ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTSFOR THE YEAR ENDED 31 DECEMBER 2024

Contents

ABREVIATIONS

The following abbreviation are used in these Financial Statements:

ACPA	Associate Certified Public Accountant	IFRS	International Financial Reporting Standard
ALCO	Asset and Liability Committee	ISA	International Standard on Auditing
ATM	Automated Teller Machine	KPI	Key Performance Indicators
BOT	Bank of Tanzania	KYC	Know Your Customer
CDS	Credit Default Swap	LGD	Loss given default
CET 1	Common Equity Tier 1	LTECL	Lifetime expected credit loss
CPA	Certified Public Accountant	MBP	Maendeleo Bank Plc
CSR	Cooperate Social Responsibility	MFI	Microfinance Institutions
CVA	Credit Valuation adjustment	MILLIONO	Mobile Network Operator
DSE	Dar es salaam Stock Exchange	NBAA	National Board of Accountants and Auditors
DVA	Debit Valuation adjustment	OCI	Other comprehensive income
EAD	Exposure at default	PD	Probability of default
ECL	Expected credit loss	PIN	Personal Identification Number
EGM	Enterprise growth market	PLC	Public Limited Company
EIR	Effective Interest Rate	POCI	Purchased or originated creditimpaired (financial assets)
ELCT	Evangelical Lutheran Church Tanzania	SACCOS	Saving and Credit Cooperative society
ESG	Environmental, Social and Governance	SIC	Standard Interpretation Committee
EXCOM	Executive Management Committee	SME	Small Medium Enterprises
FCPA	Fellow Certified Public Accountant	SPPI	Solely payments of principle and interest
FVA	Funding Valuation adjustment	UDSM	University of Dar es salaam
FVOCI	Fair value through other comprehensive income	USD	United States Dollar
FVPL	Fair value through profit or loss	12mECL	12 months expected credit loss
FYDP	Five Year Development Plan		
GDP	Gross Domestic Product		
IAS	International Accounting Standards		
IASB	International Accounting Standards Board		
ICT	Information Communication Technology		
IESBA	International Ethics Standards Board for Accountants		
IFRIC	International Financial Reporting Interpretation Committee		

COMPANY INFORMATION

Name of organization	Maendeleo Bank PLC	
Chief Officers	Mr. Lomnyaki Saitabau	Managing Director
	CPA Nolasco Charles	Head of Finance
	CPA Peter Tarimo	Head of Risk and Complince
	CPA Kapilima Saidi	Head of Internal Audit
	Mr. Emanuel Mwaya	Head of Business Development
	Ms. Mumi Philip	Head of Credit
	Mr. George Wandwalo	Head of Operations and ICT
	Mr. Richard Mashiku	Head of Human Resources
	Ms Angela Mwageni	Legal Manager and Company Secretary
Directors	Prof. Ulingeta Obadia Mbamba	Chairperson
	CPA AnnaT.Mzinga	Vice Chairperson
	Adv. Ayoub Mtafya	Director
	Reverend Dr. Ernest Kadiva	Director
	CPA Leah Kabale	Director
	Reverend Wilbroad Mastai	Director
	Ms. Joyce Mapunjo	Director
	Mr Eliud Betri Sanga	Director
	Dr. Emmanuel Manasseh	Director
	Mr. Lomnyaki Saitabau	Managing Director
Registered Office	Maendeleo Bank PLC Sokoine Drive P.O.Box 216 Dar es Salaam Tanzania	
Auditors	Auditax International Certified Public Accountants Auditax House, 3rd Floor Coca cola road, P.O. Box 77949 Dar es Salaam, Tanzania	

COMPANY INFORMATION (CONTINUED)

Bankers	Bank of Tanzania P.O. Box 2939 Dar es Salaam Tanzania	CRDB Bank Plc P.O. Box 70013 Mbagala Branch Dar es Salaam
	EcoBank (T) Ltd Uhuru Branch P.O. Box 20500 Dar es Salaam Tanzania	Bank of Africa NDC House P.O. Box 3054 Dar es Salaam Tanzania
	Tanzania Commercial Bank Main Branch P.O Box 9300 Dar es Salaam Tanzania.	NMB Plc Ilala Branch P.O.Box Dar es Salaam Tanzania
Bank's Attorney	BM Attorneys 22nd Floor RITA Tower Makunganya Street PO Box 4681 Dar es Salaam Tanzania	Bwana Attorneys 5thFloor IPS Building PO Box 20437 Dar es Salaam Tanzania
	VAM Associates Advocates 4th Floor NIC Life House, P.O Box 75042, Dar Es Salaam. Tanzania.	

REPORT BY THOSE CHARGED WITH GOVERNANCEFOR THE YEAR ENDED 31 DECEMBER 2024

1.0 INTRODUCTION

The Directors submit their report together with the audited financial statements for the year ended 31 December 2024, which disclose the state of affairs of Maendeleo Bank PLC ('the Bank').

1.1 BANK PROFILE

Maendeleo Bank PLC is the first bank in Tanzania to be registered into Dar es Salaam Stock Exchange (DSE) and become public limited company (PLC) from its start. The shareholding structure comprises of various companies, church institutions, individuals, Evangelical Lutheran Church of Tanzania (ELCT), ELCT Dioceses and United Evangelical Mission.

1.2 BANK'S VISION

"To become a preferred retail and MSME financial services provider in Tanzania".

1.3 BANK'S MISSION

"To provide innovative, customer needs driven financial services with competitive returns to our shareholders."

1.4 BANK'S CORE VALUES

Maendeleo Bank PLC has six (06) basic corporate core values considered specific and related to the bank core business. These core values outlined below state how the employees of the bank should behave while serving customers and other stakeholders.

- Accountability – We are accountable for our own actions and decisions;
- Caring for Community – We are responsive to our community in which we operate;
- Empowerment – We encourage our employees to be innovative and use their skills for the bestof the bank;
- Innovation – We are skilled, competent and innovative;
- Integrity – We act with honesty and honour without compromising the truth; and
- Respect for the Individual – We value diversity and unique contributions.

MAENDELEO BANK PLC

REPORT BY THOSE CHARGED WITH GOVERNANCEFOR THE
YEAR ENDED 31 DECEMBER 2024

1.5 PRINCIPAL ACTIVITIES

The Bank is engaged in the business of banking and provision of related services and is licensed under Banking and Financial Institutions Act 2006.
The Bank carries on business of assets and liabilities management through accounts operations and lendingto micro, small and medium enterprises including:

- Receiving deposits, including savings and time deposits;
- Lending to individuals, micro small and medium enterprises, Saving and Credit Cooperation Societies (SACCOS), etc.;
- Providing fund transfer services at international and local levels; and,
- Facilitating payment systems through operating current accounts, and other accounts forindividuals.

1.6 EXTERNAL ENVIRONMENT ANALYSIS

In 2024, Tanzania's economy demonstrated resilience despite global challenges, prioritizing economic recovery, macroeconomic stability, and sustainable, inclusive growth. The fiscal deficit widened in FY2023/24 due to revenue shortfalls, a large current account deficit, tighter external financial conditions, and foreign exchange market pressures. In response, authorities implemented targeted interventions and regulatory measures while advancing structural reforms. Key policy actions included enhancing exchange rate flexibility, pursuing fiscal consolidation, and tightening liquidity. Additionally, the adoption of an interest rate-based monetary policy framework marked a significant step toward improving monetary policy effectiveness.

Real GDP growth accelerated to 5.9% in Q3 2024, up from 5.6% in Q3 2023, driven by agriculture, manufacturing, and tourism, alongside strong public investment and reforms. Among EAC countries reporting data, Rwanda led with 8.1% growth, followed by Uganda (6.7%) and Kenya (4.0%). The current account deficit narrowed, supported by strong services exports and reduced imports.

The Tanzanian shilling depreciated sharply in 2024, with reports indicating an 8.5% decline during FY2023/24 (BoT Annual Report), over 12% depreciation (World Bank), and 11.2% nominal depreciation (Swiss Economic Report). This depreciation was primarily attributed to external pressures and increased exchange rate flexibility.

The economic outlook for 2025 remains positive, with growth projected at 6%, though risks persist, including regional conflicts, commodity price volatility, global economic slowdown, foreign exchange pressures, and climate-related risks.

Regulatory and Market Developments in Tanzania’s Financial Sector

Key Developments in 2024

Finance Act No. 6 of 2024
A major legislative milestone in 2024 was the enactment of the Finance Act No. 6, which took effect on July 1. This law reinforced the Tanzanian shilling as the sole legal tender for domestic transactions, prohibiting the use of foreign currencies except where explicitly permitted by regulation. The policy aimed to promote wider use of the local currency, reduce reliance on foreign exchange, and mitigate currency volatility.

Compulsory Liquidation Framework
To strengthen financial stability, the Bank of Tanzania (BoT) introduced the Banking and Financial

Institutions (Compulsory Liquidation) Regulations, 2024. These regulations established a structured approach for the orderly liquidation of banks, ensuring that depositors' interests are safeguarded while minimizing disruptions to the financial system.

Guidelines on Fees & Charges
In July 2024, the BoT issued new Guidelines on Fees & Charges to enhance transparency and consumer protection in the banking sector. These guidelines standardized fee disclosures, ensuring that customers receive clear and consistent information on banking costs while promoting fair competition among financial institutions.

Gender Diversity in Leadership
Recognizing the need for more inclusive leadership, the BoT mandated policies in August 2024 requiring financial institutions to promote gender diversity within their leadership structures. This directive aimed to create more balanced decision-making and enhance institutional governance across the financial sector.

Capital Restoration & Liquidity Management
In response to evolving risk management needs, the BoT reinforced financial resilience by implementing stricter capital restoration and liquidity management measures. Strengthened ICAAP (Internal Capital Adequacy Assessment Process) and ILAAP (Internal Liquidity Adequacy Assessment Process) guidelines, introduced in late 2023, set higher standards for banks' risk frameworks, ensuring they maintain robust capital buffers and liquidity reserves.

FinTech Regulatory Sandbox
To foster financial innovation while maintaining regulatory oversight, the BoT introduced a FinTech Regulatory Sandbox in 2024. This initiative provided financial technology firms with a controlled environment to test innovative products and services, supporting the sector's digital transformation.

Interbank Foreign Exchange Market Code of Conduct
Enhancing efficiency and transparency in forex trading remained a priority. In November 2023, the BoT revised the Interbank Foreign Exchange Market Code of Conduct, reinforcing ethical trading practices and improving market efficiency. These measures played a crucial role in stabilizing foreign exchange operations amid global financial pressures.

Monetary Policy
In January 2024, the Bank of Tanzania (BOT) transitioned to an interest rate-based monetary policy framework, setting the Central Bank Rate (CBR) at 5.5% for the first quarter. This rate was increased to 6% in the third and fourth quarters of 2024, as well as For the first quarter of 2025, the BOT has decided to maintain the CBR at 6%. This decision aims to ensure adequate liquidity, anchor inflation expectations below the 5% target, and support robust economic growth projected at approximately 5.7% for the first quarter of 2025.

Banking Sector Growth & Competitive Landscape
The regulatory and policy measures implemented in 2024 contributed to the continued expansion of Tanzania's banking sector. By Q3 2024, total banking sector assets had reached TZS 60.28 trillion, reflecting strong economic recovery, improved customer engagement, and strategic investments. Net income rose by 35.7% year-on-year, demonstrating sector resilience and profitability. As competition from digital financial services intensified, banks increasingly leveraged technology to expand market share, enhance service delivery, and introduce innovative financial products.

Updates in Early 2025

Climate-Related Financial Risk Management
Building on the regulatory momentum of 2024, the BoT issued climate-related financial risk management and disclosure guidelines in January 2025. These guidelines require financial institutions to integrate environmental risks into their risk management frameworks, enhancing the sector's resilience against climate-related financial shocks.

Expansion of the FinTech Regulatory Sandbox
Following its introduction in 2024, the BoT formally launched the FinTech Regulatory Sandbox in early 2025

to provide an even more structured environment for testing digital financial solutions. This move reinforced Tanzania's commitment to fostering innovation while maintaining regulatory safeguards.

Gold Export Regulations
In a bid to strengthen foreign reserves, the BoT mandated in October 2024 that gold-exporting firms sell at least 20% of their gold to the central bank. This measure aimed to enhance forex reserves and stabilize the country's external financial position.

1.7 PERFORMANCE FOR THE YEAR
The Bank achieved a profit before tax of TZS 3,859 million for the year ended 31 December 2024, marking a significant increase of 47% from TZS 2,625 million in 2023. This resulted in a net income after tax of TZS 3,686 million, reflecting 28% growth from TZS 2,348 million in the previous year. The strong profitability performance was driven by strategic loan book expansion into higher-yielding credit portfolios, diversification of revenue streams, and enhanced operational efficiency. Additionally, the Bank strengthened risk management practices, ensuring sustainable business growth while maintaining asset quality.

Interest Income and Loan Portfolio Growth
Total interest income grew by 26%, reaching TZS 20,021 million in 2024, compared to TZS 15,977 million in 2023, largely due to the expansion of the loan portfolio. Loans and advances to customers increased by 20% (TZS 14,501 million) to TZS 88,587 million, demonstrating the Bank's commitment to customer-centric credit solutions. Key strategies driving this loan book growth included, targeted Sectoral Lending, SME and Retail Market Penetration. Interest income from loans increased by 31% (TZS 3,678 million), rising from TZS 11,801 million in 2023 to TZS 15,479 million in 2024, reflecting higher lending volumes and a strategic shift towards well-structured credit solutions. However, interest income from investment in securities declined slightly by TZS 168 million, from TZS 3,672 million to TZS 3,504 million, due to a reallocation of funds to grown loan book.

Cost Management and Interest Expense
Interest and similar expenses increased by 24% to TZS 7,942 million in 2024, up from TZS 6,424 million in 2023, driven by a 22% growth in liabilities from TZS 105,586 million to TZS 128,418 million. Despite this increase, the Bank maintained an average cost of funds at 6%, demonstrating effective fund mobilization and liability management. To optimize funding costs, the Bank focused on strengthening low-cost deposits, achieving a 14% CASA growth, while also engaging corporate depositors, pension funds, and development partners to secure stable, long-term funding.

Deposit Growth and Funding Strategy
Total deposits, including deposits from banks, grew by 15% (TZS 13,236 million) to TZS 104,024 million in 2024, up from TZS 90,788 million in 2023, reflecting effective deposit mobilization strategies. Customer deposits increased by 14% (TZS 11,911 million), rising from TZS 84,388 million to TZS 96,299 million. Deposits from banks increased by 19% (TZS 1,225 million), from TZS 6,400 million to TZS 7,625 million, while CASA deposits grew by 14% (TZS 4,944 million), from TZS 35,264 million to TZS 40,208 million. Term deposits expanded by 16% (TZS 7,735 million), from TZS 48,486 million to TZS 56,221 million, demonstrating a balanced mix of liquidity and stable funding sources.

Non-Interest Income and Revenue Diversification
The Bank's non-interest income remained stable, recording a marginal decline of 0.2%. To enhance fee-based revenue, the Bank focused on expanding transactional banking services through increased digital payments, agency banking, international remittance solutions, strengthening treasury and foreign exchange services by enhancing FX trading capabilities to offer competitive rates to importers, exporters, and corporate clients. Going forward, the Bank aims to introduce wealth management and investment advisory services, providing tailored financial solutions to high-net-worth individuals and institutional investors while leveraging strategic partnerships to drive non-interest income growth and reinforce its position as a trusted financial partner.

Asset Quality and Risk Management
Prudent portfolio management contributed to an improvement in asset quality, with the non-performing loan (NPL) ratio declining from 4.95% in 2023 to 4.76% in 2024. This was achieved through Proactive Loan

Recovery Strategies, strengthening collection efforts, restructuring viable loans, and closely monitoring high-risk accounts.

1.8 STRATEGIC OBJECTIVES

During 2024, the Bank remained steadfast in executing its Five-Year Business Strategic Plan (2022–2026), which has been instrumental in strengthening financial performance, operational efficiency, and market positioning. The strategy focused on key areas, including balance sheet optimization, stakeholder engagement, channel distribution harmonization, portfolio quality management, ICT infrastructure enhancement, resource optimization, and capacity building. These initiatives contributed to the Bank's strong performance, with profit before tax rising by 47%, underscoring its adaptability in a dynamic business environment.

Key milestones in 2024 included business expansion through targeted acquisition campaigns that drove customer growth and increased product adoption. The Bank also introduced tailored financial solutions for underserved segments, such as Wezesha Machinga loans, providing flexible financing for small-scale traders. Additionally, a strong sales culture was reinforced through capacity building, enhanced resourcing, and a series of high-impact networking events, including a successful marathon campaign that created new business opportunities.

The five-year strategy is anchored on four strategic pillars: transforming the microfinance business within the Bank to enhance financial inclusion, elevating customer service standards to improve retention and engagement, accelerating digital transformation to expand access to banking solutions, and strengthening governance and risk management to ensure sustainable growth. These pillars have enabled the Bank to leverage its competitive strengths while navigating a rapidly evolving operating environment.

With only two years remaining in the current strategic plan, the Bank has initiated the development of a new long-term strategy extending to 2030, recognizing that most of the objectives set under the existing plan have already been met or exceeded. The new strategy will consider macroeconomic trends, evolving customer expectations, regulatory developments, and the Bank's long-term aspirations. By aligning with these factors, the Bank aims to build a more resilient, innovative, and customer-centric financial institution, fostering economic empowerment and delivering sustainable value to all stakeholders.

Key performance indicators used in assessing the progress of the Maendeleo Bank's strategic objectives are:

Key performance indicators	Definition and calculation method	2024	2023
Return on Equity	Net profit/Total equity	16.17%	11.00%
Return on Assets	Net profit/Total assets	2.44%	2.00%
Cost to Income Ratio	Total cost/Net income	59.24%	58.42%
Non-Interest income to Gross Income	Non-interest /Total income	19.62%	22.00%
Loans to Deposit Ratio	Total loans to customers /Total deposits from customers	87.57%	84.00%
Non-Performing loans to Gross loans	Total non-performing loans/Gross loans and advances	4.76%	4.95%
Growth on Total Assets	Increase in assets for the year/Total assets opening balance	21.27%	16.00%
Growth on Loans and advances from customers	Increase in loans and advances/Opening balances of loans and advances	19.57%	22.00%
Growth of Customers Deposits	Increase in customer deposits/Opening balance of customer deposits	14.58%	17.00%
Capital Adequacy	Core capital/Risk weighted assets including off balance sheet items	19.00%	18.28%
Liquidity Ratio	Liquid Asset/Demand Liabilities	29.49%	28.23%

1.9 KEY STRENGTHS AND RESOURCES

The Bank's pursuit of its strategic objectives is supported by key strengths and resources, including a sufficient capital base to sustain current and projected growth, a strong market reputation, a young and energetic workforce, and high credibility derived from the transparency standards required of a publicly listed company. These attributes enable the Bank to remain competitive, resilient, and well-positioned for sustainable expansion.

A key development in 2025 is the appointment of the new Managing Director, who assumed office on January 2, 2025. Bringing vast experience in banking and financial management, he is expected to propel the Bank to new heights by driving operational efficiency, enhancing customer experience, and reinforcing its market position. He is a customer-centric leader introducing a new Customer Value Proposition (CVP) aimed at delivering tailored financial solutions and a superior banking experience. His initiatives focus on streamlining Bank operations, advancing digitization through internet banking and a robust mobile application, and optimizing service delivery channels to boost customer satisfaction. Additionally, he is prioritizing ICT infrastructure improvements to enhance system reliability and minimize downtime, ensuring uninterrupted and seamless banking services for customers.

In fulfilling its mandate, the Board of Directors actively collaborates with regulators, the government, and other key stakeholders to ensure compliance, effective governance, and alignment with industry best practices. The Bank maintains strong engagement with a diverse group of stakeholders, including customers, shareholders, institutional investors, development partners, and financial sector players, to drive its strategic initiatives and foster long-term growth.

1.9.1 Shareholders and Investors

Shareholders and investors are the foundational providers of financial capital, and the Bank remains committed to ensuring transparent and timely disclosure of relevant information to enable informed investment decisions. Continuous engagement with shareholders allows for valuable insights into their expectations, particularly regarding financial performance, strategic direction, and long-term value creation.

Key concerns

A primary concern raised by shareholders is the Bank's growth prospects in a challenging operating environment, especially regarding management's capital allocation decisions. Shareholders seek clarity on the rationale behind branch expansion plans as the Bank targets upcountry market penetration by 2030. Additionally, there is growing interest in how the Bank is integrating sustainability considerations into its business strategy to ensure long-term resilience and responsible banking.

Value we create

The Bank is dedicated to enhancing shareholder value through sustainable growth, disciplined capital allocation, and strong financial performance. This is achieved by increasing net asset value and net earnings, maintaining open and transparent communication to keep investors well-informed, and adhering to a structured capital investment approach that ensures profitability and sustainability in growth markets. Furthermore, the Bank is committed to rewarding shareholders through its dividend payout policy, which stipulates a minimum distribution of 50% of profit after tax. At the same time, it ensures a prudent balance sheet by maintaining adequate provisions and a strong coverage of non-performing loans, reinforcing financial stability and investor confidence.

1.9 KEY STRENGTHS AND RESOURCES (CONTINUED)

1.9.2 Customers

Customers are the cornerstone of the Bank's existence, and their growth translates directly into increased business revenue. Ensuring a superior customer experience is paramount, as it fosters loyalty, enhances engagement, and drives long-term success. The Bank remains committed to simplifying banking services, enhancing convenience, and leveraging technology to meet evolving customer expectations. Furthermore, maintaining sustainable banking practices, world-class governance, and robust risk management safeguards the Bank's integrity, reinforcing customer trust and confidence.

concerns

Customers seek banking services that are simpler, more intuitive, and time-efficient, with a seamless and personalized experience across all touchpoints. They expect excellent customer service, efficient issue resolution, and secure banking that protects their money and personal information. Additionally, customers rely on the Bank to provide funding that supports their business growth, economic empowerment, and financial stability, in line with the Bank's promise to transform lives and unlock opportunities for wealth creation.

Value we create

The Bank delivers value by safeguarding deposits, investments, and wealth while providing accessible credit solutions that drive economic development and job creation. It facilitates seamless financial transactions that are critical to economic value exchange and promotes financial inclusion by extending affordable banking services to underbanked communities. The Bank also empowers customers through financial education, advisory services, and tailored innovative solutions that meet their specific needs, ensuring a customer-centric approach that aligns with their aspirations. With the leadership of the new Managing Director, who brings vast experience and a customer-first approach, the Bank is poised to elevate its customer value proposition (CVP). His strategic focus on streamlining operations, enhancing ICT infrastructure, minimizing system downtime, and advancing digital banking through internet banking and mobile applications will further boost customer satisfaction and engagement.

1.9.3 Employees

Employees are the driving force behind Maendeleo Bank's success, making it not only a great place to bank but also a great place to work. A motivated and highly skilled workforce, supported by efficient and value-driven solutions, ensures that the Bank delivers exceptional service to customers while fostering a culture of innovation and excellence. As integral members of society, our employees also contribute to the well-being of their communities, further reinforcing the Bank's mission of economic empowerment.

Concerns

Employees seek career growth, opportunities to contribute to society, and a supportive work environment that promotes work-life balance and professional development.

Value we create

The Bank rewards employees for their contributions, provides career development opportunities, and fosters an inclusive and equitable workplace. Under the leadership of the new Managing Director, with a focus on operational efficiency and digital transformation, employees will benefit from streamlined processes, improved ICT infrastructure, and an empowered work culture that drives innovation and customer satisfaction.

1.9 KEY STRENGTHS AND RESOURCES (CONTINUED)

1.9.4 Society

Maendeleo Bank PLC actively engages with the public to understand its role in addressing societal needs, recognizing that society provides the foundation for its operations.

Key concerns

The public expects banks to promote responsible environmental, social, and governance (ESG) practices while ensuring ethical business conduct.

Value we create

The Bank upholds sustainable banking practices, regulatory compliance, and financial stability to support a thriving society. Through responsible lending, procurement, and corporate social responsibility initiatives, the Bank contributes to economic growth, social well-being, and environmental sustainability.

1.9.5 Regulators and Policy Makers

As a responsible corporate citizen, Maendeleo Bank PLC actively collaborates with regulators and policymakers to shape and implement public policies, ensuring compliance with industry standards.

Key concerns

Regulators focus on critical risk areas, including cyber security, corporate governance, financial reporting, business conduct, and financial crime prevention.

Value we create

The Bank ensures a stable financial sector by adhering to regulations, deepening financial inclusion through collaboration with policymakers, and contributing to government revenue through tax compliance.

1.9.6 Regional and International Banking

Key concerns
International banking partners emphasize the need for increased foreign currency transactions, particularly in US dollars, to facilitate the opening of a correspondent banking account.

Value we create
The Bank actively markets its foreign exchange services and strengthens engagements with international banks to secure correspondent banking relationships, improving transaction efficiency and global banking access.

1.10 RESOURCES

Maendeleo Bank PLC utilizes a combination of tangible and intangible resources to execute its duties effectively. These resources are essential in supporting the Bank's operational objectives and long-term strategic goals.

1.10.3 Financial Resources

The Bank strategically deploys its financial resources, including customer deposits, shareholder equity, retained earnings, and external borrowings, to support growth and meet customer needs. A strong financial capital base underpins its operations, enabling the provision of competitive financial solutions. In 2024, shareholder equity grew by 16.8%, from TZS 19.1 billion to TZS 22.3 billion, while total deposits increased by 14.5%, reaching TZS 104.0 billion from TZS 90.8 billion. Borrowings saw a significant rise of 70.1%, from TZS 12.7Billionto TZS 21.6 billion, supporting the Bank's expansion. This growth was reflected in total assets, which increased by 20.8%, from TZS 124,694 million to TZS 150,686 million , largely driven by a 20.1% increase in the loan book from TZS 74,086 million to TZS 88,907 million and a 15.6% rise in government securities from TZS 25,428Million to TZS 29,391Million. Despite this increase in government securities, interest income from these investments declined slightly, as over TZS 7 billion was invested in the last quarter of the year, with its interest income set to be recognized in 2025. Income from loans and advances remained the dominant contributor, accounting for 67.9% of total income, followed by interest on government securities at 14.8%. Non-funded income, including fees, commissions, foreign exchange gains, and other operating income, contributed 17.3%, reflecting the Bank's ongoing efforts to diversify revenue streams while maintaining a stable earnings base.

1.10.4 Equity Resources

The Bank's paid-up share capital remained at TZS 13,122Million, with an additional TZS 799Million in share premium, supported by a diverse shareholder base, including church institutions, individuals, and other religious bodies. Regulatory reserves increased from TZS 533Million to TZS 791Million, covering the gap between IFRS 9 provisions and statutory provisions as required by the Central Bank. Retained earnings grew significantly from TZS 4,653Million to TZS 8,082Million, driven by a strong profit after tax, which rose from TZS 2,348Million to TZS 3,686Million. Borrowings increased by 70.1%, reaching TZS 21,568Million from TZS 12,681Million, while total deposits grew by 14.6%, from TZS 90,788Million to TZS 104,024Million, further strengthening the Bank's funding base to support its growth initiatives

1.10.5 Human Resources

To execute our strategy effectively, we have a team of 125 employees as of 2024, up from 119 in 2023, reflecting our commitment to strengthening our workforce. Despite this growth, we maintained a manageable employee turnover rate of 5%, ensuring continuity and stability in service delivery. Maendeleo Bank PLC remains dedicated to developing a best-in-class employee value proposition, fostering a high-performance culture anchored in ethical conduct, accountability, and excellence.

We actively encourage innovation and employee engagement by inviting staff to share their ideas, fostering a collaborative and solution-oriented work environment. Additionally, we prioritize mental well-being and psychological support through structured initiatives such as stress management discussions and other wellness programs. Our continuous investment in training, staff wellness, recognition programs, competitive remuneration, and career growth opportunities ensures a motivated and skilled workforce. This focus on professional development and well-being equips our employees with the capabilities needed to serve the digital customer of the future, driving competitiveness and long-term success.

1.10.6 Intellectual resources

The adoption of data analytics and emerging technologies continues to enhance our operational efficiency, decision-making, and customer experience. Our intellectual capital is embedded in the knowledge, expertise, and innovation incorporated within our systems, processes, and procedures, as well as the strong brand equity we have built over the years.

We have made significant strides in digital adoption, with a strategic focus on automation and innovation as key enablers of our digital transformation journey. Investments in core banking infrastructure, cybersecurity, and digital platforms have strengthened our operational resilience while ensuring seamless service delivery. Furthermore, our strategic partnerships with financial technology providers, regulatory bodies, and industry players enable us to develop and offer customer-centric, innovative financial solutions.

To stay competitive in an evolving market, we remain committed to continuous learning and adaptation, leveraging insights from data analytics to enhance risk management, optimize service delivery, and personalize customer experiences. Our brand strength and reputation continue to be fundamental assets, positioning Maendeleo Bank PLC as a trusted and forward-thinking financial institution.

1.10.7 Manufactured resources

Our manufactured resources encompass the physical and digital infrastructure through which we conduct our business, ensuring seamless service delivery and customer engagement. These resources include our branch network, agency banking, mobile banking, internet banking, and other ICT-driven solutions that enhance accessibility and financial inclusion.

Our distribution network consists of five branches, a corporate head office, and over 2,000 Maendeleo Wakala (agency banking agents). Additionally, our customers enjoy access to over 1,000 ATMs.

As part of our digital transformation strategy, the Bank is set to launch internet banking in February 2025, followed by the introduction of a mobile banking app in March 2025. These advancements align with our commitment to enhancing customer convenience, improving system security, and optimizing operational efficiency through modern banking solutions.

1.10.8 Social and relationship resources

Our social and relationship resources are built on ethical and transparent relationships with customers, shareholders, investors, suppliers, regulators, the government, and society at large. This also includes our ability to share value with stakeholders, fostering mutual growth and collective well-being. The Bank is committed to Corporate Social Responsibility (CSR), guided by a clear CSR policy that outlines how we identify, manage, and execute programs aimed at making a positive societal impact.

We highly value the perspectives of our stakeholders, as they play a critical role in shaping our approach to both business and societal challenges. Whether engaging with customers, trade partners, or communities, we adopt a holistic approach to creating sustainable value. Our focus is on nurturing long-standing relationships while actively working to forge new connections that will benefit all parties involved. Through our Business Development Department, we collaborate with various communities to enhance their livelihoods and create lasting positive changes.

Our commitment to Corporate Social Responsibility (CSR) was clearly demonstrated through the successful organization of two marathon events, one in 2023 and another in 2024, which together raised over TZS 360 million for community development initiatives. In 2023, we raised TZS 120 million, and in 2024, we raised TZS 140 million. The funds were specifically directed towards supporting children with autism and premature infants. For premature babies, the funds were used to purchase infant baby warmers to help support their survival and well-being. In support of children with autism, the funds will be used to construct new houses in a better and larger area, under the management of ELCT ECD, starting in 2025. These new homes will provide a more secure and spacious environment for individuals with autism, replacing the old, worn-out, and flood-affected accommodation.

In addition to the marathon events, the Bank contributed TZS 57 million to other CSR activities in 2024, and TZS 63 million in 2023. These contributions further reinforce our ongoing efforts to give back to society and support the communities we serve, particularly in the areas of education, healthcare, and social welfare. Through these initiatives, Maendeleo Bank PLC continues to make a meaningful impact on the lives of vulnerable populations and remains dedicated to building a better, more inclusive society.

1.10.9 Natural Resources

Natural capital refers to the renewable and non-renewable environmental resources that are consumed or affected by our operations, contributing to the prosperity of our organization. These resources include water, soil, ores, forests, and biodiversity. Although we operate as a service-based business, we recognize that our activities have an impact on the environment, and we are committed to managing this impact responsibly.

For instance, electricity and water consumption are integral to our daily operations, primarily driven by the need for cooling systems and the use of electronic equipment. As part of our broader strategy to evolve into a more digital bank, we have made significant strides in reducing our reliance on paper consumption.

This transition to digital has allowed us to cut down on paper usage, and we are committed to implementing more of our internal processes without paper, further enhancing our electronic and digital systems.

Additionally, our operations remain highly dependent on electricity, and we are continually working towards improving our energy efficiency. Through internal projects and energy consumption reduction targets, we aim to minimize our environmental footprint and contribute to the sustainable management of natural resources. This ongoing effort underscores our commitment to responsible environmental stewardship while driving efficiency and sustainability in our operations.

1.10.10 Other resources

The Bank's strategic position in the market provides us with the ability to offer innovative financial solutions and deliver a distinct customer experience. Our legal and regulatory compliance ensures that we have the necessary resources, both human and technological, to meet customer expectations effectively and drive future growth. By adhering to the highest standards of legal and regulatory frameworks, we secure the stability and quality of our resources, enabling us to remain competitive in an ever-evolving financial landscape. This commitment is essential to maintaining the trust of our stakeholders and driving sustainable growth in the long term.

1.11 RESULTS AND DIVIDEND

The Bank recorded a profit after tax of TZS 3,232 million for the year under review (2023: TZS 2,348 million), primarily driven by the strong performance of its lending activities. However, due to the Bank of Tanzania's (BOT) Circular on Cost-to-Income Ratio (CIR), which restricts dividend payments when the CIR exceeds 55%, unless a waiver is obtained, the Board of Directors has decided not to propose a dividend for the year ended 31 December 2024. The Bank has requested a waiver, but BOT has sought further clarity on the strategies being implemented to address the CIR. The Bank is currently finalizing its six-year Strategic Plan, which will be completed by May 2025, and will provide the necessary clarity to the BOT. Considering these regulatory considerations, the Board has opted to retain the profit for the year, with the intention of strengthening the Bank’s financial position with ongoing transformation into a fully-fledged commercial bank.

1.12 CORPORATE GOVERNANCE MATTERS

a. Corporate Governance Statement

Corporate governance serves as the backbone of any organization’s strategy and success, providing a framework within which corporate objectives are set, performance is monitored, and assurance is provided to stakeholders. Effective governance has long been recognized as a key factor in the success and longevity of any institution.

At Maendeleo Bank PLC, we remain committed to upholding high standards of corporate governance, ensuring transparency, accountability, and integrity in all our operations. We recognize the evolving nature of governance, with a growing emphasis on Environmental, Social, and Governance (ESG) factors. As part of our strategic commitment, the Board of Directors is actively adopting an ESG lens to guide performance, thereby fostering sustainable practices that contribute to long-term value creation. This approach not only supports the Bank’s growth and success but also aligns with global trends and expectations, ensuring that we play an active role in shaping a responsible and sustainable future for both our stakeholders and society at large. Maendeleo Bank Plc has diversity in its Board of Directors and hence it has ensured that the Board ofDirectors is well equipped to the new advancement in Corporate Governance in respect to environmental, social and governance (ESG). MBP has ensured its services offerings are aligned withthe global best practices on ESG.

b. **Environmental, Social, and Governance (ESG) Disclosure.**
(Prepared in accordance with IFRS S1 – General Requirements for Sustainability-related Financial Disclosures)

b.1. Introduction

Maendeleo Bank PLC is committed to responsible and sustainable banking practices that align with Environmental, Social, and Governance (ESG) principles. As a financial institution, we recognize that sustainability is a key driver of long-term value creation for our stakeholders, including shareholders, customers, employees, and the broader community.
In line with IFRS S2 we provide transparent disclosures on how ESG-related risks and opportunities impact our operations, financial position, and strategic direction. This report highlights our ESG governance structure, risk management framework, sustainability initiatives, and our ongoing commitment to responsible banking.

b.2. Board Oversight and Governance of ESG

The Board of Directors of Maendeleo Bank PLC confirms that all activities, practices, and operations of the Bank ensure adherence to Environmental, Social, and Governance (ESG) principles, which are anchored on transparency, accountability, sustainability, and ethical business conduct. ESG considerations are deeply embedded in our corporate governance framework, ensuring that the Bank conducts its operations responsibly while creating long-term value for all stakeholders.

The Board's Risk and Compliance Committee provides oversight on ESG-related matters, ensuring that sustainability risks are properly identified, assessed, managed, and mitigated in accordance with regulatory requirements and global best practices. The Bank's policies and procedures emphasize environmental stewardship, social responsibility, and sound governance, with a commitment to responsible lending, ethical business practices, and risk management frameworks that integrate ESG considerations. Recognizing the importance of environmental sustainability, the Bank's lending policies include exclusion lists that prohibit financing activities detrimental to the environment. Additionally, only 2.39% of the Bank's loan book is allocated to agriculture and poultry sectors, which are more susceptible to environmental risks down from 3.44% in the previous year. These products are, however, 50% guaranteed by the Tanzania Agricultural Development Bank (TADB), mitigating potential risks.

On the social front, the Bank actively promotes financial inclusion, employee well-being, and community development, ensuring that its operations positively impact customers, employees, and the broader society. Governance practices are aligned with ethical standards, anti-corruption measures, and regulatory compliance, reinforcing the Bank's commitment to integrity and responsible business operations.

Through continuous monitoring, stakeholder engagement, and alignment with ESG best practices, Maendeleo Bank PLC remains committed to sustainable growth, responsible banking, and long-term value creation for its customers, shareholders, and the communities it serves.

Our governance framework includes:

Our governance framework is structured to ensure that Environmental, Social, and Governance (ESG) considerations are effectively integrated into the Bank's strategic direction, decision-making processes, and operational activities. Through strong oversight, clear accountability, and active stakeholder engagement, Maendeleo Bank PLC remains committed to fostering sustainable business practices that create long-term value for all stakeholders.

Board Oversight: The Board of Directors plays a critical role in overseeing ESG-related matters, ensuring that sustainability goals are aligned with the Bank's broader strategic objectives. ESG issues are regularly reviewed at the Board level, allowing for informed decision-making on policies, risk management, and business activities that impact environmental and social sustainability. The Board's Risk and Compliance Committee ensures that ESG risks are identified, assessed, and mitigated in accordance with both regulatory requirements and global best practices.

Management Accountability: The Bank's senior management is responsible for the implementation and execution of ESG policies and initiatives across all functions. ESG considerations are integrated into the Bank's operational decision-making, ensuring that sustainability principles are embedded in credit assessments, risk management frameworks, procurement processes, and internal controls.

Management also ensures that ESG commitments are reflected in the Bank's day-to-day activities, reinforcing a culture of sustainability and ethical business conduct.

Stakeholder Engagement: Maendeleo Bank PLC actively engages with regulators, investors, customers, and the broader community to ensure that its sustainability practices are aligned with industry standards and evolving regulatory expectations. The Bank fosters transparent communication and collaboration with stakeholders, gathering insights and feedback that help refine ESG strategies. Engagement efforts also include participation in industry forums, sustainability initiatives, and corporate social responsibility (CSR) programs, reinforcing the Bank's role as a responsible corporate citizen.

By maintaining a strong governance structure, ensuring management accountability, and fostering stakeholder engagement, Maendeleo Bank PLC continues to uphold its commitment to sustainable banking, ethical governance, and responsible corporate practices.

1.13 CORPORATE GOVERNANCE MATTERS

b.3. Environmental Impact and Climate Risk Management

b.3.1. Exposure to Environmentally Sensitive Sectors

Maendeleo Bank's prudent approach to environmental risk management is reflected in its careful selection of sectors within its loan book. The bank's exposure to agriculture and poultry, which are among the most vulnerable industries to climate change, stood at 1.21% and 1.18% respectively which makes the total of 2.39% of the total loan book in 2024, a slight decrease from 3.44% (Agriculture 2.01% and Poultry 1.43%) in 2023. This reduction indicates the Bank's ongoing efforts to minimize risk in environmentally sensitive sectors. To further safeguard against the adverse impacts of climate change, the Bank benefits from a 50% guarantee provided by the Tanzania Agricultural Development Bank (TADB), which helps de-risk loans to these sectors. This partnership not only ensures the sustainability and resilience of the Bank's lending portfolio but also supports the continued development of vital industries in Tanzania, helping them to adapt and thrive in the face of environmental challenges. Moreover, the Bank's commitment to responsible lending practices ensures that it continues to monitor and manage any exposure to climate-related risks, with the aim of fostering long-term financial and environmental stability

A detailed comparison of our exposure to environmentally sensitive sectors is provided in the table below,

	Dec-24	Dec-23	Dec-24	Dec-23
Agriculture Gross Loan - Principal	1,067,966.00	1,467,965.00	1.21%	2.01%
Poultry Gross Loan - Principal	1,046,001.00	1,046,002.00	1.18%	1.43%
Other products	86,483,385.78	70,540,230.19	97.61%	96.56%
Total Gross Loan - Principal	**88,597,352.78**	**73,054,197.19**	**100.0%**	**100.0%**

b.3.2. Sustainable Lending Practices

The Bank has robust lending policies and procedures that promote environmental care and sustainability, including:

- ✓ Exclusion List in Lending Policy: Maendeleo Bank PLC does not finance activities that are harmful to the environment, including deforestation, unregulated mining, and industries with high carbon emissions.
- ✓ Green Banking Practices: Encouraging financing of sustainable projects, including renewable energy and environmentally friendly businesses.
- ✓ Environmental Due Diligence: Assessing borrowers' environmental compliance before loan

approval.

b.4. Internal Environmental Initiatives

Beyond lending, Maendeleo Bank PLC integrates environmental sustainability into its operations through:

- ✓ Automation of bank services including internet banking and mobile application is expected to reduce paper usage and promote eco-friendly banking.
- ✓ Energy efficiency programs, including the use of LED lighting and energy-saving equipment at branches and offices.
- ✓ Waste management initiatives aimed at reducing carbon footprint in daily operations.

b.5. Social Impact and Financial Inclusion

Maendeleo Bank PLC is deeply committed to fostering financial inclusion, driving community development, and promoting social well-being. Our initiatives extend beyond traditional banking services to empower individuals and communities across Tanzania.

One of our core focus areas is access to finance, where we provide microfinance products aimed at underserved populations. These products, including Bajaji CMPD, Bajaji Pink Ride, Boda Boda, Nufaika Biashara, and Wezesha Machinga, now account for 15% of our loan book, up from 14% last year, demonstrating our continued dedication to supporting the growth of micro-entrepreneurs.

We also prioritize women and youth empowerment through specialized financing programs targeting women entrepreneurs and youth-led businesses, which contribute significantly to the national economy. By providing targeted funding, we foster innovation, entrepreneurship, and economic independence among these groups.

Maendeleo Bank PLC is equally committed to the well-being of its employees. We offer comprehensive, non-discriminatory medical insurance through Jubilee Insurance, ensuring that all employees are covered without bias.

Our commitment to Corporate Social Responsibility (CSR) was clearly demonstrated through the successful organization of two marathon events, one in 2023 and another in 2024, which together raised over TZS 360 million for community development initiatives. In 2023, we raised TZS 120 million, and in 2024, we raised TZS 140 million. The funds were specifically directed towards supporting children with autism and premature infants. For premature babies, the funds were used to purchase infant baby warmers to help support their survival and well-being. In support of children with autism, the funds will be used to construct new houses in a better and larger area, under the management of ELCT ECD, starting in 2025. These new homes will provide a more secure and spacious environment for individuals with autism, replacing the old, worn-out, and flood-affected accommodation.

In addition to the marathon events, the Bank contributed TZS 57 million to other CSR activities in 2024, and TZS 63 million in 2023. These contributions further reinforce our ongoing efforts to give back to society and support the communities we serve, particularly in the areas of education, healthcare, and social welfare. Through these initiatives, Maendeleo Bank PLC continues to make a meaningful impact on the lives of vulnerable populations and remains dedicated to building a better, more inclusive society.

Through these initiatives, Maendeleo Bank PLC continues to play a pivotal role in improving financial access, empowering vulnerable groups, and contributing to the well-being of communities across Tanzania:

b.6. Governance and Ethical Business Conduct

The Bank adheres to strong corporate governance practices, ensuring compliance with regulatory requirements and international best practices. Key governance principles include:

- ✓ Transparent Reporting: Regular disclosure of financial and non-financial information to stakeholders.
- ✓ Risk Management Framework: A robust system for identifying, assessing, and mitigating risks,

including ESG risks.
- ✓ Ethical Business Practices: Zero tolerance for corruption, fraud, and unethical conduct, enforced through our Code of Ethics and Whistleblowing Policy.

b.7. ESG-Related Risk Management and Integration into Strategy

Maendeleo Bank PLC integrates ESG risks and opportunities into its overall risk management framework. Key ESG risks considered include:

- ✓ Climate Risk: Monitoring potential impacts of climate change on agricultural and poultry lending.
- ✓ Social Risks: Managing reputational and operational risks related to financial inclusion and community relations.
- ✓ Governance Risks: Strengthening regulatory compliance and ethical business conduct.

The Bank continuously refines its sustainability strategy by adopting best practices and aligning with evolving ESG reporting standards, including IFRS S1 and TCFD (Task Force on Climate-related Financial Disclosures).

b.8. Metrics and Targets for ESG Performance

To enhance transparency and accountability in Maendeleo Bank's Environmental, Social, and Governance (ESG) performance, the following metrics and targets have been set, with ongoing efforts to meet and exceed these goals.

Environmental Impact: Maendeleo Bank PLC is actively addressing environmental sustainability through a range of initiatives. We offer renewable energy products, including fuel solutions and solar systems for homes, with the aim of increasing the use of clean energy. In 2024, the percentage of renewable energy products in our portfolio increased to 4%, up from 3% in 2023. The ongoing automation efforts are also expected to contribute to energy savings by reducing energy consumption across our operations. The bank is in the final stages of launching Internet banking and mobile applications, which will further support energy efficiency by reducing the need for physical branches and paper-based processes. Looking ahead, the bank plans to focus on waste management and water conservation, including the installation of automatic taps to prevent water waste from forgetfulness. The bank will continue to reduce paper usage as part of its automation efforts. We are committed to enhancing these initiatives and expanding our environmental impact reduction strategies in the coming years.

Social Impact and Financial Inclusion: Maendeleo Bank PLC is dedicated to financial inclusion and empowering underserved communities. As of 2024, over 75,000 customers are benefiting from our products, with a focus on youth and women, two vital segments of the population. We are committed to gender balance, with the proportion of women employees increasing from 47% in 2023 to 49% in 2024. This reflects our ongoing efforts to create an inclusive and supportive work environment. To further enhance employee satisfaction, we are preparing an Employee Value Proposition (EVP), which will focus on attractive compensation packages, a positive working environment, and a strong organizational culture. Training and development initiatives continue to be a priority, ensuring that our staff is equipped with the skills and knowledge needed to thrive in their roles. Additionally, the bank remains committed to CSR, including the continuation of our marathon events, which raised TZS 360 million over the last two years for community development projects. The board maintains strong diversity, with 3 women and 5 men, and top management consists of 2 women and 5 men ensuring balanced representation in decision-making. We also prioritize compliance with all regulatory requirements, guaranteeing that our operations are aligned with industry standards.

Governance: Maendeleo Bank's governance structure is designed to ensure transparency, accountability, and ethical behavior. Our board comprises 3 women and 5 men, fostering a diverse and inclusive leadership team. We are committed to maintaining compliance with all regulatory requirements and upholding the highest standards of corporate governance.

The bank's governance practices are continuously reviewed to ensure alignment with best practices, and we remain dedicated to meeting regulatory expectations while enhancing stakeholder trust.

Through these ESG metrics and targets, Maendeleo Bank PLC is not only working toward sustainability but also creating meaningful social impact and upholding strong governance principles. We will continue to monitor our progress, with the commitment to achieving further milestones in each of these areas:

b.9. Conclusion and Commitment to Sustainability

Maendeleo Bank PLC remains steadfast in integrating Environmental, Social, and Governance (ESG) principles into its business model, recognizing that sustainable growth is not only a business priority but also a responsibility towards our stakeholders and the environment. Our strategic focus on sustainable lending, financial inclusion, environmental stewardship, and robust governance ensures that we remain resilient and adaptable in an ever-changing regulatory and economic landscape. Through our commitment to these principles, we aim to create long-term value for our shareholders, employees, customers, and the communities we serve. Our focus on sustainable lending includes providing financial solutions that promote environmental sustainability, such as renewable energy products, as well as supporting underserved segments, including women and youth, to foster inclusive growth. Furthermore, our environmental efforts are aligned with global sustainability goals, ensuring that we contribute positively to the planet's well-being, while our governance framework continues to promote ethical leadership and transparency.

As we move forward, Maendeleo Bank PLC is dedicated to enhancing our ESG disclosures in line with the International Financial Reporting Standards (IFRS) S1, which will ensure improved transparency and accountability in our reporting. This will enable stakeholders to better understand the progress we are making in our sustainability journey. We are committed to aligning our efforts with both national development goals and global ESG best practices, ensuring that our sustainability initiatives are not only compliant with local regulations but also reflective of the highest global standards. By prioritizing sustainability in our operations, we are fostering a positive impact on the economy, the environment, and society, positioning Maendeleo Bank PLC as a forward-thinking institution committed to sustainable growth.

c. Board of Directors' operations and control

c.1. Principle on appointment of Board of Directors

The Board of Directors is appointed during the Annual General Meeting (AGM) through voting by the body corporate, company, or individual shareholders. This process follows the vetting and approval by the Bank of Tanzania, ensuring that candidates meet the necessary criteria. Directors are appointed for a term of three years, with the AGM convened to confirm and appoint the Board every three years. A member of the Board may serve for a maximum consecutive period of ten years unless they resign or their membership is otherwise terminated.

c.2. Chairman and Managing Director

The Chairman of the Board is a non-executive director, and the roles of the Chairman and the Managing Director are distinct, with their responsibilities clearly defined. The Chairman is tasked with leading the Board, ensuring that it functions effectively and adheres to good governance practices. The Managing Director is responsible for executing the Bank's strategy, overseeing policies, and managing the day-to-day business operations of the Bank. The Managing Director is supported by the management team and executive committees, which he chairs to drive the Bank's strategic goals.

c.3. Structure of the Board of Directors

The Board of Directors comprises ten (10) members, including the Managing Director, who serves as an executive director. The Board operates through three main committees to ensure efficient governance and decision-making, Board Audit and Risk Committee, Board Credit Committee, Board Human Resources and Remuneration Committee.

c.4. Governance and Audit

The Board of Directors remains committed to ensuring the effective implementation of the directives issued by the Bank of Tanzania and the recommendations provided by the external auditors following the statutory audit of the financial year 2024. The Board also actively oversees the execution of recommendations from independent consultants hired by the Bank as needed. These consultants provide specialized advice on various aspects of governance, risk management, and operational efficiency, ensuring that the Bank adheres to best practices and regulatory requirements. The Board's continuous oversight ensures that all necessary actions are taken to enhance the Bank's operational integrity and compliance.

c.5. Stakeholder Relations

The Board of Directors has identified key categories of stakeholders, which include the Government, employees, regulators, regional and international banks, members, and the general community. In making its decisions, the Board ensures that the interests of all stakeholders are carefully considered to maintain a balanced and responsible approach. Engagement with stakeholders is intentional and well-planned, fostering long-term relationships based on mutual respect and collaboration. The Board is committed to ensuring that communication with stakeholders is transparent, timely, and effective, promoting trust and understanding across all levels of interaction.

Ethics and social responsibility

The Board of Directors has established six core ethical values that guide all deliberations, decisions, and actions. These values are the foundation of the Bank's commitment to corporate governance and responsible business practices. They ensure that the Bank operates with integrity, accountability, and fairness in all its dealings. The Board encourages ethical conduct throughout the organization and seeks to uphold social responsibility by contributing positively to both the local and broader community. Through adherence to these principles, the Bank strives to create lasting value for all its stakeholders while ensuring sustainable business practices:

Accountability: We are accountable for our own actions and decisions
Caring for Community: We are responsive to our community in which we operate
Empowerment: We encourage our employees to be innovative and use their skills for the best of the Bank.
Innovation: We hire skilled, competent and innovative staff. We create new way of life to our customers.
Integrity: We act with honesty and honour without compromising the truth.
Respect for the Individual: We value diversity and unique contribution.

Board of Directors' operations and control

Maendeleo Bank PLC has established a comprehensive Board of Directors' Charter to ensure that its operations are carried out with the highest ethical standards and in full compliance with all relevant laws and regulations. This Charter applies to all members of the Board, senior management, and staff, ensuring that everyone within the organization adheres to the principles outlined. The Board plays a critical role in setting the tone at the top and ensuring that ethical practices are integrated into every aspect of the Bank's operations.

Risk management and internal control

A primary responsibility of the Board of Directors at Maendeleo Bank PLC is overseeing risk management, which involves understanding the uncertainties the Bank faces and developing strategies to either capitalize on them or minimize their impact on achieving the Bank's strategic objectives. The Board conducts thorough assessments to identify the risks to which the Bank is exposed, determining their materiality and potential consequences. The risk management strategy is designed to align with and support the Bank's overarching goals, ensuring the identification, quantification, and management of risks across all levels of the organization. This strategy involves defining risk ownership clearly, optimizing business value, and managing the associated costs to maintain the Bank's stability and growth.

The Bank places great emphasis on having a well-rounded and diverse Board of Directors. Recognizing that diversity is a significant strength, the Bank aims to have a Board that brings together a mix of individuals with varied experiences, backgrounds, and expertise. This diversity is reflected in the age, gender, and professional qualifications of the Board members. The diverse composition is a key factor in providing a competitive edge, enhancing the Bank's ability to innovate, adapt, and make sound decisions that are in the best interest of the Bank and its stakeholders.

Composition of the Board of Directors

1. **Prof. Ulingeta Mbamba, Chairperson, Male,Tanzanian**

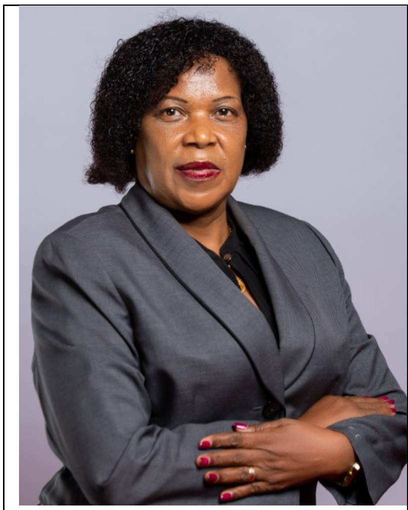
Prof. Mbamba is an esteemed Associate Professor at the University of Dar es Salaam, with a rich academic background that includes a Bachelor of Science in Engineering, a Master of Business Administration, a Licentiate Degree, and a PhD in Business Administration. His extensive career in academia spans over several years, where he has made significant contributions to the development of business education.
Notably, Prof. Mbamba has served as the Dean of the University of Dar es Salaam Business School (UDBS), managing the strategic direction and growth of the institution. He has also held pivotal roles such as the Managing Director of the University of Dar es Salaam Computing Centre (UCC), Associate Dean of Academics at UDBS, Deputy Director of Undergraduate Studies at UDSM, and Head of the Department of General Management at UDBS

Prof. Mbamba is an influential figure in various committees and boards, where his insights and expertise contribute to shaping the academic and business landscapes. His involvement extends beyond academia, where he has made valuable contributions to professional and industry-related platforms. This breadth of experience across both academic administration and strategic leadership underscores his deep commitment to the development of business education and his ability to bridge the gap between theory and practice in the business world

2. **CPA Anna T. Mzinga, Vice Chairperson, Female, Tanzania**

CPA Anna T. Mzinga is an accomplished finance professional with extensive experience in accounting, finance, and project management. She holds an MBA in Finance from the Open University of Tanzania, an Advanced Diploma in Accountancy from the Institute of Finance Management, and is a Certified Public Accountant (CPA-T). Additionally, she has completed a Professional Savings and Credit Societies Management Course at Moshi University College of Cooperatives and Business Studies. With a strong foundation in financial management, Anna has played a pivotal role in various organizations, overseeing financial operations, strategic planning, and grants management.

Currently serving as the Country Director for Water Aid Tanzania, Anna brings a wealth of leadership experience in financial oversight and resource management. Prior to this role, she held key positions, including Director of Finance and Grants at the Benjamin William Mkapa HIV/AIDS Foundation, Senior Accountant at the Higher Education Student Loans Board, and Director of Finance at Dunduliza Company Limited in partnership with Desjardins International Development. Her career began at the Open University of Tanzania as an Assistant Accountant, laying the groundwork for her expertise in financial administration. Throughout her career, she has demonstrated a strong commitment to financial integrity, operational efficiency, and sustainable development.



3. Ms. Joyce Mapunjo, Director, Female, Tanzanian

Ms. Joyce Mapunjo was recently appointed by Her Excellency Samia Suluhu Hassan, President of the United Republic of Tanzania, as the Board Chairperson of the Public Service Social Security Fund (PSSSF), a testament to her vast experience and leadership in finance and governance. With a career spanning over four decades, she has held various high-profile roles, including serving as a Presidential Appointee in five ministries, including the Permanent Secretary for the Ministry of East African Cooperation. Her expertise has been instrumental in shaping financial policies and institutional governance in Tanzania.

Joyce holds an MBA in International Finance from Loyola University Chicago, a Master's in Banking from Milan, Italy, and a Bachelor of Commerce (Finance) from the University of Dar es Salaam. She began her career at the Treasury in 1982 as a finance specialist and has since served on the boards of numerous prestigious institutions, including the Tanzania Investment Center (TIC), Tanzania Breweries Limited (TBL), Dar es Salaam Water and Sanitation Organization (DAWASA), College of Engineering at UDSM (COET), College of Business Education (CBE), Tanzania Institute of Accountancy (TIA), and the National Development Corporation (NDC), among others. Her extensive contributions to Tanzania's financial sector continue to strengthen governance and strategic leadership across key institutions.

4. Reverend Dr. Ernest William Kadiva, Director, Male, Tanzanian

Dr. Ernest Kadiva holds a Bachelor of Commerce and Management from the University of Dar es Salaam (1993), a Bachelor of Divinity from Makumira University (2002), a Master of Theology and Ecumenical Studies from Geneva University (2011), and a PhD from Luther Seminary. His academic background combines theology, business, and leadership, equipping him with a unique blend of skills in both pastoral ministry and organizational management.

Currently, Reverend Kadiva serves as the Head of the United Evangelical Mission Africa Office. His career spans diverse roles, including managerial positions in marketing and sales at The Guardian newspaper and IPP Group. Within the Evangelical Lutheran Church in Tanzania – Eastern and Coastal Diocese (ELCT-ECD), he has held key leadership roles such as Chaplain of Azania Front Cathedral, Assistant General Secretary, and Deputy General Secretary for Administration, Operations, and Estate Affairs. He has enriched his leadership expertise through specialized training at the Haggai Institute in Singapore and governance programs at the University of Dar es Salaam. Additionally, he has authored professional papers and research works presented at various national and international forums.

5. CPA Leah Kabale, Director Female, Tanzanian.

CPA Leah holds a Diploma in Project Management, an Advanced Diploma in Accountancy from the Tanzania Institute of Accountancy (TIA), and an MBA in Finance from the University of Dar es Salaam. With a strong background in financial management, governance, and project administration, she has built an extensive career spanning both the non-profit and corporate sectors. She has also served as the Board Chairperson for Faraja Fund – a women empowerment group – and as a board member for RTI Tanzania NGO Branch Office, demonstrating her commitment to social impact and financial stewardship.

Currently, CPA Leah serves as the Director of Finance and Operations at RTI – USAID, overseeing financial planning, compliance, and operational efficiency. She previously held the position of Head of Finance and Business Official at Amref Health Africa Tanzania from January 2015 to May 2019. Her expertise in international development finance was further recognized when she was assigned a special mission for the United Nations Population Fund (UNFPA) in Malawi in 2023. Prior to that, she served as a Finance Officer at UNFPA from 2005 to 2014 and gained early-career experience as an Assistant Internal Auditor at Care International Tanzania from 2002 to 2005. Her wealth of experience in financial oversight, donor fund management, and internal controls makes her a valuable leader in financial governance and operations).

6. Dr. Emmanuel Manasseh, Director, Male, Tanzanian

Dr. Emmanuel C. Manasseh is the Regional Director of the International Telecommunication Union (ITU) for Africa. He has more than 18 years of experience in the telecommunications sector. He is Professional Telecommunication engineer, with working experience from Academia, Industry and the Regulator. Prior to joining the ITU, he worked as a Lecturer at Nelson Mandela African Institution of Science and Technology (NM-AIST) in Tanzania;

Director of Industry Affairs at Tanzania Communications Regulatory Authority (TCRA); Assistant Professor at Hiroshima University; and a Telecommunications Engineer at Celtel Tanzania Limited (now Airtel Tanzania).
Prior to this, Dr. Manasseh was holding different leadership roles in ITU, including a Councilor for the United Republic of Tanzania, and a Vice-Chair of ITU -T Study Group 20, Internet of Things and Smart Sustainable Cities.
Dr. Manasseh holds Doctor of Engineering (Dr. Eng.) in System Cybernetics from Hiroshima University, Japan in 2013; Master of Engineering (M.Eng.) from Hiroshima University, Japan in 2010; and BSc. degree in Telecommunications Engineering from the University of Dar Es Salaam, Tanzania in 2005.

7. Reverend Wilbroad S. Mastai, Director, Male, Tanzanian

Reverend Wilbroad Mastai is the Deputy General Secretary of the Evangelical Lutheran Church in Tanzania (ELCT), Eastern and Coastal Diocese (ECD), providing strategic leadership in the administration and operations of one of the largest dioceses in the country. With a strong academic and pastoral background, he holds a Master of Arts in Intercultural Studies and Diaconic Management from Bethel, Germany, a Postgraduate Diploma in Social Work from Tumaini University, a Master of Arts in Sociology from the University of Dar es Salaam, and a Bachelor of Divinity from Tumaini University, Tanzania. His expertise spans theology, social work, and intercultural engagement, positioning him as a key figure in the church's growth and community outreach.

	In addition to his leadership role, Reverend Mastai offers pastoral oversight at ELCT-ECD's Kimara Parish, one of the denomination's largest congregations. His influence extends beyond Tanzania, as he actively collaborates with international faith-based organizations. As an esteemed alumillioni member of the United Evangelical Mission (UEM) on Education, he has participated in global conferences and training programs, strengthening theological education and cross-cultural engagement. His commitment to service, leadership, and international collaboration underscores his dedication to the church and society at large.

8. Adv. Ayoub Mtafya Director , Male, Tanzanian.

He holds a Bachelor of Laws (LLB) and a Master of Laws (LLM) in Taxation, both from the University of Dar es Salaam, as well as a Postgraduate Diploma in Tax Management. A distinguished legal professional, he is an Advocate of the High Court of Tanzania and the High Court of Zanzibar, a Registered Tax Consultant, and a Registered Arbitrator. His expertise spans corporate law, taxation, and financial regulations, making him a sought-after legal and business advisor. Over the years, he has contributed significantly to the financial sector, serving as one of the Directors of Alios Finance Tanzania Limited and holding key board positions in the banking industry. Notably, he was a Board Member of Mkombozi Commercial Bank from October 2015, where he played a vital role as Chairman of the Human Resources Board Committee and as a Member of the Board Credit Committee.

His extensive professional experience includes serving as a Senior Legal Advisor at Deloitte & Touche, where he led the Legal and Company Secretarial Service Line. In this capacity, he provided legal guidance and attended numerous board meetings for prominent companies, including East African Cement Processors Association Limited, East African Cables (T) Limited, Kibo Seed Tanzania Limited, Heritage Insurance Limited, and Longhorn Tanzania Limited. Currently, he is the Company Secretary for Yara Tanzania Limited and Tanzania International Petroleum Reserve Limited (TIPER), ensuring corporate governance and regulatory compliance. He is also the Managing Partner of NexLaw Advocates, where he leads legal advisory services, arbitration, and tax consultancy, reinforcing his reputation as a legal expert in Tanzania's corporate landscape.

9. **Eliudi Betri Sanga. Director, Male, Tanzanian.**
   He was recently appointed by Her Excellency President Samia Suluhu Hassan as the Chairman of the Board of Directors for the National Housing Corporation (NHC), a position that highlights his deep expertise in public sector leadership and development. He holds a Bachelor of Arts (BA) in Economics from the University of Dar es Salaam, a Graduate Diploma in Development Administration, and a Master's in Development Administration, both from prestigious institutions in Australia. With a long-standing career in the Tanzanian social security and financial sectors, he is a retired Director General of the Public Service Social Security Fund (PSSSF) and has also held key positions, including Director General of the Local Authorities Pension Fund (LAPF) and Director of Investments at the National Social Security Fund (NSSF). In these roles, he was instrumental in shaping policies and strategies that improved the financial sustainability of the country's pension and social security systems.

Beyond his current leadership at NHC, he serves as the Chairman of the Board of Directors for Airtel Tanzania PLC. His extensive governance experience includes serving as a Board Member for Azania Bank Ltd for two terms and as a Council Member of the Dar es Salaam Stock Exchange (DSE) from 1997 to 2001. He has also advised the Tanzanian government in various capacities, notably as a Committee Member for the implementation of the Julius Nyerere Hydro Power Project, where his insights helped shape the direction of key national infrastructure projects. His career is marked by a profound commitment to national development, and his appointment as Chair of NHC reflects his continued influence in shaping the country's housing and infrastructure landscape

10. Mr. Lomnyaki Saitabau, Managing Director, Male, Tanzanian

Mr. Lomnyaki Saitabau has been appointed as the new Managing Director of Maendeleo Bank PLC, effective 2nd January 2025. Mr. Saitabau joins the Bank from Standard Chartered Bank Tanzania Ltd, where he held the role of Head of Wealth and Retail Banking since June 2022. Before that, he served as Head of Business Banking from March 2021 to June 2022, he has also served in different capacities with Bank of Africa, NMB Bank PLC, Barclays Bank, KCB Bank Tanzania LTD and DTB Bank Tanzania Limited. Throughout his career, he has demonstrated exceptional leadership in adapting to the rapidly evolving banking landscape, particularly in the areas of digital banking, private banking, and business banking. His success in managing change and implementing turnaround strategies in wealth and retail banking has earned him a reputation for driving growth and operational excellence.

With over 18 years of experience spanning retail banking, corporate banking, micro small, and medium enterprises (MSMEs), digital banking, strategy, governance, risk management, compliance, and controls, Mr. Saitabau brings a wealth of expertise that will be instrumental in Maendeleo Bank PLC continued growth. His vast experience in both the private and business banking sectors equips him to drive the bank's ambitious plans to streamline processes, enhance customer experience, and develop innovative products

His leadership in digitizing banking processes will play a key role in modernizing the bank's offerings, ensuring that Maendeleo Bank PLC stays competitive in an increasingly tech-driven financial environment. Moreover, Mr. Saitabau' s ability to balance risk management with growth will help the bank maintain sound financial health while expanding its reach and service offerings

His academic credentials, includes an MBA from Eastern and Southern Management Institute (ESAMI) and a Bachelor of Commerce (Hons) in Corporate Finance from the University of Dar es Salaam, to complement his practical experience, he is a graduate of CEO Apprenticeship Program by the CEO Roundtable of Tanzania in collaboration with Strathmore University. Further demonstrates his commitment to strategic leadership. Mr. Saitabau's appointment marks an exciting new chapter for Maendeleo Bank PLC, one that is poised to embrace digital transformation and continued innovation under his stewardship.

Attendance of Board of Directors' meetings

During the period under review, the Board of Directors of Maendeleo Bank PLC held five meetings to oversee the bank's strategic direction and governance. Additionally, the Audit and Risk Committee convened five times to ensure that the bank's financial integrity, risk management practices, and compliance with regulatory standards were effectively maintained. The Credit Committee met nine times, focusing on evaluating and making critical decisions related to the bank's credit portfolio, ensuring that all lending activities adhered to the bank's policies and risk appetite. These regular meetings reflect the Board's commitment to robust oversight and sound decision-making, supporting the bank's growth and operational efficiency.

Table 1: Board of Directors Meeting attendance for year ended 31st December 2024

No.	Name	Meeting Attendance	Position	Date of appointment	Date of Resignation
1.	Prof. Ulingeta O. Mbamba	11/11	Chairperson	1st Nov 2019	On Going
2.	CPA Anna T. Mzinga	7/11	Vice Chairperson	16th May 2013	On Going
3.	Ms. Joyce Mapunjo	10/11	Director	22nd June 2019	On Going
4.	Dr. Emmanuel Manasseh	5/11	Director	22nd June 2019	On Going
5.	Rev. Dr. Ernest. W. Kadiva	8/11	Director	22nd June 2019	On Going
6.	Rev. Wilbroad Mastahi	2/11	Director	3rd Aug 2020	On Going
7.	CPA Leah Kabale	10/11	Director	27th Nov 2023	New Member
8.	Adv. Ayoub Mtafya	9/11	Director	27th Nov 2023	New Member
9.	Eliud Betri Sanga	7/11	Director	27th Nov 2023	New Member
10.	Dr. Ibrahim Mwangalaba	4/4	Managing Director	16th May 2013	6th June 2024
11.	CPA Peter Tarimo	4/4	Ag. Managing Director	7th June 2025	1st Jan 2025
13	Mr. Lomnyaki Saitabau	1/1	Invited	2 Jan 2025	Incoming MD
	Adv. Angela Mwageni	11/11	Secretary to the Board	27th Nov 2023	On going

Dr. Ibrahim Mwangalaba retired in accordance with the Bank of Tanzania (BOT), Banking and Financial Institutions (Corporate Governance) Regulations, 2021, which impose a tenure cap of 10 years for Managing Directors and Board Members. Following his retirement, CPA Peter Tarimo, the Head of Risk and Compliance, was appointed as the Acting Managing Director of Maendeleo Bank PLC. Mr. Tarimo served in this capacity from 7th June 2024 to 1st January 2025, providing strong leadership and ensuring a smooth operational transition during the interim period. On 2nd January 2025, Mr. Lomnyaki Saitabau officially assumed the role of Managing Director, succeeding Mr. Tarimo. His appointment marks the beginning of a new era of growth and innovation for the bank, with a strong focus on digitizing and streamlining banking processes and products to better serve customers and enhance operational efficiency.

During the period, the Board of Directors convened 11 times, with four regular quarterly meetings. In addition, one meeting was held to approve the audited financial statements, one meeting for the approval of the budget, one meeting for training, and four special meetings, primarily focused on the recruitment process for the new Managing Director. These engagements reflect the Board's commitment to governance, transparency, and ensuring the continued success of Maendeleo Bank PLC as it enters this new phase of leadership.

Committees of the Board of Directors

The Board of Directors of Maendeleo Bank PLC functions through three essential committees: the Board Audit and Risk Committee, the Board Credit Committee, and the Board Human Resource and Remuneration Committee. These committees are instrumental in ensuring effective governance, strategic decision-making, and adherence to regulatory requirements across key aspects of the bank's operations. Each committee is comprised of members from the Board of Directors, bringing diverse skills and expertise to oversee critical areas such as financial integrity, risk management, credit decisions, and human resource policies. The current committee members were appointed for a three-year term, effective from 27th November 2023, following the appointment of the new Board Members. Through these committees, the Board ensures the bank operates with high standards of governance, risk mitigation, and accountability, while fostering a culture of transparency and sound decision-making.

Board Audit and Risk Committee

The Board Audit and Risk Committee reviewed accounting policies and financial reporting systems to ensure that they are adequate and are complied with at all times. It reviewed adequacy of internal control systems and monitored implementation of actions to address issues raised by internal auditors, Bank of Tanzania examination and external auditors. The secretary of the Audit and Risk Committee is Adv. Angela Mwageni who is a Legal Manager and the Company Secretary.

The Head of Internal Audit functionally reports directly to the Committee. On annual basis, the Committee reviews and approves the internal audit work plan and budget for the year while ensuring that it covers all high-risk areas in the Bank's operations. The Committee also receives reports of findings observed by internal auditors on quarterly basis for review and recommendation to the Board.

The committee held 6 meetings during the year, including four regular quarterly meetings, one dedicated to deliberating the audited financial statements, and one focused on discussing the budget. The external auditors were invited and attended two of these meetings: one to present their audit plan and another to present management letter on the audited financial statements for the year ended 31st December 2024. The Managing Director, along with selected members of staff, attended all meetings as invitees, ensuring active participation and engagement in the discussions. This reflects the committee's commitment to transparency, thorough review, and sound decision-making processes throughout the year.

Table 2: Members of the Audit and Risk Committee for the year ended 31st December 2023 and meeting attendance.

No.	Committee Members	Position	Meeting Attendance	Remarks
1.	CPA Anna T. Mzinga	Chairperson	6/6	On going
2.	Eliud Betri Sanga	Member	6/6	On going
3.	CPA Leah Kabale	Member	5/6	On going
4.	Dr. Ibrahim Mwangalaba	Managing Director	3/3	Retired
5.	CPA Peter Tarimo	Ag. Managing Director	3/3	Transitioned
6.	Mr. Lomnyaki Saitabau	Managing Director	N/A	Joined 2nd Jan 2025
7.	Adv. Angela Mwageni	Secretary to the Committee	6/6	On going

Board - Credit Committee

The Board Credit Committee is instrumental in overseeing the performance and quality of Maendeleo Bank's credit portfolio. It is tasked with appraising and approving loans within its credit approval limits and recommending facilities that exceed its authority to the Board for final approval. The Committee also plays a critical role in reviewing the Credit Policy to ensure it aligns with sound principles for identifying, measuring, monitoring, and controlling credit risk, while developing and implementing strategies for effective credit risk management across the bank.

Comprising three non-executive members from the Board of Directors, the Committee includes the Managing Director as a member, ensuring a seamless integration of credit strategies with the bank's overall objectives. The Head of Credit, Head of Business and Head of Finance attend as invitees to provide key insights, while the Legal Manager and Company Secretary serves as the Committee's Secretary, offering administrative support and ensuring adherence to regulatory compliance. Over the course of the year, the Committee convened for nine meetings, with active participation from the Managing Director and other invitees contributing to the discussions.

Table 3: Members of the Credit Committee as at 31st December 2024 and Meeting attendance

No.	Committee member	Position	Meeting Attendance	Remarks
1.	Dr. Emmanuel Manasseh	Chairperson	8/11	On going
2.	Ms. Joyce Mapunjo	Member	11/11	On going
3.	Adv. Ayoub Mtafya	Member	11/11	On going
4.	Dr. Ibrahim Mwangalaba	Managing Director	3/3	Retired
5.	CPA Peter Tarimo	Ag. Managing Director	8/8	Transitioned
6.	Mr. Lomnyaki Saitabau	Managing Director	N/A	Joined 2nd Jan 2025
7.	Adv. Angela Mwageni	Secretary to the Committee	11/11	On going

Over the course of the year, the Committee convened 11 times, with four regular quarterly meetings and the remaining sessions focused on deliberating, recommending, and approving credit facilities. In their capacity, the Committee approves credit facilities within their limits and recommends those that exceed their limits to the Board for final approval. Their primary role is to provide leadership and guidance on credit operations, ensuring sound decision-making and risk management. The Committee always meets whenever there is a need for credit decisions, including the approval of loan files. Active participation from the Managing Director and other invitees contributed significantly to the discussions, ensuring that credit decisions were aligned with the bank's strategic objectives and risk appetite.

Board Human Resource and Remuneration Committee

The Board Human Resource and Remuneration Committee plays a vital role in overseeing the bank's human capital strategies, ensuring that Maendeleo Bank PLC maintains a fair, transparent, and competitive remuneration framework. The Committee is responsible for advising the Board on matters related to staff welfare, appointment of executive members, succession planning, and the overall review of employee remuneration. It ensures that the bank's compensation policies align with performance, regulatory requirements, and the highest standards of corporate governance.

The Committee comprises three non-executive members drawn from the Board of Directors, with the Managing Director as a member. The Head of Human Resources participate as invitee, providing key insights into staffing implications, while the Legal Manager and Company Secretary serves as the Committee's Secretary. During the year under review, the Committee convened four times, deliberating on critical human resource matters, including executive appointments and succession planning, to ensure the continued growth and sustainability of the bank's workforce.

Table 4: Members of the Human Resources Committee as at 31st December 2024

No.	Committee member	Position	Meetings Attendance	Remarks
1.	Adv Ayoub Mtafya	Chairperson	6/6	On going
2.	Reverend Dr. Ernest Kadiva	Member	6/6	On going
3.	Reverend Wilbroad Mastahi	Member	1/6	On going
4.	Ms. Joyce Mapunjo	Member	6/6	On going
5.	Dr. Ibrahim Mwangalaba	Managing Director	2/6	Retired
6.	CPA Peter Tarimo	Ag. Managing Director	4/6	Transitioned
7.	Mr. Lomnyaki Saitabau	Managing Director	N/A	Joined 2nd Jan 2025
8.	Adv. Angela Mwageni	Secretary to the Committee	6/6	On going

During the year under review, the Committee convened six times, including four regular quarterly meetings. One additional meeting was held to discuss the HR budget, and another was dedicated to discussing and recommending the hiring of the new Managing Director. These sessions focused on critical human resource matters, such as executive appointments and succession planning, ensuring the continued growth and sustainability of the bank’s workforce.

1.14. MANAGEMENT

The management of Maendeleo Bank PLC operates under the leadership of the Managing Director and is structured into seven key departments, each playing a vital role in ensuring the bank’s operational efficiency, regulatory compliance, and strategic growth. The structured approach allows for seamless coordination and effective decision-making, driving the bank toward sustainable financial performance and customer satisfaction. These departments include

- **Finance Department** - Responsible for financial planning, management, and reporting to ensure the bank’s financial stability. It oversees budgeting, treasury management, statutory compliance, and financial risk assessment, ensuring that the bank operates within sound financial principles.

- **Credit Department** - Manages the bank’s credit portfolio by appraising and approving loans, assessing credit risks, and ensuring a balanced and profitable lending book. It also enforces credit policies and monitors loan performance to minimize default risks and enhance asset quality

- **Human Resources Department** - Focuses on staff recruitment, retention, and capacity building to foster a high-performance workforce. It oversees employee relations, benefits administration, performance management, training and development, and succession planning to ensure talent sustainability within the bank.

- **Information Communication Technology and Operations Department** - Spearheads the bank’s digital transformation by ensuring secure and efficient banking operations. It manages core banking systems, cybersecurity, digital banking platforms, and process automation, enhancing operational efficiency and customer experience

- **Internal Audit Department** - Provides independent oversight on governance, risk management, and internal controls. This department conducts audits to identify risks, improve efficiency, and ensure compliance with regulatory and industry standards, safeguarding the bank’s integrity and transparency.

- **Business Development Department** - Drives revenue growth through customer acquisition, market expansion, and product innovation. It identifies new business opportunities, enhances customer relationships, and ensures the bank remains competitive by offering tailor-made financial solutions that address client needs.

- **Risk and compliance department** - Ensures the bank adheres to regulatory frameworks and internal policies while proactively managing all risks. It oversees regulatory compliance, anti-money laundering (AML) measures, fraud prevention, and enterprise risk management.

Legal unit is under the Managing Director's Office.

1.15. LOCAL AND INTERNATIONAL RELATIONS

Maendeleo Bank PLC made history as the first bank in Tanzania to be registered on the Dar es Salaam Stock Exchange (DSE) at its inception, achieving Public Limited Company (PLC) status from the outset. Listed on the Enterprise Growth Market (EGM) on 5th November 2013, the bank has since maintained its listing, demonstrating a strong commitment to transparency, governance, and investor confidence.

Beyond its market presence, Maendeleo Bank PLC continues to strengthen relationships with regulatory bodies, financial institutions, and both local and international organizations. The bank actively collaborates with other banks, microfinance institutions, and community-based financial groups such as Vikoba, reinforcing its role in financial inclusion and sector-wide cooperation.

1.16. SOLVENCY

The Board of Directors affirms that the financial statements have been prepared in accordance with applicable accounting standards and on a going concern basis. The Board has a reasonable expectation that Maendeleo Bank PLC possesses sufficient resources to sustain its operations and meet its financial obligations in the foreseeable future. This confidence is supported by the bank's sound financial position, prudent risk management practices, and strategic initiatives aimed at enhancing growth and stability.

1.17. CAPITAL MAINTENANCE

Maendeleo Bank PLC maintains a strong capital base, comprising paid-up capital, share premium, regulatory reserves, and retained earnings, ensuring full compliance with regulatory capital requirements. The Bank's capital management objectives extend beyond financial equity, aligning with the capital adequacy requirements set by the Bank of Tanzania (BOT) to safeguard operational continuity, deliver sustainable returns to shareholders, and support long-term business growth.

With the Bank now holding a provisional license to operate as a fully-fledged commercial bank, we are well-prepared to meet the minimum capital requirement of TZS 15 billion. As of December 2024, the Bank had a core capital of TZS 18.5 billion, demonstrating a strong financial position to support its expanded operations.

The Bank actively monitors its capital adequacy and regulatory capital utilization on a quarterly basis, adhering to the standards set by the BOT, which are broadly aligned with Basel Committee guidelines. Capital adequacy is measured by comparing eligible capital against risk-weighted assets, off-balance sheet exposures, and other risk positions, ensuring prudent financial management.
In compliance with BOT regulations, the Bank upholds the following capital maintenance requirements:

- Maintain a minimum regulatory capital of TZS 2 billion.
- Hold a statutory minimum reserve (SMR) of no less than 7% of total deposit liabilities.
- Sustain a total regulatory capital ratio of at least 12% of risk-weighted assets, in line with international Basel standards.

With a strong capital position, Maendeleo Bank PLC remains committed to prudent capital management, reinforcing its financial resilience and ability to support future growth and expansion
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1.18 LEGAL AND REGULATORY REQUIREMENTS

Maendeleo Bank PLC operates as a licensed financial institution under the regulatory oversight of the Bank of Tanzania (BOT). The Bank's operations are governed by various legal frameworks, including the Companies Act of 2002, the Banking and Financial Institutions Act (BAFIA) of 2006, the Bank of Tanzania Act, and its associated regulations and bylaws.

During the year under review, Maendeleo Bank PLC remained fully compliant with all applicable laws and regulatory requirements, ensuring adherence to best practices in governance, risk management, and financial reporting. The Bank continues to uphold its commitment to regulatory compliance as a cornerstone of its operations, reinforcing trust and stability within the financial sector.

1.19 ENVIRONMENTAL CONTROL PROGRAM

REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2024

In the pursuit of economic growth and wealth maximization, human activities have increasingly contributed to environmental degradation. This has led to global challenges such as climate change, floods, ecosystem loss, heat waves, and resource shortages as planetary limits are approached. Recognizing the urgency of environmental concerns, enterprises and institutions worldwide, including Maendeleo Bank PLC, have prioritized sustainable practices. Climate change presents a significant threat to both societies and natural ecosystems, making environmental and social sustainability essential to the Bank's long-term growth strategy.

Maendeleo Bank PLC integrates environmental and social responsibility into its credit policy by prioritizing projects that promote sustainable development. The Bank finances businesses with clear strategies for managing social and environmental resources responsibly, ensuring that funded activities contribute positively to society and the environment. In line with international best practices, including the International Finance Corporation (IFC) Performance Standards, and international treaties ratified by the government, the Bank has embedded sustainability principles into its policies and procedures.

To enhance its commitment to environmental and social governance, Maendeleo Bank PLC has developed a dedicated Environmental and Social Policy. This policy outlines the Bank's commitment to sustainable development, detailing how environmental and social concerns are integrated into its processes, activities, and decision-making framework. It also defines roles, responsibilities, and requirements for effectively managing environmental and social risks and impacts, ensuring compliance with national and international laws and standards.

The Bank closely monitors the environmental impact of its operations and loan financing. Policies are in place to ensure that financed businesses align with environmental sustainability goals. In support of government efforts on environmental conservation, Maendeleo Bank PLC has introduced clean energy financing solutions, including renewable energy products that facilitate the purchase and installation of solar energy systems, gas-powered vehicle engines, and other eco-friendly innovations.

As part of its commitment to preventing environmental pollution, the Bank adheres to all relevant environmental laws as a minimum standard and strives to implement best practices through a comprehensive Environmental and Social Management System (ESMS). Additionally, the Bank has independently conducted Environmental and Social Impact Assessments (ESIA) in accordance with the Tanzanian Environmental Management Act of 2004, the EIA & Audit Regulations of 2005, and the revised EIA and Audit (Amendment) Regulations of 2018. Before financing any project or launching a product, the Bank thoroughly assesses its environmental, health, and safety (EHS) impact to ensure that it does not contribute to environmental harm.

Maendeleo Bank PLC remains dedicated to fostering sustainable growth by integrating environmental and social considerations into its operations, ensuring long-term value creation for stakeholders while safeguarding the planet for future generations.

1.20 PRINCIPAL RISKS AND CERTAINITIES

Board of Directors accepts final responsibility for risk management and internal control systems of the bank. It is the task of management to ensure that adequate internal control systems are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding:

- The effectiveness and efficiency of operations;
- The safeguarding of the bank's assets;
- Compliance with applicable laws and regulations;
- The reliability of accounting records;
- Business sustainability under normal as well as adverse conditions; and
- Responsible behaviours towards all stakeholders.

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. The Bank's system is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively. The Board assessed the internal control systems throughout the financial year ended 31 December 2024. The Board believes that the internal control system met acceptable criteria.
Operational, credit, interest and liquidity risks are the principal risks that may significantly affect the Bank's strategies and development. Below we provide a description of the risks, which the Bank faces, and the related management controls in place.

1.19.1 Operational risk

This is a risk resulting from the Bank's activities not being conducted in accordance with the formal procedures put in place including non-compliance with Know Your Customer (KYC) and account opening procedures. Management ensures that the Bank complies with KYC and other internal procedures. Management has put in place several controls to mitigate the operational risk including the following:

- The Bank has operational manual for its daily activities, which provides adequately procedures and rules of attending every activity of the Bank;
- The Bank has several policies, which guide the operations of every department and units in a bank; and
- The Bank has a system of making sure every transaction and event concluded has proper supervision and authorization.

1.19.2 Interest rate risk

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 as a result of such changes but may reduce profit in the event that unexpected movements arise. The Bank's Asset and Liability Committee (ALCO) sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored regularly by the Bank. More details of the interest risks facing the Bank are provided in Note 37 to the financial statements.

1.19.3 Liquidity risk

Liquidity risk is the risk that a Bank is unable to meet its obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend. The Bank's liquidity management process, as carried out within the Bank and monitored by the Asset and Liability Committee include:

- Day-to-day funding managed by monitoring future cash flows to ensure that requirements can be met. These includes replenishment of funds as they mature or re-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 balance sheet liquidity ratios against internal and regulatory requirements; and Managing the concentration and profile of debt maturities. More details on liquidity risk management are provided under note 37.

1.19.4 Credit risk

Credit risk is the risk that the Bank will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for industry concentrations, and by monitoring exposures in relation to such limits.

The credit risk department under Head of Credit monitors credit risk. It is their responsibility to review and manage credit risk, including environmental and social risk for all types of counterparties. The Bank has established a credit quality review process to provide early detection or identification of possible changes in the creditworthiness of counterparties, including collateral revisions. The credit quality review process aims to allow the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective actions.

The Board of Directors adopted and follows risk management procedures detailed in the risk management framework. Risk management processes are embedded into the Board of Directors' management systems, processes, operations and structures. Also, the Board of Directors regularly reviews and monitors the adequacy and effectiveness of risk management function and processes.

1.19.5 Compliance Risk

Refers to current or prospective risk to earnings and capital arising from violations or non-compliance with laws, rules, regulations, agreements, prescribed practices, or ethical standards, as well as from the possibility of incorrect interpretation of effective laws or regulations.

The Bank manages Regulatory Compliance Risk through a Risk and Compliance function which monitors Regulatory changes and its effects to the business, disseminate the requirements across the Bank to ensurethe business is not in violation and make changes to bank's policies and procedures affected by changes inlaws and regulations. The function conducts regulatory conformance tests across the bank to detect compliance gaps in enforcement of regulatory requirements and reports to the Risk Management Committees of the Management and the Board, on Compliance status for the Bank.

1.19.6 Strategic Risk

Strategic risk concerns the consequences that occur when the environment in which decisions that is hard to implement quickly and reverse result in an unattractive or adverse impact. Strategic risk ultimately has two elements: one is doing the right thing at the right time and the other is doing it well. Strategic risk includes a risk that the Bank's strategy may be inappropriate to support sustainable future growth.

On a quarterly basis, the Department of Risk and compliance performs a Strength, Weaknesses, Opportunities and Threats (SWOT) analysis to determine factors that would affect attainment of the bank's Strategy (This includes assessment of the strategic pillars by looking at both internal and external factors) and reports the same to Management Audit & Risk Committee and the Board.

1.19.7 Reputation risk

The risk that an activity, actions or stance taken by the Bank, or its officials will impair its image in the community, the long-term trust placed in the bank by its stakeholders, and this will result into the loss of business and /or threaten legal actions.

Our Bank reputation is a priceless asset. Damage to our Bank's reputation can have a last and dramatic effect on financial health. In that manner, management and the Board ensure all employees are working in a manner that protects the Bank's reputation.

1.21 FUTURE DEVELOPMENT PLANS AND SUSTAINABILITY APPROACH

Maendeleo Bank PLC remains committed to expanding its footprint and enhancing financial inclusion through a strategic and sustainable growth plan. As part of its ongoing expansion efforts, the Bank has established five branches as of 31 December 2024: Luther House, Mwenge, Kariakoo, Mbezi Luis, and the newly opened Mbagala branch. A feasibility study is currently underway to determine the most strategic location for the Bank's first branch outside Dar es Salaam, aligning with its vision of nationwide presence.

With the current five-year Strategic Plan set to conclude in 2026, the Bank has initiated the development of a new Strategic Plan extending to 2030. This ambitious roadmap is designed to position Maendeleo Bank PLC among the top banks in the country by driving significant growth in market share, customer base, and financial performance. The new strategy will focus on expanding the Bank's branch network, strengthening its agency banking model, deepening digital transformation, and diversifying its product offerings to cater to evolving customer needs.

In the next six years, Maendeleo Bank PLC aims to solidify its position as a leading financial institution by enhancing operational efficiency, leveraging technology to scale digital banking services, and fostering strong relationships with key stakeholders. The Bank is committed to building a resilient and profitable institution that not only delivers exceptional financial solutions but also contributes to sustainable economic development. Through innovation, superior customer experience, and prudent risk management, Maendeleo Bank PLC envisions a future where it plays a pivotal role in shaping Tanzania's banking landscape.

1.22 GENDER PARITY

Maendeleo Bank PLC is an equal opportunity employer, committed to fostering a diverse and inclusive workplace. The Bank upholds a merit-based approach in recruitment, ensuring that the most qualified individuals are appointed to positions based on their skills, experience, and competence. Employment opportunities are accessible to all, free from any form of discrimination related to gender, marital status, tribe, religion, or disability provided such factors do not affect one's ability to perform assigned duties. Maendeleo Bank PLC actively promotes gender balance and inclusivity within its workforce, recognizing that a diverse team strengthens innovation, decision-making, and overall organizational growth.

As at 31st December 2024 and 2023 the Bank had the following distribution of employees by gender;

Gender	2024		2023	
	No.	Percentage	No.	Percentage
Male	64	51%	63	53%
Female	61	49%	56	47%
Total	**125**	**100%**	**119**	**100%**

1.23 RELATED PARTY TRANSACTIONS AND BALANCES

Transactions during the year with related parties were conducted at terms and conditions similar to those offered to other clients and in the normal course of business. All related party transactions and balances, including director's emoluments are disclosed under Note 34 of these financial statements.

1.24 CORPORATE SOCIAL RESPONSIBILITY

Maendeleo Bank PLC remains committed to its Corporate Social Responsibility (CSR) initiatives, guided by a comprehensive CSR Policy. In 2023, the Bank raised TZS 120M through the Maendeleo Bank Marathon, supporting individuals with autism and children born prematurely (Njiti). The Bank further contributed an additional TZS 63M to various other causes, bringing the total CSR contribution for 2023 to TZS 183M. In 2024, the Bank increased its efforts, with the Marathon raising TZS 140M, accompanied by a TZS 57M donation to other social causes, totaling TZS 197M. These contributions reflect the Bank's ongoing commitment to supporting communities and making a meaningful social impact.

1.25 ACCOUNTING POLICIES

The financial results of Maendeleo Bank PLC are significantly influenced by the accounting policies, assumptions, and estimates employed in the preparation of its financial statements. In accordance with the Tanzania Companies Act of 2002, it is the responsibility of the Board of Directors to select appropriate accounting policies and make judgments and estimates that are considered both reasonable and prudent. The accounting policies that are critical to the financial results and position of the Bank, due to the materiality of the related items and the significant judgment involved, are detailed in Notes 2 and 3 of the financial statements. These policies have been consistently applied by the Board throughout the reporting period, ensuring a stable and transparent financial reporting process.

1.26 EMPLOYEES WELFARE

1.25.1. Management and Employees' Relationship

In the year 2024, Maendeleo Bank PLC continued to maintain strong and positive relationships between management and employees. No unresolved complaints were received by management, reflecting the effective and harmonious work environment. Management consistently worked to foster a culture of collaboration, ensuring that employees aligned with the Bank's core values and institutional culture. Regular staff meetings were held at the branch, department, and corporate levels, providing employees with opportunities to engage, offer feedback, and actively contribute to shaping the future direction of the organization. Effective communication at all levels played a vital role in building and sustaining these strong workplace relationships.

1.25.2. Training Facilities

In 2024, Maendeleo Bank PLC invested a total of TZS 61,364,160 in staff training, slightly lower than the TZS 65,095,602 spent in 2023. However, the number of staff benefiting from training increased to 125, up from 119 in 2023. The decline in expenditure was primarily since the majority of the training conducted in 2024 was internal, which did not incur additional costs. Despite this, the Bank provided more training sessions in 2024 than in the previous year. Moving forward, Maendeleo Bank PLC plans to continue prioritizing employee development and is committed to increasing its investment in training to further enhance the skills of its workforce, drive business performance, and ensure operational efficiency.

1.25.3. Medical Assistance

In 2024, Maendeleo Bank PLC spent a total of TZS 270,930,854 on medical assistance, a significant increase from the previous year’s expenditure of TZS 223,692,093. This expenditure reflects the Bank's unwavering commitment to the health and well-being of its employees. All staff members, along with their spouses and up to four dependents, were provided with comprehensive medical insurance coverage through Jubilee Insurance Company. The Bank strongly believes that nothing is more important than the health of its employees, and this investment in healthcare ensures that employees have access to the necessary medical services. By prioritizing the health of its workforce, Maendeleo Bank PLC fosters a productive and well-supported team, contributing to the continued success and growth of the organization.

1.25.4. Financial assistance to staff

Maendeleo Bank PLC provides financial assistance to all confirmed employees based on an assessment by Management, taking into consideration individual needs, circumstances, and the ability to repay in accordance with the established Human Resources Policy. This assistance is designed to support employees in times of financial need, ensuring that they are able to meet their personal obligations while maintaining their productivity and well-being. The Bank remains committed to fostering a supportive environment for its employees by offering this form of financial support when necessary.

1.27 PERSON WITH DISABILITIES

Maendeleo Bank PLC is committed to being an equal opportunity employer, with transparent and competitive recruitment processes. As part of this commitment, the Bank ensures that applications from persons with disabilities are considered, focusing on the aptitude and capabilities of the applicants. In the event that any employee becomes disabled, the Bank will make every effort to ensure their continued employment by providing necessary accommodations and arranging appropriate training. Furthermore, the Bank maintains the policy that the training, career development, and promotion opportunities for staff with disabilities should, as much as possible, be equivalent to those offered to other employees, ensuring an inclusive and supportive work environment.

1.28 CORPORATE GOVERNANCE STATEMENT

The Board of Directors is fully committed to upholding the principles of effective corporate governance. The Directors recognize that strong governance is fundamental to the Bank's long-term success and sustainability. As part of this commitment, the Board emphasizes the importance of integrity, transparency, and accountability in all of its operations and decisions. The Directors ensure that these core values are integrated into the Bank's policies and practices, fostering a culture of responsible leadership and trust with shareholders, customers, employees, and other stakeholders. Through this approach, the Board aims to maintain high standards of corporate governance that support the Bank's continued growth and success.

1.29 RESPONSIBILITIES OF THE AUDITORS

The primary objective of the auditors is to obtain reasonable assurance that the financial statements are free from material misstatements, whether due to fraud or error. The auditors conduct their audit in accordance with international auditing standards to ensure that the financial statements are presented fairly and accurately, reflecting the true financial position of the Bank. Upon completion of their audit, the auditors issue an independent auditor's report that includes their opinion on the financial statements, confirming whether they provide a true and fair view of the Bank's financial performance and position for the period under review. The audit process helps maintain the integrity and transparency of the Bank's financial reporting, supporting stakeholders' confidence in the financial information provided.

1.30 STATEMENT OF BOARD OF DIRECTORS'S RESPONSIBILITIES

The Board of Directors is responsible for preparing financial reports for each financial year that accurately reflect the state of affairs of Maendeleo Bank PLC, its operations, and the sources and applications of funds during the period. The Board accepts full responsibility for the preparation of the annual financial statements, which have been prepared using appropriate accounting policies and supported by reasonable and prudent judgments and estimates in compliance with International Financial Reporting Standards (IFRS) and in accordance with applicable laws. The Board is confident that the financial statements provide a true and fair view of the financial position of Maendeleo Bank PLC and its operational performance.

Furthermore, the Board of Directors takes responsibility for maintaining the accounting records, which are relied upon for the preparation of the financial statements, and for ensuring that adequate internal control systems are in place to safeguard the Bank's assets and ensure the accuracy of financial reporting.

The Board is not aware of any circumstances that would indicate that the Bank will not continue as a going concern for the foreseeable future from the date of this statement.

1.31. PREJUDICIAL ISSUES

Maendeleo Bank PLC faces a number of challenges, including the lack of a correspondent bank relationship, which complicates the process of handling international transfers. This limitation makes it difficult to retain customers who require services for export and import transactions, potentially affecting the Bank's competitiveness in the market. However, the Bank is actively engaging with various stakeholders and exploring opportunities to establish correspondent bank accounts with international banks, which will improve its ability to offer seamless cross-border banking services and strengthen its relationship with customers conducting global business.

1.32. AUDITORS

M/s Auditax International, Certified Public Accountants, Dar Es Salaam, were appointed as the independent auditors of Maendeleo Bank PLC for the year ended 31 December 2024. The auditors have expressed their willingness to continue in office, and the Board of Directors believes that they qualify for reappointment. A resolution proposing the reappointment of the auditors for the year ending 31 December 2024 was put to the Annual General Meeting (AGM), and the Board supports their continued appointment to ensure the bank's financial statements are audited in accordance with the applicable standards.

This statement was approved by the Board of Directors on 27 March 2025 and signed on behalf by:

Prof. Ulingeta Obadia Mbamba, Chairperson　　　　Date 28 March 2025

MAENDELEO BANK PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2024

The Companies Act of Tanzania requires the Directors to prepare financial statements for each financial year, which present fairly the state of affairs of the Bank as at the end of the financial year and of the operating results of the Bank for that year. It also requires the Directors to ensure that the Bank keeps proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Bank. They are also responsible for safeguarding the assets of the Bank and hence taking reasonablesteps for the prevention and detection of fraud, error and other irregularities.

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies Act of Tanzania and Banking and Financial Institutions Act,2006 of Tanzania. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Bank and of its operating results. The Directors further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

Approved by Board of Directors for issue in and signed on its behalf by:

……………………………………….. Date 28th March 2025.

Prof Ulingeta Obadia Mbamba

Chairperson

MAENDELEO BANK PLC

DECLARATION BY THE HEAD OF FINANCEFOR THE YEAR ENDED 31 DECEMBER 2024

The National Board of Accountants and Auditors (NBAA) according to the power conferred, under the Auditors and Accountants (Registration) Act. No. 33 of 1972, as amended by Act No. 2 of 1995, requires financial statements to be accompanied with a declaration issued by the Head of Finance responsible for the preparation of financial statements of the entity concerned.

It is the duty of a Professional Accountant to assist Maendeleo Bank PLC to discharge the responsibility of preparing financial statements showing true and fair view of the entity's financial position and performancein accordance with applicable International Financial Reporting Standards and the requirements of the Companies Act, 2002 and Banking and Financial Institutions Act,2006 of Tanzania.

Full legal responsibility for the preparation of financial statements rests with the Board of Directors of Maendeleo Bank PLC as indicated under the statement of directors' responsibilities.

I, **CPA Nolasco Charles**, being the Head of Finance of Maendeleo Bank PLC, hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2024 have been prepared in compliance applicable International Financial Reporting Standards and the requirements of the Companies Act, 2002 and Banking and Financial Institutions Act, 2006 of Tanzania.

I, thus confirm that the financial statements give a true and fair view position of Maendeleo Bank PLC as on that date and that they have been prepared based on properly maintained financial records.

Singed ....

Position: Head of Finance

NBAA Membership No: ACPA 5530

Date 28 March 2025

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Maendeleo Bank PLC
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Maendeleo Bank PLC (the "Bank"), set out on pages 52 to 138, which comprise the statement of financial position as at 31 December 2024, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2024, and the financial performance and cash flows of the Bank for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act, 2002 and the Banking and Financial Institutions Act, 2006 of Tanzania.

Basis for Opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

For each matter below, our description of how our audit addressed the matter is provided in that context. We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provided the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Maendeleo Bank PLC
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

<table>
<tr><th>No.</th><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>1.</td><td colspan="2">Credit risk and impairment of loans and advances from customers</td></tr>
<tr><td></td><td>As at 31 December 2024, the provision for impairment on loan and advances at Amortized Cost was TZS 2,507 million as disclosed in note 18 in the financial statements. This represents the estimation of expectedcredit losses at the year-end.

The IFRS 9 Expected credit losses (ECLs) approach is applicable to financial assets. ECLs represent management's best estimate of the losses expected to be incurred at the reporting date.

The Bank assesses the contractual terms of the financial assets to identify whether they meet the Solely Payments of Principal and Interest test. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit losses), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit losses.

The determination of appropriate provisions for impairment is a key audit matter as it requires management judgement, is subject to estimation uncertainty and relies on available data. Areas which involve judgement and estimates include determination of probability of default (PDs), exposure amount given default (EAD) and ascertaining of future cash flows which the Bank willobtain when realizing the assets pledged as collaterals.

The management is required to estimate probability and exposures at defaults. This involves consideration of certain factors including macro-economic variables such as inflation and economic growth.
There is a risk that the provision for impairment of financial assets does not represent a complete and accurate estimate of expected losses and that the carrying amounts of these items is misstated. This includes the risk that the ECL model is not in compliance with IFRS 9. The accounting policy and key sources of estimation uncertainty in relation to financial asset impairment provisions are disclosed in Note 2.12.1 to the financial statements.</td><td>• We undertook an assessment of the company's methodology and compared it with the requirements of IFRS 9.
• We 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.
• We evaluated the design and operating effectiveness of the company's key controls and IT controls around credit management, ECL model and provision assessment.
• We tested key controls over completeness and accuracy of data inputsto loan loss provisioning.
• We assessed management's judgements and assumptions in relation to 'significant increase or decrease in credit risk' and the allocation of loans to various categories basing on levels ofrisks.
• We tested a sample of loans to ensure that they have been included in the correct stages depending on how they are aged in accordance with the Bank's methodologyand IFRS 9.
• We reviewed the IFRS 7 disclosures for adequacy.</td></tr>
</table>

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Maendeleo Bank PLC
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Other Information

The directors are responsible for the other information. The other information comprises the information included in Those Charged with Governance' Report page 5-45, Statement of Directors'Responsibilities in page 37 and the Declaration by the Head of Finance in page 43 The other information does not include the financial statements and our auditor's report thereon. The directors areresponsible for the other information.

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

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

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2002 and Banking and Financial Institutions Act, 2006 of Tanzania, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.
The directors are responsible for overseeing the Company's financial reporting processes.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Maendeleo Bank PLC
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accountingestimates and related disclosures made by the directors.

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Maendeleo Bank PLC
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

This report, including the opinion, has been prepared for, and only for, the Bank's members as a bodyin accordance with the Companies Act, 2002 of Tanzania and for no other purposes.
As required by the Companies Act, 2002 of Tanzania, we report to you, based on our audit, that:

- We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
- In our opinion, proper books of account have been kept by the Bank, so far as appears from ourexamination of those books;
- The Directors' Report is consistent with the financial statements;
- Information specified by law regarding directors' remuneration and transactions with the Bankis disclosed; andThe statements of financial position and statements of profit or loss and other comprehensive income are in agreement with the books of account.

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

- In our opinion, the capital adequacy ratios as presented in Note 31 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, 2014 of Tanzania.

The engagement partner on the audit resulting in this independent auditor's report is Dr. Straton Makundi

Signed by: Dr. Straton Makundi (FCPA 1747)
Auditax International
Certified Public Accountants
Dar es Salaam

Date: 28 March 2025

MAENDELEO BANK PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2024

Revenue	Note	Dec-24 TZS'000'	Dec-23 TZS'000'
Interest income calculated using the effective interest method	5	20,061,208	15,976,857
Interest expense calculated using the effectiveinterest method	6	(7,941,876)	(6,424,390)
Net Interest income		**12,119,332**	**9,552,467**
Written off bad loans		-	-
Impairment losses	8(a)	(1,124,611)	(1,506,006)
Net Interest income after Impairment		**10,994,721**	**8,046,461**
Fees, commission and other income	7(a)	2,958,432	3,013,365
Fees, commission and other expenses	7(b)	(19,016)	(19,663)
Net fees, commission and other income		**2,939,416**	**2,993,702**
Net operating income		**13,934,137**	**11,040,163**
Foreign exchange gain/loss	9	133,605	84,748
Employee benefit expenses	10	(4,741,689)	(3,813,238)
General and administration costs	11	(4,670,011)	(3,875,141)
Depreciation, right of use asset and amortization	22	(797,017)	(811,232)
Operating expenses		**(10,075,112)**	**(8,414,863)**
Profit for the year before tax		3,859,026	2,625,300
Income tax	12	(172,205)	(277,636)
Profit for the year		**3,686,820**	**2,347,664**
Other comprehensive income		-	-
Total comprehensive income for the year		**3,686,820**	**2,347,664**
Basic and diluted earnings per share	**13**	**140.43**	**89.42**

MAENDELEO BANK PLC
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024

	Note	Dec-24 TZS'000'	Dec-23 TZS'000'
ASSETS			
Cash and balances with Bank of Tanzania	15	10,400,773	7,056,211
Placements and balances with other banks	16	14,137,155	11,623,226
Government securities	17	29,473,423	25,428,332
Loans and advances to customers	18	88,587,217	74,085,924
Inventories	19	0	24,433
Other assets	20	2,516,212	2,430,160
Intangible assets	23	203,937	139,537
Property and equipment	22(a)	2,322,991	1,648,148
Leasehold improvements	22(b)	584,076	337,749
Tax receivable (Payable)	21	808,536	(31,278)
Deferred tax	12	2,178,012	1,951,325
Total assets		**151,212,334**	**124,693,767**
EQUITY AND LIABILITIES			
Equity			
Share capital	31	13,121,983	13,121,983
Share Premium		799,292	799,742
Advance towards share capital	31	-	-
Regulatory reserves	29	790,950	532,997
Retained earnings		8,082,200	4,653,333
Total equity		**22,794,424**	**19,107,604**
Liabilities			
Deposits	24	104,024,141	90,787,947
Other liabilities	25	2,825,809	2,116,387
Borrowings	27	21,567,959	12,681,379
		128,417,909	**105,586,163**
Total Equity and Liabilities		**151,212,334**	**124,693,767**

Name: ULINGETA O MBAMBA. Title: BOARD CHAIRMAN Signature:

Name: LOMNYAKI SAITABAU. Title: MANAGING DIRECTOR Signature

Name: NOLASCO CHARLES MLAMBO. Title: HEAD OF FINANCE Signature

MAENDELEO BANK PLC

STATEMENT OF CHANGE IN EQUITYAS AT 31 DECEMBER 2024

	Share Capital	Advance towards share Capital	Share Premium	Regulatory Reserve	General reserve	Retained Earnings	Total
	TZS'000'	TZS'000'	TZS'000'	TZS'000'	TZS'000'	TZS'000'	TZS'000'
Balance at 1 January 2024	**13,121,983**	**-**	**799,292**	**532,997**	**-**	**4,653,333**	**19,107,604**
Transfer from advance share capital to share premium	-	-	-	-	-	-	-
Dividend Payment		-	-	-		-	-
Transfer from Regulatory reserve to Retained Earnings		-	-	257,953	-	(257,953)	-
Profit for the year	-	-	-	-	-	3,686,820	3,686,820
Advance towards share capital	-		-	-	-	-	
At 31 December 2024	**13,121,983**	**-**	**799,292**	**790,950**	**-**	**8,082,200**	**22,794,425**
Balance at 1 January 2023	**13,121,983**	**5,494**	**799,742**	**542,458**	**-**	**3,009,564**	**17,479,241**
Transfer from advance share capital to share premium	-	(5,494)	-	-	-	5,494	-
Dividend Payment		-	-	-		(718,850)	(718,850)
Transfer from Regulatory reserve to Retained Earnings		-	-	(9,461)	-	9,461	-
Profit for the year	-	-	-	-	-	2,347,664	2,347,664
Advance towards share capital	-		-	-	-	-	
At 31 December 2023	**13,121,983**	**-**	**799,742**	**532,997**	**-**	**4,653,333**	**19,108,055**

MAENDELEO BANK PLC

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024 TZS`000	2023 TZS`000
Cash flows from operating activities			
Profit for the year before tax		4,108,406	2,625,300
Adjustments for:			
Amortization of intangible assets	22(a)(iii)	25,794	58,859
Interest on Lease Liability	6	83,237	70,045
Written Off bad loans	8(b)	-	-
Interest expense on borrowings	6	1,102,288	968,982
Impairment on Financial Assets	8(a)	1,124,611	1,506,006
Depreciation of property and equipment	22(a)(i)	636,040	605,177
Amortization of leasehold improvements	22(a)(ii)	135,183	147,196
		7,215,559	**5,981,565**
Changes in operating assets and liabilities			
Increase in loans and advances		(15,570,775)	(13,111,723)
Increase in inventories		24,433	4,709
Increase in placements with other banks		(2,513,929)	(2,724,606)
Decrease/(increase) in other assets		(13,851)	(922,301)
Increase in customer's deposits		13,236,194	12,958,782
Movement in statutory minimum reserve	15	(78,905)	52,869
Increase in other liabilities		646,273	265,159
Income tax paid	21	(945,198)	(506,776)
Cash generated from operating activities		**1,999,801**	**1,997,678**
Cash flows from investing activities			
Purchase of government securities	17	(21,191,787)	(28,235,109)
Received from matured govt. securities	17	17,200,000	25,174,961
Acquisition of intangible assets	22	(90,193)	(52,474)
Acquisition of property and equipment	22	(622,563)	(198,415)
Leasehold improvements costs incurred	22	**-**	-
Net cash used in investing activities		**(4,704,543)**	**(3,311,037)**
Cash flows from financing activities			
Increase in Borrowings	27	13,000,000	6,500,000
Repayment in Borrowings	27	(2,551,719)	(3,774,259)
Interest paid on borrowings	27	(1,243,903)	(968,982)
Dividend paid to shareholders		-	(718,850)
Repayment of principal portion of lease liabilities	25	(729,585)	(729,585)
Paid up share capital/right Issue		-	
Net cash generated from financing activities		8,474,793	**823,755**
Net increase/(decrease) in cash		5,770,051	(489,604)
Net foreign exchange difference		88,441	36,379
Cash and cash equivalents 1 January	32	18,679,436	19,132,662
Cash and cash equivalents 31 December		**24,537,928**	**18,679,437**

REPORTING ENTITY

Maendeleo Bank PLC is a public limited company established under Companies Act No. 2 of 2002 with Certificate of Incorporation No. 81006 and domiciled in the United Republic of Tanzania. The shareholding structure comprises various church institutions, Individuals, ELCT-Eastern and Coastal Diocese and United Evangelical Mission. The Bank is engaged in the business of banking and provision of related services.

The address of the registered office is as follows:
Luther House Sokoine Drive,
P.O. Box 216,
Dar es Salaam.

The Bank`s shares are listed on the Dar es Salaam Stock Exchange (DSE) under Enterprise Growth Market (EGM).

The Bank`s financial statements for the year ended 31 December 2024 were approved for issue by the Board of Directors on 26th March 2025.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

2.1 Statement of compliance

These financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB).

2.2 Basis of preparation

The Bank’s financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). Additional information required by the Tanzania Companies Act 2002 and the Banking and Financial Institution Act, 2006 has been included where appropriate. The financial statements comprise statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes to the financial statements.

The measurement basis applied in the preparation of these financial statements is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Tanzania shillings (TZS) and the amounts are rounded to the nearest thousand shillings except where otherwise indicated.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires the Directors to exercise judgement in the process of applying the Bank’s accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. The Directors believe that the underlying assumptions are appropriate and that the Bank’s financial statements therefore present the financial position and results fairly.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)

2.2 Basis of preparation (Continued)

The areas involving a higher degree of judgement, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2.3 Changes in accounting policy and disclosures

(i) New and amended standards and interpretations

The bank has applied a number of new and amended IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective in the accounting period that begins on or after 1 January 2024. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements. The below new and amended standards and interpretations are effective for annual periods beginning on or after 1 January 2023, unless otherwise stated.

Amendments to IAS 1 - Presentation of Financial Statements (Classification of Liabilities as Current or Non-Current)

Effective from 1st January 2024, amendments to IAS 1 provide clearer guidance on how liabilities should be classified as current or non-current, with a particular emphasis on the settlement date. The key focus of these amendments is to refine the approach to classifying liabilities based on whether they are settled within 12 months after the reporting period, rather than relying solely on the original terms of the arrangement or agreement. This change is crucial for liabilities that may be refinanced, renegotiated, or waived post-year-end.

The amendments also introduce a more stringent classification method, particularly for cases where a borrower, such as Maendeleo Bank PLC, breaches a debt covenant before the reporting date. Under the new guidelines, even if a breach would normally result in a liability being classified as current, the liability can still be classified as non-current if the lender agrees to waive the breach after the reporting period but before the financial statements are issued. This provides greater flexibility and more accurate reflection of the bank’s financial position.

For Maendeleo Bank PLC, these amendments will have a significant positive impact. The majority of our term deposits have a maximum tenor of one year and are typically classified as current liabilities, which has an effect on our liquidity position and maturity gap analysis. However, under the new classification criteria, if we manage to roll over some of these term deposits before signing off the financial statements, they will be reclassified as non-current liabilities. This would provide us with relief in the maturity gap analysis and improve liquidity ratio calculations, offering a clearer and more favorable reflection of the bank’s financial health.

In summary, the amendments to IAS 1, effective from 1st January 2024, offer Maendeleo Bank PLC the opportunity to better manage its liability classifications, enhance liquidity management, and present a stronger financial position, especially where term deposits are concerned.

IAS 12: Income Taxes – Amendments and Impact for Maendeleo Bank PLC

IAS 12, Income Taxes, provides guidance on the accounting for income taxes, including the recognition of current tax liabilities, the recognition of deferred tax assets and liabilities, and the treatment of uncertain tax positions. The amendments to IAS 12, effective from 1st January 2024, mainly address deferred tax on assets and liabilities arising from leases and decommissioning obligations and clarify the treatment of deferred taxes in relation to business combinations. There is very minimal impact to Maendeleo Bank PLC on this amendment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)

2.3 Changes in accounting policy and disclosures (Continued)

IFRS 9 - Financial Instruments (Expected 1st January 2025)

IFRS 9 introduces new requirements for the classification and measurement of financial instruments, impairment models, and hedge accounting. This amendment may have some impact on Maendeleo Bank's accounting for loans, and expected credit losses (ECL). With the amendments to IFRS 9 coming into effect, particularly those that are effective from January 2024 and beyond, there are a few key updates and clarifications that could affect how MB recognizes and measures credit losses.

2.3.1. Changes to ECL Model

New Guidance on Estimating ECL: The amendments provide additional guidance on how banks should estimate Expected Credit Losses (ECL), particularly concerning the use of forward-looking information. While MB already considers economic conditions and the stage of the loan, these amendments clarify and standardize the use of macroeconomic forecasts, economic conditions, and more detailed risk assessment models

Use of Economic Forecasts and Macroeconomic Factors: Previously, banks could rely on historical data and internal credit assessments. The amendment emphasizes the need to incorporate more detailed macroeconomic forecasts (e.g., GDP growth, unemployment rate, inflation) in estimating credit losses.

Impacts on Credit Risk Assessment: There is an increased focus on the assessment of significant increases in credit risk (SICR). The amendments clarify the criteria for identifying when credit risk has increased significantly and the impact on the classification of loans into Stage 1, Stage 2, and Stage3

2.3.2. Clarification on Loan Modifications and Payment Holidays

Loan Modifications: The amendments clarify how to treat loan modifications (e.g., payment holidays, extension of terms) when determining whether a loan should be classified as Stage 1, Stage 2, or Stage 3. If MB has customers who experience temporary difficulties and MB extends the repayment period or gives a temporary payment holiday, the loan's risk classification could be affected. The amendment makes it clear that such modifications may not automatically trigger a movement to Stage 2 (i.e., the underperforming loans category) if the modifications are temporary and do not indicate a significant increase in credit risk.

2.3.3. The 'Cure' of Credit Impairment (Stage 3 to Stage 2):

Relieving Credit Impairment: The amendments allow for easier reclassification of loans from Stage 3 (credit-impaired) back to Stage 2 (underperforming) if the credit risk of a loan improves after a significant event (such as a customer paying down a significant portion of the debt). Previously, banks might have hesitated to move a loan back to Stage 2 due to the complexity of proving the improvement.

2.3.4. Impact on Maendeleo Bank PLC:

If MB has loans classified as Stage 3 (credit-impaired), and the borrower repays a large portion of the loan, reducing the credit risk significantly, the amendments make it easier to reclassify those loans to Stage 2, where the ECL provision would decrease. This could improve MB's financial position by reducing the provisions required.

2.3.5. Refinement in How to Apply Forward-Looking Information in the ECL Model:

The amendments provide more specific guidance on how to integrate forward-looking information into the ECL model. This includes economic forecasts and scenario analysis that could impact the future performance of loans. For example, if MB anticipates a rise in interest rates or inflation, these factors

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

could affect the probability of default (PD) for loans. The amendments help clarify how to reflect these changes in the calculation of ECL. If MB is aware that the Tanzanian economy is facing a slowdown or an increase in inflation, it would need to adjust its ECL provisions to account for the increased risk of default on loans, especially for customers in vulnerable sectors.

2.3.6. Clarification on Significant Increase in Credit Risk (SICR):

Risk Assessment: The amendments clarify that significant increases in credit risk (SICR) must be based on objective criteria and provide additional examples of what constitutes a SICR. While MB already assesses this in its current ECL model, the clearer definition of SICR will help ensure that the movement of loans between stages is more aligned with regulatory expectations.
Example: If MB has a customer whose loan is classified under Stage 1, and that customer's financial situation deteriorates due to increased debt levels or loss of business, the amendments provide guidance on how to classify that loan into Stage 2 or Stage 3, depending on the significance of the credit risk increase.

2.3.7. Impact on Non-performing Loans (NPLs):

The amendments emphasize that if a loan is considered non-performing, the bank must ensure that the appropriate ECL is applied. The criteria for non-performing loans remain largely unchanged, but the amendments further clarify the process of rescheduling or restructuring loans that might allow banks to keep loans classified as non-impaired despite a temporary disruption in the borrower's ability to repay. If a borrower has difficulty meeting the terms but the bank allows for loan restructuring (e.g., adjusting the repayment schedule or interest rate), the amendments clarify when these loans should be classified as Stage 2 or Stage 3, depending on the financial assessment.

2.4 Foreign currency translation

2.4.1 Functional and presentational currency

The financial statements of Maendeleo Bank PLC are prepared in Tanzanian Shillings (TZS), which is both the functional and presentational currency, reflecting the bank's primary economic environment in Tanzania. Amounts are rounded to the nearest thousand shillings, except where otherwise indicated, to ensure clarity and consistency in the presentation of financial information.

2.4.2. Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rate prevailing on the transaction date. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency using the spot exchange rate at the reporting date. Any foreign exchange differences arising from non-trading activities are recognized in profit or loss under other operating income/expense. Non-monetary items measured at historical cost in a foreign currency are translated using the exchange rate at the date of recognition.

2.5. Recognition of interest income

2.5.1. The effective interest rate method

Under IFRS 9, interest income and interest expense are recognized using the Effective Interest Rate (EIR) method for all financial assets and liabilities measured at amortized cost. The EIR is the rate that exactly discounts the expected future cash receipts or payments through the expected life of the financial asset or liability, or a shorter period, to the gross carrying amount. When calculating the EIR, transaction costs, premiums, and discounts, as well as fees and costs integral to the financial asset, are considered. For financial assets with fixed rates, any changes in expected cash flows, excluding those due to credit risk, are discounted using the original EIR, with adjustments made to the carrying amount. For floating-rate financial instruments, cash flow re-estimation to reflect market interest rate movements may adjust the carrying amount, but changes to future interest payments generally do not significantly impact the asset or liability's initial principal amount.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5.2. Interest and similar income/expense

Net interest income includes both interest income and interest expense, calculated using the effective interest method and other methods, and these are presented separately on the face of the statement of profit or loss and other comprehensive income to provide clear and comparable information. For interest income and expense calculated using the effective interest method, the Bank only includes interest on financial instruments outlined in Note 2.5.1. Interest income is calculated by applying the effective interest rate (EIR) to the gross carrying amount of financial assets that are not credit-impaired. When a financial asset becomes credit-impaired (Stage 3), interest income is calculated on the net amortized cost of the asset. If the asset recovers and is no longer credit-impaired, the Bank reverts to calculating interest income on the gross carrying amount.

2.5. Fee and commission income

The Bank generates fee and commission income from a variety of financial services provided to its customers. This income is recognized at an amount that reflects the consideration the Bank expects to receive in exchange for delivering these services. At the inception of each contract, the performance obligations and their timing are identified and determined. In most cases, the Bank's revenue contracts do not involve multiple performance obligations, simplifying the recognition of fee and commission income.

2.6. Recognition of fee income

When the Bank provides services to its customers, consideration is invoiced and generally due immediately upon the satisfaction of the service, either at a specific point in time or at the end of the contract period for services provided over time.

The Bank’s fee and commission income from services where performance obligations are satisfied over time includes, but is not limited to, the following:

Loan commitment fees: Fee and commission income from services where performance obligations are satisfied at a point in time includes account maintenance fees, transaction fees, and loan processing fees. These fees are recognized as revenue when the service is performed, such as when the transaction occurs, the loan is processed, or the account maintenance service is provided. Revenue is recognized either immediately or as specified in the contract, depending on the nature of the service and the terms agreed upon with the customer:

Underwriting fees: Underwriting fees are received by the Bank for underwriting life and general insurance covers for customers. The Bank’s performance obligation is to provide underwriting services on behalf of the insurance companies. Revenue from underwriting fees is recognized as commission income when each insurance cover is issued, in accordance with the agreement with the insurance companies. The Bank generally considers itself the principal in these revenue arrangements, as it typically controls the services before they are transferred to the customer, meaning it assumes the risks and rewards associated with the underwriting process.

2.7. Contract balances

Contract balances recognized in the statement of financial position include fees and commissions receivables, which are reported under "Other assets." These represent the Bank’s right to receive an amount of consideration that is unconditional, meaning payment is due once the passage of time occurs. These receivables are measured at amortised cost and are subject to the impairment provisions outlined in IFRS 9, ensuring that any expected credit losses are appropriately accounted for.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial instruments – initial recognition

2.8.1. Date of recognition

Financial assets and liabilities, with the exception of loans and advances from customers and balances due to customers, are initially recognised on the trade date, i.e., the date on which the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades, i.e., purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances from customers are recognised when funds are transferred to the customers' accounts. The Bank recognises balances due to customerswhen funds are transferred to the Bank.

2.8.2. Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in Notes 2.10.1.1 and 2.10.1.2. Financial instruments are initially measured at their fair value (as defined in Note 2.9), except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Trade 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, as described below.

2.8.3. Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair valueis based on a valuation technique using only inputs observable in market transactions, the Bank recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

2.8.4. Measurement categories of financial assets and liabilities

The Bank classifies all of its financial assets based on the business model for managing the assets andthe asset's contractual terms, measured at either:

- Amortised cost, as explained in Note 2.10.1
- FVOCI, as explained in Note 2.10.1.2

2.9. Determination of fair value

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as summarised below:

Level 1 financial instruments − Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Bank has access to at the measurement date. The Bank considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the reporting date.

Level 2 financial instruments − Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and
observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Bank will classify the instruments as Level 3.

Level 3 financial instruments − Those that include one or more unobservable input that is significant to the measurement as whole. Details of this are further explained in Note 36 Fair value measurement. The Bank evaluates the levelling at each reporting period on an instrument-by-instrument basis and reclassifies instruments, when necessary, based on the facts at the end of the reporting period.

2.10. Financial assets and liabilities

2.10.1. Due from banks, Loans and advances from customers and government securities, financial investments at amortised cost.

The Bank measures Due from banks, Loans and advances from customers and other financial investments at amortised cost only if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that aresolely payments of principal and interest (SPPI) on the principal amount outstanding.

2.10.1.1. Business model assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective:

- The risks that affect the performance of the business model (and the financial assets held withinthat business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation isbased on the fair value of the assets managed or on the contractual cash flows collected)

The expected frequency, value and timing of sales are also important aspects of the Bank's assessment. The business model assessment is based on reasonably expected scenarios without taking 'worst case'or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way thatis different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

2.10.1.2. The SPPI test

As a second step of its classification process the Bank assesses the contractual terms of the financial asset to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set. In contrast, contractual terms that introduce a more than *de minimis* exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured atFVPL.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10.2 Borrowed funds

After initial measurement, borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issued funds, and costs that are an integral part of the EIR.

2.10. Financial assets and liabilities (continued)

2.10.4 Financial guarantees and undrawn loan commitments

The Bank issues financial guarantees and loan commitments. Financial guarantees are initially recognised in the financial statements (within Provisions) at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and an ECL allowance as set out in Note 8 (a). The premium received is recognised in the income statement in Net fees and commission income on a straight-line basis over the life of the guarantee.

Undrawn loan commitments are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position. The nominal values of these instruments together with the corresponding ECL are disclosed in Note 26.1

2.11. Derecognition of financial assets and liabilities

2.11.1. Derecognition due to substantial modification of terms and conditions

The Bank derecognises 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 recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be Purchases or Originated Credit Impaired (POCI).

When assessing whether or not to derecognise a loan to a customer, amongst others, the Bank considers the following factors:

- Change in currency of the loan;
- Introduction of an equity feature;
- Change in counterparty; and
- If the modification is such that the instrument would no longer meet the SPPI criterion.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11. Derecognition of financial assets and liabilities (continued)

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

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.

2.11.2. Derecognition other than for substantial modification

2.11.2.1. Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Bank also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.
The Bank has transferred the financial asset if, and only if, either:

- The Bank has transferred its contractual rights to receive cash flows from the financial asset.
- Or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cashflows in full without material delay to a third party under a ‘pass–through’ arrangement

Pass-through arrangements are transactions whereby the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates
- The Bank cannot sell or pledge the original asset other than as security to the eventual recipients
- The Bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Bank is not entitled to reinvest such cash flows, except for investmentsin cash or cash equivalents, including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11. Derecognition of financial assets and liabilities (continued)

2.11.2. Derecognition other than for substantial modification (continued)

A transfer only qualifies for derecognition if either:

- The Bank has transferred substantially all the risks and rewards of the assetOr
- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset,but has transferred control of the asset

The Bank considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Bank has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Bank's continuing involvement, in which case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Bank could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Bank would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

2.11.2.2. Financial liabilities

A financial liability is derecognised 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 derecognition 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 recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12. Impairment of financial assets

2.12.1. Overview of the ECL principles

The Bank records an allowance for expected credit loss for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as financial instruments. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit losses or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit losses (12mECL) as outlined in Note 2.12.2). The Bank's policies for determining if there has been a significant increase in credit risk are set out in Note 37.3.3.3.

The 12mECL is the portion of LTECLs that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The Bank's policy for grouping financial assets measured on a collective basis is explained in Note 37.3.3.4.

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. This is further explained in Note 37.3.3.3

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

- Stage 1: When loans are first recognised, the Bank recognises an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved, and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered credit-impaired (as outlined in Note 37.3.2.1.) The Bank records an allowance for the LTECL.
- POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. The ECL allowance is only recognised or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12. Impairment of financial assets (continued)

2.12.2. The calculation of ECL

The Bank assess on a forward-looking basis the expected credit loss (‘ECL’) associated with its debt instrument assets carried at amortised cost and the exposure arising from loan commitments and financial guarantee contracts. The Bank recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- 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 derecognised and is still in the portfolio.

- EAD - The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD - The Loss Given Default 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 realisation of any collateral or credit enhancements that are integral to the loan and not required to be recognised separately. It is usually expressed as a percentage of the EAD.

The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier.

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. Provisions for ECL for undrawn loan commitments are assessed as set out in Note 18.1.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12. Impairment of financial assets (continued)

2.12.2. The calculation of ECL (continued)

The mechanics of the ECL method are summarised below:

- Stage 1: The 12mECL is calculated as the portion of LTECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL 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 EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the four scenarios, as explained above.

- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECL. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

- Stage 3: For loans considered credit-impaired (as defined in Note 18.1), the Bank recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

- POCI: POCI assets are financial assets that are credit impaired on initial recognition. The Bank only recognises the cumulative changes in lifetime ECL since initial recognition, based on a probability-weighting of the four scenarios, discounted by the credit adjusted EIR.

- Loan commitments: When estimating LTECL for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the four scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan. For credit cards and revolving facilities that include both a loan and an undrawn commitment, ECL is calculated and presented together with the loan. For loan commitments and letters of credit, the ECL is recognised within Provisions.

- Financial guarantee contracts: The Bank’s liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the ECL provision. For this purpose, the Bank estimates ECL based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the four scenarios. The ECL related to financial guarantee contracts are recognised within Provisions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12. Impairment of financial assets (continued)

2.12.3. Purchased or originated credit impaired financial assets (POCI)

For POCI financial assets, the Bank only recognises the cumulative changes in LTECL since initial recognition in the loss allowance

2.12.4. Credit and other revolving facilities

The Bank's product offering includes a variety of corporate and retail overdraft and credit cards facilities, in which the Bank has the right to cancel and/or reduce the facilities with one day's notice. The Bank does not limit its exposure to credit losses to the contractual notice period, but instead calculates ECL over a period that reflects its expectations of customer behaviour, the likelihood of default and its future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on past experience and the Bank's expectations, the period over which the Bank calculates ECL for these products, is five years for corporate and seven years for retail products.

The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade, as explained in Note 37.3.3.3, but greater emphasis is also given to qualitative factors such as changes in usage.

The interest rate used to discount the ECL for credit cards is based on the average effective interest rate that is expected to be charged over the expected period of exposure to the facilities. This estimation takes into account that many facilities are repaid in full each month and are consequently not charged interest.

The calculation of ECL, including the estimation of the expected period of exposure and discount rate is made, as explained in Note 8 on an individual basis for corporate and on a collective basis for retail products. The collective assessments are made separately for portfolios of facilities with similar credit risk characteristics.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12. Impairment of financial assets (continued)

2.12.5. Forward looking information

In its ECL models, the Bank relies on a broad range of forward-looking information as economic inputs, such as:

- GDP growth
- Unemployment rates
- Central Bank base rates
- House price indices

The inputs and models used for calculating ECL 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. There were no overlays as a result of COVID 19.

2.13. Credit enhancements: collateral valuation and financial guarantees

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position.

Cash flows expected from credit enhancements which are not required to be recognised separately by IFRS standards and which are considered integral to the contractual terms of a debt instrument which is subject to ECL, are included in the measurement of those ECL. On this basis, the fair value of collateral affects the calculation of ECL. Collateral is generally assessed, at a minimum, at inception and re-assessed on a quarterly basis.

To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers or based on housing price indices.

Guarantees held are included in the measurement of loan ECLs when either they are specified in the contractual terms of the loan or else are integral to the loan, in that they formed part of the basis on which the loan was extended.

Guarantees that are not integral to the loan's contractual terms are accounted as separate units of accounts subject to ECL. Credit default swaps are not considered to be integral to a loan's contractual terms and are accounted as derivative financial instruments, as set out in Note 8(a)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14. Collateral repossessed

The Bank's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Bank's policy.

In its normal course of business, the Bank engages external agents to recover funds from the repossessed assets, 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 repossessionprocesses are not recorded on the balance sheet.

2.15. Write-offs

Financial assets are written off either partially or in their entirety only when the Bank has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an additionto the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

2.16. Forborne and modified loans

The Bank sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collectionof collateral. The Bank considers a loan forborne when such concessions or modifications are providedas a result of the borrower's present or expected financial difficulties and the Bank would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties includedefaults on covenants, or significant concerns raised by the Credit Risk Department. Forbearance mayinvolve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Bank's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to aloan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16. Forborne and modified loans (Continued)

When the loan has been renegotiated or modified but not derecognised, the Bank also reassesses whether there has been a significant increase in credit risk, as set out in Note 37.3.3.3. The Bank also considers whether the assets should be classified as Stage 3. Once an asset has been classified as forborne, it will remain forborne for a minimum 24-month probation period. In order for the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

- All of its facilities have to be considered performing
- The probation period of two years has passed from the date the forborne contract wasconsidered performing
- Regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period
- The customer does not have any contracts that are more than 30 days past due

If modifications are substantial, the loan is derecognised, as explained in Note 2.15.

2.17. Cash and cash equivalents

Cash and cash equivalents as referred to in the statement of cash flows comprise cash on hand, non–restricted current accounts with central bank and amounts due from banks on demand or with an original maturity of three months or less and government securities with maturities of less than 3 months.

2.18. Repurchase agreements

Securities sold under agreements to repurchase at a specified future date are not derecognised from the statement of financial position as the Bank retains substantially all of the risks and rewards of ownership. The corresponding cash received is recognised in the statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within cash collateral on securities lent and repurchase agreements, reflecting the transaction’s economic substance as a loan to the Bank

2.19. Securities lending and borrowing

Securities lending and borrowing transactions are usually collateralised by securities or cash. The transfer of the securities to counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.
Securities borrowed are not recognised in the statement of financial position, unless they are then sold to third parties, in which case, the obligation to return the securities is recorded as a short sale within financial liabilities held for trading and measured at fair value with any gains or losses included in net trading income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Leases

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

2.20.1 Bank as a lessee

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Bank recognises 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 at 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 recognised, 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.

The right-of-use assets are presented within Note 22 Property, equipment and right-of-use assets and are subject to impairment in line with the Bank's policy as described in Note 2.27 Impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured 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 Bank 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 recognised as expenses in the period in which the event or condition that triggers the payment occurs. Lease liabilities are presented within other liability in the statement of financial position (Note 25) occurs. The incremental borrowing rateis 7.5%.

2.21. Property, equipment and right-of-use assets

Property and equipment is 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 amortisation period or methodology, as appropriate, and treated as changes in accounting estimates. Right-of-use assets are presented together with property and equipment in the statement of financial position. Right-of-use assets are depreciated on a straight-line basis over the lease term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21. Property, equipment and right-of-use assets (Continued)

Depreciation of owned assets is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

- Leasehold improvements5 years
- ATM and Generator 5 years
- Motor Vehicle 4years
- Furniture and fittings, office machine and equipment 4 years
- Computer hardware 3 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate

2.22. Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the effect of the time value of money is material, the Bank determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The expense relating to any provision is presented in the income statement net of any reimbursement in other operating expenses. Detailed disclosures are provided in Note 26.3.

2.23. Taxes

2.23.1. Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rate and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date.

Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income respectively and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate. Detailed disclosures are provided in Note 21.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23.2. Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except where the deferred tax liability arises from the initial recognition of goodwill or 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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting dateand are recognised to the extent that it becomes probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred taxes are recognised as income tax benefits or expenses in profit or loss.

The Bank only off-sets its deferred tax assets against liabilities when there is both a legal right to offset its current tax assets and liabilities and it is the Bank’s intention to settle on a net basis.

2.24. Levies and similar charges

The Bank recognises the liability arising from levies and similar charges (such as City Service Levy) when it becomes legally enforceable (i.e. when the obligating event arises) which is on 31 December each year.

2.25. Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Bank’s shareholders. Interim dividends are deducted from equity when they are declared and are no longer at the discretion of the Bank.
Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26. Intangible assets

Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or infinite. Intangible assets with finite lives are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

Intangible assets with indefinite useful lives are not amortised but are tested for impairment. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable.
The amortization is calculated using straight-line method to write down the cost of intangible assets to their residual value over their estimated useful lives as follows:

Description of item	**Useful life**
Computer software	3 Years

Gains or losses arising from the de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit orloss when the asset is de-recognised.

2.27. Impairment of non-financial assets

The Bank assesses, at each reporting date, whether there is an indication that an asset may be impaired.Impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverableamount, which is the higher of its fair value less costs of disposal and its value in use. The fair valueless costs of disposal calculation is based on available data from binding sales transactions, conductedat arm's length, for similar assets or observable market prices less incremental costs of disposing ofthe asset. Impairment losses of continuing operations are recognised in profit or loss in expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Bank estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27. Impairment of non-financial assets

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

2.28. Inventories

Inventories are stated at the lower of cost or net realizable value. Inventory costs are determined on afirst in first out basis and comprise all expenditures that have been incurred in the normal course of business in bringing the stocks to their present location and condition.

Net realizable value represents the estimated selling price in the ordinary course of business less estimated cost of disposal

2.29. Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The standard will be effective for annual periods beginning on or after 1 January 2023. The standard will not have an impact to the Bank.

Classification of Liabilities as Current or Noncurrent - Amendments to IAS 1.

IAS 1.75A has been added to clarify that the 'classification of a liability is unaffected by the likelihoodthat the entity will exercise its right to defer settlement of the liability for at least twelve months afterthe reporting period'. That is, management's intention to settle in the short run does not impact the classification. This applies even if settlement has occurred when the financial statements are authorised for issuance. The amendment is effective for annual periods beginning on or after 1 January 2023. The amendment will not have an impact to the Bank.

Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendment to IFRS 16 specifies the requirements that a seller-lessee uses in measuring the leaseliability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendment does not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The standard is effective for annual periods beginning on or after 1 January 2024. The amendment will not have an impact to the Bank.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.29. Standards issued but not yet effective (Continued)

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments may impact the accounting policy disclosures of entities. Determining whether accounting policies are material or not requires use of judgement. Therefore, entities are encouraged to revisit their accounting policy information disclosures to ensure consistency with the amended standard. The standard is effective for annual periods beginning on or after 1 January 2023. The Bank is assessing the impact of the amendment.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the Board issued amendments to IAS 8, in which it introduces a new definition of 'accounting estimates. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The standard is effective for annual periods beginning on or after 1 January 2023. The Bank is assessing the impact of the amendment.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28

The amendments address the conflict between IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS **3.** Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The standards will not have an impact to the Bank.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 122.30. Classes of financial instruments

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability. The standard is effective for annual periods beginning on or after 1 January 2023. The Bank is assessing the impact of the amendment.

The bank’s financial instruments are categorised as follows:

Category (as defined byIFRS 9)		**Class (as determined by the Bank)**		**2024 TZS ‘000’**	**2023 TZS ‘000’**
Financial Assets	Debt instruments at amortized cost	Cash and bank balances with Bank of Tanzania		10,400,773	7,056,211
		Placements and balances with other banks		14,137,155	11,623,226
		Loans and Advances from Banks		88,826,742	74,098,800
		Other assets		1,251,124	2,430,160
		Investment in Debt securities	Government securities	29,420,120	21,608,473
Financial liabilities	Financial liabilities at amortised cost	Deposits from Banks and Customers		104,024,141	90,787,947
		Borrowings and other liabilities		21,567,959	12,681,379
		Other liabilities		2,762,650	2,050,020

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Bank's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Bank's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Existing circumstances and assumptions about future developments may change due to circumstances beyond the Bank's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the consolidated financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved**.**

3.1. Impairment losses on financial assets

The measurement of impairment losses both under IFRS 9 across all categories of financial assets in scope 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 a number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's internal credit grading model, which assigns PDs to the individual grades ;
- 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 LTECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It has been the Bank's policy is to regularly review its models in the context of actual loss experience and adjust when necessary (Note 37.1.3). The carrying amounts of the affected assets are included innotes 15,16,17,18 & 20.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS(Continued)

3.2. Going concern

The Bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future.

At the time of issuing the financial statements, the directors had no reason to believe that this is likely to happen. Furthermore, the directors believed that the Bank will be a going concern for the foreseeable future having considered the available assets and the directors' specific responses and actions.

Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

3.3. Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility. For further details about determination of fair value please see Note 36.

3.4. Effective Interest Rate (EIR) method

The Bank's EIR method, as explained in Note 2.5, recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans and deposits and recognises the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges). This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, as well expected changes to Bank's base rate and other fee income/expense that are integral parts of the instrument.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS(Continued)

3.5. Deferred tax assets

Deferred tax assets are recognised 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 utilised. Although in Bank tax losses can be utilised indefinitely, judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax-planning strategies (see Note 12)

3.6. Provisions and other contingent liabilities

The Bank operates in a regulatory and legal environment that, by nature, has a heightened element oflitigation risk inherent t//o its operations. As a result, it is involved in various litigation, arbitration and regulatory investigations and proceedings both in Bank and in other jurisdictions, arising in the ordinary course of the Bank’s business.

When the Bank can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Bank records a provision against the case. Where theprobability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made,a contingent liability is disclosed. However, when the Bank is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Bank does not include detailed, case-specific disclosers in its financial statements. Given the subjectivity and uncertainty of determining the probability and amount of losses, the Bank takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents.Significant judgement is required to conclude on these estimates. For further details on provisions and other contingencies see Note33.

3.7. Determination of the lease term for lease contracts with renewal and termination options(Bank as a lessee)

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 has several lease contracts that 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. 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 that 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 customisation of the leased asset).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS(Continued)

3.8. Estimating the incremental borrowing rate

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (‘IBR’) to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay 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 conditions of the lease.). The Bank estimates the IBR using observable inputs (such as market interest rates)).

4. SEGMENT INFORMATION

Management considers the Bank as one operating segment for the purpose of financial performance. The Bank revenue is derived from loans and advances issued to customers and banks (as disclosed innote 18) and the Board of Directors relies primarily on revenue from loans and advances to assess performance. The reason for looking at the business as one segment is because of the nature of the products and services they offer. Profitability is discussed, and action plans agreed where necessary to improve performance. Other than revenue, there is no other discrete financial information relating to the revenue streams that the Management Team looks at.

Revenue is derived from interest on loans and advances from customers, interest on placements and balances with other banks and interest on Government Securities.

5. INTEREST INCOME

Interest income calculated using the effective interest method

	2024 TZS'000'	2023 TZS'000'
Interest on Government Securities	3,503,848	3,672,251
Placements and balances with other banks	1,059,326	481,589
Loans and advances from customers	15,479,435	11,801,065
Insurance Premium Financing	18,599	21,952
Total interest and similar income	**20,061,208**	**15,976,857**

6. INTEREST AND SIMILAR EXPENSE

Interest expense calculated using the effective interest method

	2024 TZS'000'	2023 TZS'000'
Time deposits	6,045,434	4,828,177
Interest on placement from other banks	588,378	436,636
-Borrowing from banks	1,102,288	968,982
-Savings deposits	122,540	120,549
Right of Use Assets	83,237	70,046
Total interest and similar expense	**7,941,877**	**6,424,390**

7. NET FEES AND COMMISSION INCOME

a) Fees, commission and other income	2024 TZS'000'	2023 TZS'000'
Fees and commission and other income	687,436	723,972
Commission received from insurance services	556,142	510,066
Commission received from other services	221,409	249,641
Application fee	188,231	279,866
Management fee	524,940	481,038
Payroll processing fee	43,282	45,632
Other fees	1,449	4,171
Recovery from Charged Off	735,543	718,979
	2,958,433	**3,013,365**

The Bank presented disaggregated revenue based on the type of services provided to customersas follows:

Dec-24	Retail Banking	Corporate Banking	Total
Fee income earned from services that are provided over time			
Loan commitment fees	497,625	215,547	713,172
	497,625	**215,547**	**713,172**
Fee income from providing financial services at a point in time:			-
Brokerage fees insurance	310,765	245,377	556,142
Payroll processing fees, withdrawal and mobile banking services	549,756	403,819	953,575
Recovery from Charged Off loans	735,543		735,543
	1,596,064	**649,196**	**2,958,432**

Dec-23	Retail Banking	Corporate Banking	Total
Fee income earned from services that are providedover time			
Loan commitment fees	523,875	237,029	760,904
	523,875	**237,029**	**760,904**
Fee income from providing financial services at a point in time:			-
Brokerage fees insurance	302,376	207,690	510,066
Payroll processing fees, withdrawal and mobile banking services	601,764	421,652	1,023,416
Recovery from Charged Off loans	718,979		718,979
	1,623,119	**629,342**	**3,013,365**

b) Fees and commission expense	2023	2023
Bank charges	**19,016**	**19,663**

8. IMPAIRMENT LOSSES/WRITE-OFF

a) IMPAIRMENT LOSSES

Dec-24	Stage 1 TZS’000’	Stage 2 TZS’000’	Stage 3 TZS’000’	Total TZS’000’
Due from banks (Note 16)	-	-	-	0
Loans and Advances from customers (Note 18)	134,188	684,979	305,444	1,124,611
Financial guarantees (Note 26)		-	-	
Other assets (Note 20)		-	-	
Total Impairment loss	**134,188**	**684,979**	**305,444**	1,124,611

Dec-23	Stage 1 TZS’000’	Stage 2 TZS’000’	Stage 3 TZS’000’	Total TZS’000’
Due from banks (Note 16)	-	-	-	0
Loans and Advances from customers (Note 18)	953,539	157,075	395,392	1,506,006
Financial guarantees (Note 26)				
Other assets (Note 20)				
Total Impairment loss	**953,539**	**157,075**	**395,392**	**1,506,006**

9. FOREIGN EXCHANGE GAIN/LOSS

	2024 TZS'000'	2023 TZS'000'
Exchange gain on trading	45,164	48,369
Exchange gain/(loss) on valuation	88,441	36,379
	133,605	**84,748**

10. EMPLOYEE BENEFIT EXPENSES

	2024 TZS’000’	2023 TZS’000’
Salaries and allowances	3,704,072	2,956,566
Pension costs- defined contribution plan	496,326	385,259
Skills and Development Levy	128,558	123,725
Leave allowance	276,910	221,470
Workman’s compensation	18,545	15,393
Gratuity	117,277	110,825
	4,741,689	**3,813,238**

11. GENERAL AND ADMINISTRATION EXPENSES

	2024	2023
	TZS'000'	TZS'000'
Office expenses	3,518,596	3,032,868
City Service Levy	30,120	27,116
Annual general meeting	32,741	27,876
Legal fees	68,606	121,032
Board expenses	207,475	18,692
Taxes other than profit tax	127,262	
Directors' remuneration	122,600	161,602
Auditors` remuneration	37,000	45,217
Accounting fees	9,517	5,095
Property and equipment maintenance cost	207,845	126,144
Fuel cost	184,280	129,200
Staff welfare	118,620	175,390
Other expenses	5,348	4,909
	4,670,011	**3,875,141**

Maendeleo Bank PLC is subject to a city service levy. The levy is applied to total turnover paid on quarterlybasis. The levy is applied at a rate of 0.3% and is not deductible for corporation tax.

12. INCOME TAX

The components of income tax expense for the years ended 31 December 2024 and 2023 are as follows:

	2024	2023
	TZS'000'	TZS'000'
Current income tax (Note 21)	172,206	791,759
Deferred tax - current period (Note 12.2)	(343,466)	(514,121)
	(171,260)	**277,637**

12.1 Reconciliation of the total tax charge

The tax charge shown in the statement of profit or loss and other comprehensive income differs from the tax charge that would apply if all profits had been charged at corporate rate of 30%. Reconciliation between the tax expense and the accounting profit multiplied by applicable tax rate for the years ended 31 December 2023 and 2022 is, as follows:

	2024	2023
	TZS'000'	TZS'000'
Profit for the year before tax	3,859,026	2,625,300
Tax expense (calculated at statutory income tax rate 30%)	1,157,708	787,590
Tax effect of:		
Expenses not deductible for tax purposes*	(148,069)	93,095
Non-taxable income**	(1,180,899)	(603,048)
Income tax expense	**(171,260)**	**277,637**

* Expenses not deductible for tax purposes relates to depreciation charge on the Right of Use assetswhich are required to be added back by the Income Tax Act.
** Not taxable income includes commission from Mobile Network Operators (MILLIONOs) which have beencharged final withholding tax.

12. INCOME TAX (Continued)

The effective income rate for 2022 is 36% (2021: 17%)

12.2 Deferred tax

	2024	2023
	TZS'000'	TZS'000'
At 1 January	**1,951,325**	**1,437,203**
Credit to statement of profit and loss (Note 12)	226,687	514,122
At 31 December	**2,178,012**	**1,951,325**

Deferred income tax asset and deferred income tax credit to the statement of profit or loss and other comprehensive income and statement of changes in equity are attributed to the following items

Deferred income tax		
Accelerated capital allowances	1,379,279	883,679
Accumulated expected credit losses	804,765	1,073,678
Unrealized exchange gains/(loss)	(6,032)	(6,032)
	2,178,012	**1,951,325**

13. EARNINGS PER SHARE

The calculation of the basic earnings per share was based on the profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares outstanding at the close of the year, calculated as follows:

Profit attributable to shareholders (TZS'000)	3,231,529	2,347,664
Weighted average number of shares in issue (000)	26,253	26,253
Basic and diluted earnings per share (TZS'000)	**123.09**	**89.42**

14. DIVIDEND PAID AND PROPOSED

The Bank recorded a profit after tax of TZS 3,231 million for the year under review (2023: TZS 2,348 million), primarily driven by the strong performance of its lending activities. However, due to the Bank of Tanzania's (BOT) Circular on Cost-to-Income Ratio (CIR), which restricts dividend payments when the CIR exceeds 55%, unless a waiver is obtained, the Board of Directors has decided not to propose a dividend for the year ended 31 December 2024. The Bank has requested a waiver, but BOT has sought further clarity on the strategies being implemented to address the CIR. The Bank is currently finalizing its six-year Strategic Plan, which will be completed by May 2025, and will provide the necessary clarity to the BOT. Considering these regulatory considerations, the Board has opted to retain the profit for the year, with the intention of strengthening the Bank's financial position with ongoing transformation into a fully-fledged commercial bank.

15. CASH AND BALANCES WITH BANK OF TANZANIA

	2024 TZS'000'	2023 TZS'000'
Cash in hand	2,186,135	1,855,999
Current account	2,739,221	512,171
Statutory minimum reserve*	5,475,417	4,688,041
	10,400,773	**7,056,211**

*Section 44 of the Bank of Tanzania Act of 2006 and Sections 4 and 71 of the Banking and Financial Institution Act of 2006 requires the Bank to maintain a statutory minimum reserve (SMR) on its total deposits and liabilities and funds borrowed from general public. The Statutory Minimum Reserve (SMR) deposit is not available to finance the Bank's day-to-day operations.

16. PLACEMENTS AND BALANCES WITH OTHER BANKS

	2024 TZS'000'	2023 TZS'000'
Placements and balances with local banks	13,093,976	10,764,411
Balances with local banks and Mobile Network Operators (MILLIONO)	1,061,165	850,749
Cheques and items for clearance with otherbank	4,489	30,541
Total	**14,159,630**	**11,645,701**
Less: Allowance for expected credit losses	(22,475)	(22,475)
	14,137,155	11,623,226
As at 1 January	22,475	22,475
Addition during the year	-	-
Write-off	-	-
As at 31 December	**22,475**	**22,475**
Maturity analysis		
Redeemable on demand		
- Balances with local banks& Mobile Network Operators	1,061,165	850,749
- Cheques and items for clearing with other banks	4,489	30,541
- Maturity within 3 months from acquisition	13,093,976	10,764,411
	14,159,630	11,645,701

16.1 Impairment allowance for placements and balances with other banks

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system, 12-month PD range and year-end stage classification. The amounts presented are gross of allowance for ECL. Details of the Bank's internal grading system are explained in Note 37.3.3 and the Bank's impairment assessment and measurement approach is set out in Note 37.3.3.

16. PLACEMENTS AND BALANCES WITH OTHER BANKS (Continued)

16.1 Impairment allowance for due from banks (Continued)

31-Dec-24 Internal rating grade	12 month PD range	Stage 1	Stage 2	Stage 3	Total
High grade	0.00% - 3.00%	**14,159,630**	-	-	**14,159,630**
Standard grade	3.00% - 20.00%	-	-	-	-
Substandard	20.00%- 50.00%	-	-	-	-
Low grade	50.00%-100.00%	-	-	-	-
Individually impaired	100%	-	-	-	--
Total		**14,159,630**	**-**	**-**	**14,159,630**

31-Dec-23 Internal rating grade	12 month PD range	Stage 1	Stage 2	Stage 3	Total
High grade	0.00% - 3.00%	**11,645,701**	-	-	**11,645,701**
Standard grade	3.00% - 20.00%	-	-	-	-
Substandard	20.00%- 50.00%	-	-	-	-
Low grade	50.00%-100.00%	-	-	-	-
Individually impaired	100%	-	-	-	-
Total		**11,645,701**	**-**	**-**	**11,645,701**

16. PLACEMENTS AND BALANCES WITH OTHER BANKS (Continued)

A reconciliation of changes in gross carrying amount and corresponding ECL allowances by stage for amounts/balances due from banks is as follows

	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
1-Jan-2024	11,645,701	22,475	-	-	-	-	11,645,701	22,475
New assets originated	77,811,372		-	-	-	-	77,811,372	-
Payments and assets derecognized	(75,297,443)	-	-	-	-	-	(75,297,443)	-
As at 31 Dec- 2023	**14,159,630**	**22,475**	**-**	**-**	**-**	**-**	**14,159,630**	**22,475**

	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
1-Jan-2023	8,921,095	22,475	-	-	-	-	8,921,095	22,475
New assets originated	235,320,077		-	-	-	-	235,320,077	-
Payments and assets derecognized	(232,595,471)	-	-	-	-	-	(232,595,471)	-
As at 31 Dec- 2022	**11,645,701**	**22,475**	**-**	**-**	**-**	**-**	**11,645,701**	**22,475**

17. GOVERNMENT SECURITIES

	2024 TZS'000'	2023 TZS'000'
Treasury bills & bonds	27,681,108	24,369,313
Interest Receivable	1,739,011	1,059,019
	29,420,120	25,428,332

Treasury bills are debts securities issued by the Government of the United Republic of Tanzania. As at 31 December 2024, the bank had Treasury bills of TZS 6,238,365,216 (2023, had TZS 5,859,821,330) and Treasury bonds of TZS 21,442,742,939 (2023: Treasury bond were 18,509,491,760)

Maturity analysis of Government securities is as follows:		
Maturity within 3 months from date of acquisition	-	-
Maturity between 3 to 6 months from date of acquisition	-	-
Maturity after 6 months from date of acquisition	29,420,120	25,428,332
	29,420,120	25,428,332

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.

31 Dec 2024	12 months	Stage 1	Stage 2	Stage 3	Total
Internal rating grade	PD range	TZS'000'	TZS'000'	TZS'000'	TZS'000'
High grade	0.00% - 3.00%	**29,420,120**	-	-	**29,420,120**
Standard grade	3.00% - 20.00%	-	-	-	-
Substandard	20.00%- 50.00%		-	-	-
Low grade	50.00%-100.00%	-	-		-
Individually impaired	100%	-	-	-	-
Total		**29,420,120**	**-**	**-**	**29,420,120**

31 December 2023	12 months	Stage 1	Stage 2	Stage 3	Total
Internal rating grade	PD range	TZS'000'	TZS'000'	TZS'000'	TZS'000'
High grade	0.00% - 3.00%	**25,428,332**	-	-	**25,428,332**
Standard grade	3.00% - 20.00%	-	-	-	-
Substandard	20.00%- 50.00%		-	-	-
Low grade	50.00%-100.00%	-	-		-
Individually impaired	100%	-	-	-	-
Total		**25,428,332**	**-**	**-**	**21,608,473**

17. GOVERNMENT SECURITIES(CONTINUED)

A reconciliation of changes in gross carrying amount and corresponding ECL allowances by stage for amounts/balances government securities is as follows

	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
1-Jan-2024	**25,428,332**	**-**	**-**	**-**	**-**	**-**	**25,428,332**	-
New assets originated	21,191,787	-	-	-	-	-	21,191,787	-
Payments and assetsderecognized	(17,200,000)	-	-	-	-	-	(17,200,000)	-
As at 31 Dec-2024	**29,420,120**	**-**	**-**	**-**	**-**	**-**	**29,420,120**	**-**

	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
1-Jan-2023	**21,608,473**	**-**	**-**	**-**	**-**	**-**	**21,608,473**	-
New assets originated	28,235,109	-	-	-	-	-	28,235,109	-
Payments and assets derecognized	(24,415,250)	-	-	-	-	-	(24,415,250)	-
As at 31 Dec- 2023	**25,428,332**	**-**	**-**	**-**	**-**	**-**	**25,428,332**	**-**

18. LOANS AND ADVANCES TO CUSTOMERS

	2024 TZS'000'	2023 TZS'000'
Term loans	80,392,387	65,752,121
Overdrafts	3,508,475	3,480,043
Staff loans and advances	1,975,571	1,619,833
Insurance Premium Financing	166,211	99,578
Micro Housing Loans	2,554,709	2,102,622
Total Gross Loan - Principal	**88,597,353**	**73,054,197**
Interest receivable	2,497,203	2,709,110
Gross Carrying Amount	**91,094,556**	**75,763,307**
Provision for probable losses	(2,507,339)	(1,846,746)
Suspended Interest	-	169,363
Net loan and advances	**88,587,216.96**	**74,085,924**

As at 1 January	1,846,746	1,993,360
Addition during the year	1,124,611	1,524,699
Written-off loans	(464,017)	(1,671,313)
As at 31 December	**2,507,339**	**1,846,746**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2024

A reconciliation of changes in **Gross Carrying Amount (GCA)** and corresponding allowance for ECL by stage for total loan book as follows,

	Stage1		Stage2		Stage3		Total	
	GCA	ECL	GCA	ECL	GCA	ECL	GCA	ECL
Beginning Balance	65,056,950	1,294,279	4,269,204	157,075	6,437,151	395,392	75,763,305	1,846,746
New assets originated	97,315,543	257,110	17,833,694	207,394	11,299,435	1,586,305	126,448,672	2,050,809
Payments / derecognized	(97,664,195)	105,827	(5,602,318)	(477,585)	(11,299,435)	(1,280,861)	(114,565,948)	(1,652,619)
Transfer to 3			2,187,565		(2,187,565)			-
Transfer to/from 2	5,876,254		(5,876,254)					-
Interest	1,795,379	5,280	670,203	5,956	272,022	251,167	2,737,604	262,403
	72,379,931	**1,662,496**	**13,482,094**	**(107,160)**	**4,521,608**	**952,003**	**90,383,633**	**2,507,339**

Dec-23	**Stage 1**		**Stage 2**		**Stage 3**		**Total**	
	GCA	**ECL**	**GCA**	**ECL**	**GCA**	**ECL**	**GCA**	**ECL**
	TZS'000'		**TZS'000'**		**TZS'000'**		**TZS'000'**	**TZS'000'**
01-Jan-23	**49,486,991**	**234,914**	**8,337,543**	**477,585**	**4,827,048**	**1,280,861**	**62,651,582**	**1,993,360**
New assets originated	82,382,353	953,539	9,196,694	157,075	11,573,324	395,392	103,152,371	1,506,005
Payments and assets derecognized	(75,493,918)	105,827	(4,627,627)	(477,585)	(12,628,211)	(1,280,861)	(92,749,756)	(1,652,619)
Transfers to/ stage 2	-	-	(2,567,168)	-	2,567,168	-	-	-
Transfers to stage 3	6,139,337	-	(6,139,337)	-	-	-	-	-
Accrued interest	2,542,187	-	69,100	-	97,822	-	2,709,109	(169,363)
31-Dec 23	**65,056,950**	**1,294,279**	**4,269,204**	**157,075**	**6,437,151**	**395,392**	**75,763,307**	**1,846,746**

18. INVENTORIES

	2024 TZS'000'	2023 TZS'000'
Stationery	-	24,433
	-	**24,433**

19. OTHER ASSETS

	2024 TZS'000'	2023 TZS'000'
Prepaid expenses*	940,945	652,607
IPO advances	179,198	193,534
Fees receivable	1,251,124	1,567,035
Others	146,103	90,343
Less: Impairment	(1,158)	(73,359)
	2,516,212	**2,430,160**

*Prepaid expenses comprise of prepaid insurance costs with respect to all risks, bankers blanket bond and prepaid medical insurance for staffs.

Movement on other asset impairment	2024 TZS'000'	2023 TZS'000'
As at 1 Jan	73,359	267,366
Additions	-	73,359
Writeoff	72,201	267,366
As at 31 Dec	**1,158**	**73,359**

20. INCOME TAX RECEIVABLE

At January	31278	(246,887)
Tax charge to profit or loss	627,497	791,759
Tax paid during the year	(964,310)	(506,776)
Overprovision prior Year	(47,710)	(6,817)
	(353,245)	**31,278**

21. (a) DEPRECIATION, ROU AND AMORTIZATION

Depreciation and ROU	22(a)(i)	636,040	605,177
Leasehold Improvement	22(a) (ii)	83,666	147,195
Intangible Asset Amortization	22(a) (iii)	77,311	58,859
		797,017	**811,231**

22. b) PROPERTY, EQUIPMENT AND RIGHT-OF-USE ASSETS

	Motor Vehicle	Furniture and fittings	Office Machines and equip.	Computers	ATM & Generators	Right of Use (Buildings)	Total
31 December,2024	**TZS'000'**	**TZS'000'**	**TZS'000'**	**TZS'000'**	**TZS'000'**	**TZS'000'**	**TZS'000'**
At 01 January 2024	438,753	366,684	1,526,216	554,447	**251,542**	1,650,200	4,787,841
Additions	-	46,294	383,430	111,923	80,915	688,320	1,310,883
Disposals	-	-	-	-	-	-	-
At 31 December 2024	**438,753**	**412,978**	**1,909,646**	**666,370**	**332,457**	**2,338,520**	**6,098,724**
Accumulated Depreciation							
At 01 January 2024	**(199,197)**	**(306,900)**	**(1,177,806)**	**(453,096)**	**(251,542)**	**(751,153)**	**(3,139,693)**
Charge for the year	(43,329)	(22,562)	(162,369)	(58,640)	(16,876)	(332,264)	(636,040)
Disposals	-	-	-	-	-	-	-
At 31 December 2024	**(242,526)**	**(329,462)**	**(1,340,174)**	**(511,736)**	**(268,418)**	**(1,083,417)**	**(3,775,733)**
Net carrying amount	**196,227**	**85,515**	**596,472**	**154,634**	**64,040**	**1,255,103**	**2,322,991**
31 December 2023							
At 1 January	396,307	354,174	1,432,776	504,426	**251,542**	2,103,279	5,042,505
Additions	60,189	17,309	93,439	50,021	-	35,020	255,979
Disposals	(17,744)	(4,800)	-	-	-	(488,100)	(510,644)
At 31 December 2023	**438,753**	**366,684**	**1,526,216**	**554,447**	**251,526**	**1,650,200**	**4,787,841**
Accumulated Depreciation							
At 1 January 2023	(130,004)	(281,852)	(988,835)	(369,361)	(250,526)	(963,979)	(2,984,556)
Charge for the year	(69,163)	(25,048)	(188,971)	(83,735)	(1,016)	(247,517)	(615,480)
Disposals	-	-	-	-	-	460,343	460,343
At 31 December 2023	**(199,197)**	**(306,900)**	**(1,177,806)**	**(453,096)**	**(251,542)**	**(751,153)**	**(3,139,693)**
Net carrying amount	**239,556**	**59,783**	**348,410**	**101,351**	**-**	**899,047**	**1,648,148**

22. c) PROPERTY, EQUIPMENT AND RIGHT-OF-USE ASSETS(CONTINUED)

The Bank has lease contracts for office buildings (i.e. head office and branches) used in its day to day operations as well as short term leases for office equipment. The lease payments for these equipment areshort-term in nature i.e. not in excess of 12months period. The other leases are long-term in nature i.e. more than 12 months. The Bank's obligations under its leases are secured by the lessor's title to the leased assets. The Bank is restricted from assigning and subleasing the leased assets. Set out below are the carrying amounts of lease liabilities (included under 'Other liabilities' in Note 25) and the movements during the year.

22. (d) DEPRECIATION AND ARMOTISATION

	2024	2023
	TZS'000'	**TZS'000'**
Depreciation of property and equipment (22(d)(i))	303,776	364,907
Amortization of intangible (22(d)(ii))	77,311	58,859
Amortization of leasehold assets (22(d)(iii))	83,666	147,195
Right of Use Asset(22(d)(iv))	332,264	240,270
At 31 December	**797,017**	**811,231**

23. LEASEHOLD IMPROVEMENTS

	2024	2023
	TZS'000'	**TZS'000'**
At 1 January	1,498,458	1,498,458
Additions	381,510	-
At 31 December	**1,879,968**	**1,498,457**
Amortization		
At 1 January	(1,160,708)	(1,013,512)
Charge for the year	(135,183)	(147,196)
At 31 December	**(1,295,892)**	**(1,160,708)**
Net carrying amount	**584,076**	**337,749**

24. INTANGIBLE ASSETS

	2024	2023
	TZS'000'	**TZS'000'**
At 1 January	1,017,498	965,024
Additions	90,193	52,473
At 31 December	**1,107,691**	**1,017,498**
Accumulated amortization		
At 1 January	(877,961)	(819,102)
Charge for the year	(25,794)	(58,859)
At 31 December	**(903,754)**	**(877,961)**
Net carrying amount	**203,937**	**139,537**

25 DEPOSITS

	2024	2023
	TZS'000'	TZS'000'
Current accounts	19,429,001	16,273,978
Savings accounts	20,778,940	18,990,006
Time deposit accounts	56,220,640	48,486,418
Short term deposit from banks	7,625,000	6,400,000
Interest Payable	-29,439	637,545
	104,024,141	90,787,947

26 OTHER LIABILITIES

	2024	2023
	TZS'000	TZS'000
Accrued expenses	7,782	6,916
Insurance payables	12,503	229,438
Withholding tax payable	111,698	66,357
Others	1,874,623	1,110,724
Lease liabilities (see below)*	756,043	702,953
	2,762,650	2,116,388

Lease liabilities	2024	2023
	TZS'000'	TZS'000'
Opening Balance as at 1January	702,953	1,019,362
Additional	-	-
Interest	83,237	70,045
Payments	(30,147)	(386,455)
31 December	**756,043**	**702,953**

Below are the maturities for lease liability:

31/12/2023	**< than 1 yr**	**1 - 2 yrs**	**2-5 yrs**	**5 yrs**	**Total**
Lease liabilities	102,268	108,502	194,653	349,920	**756,043**
Total	**392,864**	**308,502**	**294,653**	**349,920**	**756,043**
31/12/2022					
Lease liabilities	263,712	252,468	177,865	8,908	**702,953**
Total	**263,712**	**252,468**	**177,865**	**8,908**	**702,953**

27 PROVISIONS FOR OFF BALANCE SHEET ITEMS

The movement of provisions during 2023 and 2024 respectively as follows:

	Financial Guarantees	Operational risk	Litigation	Total
1-Jan-24	**4,198**	**-**	**-**	**4,198**
Changes in ECL	4,198	-	-	4,198
Amounts matured	(3,029)	-	-	(3,029)
31-Dec-24	**4,198**			**4,198**
1-Jan-23	**3,029**	**-**	**-**	**3,029**
Changes in ECL	4,198	-	-	4,198
Amounts matured	(3,029)	-	-	(3,029)
31-Dec-23	**4,198**			**4,198**

These provisions relate to guarantees issued to customers

27 PROVISIONS FOR OFF BALANCE SHEET ITEMS (Continued)

27.1. Financial guarantees and other undrawn commitments

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees and other commitments to lend. Even though these obligations may not be recognised on the statement of financial position, they contain credit risk and, therefore, form part of the overall risk of the Bank.
Guarantees commit the Bank to make payments on behalf of customers in the event of a specific act, Guarantees carry a similar credit risk to loans. The nominal values of such commitments are listed below:

	2024	2023
	TZS'000'	TZS'000'
Financial guarantees	1,215,725	1,801,334
Other undrawn commitments	679,764	703,009
	1,895,489	2,504,347

27.2 Operational risk

Operational risk provisions exclude litigation and regulatory enforcement and include liabilities arising from the breakdown of internal processes and controls or from external events resulting in economic outflow. The Bank has bankers blanket bond insurance cover that protects a bank against such losses.

27.3 Litigation

Litigation provisions arise out of current or potential claims or pursuits alleging non-compliance with contractual or other legal or regulatory responsibilities, which have resulted or may arise in claims from customers, counterparties or other parties in civil litigations. As of 31 December 2023,the Bank was a defendant in several lawsuits. The plaintiffs are claiming damages and interest thereon for the alleged loss caused by the Bank due to breach of contracts and loss of business. TheDirectors are of the opinion that no significant liabilities will arise from these claims.

28 BORROWED FUNDS

	2024	2023
BORROWINGS	**TZS’000’**	**TZS’000’**
TZS 3 billion fixed rate due 2028	3,000,000	3,000,000
TZS 5Billionfixed rate due 2027	6,510,950	1,794,571
TZS 3 Billionfixed rate due 2028	3,000,000	-
TZS 3.5 Billionfloating rate due 2026	0	1,807,637
TZS 5 Billionfloating rate due 2029	3,500,000	3,500,000
TZS 8 Billionfloating rate due 2029	5,557,009	2,579,171
	21,567,959	**12,681,379**
Movement in the interest-bearing loans and borrowings:		
At 1 January	12,681,379	9,955,637
Additional loan received	13,000,000	3,500,000
Repayment during the year	(4,113,420)	(774,258)
Interest charge for the year	1,102,288	968,982
Interest paid	(1,102,288)	(968,982)
At 31 December	**21,567,959**	**12,681,379**

32. CAPITAL (Continued)

28 BORROWED FUNDS (Continued)

The Bank remains committed to prudent financial management and sustainable borrowing practices to support its strategic objectives. By securing competitively priced funding and effectively managing its debt portfolio, Maendeleo Bank PLC continues to enhance its ability to provide affordable credit to businesses and individuals, contributing to economic growth and financial inclusion.

CDRB Bank loan
In 2024, Maendeleo Bank PLC continued repaying the TZS 5 billion loan obtained from CRDB Bank in 2020 for on-lending to various customers. The facility carries an annual interest rate of 15% and is secured by a letter of lien on treasury bills and treasury bonds with a minimum value of TZS 6.25 billion. By the end of 2024, the outstanding balance had been reduced to approximately TZS 558 million.

To further support its lending activities, the bank secured an additional TZS 5 billion loan from CRDB Bank on November 4, 2024, for a tenure of 60 months. This facility is also secured by Treasury bonds, with the total collateral requirement increased to TZS 7.5 billion in Treasury bonds. The proceeds from the new facility will be used to expand the bank's credit offerings, particularly in key focus areas such as SME lending, agribusiness, and housing finance.

TCB Loan
On November 6, 2024, Maendeleo Bank PLC secured a loan facility of TZS 3 billion from Tanzania Commercial Bank (TCB) to enhance its ability to provide credit to various customer segments. The facility carries an interest rate of 14% per annum and has a tenure of 36 months. It is secured by Treasury bonds valued at TZS 3.75 billion, ensuring full collateral coverage. The loan will be used to strengthen the bank's lending portfolio, particularly targeting micro, small, and medium enterprises (MSMEs) and individual borrowers.

BOT Loan
On August 7, 2018, Maendeleo Bank PLC received a TZS 3 billion loan from the Bank of Tanzania under the Housing Microfinance Fund. The facility was initially granted at an interest rate of 7.5% per annum for a tenure of 60 months to support affordable housing initiatives. Upon maturity in August 2023, the bank successfully negotiated a rollover, extending the facility for an additional five years until August 2028. The new agreement was approved at a revised interest rate of 6% per annum, reflecting the central bank's commitment to promoting affordable housing financing. This extension provides continued support for homeownership opportunities, particularly for low- and middle-income individuals.

SELF Microfinance Loan
Throughout 2024, Maendeleo Bank PLC continued servicing a TZS 3 billion loan obtained from SELF Microfinance Bank in 2023. This loan, designed for on-lending to various customers, carries an interest rate of 13.5% per annum and is secured by a letter of lien on treasury bills and treasury bonds with a minimum value of TZS 3 billion. By the end of 2024, the outstanding balance had reduced to approximately TZS 2.14 billion.

In a strategic move to expand its funding base, Maendeleo Bank PLC secured an additional TZS 5 billion loan from CRDB Bank on July 4, 2024. This facility, with a tenure of 36 months, is also backed by Treasury bonds, increasing the total collateral requirement to TZS 7.2 billion in Treasury bonds. By the close of 2024, these two loans were consolidated into a single facility amounting to TZS 7.14 billion. This consolidation allows for more efficient capital management, enabling the bank to optimize its lending operations while maintaining a strong liquidity position.

29 ISSUED CAPITAL AND RESERVES

32. CAPITAL (Continued)

	2024 TZS'000'	2023 TZS'000'
Authorized		
60,000,000 shares of TZS 500 each	30,000,000	30,000,000
Called up and fully paid up (No of shares)	**26,253,121**	**26,253,121**

30 REGULATORY RESERVE

Regulatory reserves represent funds set aside to cover additional impairment losses beyond those required under IFRS 9, ensuring compliance with the Bank of Tanzania's (BOT) regulatory requirements. This reserve is non-distributable and serves as a safeguard against potential credit losses. Impairment for non-performing assets is assessed using both the IFRS 9 methodology and the BOT regulatory approach. The IFRS 9 impairment provision is recognized in profit or loss, while any excess provision required under the BOT framework, beyond the IFRS 9 impairment, is transferred to the non-distributable Regulatory Reserve. During the year under review, the provisions calculated under both approaches were as follows:

30 REGULATORY RESERVE (Continued)

	2024 TZS'000'	2023 TZS'000'
Provisions per Bank of Tanzania approach	3,298,289	2,379,743
Impairment as per IFRS 9 (Note 18)	(2,507,339)	(1,846,746)
Excess over IFRS impairment taken to regulatory risk reserve	**790,950**	**532,997**

31 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below provides a detailed analysis of the Bank's assets and liabilities, categorized based on their expected recovery or settlement periods. This classification is essential for assessing the Bank's liquidity position and maturity structure.

For loans and advances to customers, the Bank applies the same expected repayment behavior used in the estimation of the Effective Interest Rate (EIR). This methodology ensures that the classification reflects the anticipated cash flow patterns, enhancing the accuracy of financial reporting. Short-term assets and liabilities are expected to be realized or settled within one year, while long-term items extend beyond this period. The categorization of financial instruments based on expected maturities helps in managing liquidity risk and ensuring regulatory compliance.

As of 31 December 2024, Maendeleo Bank PLC's total assets amounted to TZS 150.69 billion, with TZS 54.90 billion (36.4%) expected to be recovered within 12 months and TZS 95.79 billion (63.6%) recoverable beyond one year. The largest asset components were loans and advances to customers (TZS 88.91 billion) and government securities (TZS 29.39 billion), indicating a significant focus on lending and investment in government instruments. On the liabilities side, total liabilities stood at TZS 128.35 billion, primarily driven by customer deposits (TZS 104.02 billion), which accounted for 81% of total liabilities, with TZS 86.63 billion maturing within a year. Borrowings totaled TZS 21.57 billion, mostly long-term (TZS 20.81 billion). The Bank's balance sheet structure reflects a strong reliance on customer deposits for funding, with a healthy loan book and a significant portion of assets positioned for long-term growth.

31 December 2024	1-12 months	More than 1 year	Total

32. CAPITAL (Continued)

	TZS'000'	TZS '000'	TZS'000'
Cash and balances with Bank of Tanzania	10,400,77 3	0	10,400,77 3
Placements and balanceswith other banks	14,137,155		14,137,155
Government securities	6,601,992	22,788,546	29,390,539
Loans and advances fromcustomers	23,760,136	65,145,956	88,906,092
Inventories	0		0
Other assets	0	2,515,768	2,515,768
Intangible assets	0	152,419	152,419
Property, equipment and right of use	0	2,330,201	2,330,201
Leasehold improvements	0	548,375	548,375
Income tax recoverable	0	353,245	353,245
Deferred tax	0	1,951,325	1,951,325
Total assets	**54,900,057**	**95,785,837**	**150,685,894**
			-
LIABILITIES			
Deposits	86,628,048	17,396,093	104,024,141
Other liabilities	0	2,762,650	2,762,650
Borrowings	762,461	20,805,498	21,567,959
Total Liabilities	**87,390,509**	**40,964,242**	**128,354,751**

31 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (Continued)

31 December 2023	1-12 months	More than 1 year	Total
	TZS'000'	TZS '000'	TZS'000'
Cash and balances with Bank of Tanzania	7,056,211	-	7,056,211
Placements and balanceswith other banks	11,623,226	-	11,623,226
Government securities	7,061,005	18,367,328	25,428,333
Loans and advances fromcustomers	18,228,887	55,869,913	74,098,800
Inventories	24,433	-	24,433
Other assets	-	2,430,160	2,430,160
Intangible assets	-	139,537	139,537
Property, equipment and right of use	-	1,648,148	1,648,148
Leasehold improvements	-	337,749	337,749
Income tax recoverable	-	209,490	209,490
Deferred tax	-	1,437,203	1,437,203
Total assets	**43,993,762**	**80,439,528**	**124,433,289**
			-
LIABILITIES			
Deposits	81,191,972	9,595,974	90,787,947
Other liabilities	-	2,116,377	2,116,377

32. CAPITAL (Continued)

Borrowings	1,807,637	10,873,742	12,681,379
Total Liabilities	**82,999,609**	**22,586,093**	**105,585,702**

32 CAPITAL

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of statement of financial position, are:

- to comply with the capital requirements set by the regulator, Bank of Tanzania;
- to safeguard the Bank's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support the development of its business.

The Bank`s management monitors the adequacy of its capital and use of regulatory capital are monitored on a quarterly basis by management using the ratios established by the Bank of Tanzania (BOT) which rates are broadly in line with those for Basel Committee. The ratio measures capital adequacy by comparing the Bank`s eligible capital with its statements of financial position assets, off balance sheet component and market and other risk position at weighted amounts to reflect their relative risk. The required information is filed with Bank of Tanzania on a quarterly basis.

The Bank manages its capital to meet Bank of Tanzania requirements listed below:

- Hold the minimum level of the regulatory capital of TZS 2 billion;
- Maintain regulatory reserve of not less than 7% of total deposit liabilities; and
- Maintain a ratio of total regulatory capital of not less than the internationally agreed 12% of risk-weighted assets (Basel ratio) plus risk-weighted off-balance sheet items.

32. CAPITAL

32.1. Capital management

The Bank's capital management objectives extend beyond the 'equity' reported in the statement of financial position, focusing on compliance with the capital requirements set by the Bank of Tanzania (BoT), ensuring business continuity to provide returns for shareholders and benefits for other stakeholders, and maintaining a strong capital base to support business growth. The Bank actively monitors its capital adequacy on a quarterly basis using BoT-prescribed ratios, which align with Basel Committee standards, assessing regulatory capital against assets, off-balance sheet exposures, and market risk-weighted components. The Bank complies with BoT's capital requirements, including maintaining a minimum regulatory capital of TZS 2 billion, a regulatory reserve of at least 7% of total deposit liabilities, and a total capital adequacy ratio of no less than 12% of risk-weighted assets and off-balance sheet items. Additionally, as the Bank holds a provisional license for a fully-fledged commercial bank, it is required to meet the core capital requirement of TZS 15 billion, reinforcing its commitment to financial strength and regulatory compliance.

During the year, the Bank has fully complied with all capital requirements imposed by the Bank of Tanzania.

32.2 (a) Regulatory capital

	2024 TZS '000'	2023 TZS '000'
Issued share capital	13,121,982	13,121,982
Share premium	799,742	799,742
Advance towards share capital		5,494
Share capital	**13,921,274**	**13,927,218**

32. CAPITAL (Continued)

32.2 (b) Regulatory capital

	2024 TZS '000'	2023 TZS '000'
Tier 1 Capital		
Share capital	13,921,274	13,921,274
Retained earnings	8,082,200	4,653,334
Prepaid expenses	(940,501)	(-677,040)
Deferred tax asset	(2,178,012)	(1,951,325)
Intangible assets	(203,937)	(-139,537)
Total qualifying Tier 1 Capital	**18,680,580**	**15,806,704**
Total qualifying Tier 2 Capital	**18,680,580**	**15,806,704**
Total regulatory capital	**18,680,580**	**15,806,704**
Risk - weighted assets		
On balance sheet position	90,619,436	**76,797,750**
Off balance sheet position	1,895,489	2,504,347
Operational Risk Charge	8,233,250	7,057,684
Market Risk Charge	140,861	120,328
Total risk - weighted assets	**100,889,036**	**86,479,921**

	Required ratios 2023	Required ratios 2022	Bank's ratio 2024	Bank's Ratio 2023
CET 1 capital ratio	12.5%	12.5%	18.43%	18.28%
Tier 1 + Tier 2 Capital	14.5%	14.5%	18.43%	18.28%

During the year, the bank has complied with all the imposed capital requirements as shown below:

31 December 2024 **Statement of Financial Position**	**Nominal Statement ofFinancial Position**	**Risk %**	**Weighted Risk**
ASSETS (Net)	**TZS'000'**		**TZS'000'**
Cash and balances with Bank of Tanzania	10,400,773	0%	0
Placements and balances with other banks	14,132,666	20%	2,826,533
Cheques and items for clearing	4,489	50%	2,245
Government securities	29,473,423	0%	0
Loans and advances from customers (less loans secured by cash/government securities)	80,607,379	100%	80,607,379
Loan & advances - secured by cash/gvt securies)	2,116,287	0%	0
Loan -Staff	5,863,551	50%	2,931,775
Other assets	1,575,267	100%	1,575,267
Property and equipment	2,322,991	100%	2,322,991
Leasehold improvements	584,076	0%	0
Prepaid expenses (Deduction from CET)	940,945	0%	0
-Intangible assets (Deduction from CET)	203,937	0%	0
Inventories	0	100%	0

32. CAPITAL (Continued)

Tax receivables	353,245	100%	353,245
Differed Tax	2,178,012	0%	0
TOTAL	**150,757,042**		**90,619,436**

31 December 2023	**Nominal Statement of Financial Position**	**Risk %**	**Weighted Risk**
Statement of Financial Position			
ASSETS (Net)	**TZS'000'**		**TZS'000'**
Cash and balances with Bank of Tanzania	7,056,211	-	-
Placements and balances with other banks	11,592,685	20	2,318,537
Cheques and items for clearing	30,541	50	15,271
Government securities	25,428,332	-	-
Loans and advances from customers (less loans secured by cash/government securities)	71,982,514	100	71,982,514
Loan & advances - secured by cash/gvt securies)	2,116,287	-	-
Other assets	1,777,553	100	1,777,553
Property and equipment	1,648,148	100	1,648,148
Leasehold improvements	337,749	-	-
Prepaid expenses (Deduction from CET)	652,607	-	-
-Intangible assets (Deduction from CET)	139,537	-	-
Inventories	24,433	100	24,433
Tax receivables	209,490	100	209,490
Differed Tax	1,437,203	-	-
TOTAL	**124,433,289**		**86,479,921**

32.3 Capital Structure

	2024 TZS`000	**2023 TZS`000**
Authorized share capital		
60,000,000 shares of TZS 500 each	**30,000,000**	**30,000,000**
Issued and fully paid-up share Capital		
26,243,964 shares of TZS 500 each	13,121,982	13,121,982
Advance towards share capital (9,157 shares of 600 each)	-	-
Premium (5,561,635 rights issue of TZS 10 each)	55,616	55,616
Premium (7,436,760 shares @ 100)	743,676	743,676
	13,921,274	**13,921,274**

Shareholders	**2024 Number of Shares**	**%**	**2023 Number of Shares**	**%**
United Evangelical Mission	2,980,326	11%	2,980,326	11%
ELCT-ECD Diocese Institutions	2,750,151	10%	2,750,151	10%
ELCT- Eastern & Coast Diocese	1,435,407	5%	1,435,407	5%
Companies & Saccos	874,134	3%	874,134	3%
ELCT – Retirement Scheme	1,207,380	5%	1,207,380	5%

32. CAPITAL (Continued)

Evangelical Lutheran Church of Tanzania	343,332	1%	343,332	1%
Other Individuals	16,662,391	63%	16,662,391	63%
Total	**26,253,121**	**100%**	**26,253,121**	**100%**

	2024	**2023**
Opening balance	26,253,121	26,243,964
Additional shares during the year	-	9,157
Closing balance	**26,253,121**	**26,253,121**

32.4 Advance towards share capital

Advance towards share capital represent shares paid up but yet to be approved by the Capital Market Security Authority (CMSA). These will be moved to share capital once approval is obtained from the Capital Market Security Authority (CMSA).

32. CAPITAL (Continued)

Computation of Operational Risk

Dec-23	**2022**	**2023**	**2024**	**TOTAL**
	TZS'000'	**TZS'000'**	**TZS'000'**	**TZS'000'**
A. Qualifying Interest Income	3,190,786	3,890,263	4,635,183	11,715,781
(i). Net Interest Income	9,911,214	10,749,356	12,276,850	31,740,531
(ii). Earning Assets	91,165,317	111,150,359	132,433,786	334,736,586
3.5% of Earning Assets	3,190,786	3,890,263	4,635,183	11,715,781
B. Non-Interest Income	2,119,162	2,993,702	2,939,416	8,052,279
Gross Income	5,309,948	6,883,964	7,574,598	19,768,060
Average Gross Income		-		6,589,353
Alpha	-	-		15%
Capital Charge (Average*risk factor)	-	-		988,403
Multiplier				8.33
Total Required for Operational Risk				**8,236,692**

Dec-22	**2021**	**2022**	**2023**	**TOTAL**
	TZS'000'	**TZS'000'**	**TZS'000'**	**TZS'000'**
A. Qualifying Interest Income	3,068,616	3,190,786	3,890,263	10,149,665
(i). Net Interest Income	7,538,033	9,911,214	10,749,356	28,198,603
(ii). Earning Assets	87,674,741	91,165,317	111,150,359	289,990,417
3.5% of Earning Assets	3,068,616	3,190,786	3,890,263	10,149,665
B. Non-Interest Income	1,682,691	2,119,162	2,993,702	6,795,554
Gross Income	4,751,307	5,309,948	6,883,964	16,945,219
Average Gross Income		-		5,648,406
Alpha	-	-		15%
Capital Charge (Average*risk factor)	-	-		847,261
Multiplier				8.33
Total Required for Operational Risk				**7,057,684**

32. CAPITAL (Continued)

Market Risk computation Dec-24	**TZS'000'**
Greater of the Net Long Position or Absolute Value of the Net Short Position [Net Open Positions] as calculated under Form 16-4(b) as at the end of the month (Line item 32)	140,861
Absolute Value of Gold Position	-
Total (Item 1 plus 2)	140,861
Risk Factor	12%
Capital Charge (total*risk factor)	16,903
Multiplier	8.33
Total Required for Market Risk	**140,861**

35. RELATED PARTY DISCLOSURES (Continued)

Dec-23	TZS'000'
Greater of the Net Long Position or Absolute Value of the Net Short Position [Net Open Positions] as calculated under Form 16-4(b) as at the end of the month (Line item 32)	120,376
Absolute Value of Gold Position	-
Total (Item 1 plus 2)	120,376
Risk Factor	12%
Capital Charge (total*risk factor)	14,445
Multiplier	8.33
Total Required for Market Risk	**120,328**

33. ADDITIONAL CASH FLOW INFORMATION

	2023 TZS`000	2023 TZS`000
Cash in hand (Note 15)	2,186,135	1,855,999
Current account with Bank of Tanzania (Note 15)	2,739,221	512,171
Placements and balances with other banks (Note 16)	14,137,155	11,623,226
Government securities (Note 17)	3,100,000	2,640,555
Cash and cash equivalents	**22,162,511**	**16,631,951**

Cash and cash equivalents exclude the statutory cash reserve requirement of TZS 5,475,417,123 (2022: TZS 4,688,040,838) held with the Bank of Tanzania, as these funds are not readily available for use in day-to-day operations. In accordance with IAS 7, Statement of Cash Flows, cash equivalents include highly liquid investments with original maturities of three months or less. Accordingly, government securities, placements, and balances with other banks are included only when their maturities do not exceed three months from the acquisition date.

34. CONTINGENT LIABILITIES, COMMITMENTS AND LEASING ARRANGEMENTS

34.1 Financial guarantees and other undrawn commitments

The nominal values of financial guarantees, letters of credit are disclosed together with their ECL impacts in Note 36

34.2. Legal claims

The Bank operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent in its operations. As a result, the Bank is involved in various litigation, arbitration and regulatory proceedings, in Tanzania jurisdictions in the ordinary course of its business. The Bank has formal controls and policies for managing legal claims. Based on professional legal advice, the Bank provides and/or discloses amounts in accordance with its accounting policies described in Note 2.22. At year end, the Bank had several unresolved legal claims. There was no significant legal claim against the Bank, which can bring a financial loss. Accordingly, no provision for any claims has been made in these financial statements based on the legal opinion received from the lawyers which indicates the probability of the bank to lose a case is remote.

34. CONTINGENT LIABILITIES, COMMITMENTS AND LEASING ARRANGEMENTS(Continued)

34.3. Leases – Bank as lessee

The Bank has entered into commercial leases for premises and equipment. The leases have an average life of between five and ten years. There are no restrictions placed upon the lessee by entering into these. The Bank has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Bank's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term:

	2024	2023
	TZS`000	TZS`000
Not later than 1 year	392,864	263,712
Later than 1 year and not later than 5 years	354,347	430,333
Later than 5 years	8,832	8,908
	756,043	702,953

The Directors are of the view that these commitments will be sufficiently covered by future netrevenues and funding.

35. RELATED PARTY DISCLOSURES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In the normal course of business, a number of banking transactions are entered into with related parties i.e. key management personnel and directors. These include loans and deposits. The volume of related party transactions for the year and the outstanding amounts at the year-end were as follows:

		2024	2023
(a)	**Loans and advances to related parties**		
(i)	**Directors**	**TZS`000**	**TZS`000**
	At 1 January	**1,210,871**	**257,616**
	Advanced during the year	93,330	1,239,871
	Repayment during the year	(597,157)	(286,616)
	At 31 December	**707,044**	**1,210,871**
	Less: Allowance for ECL	(18)	(18)
	Interest earned	152,035	260,373

There were no deposits controlled by Directors or their families (2023: Nil), Interest rate offeredto directors is the same as that offered to other clients

		2024	2023
(ii)	**Key management**		
	At 1 January	**313,031**	**173,404**
	Advanced during the year	600,964	200,813
	Repayment during the year	(376,115)	(61,186)
	At 31 December	**537,880**	**313,031**

35. RELATED PARTY DISCLOSURES (Continued)

Less: Allowance for ECL	(102)	(70)
	537,778	**312,961**
Interest earned (Interest rate is 7%pa)	**37,644**	**29,370**

Key management personnel compensation		
Short term employee benefits	781,284	1,081,189
Post-employment pension and medical benefits	78,879	100,871
	860,163	**1,182,060**

(iii) **Shareholders**

At 1 January	**3,680,240**	**4,819,121**
Advanced during the year	6,208,701	2,310,668
Repayment during the year	(3,991,556)	(3,449,549)
At 31 December	**5,897,385**	**3,680,242**
Less: Allowance for ECL	4,118	15,657
	5,893,267	**4,803,464**
Interest earned	**1,059,499**	**915,632**

35. RELATED PARTY DISCLOSURES (Continued)

The loans are fully secured by legal mortgage and chattels. There were no guarantees or commitments (including undrawn loan commitments) made to related parties by the bank or on for the banks.

Provision of TZS 4,118,117 has been made in respect of loans given to related parties (2023: 15,657,000). Loans to key management personnel were issued at market interest rate of 19% per annum as per company policy. Loans to directors were issued on commercial terms. In the current year the ECL allowance for related parties is disclosed separately.

As at 31 December 2024, there were no loans issued to companies controlled by Directors or their families (2023: Nil).

		2024	2023
(d)	**Directors' compensation**	**TZS'000'**	**TZS'000'**
	Allowances and remuneration	122,600	161,602
	Board expenses	207,475	18,692
		330,075	**180,295**

Directors` attendance and remuneration is shown below:

Directors	Number of Meetings Attended Board Meeting	BARC	BCC	BHRC	Non-Board	Total Allowance Paid
31-Dec-24						**TZS'000'**
Dr.Emmanuel Manasseh	5		8	6	1	8,750
Adv.Ayoub Mtafya	9	1	11	6	7	19,650
Ms. Joyce Mapunjo	10		11	3	4	18,750
Dr.Ibrahim Mwangalaba	4	3	3		7	10,550
CPA Anna Mzinga	7	6			2	9,050
Mr.Eliud Sanga	7	6			2	9,050
CPA.Leah Kabale	10	5		6	1	10,050
Rev Ernest Kadiva	8			3	2	9,700
Rev.Wilbroad Mastai	2					3,250
Prof.Ulingeta Mbamba	11			3	5	9,200
CPA Peter Tarimo	7	3	8		1	13,950
Mr.Lomillionyaki Saitabau	1					650
Total	**81**	**24**	**41**	**27**	**32**	**122,600**

Directors	Number of Meetings Attended Board Meeting	BARC	BCC	BHRC	Total Allowance Paid
31-Dec-23				4	**TZS'000'**
Amulike S. K. Ngeliama	8				9,882
Adv Dosca K. Mutabuzi	3	-	8	4	11,471
Naftal M. Nsemwa	6	-	2	-	6,118
Rev. Dr. Ernest W. Kadiva	6	-		4	7,647
CPA Anna T. Mzinga	6	5			8,412
Prof. Ulingeta Mbamba	8	5			9,941
Ms. Joyce Mapunjo	7	5			9,176
Dr. Emmanuel Manasseh	5		8	0	9,941
Rev. Wilbroad Mastai	4	-			3,059
Dr. Ibrahim Mwangalaba	8	-	8	4	19,118
Total					**94,765**

36. EVENTS AFTER THE REPORTING DATE

There were no events after the reporting period which require adjustment or disclosure in the financial statements.

37 FAIR VALUE MEASUREMENT

This note describes the fair value measurement of both financial and non-financial instruments and is structured as follows:

37.1 Valuation principles
37.2 Valuation governance
37.3 Valuation techniques

37.1. Valuation principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using a valuation technique.
In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques.

37.2. Valuation governance

The Bank's fair value methodology and the governance over its models includes a number of controls and other procedures to ensure appropriate safeguards are in place to ensure its quality and adequacy. All new product initiatives (including their valuation methodologies) are subject to approvals by various functions of the Bank including the risk and finance functions. The responsibility of ongoing measurement resides with the business and product line.

37. FAIR VALUE MEASUREMENT (CONTINUED)

Once submitted, fair value estimates are also reviewed and challenged by the Risk and Finance functions. The independent price verification process for financial reporting is ultimately the responsibility of the independent treasury team within Finance which reports to the Head of Finance.
The treasury team validates fair value estimates by:

- Benchmarking prices against observable market prices or other independent sources
- Re-performing model calculations
- Evaluating and validating input parameters

37.3. Valuation techniques

The treasury unit team also challenges the model calibration on at least a quarterly basis or when significant events in the relevant markets occur. The treasury unit team works together with the Finance function's accounting policy team and is responsible for ensuring that the final reported fair value figures are in compliance with IFRS and will propose adjustments when needed.
When relying on third-party sources (e.g., broker quotes, or other micro or macro-economic inputs),the independent price verification team is also responsible for:

- Verifying and challenging the approved list of providers
- Understanding the valuation methodologies and sources of inputs and verifying their suitability for IFRS reporting requirements.

Valuation methodologies of financial instruments not measured at fair value
Below are the methodologies and assumptions used to determine fair values for financial instruments which are not recorded and measured at fair value in the Bank's financial statements.

Short-term financial assets and liabilities
For financial assets and financial liabilities that have a short-term maturity (less than three months), the carrying amounts, which are net of impairment, are a reasonable approximation of their fair value. Such instruments include cash and balances with the central bank; due to and from banks; demand deposits; and savings accounts without a specific maturity.

Loans and advances from customers
The fair values of loans and advances are estimated by discounted cash flow models that incorporate assumptions for credit risk, probability of default and loss given default estimates. Credit risk for large corporate and a subset of the small business lending, when appropriate, is derived from market observable data, such as comparable traded debt. Where such information is not available, the Bank uses historical experience and other information used in its collective impairment models.

Off-balance sheet positions
Estimated fair values of off-balance sheet positions are based on market prices for similar instruments or on discounted cash flow models, as explained above, which incorporate the credit risk element through the discount factor.

Investment securities
The fair value for debt instruments held at amortised cost is based on market prices. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

Deposits due to customers
The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of interest-bearing deposits not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity. The carrying amount is a reasonable approximation of fair value.
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37. FAIR VALUE MEASUREMENT (CONTINUED)

Borrowings

The estimated fair value of interest-bearing borrowings not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity. Government debt securities are financial instruments issued by sovereign governments and include both long-term bonds and short-term bills with fixed or floating rate interest payments. These instruments are generally highly liquid and traded in active markets resulting in a Level 1 classification. When active market prices are not available, the Bank uses discounted cash flow models with observable market inputs of similar instruments and bond prices to estimate future index levels and extrapolating yields outside the range of active market trading, in which instances the Bank classifies those securities as Level 2. The Bank does not have Level 3 government securities where valuation inputs would be unobservable. The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 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) or indirectly (that is, derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservableinputs). This level includes equity investments and debt instruments with significant unobservable
  components. This hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible.

38 RISK MANAGEMENT

38.1 Introduction and risk profile

Maendeleo Bank PLC is based in Dar es salaam region, Tanzania and has three branches namely Luther Housebranch, Mwenge branch and Kariakoo branch. Whilst risk is inherent in the Bank's activities, it is managed through an integrated risk management framework, including ongoing identification, measurement and monitoring, and subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non–trading risks. It is also subject to country risk and various operating and business risks.

38.1.1 Risk management structure

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles. The Board has appointed the Board Audit and Risk Committee which is responsible for monitoring the overall risk process within the Bank and fulfils the responsibilities of the audit committee. The Board Audit and Risk Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policiesand limits. The Board Audit and Risk Committee is responsible for managing risk decisions and monitoring risk levels and reports to the Board. The Risk Management Unit is responsible for implementing and maintaining risk related procedures to ensure an independent control process is maintained. The unit works closely with and reports to the Managing Director to ensure that proceduresare compliant with the overall framework.

38. RISK MANAGEMENT (Continued)

38.1.1 Risk management structure (Continued)

The Risk Management Unit is responsible for monitoring compliance with risk principles, policies and limits across the Bank. Each business unit has its own risk champion who is responsible for the control of risks, including monitoring the actual risk of exposures against authorised limits and the assessment of risks of new products and transactions. It is the Bank's policy that this unit also ensures the complete capture of the risks in its risk measurement and reporting systems. The Bank's policy also requires that exceptions are reported on a daily basis, where necessary, to the Managing Director and the relevant actions are taken to address exceptions and any areas of weakness. The Bank's Treasury unit under Finance department is responsible for managing its assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Bank. The Bank's policy is that risk management processes throughout the Bank are audited annually by the Internal Audit function, which examines both the adequacy of the procedures and the Bank's compliance with them. Internal Audit discusses the results of all assessments with management and reports its findings and recommendations to the Board Audit and Risk Committee.

38.1.2. Risk mitigation and risk culture

As part of its overall risk management, the Bank uses other instruments other than derivatives to manage exposures resulting from changes in interest rates, foreign currencies, credit risks, and exposures arising from forecast transactions. In accordance with the Bank's policy, its risk profile is assessed before entering into transactions which are authorised by the liquidity committee of the Bank which meets dailyto discuss Bank's position and obtain approval from Managing Director. The Bank actively uses collateral to reduce its credit risks.

38.1.3. Risk measurement and reporting systems

The Bank's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based onstatistical models. The models make use of probabilities derived from historical experience, adjusted toreflect the economic environment. The Bank also runs worst-case scenarios that would arise in the eventthat extreme events which are unlikely to occur do, in fact, occur.
Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries. In addition, the Bank's policy is to measure and monitor the overall risk-bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Information compiled from all of the branches and units is processed in order to analyse, control and identify risks on a timely basis. This information is presented and explained to the Board of Directors, the Board Audit and Risk Committee, and the head of each business division. The report includes aggregate credit exposure, credit metric forecasts, hold limit exceptions, VaR, liquidity ratios and risk profile changes. On a monthly basis, detailed reporting of industry, customer and risks takes place. Senior management assesses the appropriateness of the allowance for credit losses on a monthly basis during ALCO meeting. The Board Audit and Risk Committee receives a comprehensive risk report once a quarter which is designed to provide all the necessary information to assess and conclude on the risks of the Bank.

38. RISK MANAGEMENT (continued)

38.1 Introduction and risk profile (continued)

38.1.3. Risk measurement and reporting systems (Continued)

At all levels of the Bank's operations, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive, necessary and up–to–date information.

It is the Bank's policy to ensure that robust risk awareness is embedded in its organisational risk culture. Employees are expected to take ownership and be accountable for the risks the Bank is exposed to that they decide to take on. The Bank's continuous training and development emphasises that employees are made aware of the Bank's risk appetite and they are supported in their roles and responsibilities to monitor and keep their exposure to risk within the Bank's risk appetite limits. Compliance breaches and internal audit findings are important elements of employees' annual ratings and remuneration reviews.

38.2 Risk governance and risk management strategies and systems

38.2.1. Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same locality, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or locality.
In order to avoid excessive concentrations of risk, the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

The following table breaks down the Bank's main credit exposure at their gross carrying amounts, as

Sector	2024		2023	
	Target	Actual	Target	Actual
Agriculture, fishing, forestry and Animal Keeping	4%	5%	4%	4%
Finance, Insurance and Business Services	1%	1%	1%	0%
Real Estate and Construction	12%	9%	12%	12%
Transport and communication	2%	6%	2%	4%
Trade and commerce	44%	42%	44%	44%
Tourism, hotel and restaurants	2%	0%	2%	1%
Personal including employee loans	15%	16%	15%	14%
Education	8%	7%	8%	7%
Others	12%	14%	12%	14%
Total	**100%**	**100%**	**100%**	**100%**

38. RISK MANAGEMENT (continued)

38.2 Risk governance and risk management strategies and systems (continued)

38.2.1. Excessive risk concentration (continued)

38.3. Credit risk

Credit risk is the risk that the Bank will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for industry concentrations, and by monitoring exposures in relation to such limits.
Credit risk is monitored by the credit risk department under Head of credit. It is their responsibility to review and manage credit risk, including environmental and social risk for all types of counterparties.

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including collateral revisions. The credit quality review process aims to allow the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective actions.

38.3.1. Credit–related commitments risks

The Bank makes available to its customers guarantees that may require that the Bank makes payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs. Guarantees commit the Bank to make payments on behalf of customers in the event of a specific act, Such commitments expose the Bank to similar risks to loans and are mitigated by the same control processes and policies.

38.3.2. Impairment assessment

The references below show where the Bank's impairment assessment and measurement approach is setout in this report. It should be read in conjunction with the Summary of significant accounting policies.

38.3.2.1. Definition of default impaired and cure

The Bank considers a financial instrument defaulted for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. The Bank considers treasury and interbank balances defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.
The Bank has aligned its definition of credit impaired assets under IFRS 9 to the EBA definition of non-performing loans ('NPLs').

As a part of a qualitative assessment of whether an exposure is credit-impaired, the Bank also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted and therefore assessed asStage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

38 RISK MANAGEMENT (continued)

38.3. Credit risk (continued)

38.3.2.1. Definition of default impaired and cure (Continued)

- Internal rating of the borrower indicating default or near-default
- The borrower requesting emergency funding from the Bank
- The borrower having past due liabilities to public creditors or employees
- The borrower is deceased
- A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral
- A material decrease in the borrower's turnover or the loss of a major customer
- A covenant breach not waived by the Bank
- The debtor (or any legal entity within the debtor's group) filing for bankruptcy application/protection
- Debtor's listed debt or equity suspended at the primary exchange because of rumours or facts aboutfinancial difficulties

It is the Bank's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition. The Bank's criterion for 'cure' for ECL purposes is less stringent than the 24 months requirement for forbearance which is explained in Note 7.15.

38.3.3. The Bank's internal rating and PD estimation process

The Bank's Risk Department operates its internal rating models. The Bank runs separate models for its key portfolios in which its customers are rated from 1 to 5 using internal grades. The models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilise supplemental external information that could affect the borrower's behaviour. Where practical, they also build on information from Credit Reference Bureau. These information sources are first used to determine the probability of defaults (PDs) within the Bank's framework. PDs are then adjusted for IFRS 9

ECL calculations to incorporate forward looking information and the IFRS 9 Stage classification of the exposure. This is repeated for each economic scenario as appropriate.

Treasury, trading and interbank relationships

The Bank's treasury, trading and interbank relationships and counterparties comprise financial services institutions, banks, broker-dealers, exchanges and clearinghouses. For these relationships, the Bank's risk department analyses publicly available information such as financial information and other external data, and assigns the internal rating, as shown in the table below.

38. RISK MANAGEMENT (continued)

38.3. Credit risk (continued)

Corporate and small business

lending

For corporate and investment banking loans, the borrowers are assessed by credit risk employees of the Bank. The credit risk assessment is based on a credit scoring model that takes into account various historical, current and forward-looking information such as:

- Historical financial information together with forecasts and budgets prepared by the client. This financial information includes realised and expected results, solvency ratios, liquidity ratios and any other relevant ratios to measure the client's financial performance. Some of these indicators are captured in covenants with the clients and are, therefore, measured with greater attention.
- Any publicly available information on the clients from external parties. This includes external information from Credit Reference Bureau, independent analyst reports, publicly traded bond or CDS prices or press releases and articles.
- Any macro-economic or geopolitical information, e.g., GDP growth relevant for the specific industry and geographical segments where the client operates.
- Any other objectively supportable information on the quality and abilities of the client's management relevant for the company's performance.

The complexity and granularity of the rating techniques varies based on the exposure of the Bank and the complexity and size of the customer. Some of the less complex small business loans are rated within the Bank's models for retail products.

Consumer lending and retail mortgages

Consumer lending comprises unsecured personal loans, credit cards and overdrafts. These products alongwith retail mortgages and some of the less complex small business lending are rated by an automated scorecard tool primarily driven by days past due. Other key inputs into the models are:

- Consumer lending products: use of limits and volatility thereof, GDP growth, unemployment rates, changes in personal income/salary levels based on records of current accounts, personal indebtedness and expected interest repricing.

- Retail mortgages: GDP growth, unemployment rates, changes in personal income/salary levels based on records of current accounts, personal indebtedness and expected interest repricing.

38 RISK MANAGEMENT (continued)

38.3. Credit risk (continued)

The Bank’s internal credit rating grades

Internal rating grade	Description of thegrade	12 months PD range	Number of days outstanding	IFRS 9
High grade	Current	0.0%– 3.0%	0-30	Stage 1
Standard grade	Especially Mentioned	3.0%- 20.0%	31-90	Stage 1
Sub-standard grade	Sub-standard	20.0% - 50.0%	91-180	Stage 2
Past due but not impaired	Doubtful	50.0% - 100.0%	181-360	Stage 2
Individually impaired	Loss	100%	361-Above	Stage 3

38.3.3.1. Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client’s ability to increase its exposure while approaching default and potential early repayments too. EAD for credit and other revolving facilities is set out in Note 2.12.2.

To calculate the EAD for a Stage 1 loan, the Bank assesses the possible default events within 12 months for the calculation of the 12mECL. However, if a Stage 1 loan that is expected to default in the 12 months from the reporting date and is also expected to cure and subsequently default again, then all linked default events are considered. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments.

The Bank determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of Bank’s models.

For corporate and investment banking financial instruments, LGD values are assessed at least every three months by account managers and reviewed and approved by the Bank’s Head of credit department. The credit risk assessment is based on a standardised LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

The Bank segments its retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g., product type, wider range of collateral types) as well as borrower characteristics.

38. RISK MANAGEMENT (continued)

38.3. Credit risk (continued)

38.3.3.2. Loss given default

Further, recent data and forward-looking economic scenarios are used in order to determine the IFRS 9 LGD rate for each group of financial instruments. When assessing forward-looking information, the expectation is based on multiple scenarios. Examples of key inputs involve changes in, collateral values including property prices for mortgages, commodity prices, payment status or other factors that are indicative of losses in the bank. The Bank estimates regulatory and IFRS 9 LGDs on a different basis. Under IFRS 9, LGD rates are estimated for the Stage 1, Stage 2, Stage 3 and POCI IFRS 9 segment of each asset class. The inputs for these LGD rates are estimated and, where possible, calibrated through back testing against recent recoveries. These are repeated for each economic scenario as appropriate.

38.3.3.3. Significant increase in credit risk

The Bank continuously monitors all assets subject to ECL. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition. The Bank considers an exposure to have significantly increased in credit risk when the IFRS 9 lifetime PD has doubled since initial recognition and has increased by more than 20 bps a year.

The Bank also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming forborne. In certain cases, the Bank may also consider that events explained in Note 37.3.3.3 are a significant increase in credit risk as opposed to a default. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

When estimating ECLs on a collective basis for a group of similar assets (as set out in Note 37.3.3.4), the Bank applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

38. RISK MANAGEMENT (continued)

38.3. Credit risk (continued)

38.3.3.4. Grouping financial assets measured on a collective basis

As explained in Note 2.12.1 dependant on the factors below, the Bank calculates the allowance for ECL either on a collective or an individual basis.
Asset classes where the Bank calculates ECL on an individual basis include:

- All Stage 3 assets, regardless of the class of financial assets;
- The Corporate lending portfolio;
- The large and unique exposures of the Small business lending portfolio;
- The treasury, trading and interbank relationships (such as Due from Banks, Cash collateral on securities borrowed and reverse repurchase agreements and debt instruments at amortised cost/FVOCI;
- Exposures that have been classified as POCI when the original loan was derecognised, and a new loan was recognised as a result of a credit driven debt restructuring Asset classes where theBank calculates ECL on a collective basis include;
- The smaller and more generic balances of the Bank’s Small business lending; and
- Collateral type.

38.3.4. Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral.

The main types of collateral obtained are, as follows:

- For securities lending and reverse repurchase transactions, cash or securities;
- For corporate and small business lending, charges over real estate properties, inventory andtrade receivables and, in special circumstances, government guarantees; and
- For retail lending, mortgages over residential properties.

The Bank also obtains guarantees from directors of companies for loans to their companies. Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement. In its normal course of business, the Bank engages external agents to recover funds from repossessed properties or other assets in its retail portfolio, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors.

38. RISK MANAGEMENT (continued)

38.3. Credit risk (continued)

38.3.4. Collateral and other credit enhancements (Continued)

Type of Security	Collateral Value	
	2023 TZS'000'	2022 TZS'000'
Cash Cover	5,307,437	960,619
Owner Occupied Mortgages	143,816,859	130,646,591
Salaried Loan	646,882	754,805

38. RISK MANAGEMENT (continued)

Dec-24	Max exposure	Cash	3rd party/Employer guarantee	Property	Surplus Collateral	Total collateral	Associated ECL
Loans and advances from customers							
Corporate lending	16,486,143	-	-	13,987,567	25,339,038	39,326,605	4,382
Small business lending	51,597,042	2,459,696	-	107,987,254	26,423,712	136,870,662	1,749,671
Consumer lending	8,030,121	2,847,741	646,882	11,189,765	1,594,386	16,278,774	92,693
Total	**76,113,307**	**5,307,437**	**646,882**	**133,164,586**	**53,357,136**	**192,476,041**	**1,846,746**
Financial guarantees	2,504,347	2,504,347	-	-		2,504,347	-

Dec-23	Max exposure	Cash	3rd party/Employee guarantee	Property	Surplus Collateral	Total collateral	Associated ECL
Loans and advances from customers							
Corporate lending	13,749,372	-	-	12,557,541	13,076,965	25,634,506	94,786
Small business lending	40,733,987	960,619	-	103,010,571	(44,068,951)	60,063,228	1,796,947
Consumer lending	8,168,224	-	754,805	15,078,479	(12,688,028)	10,727,520	101,627
Total	**62,651,583**	**960,619**	**754,805**	**130,646,591**	**(43,680,014)**	**96,425,254**	**1,993,360**
Financial guarantees	2,073,759	2,135,000	-	-	(520,051)	2,407,884	-

38.4. Liquidity risk and funding management

Liquidity risk is defined as the risk that the Bank does not have sufficient liquid financial resources to meet obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to the Bank on acceptable terms. To limit this risk, management has arranged for diversified funding sources in addition to its core deposit base and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis. The Bank has developed internal control processes and contingency plans for managing liquidity risk.

The ALCO is responsible for managing the Bank's liquidity risk through comprehensive policies, governance and review procedures, stress testing, monitoring of limit sets to ensure these are in line with the overall liquidity risk appetite and strategy of the Bank. The treasury department of the bankis responsible for working with other departments within the Bank to ensure the liquidity risk strategy is executed. This incorporates an assessment of expected cash flows and the availability of high- grade collateral which could be used to secure additional funding, if required.

The Bank maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption in cash flow. The Bank also has lines of credit that it can access to meet liquidity needs. Net liquid assets consist of cash, short–term bank deposits and liquid debt securities available for immediate sale, less deposit for banks and other issued securities and borrowings due to mature within the next month. The ratios during the year were, as follows:

38.4.1. Liquidity ratios

Advances to deposit ratios

	2023	2022
Year-end	85.47%	81.62%
Maximum	85.47%	82.10%
Minimum	81.00%	78.00%
Average	83.23%	80.15%

38. RISK MANAGEMENT (continued)

38.4. Liquidity risk and funding management (continued)

Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR)

The Bank actively monitors its liquidity profile through the use of two critical ratios: the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR), both of which are prescribed by the Basel Committee on Banking Supervision to ensure that financial institutions maintain a robust liquidity framework. The LCR is calculated on a daily basis and measures the adequacy of the Bank's High-Quality Liquid Assets (HQLA) to withstand a 30-day period of acute liquidity stress. Essentially, it assesses whether the Bank has sufficient liquid assets to cover potential cash outflows during a short-term financial stress scenario. The higher the LCR, the more resilient the Bank is to short-term liquidity shocks. At the end of the year, the Bank's LCR stood at an impressive 450%, significantly up from 360% in 2023, indicating an improvement in its ability to handle immediate liquidity pressures.

On the other hand, the NSFR, which is calculated on a monthly basis, is designed to measure the stability of the Bank's funding sources over a longer horizon, typically 12 months. This ratio ensures that the Bank has access to stable, long-term funding relative to the liquidity needs of its assets, thereby enhancing its ability to endure extended periods of market stress. A higher NSFR indicates better preparedness to withstand prolonged disruptions in the funding markets. The Bank's NSFR improved from 254% in 2023 to 283% at year-end, signaling a stronger position in terms of long-term funding stability. Together, these ratios demonstrate the Bank's strengthened liquidity and funding profile, reflecting its capacity to navigate both short-term liquidity challenges and longer-term financial stability concerns.

38.4.2. Stress Testing

As part of the Bank's risk management framework, stress testing is conducted to evaluate the liquidity position under a range of potential scenarios, considering both general market stress factors and specific risks that could impact the Bank. This comprehensive approach ensures that the Bank is prepared for various stress conditions, whether they arise from broader market disruptions or from factors unique to the Bank's operations. Stress testing results, including liquidity mismatch reports, are regularly reported and reviewed by the Risk Management team to identify any vulnerabilities. These results are also periodically reviewed by key decision-making bodies, including the Asset and Liability Committee (ALCO), the Executive Committee, and the Risk Committee, to ensure a proactive approach in maintaining liquidity resilience and addressing any emerging risks.

38.4.3. Analysis of financial assets and liabilities by remaining contractual maturities

The Bank provides an analysis of its financial assets and liabilities by remaining contractual maturities to offer insight into its liquidity profile and potential funding needs. The table below summarizes the maturity profile as of 31 December 2024, outlining the expected timing of cash inflows from financial assets and the undiscounted cash outflows related to its financial liabilities. For liabilities with repayment terms subject to notice, the Bank treats them as if the notice were given immediately. However, it is important to note that the Bank does not expect many customers to request repayment on the earliest date possible. Therefore, the table reflects contractual maturities and does not account for expected cash flows, which are influenced by the Bank's historical deposit retention patterns. This distinction highlights the difference between the Bank's contractual obligations and its anticipated liquidity needs, providing a more comprehensive view of its financial position..

38. RISK MANAGEMENT (continued)

Liquidity risk analysis 31 December, 2024	1 - 3 Months TZS`000	4 - 6 Months TZS`000	7 - 12 Months TZS`000	Above 1 Years TZS`000	Total TZS`000
Financial assets					
Cash and balances with Bank of Tanzania	10,400,773	-	-		10,400,773
Placements and balances with other banks	10,162,525	-	3,974,630	-	14,137,155
Government Securities	3,100,000	1,500,000	2,001,992	22,788,546	29,390,539
Loans and advances from customers	1,752,362	6,345,474	10,131,051	70,677,205	88,906,092
Other assets	2,515,768	-			2,515,768
Total	**27,931,428**	**7,845,474**	**16,107,674**	**93,465,751**	**145,350,328**
Financial liabilities					
Deposits	14,303,360	33,566,324	38,758,364	17,396,093	104,024,141
Borrowings	0	557,009	205,452	20,805,498	21,567,959
Other liabilities	2,762,650	0	-		2,762,650
Total	**17,066,010**	**34,123,333**	**38,963,816**	**38,201,591**	**128,354,751**
Liquidity gap as at 31December, 2024	**10,865,418**	**(26,277,859)**	**(22,856,142)**	**55,264,160**	**16,995,577**

38. RISK MANAGEMENT (continued)

Liquidity risk analysis 31 December, 2023	1 - 3 Months TZS`000	4 - 6 Months TZS`000	7 - 12 Months TZS`000	Above 1 Years TZS`000	Total TZS`000
Financial assets					
Cash and balances with Bank of Tanzania	7,056,211	-	-		7,056,211
Placements and balances with other banks	4,078,226	3,200,000	4,345,000	-	11,623,226
Government Securities	2,640,555	2,151,895	2,268,555	18,367,328	25,428,332
Loans and advances from customers	1,752,362	6,345,474	10,131,051	55,869,913	74,098,800
Other assets		2,503,519			2,503,519
Total	**8,471,143**	**4,214,175**	**16,744,606**	**74,237,241**	**113,653,877**
Financial liabilities					
Deposits	43,987,486	17,875,956	27,854,923	1,069,582	90,787,947
Borrowings		1,807,637	0	10,873,363	12,681,000
Other liabilities	2,116,377	0	-		2,116,377
Total	**46,103,863**	**19,683,593**	**27,854,923**	**11,942,945**	**105,585,323**
Liquidity gap as at 31December, 2023	**(37,632,719)**	**(5,482,706)**	**(11,110,317)**	**62,294,296**	**8,068,554**

RISK MANAGEMENT (continued)

38.4. Liquidity risk and funding management (continued)

The table below shows the liquidity position of the bank as at the end of the year 31 December 2024.

	2024 TZS`000	2023 TZS`000
Total Liability	**104,469,496**	**91,319,947**
Total liquid assets held	30,805,860	25,770,066
Liquidity ratio	29.49%	28.22%
Regulatory requirement	20%	20%

38.4.4 Assets held for managing liquidity risk

The Bank's assets held for managing liquidity risk are as follows:

- Cash and balances held with Bank of Tanzania (excluding SMR);
- Treasury bills;
- Placements with other banks; and
- In normal course of business, a proportion of customers' loans contractually repayable within one year will be extended. The Bank will also be able to meet unexpected net cash flows by selling securities and accessing additional funding sources such as asset backed market.

Liquid Assets held	2024 TZS'000'	2023 TZS'000'
Cash and Balance with BOT (excl. SMR) Note 15	11,715,860	7,945,066
Placements with other banks	12,590,000	11,120,000
Government securities (maturing within 1 year, non-encumbered)	6,500,000	6,705,000
	30,805,860	**25,770,066**

38.5. Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuatedue to changes in market variables such as interest rates, foreign exchange rates and equity prices.
The Bank classifies exposures to market risk into either trading (the Trading book) or non–trading (the Banking book) portfolios and manages each of those portfolios separately.

The market risk for the trading portfolio is managed and monitored using value at risk (VaR), that reflects the interdependency between risk variables as set out in Note 48.6.2.

The Bank's risk management strategy for its Banking book is different for each of the following categories of market risk and is set out in the subsequent subsections of these financial statements, asfollows:

- Interest rate risk;
- Prepayment risk; and
- Currency risk.

38. RISK MANAGEMENT (continued)

38.5. Market risk (continued)

Market risk limits are set and continuously reviewed by the risk department of the Bank's Risk Management Unit. As a part of their established risk management process, the market risk is monitored using early signs of possible changes in market conditions such as: anticipated and actual changes to interest rates; socio-economic factors driving loan prepayment behaviours; and economic and geopolitical factors driving currency and equity price movements. Market risk limits are ultimately approved by the Board.

At an operational level, market risk is primarily managed by the Bank's treasury department, which is responsible for ensuring that the Bank's exposures are in compliance with market risk limits approved by the Board and to take adequate actions when necessary.

a. Market risk measurement techniques
The objective of market risk measurement is to manage and control market risk exposures within acceptable limits while optimizing the return on risk. The Bank's Finance department is responsible for the development of detailed risk management policies while Treasury is responsible for day-to-day implementation of those policies. The Bank applies stress testing analysis in measuring exposure to market risk for the purpose of managing and controlling market risk exposures within acceptable limits while optimizing the return on investment.

b. Stress tests
Stress tests provide an indication of the potential size of losses that could arise in extreme or worst-case conditions. The Bank applies risk factor stress testing, where stress movements are applied to each risk category. The Bank carries out stress testing quarterly to determine whether it has enough capital to withstand adverse developments. This is for the purpose of alerting the Bank's Management to unfavourable unexpected outcomes related to various risks and provides an indication of how much capital might be needed to absorb losses should large shocks occur. The results are meant to indicate weak spots in the risks tested at an early stage and to guide preventative actions by the Bank. Stress testing isdone to supplement the Bank's other risk management approaches and measures.

38.5.1 Foreign exchange risk

Foreign exchange risk arises from fluctuations in currency exchange rates, which can affect the Bank's financial position and cash flows. To manage this risk, the Asset and Liability Committee (ALCO) sets exposure limits for each currency and monitors them on a daily basis to ensure that the Bank's positions stay within these limits. As of 31 December 2024, the Bank's exposure to foreign exchange risk is reflected in a net on-balance sheet position of TZS 140,861,464. The largest portion of this exposure is in USD, with smaller amounts in EUR and other currencies.

The net on-balance sheet foreign exchange position represents a positive difference between the Bank's foreign currency assets and liabilities. This position accounts for 0.76% of the Bank's core capital, which is TZS 18,417,475,332. This relatively small proportion indicates that while the Bank does have exposure to foreign currency fluctuations, the risk is manageable in relation to its total capital base.

To mitigate the impact of potential foreign exchange movements on liquidity and profitability, the Bank has established active management strategies. These strategies, including regular monitoring and appropriate hedging techniques, help minimize the risk of adverse effects on the Bank's financial performance and ensure a stable liquidity position despite foreign currency volatility. The Bank's approach to managing foreign exchange risk is designed to safeguard its financial stability while optimizing its performance in the face of currency fluctuations.

38. RISK MANAGEMENT (continued)

31 December, 2024	USD TZS' 000	EUR TZS'000	Others TZS '000	Total TZS '000
Assets				
Cash and balances with Bank of Tanzania	251,262	27,315	13,507	292,084
Balances with other banks	4,993,666			4,993,666
Other assets	-	-	-	-
Total financial assets	**5,244,928**	**27,315**	**13,507**	**5,285,750**
Liabilities				
Deposits from customers	5,143,223	1,650	15.6284147	5,144,889
Other liabilities				0
Total financial liabilities	**5,143,223**	**1,650**	**16**	**5,144,889**
Net on-balance sheet position	**101,705**	**25,665**	**13,492**	**140,861**

31 December, 2023	USD TZS' 000	EUR TZS'000	Others TZS '000	Total TZS '000
Assets				
Cash and balances with Bank of Tanzania	144,658	24,470	6,462	175,590
Balances with other banks	4,576,987	19,567	20,782	4,617,336
Other assets	-	-	-	-
Total financial assets	**4,721,645**	**44,037**	**27,244**	**4,792,926**
Liabilities				
Deposits from customers	5,167,898	1,976	298	5,170,172
Other liabilities	26,598			26,598
Total financial liabilities	**5,194,496**	**1,976**	**298**	**5,196,770**
Net on-balance sheet position	**(472,851)**	**42,061**	**26,946**	**(403,844)**

38.5.1 Foreign exchange risk

Foreign exchange sensitivity analysis

As of December 2024, the Bank has conducted a foreign exchange sensitivity analysis to assess the impact of fluctuations in the Tanzania Shilling (TZS) against major currencies, specifically the US Dollar and Euro. If the TZS had weakened or strengthened by 10% against the US Dollar, with all other variables held constant, the Bank's post-tax profit would have been impacted by TZS 10,170,526. Similarly, a 10% change in the value of the TZS against the Euro would have caused a change in the post-tax profit of TZS 2,566,452. These variations primarily stem from foreign exchange gains or losses resulting from the Bank's transactions involving US Dollar-denominated cash and balances with the Bank of Tanzania, placements with other banks, and customer deposits and other liabilities. The analysis demonstrates the Bank's sensitivity to currency movements, emphasizing how exchange rate fluctuations can influence its financial performance, particularly regarding its foreign currency assets and liabilities. Furthermore, the Bank is not currently exposed to equity securities price risk, as it has no investment in shares. This lack of equity exposure means that fluctuations in equity markets do not pose a risk to the Bank's financial position, limiting its overall exposure to price risk. The combination of these factors allows the Bank to maintain a relatively stable risk profile, with a clear understanding of its sensitivity to currency movements and limited vulnerability to price changes in the equity markets.

38. RISK MANAGEMENT (continued)

38.5.2 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 fair value of afinancial 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 as a result of such changes but may produce losses in the event that unexpected movements arise. The Bank’s Board sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is regularly monitored by an independent Risk and Compliance department and reported regularly to ALCO and the Board. The interest rate gap is within internal limits.

With all other variables held constant, if the interest rates prevailing during the year shifted by 100 basis points on Bank’s interest-bearing assets and liabilities, profit before tax would be lower or higher by TZS. 1,121,807,232 (2023: TZS 440,397,000) and equity will be impacted by TZS 1,121,807,232 (2023: TZS 440,397,000)

38. RISK MANAGEMENT (continued)

38.5.3 Interest rate risk (Continued)

Interest rate sensitivity gap

The table below summarizes 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 an interest rate risk on off balance sheet items.

At 31December 2024	1 - 3 Months TZS`000	4 - 6 Months TZS`000	7 - 12 Months TZS`000	Above 1 Year TZS`000	Non-interest Bearing TZS`000	Total TZS`000
ASSETS						
Cash and balances with Bank of Tanzania	-	-	-	-	10,400,773	10,400,773
Placement and Balances with other Banks	13,258,929	0	0	-	878,226	14,137,155
Government securities	3,100,000	1,500,000	2,001,992	22,788,546	-	29,390,539
Loans and advances from customers	1,752,362	6,345,474	10,131,051	70,677,205	-	88,906,092
Other assets					2,515,768	2,515,768
Total financial assets	**18,111,291**	**7,845,474**	**12,133,043**	**93,465,751**	**13,794,768**	**145,350,328**
LIABILITIES						
Deposits from customers	14,303,360	33,566,324	38,758,364	17,396,093		104,024,141
Borrowings		557,009	0	20,805,498		21,362,508
Other liabilities	-	-	-	-	2,762,650	2,762,650
Total financial liabilities	**14,303,360**	**34,123,333**	**38,758,364**	**38,201,591**	**2,762,650**	**128,149,299**
Interest rate sensitivity gap as at 31 Dec 2024	**3,807,931**	**(26,277,859)**	**(26,625,321)**	**55,264,160**	**11,032,118**	**17,201,028**
Absolute net amount of Interest bearing	**3,807,931**	**26,277,859**	**26,625,321**	**55,264,160**	**11,032,118**	**111,975,272**

38. RISK MANAGEMENT (continued)

Impact of Interest rate sensitivity to Capital and Profit (shift by 100bps)	**38,079**	**262,779**	**266,253**	**552,642**	**-**	**1,119,753**

38. RISK MANAGEMENT (continued)

38.5.3 Interest rate risk (continued)

At 31December 2023	1 - 3 Months TZS`000	4 - 6 Months TZS`000	7 - 12 Months TZS`000	Above 1 Year TZS`000	Non-interest Bearing TZS`000	Total TZS`000
ASSETS						
Cash and balances with Bank of Tanzania	-	-	-	-	7,056,211	7,056,211
Placement and Balances with other Banks	10,745,000	0	0	-	878,226	11,623,226
Government securities	2,640,555	2,151,895	2,268,555	18,367,328	-	25,428,332
Loans and advances from customers	1,752,362	6,345,474	10,131,051	55,869,913	-	74,098,800
Other assets					1,567,035	1,567,035
Total financial assets	**15,137,917**	**8,497,369**	**12,399,606**	**74,237,241**	**9,501,472**	**119,773,604**
LIABILITIES						
Deposits from customers	43,987,486	17,875,956	27,854,923	1,069,582		90,787,947
Borrowings		1,807,637	0	10,873,363		12,681,000
Other liabilities	-	-	-	-	1,851,217	1,851,217
Total financial liabilities	**43,987,486**	**19,683,593**	**27,854,923**	**11,942,945**	**1,851,217**	**105,320,164**
Interest rate sensitivity gap as at 31 Dec 2023	**(28,849,569)**	**(11,186,224)**	**(15,455,317)**	**62,294,296**	**7,650,255**	**14,453,440**

38.5.4. Market risk – Banking book

The Bank's primary business model is to collect deposits and use these funds to provide loans and other funding products and debt instruments to its customers. Interest rate risk is the impact that changes in interest rates could have on the Bank's margins, profit or loss, and equity. Interest risk arises from the mismatch of interest payable on the Bank's liabilities and the interest earned on its assets.

The Bank's asset-liability profile of its banking book is such that:

- Interest on deposits is primarily either floating or their maturities are so short term that behave/or is similar to floating rate instruments;
- Interest rates payable on issued debt are primarily fixed; and
- The Bank's loan portfolio is a mixture of fixed and floating rates instruments.

As a part of the Bank's risk management strategy, the Board has established limits on the non–trading interest rate gaps for the interest rate sensitivities, as set out in Note 37.5.3. These limits are consistent with the Bank's enterprise risk appetite and the Bank aligns its hedge accounting objectives to keep exposures within those limits.

38. RISK MANAGEMENT (continued)

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments

31 December 2024	On demand TZS'000'	1 - 3 months TZS'000'	4 - 12 months TZS'000'	1 - 5 years TZS'000'	Over 5 years TZS'000'	Total TZS'000'
Guarantee and performance bonds	476,695	199,810	539,220	0	-	1,215,725
Undrawn credit lines and other commitments	92,283	117,977	469,503	-	-	679,764
Total Commitments and Guarantee	**568,978**	**317,787**	**1,008,723**	**0**	**-**	**1,895,489**

31 December 2023	On demand TZS'000'	1 - 3 months TZS'000'	4 - 12 months TZS'000'	1 - 5 Years TZS'000'	Over 5 years TZS'000'	Total TZS'000'
Guarantee and performance bonds	135,193	798,367	857,778	10,000	-	1,801,338
Undrawn credit lines and other commitments	337,022	365,987	-	-	-	703,009
Total Commitments and Guarantee	**472,215**	**1,164,354**	**857,778**	**10,000**	**-**	**2,504,347**

38. RISK MANAGEMENT (continued)

The following table summarizes the carrying amounts and fair values of those off statement of financial position financial assets and liabilities as at 31 December 2024

At 31 December 2024	Carrying amount	Fair Value
	TZS`000	TZS`000
Guarantee and performance bonds	1,215,725	1,215,725
Undrawn credit lines and other commitments to lend	679,764	679,764
	1,895,489	1,895,489

At 31 December2023	Carrying Amount	Fair Value
	TZS`000	TZS`000
Guarantee and performance bonds	1,801,338	1,801,338
Undrawn credit lines and other commitments to lend	703,009	703,009
	2,504,347	2,504,347

38.5.5.1. Prepayment risk

Prepayment risk primarily relates to the Bank's loan portfolio and is the risk that the Bank will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected. It includes its borrowers that repay or refinance their fixed rate loans when interest rates fall or the corporate and small business customers with prepayment options with zero or low penalties that refinance their loans when their credit quality improves to a point that they can obtain lower rates.

The Bank uses the same models and inputs that it also uses for ECL models to project the impact of varying levels of prepayment on its net interest income and distinguishes between the different reasons for repayment (e.g., relocation, refinancing and renegotiation). When estimating the prepayment rates, the Bank also takes into account the effect of any prepayment penalties, when applicable, and other socio-economic factors (interest rates house price movements, inflation rate, exchange rate, etc.) on aforward-looking basis. The model is back tested against actual outcomes.
Within its risk management framework, the Bank has introduced various measures to limit its economic losses arising from prepayment risk.

38.6. Operational and business risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, such as the use of internal audit.

38. RISK MANAGEMENT (continued)

38.7. Compliance risk

Compliance risk encompasses regulatory and legal compliance risk. Compliance risk is the risk that the Bank incurs financial or reputational risk through imposition of penalties or fines as a result of not adhering to applicable laws; rules and regulations and good market practise (including ethical standards). The Bank's compliance function proactively seeks to enhance compliance risk management and the supporting control framework. The Bank operates in a market where there is a significant level of regulatory change activity; therefore, compliance risk is a key area of focus. The risk and compliance function monitor this risk through reference to metrics relevant to the Bank, review of incident reports and assessments, risk and control assessments pertaining to the first and second lines of defence functions, results of regulatory assessments, and review of results internal auditand external audit reports. Remediation of controls is conducted in a timely manner.

38.8. Climate-related risk

Climate-related risks are potential negative impacts to the Bank, which may arising from climate change. Climate-related risks have an impact on the principal risk categories discussed above (i.e., credit, liquidity, market, and operational risks), but due to their pervasive nature have been identified and managed by the Bank on an overall basis. The Bank distinguishes between physical risks and transition risks. Physical risks arise as the result of acute weather events such as hurricanes, floods and wildfires, and longer-term shifts in climate patterns, such as sustained higher temperatures, heat waves, droughts, and rising sea levels. Transition risks arise because of measures taken to mitigate the effects of climate change and transition to a low-carbon economy – e.g., changes to laws and regulations, litigation due to failure to mitigate or adapt, and shifts in supply and demand for certain commodities, products, and services due to changes in consumer behaviour and investor demand.

The Risk department is responsible for developing policies, processes and controls including climate risks in the management of principal risk categories. The Risk department is therefore responsible for; identifying risk factors and assessing their potential impact on the Group's financial statements; and allocating responsibilities for managing each identified risk factor. The Bank has also set out principles on how to incorporate climate-related risk into stress test scenarios. The Bank has identified the following climate-related risk factors as having an impact on the financial instruments and included them in its principal risk management processes.

Industries exposed to increased transition risks: The Bank has identified industries that are subject to increased risk of climate regulation negatively affecting their business model. The Board Credit Committee has set overall lending limits for these industries.

Physical risk to real estate: The Bank has identified areas in which it operates that are exposed to increased physical risk such as hurricanes or floods. Heightened physical risk is considered in valuing collateral, such as real estate, plant or inventory. The Bank is in the process of developing models that aim to assess how borrowers' performance is linked to climate change. The Group plans to use these models in pricing credit risk and in calculating ECLs

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