



MARKET DISCIPLINE DISCLOSURE

FYE 2025

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FOR THE YEAR ENDED 31ST DECEMBER 2025

The Bank prepares and publishes its Market Discipline (Pillar 3) disclosures in accordance with the Bank of Tanzania (BOT) Market Discipline Guidelines, 2023. These disclosures are intended to enhance transparency by providing stakeholders with relevant, reliable, and timely information on the Bank's risk profile, capital adequacy, and risk management practices.

The Bank is committed to maintaining a robust disclosure framework that ensures compliance with regulatory requirements while promoting market confidence and informed decision-making.

RISK MANAGEMENT OBJECTIVES, POLICIES AND GOVERNANCE

Enterprise Risk Management Framework

Risk management is embedded across all business and support functions and forms an integral part of strategic planning, capital management, product development and day-to-day decision-making. The Bank adopts a holistic and forward-looking approach, recognizing that effective oversight requires continuous assessment of both existing and emerging risks in a dynamic operating environment.

Risk Governance Structure

Ultimate responsibility for risk management rests with the Board of Directors, which sets the Bank's risk appetite, approves the ERM and oversees the effectiveness of committees.

Governance Body	Primary Mandate	Cadence
Board of Directors	Approves risk appetite, strategic risk framework, oversees capital adequacy and internal control effectiveness.	Quarterly
Board Audit, Risk & Committee (BARC)	Independent Board oversight of prudential risks (credit, market, liquidity, operational and strategic)and internal control effectiveness.	Quarterly
Board Credit Committee (BCC)	Oversight of credit portfolio quality, credit policies and lending standards.	Quarterly
Management Credit Committee (MCC)	Management oversight of prudential risks — credit internal control effectiveness.	Monthly
Asset & Liability Committee (ALCO)	Balance sheet risk management: interest rate risk, liquidity risk, funding and market risk.	Monthly

Three Lines of Defense

The Bank's risk management and internal control environment is structured around the Three Lines of Defense model, which clarifies accountability and ensures comprehensive risk oversight across the entity.

First Line — Business and Operations	Business units and support functions are responsible for identifying, assessing, and managing risks arising from their activities. They implement effective internal controls, ensure compliance with policies and procedures, and escalate risk events or control weaknesses through established reporting channels.
Second Line — Risk and Compliance	Independent Risk Management and Compliance functions establish the risk management framework, including policies, methodologies, and risk limits aligned with the Bank's risk appetite. They monitor risk exposures, ensure adherence to limits, and provide independent oversight, guidance, and challenge to the First Line.
Third Line — Internal Audit	Internal Audit provides independent and objective assurance to the Board on the adequacy and effectiveness of the risk management framework, governance processes, and internal controls. It operates independently from management and reports functionally to the Board Audit and Risk Committee (BARC).

Risk Appetite and Principal Risk Categories

The bank's Risk Appetite Statement sets out the level and types of risk it is prepared to accept in delivering its strategic objectives, while maintaining sufficient financial and operational resilience under both normal and stressed conditions.

Risk appetite is defined through a balanced framework of qualitative principles and quantitative metrics, covering capital strength, earnings stability, liquidity and funding, credit exposures, market risk, and operational resilience. These measures are embedded into policies, limits, and governance processes across all business units.

The bank's Enterprise Risk Management framework identifies eleven principal risk categories: credit risk, market risk, liquidity and funding risk, capital risk, operational risk, technology and cybersecurity risk, compliance risk, strategic risk, legal risk, sustainability risk, and reputational risk.

The bank also maintains a forward-looking approach by actively monitoring emerging risks such as economic volatility, digital transformation, model risk, and climate-related financial risks, ensuring continued resilience in a rapidly evolving environment.

Risk Reporting and Combined Assurance

The Bank maintains structured risk reporting to provide timely, accurate, and decision-useful information to Management and Board Committees. Reports are organized by principal risk category and include key portfolio metrics, limit utilization, stress testing outcomes, emerging risks, and management actions.

A combined assurance model is in place across the three lines of defense to enhance coordination, minimize duplication, and ensure comprehensive risk and control coverage. The effectiveness of the control environment is regularly reviewed by Management, Internal Audit, and the Board Audit and Risk Committee (BARC).

INFORMATION ABOUT CREDIT RISK

Credit Risk Management:

Objectives and Policies

The objective of this policy is to enable the Bank grow and improve the quality of credit by providing a credit strategy for a diversified portfolio of credit risks so as:

- To establish a framework within which Bank credit risk is originated and managed to minimize the risk of financial loss.

To produce reliable, sustainable and consistent returns for the Bank thus enhance shareholder value.

- To ensure compliance with all relevant statutes and regulations in Tanzania and work towards the framework of the Basel Accord.
- To ensure that there is a sound credit extension process, appropriate credit administration, adequate credit controls, credit measurements and monitoring.
- To ensure that a comprehensive and standardized framework is established whereby credit risk is managed uniformly throughout the Bank.

The policy is designed to meet organizational requirements, as they exist today and to provide flexibility for the future. It must be emphasized that the policy represents the minimum standards required by the Bank Credit Risk Management and is not a substitute for experience, common sense and good judgment.

Additional disclosure related to Asset quality

Credit quality of assets reflects the Bank's ability to manage credit risk effectively and maintain a sound loan portfolio. The Bank continuously monitors the quality of its credit exposures to ensure timely identification of deterioration, adequate provisioning, and compliance with regulatory and accounting requirements. Credit quality assessment forms an integral part of the Bank's credit risk management framework and supports prudent decision making at both management and Board levels.

Asset Classification and Credit Risk Staging

The Bank classifies its credit exposures in accordance with applicable regulatory guidelines and International Financial Reporting Standard 9 (IFRS 9). Financial assets are categorized into three stages based on changes in credit risk since initial recognition:

- Stage 1 (Performing Assets): Exposures that have not experienced a significant increase in credit risk since origination. These assets are provisioned using 12 month expected credit losses (ECL).
- Stage 2 (Underperforming Assets): Exposures that have experienced a significant increase in credit risk but are not credit impaired. Lifetime ECL is recognized for these assets.

- Stage 3 (Credit impaired / Non-Performing Assets): Exposures where objective evidence of impairment exists, including loans that are 90 days or more past due. Lifetime ECL is recognised, and interest income is calculated on the net carrying amount.

Regulatory non-performing loans (NPLs) are defined as facilities that are past due for 90 days or more or where the borrower is assessed as unlikely to repay without realization of collateral.

Credit quality assessment

The Bank assesses credit quality using both quantitative and qualitative indicators, including Past due status and delinquency trends, Internal credit risk ratings, Borrower financial performance and cash flow capacity, Industry and sector specific conditions, Collateral coverage and enforceability.

The grading model has a combination of objective (quantitative) and subjective (qualitative) parameters in assessment and considers both historical as well as future estimations. The Credit Risk Rating (CRR) will be based on the total score obtained by a borrower.

Amounts in TZS Millions

	a	b	c	d
	Gross carrying value of		Allowances/impairments	Net values (a+b-c)
	Defaulted exposures	Non- defaulted exposures		
Loans	8,232	281,967	8,058	282,141
Debt securities	-	27,041	-	27,041
Off balance sheet items	-	34,407	-	34,407
Total	8,232	343,415	8,058	343,589

OPERATIONAL RISK

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and general accepted standards of corporate behaviour. Operational risk arises assigned from all of the Bank's operations.

The Bank's objective is to manage operational risks to balance the avoidance of financial losses and damage to the Bank's reputation with all cost effectiveness and innovation. In all cases, Bank policy requires compliance with all applicable legal and regulatory requirements.

The Board of Directors has delegated the responsibility for operational risk to its Bank Operational risk team under Risk department. The responsibility is supported by the overall Bank standards for the management of operational risk in the following areas:

- Clear segregation of duties, including independent authorization of transactions
- Robust transaction reconciliation and monitoring processes
- Full compliance with legal, regulatory, and internal policy requirements
- Comprehensive documentation of processes, controls, and procedures
- Regular review of risks and controls to ensure ongoing effectiveness
- Timely reporting of operational risk events and implementation of corrective actions
- Continuous staff training and professional development to strengthen risk awareness
- ethical and business standards; and
- Risk mitigation, including insurance where this is cost effective

Amounts in TZS Millions

	BI and its subcomponents	T	T-1	T-2
1	Interest, lease and dividend component	5,977	4,815	9,017
1a	Interest and lease income	42,455	40,198	51,561
1b	Interest and lease expense	25,022	14,579	21,898
1c	Interest earning assets	265,658	214,020	400,737
1d	Dividend income			
2	Services component	5,177	5,195	8,959
2a	Fee and commission income	5,177	5,195	8,959
2b	Fee and commission expense	2,110	2,706	2,559
2c	Other operating income	1,765	3,304	4,957
2d	Other operating expense	-	-	-
3	Financial component	12,979	2,659	2,262
3a	Net P&L on the trading book	-	-	-
3b	Net P&L on the banking book	(12,979)	(2,659)	2,262
4	BI			22,355
5	Marginal Coefficient (α)	12%	12%	12%
6	Business indicator component (BIC)			2,683
7	Conversion Factor (Reciprocal of Total Capital Ratio)	8.33	8.33	8.33
8	Risk Weighted Assets for Operational Risk			22,346

MARKET RISK

Market risk is the risk of loss arising from adverse movements in market prices, including interest rates, foreign exchange rates, equity prices, and other relevant market variables. The Bank is exposed to market risk primarily through its treasury activities, balance sheet management, and customer-driven transactions. The Bank does not engage in proprietary trading for speculative purposes; market risk exposures are taken to support core banking activities and client needs. The Bank manages market risk within a well-defined framework designed to ensure that exposures remain consistent with the Board-approved risk appetite and regulatory requirements.

Market risk qualitative disclosure

Market risk exposures are measured using both quantitative and qualitative techniques appropriate to the nature and complexity of the Bank's activities. These include: Analysis of interest rate sensitivity and repricing gaps, Monitoring of net open foreign exchange positions, Mark-to-market valuation of relevant financial instruments, Stress testing and scenario analysis to assess the impact of adverse but plausible market movements, Stress testing results are used to evaluate the Bank's resilience under extreme market conditions and to support risk appetite calibration and capital assessment processes.

Amounts in TZS Millions

		Capital charge in simplified standardized method
1	Interest rate risk	-
2	Equity risk	-
3	Foreign exchange risk	411

INFORMATION ABOUT LIQUIDITY RISK

The LCR should be no lower than 100 percent i.e. the stock of high-quality liquid assets should at least equal total net cash outflows over the next thirty calendar days. The amount of inflows that can be used to offset outflows has been capped in the denominator of the LCR. Thus, a bank

or financial institution must maintain a minimum stock of liquid assets equal to at least 25 percent of the outflows and ensure that banks and financial institutions cannot rely solely on anticipated inflows to meet their liquidity requirement.

LIQUIDITY COVERAGE RATIO (Amounts in TZS Millions)

S/NO	PARTICULARS	Outstanding Amount	Factor	Net Amount
a	b	c	d	e
1	Stock of High Quality Liquid Assets (HQLA)	0%	0	0
2	Cash (notes and coins)	7,659	100%	7,659
3	Balances with Bank of Tanzania to the extent that these balances can be drawn down in times of stress ¹	50,193	100%	50,193
4	Balances with Other banks and Interbank Loan Receivable callable on demand or with a maturity of less than 30 days	25,797	100%	25,797
5	Unencumbered Government securities maturing within 1 year	925	95%	879
6	Unencumbered Government securities maturing after 1 year	907	80%	726
7	Total high quality liquid assets	85,481	0%	85,253
8	Cash Outflows	0	0%	0
9	Demand deposits	131,529	10%	13,153
10	Savings deposits	59,295	10%	5,929
11	Time deposits (maturing in 30 days)	16,368	100%	16,368
12	Deposits from banks and financial institutions (maturing in 30 days)	38,409	100%	38,409
13	Derivatives cash outflows (sum of all net cash outflows due within 30 days)	0	100%	0
14	All other contractual cash outflows (maturing in 30 days)	0	100%	0
15	Undrawn and unexpired overdrafts	1,919	30%	576
16	Undrawn balances of loans	0	10%	0
17	Other contingent funding liabilities (such as guarantees and letters of credit)	34,407	5%	1,720
18	Total cash outflows	281,927	0%	76,156
19	Cash Inflows	0%	0%	0%
20	Loans and advances (maturing within 30 days)	7,098	50%	3,549
21	Due from banks and financial institutions (maturing in 30 days)	12,477	100%	12,477
22	All other contractual cash inflows (maturing in 30 days)	0	100%	0
23	Net derivatives cash inflows	0	100%	0
24	Total cash inflows	19,576	0	16,027
25	Total net cash outflows = Total cash outflows minus the lower of total cash inflows and 75% of gross outflows	0	0	60,129
26	Liquidity Coverage Ratio =(Total high quality liquid assets)/(Total net cash outflows)	0	0	142%

LEVERAGE RATIO (Amounts in TZS Millions)

The leverage ratio is the capital measure divided by the exposure measure, expressed as a percentage. The capital measure is Tier 1 capital as defined for the purposes of the Basel III risk-based capital framework and Capital Adequacy Regulations.

In other words, the capital measure for the leverage ratio at a particular point in time is the applicable Tier 1 capital measure at that time.

The exposure measure includes both on-balance sheet exposures and off-balance sheet

S/No	Particulars	Amount
a	b	c
1	Total Assets as calculated under BOT FORM 16-1 to be submitted Monthly (Line item 77)	510,483
2	Total Off Balance Sheet Exposures as calculated under BOT FORM 16-1 Schedule 15(ii) NEW (Line item 53)	25,085
3	Total Exposure Measure (Item 1 plus 2)	535,568
4	Tier 1 Capital as calculated under BOT Form 16-1 (Schedule 10(i)) NEW (Line item 28)	44,268
5	Leverage Ratio	8.27%

NET STABLE FUNDING RATIO (Amounts in TZS Millions)

The Net Stable Funding Ratio (NSFR) is defined as the amount of available stable funding (ASF) relative to the amount of required stable funding (RSF). The purpose of NSFR is to ensure that banks and financial institutions hold a minimum amount of stable funding based on the liquidity characteristics of their assets and off-balance sheet activities over one year horizon.

S/NO	PARTICULARS	Carrying Amount	Factor	Weighted Amount(B*C)
a	b	c	d	e
1	Available Stable Funding (ASF)			
2	Common equity Tier 1	44,268	100%	44,268
3	Additional Tier 1	-	100%	-
4	Tier 2 Capital (excluding Tier 2 instruments with residual maturity of less than one year)	-	100%	-
5	Borrowings and liabilities with maturities of one year or more	-	100%	-
6	Stable demand and/or term deposits from retail and small business customers with residual maturity of less than one year.	308,342	95%	292,925
7	Less stable demand and/or term deposits from retail and small business customers with residual maturity of less than one year.	-	90%	-
8	Funding with residual maturity of less than one year provided by non-financial corporate customers	30,832	50%	15,416
9	Operational Deposits	-	50%	-
10	Funding with residual maturity of less than one year from sovereigns, public sector entities (PSEs), and multilateral and national development banks	-	50%	-
11	Other funding maturing within a period of six months to one year and not included in the line items above, including funding provided by central banks and financial institutions, including banks within the same cooperative network	-	50%	-
12	Deferred tax liabilities (if the effective maturity of the liability greater than one year).	-	100%	-
13	Deferred tax liabilities maturing within a period of six months to one year.	-	50%	-
14	Deferred tax liabilities maturing within six months.	-	50%	-
15	Minority Interest – If perpetual or with effective maturity of greater than or equal to one year	-	100%	-
16	Minority Interest with residual maturity between six months and less than one year.	-	50%	-
17	Minority Interest with effective maturity of less than six months.	-	0%	-
18	All other liabilities and equity not included in the above categories, including liabilities without a stated maturity.	5,595	0%	-
19	NSFR derivative liabilities net of NSFR derivative assets if NSFR derivative liabilities are greater than NSFR derivative assets	-	0%	-
20	NSFR derivative liabilities (derivative liabilities less total collateral posted as variation margin on derivative liabilities).	-	0%	-
21	“Trade date” payables arising from purchases of financial instruments, foreign currencies	-	0%	-
22	Total Available Stable Funding (ASF) [sum (1)-(21)]	-		352,609
23	Required Stable Funding (RSF)			-
24	On-balance sheet			-
25	Cash	7,659	0%	-
26	Balances with Bank of Tanzania (All balances including Statutory Minimum Reserve).	70,644	0%	-
27	Claims on Bank of Tanzania with residual maturities of less than six months.	-	0%	-
28	Receivables arising from sales of financial instruments and foreign currencies.	-	0%	-
29	Unencumbered HQLA excluding cash and balance with the Bank of Tanzania.	1,832	5%	92
30	Unencumbered loans to banks and financial institutions with residual maturities of less than six months, where the loan is secured against Level 1 assets, where a bank or financial institution has the ability to freely rehypothecate the received collateral	-	10%	-
31	All other unencumbered loans to banks and financial institutions with residual maturities of less than six months not included in the above categories.	64,869	15%	9,730
32	HQLA encumbered for a period of six months or more and less than one year.	800	50%	400
33	Loans to Bank of Tanzania, banks and financial institutions with residual maturities between six months and less than one year.	-	50%	-
34	Deposits held at other banks and financial institutions for operational purposes	25,797	50%	12,898
35	All other assets not included in the above categories with residual maturity of less than one year.	-	50%	-
36	Unencumbered residential mortgages with a residual maturity of one year or more and with a risk weight of less than or equal to 75%.	-	65%	-
37	Other unencumbered loans not included in the above categories, excluding loans to banks and financial institutions, with a residual maturity of one year or more and with a risk weight of less than or equal to 50%.	-	65%	-
38	Cash, securities or other assets posted as initial margin for derivative contracts and cash or other assets provided to contribute to the default fund of a Central Counter Party.	-	85%	-
39	Other unencumbered performing loans with risk weights greater than 50% and residual maturities of one year or more, excluding loans to banks and financial institutions.	218,265	85%	185,526
40	Unencumbered securities that are not in default and do not qualify as HQLA with a remaining maturity of one year or more and exchange-traded equities	-	85%	-
41	Physical traded commodities, including gold	-	85%	-
42	All other assets that are encumbered for a period of one year or more	9,995	100%	9,995
43	Derivative assets net of derivative liabilities if derivative assets are greater than derivative liabilities.	-	100%	-
44	All other assets not included in the above categories, including non-performing loans, loans to banks and financial institutions with a residual maturity of one year or more, non-exchange-traded equities, fixed assets, items deducted from regulatory capital, retained interest, insurance assets, subsidiary interests and defaulted securities.	8,748	100%	8,748
45	Off-balance sheet	-		-
46	Irrevocable and conditionally revocable credit and liquidity facilities to any client	-	5%	-
47	Unconditionally revocable credit and liquidity facilities	-	5%	-
48	Trade finance-related obligations (including guarantees and letters of credit)	34,407	1%	344
49	Guarantees and letters of credit unrelated to trade finance obligations	-	1%	-
50	Other non-contractual obligations	-	1%	-
51	All other off balance-sheet obligations not included in the above categories.	-	5%	-
52	Total Required Stable Funding (RSF) [sum (22)-(47)]	-		227,733
53	Net Stable Funding Ratio = (Total available stable funding)/(Total required stable funding) [B/D]			155%

CONCLUSION:

The Bank remains fully committed to compliance with the Market Discipline Guidelines issued by the Bank of Tanzania, recognizing the importance of transparent, accurate, and timely disclosures in strengthening market confidence and accountability.

Through well-established governance structures, robust internal control systems, and clearly defined roles and responsibilities, the Bank ensures that its disclosures are consistent with regulatory requirements and appropriately reflect its risk profile and financial position.

The Bank will continue to review and enhance its disclosure framework on an ongoing basis to ensure alignment with evolving regulatory expectations, emerging risks, and leading market practices, thereby supporting sustained transparency and stakeholder trust.