustainability and ESG framework, relevant policies, and strategic plans, and oversees management's performance in delivering sustainability commitments. The Board also reviews sustainability and climate-related risks within the Enterprise Risk Management Framework and approves the annual Sustainability and ESG Disclosures prior to publication. The Board executes its oversight through specialized committees, principally the **Board Risk Management and Compliance (BRCC)**, and the **Board Audit Committee (BAC)**, which jointly review sustainability and ESG risk matters and monitor regulatory compliance.

2.27 RESPONSIBLE BANKING: SUSTAINABILITY (CONTINUED)

2.27.4 Sustainability governance structure and oversight mechanisms (continued)

2.27.4.1 Governance structure (continued)

b) Executive Management (Level 2 - Implementation Leadership)

The Executive Management Team, led by the Managing Director (MD), is responsible for the day-to-day implementation of sustainability initiatives and for translating the Board's strategic direction into operational plans.

The key responsibilities of the executive management involve integrating ESG considerations into business plans, budgets, and departmental objectives; ensuring that sustainability and ESG risks are included in credit, investment, and operational processes; coordinating the cross-functional implementation of green finance, climate risk assessment, and reporting initiatives; allocating sufficient resources for capacity building, data management, and stakeholder engagement; and submitting quarterly ESG performance reports to the Board.

c) Functional and Operational Units (Level 3 - Execution and Reporting)

Every business unit and support function is accountable for embedding sustainability principles into its day-to-day operations and decision-making.

Examples include:

- (i) **Credit Department:** Conducts environmental and social risk screening for loan applications.
- (ii) **Operations:** Ensures sustainable and efficient resource utilization and stakeholder engagement to enhance supply chain accountability.
- (iii) **Human Resources:** Leads capacity development, diversity, and employee well-being programs to foster a sustainable workforce.
- (iv) **ICT:** Advances digitalization, resource efficiency, and data governance.
- (v) **Business Development and Marketing:** Drives stakeholder communication and sustainability consideration in product and service delivery.
- (vi) **Risk Management & Compliance:** Ensures effective and efficient reporting of sustainability initiatives to the Regulator.
- (vii) **Finance & Planning:** Coordinates Sustainability & ESG considerations across the bank and ensures compliance with financial reporting requirements.
- (viii) **Treasury & Capital Market:** Mobilizes and allocates funding from sources aligned with sustainable finance principles.
- (ix) **Risk Management & Compliance:** Ensures effective and efficient reporting of sustainability initiatives to the Regulator.
- (x) **Finance & Planning:** Coordinates Sustainability & ESG considerations across the bank and ensures compliance with financial reporting requirements.
- (xi) **Treasury & Capital Market:** Mobilizes and allocates funding from sources aligned with sustainable finance principles.
- (xii) **Legal Service:** Ensures all contracts and partnerships comply with sustainability and ESG requirements
- (xiii) **Internal Audit:** Validates compliance with the sustainability framework and monitors adherence to established standards.

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

2.27 RESPONSIBLE BANKING: SUSTAINABILITY (CONTINUED)

2.27.4 Sustainability governance structure and oversight mechanisms (continued)

2.27.4.1 Governance structure (continued)

d) Functional and Operational Units (Level 3 - Execution and Reporting)

Management is in the process of establishing formal reporting processes on which each department will submit periodic ESG performance updates to the Sustainability and ESG Steering Coordinator for consolidation and reporting to management and the board.

2.27.4.2 Remuneration

The Bank does not currently apply incentive-based remuneration schemes such as performance bonuses tied directly to sustainability outcomes for its climate-related metrics and targets. However, sustainability-related responsibilities and climate governance obligations are integrated into the Bank's performance evaluation framework for the Managing Director, Directors, Heads of Units, and sustainability champions. This ensures accountability for sustainability implementation, environmental compliance, safety performance, and contribution to the Bank's climate-related objectives.

Performance evaluations incorporate assessment of progress on environmental protection, safety standards, ESG responsibilities, and the execution of sustainability-related tasks aligned with standards.

2.27.4.3 Skills and training

The Bank requires that personnel responsible for sustainability matters possess a clear understanding of sustainability and ESG and their application. To better comply with NBAA Technical Pronouncement No.01 of 2024, which mandates full sustainability reporting by 2030, management and the sustainability coordinators have already completed training on IFRS S1 and IFRS S2 and will continue to attend additional training as new or updated standards are issued. Board training on sustainability and ESG matters is scheduled to be conducted during the first quarter of 2026.

2.27.5 Strategy

The Bank's sustainability strategy represents a transformative commitment to integrate ESG considerations into its core business model, risk architecture, product suite, and value-creation processes. This is aligned with its transformation agenda and with stakeholder and regulatory expectations. As a financial services provider, sustainability-related risks and opportunities emerge primarily through its lending, investment, and operational activities. ESG considerations influence product design, credit assessment, portfolio management, and customer engagement with the goal of achieving balanced commercial and long-term sustainability outcomes. Strategic themes include financial inclusion, responsible lending, customer protection, climate-related risks, digital transformation, and human capital development. As discussed in Section 2.11.2, climate change gives rise to financial risks that may affect the Bank's credit, market, and operational risk profiles. Sustainability-related risks and opportunities are incorporated into the formulation and execution of our corporate strategy, consistent with our transformation agenda and the expectations of stakeholders and regulators.

2.27 RESPONSIBLE BANKING: SUSTAINABILITY (CONTINUED)

2.27.6 Strategy (continued)

Over the short-term (less than 12 months), medium-term (1 to 5 years), and long-term (more than 5 Years), sustainability-related risks and opportunities may affect the Bank's financial position, performance, and cash flows through shifts in credit risk profiles, regulatory requirements, operational costs, sector-specific exposures, and customer demand. The Bank continuously monitors these developments to maintain strategic resilience and to align its business model with emerging sustainability trends such as climate risk, digital ethics, biodiversity finance, and inclusive economic development.

2.27.7 Strategic Objectives and Outcomes

The overarching strategic objectives of Azania Bank's sustainability approach are to:

- Position the Bank as a **leader in sustainable and responsible finance** within Tanzania's financial sector by ensuring the Bank acts as a catalyst for inclusive, low-carbon, and climate-resilient development in the country
- **Mobilise capital toward environmentally and socially beneficial sectors**, including renewable energy, sustainable agriculture, affordable housing, green transport, SMEs, and other priority areas that support broad-based economic growth.
- **Integrate ESG and climate-related physical and transition risk assessment** - including climate-scenario analysis - into credit, investment, and enterprise-risk management systems
- **Prepare and publish a transparent Annual Sustainability Report**. The Bank has begun preparing for potential sustainability assurance requirements in alignment with ISSA 5000 standards.

2.27.8 Financial Position

The Bank is in the process of strengthening its ability to assess sustainability-related matters in line with emerging reporting requirements. Work is underway to evaluate how climate-related and other sustainability risks may affect the Bank's financial position, performance, and cash flows. While detailed quantitative assessments are still being developed, the Bank is progressively enhancing its internal processes so that future financial reporting more fully reflects material sustainability-related risks and opportunities. For the purpose of the 2025 reporting, management has provided qualitative disclosure of the financial of its climate risk:

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

2.27 RESPONSIBLE BANKING: SUSTAINABILITY (CONTINUED)

2.27.8 Financial Position (continued)

Financial impact type	Transition risk	Physical risk
Current Financial Effects	<ul style="list-style-type: none"> No material financial impacts from climate transition risks were observed in the current reporting period. Expenditures were limited to engaging third-party support for sustainability reporting and staff training on compliance. 	<ul style="list-style-type: none"> No material financial impacts from climate physical risks were observed in the current period.
Anticipated Financial Effects	<ul style="list-style-type: none"> Increased Compliance and Regulatory Costs: Evolving climate regulations will raise operating expenses through system upgrades, risk assessment tools, staff training, assurance, and consultancy to align with IFRS S1/S2 and BoT guidelines. Higher Credit Losses in Transition-Sensitive Sectors: Clients in agriculture, transport, and informal trade may face rising costs and market pressures, increasing default risk. This could lead to higher loan-loss provisions, elevated expected credit losses (ECL), and reduced interest income, impacting portfolio profitability. 	<ul style="list-style-type: none"> Increased Credit Losses: Droughts, floods, and erratic rainfall may weaken borrower repayment capacity, raising expected credit losses and non-performing loans. Decline in Collateral Values: Climate-vulnerable assets may lose value, reduce recovery potential and increase credit losses. Higher Operational Costs: Infrastructure and service disruptions may require investment in resilient systems, backup power, and disaster-recovery measures. Reduced Revenue Growth: Lending may be limited in high-risk regions and sectors, slowing loan growth and reducing transaction volumes.

2.27.9 Climate resilience

The Bank is in the early stages of strengthening its management of climate-related risks in line with evolving sustainability-reporting expectations. Current efforts focus on enhancing the assessment of physical and transition climate risks - particularly within credit appraisal and portfolio monitoring - while progressively building the tools and data needed for more detailed scenario analysis.

Although full climate-scenario modelling has not yet been completed, the Bank is planning to implement a structured scenario-analysis program that will incorporate multiple forward-looking climate scenarios - including, at a minimum, a 1.5°C transition scenario, a delayed transition/high carbon scenario, and a physical risk-intensive warming scenario. These scenarios will be assessed across short-, medium-, and long-term horizons in line with regulatory guidance, with key assumptions based on authoritative sources such as the IPCC, IEA, and national climate-policy pathways.

The methodology will draw on the Bank's emerging ESG Data-Management System and build on the risk-identification and climate-risk integration processes described in the Sustainability & ESG Framework. The Bank is currently developing internal capabilities, systems, and data required to undertake full quantitative scenario analysis. As part of its transition plan, Azania Bank will first conduct qualitative scenario assessments, followed by progressively more quantitative analyses as more reliable data becomes available. The Bank expects to complete its first internally validated scenario-analysis suite by 2028, with governance reviews conducted by Executive Management and the relevant Board committees. Progress will be measured through annual updates of assumptions, risk-exposure maps, sector-level sensitivities, and the resulting implications for credit underwriting, portfolio alignment, capital planning, and overall risk appetite.

2.27 RESPONSIBLE BANKING: SUSTAINABILITY (CONTINUED)

2.27.9 Climate resilience (continued)

For the 2025 sustainability reporting cycle, the bank conducted a qualitative scenario analysis informed by its comprehensive understanding of the loan portfolio and Tanzania’s climate-related exposures

Scenario	Time Horizon	Impact on Azania Bank
Accelerated Transition to Net Zero	Short term (0-12 months)	Compliance costs rise from new regulations and carbon pricing.
	Medium term (1-3 years)	Improved environmental conditions reduce credit risk in vulnerable sectors.
	Long term (3+ years)	Declining physical risks and stronger resilience enhance portfolio stability and growth.
Delayed Transition with Intensifying Physical Risks	Short term (0-12 months)	Reliance on fossil fuels heightens exposure to floods and droughts, increasing loan defaults.
	Medium term (1-3 years)	Rising credit losses erode capital buffers, requiring stricter lending terms and higher provisions.
	Long term (3+ years)	Persistent physical risks undermine affordability and access to finance, raising borrowing costs.
Disorderly Transition with Market Volatility	Short term (0-12 months)	Fragmented policies drive financial instability and portfolio volatility.
	Medium term (1-3 years)	Inflation and energy shocks raise costs, while credit risks remain unpredictable.
	Long term (3+ years)	Uneven adaptation leaves risks (e.g. affordability of finance remains a challenge)

Capacity to Adjust or Adapt Strategy and Business Model

Azania Bank’s resilience to climate change is anchored in its ability to adjust capital allocation, lending focus, and product offerings as risks and opportunities evolve.

- Accelerated Transition (0-12 months): The Bank will redirect financing toward low-emission sectors and incentivize renewable energy practices.
- Delayed Transition (1-3 years): The Bank will diversify the loan portfolio and strengthen data systems to manage prolonged exposure.
- High Physical Risk (3+ years): The Bank will reinforce risk frameworks, invest in climate-resilient infrastructure, and enhance operational continuity.

2.27 RESPONSIBLE BANKING: SUSTAINABILITY (CONTINUED)

2.27.10 Decarbonization Strategy

Since this is our first year of IFRS S2 implementation, the Bank has not yet fully developed a comprehensive decarbonisation strategy. IFRS S2 requires disclosure of any existing transition plan but does not mandate that such a plan be fully established in the initial reporting year. The Bank is currently in the process of developing its decarbonisation strategies, to find the ones that better suit us and will enhance disclosures as internal capabilities, data availability and modelling capacity mature. Further details on the Bank's decarbonisation strategy are provided in note 2.27.5.

2.27.11 Risk Management

The Bank is in the early stages to integrate sustainability-related risks into the Bank's enterprise risk management framework. These will include environmental risks (such as climate-related impacts on borrowers), social risks (including customer welfare, labour practices, and community impacts), and governance risks (such as ethics, compliance, and data protection).

The Bank is progressively strengthening its management of climate-related risks. Early-stage efforts include improving assessment of physical risks (flooding, droughts, extreme weather) and transition risks (policy shifts, technology transitions, market changes). The Bank has established climate-risk identification processes within the Bank's three lines of defence framework, comprising risk owners, the risk management function, and internal audit. The Bank has already taken concrete steps to embed ESG considerations into corporate governance, credit-approval documentation, and decision-making processes.

To strengthen alignment with IFRS S2, the Bank is currently formalising and expanding its climate-risk identification methodologies. This includes defining the specific assessment methods applied, the frequency of climate-risk assessments, the thresholds used to determine materiality, and the alignment of these thresholds with the approved risk appetite.

The Bank has begun integrating climate-related considerations into credit assessments; however, it is now developing more structured and granular approaches for assessing climate risks across portfolios. In particular:

- i. The Bank is establishing a clear and differentiated mapping of physical and transition climate risks, which is not yet fully embedded in existing risk processes.
- ii. Work is ongoing to develop sector-specific assessment tools, risk taxonomies, and impact pathways to support more consistent and comprehensive evaluation of climate-related exposures.
- iii. The implementation of the bank's core climate-risk management practices through controls embedded in credit appraisal, operational risk procedures, and enterprise-wide oversight mechanisms is in progress. ESG considerations to be introduced into procurement, investment decisions, and internal performance management.
- iv. To advance its transition towards full IFRS S2 alignment, the Bank is actively enhancing its climate-risk management capabilities by:
 - v. Integrating climate-related risks into ICAAP and credit-risk models, with ongoing work to establish clear links between climate risks and capital adequacy.
 - vi. Strengthening modelling of climate-related financial impacts, including potential effects on expected credit losses, capital requirements, and portfolio profitability.

2.27 RESPONSIBLE BANKING: SUSTAINABILITY (CONTINUED)

2.27.11 Risk Management (continued)

- vii. Enhancing documentation, validation, and governance processes for climate-related information across all risk and control functions.
- viii. Climate-related risks are progressively being integrated into the Bank's Enterprise Risk Management Framework (ERMF). ESG and climate-risk information is already tabled in quarterly reports to senior management and Board Committees. Recent work on sustainability frameworks, policies, and governance structures demonstrates tangible progress in embedding climate-risk considerations within the Bank's broader risk architecture.
- ix. To complete this integration, the Bank is currently:
 - x. Embedding climate-risk indicators, metrics, and assessment outputs into enterprise-wide risk reporting and monitoring tools.
 - xi. Strengthening coordination between risk, credit, sustainability, finance, and strategy functions to ensure consistent treatment of climate-risk exposures.
 - xii. Enhancing systems, data quality, and internal controls to support reliable ESG data capture and reporting in line with ISSA 5000, IFRS S1/S2, and NBAA TP No. 1 (2024)
- xiii. Risk management policies and procedures are regularly reviewed to ensure alignment with regulatory expectations, industry best practices, and the Bank's risk appetite.

2.27.12 Metrics and targets

The Bank reports sustainability-related metrics in line with Sustainability Disclosure Standards, focusing on indicators that reflect the Bank's exposure to key environmental, social, governance, and sustainable finance risks and opportunities. These metrics inform internal decision-making and support transparent reporting to stakeholders.

2.27.12.1 Environmental metrics (operational footprint)

- i. **Scope 1:** Fuel use from Bank-owned vehicles and generators, with corresponding GHG emissions estimates.
- ii. **Scope 2:** Electricity consumption across branches and offices, with related GHG emissions estimates.
- iii. **Resource Efficiency:** Paper consumption, water-use efficiency, waste generation and recycling rates, energy-efficiency initiatives, green-procurement practices, and digitalisation measures that reduce operational resource use, with reporting expanded as data becomes available.
- iv. Data coverage for Scope 3 and broader environmental impacts is still being developed as part of the Bank's ESG data system enhancement.

Social metrics

- v. **Human capital:** Employee gender diversity, training hours per employee, staff turnover trends, and occupational health and safety performance.
- vi. **Financial inclusion:** Growth in customer accounts, expanded access for underserved groups, and increased adoption of digital and alternative banking channels.
- vii. **Gender equality & empowerment:** Promotion of gender balance, support for women and youth economic inclusion, and programmes that enhance fair participation across demographic groups.

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

2.27 RESPONSIBLE BANKING: SUSTAINABILITY (CONTINUED)

2.27.12 Metrics and targets (continued)

2.27.12.1 Environmental metrics (operational footprint) (continued)

- viii. **Community & social impact:** Investments in education, community development initiatives, and targeted social support that strengthen societal well-being and resilience.

2.27.12.2 Governance metrics

- i. **Regulatory Compliance:** Oversight of prudential and sustainability related regulatory requirements, monitoring of compliance obligations, and timely resolution of regulatory findings.
- ii. **Ethics & Conduct:** Implementation of clear conduct policies, completion of mandatory ethics and compliance training, and transparent handling of misconduct or whistleblowing cases.
- iii. **Risk governance & internal controls:** Execution of three lines of defence processes, regular risk assessments, monitoring adherence to risk appetite, and closure of internal audit findings.
- iv. **Data governance & technology resilience:** Strengthened datacentre and disaster recovery capabilities, cybersecurity monitoring, and employee cyber awareness training.
- v. **Sustainability governance:** Board-level oversight of ESG matters, dedicated sustainability structures, and integration of ESG responsibilities into management performance.
- vi. **Lending volumes:** Lending to clean energy, SME, agribusiness, and other priority sectors that support inclusive and sustainable economic development.
- vii. **Impact-oriented products:** Uptake of products designed to deliver environmental or social benefits, including solutions that expand access to finance for underserved groups and support economic empowerment.

The Bank is developing capabilities to assess exposure to climate vulnerable sectors and to quantify financed emissions in line with emerging expectations of the IFRS S2 and the BoT's Sustainability Reporting Guidelines.

The Bank is in the process of strengthening its internal capability to assess how sustainability-related matters—especially climate risks—affect its financial position, performance, and cash flows. Quantitative metrics are not yet fully developed, but the Bank is working to establish the measurement systems required for full IFRS S1/S2 alignment. Future reporting will incorporate clearer metrics for financed emissions, green-finance ratios, portfolio exposures to climate-sensitive sectors, operational resource efficiency, and social inclusion indicators.

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

2.27 RESPONSIBLE BANKING: SUSTAINABILITY (CONTINUED)

2.27.12 Metrics and targets (continued)

2.27.12.3 Targets

At the reporting date, the Bank has not yet set formal climate related or sustainability-related targets, including GHG emissions reduction targets or portfolio alignment goals, as allowed under IFRS S2 when target-setting capabilities are still being built.

While the Bank is currently applying transitional relief under IFRS S2, the Bank is actively planning to develop and disclose a comprehensive set of sustainability- and climate-related targets as part of its maturing ESG and climate-risk management capabilities. The Bank intends to establish clear targets for financed emissions reduction (using the PCAF methodology), operational emissions reduction (Scope 1 and Scope 2), and sustainable finance origination, supported by a defined baseline year that will be confirmed once underlying data verification is completed. These targets will use measurable indicators such as emissions intensity, portfolio alignment metrics, sector-level exposure limits, and volumes of green or social financing. Target setting will follow the Bank's governance approval pathway, beginning with technical validation by the Sustainability & ESG Unit, review by Executive Management, and formal endorsement by the Board Risk Management and Compliance Committee.

Progress will be measured through periodic monitoring against defined KPIs, annual tracking of emissions and sustainable-finance outcomes, and assessment of year-on-year improvements. The Bank's planned trajectory includes progressively increasing data quality and coverage, expanding target scope as more reliable information becomes available, and ultimately achieving full IFRS S1/S2 compliance in line with the Bank of Tanzania and NBA TP No. 1 of 2024 requirements.

- The Bank is strengthening its data systems, methodologies, and governance frameworks to enable the establishment of credible medium- and long-term targets in future reporting periods, operational emissions reduction- and
- Financed emissions baselines and future reduction pathways
- Growth in sustainable finance activities
- Operational efficiency improvements

Once established, targets will include baselines, timelines, and clear progress tracking mechanisms in line with IFRS S1/S2.

The Bank commits to publishing an Annual Sustainability Report aligned with ISSA 5000, IFRS S1/S2, and national reporting requirements. As internal systems mature, the Bank will introduce formal targets for climate-risk reduction, sustainable-finance expansion, operational efficiency, and inclusion, ensuring performance is tracked transparently across all relevant ESG dimensions.

2.27.13 2025 Emission results- Operational GHG emission

Azania Bank calculates its greenhouse gas (GHG) emissions by using the UNFCCC emission calculator in combination with the calculation methodologies and guidance provided by the GHG Protocol. Azania Bank applies the operational control approach to define its organizational boundary for GHG reporting. Emissions are disclosed from all facilities and assets under the Bank's operational control, regardless of ownership.

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

2.27 RESPONSIBLE BANKING: SUSTAINABILITY (CONTINUED)

2.27.13 2025 Emission results- Operational GHG emission (continued)

Scope 1 GHG emissions refer to the direct GHG emissions that occur from sources owned or controlled by the Bank. Scope 1 direct emissions primarily stem from vehicles owned or controlled by the Bank (it does not include vehicles owned by employees) and combustion of fuels in owned or controlled stationary equipment such as generators.

Scope 2 GHG emissions refer to indirect GHG emissions from the generation of electricity purchased and consumed by the Bank. Azania Bank's Scope 2 GHG emissions are measured using the location-based method, which reflects the average emissions factors of the electricity grids on which the bank consumes electricity. The Bank consumes electricity generated from the national grid. The applicable country-specific emission factor, as stated in the UNFCCC IFI 2021 Harmonized Grid Emissions Factors dataset, is presented below.

Location	Emission factor	Comments
Tanzania	0.3360 (GEF Factors Kg CO ₂)	Country-based Grid Emission Factor

2.27.14 Value chain GHG emissions (Scope 3)

The Bank's Scope 3 GHG emissions inventory considers 15 categories established by the GHG Protocol. The categories will be reviewed whenever there is a significant event or a significant change in circumstances that affects the bank's value chain. A breakdown by category is provided in the table below.

In accordance with the transition relief provided under IFRS S2, the Bank is applying the Scope 3 emissions exemption in this first year of implementation. Additionally the local regulators' implementation roadmap has given entities adopting the IFRS S1 & S2 on a phased approach. For the purpose of the 2025 report, the Bank included selected scope 3 disclosures in the 2025 report based on data availability.

Category	Emission source category		t CO _{2e}	
-GHG Protocol Standards: Corporate Scope - 1 and 2 Value Chain - Scope 3	Scope 1	Direct emissions arising from owned or controlled stationary sources that use fossil fuels and/or emit fugitive emissions	Fuels	1,330.71
		Direct emissions from owned or controlled mobile sources	Passenger/Delivery vehicles	-
		Total Scope 1		1,330.71
	Scope 2	Location-based emissions from the generation of purchased electricity, heat, steam or cooling	Electricity	334.28
		Total Scope 2		334.28
	Scope 3	Category 1: Purchased Goods and Services		-
		Category 2: Capital Goods		-
		Category 3: Fuel- and energy-related activities not included in Scope 1 greenhouse gas emissions or Scope 2 greenhouse gas emissions		17.6
		Category 7: Employee Commuting		2.02
		Total Scope 3		19.61
	Total Emissions		1684.6	

2.27 RESPONSIBLE BANKING: SUSTAINABILITY (CONTINUED)

2.27.15 Financed emissions

The Bank is at an early stage of implementing the sustainability-reporting requirements in accordance with the timelines set out in the regulatory roadmap. The Bank intends to adopt the Partnership for Carbon Accounting Financials (PCAF) Standard as its primary methodological approach for calculating financed emissions and establishing a robust, comparable, and industry-aligned GHG inventory. In the initial phase, the Bank is prioritizing asset classes most material to its lending activities - including corporate loans, SME lending, retail mortgage portfolios, and treasury investments - while temporarily excluding products where reliable emissions factors or activity-level data are unavailable. Financed-emissions calculations will be based on a hierarchical data-estimation approach consistent with PCAF, beginning with client-reported data where obtainable, followed by regional/sector benchmarks, and finally global proxy data where gaps persist.

To improve methodological completeness, Azania Bank will progressively increase its PCAF coverage by expanding data-collection engagements with clients, integrating ESG and climate-data requirements into credit-process documentation, and enhancing internal systems (e.g., the ESG Data Management System) to support portfolio-level emissions tracking. The Bank's medium-term plan is to achieve full PCAF coverage across all material portfolios, enabling more transparent disclosures, credible target-setting, and strengthened alignment with IFRS S1/S2, NBAA's TP No. 1 of 2024, and Bank of Tanzania sustainability-reporting guidelines. As these capabilities mature, the Bank will incorporate the results into its strategic planning, risk management processes, and future disclosures to support enhanced transparency and stakeholder confidence.

2.27.16 Industry-based metrics and other cross-industry metrics

The Bank is actively progressing with its adoption and integration of IFRS S2 climate-related disclosure requirements into its reporting processes. As part of this ongoing enhancement, the Bank is expanding its assessment of industry-based and cross-industry climate-related metrics, including those related to physical and transition risks as well as climate-related opportunities. We are continuing to refine the underlying methodologies and quantitative assessments, which will be integrated into upcoming reporting cycles. These efforts reflect the Bank's commitment to continuous improvement, strengthened transparency, and deeper integration of climate considerations into strategic planning and risk management.

2.27.17 Climate-related targets

In line with emerging climate-risk regulatory requirements, during this reporting period the Bank has prioritised building the internal capabilities necessary for credible and enforceable target setting. Although formal climate-related targets, including GHG emission targets, are still being worked on, the Bank has made substantial progress in strengthening data governance, refining risk-assessment methodologies, and enhancing sustainability oversight. This strengthened foundation positions the Bank to introduce well-supported and meaningful targets in upcoming reporting cycles.

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

2.27 RESPONSIBLE BANKING: SUSTAINABILITY (CONTINUED)

2.27.18 Emission Disclosures and Future Plans

Scope	Key Sources	Metrics and Targets (KPIs)	Mitigation Strategies
Scope 1: Motor vehicles and generators	Fuel combustion from bank-owned vehicles and backup generators	Fuel consumption (litres), tCO _{2e} emissions	Fleet efficiency, route optimisation, transition to hybrid/electric vehicles
Scope 2: Electricity use	Purchased electricity for branches, offices and data centres	Electricity consumption (kWh), tCO _{2e} emissions	Energy efficiency measures, LED lighting, renewable energy sourcing
Scope 3 Category 1: Purchased goods and services	Value-chain activities associated with banking operations	Estimated tCO _{2e} emissions (where data available)	Supplier engagement, digitalisation, low-carbon procurement
Scope 3 Category 2: Capital goods	Value-chain activities associated with banking operations	Estimated tCO _{2e} emissions (where data available)	Supplier engagement, digitalisation, low-carbon procurement
Scope 3 Category 3: Fuel- and energy-related activities	Value-chain activities associated with banking operations	Estimated tCO _{2e} emissions (where data available)	Supplier engagement, digitalisation, low-carbon procurement
Scope 3 Category 4: Upstream transportation and distribution	Value-chain activities associated with banking operations	Estimated tCO _{2e} emissions (where data available)	Supplier engagement, digitalisation, low-carbon procurement
Scope 3 Category 5: Waste generated in operations	Value-chain activities associated with banking operations	Estimated tCO _{2e} emissions (where data available)	Supplier engagement, digitalisation, low-carbon procurement
Scope 3 Category 6: Business travel	Value-chain activities associated with banking operations	Estimated tCO _{2e} emissions (where data available)	Supplier engagement, digitalisation, low-carbon procurement
Scope 3 Category 7: Employee commuting	Value-chain activities associated with banking operations	Estimated tCO _{2e} emissions (where data available)	Supplier engagement, digitalisation, low-carbon procurement
Scope 3 Category 8: Upstream leased assets	Value-chain activities associated with banking operations	Estimated tCO _{2e} emissions (where data available)	Supplier engagement, digitalisation, and low-carbon procurement

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

2.27 RESPONSIBLE BANKING: SUSTAINABILITY (CONTINUED)

2.27.18 Emission Disclosures and future plans (continued)

Scope	Key Sources	Metrics and Targets (KPIs)	Mitigation Strategies
Scope 3 Category 9: Downstream transportation and distribution	Value-chain activities associated with banking operations	Estimated tCO ₂ e emissions (where data available)	Supplier engagement, digitalisation, low-carbon procurement
Scope 3 Category 10: Processing of sold products	Value-chain activities associated with banking operations	Estimated tCO ₂ e emissions (where data available)	Supplier engagement, digitalisation, low-carbon procurement
Scope 3 Category 11: Use of sold products	Value-chain activities associated with banking operations	Estimated tCO ₂ e emissions (where data available)	Supplier engagement, digitalisation, low-carbon procurement
Scope 3 Category 12: End-of-life treatment of sold products	Value-chain activities associated with banking operations	Estimated tCO ₂ e emissions (where data available)	Supplier engagement, digitalisation, low-carbon procurement
Scope 3 Category 13: Downstream leased assets	Value-chain activities associated with banking operations	Estimated tCO ₂ e emissions (where data available)	Supplier engagement, digitalisation, low-carbon procurement
Scope 3 Category 14: Franchises	Value-chain activities associated with banking operations	Estimated tCO ₂ e emissions (where data available)	Supplier engagement, digitalisation, low-carbon procurement
Scope 3 Category 15: Investments	Value-chain activities associated with banking operations	Estimated tCO ₂ e emissions (where data available)	Supplier engagement, digitalisation, low-carbon procurement

2.27.19 Alignment with SDGs

Aligning the sustainability practices of Azania Bank to the **17 SDGs** in the context of **Tanzania National Development Plan** requires a strategic approach. The alignment tailored to Tanzania's priorities and challenges and discussed in section 2.9.2.

This alignment ensures that Azania Bank contributes meaningfully to the achievement of Tanzania's SDGs by addressing critical challenges, environmental sustainability, and institutional governance. Through strategic oversight of banking operations, enforcement of robust regulatory and accountability frameworks, and efficient use of resources.

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

2.28 STATEMENT OF COMPLIANCE

The Report by those charged with governance has been prepared in compliance with the Tanzania Financial Reporting Standard No. 1 (The Report by those charged with governance).

2.29 RESPONSIBILITY OF THE AUDITORS

An auditor is responsible for providing assurance of the correctness and consistency of each information contained in the report by those charged with governance with those provided in the financial statements.

2.30 AUDITORS

The Controller and Auditor General ("CAG") is the statutory auditor for the Azania Bank Plc pursuant to the provisions of Article 143 of the Constitution of the United Republic of Tanzania of 1977 (revised 2005), Sections 30 -33 of the Public Audit Act, Cap 418 (R.E 2021) and Section 20(6) of the Bank of Tanzania Act, 2006.

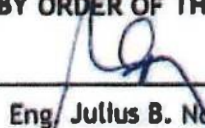
PricewaterhouseCoopers (PwC), Certified Public Accountants (Tanzania) of P.O. Box 45 Dar es Salaam Tanzania, were reappointed for the third year to audit the Bank's financial statements, pursuant to Section 33 of the Public Audit Act, Cap 418 (R.E 2021). PricewaterhouseCoopers is an audit firm registered by the National Board of Accountants and Auditors of Tanzania (NBAA) with registration number PF 040 and TIN 100-212-285.

2.31 STATEMENT OF RESPONSIBILITY BY THOSE CHARGED WITH GOVERNANCE


It is the responsibility of those charged with governance to prepare financial statements of the entity that show a true and fair view in accordance with applicable standards, rules, regulations, and legal provisions.

This responsibility covers the period from the beginning of the financial year to the date those charged with governance approve the audited financial statements and it covers all those charged with governance who acted in this capacity during any part of the period covered by financial statements.

BY ORDER OF THE BOARD


Eng/ Julius B. Ndyamukama

Board Chairman



Dr. Esther G. Mang'anya

Managing Director

14th March 2026

11th March 2026

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

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

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

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

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


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

Approval financial statements

The financial statements of Azania Bank Plc, as identified in the first paragraph, were approved by the Board of Directors on 11 day of March 2026 and signed on its behalf by:



Eng. Julius B. Ndyamukama
Board Chairman



Esther Mang enya
Managing Director

11th March 2026

11th March 2026

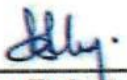
4.0 DECLARATION OF THE HEAD OF FINANCE FOR THE YEAR ENDED 31 DECEMBER 2025

The National Board of Accountants and Auditors (NBAA) according to the power conferred under the Auditors and Accountants (Registration) Act. No. 33 of 1972, as amended by Act No. 2 of 1995, requires financial statements to be accompanied by a declaration issued by the Head of Finance/Accounting 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/Governing Body/Management in discharging their responsibility of preparing financial statements of an entity showing true and fair view of the entity's position and performance in accordance with the applicable International Accounting Standards and Statutory Financial Reporting requirements. Full legal responsibility for the preparation of financial statements rests with the Board of Directors as under the Directors Responsibility statement on section 3.0.

I, Jacqueline Lyatuu Tinkasimile, being the Director of Finance and Planning of Azania Bank Plc, hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2025 have been prepared in compliance with IFRS Accounting Standards and statutory requirements.

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

Signed by: 
Jacqueline Lyatuu Tinkasimile
Position: Director of Finance and Planning
NBAA Membership No.: ACPA 2091
Date: 11 March 2026

AZANIA BANK PUBLIC LIMITED COMPANY

5.0 FINANCIAL STATEMENTS

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

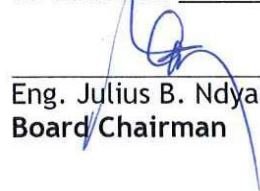
	Notes	2025 TZS'000	2024 TZS'000 Restated
Interest revenue calculated using effective interest method	7	323,954,258	236,470,444
Interest expense calculated using the effective interest method	8	(170,776,244)	(118,669,213)
Net interest income		153,178,014	117,801,231
Expected credit loss allowance	9	(26,825,582)	(33,018,037)
Net interest after impairment charge		126,352,432	84,783,194
Fees and commissions income	10A	20,281,856	14,011,469
Fees and commissions expense	10B	(5,260,516)	(4,237,381)
Net Fees and commissions income		15,021,340	9,774,088
Trading Income and Foreign Exchange Revaluation	11	7,394,284	17,207,504
Other income	12	12,073,656	9,606,341
Total non-interest income		36,240,008	40,425,505
Personnel expenses	13	(47,407,254)	(44,789,367)
Premises maintenance costs	14	(3,005,693)	(2,502,720)
Equipment maintenance costs	15	(7,044,648)	(5,890,880)
Depreciation of property, equipment, and amortization	16	(6,841,531)	(6,055,015)
Other operating expenses	17	(25,683,684)	(21,690,608)
Total operating expenses		(89,982,810)	(80,928,590)
Profit before income tax		70,858,902	40,442,537
Income tax expense/charge	18	(9,674,054)	(2,413,107)
Profit for the Year		61,184,848	38,029,430
Other comprehensive income that may not be reclassified to profit or loss:			
Gain of equity instruments measured at fair value through OCI	23	2,753,615	3,507,972
Impact tax to the gain of fair value through OCI		(826,085)	(1,052,392)
Total Comprehensive Income for the Year, Net of Tax		63,112,378	40,485,010

AZANIA BANK PUBLIC LIMITED COMPANY
5. FINANCIAL STATEMENTS (CONTINUED)

5.2 STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2025

	Notes	2025 TZS'000	2024 TZS'000 Restated	2023 TZS'000 Restated
Assets				
Cash and balances with the Bank of Tanzania	19	220,286,561	134,206,188	117,205,055
Loans and advances to banks	20	170,641,496	76,154,714	73,190,431
Debt instruments at amortised cost	21	363,219,414	258,637,248	237,759,337
Loans and advances to customers	22	2,656,596,364	1,820,630,283	1,601,714,559
Equity Instruments at fair value through Other Comprehensive Income	23	20,620,850	16,407,435	12,428,997
Other assets	29	136,165,982	51,479,521	35,395,255
Property and equipment	24	16,849,734	12,423,455	10,851,337
Right-of-use assets	25	16,249,081	10,884,769	5,432,541
Current tax asset	27	12,717,506	5,074,825	2,284,664
Deferred tax asset	28	43,227,131	52,233,207	53,997,590
Intangible assets	26	3,438,817	4,084,131	2,599,633
Total assets		3,660,012,936	2,442,215,776	2,152,859,399
Liabilities				
Loans and Advances from banks	30	413,211,101	322,335,472	288,478,884
Deposits from customers	31	2,460,784,188	1,595,416,808	1,414,425,021
Revolving credit lines	32	78,107,333	76,998,666	109,300,170
Corporate bond payable	33	63,337,632	58,769,379	-
Other liabilities	35	33,522,719	18,603,177	19,194,523
Long term borrowings	34	78,528,919	46,948,949	38,771,258
Lease liabilities	36	16,162,018	11,529,652	5,933,045
Total liabilities		3,143,653,910	2,130,602,103	1,876,102,901
Ordinary share capital	37	185,493,271	185,493,271	185,493,271
Advance towards share capital	37	702,801	290,601	253,601
Preference share capital	38	150,000,000	-	-
Retained earnings	37	144,986,314	81,084,260	74,100,503
Fair value reserve through OCI	23	5,215,409	3,287,879	832,299
Regulatory reserve	37	29,961,231	41,457,662	16,076,824
Total equity		516,359,026	311,613,673	276,756,498
Total liabilities and equity		3,660,012,936	2,442,215,776	2,152,859,399

The financial statements on pages 79 to 167 were approved for issue by the Board of Directors on _____ and signed on its behalf by:


 Eng. Julius B. Ndyamukama
 Board Chairman


 Dr. Esther G. Mang'anya
 Managing Director

AZANIA BANK PUBLIC LIMITED COMPANY

5. FINANCIAL STATEMENTS (CONTINUED)

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

	Ordinary share capital	Advance towards share capital	Accumulated Profit	Preference Share	Fair value reserve through OCI	Regulatory reserve*	Total
Opening balance as of 1 January 2025	185,493,271	290,601	81,084,260	-	3,287,879	41,457,662	311,613,673
Additions of capital	-	412,200	-	150,000,000	-	-	150,412,200
Payment of Dividend	-	-	(8,779,225)	-	-	-	(8,779,225)
Profit during the year	-	-	61,184,848	-	-	-	61,184,848
Changes in other reserves	-	-	-	-	1,927,530	-	1,927,530
Transfers to(from)	-	-	11,496,431	-	-	(11,496,431)	-
As at 31 December 2025	185,493,271	702,801	144,986,314	150,000,000	5,215,409	29,961,231	516,359,026
Opening balance as of 1 January 2024	185,493,271	253,601	74,100,503	-	832,299	16,076,824	276,756,498
Additions of capital	-	37,000	-	-	-	-	37,000
Payment of Dividend	-	-	(5,664,835)	-	-	-	(5,664,835)
Profit during the year	-	-	38,029,430	-	-	-	38,029,430
Changes in other reserves	-	-	-	-	2,455,580	-	2,455,580
Transfers to(from)	-	-	(25,380,838)	-	-	25,380,838	-
As at 31 December 2024	185,493,271	290,601	81,084,260	-	3,287,879	41,457,662	311,613,673

* Regulatory reserve is a credit risk reserve that represents amounts set aside to cover additional provisions (excess of ECL provisions per IFRS 9 requirements) for loan losses required to comply with Bank of Tanzania (BOT) prudential guidelines. This reserve is not available for distribution. As of 31 December 2025, the provision per IFRS 9 amounted to TZS 43.15 billion (2024: TZS 47.42 billion) and regulatory provisions amounted to TZS 73.11 billion (2024: TZS 88.88 billion)

**Fair value reserves records changes in fair values for financial instruments measured at FVTOCI.

AZANIA BANK PUBLIC LIMITED COMPANY
5. FINANCIAL STATEMENTS (CONTINUED)

5.3 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2025

		2025	2024
		TZS'000	Restated TZS'000
Operating activities	Note		
Profit before income tax		70,858,902	40,442,537
Adjustments for non-cash items	39.5	47,263,383	39,671,107
Cash flows from operating activities before changes in working capital items		118,122,285	80,113,644
Loans and advances to banks maturing after 3 months	20	(74,478,559)	(206,365)
Debt instruments at amortized cost maturing after 3 months	21	(104,635,184)	(7,374,303)
Loans and advances to customers		(614,238,163)	(16,555,764)
Statutory Minimum Reserve		(39,496,290)	(9,912,026)
Other assets*		15,694,393	(16,971,508)
Deposits from customers and Banks		1,143,748,170	336,265,927
Other liabilities		16,332,538	277,529
Interest paid on lease liabilities		(771,386)	(680,785)
Interest paid on deposits and borrowings		(187,505,161)	(121,417,552)
Interest income received		(261,803,848)	(238,287,941)
Income tax paid	27	(9,136,745)	(4,491,276)
Net cash flows utilised in operating activities		1,832,050	759,580
Investing activities			
Purchase of property and equipment	24	(7,804,571)	(4,641,040)
Proceeds from sale of property and equipment		51,925	325,648
Purchase of Equity Instruments	23	(1,459,800)	(470,466)
Purchase of intangible assets	26	(279,661)	(2,208,828)
Net cash used in investing activities		(9,492,107)	(6,994,686)
Financing activities			
Payments of revolving credit lines	32	-	(32,894,221)
Proceeds from long-term borrowings	34	33,147,380	10,000,000
Payments of long-term borrowings	34	(1,936,050)	(1,936,050)
Proceeds from preference shares capital	38	50,000,000	-
Proceeds from advance towards share capital	37	412,200	37,000
Proceeds from corporate bond payable	33	4,718,000	58,449,980
Payment of principal of lease liabilities		(3,085,545)	(2,723,140)
Payment of Dividend		(8,779,220)	(5,664,835)
Net cash flows generated from financing activities		74,476,765	25,268,734
Net increase in cash and cash equivalents		66,816,708	19,033,628
Cash and cash equivalent at the beginning of the year		181,742,796	158,404,516
Effects of foreign exchange on cash and cash equivalents		(70,581)	4,304,652
Cash and cash equivalent at the end of the year	39	248,488,923	181,742,796

*Changes in other assets exclude the non-cash movement of TZS 100 billion, which relates to the unpaid portion of preference shares granted to PSSSF.

5.4 BASIS OF PREPARATION

5.4.1 Statement of Compliance.

These financial statements have been prepared in accordance with and comply with IFRS Accounting Standards and in accordance with the requirements of the Companies Act, 2002. Details of the Bank's accounting policies are included in Note 6

5.4.2 Basis of measurement

The financial statements have been prepared on a historical cost basis except for financial assets at fair values through other comprehensive income (These instruments are measured at fair value).

5.4.3 Presentation of financial statements

The presentation of financial position is broadly in order of liquidity. Information regarding recoverability or settlement after the reporting period is disclosed in the notes. Financial assets and financial liabilities are generally reported at gross in the statement of financial position except when IFRS accounting standards netting criteria are met.

5.5 FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Tanzania Shillings (TZS), which is the Company's functional currency. All amounts have been rounded to the nearest thousand unless otherwise indicated.

5.6 SIGNIFICANT ACCOUNTING JUDGMENTS, ASSUMPTIONS, AND ESTIMATIONS

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise their judgment in the process of applying the bank's accounting policies. There are areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements.

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

5.7 SIGNIFICANT ACCOUNTING JUDGMENTS, ASSUMPTIONS, AND ESTIMATIONS (CONTINUED)

5.7.1 Fair value of financial instruments

The Bank estimates the fair value of financial instruments where no active market exists or where quoted prices are not otherwise available by using valuation techniques. In these cases, the Bank estimates the fair value of financial instruments using unobservable data and by applying appropriate assumptions. The fair value of financial instruments has been disclosed in Note 41 to the financial statements.

5.7.2 Business model assessment

The business model reflects how the Bank manages its assets to generate cash flows. That is, whether the Bank's objective is solely to collect the contractual cash flows from the asset or to collect both contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g., financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Bank in determining the business model for a group of assets include experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. Refer to Note 6.7 and Note 42 to the financial statements.

5.7.3 Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped based on shared risk characteristics. The Bank monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Refer to Note 6.7 and Note 42 to the financial statements.

5.7.4 Significant increase of credit risk

A significant increase in credit risk is assessed by comparing the risk of default of an exposure at the reporting date to the risk of default at origination (after considering the passage of time). Whether a change in the risk of default is significant or not is assessed using some quantitative and qualitative factors (as per note 42.1), the weight of which depends on the type of product and counterparty. Financial assets that are 30 or more days past due and not credit-impaired will always be considered to have experienced a significant increase in credit risk. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so

5.7 SIGNIFICANT ACCOUNTING JUDGMENTS, ASSUMPTIONS, AND ESTIMATIONS (CONTINUED)

5.7.4 Significant increase of credit risk (continued)

assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differs. Refer to Note 6.7 and Note 43 to the financial statements.

5.7.5 Incorporation of forward-looking information

The evolving economic environment is a key determinant of the ability of a Bank's clients to meet their obligations as they fall due. It is a fundamental principle of IFRS 9 that the provisions banks hold against potential future credit risk losses should depend not just on the health of the economy today but should also take account of changes to the economic environment in the future. To capture the effect of changes to the economic environment in the future, the computation of probability of default (PD), loss given default (LGD) and so expected credit loss incorporates forward-looking information, assumptions on the path of economic variables and asset prices that are likely to influence the repayment ability of the Bank's clients. Such variables include Inflation rate, GDP, nominal GDP, real, Inflation/consumer price index as % year-on-year, Interest rate, central bank policy, Interest rate lending, Unemployment rate, and Exchange rate. Refer to Note 6.7 and Note 42 to the financial statements.

5.7.6 Cure rate

The cure rate is a percentage of credit exposure accounts that were in the default category but, as of the assessment date, have moved to a better category. The cure rate shall be factored in at the LGD level when assessing the recovery rate. The rate reduces the percentage of loss given default and is computed at the overall credit portfolio level. Consideration of the movement of accounts is done annually. Qualitative criteria applied when checking whether the account has cured or not are those in line with the Bank of Tanzania guideline on IFRS 9 Implementation. Defaulted accounts which are assessed whether they have cured shall exclude accounts which have restructured, or which have been charged off during the period. Refer to Note 6.7 and Note 42 to the financial statements.

5.7.7 Incremental borrowing rate

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that would have to be paid to borrow over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR, therefore, reflects what the Bank 'would have to pay,' which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and



5.7 SIGNIFICANT ACCOUNTING JUDGMENTS, ASSUMPTIONS, AND ESTIMATIONS (CONTINUED)

5.7.7 Incremental borrowing rate (continued)

conditions of the lease. The Bank estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments (such as the credit spread, debt-service ratio, and inflation to reflect the terms and conditions of the lease). Refer to Note 6.5 to the financial statements.

5.7.8 Determining the lease term of contracts with renewal and termination options

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease if it is reasonably certain not to be exercised.

The Bank's lease contracts include extension and termination options. The Bank applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease contracts. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Bank includes the renewal period as part of the lease term for the leases recognized. The Bank typically exercises its option to renew leases because there will be a significant negative effect on operations if a replacement asset is not readily available. The renewal periods for leases are not included as part of the lease term if they are not reasonably certain to be exercised.

Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised. Refer to Note 6.5 and Note 35 to the financial statements.



5.7 SIGNIFICANT ACCOUNTING JUDGMENTS, ASSUMPTIONS, AND ESTIMATIONS (CONTINUED)

5.7.9 Deferred tax assets

Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the tax losses can be utilized. Although in Tanzania, tax losses can be utilized indefinitely, judgment is required to determine the amount of deferred tax assets that can be recognized, based on the likely timing and level of future taxable profits, together with future tax-planning strategies.

5.7.10 Property, Equipment, and Intangible Assets

Property and equipment, as well as intangible assets, are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation, and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortization period or methodology, as appropriate, and treated as changes in accounting estimate.

5.8 NEW STANDARDS, AMENDMENTS, AND INTERPRETATIONS

The Bank applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2025 (unless otherwise stated). The Bank has not early adopted any other standard, interpretation, or amendment that has been issued but is not yet effective.

5.8.1. New standards and amendments - applicable 1 January 2025

Standard/Amendment	Brief Description	Effective Date and Adoption
Lack of Exchangeability - Amendments to IAS 21	Issued August 2023 to clarify how to assess whether a currency is exchangeable and how to determine a spot exchange rate when exchangeability is lacking. Applies when a foreign currency cannot be exchanged at a measurement date for a specified purpose.	Effective 1 January 2025. Early adoption permitted with disclosure. The Bank assessed applicability and concluded this amendment did not have a material impact on the Bank's financial statements

5.8.2. New standards and amendments but not yet effective

At 31 December 2025, the IASB had issued new standards and amendments not yet effective. IFRS 18 and IFRS 9/7 amendments (effective 2026-2027) are under review for implementation, IAS 12 amendments (2026) will mainly affect disclosures, while IFRS 19 and IFRS for SMEs are not applicable to the Bank.

Standard/Amendment	Brief Description	Effective Date and Adoption
Amendments to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments	Clarifies timing of recognition/derecognition of certain financial assets/liabilities, with exceptions for electronic cash transfers. Provides guidance on SPPI criterion assessment. Adds disclosures for instruments with ESG linked features. Updates disclosures for equity instruments designated at FVOCI.	Effective for annual periods beginning on or after 1 January 2026. The Bank is preparing for implementation in 2026, the impact is expected on the equity instruments that are designated at FVOCI expected to be affected.

5.8 NEW STANDARDS, AMENDMENTS, AND INTERPRETATIONS (CONTINUED)

5.8.2. New standards and amendments but not yet effective (continued)

Standard/Amendment	Brief Description	Effective Date and Adoption
IFRS 19 Subsidiaries without Public Accountability: Disclosures	Allows eligible subsidiaries to apply reduced disclosure requirements while retaining recognition, measurement, and presentation under IFRS. Eligibility requires no public accountability and a parent preparing IFRS compliant consolidated financial statements.	Effective 1 January 2027. Not applicable to the Bank, as its debt instruments are publicly traded.
IFRS 18 Presentation and Disclosure in Financial Statements	Replaces IAS 1 with updated requirements for presentation/disclosure. Focuses on profit or loss structure, management defined performance measures, and enhanced aggregation/disaggregation principles. Does not affect recognition/measurement but may change reporting of operating profit/loss.	Effective 1 January 2027 (retrospective application). Early adoption permitted. The Bank is assessing impacts for adoption in 2027.
Annual Improvements to IFRS Accounting Standards - Volume	The company has adopted the Annual Improvements made by the IASB in September 2024, effective 1 January 2026. These improvements enhance the consistency and clarity of several IFRS standards, including IFRS 1, IFRS 7, IFRS 9, IFRS 10, and IAS 7. Key changes relate to hedge accounting, financial instrument disclosures, lease liability derecognition, revenue recognition, and terminology updates for the statement of cash flows.	1 January 2026 These amendments are not expected to have a material impact on the bank's financial statements.

6.0 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented unless otherwise stated.

6.1 RECOGNITION OF INTEREST INCOME AND EXPENSES

6.1.1 Effective interest rate method

For the Bank, interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortized cost and interest-bearing financial assets measured at FVOCI in accordance with IFRS 9. Interest expense is also calculated using the EIR method for all financial liabilities held at amortized cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

The EIR (and, therefore, the amortized cost of the asset) is calculated by considering any discount or premium on acquisition, fees, and costs that are an integral part of the EIR. The Bank recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognizes the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle (including prepayments, penalty interest, and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk. The adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the balance sheet with an increase or reduction in interest income. The adjustment is subsequently amortized through Interest and similar income in the income statement.

6.1.2 Interest and similar income and expenses

The Bank calculates interest income and expense by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets and financial liabilities at amortized cost, respectively. When a financial asset becomes credit-impaired (as set out in Note 42) and is, therefore, regarded as 'Stage 3', the Bank calculates interest income by applying the effective interest rate to the net amortized cost of the financial asset. If the financial assets cure (as outlined in Note 6.7 and are no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

For purchased or originated credit-impaired (POCI) financial assets, the Bank calculates interest income by calculating the credit-adjusted EIR and applying that rate to the amortized cost of the asset. The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortized cost of the POCI assets.

6.2 FEE AND COMMISSION INCOME

The financial statements have been prepared on a historical cost basis except for financial assets at fair values through other comprehensive income (instruments which are measured at fair value).

The Bank earns fees and commission income from a diverse range of services it provides to its customers. The performance obligations, as well as the timing of their satisfaction, are identified and determined at the inception of the contract. The Bank's revenue contracts do not include multiple performance obligations.

When the Bank provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or the end of the contract period for a service provided over time. The Bank has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

Fees and commissions that form an integral part of the effective interest rate are excluded from fees and commissions from customers.

Fee and commission income from services where performance obligations are satisfied over time.

Performance obligations satisfied over time include asset management and other services, where the customer simultaneously receives and consumes the benefits provided by the Bank's performance as the Bank performs.

Interchange fees: The Bank provides its customers with credit card processing services (i.e., authorisation and settlement of transactions executed with the Bank's credit cards) where it is entitled to an interchange fee for each transaction (i.e., when a credit cardholder purchases goods and services from merchants using the Bank's credit card).

The fees vary based on the number of transactions processed and are structured as either a fixed rate per transaction processed or at a fixed percentage of the underlying cardholder transaction. The variable interchange fees are allocated to each distinct day based on the number and value of transactions processed that day, and the allocated revenue is recognised as the entity performs.

Transactional fees: Transactional fees are service charges on deposit accounts, cash management services, and transactional processing fees such as fees income generated from

6.2 FEE AND COMMISSION INCOME (CONTINUED)

credit and bank card usage. Fees earned on the execution of a significant act typically include transactional fees. Transaction and processing fees are recognised at the point in time the transaction occurs, or service is performed. They include banking services such as Automated Teller Machine (ATM) fees, wire transfer fees, overdraft or late fees, and foreign exchange fees, among others.

These fees are received, and the Bank provides the service monthly; the fees are recognised in income on this basis. The Bank also receives certain fees in respect of its asset finance business where the performance obligations are typically fulfilled towards the end of the customer contract; these fees are recognised in income on this basis. Fee and commission income from providing services where performance obligations are satisfied at a point in time.

Services provided where the Bank's performance obligations are satisfied at a point in time are recognised once control of the services is transferred to the customer. This is typically on completion of the underlying transaction or service or, for fees or components of fees that are linked to a certain performance, after fulfilling the corresponding performance criteria.

These include fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party, such as bancassurance arrangements where the Bank act as an intermediary in underwriting insurance policies on behalf of insurance companies, sale of cheque books, ATM withdrawal charges, statement charges, salary processing fees and other fees and commissions of that nature

The Bank has a single performance obligation with respect to these services, which is to successfully complete the transaction specified in the contract.

Other income: Results arising from trading activities include all gains and losses from changes in fair value and related interest income or expense and dividends for financial assets and financial liabilities measured at fair value through profit or loss, if any. Other income is recognized in the period in which it is earned.

Contract balances: The following are recognised in the statement of financial position arising from revenue from contracts with customers:

Fees and commissions receivables are included under 'Other assets, which represent the Bank's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). These are measured at amortised cost and subject to the impairment provisions of IFRS 9.

Unearned fees and commissions are included under 'Other liabilities, which represent the Bank's obligation to transfer services to a customer for which the Bank has received consideration (or an amount of consideration is due) from the customer. A liability for unearned fees and commissions is recognised when the payment is made or the payment is

6.2 FEE AND COMMISSION INCOME (CONTINUED)

due (whichever is earlier). Unearned fees and commissions are recognised as revenue when (or as) the Bank performs. Other fees and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

6.3 DIVIDEND INCOME

Dividend income is recognized when the bank's right to receive the payment is established. Dividends are presented as other operating income based on the nature of investments currently held.

6.4 FOREIGN CURRENCY TRANSLATION

Foreign currency transactions are translated into Tanzanian Shillings using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currency are translated with the closing rate as of the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate at the date of initial recognition. Foreign exchange gains and losses resulting from the settlement of such transactions and the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss.

6.5 LEASES

The Bank's lease portfolio primarily consists of branch premises, ATM locations, and office spaces that support its operations. These leases are generally long-term in nature, with fixed rental commitments, and occasionally include renewal options negotiated with landlords. The Bank does not typically engage in leasing high-value equipment or vehicles; instead, its lease arrangements are focused on securing physical locations necessary for customer service and administrative functions.

The determination of whether an arrangement is, or contains, a lease is based on its substance. This requires assessing whether fulfilment of the arrangement depends on the use of a specific asset and whether the arrangement conveys the right to control the use of that asset.

Lease payments are discounted using the interest rate implicit in the lease. When this rate is undeterminable, as is often the case for Bank leases, the lessee's incremental borrowing rate is applied. This rate reflects what the lessee would pay to borrow funds for an asset similar to the right-of-use asset under comparable economic conditions, terms, and security. The Bank computes its incremental borrowing rate by:

- i. **Identify Comparable Borrowing Arrangements:** Determine the characteristics of the lease arrangement, such as currency, term, and specific asset, and identify comparable borrowing arrangements in the market.

6.5 LEASES (CONTINUED)

- ii. **Analysing the Term Structure of Borrowing Rates:** reviewing both short-term and long-term market rates to align with the lease term.
- iii. **Evaluating Collateral and Security:** assessing the collateral or guarantees provided and comparing them to typical market practices for similar assets.

6.5.1. Short-term leases and leases of low-value assets

The Bank applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets (i.e., those that have the value of TZS 10 million or below) recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expenses on a straight-line basis over the lease term.

6.5.2. Right-of-use assets

The Bank recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured in cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date, less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term. Refer to Note 25 for further details. The estimated useful lives for the current and comparative periods are as stated:

Item	2025	2024
Right-of-use assets	10 years	10 years

The right-of-use assets are presented in Note 25 right-of-use assets and are Subject to impairment in line with the Bank's policy as described in Note 6.7.5 Impairment of non-financial Assets.

6.5.3. Lease liabilities

At the commencement date of the lease, the bank recognizes lease liabilities at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the company and payments of penalties for terminating the lease if the lease term reflects exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs. After the

6.5 LEASES (CONTINUED)

6.5.3. Lease liabilities (continued)

commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in lease term, a change in the lease payments (e.g., change to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset

6.6. EMPLOYEE BENEFITS

6.6.1. Defined Pension contributions plans

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the bank has a present legal or constructive obligation to pay this amount because of past service provided by the employee and the obligation can be estimated reliably.

6.6.2. Defined Pension contributions plans

The Bank operates a defined contribution plan whereby each of its employees contribute to the state managed (statutory) funds, namely the Public Services Social Security Fund (PSSSF). The Bank contributes 15% of the basic salary for each employee while the employees contribute 5%. Apart from these monthly contributions, the bank has no further commitments or obligations to these funds. The contributions are charged to the profit or loss in the year to which they relate.

6.6.3. Workers Compensation Fund

This is a social security scheme established for compensating workers who suffer occupational injuries or contract occupational diseases arising out of and in the course of their employment. The Bank is required to contribute 0.5% (2024:0.5%) of the monthly wage bill. The Bank remits the contributions on a month-to-month basis and costs recognized in respective months.

6.6.4. Management gratuity

This is applied for staff with contracts for a specific period for managerial carder. It is specifically applied to Managers, Functional Directors, and the Managing Director. Their entitlement is paid upon completion of the contract.

6.7. FINANCIAL INSTRUMENTS

6.7.1. Initial recognition & measurement

Financial assets and liabilities, except for loans and advances to customers and balances due to customers, are initially recognized on the trade date, i.e., the date on which the Bank becomes a party to the contractual provisions of the instrument. Loans and advances to customers are recognized when funds are transferred to the customers' accounts. The Bank recognizes balances due to customers when funds are transferred to the Bank. The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, financial instruments are initially measured at their fair value except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Bank accounts for the Day 1 profit or loss

The Bank classifies the financial instruments into classes that reflect the nature of information and consider the characteristics of those financial instruments. The classification made can be seen in the table below:

Category (As defined by IFRS 9)		Class (as determined by the Bank)	
Financial assets	Amortized cost	Cash and balances with the Bank of Tanzania	Cash in hands Balance with a bank of Tanzania
		Loans and advances to banks	Nostro balances Balances with local banks
		Loans and advances to customers	Loans to individuals
			Loans to corporate entities
			Loans to SMEs
		Debt instrument at amortized cost	Loans to Microfinance
	Government securities Corporate Bonds		
	Other assets	Individual/retail counterparties Corporate counterparties	
Fair value through other comprehensive income (FVOCI)	Equity instruments designated at FVOCI	Corporate	

6.7. FINANCIAL INSTRUMENTS (CONTINUED)

6.7.1. Initial recognition & measurement (continued)

Category (As defined by IFRS 9)		Class (as determined by the Bank)	
Financial liabilities	Financial liabilities at amortized cost	Loans and advances from Banks	Corporate
		Corporate Bond	Individual and corporate
		Deposits from customers	Retail customers
			Corporate customers
		Revolving Credit Lines	Corporate creditors
		Other liabilities	Individual/retail suppliers and service providers, regulatory authorities, and business counterparties.
Corporate suppliers/service providers.			

6.7.2. Financial assets

The Bank classifies its financial assets in the following categories: Amortized cost, Fair value through profit or loss (FVPL), and Fair value through other comprehensive income (FVOCI).

- (a) Classification and subsequent measurement of financial assets depend on;**
- i. The Bank's business model for managing the asset; and
 - ii. The cash flow characteristics of the asset.

Based on these factors, the Bank classifies its financial assets into one of the following three measurement categories

(b) Amortized cost

Assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI') and that are not designated at FVPL are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.

(c) Fair value through profit or loss (FVPL):

Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in the profit or loss statement.

6.7. FINANCIAL INSTRUMENTS (CONTINUED)

6.7.2. Financial assets (continued)

(d) Fair value through other comprehensive income (FVOCI)

Financial assets that are held for the collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest and are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue, and foreign exchange gains and losses, which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in Other Income.

(e) Business model assessment

As presented in Note 6.7.2, the Bank's business model determines how the Bank manages assets to generate cash flows.

Securities held for trading are held principally to sell in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVPL.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments' cash

flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes only consideration for the time value of money, credit risk, other basic lending risks, and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Bank reclassifies financial assets when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent, and none occurred during the period.

6.7. FINANCIAL INSTRUMENTS (CONTINUED)

6.7.3. Equity Instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Bank subsequently measures all investments in equity instruments at fair value through profit or loss, except where the Bank's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Bank's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as other income when the Bank's right to receive payments is established.

6.7.4. Financial guarantees, letters of credit, and undrawn loan commitments

The bank issues financial guarantees, letters of credit, and loan commitments. The bank does not recognize the financial guarantee within its financial statements. However, since it is under the scope of IFRS 9, the ECL amount is recognized in the statement of financial position within the provision, and the movement of such provision is recognized in the statement of profit or loss. The premium received is recognized in the statement of profit or loss in Net upfront interest income on Loans and advances to customers on a straight-line basis over the life of the guarantees.

6.7.5. Derecognition due to substantial modification of terms and conditions

The Bank derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage 1 for ECL measurement purposes unless the new loan is deemed to be POCI.

If the modification does not result in cash flows that are substantially different, as set out below, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss to the extent that an impairment loss has not already been recorded. For financial liabilities, the Bank considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent. For financial assets, this assessment is based on qualitative factors.

6.7. FINANCIAL INSTRUMENTS (CONTINUED)

6.7.5. Derecognition due to substantial modification of terms and conditions (continued)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when the rights to receive cash flows from the financial asset have expired. The Bank also derecognizes the financial asset if it has both transferred the financial asset and the transfer qualifies for de-recognition.

The Bank has transferred the financial asset if, and only if, either:

- i. The Bank has transferred its contractual rights to receive cash flows from the financial asset or;
- ii. It retains the rights to the cash flows but has assumed an obligation to pay the received cash flows in full without material delay to a third party.

(a) Financial assets

A transfer only qualifies for de-recognition if either:

- i. The Bank has transferred substantially all the risks and rewards of the asset.
- ii. The Bank has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

(b) Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

6.7.6. Impairment of financial assets

The Bank recognizes loss allowances for ECLs on the following financial instruments that are not measured at FVPL:

- i. Loans and advances to banks.
- ii. Loans and advances to customers.
- iii. Debt investment securities.
- iv. Corporate bonds.
- v. Letter of credit issues and guarantees.

No impairment loss is recognized on equity investments.

6.7. FINANCIAL INSTRUMENTS (CONTINUED)

6.7.6. Impairment of financial assets (continued)

The 12 months' expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both lifetimes' expected credit losses and 12 months' expected credit losses are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Bank groups its loans into Stage 1, Stage 2, and Stage 3 as described below:

- i. **Stage 1:** When loans are first recognized, the Bank recognizes an allowance based on 12 months of expected credit losses. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2.
- ii. **Stage 2:** When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the lifetime expected credit losses. Stage 2 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 3.
- iii. **Stage 3:** Loans considered credit impaired. The bank records an allowance for the lifetime expected credit losses.

(a) The calculation of Expected Credit Losses

The Bank calculates expected credit losses based on four probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the effective interest rate. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the expected credit loss calculations are outlined below, and the key elements are as follows:

- i. **Probability of Default (PD):** The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period if the facility has not been previously derecognized and is still in the portfolio.
- ii. **The Exposure at Default (EAD):** is an estimate of the exposure at a future default date, considering expected changes in the exposure after the reporting date,

6.7. FINANCIAL INSTRUMENTS (CONTINUED)

6.7.6. Impairment of financial assets (continued)

(a) The calculation of Expected Credit Losses (continued)

including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

- iii. Loss Given Default (LGD) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the exposure at default.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value. The mechanics of the Expected Credit Losses method are summarized below:

- i. **Stage 1:** The 12-month expected credit loss is calculated as the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12-month expected credit loss allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast exposure at default (EAD) and multiplied by the expected loss given default (LGD) and discounted by an approximation to the original effective interest rate (EIR). This calculation is made for each of the four scenarios, as explained previously.
- ii. **Stage 2:** When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the lifetime expected credit losses. The mechanics are similar to those explained above, including the use of multiple scenarios, but Probability of default (PD) and Loss given default (LGD) are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original effective interest rate (EIR).
- iii. **Stage 3:** For loans considered credit-impaired, the Bank recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the Probability of default (PD) set at 100%.
- iv. **Financial guarantee contract:** The bank's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the income statement and the expected credit loss provision. For this

6.7. FINANCIAL INSTRUMENTS (CONTINUED)**6.7.6. Impairment of financial assets (continued)****(a) The calculation of Expected Credit Losses (continued)**

purpose, the bank estimates the expected credit losses based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs.

The shortfall is discounted at the risk-adjusted interest rate relevant to the exposure. The calculation is made using the probability weighting of the four scenarios. The expected credit losses related to the financial guarantee contracts are recognized in the statement of profit or loss. Refer to Note 43 for further details.

The calculation of expected credit losses, including the estimation of the expected period of exposure and discount rate, is made on an individual basis for corporate and on a collective basis for retail loan products. The collective assessments are made separately for portfolios of facilities with similar credit risk characteristics. The mechanics of the Expected Credit Losses method are summarized below:

(b) Forward-looking information

In the expected credit losses models, the Bank relies on a broad range of forward-looking information as economic inputs such as Inflation rate, GDP, nominal, GDP, real GDP, Inflation/consumer price index - % year-on-year, Interest rate, central bank policy, Interest rate lending, Unemployment rate and Exchange rate.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

(c) Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. Collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, and other non-financial assets. The Bank's accounting policy for collateral is assigned to it through its lending arrangements under IFRS 9. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. However, the fair value of collateral affects the calculation of expected credit losses. It is generally assessed at a minimum, at inception and reassessed at least every three years. To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as recognized property valuers.

6.7. FINANCIAL INSTRUMENTS (CONTINUED)

6.7.6. Impairment of financial assets (continued)

(d) Collateral repossessed

The Bank's policy is to sell the repossessed collateral and the proceeds obtained will be used to recover the loan outstanding.

In its normal course of business, the Bank does not physically repossess properties or other assets in its retail portfolio but engages external agents to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded in the statement of financial position.

(e) Write-offs

Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

The measurement of impairment losses across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by several factors, changes in which can result in different levels of allowances. The Bank's expected credit loss calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the expected credit losses models that are considered accounting judgements and estimates include:

- i. The Bank's internal credit grading model, which assigns Probability of default to the individual grades.
- ii. The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime expected credit losses basis and the qualitative assessment.
- iii. The segmentation of financial assets when their expected credit losses are assessed on a collective basis.
- iv. Development of Expected credit loss model, including the various formulas and the choice of inputs Determination of associations between macroeconomic scenarios and economic inputs, such as inflation levels and collateral values, 91-day Treasury Bill rate, change in exchange rate and the effect on PDs, EADs and LGDs.

6.7. FINANCIAL INSTRUMENTS (CONTINUED)

6.7.6. Impairment of financial assets (continued)

(f) Definition of default

IFRS 9 does not define default but requires the definition to be consistent with the definition used for internal credit risk management purposes. However, IFRS 9 contains a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due.

Under IFRS 9, the Bank will consider a financial asset as ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit impairment includes observable data about the following events

- i. Significant financial difficulty of the borrower or issuer.
- ii. A breach of contract such as a default or past due event.
- iii. The lender of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider.
- iv. The disappearance of an active market for a security because of financial difficulties; or
- v. The purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event—instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Bank assesses whether debt instruments that are financial assets measured at amortised cost or FVOCI are credit-impaired at each reporting date.

The Bank writes off non-performing financial assets that have been past due for more than four consecutive quarters. The Bank may write off financial assets in whole or in part when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Bank’s recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full. The assessment is done for a specific borrower.

6.7.7. Impairment of non-financial assets

At the end of each reporting period, the Bank reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that these assets have suffered an impairment loss. The carrying values of non-financial assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

6.7. FINANCIAL INSTRUMENTS (CONTINUED)

6.7.7. Impairment of non-financial assets

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

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

The impairment losses are recognized in the statement of profit or loss in expenses unless it is stated otherwise. The Bank did not record any impairment related to non-financial assets during the year.

Further disclosures relating to impairment of non-financial assets are also provided in the following notes:

- | | |
|--|----------|
| ➤ Significant accounting judgements, assumptions and estimates | Note 5.7 |
| ➤ Property, and equipment | Note 24 |
| ➤ Right-of-use asset | Note 25 |
| ➤ Intangible assets | Note 26 |

6.7.8. Cash and cash equivalents

Cash and cash equivalents include cash in hand, unrestricted balances held with the Bank of Tanzania, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less from the date of acquisition that are subject to insignificant risk of change in fair value and are used by the Bank in management of its short-term commitments.

6.7.9. Property and equipment

(a) Recognition and measurement

Items of property and equipment are measured at cost, less accumulated depreciation, and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

6.7. FINANCIAL INSTRUMENTS (CONTINUED)

6.7.9. Property and equipment (continued)

(a) Recognition and measurement (continued)

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The Bank derecognized the carrying amount of an item of property and equipment on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized within other income in profit or loss.

(a) Subsequent costs

Subsequent expenditure is capitalized only when it is probable that future economic benefits of the expenditure will flow to the Bank. Recurrent repairs and maintenance are expensed in the period incurred.

(b) Depreciation

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognized in profit or loss. The depreciation methods, useful lives, and residual lives are reviewed and adjusted, if appropriate, at each reporting date. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Bank will obtain ownership by the end of the lease term. Land is not depreciated. The estimated useful lives for the current and comparative periods are as stated:

Item	2025	2024
Leasehold improvements	10 years	10 years
Motor vehicles	5 years	5 years
Office furniture and fittings	6.67 years	6.67 years
Office equipment	5 years	5 years
Computer equipment	5 years	5 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Refer to Note 6.7.7 for the accounting policy. The property and equipment carrying amounts have been disclosed in Note 24.

6.7. FINANCIAL INSTRUMENTS (CONTINUED)

6.7.10. Work in Progress

These are costs of non-financial assets that have not met the criteria of being recognized under property and equipment or intangible assets. The assets are normally under construction, development, or at acquisition process has not finalized to meet the requirements of accounting standards and Policy.

6.7.11. Intangible assets

These are development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the bank. Development costs are recognized as intangible assets when the following criteria are met:

- i. It is technically feasible to complete the software product so that it will be available for use.
- ii. Management intends to complete the software product and use or sell it.
- iii. There is an ability to use or sell the software product.
- iv. It can be demonstrated how the software product will generate probable future economic benefits.
- v. Adequate technical, financial, and other resources to complete the development and to use or sell the software product are available; and
- vi. The expenditure attributable to the software product during its development can be reliably measured.

After initial recognition, The Bank measures its intangible assets at cost less any accumulated amortization and any accumulated impairment losses.

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

Directly incurred costs are capitalized as part of the software product, including the software development employee costs and an appropriate portion of relevant overheads.

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

Costs associated with maintaining software programs are recognized as an expense when incurred.

Computer software development costs recognized as assets are amortized over their estimated useful lives, which do not exceed five years.

6.7. FINANCIAL INSTRUMENTS (CONTINUED)

6.7.11. Intangible assets (Continued)

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

Description of Items	Useful Lives
Computer Software	5 Years

The Bank derecognized intangible assets on either disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from derecognition is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. The Bank recognizes this in profit or loss when the asset is derecognized.

6.7.12. Provisions

A provision is recognized as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

6.7.13. Taxes

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

(a) Current income tax

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

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

6.7. FINANCIAL INSTRUMENTS (CONTINUED)

6.7.13. Taxes (continued)

(b) Deferred income tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled, it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits, and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be utilized. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same entity or different taxable entities where there is an intention to settle the balances on a net basis.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

6.7. FINANCIAL INSTRUMENTS (CONTINUED)

6.7.13. Taxes (continued)

(b) Deferred income tax (continued)

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantially enacted at the end of the reporting period. Deferred income tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction, either in profit or loss, other comprehensive income, or directly in equity.

(c) Value Added Tax (VAT)

The Bank pays VAT on all its taxable purchases during operation (input tax). The bank also collects VAT on the fees and commissions charged on the financial services according to the prevailing laws and remits to TRA (output tax).

Revenues, expenses, and assets are recognized net of the amount of value added tax except where the value added tax incurred on a purchase of assets or services is not recoverable from the TRA, in which case the value added tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and receivables and payables that are stated with the amount of value added tax included.

The net amount of value-added tax recoverable from or payable to the tax authorities is included as part of receivables or payables in the statement of financial position.

6.7.14. Dividend on ordinary share capital

When the Bank's shareholders approve dividends on ordinary shares, they are classified as liability and subtracted from equity. Interim dividends are deducted from equity upon their declaration. Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date

6.7.15. Ordinary Share capital

In the context of equity, ordinary shares are classified as "share capital." In equity, any premium that exceeds the par value of the shares is referred to as a "share premium."

6.7.16. Regulatory reserve

This reserve is composed of funds that have been designated to cover the provision for loan losses that are necessary to adhere to the prudential guidelines of the Bank of Tanzania. This reserve is not accessible for distribution. The regulatory reserve is the excess amount over

6.7. FINANCIAL INSTRUMENTS (CONTINUED)

6.7.16. Regulatory reserve (continued)

the impairment allowance as defined by IFRS in comparison to the provisional allowance as defined by the Banking and Financial Institutions (2014) regulations.

	2025	2024
INTEREST REVENUE CALCULATED USING EFFECTIVE		
7 INTEREST METHOD	TZS'000	TZS'000
Loans and advances to customers	225,927,323	167,995,874
Interest Income on Digital Loans	52,027,907	33,524,967
Investment in Government securities	35,558,518	28,605,614
Upfront interest on Loans and advances to customers	6,675,963	4,027,174
Loans to banks	3,530,353	2,405,340
Interest gain from valuation of restructured loans	234,194	(88,525)
	<u>323,954,258</u>	<u>236,470,444</u>
All interest income is recognized using effective interest rate		
INTEREST EXPENSE CALCULATED USING		
8 EFFECTIVE INTEREST METHOD		
Deposits from customers	111,766,694	72,708,682
Deposits from banks	16,825,215	22,988,263
Revolving credit lines	10,709,980	10,394,071
Corporate Bond	7,467,817	327,146
Long term borrowings	498,713	-
	<u>147,268,419</u>	<u>106,418,162</u>
<i>Other interest and similar expense:</i>		
Interest expenses on Digital loans	22,170,102	11,173,109
Interest Expense on lease liabilities	1,337,723	1,077,942
	<u>23,507,825</u>	<u>12,251,051</u>
	<u>170,776,244</u>	<u>118,669,213</u>

All interest expenses above are recognized using the effective interest rate method.

* Interest expenses on digital loans arises due to contractual agreements with business partners on interest income sharing.

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

	2025	2024
	TZS'000	TZS'000
9 EXPECTED CREDIT LOSS ALLOWANCE		
ECL - Loans and advances to customers (note 22)	27,211,912	32,305,861
ECL - Loans and advances to Banks (note 20)	200,021	(14,345)
ECL - Government Securities (note 21)	6,818	1,992
ECL - Letters of Credit and Guarantee (note 22)	(11,912)	10,333
ECL - Other Assets (note 29)	(581,257)	714,196
	<u>26,825,582</u>	<u>33,018,037</u>
10A FEES AND COMMISSIONS INCOME		
Fee income earned from services that are provided over time:		
Letters of credit	6,142,321	2,714,609
Fee income from providing financial services at a point in time:		
Delivery Channels	2,936,374	1,920,575
Insurance income	2,750,419	1,802,299
Cash withdrawal commission	2,029,855	2,171,039
Ledger fees and customer sundries	1,994,210	1,670,957
Telegraphic transfers	1,686,077	2,003,922
Mobile Transactions Commission	987,129	871,039
Western union & Money Gram	845,791	169,282
Security perfection	290,038	308,317
Fees and commission on agricultural business	196,241	104,453
Sundry commission income*	190,476	30,360
Cheque books	88,897	81,059
Minimum balance	55,708	57,947
Statement fees	52,780	57,168
Salary processing	20,688	29,531
Unpaid cheques	11,477	14,922
Agent Banking Commission	3,375	3,990
	<u>14,139,535</u>	<u>11,296,860</u>
	<u>20,281,856</u>	<u>14,011,469</u>

*Sundry commission income largely included TZS 38.6 million in commission on ATM (2024: TZS 17.9), TZS 20.3 million in fees and commission on letters of comfort (2024: TZS 16.7) million, and other miscellaneous the sundry commission income.

10B FEES AND COMMISSIONS EXPENSES		
Visa Expense	2,397,101	3,052,477
Agent Commission Expense A/C	1,066,717	551,173
Fees And Commission-Selcom	931,482	225,346
ATM Expenses	372,953	75,251
Guarantee expenses	267,530	145,317
Recovery Expense Account	179,557	134,300
Swift Expenses	45,176	50,634
Debt Collection Expenses	-	2,883
	<u>5,260,516</u>	<u>4,237,381</u>

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

11	TRADING INCOME AND FOREIGN EXCHANGE REVALUATION	2025	2024
		TZS'000	TZS'000
	Foreign Exchange Trading	17,970,849	18,284,502
	Bond Trading Income	334,074	404,363
	Foreign Exchange Revaluation	(10,910,639)	(1,481,361)
		<u>7,394,284</u>	<u>17,207,504</u>
12	OTHER INCOME		
	Recoveries from bad debts	7,092,561	9,450,975
	Recoveries from 'digital loan bad debts	4,925,899	-
	Dividend Income	41,239	90,225
	Gains on disposal of fixed assets	13,957	65,141
		<u>12,073,656</u>	<u>9,606,341</u>
13	PERSONNEL EXPENSES		
	Salaries and wages	27,909,507	26,880,289
	Retirement benefit contribution	4,050,674	3,950,583
	Staff allowances	3,281,093	2,804,876
	Leave travel	3,212,321	3,062,688
	Staff medical insurance	2,561,574	2,408,038
	Management Gratuity	1,733,524	1,173,326
	Loans fair value benefits	1,512,945	2,036,504
	Skills Development levy	1,278,499	1,172,909
	Staff training	744,410	325,402
	Other costs staff cost	584,563	486,237
	Uniforms	339,000	316,000
	Workers' compensation Fund	199,144	172,515
		<u>47,407,254</u>	<u>44,789,367</u>
14	PREMISES AND MAINTENANCE COSTS		
	Water, Fuel, Electricity, Telephone	1,690,576	1,436,703
	Office cleaning	546,523	512,735
	Office rent*	331,127	318,576
	Repair and maintenance	260,279	101,495
	Office parking	177,188	133,211
		<u>3,005,693</u>	<u>2,502,720</u>
15	EQUIPMENT MAINTENANCE COSTS		
	Maintenance cost of Computer equipment	5,437,705	4,035,909
	Office, equipment and furniture maintenance	965,632	1,253,545
	Motor vehicles	475,721	455,887
	Generators	165,590	145,539
		<u>7,044,648</u>	<u>5,890,880</u>

* The office rent is for short-term contracts, and maintenance charges that are not in the scope of IFRS 16, thus, are included in this category.

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

	2025	2024
	TZS'000	TZS'000
16 DEPRECIATION AND AMORTISATION		
Depreciation charge on right of use of assets	2,581,404	2,522,270
Depreciation of Computer Equipment	1,013,105	587,782
Depreciation of Leasehold Premises	1,003,399	975,561
Depreciation of office Equipment	931,367	869,335
Amortisation of Intangible Assets	924,975	724,330
Depreciation of Motor Vehicles	260,374	278,625
Depreciation of Furniture & Fittings	126,907	97,112
	6,841,531	6,055,015
17 OTHER OPERATING EXPENSES		
Advertising costs	4,115,404	4,025,526
Travel costs	3,208,491	2,617,687
Communication and postage	2,730,683	2,095,966
Security costs	2,283,420	1,743,428
Deposit Insurance Fund	2,209,897	1,681,083
Business engagements	2,100,295	2,627,494
Penalties on Lombard	2,035,000	-
Board of Directors-meetings and training	1,011,931	620,690
Board of Directors fees	912,213	277,500
Stationery and Printing	856,169	781,161
Insurance costs	694,861	780,114
Cash handling and repatriation expenses	561,804	459,850
Auditors 'remuneration	420,579	376,571
City service levy	398,728	405,277
Legal professional fees	355,365	409,607
Other professional fees	309,286	260,612
Bank charges	303,024	529,016
Consumables	251,833	262,186
Other costs	205,877	213,239
Write offs	200,703	172,746
Subscription	163,818	109,575
VAT Expense Cost	122,745	849,392
Staff cost committee meetings	122,542	187,778
Banking licence	66,159	162,110
Burial support	42,857	42,000
	25,683,684	21,690,608

* Other costs mainly included auction Expenses TZS 28 million (2024: TZS 49 million), field student allowances TZS 41 million (2024: 33), million, and other miscellaneous expenses

18 INCOME TAX EXPENSE	2025 TZS'000	2024 TZS'000
Current tax - current periods	1,494,064	1,701,115
Deferred tax - current periods	8,179,990	711,992
	<u>9,674,054</u>	<u>2,413,107</u>
Reconciliation of tax expense to tax based on accounting profit:		
Profit before tax	70,858,902	40,442,537
Tax calculated at a tax rate of 30%	21,257,671	12,132,761
Tax effect of:		
Permanent disallowed expenses	394,523	318,511
Income not taxable	(11,978,140)	(10,038,165)
	<u>9,674,054</u>	<u>2,413,107</u>
19 CASH AND BALANCE WITH THE BANK OF TANZANIA	TZS'000	TZS'000
Cash in hand	49,750,782	35,134,124
Balances with the Bank of Tanzania		
- Statutory Minimum Reserve (SMR)*	116,602,548	67,232,185
- Current account	53,933,231	31,839,879
Gross Carrying Amount	<u>220,286,561</u>	<u>134,206,188</u>
ECL-Bank of Tanzania**	-	-
Net Carrying Amount	<u>220,286,561</u>	<u>134,206,188</u>

* Banks are mandated to maintain a minimal cash reserve on deposits with the Bank of Tanzania (Statutory minimal Reserve-SMR).

80% of the Statutory Minimum Reserve deposit with Bank of Tanzania is not available to finance the Bank's day-to-day operations and is hence excluded from cash and cash equivalents for the purposes of the statement of cash flows.

** The Bank maintains cash balances with the Bank of Tanzania (BOT), denominated in Tanzanian Shillings. These balances constitute a core component of the Bank's liquidity position. In accordance with IFRS 9 Financial Instruments, management has reassessed the credit risk and recoverability of these exposures and determined that they are subject to no significant credit risk. Accordingly, a zero Expected Credit Loss (ECL) has been recognized. This assessment is supported by the following considerations:

- ❖ Cash balances held with the BOT represent direct claims on the central bank, which is the issuer of legal tender and the ultimate settlement authority in the domestic financial system. As such, these balances are regarded as risk-free in local currency and are not exposed to default risk.

19 CASH AND BALANCE WITH THE BANK OF TANZANIA (CONTINUED)

- ❖ Under IFRS 9, exposures to central banks with strong credit standing may be presumed to have low credit risk. Consistent with this, local prudential regulations assign a zero-risk weight to such exposures, reinforcing their classification as low-risk assets.
- ❖ As at the reporting date, management has identified no adverse credit events, past-due exposures, restructuring activities, or macroeconomic indicators of credit impairment in respect of these balances.

Based on the above, management considers cash balances with the Bank of Tanzania to be fully recoverable, with no requirement to recognize an ECL provision.

	2025	2024
	TZS'000	TZS'000
20 LOANS AND ADVANCES TO BANKS		
Placements with banks	96,721,718	44,801,878
Nostro balances	41,446,267	8,922,342
Items in course of collection	17,218,513	13,857,864
Items in course of clearing-MNOs	15,773,893	8,874,702
Accrued interest receivable	49,629	66,335
Gross Carrying Amount	171,210,020	76,523,121
ECL-Loans and Advances to Banks	(568,524)	(368,407)
Net Carrying Amount	170,641,496	76,154,714
Maturity profile		
Maturities within 12 months	171,210,020	76,523,121
Maturities after 12 months	-	-
Gross Carrying Amount	171,210,020	76,523,121

Placements with other institutions are not secured; however, they generate interest at market rates. Placements with other banks generated an average of 7.46% in local currency and 8.01% in USD as of December 31, 2025 (compared to 7.46% and 8.01% in 2024).

ECL movement during the year

Balance as of 1 January	368,407	382,752
Release within the year	-	14,345
Charge off during the year	200,117	-
Balance as of 31st December	568,524	368,407

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are explained in Note 42 and policies about how ECL allowances calculation are set out in Note 6.7

20 LOANS AND ADVANCES TO BANKS (CONTINUED)

Internal Rating Grade 2025

Performing:	Stage 1	Stage 2	Stage 3	Total
Current Category	171,210,020	-	-	171,210,020
Gross carrying amount as at 31-Dec-2025	171,210,020	-	-	171,210,020
Gross carrying amount as of 1 January 2025	76,523,121	-	-	76,523,121
New Assets originated or purchased	171,210,020	-	-	171,210,020
Assets derecognized or repaid (excluding write offs)	(76,523,121)	-	-	(76,523,121)
Assets Written Off	-	-	-	-
Gross carrying amount as at 31-Dec-2025	171,210,020	-	-	171,210,020

Internal Rating Grade 2024

Performing:	Stage 1	Stage 2	Stage 3	Total
Current Category	76,523,121	-	-	76,523,121
Gross carrying amount as at 31-Dec-2024	76,523,121	-	-	76,523,121
Gross carrying amount as of 1 January 2024	73,573,183	-	-	73,573,183
New Assets originated or purchased	76,523,121	-	-	76,523,121
Assets derecognized or repaid (excluding write offs)	(73,573,183)	-	-	(73,573,183)
Assets Written Off	-	-	-	-
Gross carrying amount as at 31-Dec-2024	76,523,121	-	-	76,523,121

The table below shows the analysis of changes in ECL allowance amount of the Loans and advances to banks and items for clearing as at 31 December 2025:

Descriptions	Stage 1	Stage 2	Stage 3	Total
ECL allowance as of 1 January 2025	368,407	-	-	368,407
New assets originated or purchased	568,524	-	-	568,524
Assets derecognized or repaid	(368,407)	-	-	(368,407)
On 31 December 2025	568,524	-	-	568,524

The table below shows the analysis of changes in ECL allowance amount of the Loans and advances to banks and items for clearing as at 31 December 2024:

Descriptions	Stage 1	Stage 2	Stage 3	Total
ECL allowance as of 1 January 2024	382,752	-	-	382,752
New assets originated or purchased	368,407	-	-	368,407
Assets derecognized or repaid	(382,752)	-	-	(382,752)
On 31 December 2024	368,407	-	-	368,407

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

21 DEBT INSTRUMENTS AT AMORTISED COST	2025 TZS'000	2024 TZS'000
Treasury bills	44,059,400	70,486,000
Deferred Income of a treasury bills*	(856,617)	(4,609,146)
Treasury Bonds	303,607,500	185,664,300
Corporate Bond**	7,800,000	3,800,000
Unearned discount***	633,470	(1,882,669)
Interest receivable	7,988,560	5,184,843
Gross carrying Amount	363,232,313	258,643,328
ECL-allowances for corporate bonds	(12,899)	(6,080)
	363,219,414	258,637,248
Maturities profile		
Debt instruments at amortised cost maturing within 12 months	49,823,400	77,202,390
Debt instruments at amortised cost maturing after 12 months	313,408,913	181,440,938
	363,232,313	258,643,328
ECL-allowances movement for corporate bonds		
Balance as of 1 January	6,080	4,088
Addition/(release) within the year	6,819	1,992
Balance as of 31 December	12,899	6,080

As of 31 December 2025, the corporate bonds investment profile was as follows;

Company Name	Issue Date	Maturity Date	Coupon Rate %	2025 TZS'000	2024 TZS'000
Tanzania Mortgage Refinance Co Ltd	May-21	May-26	10.48	200,000	200,000
Tanzania Mortgage Refinance Co Ltd	May-23	May-28	10.2	1,000,000	1,000,000
National Microfinance Bank	Nov-23	Nov-26	9.5	1,000,000	1,000,000
TANGA UWASA	Apr-24	Apr-34	13.5	100,000	100,000
iTRUST FINANCE LIMITED	Jun-24	Jun-27	12	1,500,000	1,500,000
CRDB Bank Plc	Feb-25	Feb-30	12	1,000,000	-
iTRUST FINANCE LIMITED	Jun-25	Jun-28	12	2,000,000	-
TCB Limited	Nov-25	Nov-30	13.5	1,000,000	-
				7,800,000	3,800,000

*The deferred income of treasury bills is the difference between the cost of a treasury bill and its face value. It is accounted on the statement of financial position and credited to income gradually over the life of the bill.

** An unearned discount is the difference between the cost of a bond and its face value. It is accounted in the statement of financial position and then credited to income gradually over the life of the bond.

21 DEBT INSTRUMENTS AT AMORTISED COST (CONTINUED)

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are explained in Note 42, and policies about how ECL allowances calculation is set out in Note 6.7

Internal Rating Grade 2025

Performing:	Stage 1	Stage 2	Stage 3	Total
Current Category	363,232,313	-	-	363,232,313
Gross carrying amount as at 31-Dec-2025	363,232,313	-	-	363,232,313

An analysis of changes in the gross carrying amount is as follows;

Descriptions	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as of 1 January 2025	258,643,328	-	-	258,643,328
New Assets originated or purchased	181,791,375	-	-	181,791,375
Assets derecognized or repaid (excluding write-offs)	(77,202,390)	-	-	(77,202,390)
Gross carrying amount as at 31-Dec-2025	363,232,313	-	-	363,232,313

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

21. DEBT INSTRUMENTS AT AMORTISED COST (CONTINUED)

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification for 2024.

Internal Rating Grade 2024

Performing:	Stage 1	Stage 2	Stage 3	Total
Current Category	258,643,328	-	-	258,643,328
Gross carrying amount as at 31-Dec-2024	258,643,328	-	-	258,643,328

An analysis of changes in the gross carrying amount is as follows;

Descriptions	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as of 1 January 2024	237,763,335	-	-	237,763,335
New Assets originated or purchased	78,762,685	-	-	78,762,685
Assets derecognized or repaid (excluding write-offs)	(57,882,692)	-	-	(57,882,692)
Gross carrying amount as at 31-Dec-2024	258,643,328	-	-	258,643,328

The table below shows the analysis of changes in ECL allowance amount of the debt instruments at amortised cost as of 31 December 2025:

Descriptions	Stage 1	Stage 2	Stage 3	Total
ECL allowance as of 1 January 2025	6,080	-	-	6,080
New assets originated or purchased	6,819	-	-	6,819
On 31 December 2025	12,899	-	-	12,899

The table below shows the analysis of changes in ECL allowance amount of the debt instruments at amortised cost as at 31 December 2024:

Descriptions	Stage 1	Stage 2	Stage 3	Total
ECL allowance as of 1 January 2024	4,088	-	-	4,088
New assets originated or purchased	1,992	-	-	1,992
On 31 December 2024	6,080	-	-	6,080

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

	2025	2024
	TZS'000	TZS'000
22 LOANS AND ADVANCES TO CUSTOMERS		
Individual loans		
-Personal loans	389,135,478	124,010,472
-Consumer loans	344,406,493	210,610,452
-MFI Loans	88,189,105	28,519,717
-Mortgage	59,057,575	55,240,439
Project Finance	50,976,059	25,467,004
-Overdrafts	30,189,371	22,279,623
	961,954,081	466,127,707
Corporate / SMEs		
-Term loans	1,278,135,234	1,071,108,383
-Overdrafts	331,523,377	261,322,600
	1,609,658,611	1,332,430,983
Staff loans	24,475,890	23,448,869
Interest receivable	103,657,843	46,045,172
	128,133,733	69,494,041
Gross loans and advances	2,699,746,425	1,868,052,731
ECL for Loans and Advances	(43,150,061)	(47,422,448)
Net loans and advances	2,656,596,364	1,820,630,283
Maturities profile		
Maturities within 12 months	1,352,766,500	812,693,847
Maturities after 12 months	1,346,979,925	1,055,358,884
	2,699,746,425	1,868,052,731
ECL Movement		
Opening balance as at January	(47,422,448)	(52,277,735)
Loans and advances impairment charge during the year-Note 9	(27,206,778)	(32,305,861)
Letters of credit & Guarantee impairment charge during the year-Note 9	6,778	(10,333)
Charged off accounts	31,472,387	37,171,481
As at 31 December	(43,150,061)	(47,422,448)
ECL for Loans and Advances and Off-Balance sheets		
ECL for Loans and Advances on Balance Sheet	(43,150,061)	(47,407,050)
ECL from Letter of credit and guarantee	(3,486)	(15,398)
	(43,153,547)	(47,422,448)

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

22 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Based on the Bank's internal credit rating system and year-end stage classification, the following table displays the maximum exposure to credit risk and credit quality. The gross sums are inclusive of impairment allowances. Note 42 explains the Bank's internal grading system, while Note 6.7 delineates the policies regarding the computation of ECL allowances. These comprise solely principal sums. Interest in suspense, interest receivable, and fair value are excluded.

Internal rating grade	Stage 1	Stage 2	Stage 3	Total
Performing:				
Current category	2,253,556,969	-	-	2,253,556,969
Especially mentioned category	-	343,193,927	-	343,193,927
Non-performing:				
Substandard category	-	-	42,225,960	42,225,960
Doubtful category	-	-	13,285,828	13,285,828
Loss category	-	-	47,483,741	47,483,741
At 31 December 2025	2,253,556,969	343,193,927	102,995,529	2,699,746,425
Gross carrying amount movement				
Descriptions				
As of 1 January 2025,	1,494,911,092	265,235,076	112,793,193	1,872,939,361
New assets originated or purchased or modified	1,172,930,899	143,109,285	47,823,178	1,363,863,362
Assets derecognized or repaid (excluding write offs)	(377,626,043)	(38,743,352)	(89,214,516)	(505,583,911)
Transfers to Stage 1	10,462,255	(830,065)	(9,632,190)	-
Transfers to Stage 2	(17,509,990)	20,433,884	(2,923,894)	-
Transfers to Stage 3	(29,611,244)	(46,010,901)	75,622,145	-
Amounts written off	-	-	(31,472,387)	(31,472,387)
As of 31 December 2025	2,253,556,969	343,193,927	102,995,529	2,699,746,425

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

22 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Internal rating grade	Stage 1	Stage 2	Stage 3	Total
Performing:				
Current category	1,491,076,464	-	-	1,491,076,464
Especially mentioned category	-	264,549,954	-	264,549,954
Non-performing:				
Substandard category	-	-	30,920,755	30,920,755
Doubtful category	-	-	14,095,562	14,095,562
Loss category	-	-	67,409,995	67,409,995
At 31 December 2024	1,491,076,464	264,549,954	112,426,312	1,868,052,730
Gross carrying amount movement				
Descriptions	Stage 1	Stage 2	Stage 3	Total
As of 1 January 2024,	1,373,705,917	177,932,507	105,198,599	1,656,837,023
New assets originated or purchased or modified	489,161,063	189,700,519	94,961,533	773,823,115
Assets derecognized or repaid (excluding write offs)	(286,834,009)	(163,534,734)	(75,067,184)	(525,435,927)
Transfers to Stage 1	12,729,364	(8,414,688)	(4,314,676)	-
Transfers to Stage 2	(71,970,351)	71,970,351	-	-
Transfers to Stage 3	(25,715,520)	(3,104,001)	28,819,521	-
Amounts written off	-	-	(37,171,481)	(37,171,481)
As of 31 December 2024	1,491,076,464	264,549,954	112,426,312	1,868,052,730

Stage transfers have been recorded in accordance with the opening ECL balances.

* This category accommodates changes of derecognised, repaid, and remeasured values that result from changes in model assumptions, model drivers, and exposures.

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

22 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

The table below contains an analysis of the changes in ECL amount for the loans and advances to customers recorded in the statement of profit or loss and other comprehensive income during the year. Notably, these do not include ECL for off-balance sheet items.

Descriptions:	Stage 1	Stage 2	Stage 3	Total
ECL allowance as of 1 January 2025	6,115,652	1,643,855	39,647,543	47,407,050
New assets originated or purchased	5,407,157	7,320,732	47,628,489	60,356,378
Assets derecognized or repaid (excluding write-offs)	(1,544,861)	(240,121)	(31,359,484)	(33,144,466)
Transfer to stage 1	27,880	(1,389)	(26,491)	-
Transfer to stage 2	(1,617,016)	1,866,841	(249,825)	-
Transfer to stage 3	(4,272,178)	(3,033,991)	7,306,169	-
Amounts written off	-	-	(31,472,387)	(31,472,387)
ECL for loans and advances as at 31 December 2025	4,116,634	7,555,927	31,474,014	43,146,575
ECL from Letter of credit and guarantee	3,486	-	-	3,486
On 31 December 2025	4,120,120	7,555,927	31,474,014	43,150,061
ECL allowance as of 1 January 2024	8,880,882	636,992	42,754,795	52,272,669
New assets originated or purchased	6,589,206	2,349,533	55,657,037	64,595,776
Assets derecognized or repaid (excluding write-offs)	(670,049)	(1,035,152)	(30,584,713)	(32,289,914)
Transfer to stage 1	19,525	(417)	(19,108)	-
Transfer to stage 2	(47,600)	47,600	-	-
Transfer to stage 3	(8,656,312)	(354,701)	9,011,013	-
Amounts written off	-	-	(37,171,481)	(37,171,481)
ECL for loans and advances as at 31 December 2024	6,115,652	1,643,855	39,647,543	47,407,050
ECL from Letter of credit and guarantee	15,398	-	-	15,398
On 31 December 2024	6,131,050	1,643,855	39,647,543	47,422,448

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

23 EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Descriptions	*TMRC Investment	**First Housing Finance	***Umoja Switch	Total
Opening - investment cost as of 1 January 2025	2,500,000	8,720,000	490,466	11,710,466
Addition	1,459,800	-	-	1,459,800
Financial assets at cost as of 31 December 2025	3,959,800	8,720,000	490,466	13,170,266
Fair value balance as of 1 January 2025	2,744,909	(401,145)	2,353,205	4,696,969
Change in fair value in the period	2,228,174	(118,214)	643,655	2,753,615
Fair value balance as of 31 December 2025	4,973,083	(519,359)	2,996,860	7,450,584
Financial assets at FVOCI as of 31 December 2025	8,932,883	8,200,641	3,487,326	20,620,850
Fair value reserve through OCI (70%)	3,481,159	(363,551)	2,097,802	5,215,410
Opening - investment cost as of 1 January 2024	2,500,000	8,720,000	20,000	11,240,000
Addition	-	-	470,466	470,466
Financial assets at cost as of 31st December 2024	2,500,000	8,720,000	490,466	11,710,466
Fair value balance as of 1 January 2024	1,555,000	(507,562)	141,559	1,188,997
Change in fair value in the period	1,189,909	106,417	2,211,646	3,507,972
Fair value balance as of 31 December 2024	2,744,909	(401,145)	2,353,205	4,696,969
Financial assets at FVOCI as of 31 December 2024	5,244,909	8,318,855	2,843,671	16,407,435
Fair value reserve through OCI (70%)	1,921,436	(280,802)	1,647,244	3,287,878

*The Tanzania Mortgage Refinance Company (TMRC): Azania Bank Plc is a founding member of the Tanzania Mortgage Refinance Company (TMRC), holds TZS 3,959,800 in ordinary shares at TZS 1,000 each, following an additional investment of 1,459,800 shares. TMRC provides long-term funding to financial institutions by refinancing the mortgage portfolios of primary mortgage lenders (PMLs), thereby strengthening Tanzania's housing finance market.

**The First Housing Finance (T) Limited is a Tanzanian company that was established exclusively with the purpose of providing residential mortgage financing. The Azania Bank holds 40% of the company's equity.

***Umoja Switch: The Bank holds a 20% equity stake in Umoja Switch (2024: 20%), reinforcing its commitment to Tanzania's interbank payment ecosystem and supporting shared ATM, mobile, and agency banking services that drive interoperability, cost efficiency, and financial inclusion.

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

24 PROPERTY AND EQUIPMENT

	Leasehold improvement	Motor Vehicles	Office furniture & equipment	Office Computers	Capital work in progress	Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Cost As at 1 Jan 2025	13,793,448	3,310,090	10,417,264	6,623,193	822,332	34,966,327
Additions	1,264,610	652,176	1,891,635	605,271	3,390,879	7,804,571
Transfer	337,610	6,400	425,793	41,495	(811,298)	-
Reclassification/Reversal					(11,033)	-11,033
Disposals	(52,404)	-	(180,049)	(198,463)	-	(430,916)
As at 31 December 2025	15,343,264	3,968,666	12,554,643	7,071,496	3,390,880	42,328,949
Accumulated depreciation						
Cost As at 1 Jan 2025	(9,085,074)	(2,779,441)	(7,900,059)	(2,778,298)	-	(22,542,872)
Charge for the year	(1,003,400)	(260,374)	(1,058,274)	(1,013,105)	-	(3,335,153)
Disposals	27,512	-	174,388	196,910	-	398,810
As at 31 December 2025	(10,060,962)	(3,039,815)	(8,783,945)	(3,594,493)	-	(25,479,215)
	5,282,302	928,851	3,770,698	3,477,003	3,390,880	16,849,734

*There was a transfer of TZS 11 million from the work in progress account to expense account.

24. PROPERTY AND EQUIPMENT (CONTINUED)

	Leasehold improvement	Motor Vehicles	Office furniture & equipment	Office Computers	Capital work in progress	Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Cost						
As of 1 January 2024	12,499,302	3,304,950	9,642,256	3,032,004	2,328,779	30,807,291
Additions	631,869	-	695,334	2,491,505	822,332	4,641,040
Transfer	662,277	132,986	193,203	1,105,218	(2,093,684)	-
Disposals	-	(127,846)	(113,529)	(5,534)	-	(246,909)
Reclassification*	-	-	-	-	(235,095)	(235,095)
As of 31 December 2024	13,793,448	3,310,090	10,417,264	6,623,193	822,332	34,966,327
Accumulated depreciation						
As of 1 January 2024	(8,109,513)	(2,603,792)	(7,046,598)	(2,196,050)	-	(19,955,953)
Charge for the year	(975,561)	(278,626)	(966,446)	(587,782)	-	(2,808,415)
Disposals	-	102,977	112,985	5,534	-	221,496
As of 31 December 2024	(9,085,074)	(2,779,441)	(7,900,059)	(2,778,298)	-	(22,542,872)
Net book value as of 31 December 2024	4,708,374	530,649	2,517,205	3,844,895	822,332	12,423,455

*There was a transfer of TZS 235 million from the work in progress account to the expense account.

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

	2025 TZS'000	2024 TZS'000
25 RIGHT OF USE OF ASSETS		
Cost		
As of 1 January,	22,058,085	14,622,647
Additions	5,431,085	4,780,823
Modification	1,578,307	2,654,615
As of 31 December,	29,067,477	22,058,085
Accumulated depreciation		
As of 1 January	(11,173,316)	(9,190,106)
Charge for the year	(2,581,404)	(2,522,270)
Modification	936,324	539,060
As of 31 December	(12,818,396)	(11,173,316)
Net book value as of 31 December	16,249,081	10,884,769
26 INTANGIBLE ASSETS		
Cost		
As of 1 January,	17,454,420	13,680,794
Addition	22,452	2,208,828
Transfer from work in progress	-	1,564,798
As of 31 December,	17,476,872	17,454,420
Capital work in progress		
As of 1st January	31,330	1,596,128
Addition	257,209	-
Transfer from work in progress	-	(1,564,798)
As of 31 December	288,539	31,330
Total Cost as of December	17,765,411	17,485,750
Accumulated amortisation		
As of 1 January,	(13,401,619)	(12,677,289)
Charge for the year	(924,975)	(724,330)
As of 31 December	(14,326,594)	(13,401,619)
Net book value as of 31 December	3,438,817	4,084,131
Intangible assets include the core banking system that is presently in use and other peripheral systems that are used for daily bank operations.		
27 CURRENT TAX ASSET		
As of 1 January,	5,074,825	2,284,664
Current tax - current periods	(1,494,064)	(1,701,115)
Payment during the year	9,136,745	4,491,276
As of 31 December	12,717,506	5,074,825

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

28 DEFERRED TAX ASSET

Deferred tax is calculated at the enacted rate of 30%, except for capital gains at 5% (2024: 30% and 5%). As the bank recorded no capital gains during the year, deferred tax assets, liabilities, and charges/credits in profit and loss and comprehensive income are attributed to the following items:

Year ended 31st December 2025	As of 1st January 2025	(Credited)/charged to profit or loss	Charge to other comprehensive income	As of 31st December 2025
	TZS	TZS	TZS	TZS
Deferred income tax asset				
Property, plant and equipment	1,264,544	(627,918)	-	636,626
General provisions	(389,464)	-	-	(389,464)
Allowance for expected credit losses	(14,714,935)	1,496,799	-	(13,218,136)
Increase/Decrease in Int. In Suspense	(9,564,215)	4,091,868	-	(5,472,347)
Management gratuity	(563,356)	68,895	-	(494,461)
Rent IFRS 16	(1,325,584)	909,250	-	(416,334)
Tax loss carried forward	(27,486,710)	2,241,096	-	(25,245,614)
	(52,779,720)	8,179,990	-	(44,599,730)
Other comprehensive income				
Equity Instruments at fair value through OCI	546,513	-	826,085	1,372,598
Total From OCI	546,513	-	826,085	1,372,598
Net deferred tax liability/(asset)	(52,233,207)	8,179,990	826,085	(43,227,131)

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

28 DEFERRED TAX ASSET (CONTINUED)

Year ended 31st December 2024	As of 1st January 2024	(Credited)/charged to profit or loss	Charge to other comprehensive income	As of 31st December 2024
	TZS'000	TZS'000	TZS'000	TZS'000
Deferred income tax asset				
Property, plant and equipment	1,683,537	(418,993)	-	1,264,544
Other provisions	(389,464)	-	-	(389,464)
Allowance for expected credit losses	(14,671,161)	(43,774)	-	(14,714,935)
Interest in Suspense	(8,547,872)	(1,016,343)	-	(9,564,215)
Lease liabilities	(1,129,297)	(196,287)	-	(1,325,584)
Management gratuity	(399,070)	(164,285)	-	(563,355)
Tax loss carried forward	(30,038,384)	2,551,674	-	(27,486,710)
	(53,491,711)	711,992	-	(52,779,719)
Other comprehensive income				
Equity Instruments at fair value through OCI	(505,879)	-	1,052,391	546,512
Total From OCI	(505,879)	-	1,052,391	546,512
Net deferred tax liability/(asset)	(53,997,590)	711,992	1,052,391	(52,233,207)

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

	2025	2024
	TZS'000	TZS'000
29 OTHER ASSETS		
PSSSF receivable	100,000,000	-
Sundry receivable	12,869,133	10,403,679
Advance payments	19,732,789	39,825,748
Insurance receivables	2,861,518	2,104,124
ATMs and POS stocks	664,934	171,173
Withholding tax receivable	144,246	128,985
Receivables from mobile network operators	126,426	98,663
Gross Carrying Amount	<u>136,399,046</u>	<u>52,732,372</u>
ECL-Other Assets	<u>(233,064)</u>	<u>(1,252,851)</u>
Net Recoverable	<u>136,165,982</u>	<u>51,479,521</u>
Maturity profile		
Maturing within 12 months	136,399,046	52,321,694
Maturing after 12 months	-	410,978
	<u>136,399,046</u>	<u>52,732,672</u>
Movement of provisions		
Opening balance	(1,252,851)	(538,655)
Charged off during the year	438,530	-
Charge during the year	581,257	(714,196)
	<u>(233,064)</u>	<u>(1,252,851)</u>
* Sundry receivable is comprised of security deposits by service providers.		
30 LOANS AND ADVANCES FROM BANKS		
Deposits from Banks	412,871,683	321,745,643
Accrued interest	339,418	589,829
	<u>413,211,101</u>	<u>322,335,472</u>
Maturity profile		
Maturing within 12 months	413,211,101	322,335,472
Maturing after 12 months	-	-
	<u>413,211,101</u>	<u>322,335,472</u>
31 DEPOSITS FROM CUSTOMER		
Current accounts	1,437,095,055	960,555,280
Term deposits	715,737,413	451,653,739
Savings accounts	266,685,756	155,071,710
Accrued interest	38,009,739	21,536,503
Other deposits	3,256,225	6,599,576
	<u>2,460,784,188</u>	<u>1,595,416,808</u>

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

31 DEPOSITS FROM CUSTOMER (CONTINUED)	2025	2024
Maturity profile	TZS'000	TZS'000
Maturing within 12 months	2,397,539,583	1,553,598,679
Maturing after 12 months	63,244,605	41,818,129
	2,460,784,188	1,595,416,808
32 REVOLVING CREDIT LINES		
Principal Amount	76,090,210	75,268,740
Accrued interest	2,017,123	1,729,926
	78,107,333	76,998,666
Movement During the Year		
As of 1 January,	76,998,666	109,300,170
Addition during the year	-	-
Payments	-	(32,894,221)
Accrued interest	1,108,667	592,717
As of 31 December,	78,107,333	76,998,666
Maturing within 12 months	2,017,123	1,729,926
Maturing after 12 months	76,090,210	75,268,740
	78,107,334	76,998,666

The table below presents the interest profile of the revolving funds as of 31st December 2025.

Customer Name	2025		2024	
	Rate	Amount	Rate	Amount
National Social Security Fund (NSSF)	10.63	30,000,000	10.63	30,000,000
Public Service Social Security Fund (PSSSF)	11	25,000,000	11	25,000,000
Public Service Social Security Fund (PSSSF)	5.5	14,101,296	5.5	13,593,650
National Health Insurance Fund (NHIF)	5.0	5,738,914	5	5,470,090
Public Service Social Security Fund (PSSSF)	1.5	1,250,000	1.5	1,205,000
Accrued interest		2,017,123		1,729,926
Total		78,107,333		76,998,666

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

	2025	2024
	TZS'000'	TZS'000'
33 CORPORATE BOND PAYABLE		
Principal Corporate Bond	63,167,980	58,449,980
Accrued Interest	169,652	319,399
	<u>63,337,632</u>	<u>58,769,379</u>
Movement During the Year		
As of 1 January,	58,769,379	-
Addition during the year	4,718,000	58,449,980
Accrued interest in the year	7,327,247	319,399
Payments	(7,476,994)	-
As of 31 December,	<u>63,337,632</u>	<u>58,769,379</u>
Maturity profile		
Maturing within 12 months	169,652	319,399
Maturing after 12 months	63,167,980	58,449,980
	<u>63,337,632</u>	<u>58,769,379</u>

In 2024 the bank issued a four-year corporate bond carrying a coupon rate of 12.5%, payable on a quarterly basis. The bond has been registered with the Dar es Salaam Stock Exchange and is set to mature in December 2028.

34 LONG TERM BORROWINGS		
Tanzania Agriculture Development Bank	28,897,380	10,000,000
Bank of Tanzania	19,199,158	21,135,208
Tanzania Mortgage Refinance	15,700,000	15,700,000
East Africa Development Bank	12,500,000	-
TIB Development Bank	1,750,000	-
Accrued Interest	482,381	113,741
	<u>78,528,919</u>	<u>46,948,949</u>
Movement During the Year		
As of 1 January	46,948,949	38,771,258
Addition during the year	33,147,380	10,000,000
Accrued interest in the year	368,640	113,741
Payments	(1,936,050)	(1,936,050)
As of 31 December	<u>78,528,919</u>	<u>46,948,949</u>
Maturity profile		
Maturing within 12 months	-	2,637,477
Maturing after 12 months	78,528,919	44,311,472
	<u>78,528,919</u>	<u>46,948,949</u>

During the year, the Bank secured a long-term facility of USD equivalent to TZS 12.5 billion from the East Africa Development Bank at an interest rate of 7.92% and further TZS 1.75 billion from TIB Development Bank at 4%.

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

34 LONG TERM BORROWINGS (CONTINUED)

The funds were strategically deployed to support the growth of small and medium-sized enterprises (SMEs) as well as small-scale industries, reinforcing the Bank's commitment to fostering inclusive economic development. The table below presents the interest profile of the principal amount of subordinated fund as of 31st December 2025.

Customer Name	Rate	2025	Rate	2024
		TZS'000		TZS'000
Tanzania Agriculture Development Bank	7	28,897,380	7	10,000,000
Bank of Tanzania	5	19,199,158	5	21,135,208
Tanzania Mortgage Refinance	7.5	15,700,000	7.5	15,700,000
East Africa Development Bank*	7.92	12,500,000		-
TIB Development Bank	4	1,750,000		-
Accrued Interest		482,381		113,741
		78,528,919		46,948,949

35 OTHER LIABILITIES

Payable on digital loans	13,462,005	4,952,608
Unamortised arrangement fees for letters of credit	3,809,222	872,102
Accrued expenses	5,973,752	3,933,199
Payable on other taxes	5,906,696	2,016,677
Staff bonus and gratuity	1,648,204	1,877,853
Miscellaneous Liabilities	1,510,495	3,500,291
Statutory payments	758,071	562,901
Insurance payables	454,274	887,546
	33,522,719	18,603,177

Maturity Profile

Maturing within 12 months	31,869,091	15,328,981
Maturing after 12 months	1,653,628	3,274,196
	33,522,719	18,603,177

36 LEASE LIABILITIES

As of 1 January,	11,529,652	5,933,045
Addition	5,466,703	4,780,823
Accrued Interest	1,337,723	1,077,942
Modification	1,810,737	3,246,830
Exchange Rate Effect	(125,866)	(105,063)
Payment	(3,856,931)	(3,403,925)
As of 31 December,	16,162,018	11,529,652

Maturing within 12 months	204,232	2,669,719
Maturing after 12 months	15,957,786	8,859,933
	16,162,018	11,529,652

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

37	SHARE CAPITAL	2025	2024
a.	AUTHORISED ORDINARY SHARE CAPITAL	TZS'000'	TZS'000'
	500,000,000 ordinary shares @ 1,000	500,000,000	500,000,000
		<u>500,000,000</u>	<u>500,000,000</u>
b.	ISSUED ORDINARY SHARE CAPITAL		
	185,493,271 ordinary shares @ 1,000	185,493,271	185,493,271
		<u>185,493,271</u>	<u>185,493,271</u>

Movement of shares during the year was as follows:

As of 1 January,	185,493,271	185,493,271
Addition during the year	-	-
As of 31 December	<u>185,493,271</u>	<u>185,493,271</u>

c.	ADVANCE TOWARDS SHARE CAPITAL		
	As of 1 January,	290,601	253,601
	Addition during the year	412,200	37,000
	Transfer to Share capital	-	-
	As of 31 December,	<u>702,801</u>	<u>290,601</u>

A total of 412,200 shares (2024: 37,000) were subscribed to by minority shareholders at TZS 1,000 per share.

d.	RETAINED EARNINGS	144,986,318	81,084,260
e.	REGULATORY RESERVE*		
	As of 1 January,	41,457,662	16,076,824
	Transfers from / (to) retained earnings	(11,496,431)	25,380,838
	As of 31 December,	<u>29,961,231</u>	<u>41,457,662</u>

* Regulatory reserve is a credit risk reserve that represents amounts set aside to cover additional provisions (excess of ECL provisions per IFRS 9 requirements) for loan losses required to comply with Bank of Tanzania (BOT) prudential guidelines. This reserve is not available for distribution. As at 31 December 2025, the provision per IFRS 9 amounted to TZS 43.15 billion (2024: TZS 47.42 billion) and regulatory provisions amounted to TZS 73.11 billion (2024: TZS 88.88 billion), resulting to the balance of TZS 29.96 billion (2024: TZS 41.46 billion).

38 PREFERENCE SHARE CAPITAL

9% Convertible preference share	-	-
Advance towards convertible preference share	150,000,000	-
	<u>150,000,000</u>	<u>-</u>

During the year, PSSSF, the majority shareholder, granted equity of TZS 150 billion through the issuance of 9% convertible preference shares. Dividends on these shares are payable when distributable profits are available. These preference shares are convertible into ordinary shares at a future date. As at the reporting date, TZS 50 billion had been received relating to the issuance.

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

	2025	2024
	TZS'000'	TZS'000'
39 CASH AND CASH EQUIVALENT		
Cash in hand	49,750,782	35,134,124
Balances with Bank of Tanzania- Current account	53,933,231	31,839,879
Unrestricted (Accessible) SMR (20% of SMR)*	23,320,510	13,446,437
Balances with other banks maturing within 3 months	96,525,000	76,316,756
Debt instruments maturing within 3 months	24,959,400	25,005,600
	<u>248,488,923</u>	<u>181,742,796</u>

* In accordance with regulatory requirements, banks are mandated to maintain a statutory minimum reserve on customer deposits with the Bank of Tanzania. Up to 20% of the required SMR is available for utilization, and this portion is classified as part of cash and cash equivalents in the financial statements.

39.5 Adjustments for non-cash items:			
Impairment allowance on financial assets	9	26,825,582	33,018,037
Depreciation of property and equipment	16	6,841,532	6,055,015
Interest gain from valuation of restructured loans	7	(234,194)	88,525
Unrealized exchange gain revaluation		10,312,272	(2,928,355)
Management Gratuity	13	1,733,524	1,173,326
Interest Expense lease liability	8	1,337,723	1,077,942
Modification on lease liability	34	(703,894)	53,155
Charge offs of other assets	17	200,703	172,746
Interest expense		958,921	1,025,857
(Gain)/Loss on disposal of fixed assets	12	(8,786)	(65,141)
		<u>47,263,383</u>	<u>39,671,107</u>

40. CAPITAL MANAGEMENT

The Bank's objectives in capital management extend beyond the notion of equity. These objectives are as follows:

- To comply with the capital requirements established by the banking industry regulator
- To ensure that the Bank can continue to provide benefits and returns to shareholders and other stakeholders as a going concern
- To maintain a strong capital base to support the growth of its business

The Bank monitors capital adequacy and regulatory capital on a daily basis by employing techniques that are based on the guidelines developed by the Basel Committee and adopted by the Bank of Tanzania (BOT) for supervisory purposes. On a quarterly basis, the necessary information is submitted to BOT.

According to the Banking and Financial Institutions (2014) Regulations, each bank or banking entity is required

a) to maintain a minimum level of regulatory capital of TZS 15,000 million.

b) Additionally, the regulation requires

- A bank must maintain a Core Capital of at least 10% and a total Core Capital of 12.5% of its total risk-weighted assets, plus risk-weighted off-balance sheet items, and
- Maintain Total Capital of at least 12% (plus 2.5% capital conservation buffer) of its total risk-weighted assets, plus risk-weighted off-balance sheet items, in accordance with the revised 2014 regulations.

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

- Tier 1 capital: share capital, retained earnings, and reserves created by appropriations of retained earnings, except reserves established to mitigate the anticipated loss resulting from non-performing loans. Tier 1 capital is determined by subtracting prepaid expenses and deferred charges: and
- Tier 2 capital: unrealized gains arising on the fair valuation of equity instruments held as held for trading and qualifying subordinated loan capital.

The Bank's policy is to preserve a robust capital base in order to ensure the future growth of the business and to maintain the confidence of investors, creditors, and the market.

The bank's regulatory capital composition and ratios for the year ending December 31, 2025, are summarized in the table below. The Bank adhered to the capital adequacy ratio and the sole borrower's limit during the year in question.

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

40. CAPITAL MANAGEMENT (CONTINUED)

	2025	2024
	TZS'000	TZS'000
CAPITAL ADEQUACY		
Ordinary share capital	185,493,271	185,493,271
Advance towards capital	702,801	290,601
Preference Share Capital	150,000,000	-
Accumulated profit	144,986,314	81,084,260
	481,182,386	266,868,132
Less		
Prepayments	(4,668,531)	(3,144,370)
Intangible Assets	(3,438,818)	-
Deferred charges	(43,227,131)	(52,233,207)
Total core capital	429,847,906	211,490,555
Tier 2 capital	-	-
Total capital	429,847,906	211,490,555
Risk Weighted Assets-on Balance sheet	1,577,085,876	1,331,849,487
Risk Weighted Assets-off Balance sheet	38,362,123	35,901,832
Adjusted Capital Required for Market Risk	18,337,875	15,772,477
Adjusted Capital Required for Operational Risk	122,302,051	90,638,192
Total risk weighted assets	1,756,087,925	1,474,161,988
CET1 to total RWA	15.94%	n/a
Tier-1 capital to total RWA	24.48%	14.35%
Total capital to total RWA	24.48%	14.35%
Capital conservation buffer	7.44%	n/a

41. RELATED PARTY TRANSACTIONS AND DISCLOSURES

The directors' report section discloses the list of shareholders of the Bank that are considered related parties. In the ordinary course of business, the bank engaged in some banking transactions with related parties, including deposits and loans.

Personnel who are directly or indirectly responsible for the planning, direction, and control of the Bank's activities are referred to as "key management." This includes any director of the Bank. All transactions involving related parties were conducted in a typical business environment and at arm's length and on the same terms and conditions as those that apply to other customers, with the exception of staff loans, which had an interest rate of 5%. The exception is interest-free education loans.

The following are the volumes of related party transactions and outstanding balances at the year's end:

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

41. RELATED PARTY TRANSACTIONS AND DISCLOSURES (CONTINUED)

41.1 Deposits and Loans	2025	2024
Deposits from shareholders:	TZS'000	TZS'000
National Social Security Fund (NSSF)	251,761,338	135,582,109
Public Service Social Security Fund (PSSSF)	614,195,587	312,396,416
National Health Insurance Fund (NHF)	49,800,000	12,014,795
Workers Compensation Fund (WCF)	16,000,000	15,000,000
	931,756,925	474,993,320
Revolving - Borrowings:		
National Social Security Fund (NSSF)	30,000,000	30,000,000
Public Service Social Security Fund (PSSSF)	40,351,296	39,798,650
National Health Insurance Fund (NHIF)	5,738,914	5,470,090
Accrued interest	2,017,123	1,729,926
	78,107,333	76,998,666
Corporate Bond		
Public Service Social Security Fund (PSSSF)	5,000,000	5,000,000
National Social Security Fund (NSSF)	4,500,000	4,500,000
	9,500,000	9,500,000
Loans:		
As at 1 January	2,103,599	488,392
New loans issued during the year	720,558	1,670,556
Repayments during the year	(128,912)	(55,349)
	2,695,245	2,103,599
41.2 Transactions		
Revolving - Borrowing (Interest & Commissions)		
National Social Security Fund (NSSF)	3,189,000	3,203,459
Public Service Social Security Fund (PSSSF)	3,583,316	3,384,045
Workers Compensation Fund (WCF)	54,188	176,594
National Health Insurance Fund (NHIF)	277,288	896,201
	7,103,792	7,660,299
41.3 Benefits and other expenses:		
Short term employee salaries	3,810,136	3,700,502
Other short term employment benefits	1,851,913	1,943,045
Directors' fees	912,213	277,500
Directors' meetings, travelling and training expenses	1,011,931	620,690
	7,586,193	6,541,737

42. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

42.1 Valuation methodology

A valuation technique that takes into account the discount and interest earned at the reporting date is employed by the Bank to determine the fair value of held-to-maturity financial assets. The Bank of Tanzania website provides the most recent market information regarding market interest rates on loans and advances, deposits, and borrowings.

The fair value of "financial assets through other comprehensive income" is determined by the Bank using the share prices of unquoted equity shares that are available from the equity instrument's issuer.

The fair values of "held-for-trading financial assets" are determined by utilizing the prices and market information of these instruments that are available on the Dar es Salaam Stock Exchange website.

42.2 Fair value hierarchy

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

- **Level 1** - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. This level includes listed equity securities and debt instruments on exchanges.
- **Level 2** - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices, interest, and yield curves) or indirectly (that is, derived from prices Central Bank Auction prices for Government securities); and
- **Level 3** - inputs for the asset or liability that are not based on observable market data (unobservable inputs to valuation techniques).

The fair values of financial assets and liabilities, as well as their positions in the fair value hierarchy for financial instruments that are not measured at fair value, are depicted in the tables below. The carrying quantities of other financial assets and financial liabilities that are not measured at fair value are a reasonable approximation of fair values due to their short-term nature or they re-priced in the short run.

42. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (Continued)

42.2 Fair value hierarchy (Continued)

Financial assets	2025	2024	Hierarchy	Valuation technique and key inputs
Equity instruments	20,620,850	16,407,435	Level 3	Price-to-book value of equity multiples

Sensitivity Analysis

The sensitivity analysis demonstrates that the equity instrument valuation remains robust when considering changes in key valuation factors. The base case of approximately 20.6 billion varies within a range of 18.6 billion to 22.7 billion depending on a 10% decrease or increase, respectively, in the Price to Book value multiple, and between 20.2 billion and 21.0 billion under corresponding changes in the Marketability discount rate. The average valuation remains close to the base case across both factors, confirming the valuation’s stability and reliability with less than a 10% deviation under these stress scenarios.

43 FINANCIAL RISK MANAGEMENT

Credit risk, liquidity risk, market risk, and operational risk are among the financial hazards to which the Bank is subjected as a result of its operations. The bank’s risk management framework is established and overseen by the Board of Directors. The Board is ultimately accountable for all risks that the Bank assumes. In addition, the Board establishes written policies that address specific areas, including credit risk, interest rate risk, foreign exchange risk, and the use of derivative and non-derivative financial instruments. Furthermore, internal audit is accountable for conducting an impartial assessment of the control environment and risk management.

The most important risks include.

- Credit risk,
- Market risk
- Liquidity risk and
- Operational risk.

These risks are explained in the following paragraphs.

43 FINANCIAL RISK MANAGEMENT (CONTINUED)

43.1 Credit Risk

Credit risk is the risk of suffering financial loss, should any of the Bank's customers, clients, or market counterparties fail to fulfil their contractual obligations to the Bank. Credit risk arises mainly from commercial and consumer loans and advances, credit cards, and loan commitments arising from such lending activities, but it can also arise from credit enhancement provided, financial guarantees, letters of credit, endorsements, and acceptances.

The Bank's Board of Directors manages the exposure to credit risk with great care, as it is the single largest risk to the business. In addition, the Board of Directors has a designated committee responsible for supervising all credit processes. A subcommittee is responsible for managing the Bank's loan portfolio, ensuring that the management understands the credit risk it manages.

43.1.1 Credit risk measurement

In measuring credit risk of loans and advances to both customers and banks at a counterparty level, the Bank reflect two components (i) the 'probability of default' by the client or counterparty on its contractual obligations and (ii) current exposures to the counterparty and its likely future development, from which the Bank derives the 'exposure at default.' These credit risk measurements, which reflect expected loss (the 'expected credit loss model'), are embedded in the daily operational management and are in line with IFRS 9.

The Bank uses reasonable and supportable forward-looking information that is available without undue cost or effort in its assessment of a significant increase of credit risk as well as in its measurement of ECL. External and internal information is used to generate a 'base case' (Best case, medium and worst case) scenario of future forecast of relevant economic variables such as GDP growth rate, lending rates, exchange rates and unemployment rates along with a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities.

The Bank applies probabilities to the forecast scenarios identified. The base case scenario is the single most likely outcome and consists of information used by the Bank for strategic planning and budgeting. The key drivers of credit risks and credit losses for each portfolio of financial instruments were identified and documented using a statistical analysis of historical data to estimate relationships between macroeconomic variables, credit risk and credit losses.

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.1 Credit risk (Continued)

43.1.1 Credit risk measurement (Continued)

Bank's rating	Staging	Description of the grade
1	Stage 1	Current
2	Stage 2	Especially Mentioned
3	Stage 3	Sub-standard
4	Stage 3	Doubtful
5	Stage 3	Loss

The Bank's internal credit rating tools are customized in accordance with the Bank of Tanzania (BOT) guidelines. The Bank categorizes its customers into five ratings. The credit risk assessment for each stage and the impact of the Bank's financial statements are reflected in the rating scale of the Bank shown below

	Stage 1 (performing loans)	Stage 2 (non-performing loans)	Stage 3 (non-performing loans)
Credit risk	Financial instruments with low credit risk at the reporting date or which have not had SICR	Financial instruments that have had a significant increase in credit risk since initial recognition but do not have objective evidence of a credit loss event.	Financial assets that have objective evidence of impairment at the reporting date
Recognition of expected credit losses	12 Month expected credit losses are recognized.	Lifetime expected credit losses are recognized.	Lifetime expected credit losses are recognized.
Recognition of interest	Interest revenue is calculated on the gross carrying amount of the asset.	Interest revenue is calculated on the gross carrying amount of the asset.	Interest revenue is calculated based on the amortized cost net of the loss provision (net carrying amount).

(a) Significant increase in credit risk

When one or more of the following quantitative or qualitative criteria are met, the Bank deems a debt instrument, loan commitments, and financial guarantee contracts to have experienced a substantial increase in credit risk.

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.1 Credit risk (Continued)

43.1.1. Credit risk measurement (Continued)

(b) Loans and advances to customers

i) Quantitative criteria

- Based on a quantitative review for the expected credit losses calculations, loans and advances, loan commitments and financial guarantees shall be classified as follows;
- 0 - 30 days to be classified as Stage 1; Loans and advances, loan commitments and financial guarantees which are performing according to contracted terms and conditions with low credit risk at the reporting date with 12-month expected credit losses being recognized.
- 31 - 90 days to be classified as Stage 2; Loans and advances, loan commitments and
- Financial guarantees, which have had a significant increase in credit risk since initial recognition but do not have objective evidence of credit loss event with lifetime expected credit losses being recognized.
- 91 days or more to be classified as Stage 3; Loans and advances, loan commitments and financial guarantees which have objective evidence of impairment at the reporting date with lifetime expected credit losses being recognized (credit-impaired assets).

ii) Qualitative criteria

For Personal Loans, the borrower must meet one or more of the following criteria:

- Short-term forbearance or restructuring.
- Adverse changes of external data from credit references agencies.

For Corporate and SME portfolios, if the borrower is on the Watch list and/or the instrument meets one or more of the following criteria:

- a) Significant adverse changes in business, financial, and/or economic conditions in which the borrower operates.
- b) Actual or expected forbearance or restructuring.
- c) Actual or expected significant adverse change in operating results of the borrower.
- d) Significant change in collateral value, which is expected to increase the risk of default.
- e) Early signs of cash flow/liquidity problems such as delay in servicing of trade creditors/loans.
- f) Significant adverse changes in the political, regulatory, and technological environment of the borrowers or in their business activities.

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.1 Credit risk (Continued)

43.1.1. Credit risk measurement (Continued)

(c) Balances due from other banks

The following qualitative factors are regarded as indicators of the substantial increase in credit risk:

- Significant counterparty management restructuring due to the continuous deficient performance of the company.
- Significant adverse change in the regulatory, economic, or technology of the borrower that results in a significant change in the borrower's ability to meet its debt obligations.
- Significant reductions in financial support from a parent company that resulted to a significant adverse change of operating results of the counterparty.

In particular, the Bank manages and controls credit risk concentrations in individual counterparties, groups, or industries whenever they are identified. The Bank restricts the amount of risk they accept in relation to individual borrowers, groups of borrowers, and industry segments by structuring the credit risk levels they execute. These risks are subject to a revolving review on an annual or more frequent basis when deemed necessary.

There are sub-limits for on- and off-balance sheet exposures that limit the exposure to any borrower, including institutions. Daily monitoring is conducted to assess actual exposures in relation to established limits. Additionally, exposure to credit risk is mitigated by conducting weekly assessments of the capacity of both current and prospective borrowers to fulfill their interest and capital repayment obligations or by adjusting lending limits as necessary. Some other specific control and mitigation measures are outlined below.

(a) Collateral

To reduce credit risk, the Bank implements a variety of policies and procedures. The most conventional of these is the practice of obtaining security for funds to be advanced. Additionally, the Bank establishes policies regarding the permissibility of particular types of collateral for credit risk mitigation.

The primary collateral categories for loans and advances are as follows:

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

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.1 Credit risk (Continued)

43.1.2. Impairment and provisioning policies (Continued)

(a) Collateral (continued)

To mitigate the credit loss, the Bank will promptly request additional collateral from the counterparty upon the identification of impairment indicators for the relevant individual loans and advances.

(b) Credit-related commitments

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

Unused portions of authorization to extend credit in the form of loans, guarantees, or letters of credit are represented by commitments to extend credit. The bank is potentially exposed to a loss in quantities equivalent to the total unused commitments with respect to credit risk on commitments to extend credit.

Nevertheless, the probable loss is less than the total unused commitments, as the majority of credit commitments are contingent upon consumers adhering to specific credit standards. The Bank monitors the term to maturity of credit commitments due to the fact that longer-term commitments typically carry a higher level of credit risk than shorter-term commitments.

The Board of Directors approves quarterly limitations on the level of credit risk by product and sector, and the Bank oversees and regulates concentrations of credit risk wherever they are recognized, especially to individual counter parties and groups and industries.

If there hasn't been a substantial rise in credit risk since origination, the allowance is based on the expected credit loss for the previous 12 months. Otherwise, the allowance is based on the credit losses anticipated to occur over the asset's lifetime (the lifetime expected credit loss). Note 6.7 outlines the procedures used by the Bank to assess whether credit risk has significantly increased.

Each of the five internal rating grades determines the impairment allowance recorded in the year-end financial statements. However, the stage 3 loans make up the majority of the impairment allowance.

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.1 Credit risk (Continued)

43.1.2 Impairment and provisioning policies (Continued)

The Bank's policy is to conduct routine credit risk assessments of individual financial assets. Impairment allowances are allocated to specific accounts and are determined by a case-by-case assessment of the impairment at the reporting date. The evaluation typically includes the anticipated proceeds for the individual account and the collateral held (including re-confirmation of its enforceability).

The summary below displays the percentage of the bank's exposure to loans and advances, as well as the percentage of the associated impairment allowance for each of the bank's internal rating categories.

		2025		2024	
Bank's rating	Credit risk exposure	Impairment allowance for each class	Credit risk exposure	Impairment allowance for each class	
1	Current	82.93%	0.18%	78.31%	0.41%
2	Special monitoring	12.62%	1.03%	14.19%	0.61%
3	Sub-standard	1.57%	17.69%	1.68%	17.98%
4	Doubtful	0.55%	23.76%	0.81%	35.77%
5	Loss	2.33%	38.32%	5.00%	29.78%
		100.00%		100.00%	

The Directors are confident in their ability to maintain minimal credit risk exposure to the Bank in the foreseeable future, which is a consequence of both its loan and advances portfolio and debt securities. The actual results as of December 31, 2024, were as follows, based on the available credit risk grading criteria:

- 95.55% of the loans and advances portfolio was categorized in the top two grades of the internal rating system (2024: 92.50%); and
- 82.93% of the loans and advances to customers are performing which are neither past due nor impaired (2024: 78.31%).

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

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.1 Credit risk (Continued)

43.1.2 Impairment and provisioning policies (Continued)

The classification of financial assets and the corresponding provision are summarized in the tables below.

	2025					2024				
	Loan and Advances to Customers	Loan and Advances to Banks	Debt instruments at amortized costs	Other financial Assets	Off-balance sheet*	Loan and Advances to Customers	Loan and Advances to Banks	Debt instruments at amortized costs	Other financial Assets	Off-balance sheet*
Neither past due nor impaired	2,253,556,969	171,210,020	363,232,313	31,654,817	62,610,362	1,491,076,464	76,523,121	258,643,328	22,032,190	142,260,764
Past due but not impaired	343,193,928	-	-	-	-	264,549,954	-	-	9,087,760	-
Impaired	102,995,528	-	-	-	-	112,426,313	-	-	18,206,509	-
Gross amounts	2,699,746,425	171,210,020	363,232,313	31,654,817	62,610,362	1,868,052,731	76,523,121	258,643,328	49,326,459	142,260,764
Less: allowance for impairment**	((43,146,575)	568,524)	(12,899)	(233,064)	(3,486)	(47,407,050)	(368,407)	(6,080)	(1,252,851)	(15,398)
Net amounts	2,656,599,850	171,778,544	363,219,414	31,421,753	62,606,876	1,820,645,681	76,154,714	258,637,248	48,073,608	142,245,366

*Off balance sheet amounts above comprises of letter of credit and guarantee contracts. An analysis of the gross amount has been presented in Note 43.

**Impairment for loans and advances to customers has been split for presentation purposes with ECL for off-balance sheet items as these are included within expected credit loss amounts presented in Note 22.

During the year, balances amounting to TZS 11.04 billion (2024: TZS 562.81 billion) were modified and restructured for various reasons, primarily to better align with customers' cash flow patterns.

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

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.1 Credit risk (Continued)

43.1.2. Impairment and provisioning policies (Continued)

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Bank.

	Individual (retail) customers		Corporate entities		Total loans and advances to customers	Total loans and advances to Banks
	Overdraft	Term loans	Overdraft	Term loans		
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Internal grading: 2025						
Standard (current)	73,740,201	949,742,410	242,546,512	987,527,846	2,253,556,969	171,210,020
Total	73,740,201	949,742,410	242,546,512	987,527,846	2,253,556,969	171,210,020
Internal grading: 2024						
Standard (current)	24,780,654	586,893,315	198,401,331	684,835,793	1,494,911,093	76,523,121
Total	24,780,654	586,893,315	198,401,331	684,835,793	1,494,911,093	76,523,121

Loans and advances less than 90 days past due are not considered impaired unless other information is available to indicate the contrary. Gross amount of loans and advances by class to customers that were past due but not impaired were as follows:

2025	Retail		Corporate		Total
	Overdraft	Term loans	Overdraft	Term loans	
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Past due up to 30 days	563,001	23,736,453	13,063,487	288,622,364	325,985,305
Past due 30 - 60 days	-	105,026	-	112,296	217,322
Past due 60 - 90 days	-	5,865,538	-	11,125,763	16,991,301
Total	563,001	29,707,017	13,063,487	299,860,423	343,193,928
2024					
Past due up to 30 days	613,281	5,827,453	803,949	222,133,310	229,377,993
Past due 30 - 60 days	-	426,077	50,672	90,310	567,059
Past due 60 - 90 days	-	1,473,630	4,371,951	28,759,321	34,604,902
Total	613,281	7,727,160	5,226,572	250,982,941	264,549,954

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

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.1 Credit risk (Continued)

43.1.3 Concentration of risks of financial assets with credit risk exposure

(a) Geographical sectors

The gross carrying quantities of the Bank's primary credit exposure are delineated in the subsequent table, which is organized by geographical region. The Bank has allocated exposures to regions in this table based on the country of domicile of its counter parties

2025	Tanzania	Europe	America	Others	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Loans and advances to banks	132,975,004	19,391,494	17,032,687	1,810,835	171,210,020
Debt instruments at amortised cost	363,232,313	-	-	-	363,232,313
Loans and advances to customers	2,699,746,425	-	-	-	2,699,746,425
Other assets	31,654,817	-	-	-	31,654,817
As of 31 December 2025	3,227,608,559	19,391,494	17,032,687	1,810,835	3,265,843,575
Stage 1	2,781,419,103	19,391,494	17,032,687	1,810,835	2,819,654,119
Stage 2	343,193,927	-	-	-	343,193,927
Stage 3	102,995,529	-	-	-	102,995,529
As of 31 December 2025	3,227,608,559	19,391,494	17,032,687	1,810,835	3,265,843,575
2024					
Loans and advances to banks	67,232,372	7,261,778	913,252	747,312	76,154,714
Debt instruments at amortised cost	258,637,248	-	-	-	258,637,248
Loans and advances to customers	1,868,052,731	-	-	-	1,868,052,731
Other assets	49,416,829	-	-	-	49,416,829
As of 31 December 2024	2,243,339,180	7,261,778	913,252	747,312	2,252,261,522
Stage 1	1,870,509,868	7,261,778	913,252	747,312	1,879,432,210
Stage 2	265,816,398	-	-	-	265,816,398
Stage 3	107,012,914	-	-	-	107,012,914
As of 31 December 2024	2,243,339,180	7,261,778	913,252	747,312	2,252,261,522

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

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.1 Credit risk (Continued)

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

(b) Industry sectors

As of December 31, 2025, the subsequent table delineates the Bank's primary credit exposure in terms of their aggregate carrying amounts, according to sector.

	Financial institutions	Manufacturing	Trading and commercial	Transport & communication	Government	Individuals	Others	Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Loans and advances to banks	153,991,507	-	-	17,218,513	-	-	-	171,210,020
Debt instruments at amortised cost	7,800,000	-	-	-	355,432,313	-	-	363,232,313
Loans and advances to customers	13,925,534	199,156,920	325,279,834	136,209,384	303,591,754	888,847,193	832,735,806	2,699,746,425
Other assets	-	-	-	89,400	-	-	31,565,417	31,654,817
As of 31 December 2025	175,717,041	199,156,920	325,279,834	153,517,297	659,024,067	888,847,193	864,301,223	3,265,843,575
Stage 1	175,417,969	98,317,573	241,290,846	139,386,426	659,024,067	864,961,588	721,187,012	2,899,585,481
Stage 2	120,131	87,999,482	61,541,772	7,310,264	-	7,474,924	118,390,075	282,836,648
Stage 3	178,941	12,839,865	22,447,216	6,820,607	-	16,410,681	24,724,136	83,421,446
As of 31 December 2025	175,717,041	199,156,920	325,279,834	153,517,297	659,024,067	888,847,193	872,334,675	3,265,843,575

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

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.1 Credit risk (Continued)

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

(b) Industry sectors (continued)

As of December 31, 2024, the subsequent table delineates the Bank's primary credit exposure in terms of their aggregate carrying amounts, according to sector.

	Financial institutions	Manufacturing	Trading and commercial	Transport & communication	Government	Individuals	Others	Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Loans and advances to banks	67,280,012	-	-	8,874,702	-	-	-	76,154,714
Debt instruments at amortised cost	3,800,000	-	-	-	254,837,248	-	-	258,637,248
Loans and advances to customers	-	182,171,585	209,190,479	232,731,696	318,589,732	374,613,604	550,755,635	1,868,052,731
Other assets	241,339	-	-	5,490,358	-	-	43,685,132	49,416,829
As of 31 December 2024,	71,321,351	182,171,585	209,190,479	247,096,756	573,426,980	374,613,604	594,440,767	2,252,261,522
Stage 1	71,321,351	93,676,948	130,242,451	193,651,852	573,426,980	368,611,010	484,594,059	1,915,524,651
Stage 2	-	77,285,780	58,375,373	34,902,341	-	2,089,442	90,938,285	263,591,221
Stage 3	-	11,208,857	20,572,655	18,542,563	-	3,913,152	18,908,423	73,145,650
As of 31 December 2024,	71,321,351	182,171,585	209,190,479	247,096,756	573,426,980	374,613,604	594,440,767	2,252,261,522

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.2 Market risk

Market risk is the risk that the Bank's income or the value of its financial instrument holdings will be impacted by changes in market prices, such as interest rates, equity prices, foreign exchange rates, and credit spreads (excluding changes in the obligor's/issuer's credit standing). Market risks are generated by open positions in currency and interest rates, which are susceptible to fluctuations in market volatility and general and specific market movements. The bank's market risk management strategy is designed to optimize the return on risk while maintaining the bank's solvency by managing and controlling market risk exposures within acceptable parameters. Exposures to market risk are classified as either trading or non-trading portfolios by the Bank. The bank's treasury and capital market department monitors the market risks that result from trading and non-trading activities on a regular basis. The Assets and Liabilities Management Committees of the Bank are responsible for the management of market risk. The Board of Directors receives at least quarterly reports from the committees for their consideration and guidance.

43.2.1 Foreign exchange risk

The Bank's financial position is subject to the impact of fluctuations in the prevailing foreign currency exchange rates. The Board establishes daily exposure limits for both intra-day and overnight positions, which are monitored by currency and aggregate. On December 31, 2025, the Bank's exposure to foreign currency exchange rate risk is summarized in the table below. The table shows the Bank's financial instruments at their carrying amounts, which are categorized by currency.

At 31 December 2025	USD	GBP	EUR	Others
Assets				
Cash and balances with Bank of Tanzania	50,062,709	164,721	2,941,416	55,575
Loans and advances to banks and items for clearing	43,391,152	1,609,045	2,917,395	493,644
Loans and advances to customers	572,891,550	-	-	-
Other assets	96,496,178	38	21	-
Total assets	762,841,589	1,773,804	5,858,832	549,219
Liabilities				
Loans and Advances from banks	171,621,764	-	-	-
Deposits from customers	316,335,705	615,675	2,183,768	26,657
Revolving credit lines	21,651,704	-	-	-
Other liabilities	116,873,329	-	-	-
Total liabilities	626,482,502	615,675	2,183,768	26,657
Net balance sheet position	136,359,087	1,158,129	3,675,064	522,562

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

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.2 Market risk (Continued)

43.2.1 Foreign exchange risk (Continued)

On December 31, 2024, the Bank's exposure to foreign currency exchange rate risk is summarized in the table below. The table shows the Bank's financial instruments at their carrying amounts, which are categorized by currency

At 31 December 2024	USD	GBP	EURO	Others
Assets				
Cash and balances with Bank of Tanzania	10,564,589	170,251	2,325,880	45,050
Loans and advances to banks and items for clearing	24,908,903	1,317,508	3,714,239	133,052
Loans and advances to customers	417,056,461	-	-	-
Other assets	22,954,601	121	759	-
Total assets	475,484,554	1,487,880	6,040,878	178,102
Liabilities				
Loans and Advances from banks	178,278,158	-	2,507,485	-
Deposits from customers	208,519,218	1,581,614	3,131,666	19,589
Revolving credit lines	20,268,740	-	-	-
Other liabilities	6,040	-	1	-
Total liabilities	407,072,156	1,581,614	5,639,152	19,589
Net balance sheet position	68,412,398	(93,734)	401,858	158,513

Sensitivity analysis

The bank had substantial exposures to the Euro and United States dollars as of December 31, 2025, as indicated below:

DESCRIPTION	2025 TZS '000		2024 TZS '000	
	USD	EUR	USD	EUR
Exchange rate on 31 December	2,500	2,947	2,410	2,507
Assets	762,841,589	5,858,832	475,484,554	6,040,878
Liabilities	626,482,502	2,183,768	407,072,156	5,639,020
Net balance sheet position	136,359,087	3,675,064	68,812,853	399,406
Rate depreciated by 10%	0.25	0.29	0.24	0.25
Foreign Exchange gain-TZS	13,635,909	367,506	6,812,853	40,026
Rate Appreciated by 10%	(0.24)	(0.25)	(0.24)	(0.25)
Foreign Exchange Loss-TZS	(13,635,909)	(367,506)	(6,812,853)	(40,026)

The pre-tax profit would have been TZS 13,636 million (2024: TZS 6,813 million) higher or lower if the Tanzanian Shillings had weakened/strengthened by 10% against the United States dollar with all variables held constant. The pre-tax profit would have been TZS 367.51 million lower or higher (2024: TZS 40.03 million) if the Tanzanian Shillings had weakened/strengthened by 10% against the Euro, with all variables held constant.

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.2 Market risk (Continued)

43.2.2 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase because of such changes but may reduce losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily by the bank.

The table below summaries the Bank's exposure to interest rate risks. It includes the Bank's financial instruments at carrying amounts, categorized by the earlier of contractual repricing or maturity dates. The bank does not bear any interest rate risk on off Statement of Financial Position items.

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

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.2 Market risk (Continued)

43.2.2 Interest rate risk (Continued)

31 December 2025	Up to 1 month	1 -6 month	6- 12 months	1 -5 years	More than 5 years	Non-interest bearing	Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Assets							
Loans and advances to bank and items for clearing	95,725,379	-	152,070	-	-	75,332,571	171,210,020
Debt instruments at amortised cost	15,559,400	22,200,000	11,207,382	41,500,000	264,776,970	7,988,560	363,232,312
Loans and advances to customers	176,703,580	777,454,815	294,950,261	610,837,051	755,422,756	84,377,962	2,699,746,425
Other assets	-	-	-	-	-	31,654,817	31,654,817
Total assets	287,988,359	799,654,815	306,309,713	652,337,051	1,020,199,726	199,353,910	3,265,843,574
Liabilities							
Loans and Advances from banks	392,921,684	19,950,000	-	-	-	339,418	413,211,102
Deposits from customers	785,982,826	1,266,902,155	346,387,587	23,491,881	10,000	38,009,739	2,460,784,188
Revolving credit lines	-	54,090,209	22,000,000	-	-	2,017,124	78,107,333
Corporate bond payable	-	-	-	63,167,980	-	169,653	63,337,633
Long Term Borrowings	19,199,158	41,397,380	1,750,000	15,700,000	-	482,381	78,528,919
Other liabilities	-	-	-	-	-	29,716,150	29,716,150
Total liabilities	1,198,103,668	1,382,339,744	370,137,587	102,359,861	10,000	70,734,465	3,123,685,325
Interest repricing gap	(910,115,309)	(582,684,929)	(63,827,874)	549,977,190	1,020,189,726	128,619,445	142,158,249

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

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.2 Market risk (Continued)

43.2.2 Interest rate risk (Continued)

At 31 December 2024	Up to 1 month	1 -6 months	6- 12 months	1 -5 years TZS'000	More than 5 years	Non- interest bearing	Total
Assets							
Loans and advances to bank and items for clearing	74,763,402	1,619,690	140,029	-	-	-	76,523,121
Debt instruments at amortised cost	6,006,080	31,485,520	39,390,854	18,200,000	158,376,031	5,184,843	258,643,328
Loans and advances to customers	200,142,883	79,303,164	376,018,748	712,071,310	380,054,920	120,461,706	1,868,052,731
Other assets	-	-	-	-	-	49,326,459	49,326,459
Total assets	280,912,365	112,408,374	415,549,631	730,271,310	538,430,951	174,973,008	2,252,545,639
Liabilities							
Loans and Advances from banks	303,820,701	10,766,442	7,158,500	-	-	589,829	322,335,472
Deposits from customers	495,592,417	915,540,100	120,929,659	41,818,129	-	21,536,503	1,595,416,808
Revolving credit lines	4,436,050	44,782,690	18,406,333	7,643,667	-	1,729,926	76,998,666
Corporate bond payable	-	-	-	58,769,379	-	319,399	59,088,778
Long term borrowings	19,199,158	10,186,050	1,750,000	15,700,000	-	113,741	46,948,949
Other liabilities	-	-	-	-	-	17,961,166	17,961,166
Total liabilities	823,048,326	981,275,282	148,244,492	123,931,175	-	42,250,564	2,118,749,839
Interest repricing gap	(542,510,448)	(868,866,908)	267,305,139	606,340,135	538,430,951	132,812,814	133,511,683

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.2 Market risk (continued)

43.2.2 Interest rate risk (continued)

- Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, if the interest rates prevailing during the year shifted by 2% the bank's profitability would be reduced/improved by TZS 14,962 million (2024: TZS 14,114 million) due to increase/decrease in annual interest expenses.

	2025 TZS'000	2024 TZS'000
Assets re-pricing after 6 months	1,087,643,174	392,946,252
Liabilities re-pricing after 6 months	2,580,443,412	1,804,323,608
Interest rate Gap	(1,492,800,238)	(1,411,377,356)
Impact of interest rate rise by profit 2%	(14,928,002)	(14,113,774)
Impact on core Capital	(10,449,602)	(9,879,641)

43.3 Liquidity risk

Liquidity risk is the possibility that the Bank will experience difficulty in fulfilling its financial obligations, which are resolved through the delivery of currency or another financial asset.

43.3.1 Liquidity risk management process

The Bank's liquidity management procedure, which is conducted within the Bank and overseen by a distinct Treasury and Capital Market team, comprises the following:

- Day-to-day funding is managed by monitoring future cash flows to ensure that requirements can be met. These include replenishment of funds as they mature or are borrowed by customers. The Bank maintains an active presence in money markets to enable this to happen.
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow.
- Monitoring liquidity ratios against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.3 Liquidity risk (Continued)

43.3.1 Liquidity Risk Management Process (Continued)

Cash flow measurement and projections for the upcoming day, week, and month are the standard forms of monitoring and reporting, as these are critical periods for liquidity management. The analysis of the contractual maturity of the financial liabilities and the anticipated collection date of the financial assets serves as the base for those projections.

The Bank also oversees the utilization of overdraft facilities, the level and type of undrawn lending commitments, the impact of contingent liabilities such as standby letters of credit and guarantees, and unmatched medium-term assets.

43.3.2 Funding approach

A distinct Bank treasury team conducts regular reviews of liquidity sources to ensure that they are diverse in terms of currency, geography, fund provider, product, and term.

The assets and liabilities are summarized in the table below in accordance with the anticipated recovery time period.

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

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.3 Liquidity risk (Continued)

43.3.2 Funding approach (Continued)

At 31 December 2025	1-3 months TZS'000	3-6 months TZS'000	6- 12 months TZS'000	1-5 years TZS'000	More than 5 years TZS'000	Total TZS'000
Assets						
Loans and advances to banks and items for clearing	171,057,950	152,070	-	-	-	171,210,020
Debt instruments at amortised cost	32,947,960	12,800,000	11,207,382	41,500,000	264,776,970	363,232,312
Loans and advances to customers	753,257,160	286,317,923	294,950,261	610,837,051	754,384,030	2,699,746,425
Other assets	31,654,817	-	-	-	-	31,654,817
Total financial assets	988,917,887	299,269,993	306,157,643	652,337,051	1,019,161,000	3,265,843,574
Liabilities						
Loans and Advances from banks	413,211,102	-	-	-	-	413,211,102
Deposits from customers	1,599,429,634	491,465,086	346,387,587	23,491,881	10,000	2,460,784,188
Revolving credit lines	7,756,037	48,351,296	22,000,000	-	-	78,107,333
Corporate bond payable	169,653	-	-	63,167,980	-	63,337,633
Term Borrowings	61,078,919	-	1,750,000	15,700,000	-	78,528,919
Other liabilities	29,716,150	-	-	-	-	29,716,150
Total financial liabilities	2,111,361,495	539,816,382	370,137,587	102,359,861	10,000	3,123,685,325
Net liquidity gap	(1,122,443,608)	(240,546,389)	(63,979,944)	549,977,190	1,019,151,000	142,158,249

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

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

43.3 Liquidity risk (Continued)

43.3.2 Funding approach (Continued)

At 31 December 2024	1-3 months	3-6 months	6- 12 months	1-5 years TZS'000	More than 5 years	Total
Assets						
Loans and advances to banks and items for clearing	76,014,685	-	140,029	-	-	76,154,714
Debt instruments at amortised cost	30,190,443	12,486,000	39,384,774	18,200,000	158,376,031	258,637,248
Loans and advances to customers	435,888,381	222,805,697	74,696,605	712,071,310	422,590,738	1,868,052,731
Other assets	49,416,829	-	-	-	-	49,416,829
Total financial assets	591,510,338	235,291,697	114,221,408	730,271,310	580,966,769	2,252,261,522
Liabilities						
Loans and Advances from banks	315,163,849	-	7,171,623	-	-	322,335,472
Deposits from customers	1,081,749,428	329,383,088	142,466,163	41,818,129	-	1,595,416,808
Revolving credit lines	11,636,067	37,468,932	20,250,000	7,643,667	-	76,998,666
Corporate bond payable	-	319,399	-	58,769,379	-	59,088,778
Long term borrowings	19,312,899	10,186,050	1,750,000	15,700,000	-	46,948,949
Other liabilities	17,961,166	-	-	-	-	17,961,166
Total financial liabilities	1,445,823,409	377,357,469	171,637,786	123,931,175	-	2,118,749,839
Net liquidity gap	(854,313,071)	(142,065,772)	(57,416,378)	606,340,135	580,966,769	133,511,683

44. CONTINGENT LIABILITIES AND COMMITMENTS

To meet the financial requirements of customers, the bank establishes a diverse array of contingent liabilities and irrevocable commitments. This includes financial guarantees, letters of credit (LCs), and commitments to lend. These are off-balance sheet items that are converted to on-balance sheet items when the consumer fails to fulfill the obligation at maturity. These contingent liabilities contain the credit risk and, thus, form part of the overall risk of the bank

Letters of credit and guarantee (including standby letters of credit) commit the bank to make payments on behalf of customers in the event of a specific act related to the import or export of goods. Guarantees and letters of credit carry a similar credit risk to loans and advances. The nominal values of such commitments are listed below:

44.1. Loan commitment guarantees and other facilities.

On 31 December 2025, the Bank had the contractual amount of the off Statement of Financial Position financial instruments that commit it to extend credit to customers, guarantees and letters of credit as follows:

	2025 TZS'000	2024 TZS'000
Gross carrying amount as of 1st January	142,260,764	183,329,102
New assets originated/purchased	289,558,710	139,631,343
Assets Repaid during the year	(152,981,384)	(180,699,681)
Gross carrying amount as of 31st December	<u>278,838,090</u>	<u>142,260,764</u>
ECL for guarantees and Letter of Credit	(3,486)	(15,398)
Net recoverable amount as of 31st December	<u>278,834,604</u>	<u>142,245,366</u>

44.2. Maturity of Loan commitment guarantees and other facilities.

2025	No later than 1 year TZS 000	1-5 years	Total
Loan commitments	17,572,225	-	17,572,225
Letters of credit and guarantees	127,315,891	151,522,199	278,838,090
ECL for guarantees and Letter of Credit	-	(3,486)	(3,486)
31 December 2025	<u>144,888,116</u>	<u>151,518,713</u>	<u>296,406,829</u>

44 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

44.2 Maturity of Loan commitment guarantees and other facilities (Continued)

2024	No later than 1 year TZS 000	1-5 years	Total
Letters of credit and guarantees	128,490,642	13,770,123	142,260,765
ECL for guarantees and Letter of Credit	(9,834)	(5,564)	(15,398)
31 December 2024	152,971,550	13,764,559	166,736,109

i) Undrawn commitments

The table below shows the credit quality and maximum exposure to credit risk based on the bank's internal credit rating system and year-end stage classification of undrawn commitments.

Descriptions 2025 (TZS '000')	Stage1	Stage2	Stage3	Total
Performing:				
Current category	17,257,819	-	-	17,257,819
Especially mentioned	-	137,084	-	137,084
Non-performing:				
Doubtful	-	-	177,322	177,322
At 31 December 2025	17,257,819	137,084	177,322	17,572,225

Descriptions 2023 (TZS '000')				Total
Performing:				
Current category	23,604,816	-	-	23,604,816
Especially mentioned	-	315,713	-	315,713
Non-performing:				
Doubtful	-	-	570,213	570,213
At 31 December 2024	23,604,816	315,713	570,213	24,490,742

ECL allowance for undrawn commitments has been incorporated into ECL for loans and advances to customers because of the difficulties associated with their separation.

ii) Contingencies

a. Legal claims

The Bank was a defendant in numerous litigations as of December 31, 2025. The plaintiffs claim that the Bank caused the alleged loss of enterprises and breach of contract, and they are claiming damages and interest on the amount. The Directors are of the opinion that these claims will not result in any substantial liabilities.

44 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

44.2 Maturity of Loan commitment guarantees and other facilities (Continued)

iii) Contingencies (continued)

b. Capital commitments.

These capital commitments pertain to ongoing activities that are currently being contracted and approved. There were none as of December 31, 2025.

45 BANCASSURANCE REPORTING

The bank operates in compliance with the Bancassurance Guidelines for Banks and Financial Institutions, 2019, by forming partnerships with ten reputable insurance companies. Azania Bank Plc facilitates the accessibility of insurance products to both its consumers and non-customers, including general insurance and life insurance. Azania Bank Plc partners with the following insurance companies: UAP Insurance, Jubilee Life, Jubilee General, ICEA LION, Sanlam General, Sanlam Life, National Insurance Corporation, Britam Insurance, Strategies, and Alliance General.

According to the Bancassurance regulation for the Banks and Financial Institutions 2019 “Every bank or financial institution engaged in Bancassurance business shall separately disclose in their notes to annual financial statements the income and expenses associated with provision of Bancassurance business”.

The bank recorded a commission of TZS 2.8 billion in 2025 (2024: TZS 1.8 billion) in the statement of profit or loss and other comprehensive income. This commission was derived from the bancassurance business. This business utilized a cost of TZS 1.0 billion in 2025 (2024: TZS 406 million). The operations are summarized below.

	2025 TZS'000	2024 TZS'000
Insurance income	2,750,418	1,802,299
Life insurance	2,151,830	1,482,370
General insurance	598,588	319,929
Insurance operating expenses	(1,021,615)	(406,118)
Staff cost	(363,791)	(363,057)
Software expense	(32,261)	(32,261)
Other operating cost	(625,563)	(10,800)
Net profit	1,728,803	1,396,181

46 COMPARATIVES

All amounts are reported or disclosed with comparative information unless a standard or interpretation permits or requires otherwise. The error that were identified in the comparatives of the previous year have been rectified in timely manner and the most significant one are detailed below

46.1 Statutory Minimum Reserve in Balances with the Bank of Tanzania

The prior year's financial statements excluded TZS 13.4 billion, representing 20% of the Statutory Minimum Reserve (SMR) deposit held with the Bank of Tanzania, from cash and cash equivalents. This omission impacted the statement of cash flows and related disclosures. Azania Bank is required to maintain a statutory minimum reserve with the Bank of Tanzania, of which only 20% is accessible to finance the Bank's day-to-day operations and should therefore be included in cash and cash equivalents.

This amount has now been correctly included in cash and cash equivalents in the statement of cash flows and related disclosures. Consequently, these adjustments necessitated revisions to ensure that the comparative figures accurately reflect the Bank's true financial position.

Statement of cash flow

Line affected	Reference	As previously stated, TZS'000	Adjustment TZS'000	Restated TZS'000
31-Dec-24				
Cash and cash equivalent	Note 39	168,296,359	13,446,437	181,742,796
31-Dec-23				
Cash and cash equivalent	Note 39	147,436,086	10,968,430	158,404,516

46.2 Unamortised arrangement fees loan and advances to customer

In the prior year financial statements, unamortised arrangement fees related to loans and advances measured at amortised cost (using the effective interest rate method) were incorrectly presented under other liabilities. These amounts have now been correctly reclassified and included as part of loans and advances to customers in the statement of financial position.

Statement of financial position

Line affected	Reference	As previously stated, TZS'000	Adjustment TZS'000	Restated TZS'000
31-Dec-24				
Loan and advances to customers	Note 22	1,825,516,913	(4,886,630)	1,820,630,283
Other liabilities	Note 35	23,489,807	(4,886,630)	18,603,177
31-Dec-23				
Loan and advances to customers	Note 22	1,604,559,288	(2,844,729)	1,601,714,559
Other liabilities	Note 35	22,039,252	(2,844,729)	19,194,523

46 COMPARATIVES (CONTINUED)

46.2 Unamortised arrangement fees loan and advances to customer (continued)

Statement of cash flow

Line affected	Reference	As previously stated,	Adjustment	Restated
		TZS'000	TZS'000	TZS'000
31-Dec-24				
Increase in loans and advances to customers		(21,442,394)	4,886,630	(16,555,764)
Decrease increase in other liabilities		(5,164,159)	(4,886,630)	277,529

47. SUBSEQUENT EVENTS

47.1 Appointment of Senior Managements

During its 156th Ordinary Meeting held on 16 February 2026, the Board of Directors approved key leadership appointments to strengthen the organization's governance and operational capacity. The following staff members were elevated to new roles:

- Mr. Yahaya Albert Mbanka, formerly Senior Finance Manager, was appointed Director of Business Development.
- Mr. Vinesh Davda, formerly Senior Manager - Information Technology, was appointed Director of Information Technology.
- Ms. Hafsa Harun Mgude, formerly Human Resource Manager - Operations, was appointed Head of Human Resource.

These appointments reflect the Board's commitment to fostering internal talent and ensuring continuity in leadership for the organization's strategic growth.

47.2 Impact of Ongoing Conflict Between Iran, the United States, and Israel

Subsequent to the reporting date, an armed conflict between Iran and the coalition led by the United States and Israel has intensified, creating uncertainty in global energy supply and distribution. This may contribute to increased inflationary pressures worldwide.

The Bank's diversified investment portfolio helps mitigate sector-specific risks. Although it is premature to determine the full impact on the Bank and its customers, certain segments may be indirectly affected by economic volatility. Management continues to carefully monitor ongoing developments and will evaluate any material implications as additional information emerges.