# ANNUAL REPORT 2025

10 YEARS STRONGER TOGETHER

MCB BANK

BETTER TOGETHER

Mwalimu Commercial Bank Plc

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# REPORT BY THOSE CHARGED WITH GOVERNANCE

# FOR THE YEAR ENDED 31 DECEMBER 2025

**REGISTERED OFFICE**

Mezzanine Floor, Mlimani Tower,
Sam Nujoma Road,
Ubungo Municipality,
P.O. Box 61002,
Dar es Salaam, Tanzania.

| BOARD OF DIRECTORS | NATIONALITY | |
|---|---|---|
| Mr. Francis Cecil Ramadhani | Tanzanian | Chairperson |
| Mr. Celestine Leonard Muganga | Tanzanian | Vice Chairperson |
| Mr. Omary Ally Magalla | Tanzanian | Director |
| Mr. Mbaruku Hamisi Magawa | Tanzanian | Director |
| Ms. Berthasia Ladislaus Patrick | Tanzanian | Director |
| Mr. Nashon Amos Kidudu | Tanzanian | Director |
| Mr. Justine Constantine Kinyaga | Tanzanian | Director |
| Mr. Festus Nicholaus Mitimingi | Tanzanian | Director |
| Ms. Kissa Vivian Kilindu | Tanzanian | Director |

**COMPANY SECRETARY**

**Baltazar Baltazar Mbilinyi**

**LEGAL ADVISORS**

KKB Attorneys at Law,
Oyster Plaza, Second Floor,
Haille Selassie, Oyster Bay,
P.O. Box 13989,
Dar es Salaam, Tanzania.

**INDEPENDENT AUDITOR**

Auditax International,
Auditax House,
3rd Floor – Coca – Cola Road,
P.O.Box 77949,
Dar Es Salaam, Tanzania.

## 1 INTRODUCTION

The members charged with governance submit their report together with the audited annual financial statements for the year ended 31 December 2025, which disclose the state of affairs of Mwalimu Commercial Bank Plc (the "Bank").

## 2 INCORPORATION

Mwalimu Commercial Bank Plc was incorporated on 26 March 2012 in Tanzania under the Companies Act Cap 212, Act No. 12 of 2002 as a limited liability company. It was initially incorporated as a private company bearing a name Mwalimu Commercial Bank Limited that was later changed to Mwalimu Commercial Bank Plc on 26 January 2015 when it was listed on the Dar es Salaam Stock Exchange under the Enterprise Growth Market (EGM) segment. The Bank obtained a full banking license on 13 July 2016 to operate as a commercial bank under the Banking and Financial Institutions Act, 2006.

## 3 PRINCIPAL ACTIVITIES

Our principal activities are provision of a wide range of financial services and products to Tanzanian education ecosystem, its related sectors and public at larger. Bank accept deposits on current, saving and time deposits accounts as well as issuing short term, medium term and long-term loans to individual, Micro and SMEs clients and provision of other banking services such as alternative delivery channels and money transfer services as required by Banking and Financial Institution Act, 2006. The bank operates in all regions of Tanzania and is regulated by Bank of Tanzania, Tanzania Revenue Authority, Dar es salaam Stock Exchange, CMSA and Tanzania Communication Regulatory Authority.

## 4 PERFORMANCE FOR THE YEAR

In the financial year 2025 the Bank recorded a profit after tax of TZS 351.4 million compared with after tax profit of TZS 132.1 million recorded last year. The performance was mainly driven by an increase in income whereby non-interest income increased by 97%. Our operating expenses was within desired levels. Net Loans and Advances increased by 14% while total customer deposits grew by 9%. The efforts to maintain a quality loan book yielded positive results as the Bank managed to record the NPL ratio of 1.4%.

At the end of December 2025, our total capital adequacy ratio stood at 38.81%. The Bank closed the year with 2 branches and 10 regional service centers. There was no new branch opened during the year.

### 4.1 Key Performance Indicators

The following Key Performance Indicators (KPIs) are being used in measuring the delivery of the Bank's strategy and managing the business.

| Performance indicator | Definition and calculation method | 2025 | 2024 |
|---|---|---|---|
| Net Interest income. | Increase / (Decrease) in net interest income (%) | 18.66% | 0.69% |
| Operating expenditure | Increase / (Decrease) in operating expenditure (%) | 25.26% | 1.43% |
| Profit/Loss before tax | Growth/(decline) in profit before tax (%) | 122.80% | 201.20% |
| Return on equity | Net(loss) profit/Total equity | 2.07% | 0.79% |
| Return on assets | Net profit/Total assets | 0.36% | 0.15% |
| Cost to income ratio | Total costs/Net income | 94.69% | 96.94% |
| Interest margin on earning assets | Net interest income (interbank loan receivables + net loans, advances and overdraft less cost of funds) /Interest earning assets (interbank loan receivables + net loans, advances and overdraft). | 7.36% | 7.42% |
| Non - interest income to Gross income | Non - interest income/Total income | 42.70% | 27.74% |
| Gross loans to deposits | Total loans to customers/Total deposits | 87.28% | 83.75% |
| Non - performing loans to gross loans | Non - performing loans/Gross loans and advances | 1.44% | 2.15% |
| Earning assets to total assets | Sum interbank placements and loans/Total assets | 76.32% | 81.55% |
| Growth in total assets | Trend (2025 total assets – 2024 total assets/2024total assets) % | 9.25% | 9.64% |
| Growth in loans and advances to customers | Trend (2025 loans and advances – 2024 loans and advances)/2024 loans and advances) % | 13.91% | -8.05% |
| Growth in customer deposits | Trend (2025 customer deposits – 2024 customer deposits)/ (2023 customer deposits) % | 9.30% | 12.96% |
| **Capital adequacy** | | | |
| Tier 1 Capital | Core capital /Risk weighted assets including Off statement of financial position items | 37.10% | 29.79% |
| Tier 1+Tier 2 Capital | Total capital /Risk Weighted assets including off- statement of financial position items | 37.10% | 29.79% |

## 5 RESULTS AND DIVIDENDS

The directors do not propose payment of dividends for the year 2025.

## 6 BANK VISION, MISSION, AND STRATEGIC PLANS

### Bank's Vision

To be the preferred financial solution provider in Tanzania.

### Bank's Mission

To provide innovative financial services to the Tanzanian education ecosystem and related sectors, so as to benefit the society.

### Bank's core values

- **Customer Focus:** Everything we do should add value to the customer
- **Teamwork:** Our approach is collaborative
- **Innovation:** We are innovative in our approach
- **Efficiency:** Provide services in a cost effective and timely manner; and
- **Integrity:** We observe high levels of integrity in all our actions.

### Bank Strategic Plans

Mwalimu Commercial Bank Plc goal is to become a deposit led retail bank that provides services to the education ecosystem and related sectors. To ensure attainment of its strategic objectives the bank has the following ultimate goals:

- **Transformation growth** – grow customer deposits and loan book, enhance brand awareness, and expand transactional banking base
- **Maximizing shareholder and market value** – by generating sustainable earnings
- **Digitization of the bank** – expanding footprints through digital platforms
- **Operational efficiency** – enhance processes, products and services offering to improve customer experience and reduce operational costs and
- **Customer service excellence** – innovative solution based on customer needs, improve responsiveness, and introduce more value-added service.

## 7 ACTUAL PERFORMANCE AGAINST BUDGET

### Income Statement

During the year the bank posted a cumulative Profit before tax of TZS 486.5 million compared with TZS 440.6 million profit before tax budgeted during the year. A summary of the profit and loss statement is shown in the table below.

| Amounts in Million TZS | Actual 2025 | Budget 2025 | Variance (%) |
|---|---|---|---|
| Interest income | 12,320,459 | 11,975,269 | 3% |
| Interest expenses | (6,834,587) | (6,714,870) | 2% |
| Net imparment Charges | (414,308) | (250,000) | 66% |
| Net interest income | 5,071,564 | 5,010,399 | 1% |
| Non funded income | 4,088,711 | 3,954,696 | 3% |
| Total operating expenses | (8,673,694) | (8,524,501) | 2% |
| **Pre-Tax Profit** | **486,582** | **440,594** | **10%** |

**Balance Sheet** The balance sheet size reached TZS 97.7 billion in December 2025; however, it was behind the budget by 4% as the bank could not reach target on the loan book. The table below shows a summary of the balance sheet performance during the year compared with budget.

| Amounts in TZS Million | Actual 2025 | Budget 2025 | Variance (%) |
|---|---|---|---|
| Cash and balances with Bank of Tanzar | 18,936,962 | 20,498,865 | -8% |
| Loans and advances to banks | 9,042,221 | 6,949,654 | 30% |
| Loans and advances to customers | 65,519,474 | 70,164,620 | -7% |
| Other assets | 4,173,237 | 4,442,173 | -6% |
| **Total assets** | **97,671,894** | **102,055,312** | **-4%** |
| Deposits from customers | 75,072,342 | 73,621,189 | 2% |
| Interbank Borrowings | 3,575,374 | 3,492,302 | 2% |
| Other liabilities | 2,022,779 | 8,007,130 | -75% |
| Total liabilities | 80,670,495 | 85,120,621 | -5% |
| Share capital | 37,912,460 | 37,912,460 | 0% |
| Accumulated losses | (20,931,842) | (20,977,769) | 0% |
| **Total liabilities and equity** | **97,671,894** | **102,055,312** | **-4%** |

## 8 LIQUIDITY

Liquidity risk is defined as the potential for loss to the bank arising from its inability to meet its obligations as they fall due. Better liquidity management assures the bank's continuity and ability to meet obligations and growth. The Asset and Liability Committee (ALCO) is fully responsible for managing bank liquidity, the committee meets every month to discuss among other things the maturities and funding structures of the bank. Bank liquidity was stable during the year and was able to meet all mature obligations as well as issue loans and serve customers' demands. The highest liquid assets, that is cash and cash equivalents, increased during the year, indicating a stable liquidity position and the bank complied with regulatory liquidity requirements throughout the year. The bank liquidity is sourced from deposits from individual customers, corporate customers, institutional deposits, anchor shareholders and retirees pension funds.

## 9 OPERATING ENVIRONMENT

The global economy continues to be steady year by year as inflation has moderated, private consumption has been sustained, and monetary policy has been effective. Nevertheless, short- and medium-term growth prospects are challenged by rising geopolitical risks and growing policy uncertainty. Although the global economy is in better shape now, it is still underperforming due to ongoing tight financial conditions and a slowing Chinese economy. Also, rising geopolitical tensions, trade protectionist policy and climate shocks represent major upside risks for global inflation and downside risks to the global baseline outlook.

Domestic economic conditions have been improving. The economy is expected to continue improving. The robust growth is consistent with the improving global conditions. In addition, growth will be reinforced by improving agricultural activities due to the availability of inputs (fertilizers and quality seeds) and pesticides, as well as investment in irrigation schemes. Construction is also expected to continue driving growth, owing to the construction of SGR, roads, airports and residential buildings.

Inflation has remained low, below the target of 5 percent, and is projected at 3.2 percent in the fourth quarter of 2026. The risk to inflation is low due to adequate food supply. Core inflation is projected at 3.1 percent. Inflation in Zanzibar is projected to be consistent with the target of 5 percent.

## 10 TECHNOLOGY AND INNOVATION

Mwalimu Commercial Bank Plc continues to embrace technology and innovation through internal investment and partnership as guided by bank strategic plan (SP2021-25). During the year the bank has managed initiated compliance with the Bank of Tanzania requirements of submitting is financial information through the bank of Tanzania's Real-Time Supervisory Information System (RTSIS). However, the exercise is still in progress and expected to complete by early 2026. The bank will continue to invest in technology pursuant to fulfil the desire to be deposit lead digital bank.

## 11 RELATIONSHIP WITH KEY STAKEHOLDERS

When executing its strategic objectives, the bank comes across various stakeholders who are crucial for its success. The bank highly values these stakeholders as our ability to provide banking services depends much on their wellbeing.

**Shareholders –** their expectation is to see sustainable business growth and see their investments add value. Our role is to ensure we make proper decisions that will meet their expectations.

**Customers –** Expected to obtain superior banking services in a timely manner and our role is to ensure customer satisfaction and retention.

**Employees –** expect a healthy work environment, good relationships, and good remuneration.

**Regulators always expect** compliance and our role is to ensure we work within required guidelines and procedures.

## 12 CAPITAL STRUCTURE

The bank is listed at the Dar es Salaam Stock Exchange, and it is actively trading in the stock exchange. Capital structure of the Bank for the year under audit is as shown below:

**Authorized -**

The authorized share capital comprises 1,000,000,000 ordinary shares of par value of TZS 500 each.

**Issued and fully paid**

The Bank's issued and fully paid capital is 61,824,920 ordinary shares of TZS 500 each.

**Shareholders of the Bank**

The Bank has institutional as well as individual shareholders. As of 31 December 2025, shareholding structure was as follows:

| Name of shareholder | 2025 | 2024 | Share Holding |
|---|---|---|---|
| Founder Teachers | 21,813,000 | 21,813,000 | 35.29% |
| National Health Insurance Fund | 10,000,000 | 10,000,000 | 16.18% |
| Public Service Pensions Fund | 10,000,000 | 10,000,000 | 16.17% |
| General Public | 10,011,920 | 10,011,920 | 16.19% |
| Tanzania Teachers' Union | 8,000,000 | 8,000,000 | 12.94% |
| Teachers' Development Company Ltd | 2,000,000 | 2,000,000 | 3.23% |
| | **61,824,920** | **61,824,920** | **100.00%** |

**Capital Management**

Capital Adequacy is monitored monthly by comparing the minimum required capital as per the Banking and Financial Institutions (Capital Adequacy Regulations, 2023) and the Banking and Financial Institutions Act, 2006 to the available capital to ensure there is sufficient capital to meet regulatory and future growth requirements. As at 31 December 2025, the capital position of the Bank was adequate to meet both Tier 1 and 2 regulatory and internal minimum capital requirements. The regulatory capital computation is disclosed on Note 30 to the annual financial statements.

**Capital Restoration Plan**

The bank continues with capital restoration in the form of right issue of shares, the same is plan to be finalized by the end of quarter one (2),2026.

**Updates on Implementation of Basel II**

Bank of Tanzania in November 2023 issued new guidelines for implementation of Basel II which requires banks to conduct Internal Capital Adequacy Assessment process. As at the end of December 2023 the bank started implementation of new guidelines.

## 13 PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks that may significantly affect the Bank's strategies and development are mainly operational, fraud and financial risks. Below we provide a description of the fraud, operational, and financial risks facing the Bank.

**Fraud risk**

Fraudulent transactions pose a risk for the bank. However, the bank has implemented several measures to contain the probability and impact of this risk.

**Operational risk**

This is a risk resulting from the Bank's activities not being conducted in accordance with formally recognized procedures including non-compliance with Know Your Customer (KYC) and account opening procedures. Management ensures that the Bank complies with KYC and other internal procedures.

**Financial risk**

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance, and management of some degree of risk or combination of risks. More details of the financial risks facing the Bank are provided in Note 30 to the annual financial statements.

## 14 RISK MANAGEMENT AND INTERNAL CONTROL

The Board accepts final responsibility for the risk management and internal control systems of the Bank. It is the task of management to ensure that adequate internal financial and operational control systems are developed and maintained on an on-going 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 behaviors towards all stakeholders.

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance of such measures by staff. Whilst no system of internal control can provide absolute assurance against misstatement or losses, the Bank system is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively.

## 15 SOLVENCY AND GOING CONCERN

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

## 16 CORPORATE GOVERNANCE

The Bank continues to advocate an integrated approach to corporate governance as evidenced by the governance framework. An effective and independent Board provides strategic direction and has ultimate responsibility for the establishment and functioning of the Bank. The Bank had nine (9) directors who served the office during the year. The Board takes overall responsibility for the Bank, including responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters, and reviewing the performance of management, business plans and budgets. The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is in place and operative, and for compliance with sound corporate governance principles.

The Bank is committed to the principles of effective corporate governance. The directors also recognize the importance of integrity, transparency and accountability. Board delegated authorities are reviewed regularly, and directors have full access to board documentation. The members charged with Governance at the date of this report, who have served in the office since 1st January 2023, except where otherwise stated are:

| Name | Position | Age | National-ity | Qualifications | Appointed/Re-tired |
|---|---|---|---|---|---|
| Mr. Francis Cecil Ramadhani | Chairman | 49 | Tanzanian | LLM and LLB International Law & International Business Law | 17 April 2019 |
| Mr. Celestine Leonard Muganga | Vice Chairman | 58 | Tanzanian | MSc. Finance, BA (Economics) | 30 August 2018 |
| Ms. Kissa Vivian Kilindu | Director | 53 | Tanzanian | Master of Business Administration (MBA), BEng – Electrical & Electronic Eng. | 23 December 2020 |
| Mr. Omary Ally Magalla | Director | 43 | Tanzanian | Bachelor of Commerce with Education | 24 April 2020 |
| Mr. Festus Nicholaus Mitimingi | Director | 60 | Tanzanian | Bachelor of Commerce and Manage-ment | 31 March 2020/ 24 August 2023 |
| Mr. Justine Costantino Kinyaga | Director | 49 | Tanzanian | Master of Science in Mathematics, Bed - mathematics | 20 April 2020 / 24 August 2023 |
| Mr. Nashon Amos Kidudu | Director | 42 | Tanzanian | Bachelor of Education,Geography and English,Diploma ofEducation Geogra-phy and English | 26 July 2024 |
| Mr. Mbaruku Hamisi Magawa | Director | 57 | Tanzanian | Master of Business Administration (MBA), BCom (Marketing) | 24 Sept 2020 |
| Ms. Berthasia Ladis-laus Patrick | Director | 40 | Tanzanian | CCPA-PP, MBA-Finance BCom. (Ac-counting) | 30 Nov 2023 |

## 16 CORPORATE GOVERNANCE (CONTINUED)

### The Board of Directors Meetings

The Board is required to meet at least four (4) times a year as a best practice. During the year it met four times in ordinary meetings. Tables below show attendance of board of directors' meetings.

| Name | Total meetings attended during the year |
|---|---|
| Mr. Francis Cecil Ramadhani | 6/6 |
| Mr. Celestine Leonard Muganga | 3/6 |
| Ms. Kissa Vivian Kilindu | 6/6 |
| Mr. Omary Ally Magalla | 6/6 |
| Mr. Festus Nicholaus Mitimingi | 6/6 |
| Mr. Justine Costantino Kinyaga | 6/6 |
| Mr. Nashon Amos Kidudu | 2/6 |
| Mr. Mbaruku Hamisi Magawa | 3/6 |
| Ms. Berthasia Ladislaus Patrick | 6/6 |

### Board Audit and Risk Committee

The Board Audit and Risk Committee reviewed significant accounting policies and financial reporting systems to ensure that they are adequate and are always complied with. It reviewed adequacy of internal control systems and monitored implementation of actions to address issues raised by internal auditors, BOT examination and external auditors.

Below is the composition of the Board audit and risk committee members.

| Name | Position | Age | Qualification | No. of Meetings |
|---|---|---|---|---|
| Ms. Berthasia LadislausPatrick | Chairperson | 40 | CCPA-PP, MBA-Finance Bcom. Acc | 7/7 |
| Mr. Nashon Amos Kidudu | Member | 42 | Bachelor of Education,Geography and English,Diploma ofEducation Geography and English | 1/7 |
| Ms. Kissa Vivian Kilindu | Member | 53 | Master of Business Administration | 5/7 |
| Mr. Justine Costantino Kinyaga | Member | 49 | Master of Science in Mathematics | 5/5 |

### Board Credit Committee

The Committee reviews the Credit Policy and ensures that it contains sound fundamental principles that facilitate the identification, measurement, monitoring, and control of credit risk as well as having appropriate plans and strategies for credit risk management. Also monitors performance and quality of the credit portfolio and approves loans facilities that are beyond management limits.

## 16 CORPORATE GOVERNANCES (CONTINUED)

Below is the composition of the Board credit committee members;

| Name | Position | Age | Qualification | No of Meetings |
|---|---|---|---|---|
| Mr. Mbaruku Hamisi Magawa | Chairperson | 57 | Master of Business Administration (MBA Bcom Marketing) | 4/4 |
| Mr. Omary Ally Magalla | Member | 43 | Bachelor of Commerce with Education | 4/4 |
| Mr. Celestine Leonard Muganga | Member | 58 | MSc. Finance, BA (Economics) | 2/4 |
| Mr. Festus Nicholaus Mitimingi | Member | 60 | Bachelor of Commerce | 4/4 |

### Board Nomination, Remuneration & Operations Committee

The nomination remuneration & Operations committee is responsible for the corporate governance of an organization and a review of banks' day to day operations.

Below is the composition of the Board nomination, remuneration and operations committee members.

| Name | Position | Age | Qualification | No. of Meetings |
|---|---|---|---|---|
| Mr. Celestine Leonard Muganga | Chairperson | 58 | MSc. Finance, BA (Economics) | 1/4 |
| Mr. Mbaruku Hamisi Magawa | Member | 57 | Master of Business Administration (MBA Bcom Marketing) | 4/4 |
| Mr. Omary Ally Magalla | Member | 43 | Bachelor of Commerce with Education | 4/4 |
| Mr. Festus Nicholaus Mitimingi | Member | 60 | Bachelor of Commerce | 4/4 |

### Directors' interest in the Banks' Shares'

A list of directors who hold shares in the bank as of 31 December 2025 are shown in the table below.

| Name of the director | Number of shares held 2025 | Number of shares held 2024 |
|---|---|---|
| Mr. Omary Ally Magalla | 1210 | 100 |
| Mr. Justine Costantino Kinyaga | 100 | 100 |
| Mr. Festus Nicholaus Mitimingi | 1040 | 210 |
| Mr. Nashon Amos Kidudu | 100 | |
| **Total shares held by directors** | **2450** | **100** |

## 16 CORPORATE GOVERNANCES (CONTINUED)

### Directors' evaluation and training

To ensure directors are up to date with current developments in the market and improve their Governance skills, the bank facilitates training course during the year. In 2025, directors did an evaluation program conducted at Mwalimu Commercial Bank Head office premises.

### Management

The management of the Bank is under the Chief Executive Officer and is organized in the following departments:

| Name | Position | Department |
|---|---|---|
| Mr. Richard Louis Makunga | Chief Executive Officer | CEO's Office |
| Mr. Mussa Shabani Mwachaga | Head of Finance | Finance and Treasury |
| Mr. Lufingo Godwin Mwakilasa | Head of Risk and Compliance | Risk and Compliance |
| Mr. Abdallah Shuwari Kirungi | Head of ICT and Operations | ICT and Operations |
| Ms.Lucklesia Kokusima Amanzi | Head of Internal Audit | Internal Audit |
| Ms. Ellyjalia Philemon Mabiki | Head of Human Resources and Administration | HR and Administration |
| Ms. Blandina Palipo Mwambyale | Head of Credit | Credit |
| Mr. Baltazar Baltazar Mbilinyi | Legal and company secretary | Legal |
| Mr. James Ngaluko Joseph | Head of Business Development and Marketing | Business and Marketing |

## 17 EMPLOYEES' WELFARE

### Management and employees' relationship

There were no unresolved complaints received from employees during the year. A healthy relationship continues to exist between management and staff.

The Bank is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, ethnicity, religion and disability which does not impair ability to discharge duties.

### Training

During the year, the Bank incurred TZS 108.6 million in training expenses (2024: TZS 56million). There are plans for the year 2025 as per bank's training needs assessment to take employees to different professional and strategic trainings to ensure they are adequately trained at all levels to upgrade skills and enhance productivity.

### Medical Assistance

All members of staff with their spouses and a maximum number of five beneficiaries for each employee were given medical insurance. Currently these services are provided by The National Health Insurance Fund.

### Health and Safety

The Bank has a strong health and safety team which ensures that a strong culture of safety prevails at all times. A safe working environment is ensured for all employees by providing adequate and proper personal protective equipment, training and supervision as necessary.

### Persons with Disabilities

Applications for employment by disabled persons are always considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Bank continues, and appropriate training is arranged. It is the policy of the bank that training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

### Employees' retirement benefits

The Bank pays contributions in respect of staff retirement benefits to statutory pension scheme namely Public Service Social Security Fund PSSSF on a mandatory basis. The Bank's obligations in respect of these contributions are limited to 10% of the employees' monthly salary while the employees contribute 10% making a total of 20% contribution.

### Gender Parity

The bank is an equal opportunity employer. As of 31 December 2025, staff gender was as depicted in the table below:

| Gender | 2025 | 2024 |
|---|---|---|
| Male | 47 | 39 |
| Female | 30 | 31 |
| **Total** | **77** | **70** |

## 18 RELATED PARTIES

All related party transactions and balances are disclosed in Note 28 to these annual financial statements.

## 19 POLITICAL AND CHARITABLE DONATIONS

No donations were made to any political institutions during the financial year ending 31 December 2025. The Bank participates in various community activities through corporate social responsibility, during the financial year ending 31 December 2025 bank contributed TZS 11.6 million (2024: 11.0 million).

## 20 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

### Introduction

Mwalimu Commercial Bank PLC (MCB) was incorporated in 2012 and is headquartered in Dar es Salaam. The Bank was established by the Tanzania Teachers' Union (TTU) to economically empower teachers, civil servants, and the public through affordable and inclusive financial services.

As part of our commitment to building a sustainable and responsible financial institution, MCB presents this sustainability reporting to guide the integration of Environmental, Social, and Governance principles into our operations, products, and decision-making processes.

This report aligns with regulatory expectations issued by the Bank of Tanzania (BOT), including the upcoming Climate-Related Risk Management Guidelines (2025).

### Governance

Mwalimu Commercial Bank Plc has established a strong governance foundation to support ESG integration. The Board demonstrates oversight through a diverse composition (33% independent members) and enhanced mandates, including ESG oversight within the Board Audit and Risk Committee (BARC). ESG has been embedded into the Bank's corporate strategy, with Risk Management designated to coordinate ESG initiatives.

Key actions include the development of an ESG Strategy, the incorporation of climate considerations into credit and onboarding processes, ongoing ESG training across all levels, and active knowledge-sharing with industry peers. The Bank also maintains a commitment to transparency through annual ESG reporting.

**Strategy**

The Bank's ESG strategy focuses on sustainability integration across operations, products, and services. Environmentally, the Bank promotes green finance and supports the transition to a low-carbon economy. Socially, it enhances financial inclusion through digital banking and financial literacy programs in collaboration with key stakeholders.

Looking ahead, strategic priorities include advancing digitalization (towards paperless operations), increasing workforce diversity, strengthening community partnerships, and aligning initiatives with the UN Sustainable Development Goals (SDGs).

**Risk Management**

ESG risk management is integrated into the Bank's core processes, particularly through environmental and climate risk assessments embedded in lending and investment decisions. Climate-related risks are also incorporated into customer onboarding and credit evaluation processes.

Additionally, the Bank is strengthening its data capabilities by collecting and enhancing carbon emissions data (Scope 1, 2, and 3) to support future transition planning and risk-informed decision-making. Below is the emission data certification that MCB will use to develop the transition plan.

MCB ESG certification report.

# ESG Risk Rating Report

**Entity Name:** Mwalimu Bank

**Entity ID:** TZMW01

**Industry Type:** Commercial Banking

**Country Name:** Tanzania

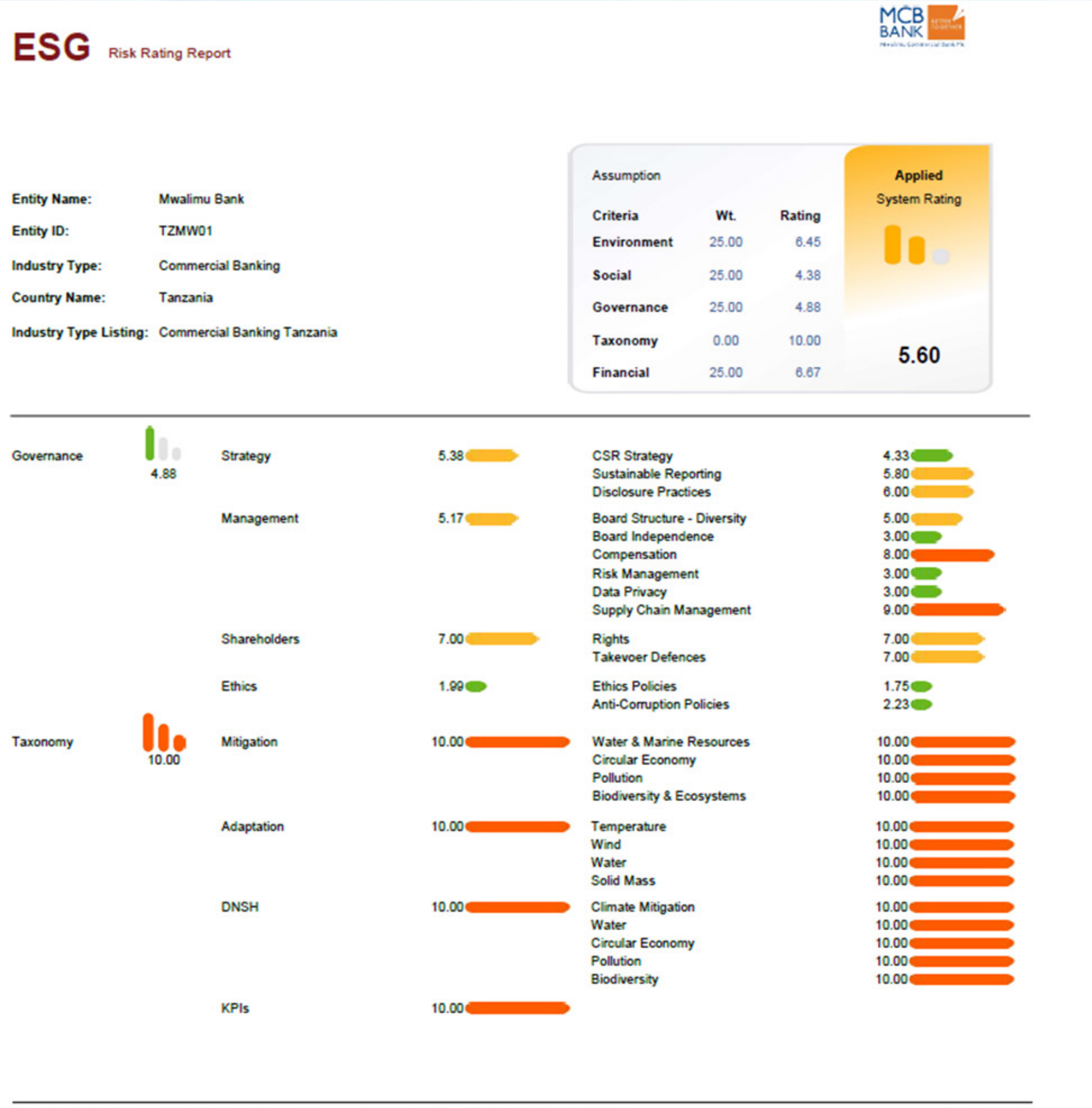
**Industry Type Listing:** Commercial Banking Tanzania

Assumption

| Criteria | Wt. | Rating |
|---|---|---|
| Environment | 25.00 | 6.45 |
| Social | 25.00 | 4.38 |
| Governance | 25.00 | 4.88 |
| Taxonomy | 0.00 | 10.00 |
| Financial | 25.00 | 6.67 |

Applied System Rating: 5.60

| Pillar | Score | Category | Score | Indicator | Score |
|---|---|---|---|---|---|
| Environment | 6.45 | Policies | 6.00 | Environmental Policies | 5.00 |
| | | | | Renewables and Recycling Policies | 7.00 |
| | | Emissions | 6.98 | CO2 | 4.33 |
| | | | | Waste | 10.00 |
| | | | | Biodiversity | 7.00 |
| | | | | Enivromental Management System | 6.60 |
| | | Innovation | 6.50 | Product Innovation | 3.00 |
| | | | | Green Revenues, R&D, Capex | 10.00 |
| | | Resource Use | 6.31 | Water | 2.09 |
| | | | | Energy | 6.67 |
| | | | | Sustainable Packaging | 10.00 |
| | | | | Environmental Supply Chain | 6.50 |
| Social | 4.38 | Community | 6.02 | Public Health | 2.00 |
| | | | | Business Ethics | 8.40 |
| | | | | Health and Safety Policies | 7.67 |
| | | Human Rights | 4.00 | Human Rights Policy | 3.00 |
| | | | | HR Suppliers and Vendors | 5.00 |
| | | Product Responsibility | 4.31 | Responsible Marketing | 7.13 |
| | | | | Product Quality | 1.50 |
| | | Workforce | 2.85 | Diversity & Inclusion:Gender Equality | 4.85 |
| | | | | Diversity & Inclusion:Gender Compensation | 3.00 |
| | | | | Diversity & Inclusion:Non-Discrimination | 4.00 |
| | | | | Career Development | 2.83 |
| | | | | Working Conditions | 2.50 |
| | | | | Health and Safety | 1.91 |
| | | | | Employee Engagement | 1.00 |
| | | Customer Engagement | 1.44 | | |
| | | Community Engagement and Chritable Policies | 7.67 | | |



**ESG** Risk Rating Report

MCB BANK

| | |
|---|---|
| Entity Name: | Mwalimu Bank |
| Entity ID: | TZMW01 |
| Industry Type: | Commercial Banking |
| Country Name: | Tanzania |
| Industry Type Listing: | Commercial Banking Tanzania |

Assumption

| Criteria | Wt. | Rating |
|---|---|---|
| Environment | 25.00 | 6.45 |
| Social | 25.00 | 4.38 |
| Governance | 25.00 | 4.88 |
| Taxonomy | 0.00 | 10.00 |
| Financial | 25.00 | 6.67 |

Applied System Rating: 5.60

| | | | | | |
|---|---|---|---|---|---|
| Governance | 4.88 | Strategy | 5.38 | CSR Strategy | 4.33 |
| | | | | Sustainable Reporting | 5.80 |
| | | | | Disclosure Practices | 6.00 |
| | | Management | 5.17 | Board Structure - Diversity | 5.00 |
| | | | | Board Independence | 3.00 |
| | | | | Compensation | 8.00 |
| | | | | Risk Management | 3.00 |
| | | | | Data Privacy | 3.00 |
| | | | | Supply Chain Management | 9.00 |
| | | Shareholders | 7.00 | Rights | 7.00 |
| | | | | Takevoer Defences | 7.00 |
| | | Ethics | 1.99 | Ethics Policies | 1.75 |
| | | | | Anti-Corruption Policies | 2.23 |
| Taxonomy | 10.00 | Mitigation | 10.00 | Water & Marine Resources | 10.00 |
| | | | | Circular Economy | 10.00 |
| | | | | Pollution | 10.00 |
| | | | | Biodiversity & Ecosystems | 10.00 |
| | | Adaptation | 10.00 | Temperature | 10.00 |
| | | | | Wind | 10.00 |
| | | | | Water | 10.00 |
| | | | | Solid Mass | 10.00 |
| | | DNSH | 10.00 | Climate Mitigation | 10.00 |
| | | | | Water | 10.00 |
| | | | | Circular Economy | 10.00 |
| | | | | Pollution | 10.00 |
| | | | | Biodiversity | 10.00 |
| | | KPIs | 10.00 | | |

### Targets and Metrics

Currently, the Bank is in the early stages of ESG adoption and has not yet defined specific KPIs for 2025. However, foundational metrics and initiatives are in place, including:

- Tracking carbon emissions across Scope 1, 2, and 3
- Achieving over 70% of transactions through digital channels (reducing paper use)
- Delivering financial literacy programs to a broad audience, so far 6000 people have been reached in our literacy program.
- Work force diversification and inclusivity on gender to 33% 67% comes to 2027.

## 20 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) (Continued)

The Bank plans to establish structured ESG KPIs in 2026, aligned with global standards and regulatory guidelines, including decarbonization targets toward net-zero emissions by 2050.

**Disclosure**

The Bank demonstrates a strong commitment to ESG transparency and accountability by integrating ESG reporting into its annual report. It ensures stakeholders have access to reliable and relevant information on ESG performance and progress.

## 21 INDEPENDENT AUDITORS

During the year, Auditax International was appointed at the Annual General Meeting and has served as the auditors of the bank for the year ended 31 December 2025.

**By order of the Board of those charged with Governance**

| | |
|---|---|
| **Francis Cecil Ramadhani**<br>**Board Chairman** | **Richard Louis Makungwa**<br>**Chief Executive Officer** |
| 27/03/ **2026** | 27/03/ **2026** |

**STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2025**

The Companies Act, Cap 212 Act No.12 of 2002 requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Bank as at the end of the financial year and of its profit or loss. It also requires the directors to ensure that the Bank keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Bank. They are also responsible for safeguarding the assets of the Bank and hence taking reasonable steps for the prevention and detection of fraud, error and other irregularities.

The directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, CAP 212 Act No.12 of 2002 and Banking and Financial Institutions Act, of 2006. 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 loss in accordance with International Financial Reporting Standards (IFRS).

The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of annual financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual financial statements that are free from material misstatement whether due to fraud or error.

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

**Francis Cecil Ramadhani**
**Board Chairman**

27|03| **2026**

**Richard Louis Makungwa**
**Chief Executive Officer**

27|03| **2026**

# DECLARATION BY THE HEAD OF FINANCE

# FOR THE YEAR ENDED 31 DECEMBER 2025

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

It is the duty of a Professional Accountant to assist the Board of Directors/Governing Body/Management to discharge the responsibility of preparing annual financial statements of an entity showing true and fair view of the entity financial position and performance in accordance with applicable International Accounting Standards and statutory financial reporting requirements. Full legal responsibility for the preparation of annual financial statements rests with the Board of Directors/ Governing Body as under Directors Responsibility statement on an earlier page.

I, Mussa S. Mwachaga being the Head of Finance of Mwalimu Commercial Bank PLC hereby acknowledge my responsibility of ensuring that annual financial statements for the year ended 31 December 2025 have been prepared in compliance with applicable accounting standards and statutory requirements.

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

**Signed by: Mussa S. Mwachaga** ____________

**Head of Finance**

**NBAA Membership No. ACPA- 2113**

**Date:** 27|03| **2026**

AUDITAX International

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P.O. Box 77949, Dar es Salaam
M: +255 719 878490 | T: +255 22 212 692
Email: info@auditaxinternational.co.tz
Website: www.auditaxinternational.co.tz

## INDEPENDENT AUDITOR'S REPORT

## TO THE SHAREHOLDERS OF MWALIMU COMMERCIAL BANK PLC

We have audited the annual financial statements of Mwalimu Commercial Bank Plc (the Bank) set out on pages 27 to 73 which comprise the statement of financial position as at 31 December 2025, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying annual financial statements present fairly, in all material respects, the financial position of Mwalimu Commercial Bank Plc as at 31 December 2025, and its financial performance and its cash flows 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 annual 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 annual financial statements of the current period. This matter was addressed in the context of our audit of the annual 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 annual 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 annual financial statements.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Expected Credit Loss on Loans and Advances**<br><br>Loans and advances to customers amounted to **TZS 66,622,382,000** as at 31st December 2025 (**TZS 58,536,071,000** as at 31st December 2024), and the total Expected Credit Loss amounted to **TZS 1,000,584,675** as at 31st December 2025 (**TZS 869,619,000** as at 31st December 2024). Refer to Note no 17.<br><br>The Bank applies to IFRS 9 in estimating the expected credit loss. Judgement is applied to determine the appropriate parameters and assumptions used to estimate the provisions in the following areas:<br><br>• Quantitative and qualitative criteria for classification of loans and advances based on assessment of factors contributing to significant increase in credit risk and default;<br>• Determination of the probability of default (PD);<br>• Determination of exposure at default (EAD);<br>• Determination of the forward-looking parameters to be incorporated in the estimation of expected credit losses; and<br>• Determination of the loss given default (LGD) which include estimation of the expected cash flows and recovery rates.<br><br>Variations in the assumptions and inputs into the impairment models could result in material change in the financial results and position of the bank. | • We tested the quantitative and qualitative criteria used in the classification of loans and advances.<br>• As the quantitative basis of classification of loans and advances is reliant on information systems, we understood and tested key information technology general and application controls including the calculation of the number of days past due.<br>• We tested the portfolio segmentation which is used to determine PD and LGD.<br>• We tested the reliability, accuracy and reasonableness of information used for estimating the exposure at default, probability of default and loss given default.<br>• We tested the forward-looking scenarios and parameters used by management in estimating projected probabilities of default.<br>• We challenged management's basis for establishing the correlation between forward looking parameters and the Bank's non-performing loan trends.<br>• We tested the loss given default for the secured and unsecured loan portfolio.<br>• We tested the expected cash flows and challenged management's assumptions of recovery estimates for unsecured facilities.<br>• We tested recovery costs and recovery periods used to estimate the recoverable amount of collateral for secured facilities.<br><br>We considered the adequacy of financial statements disclosures. |

**Other Information**

Other information consists of the information included in the Report by Those Charged with Governance, Statement of Directors' Responsibilities and the Declaration of the Head of Finance's Responsibilities, other than the annual financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the annual financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

The management is responsible for the preparation and fair presentation of the annual financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2002 and the Banking and Financial Institutions Act, 2006 of Tanzania, and for such internal control as the directors determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

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

The management and those charged with governance are responsible for overseeing the Bank's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

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

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

**Report on Other Legal and Regulatory Requirements**

In our opinion, the accounting and other records required by the Companies Act, 2002 to be kept by the Entity have been properly kept in accordance with the provisions of the Companies Act.

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

**Auditax International**

**Certified Public Accountants**

**Dar es Salaam**, **Tanzania**

AUDITAX INTERNATIONAL
31 MAR 2026
MIKOCHENI, DAR ES SALAAM

**Signed by**: Dr. Straton Makundi (FCCA)

Registration No: ACPA 1747

**Date:** 31 March 2026

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

| | Note | 2025<br>TZS '000 | 2024<br>TZS '000 |
|---|---|---|---|
| Effective interest income | 5 | 12,320,459 | 10,382,910 |
| Effective interest expense | 6 | (6,723,997) | (4,844,523) |
| Other interest and similar expense | 19 | (110,589) | (128,742) |
| **Net interest income** | | 5,485,872 | 5,409,646 |
| Expected credit losses | 16&17 | (414,308) | (342,708) |
| **Net interest income after credit losses** | | 5,071,564 | 5,066,937 |
| Net fee and commission income | 7 | 3,937,008 | 1,752,998 |
| Net trading income | 8 | 69,764 | 125,775 |
| Other income | 9 | 81,939 | 197,501 |
| **Net operating income** | | **9,160,275** | **7,143,212** |
| Staff costs | 10 | (3,744,142) | (3,264,558) |
| Infrastructure costs | 11 | (2,446,229) | (1,623,297) |
| Administration and general expenses | 12 | (2,483,323) | (2,036,967) |
| **Operating expenses** | | **(8,673,694)** | **(6,924,822)** |
| **Profit before tax** | | **486,582** | **218,390** |
| Income tax expense | 13 | (135,187) | (86,331) |
| Profit for the year | | **351,395** | **132,059** |
| **Total comprehensive Profit for the year** | | **351,395** | **132,059** |
| Basic and diluted earnings per share (TZS) | 14 | 6.45 | 2.14 |

The annual financial statements were approved by the board of directors and authorized for issue on 27|03|, 2026 and signed on its behalf by:

**Francis Cecil Ramadhani**
**Board Chairman**

**Richard Louis Makungwa**
**Chief Executive Officer**

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2025

| | Note | 2025<br>TZS '000 | 2024<br>TZS '000 |
|---|---|---|---|
| **Assets** | | | |
| Cash and balances with Bank of Tanzania | 15 | 18,936,962 | 13,293,568 |
| Treasury Bills and Other eligible bills | | - | 1,837,500 |
| Loans and advances to banks | 16 | 9,042,221 | 13,545,364 |
| Loans and advances to customers | 17 | 65,519,474 | 57,519,378 |
| Income tax recoverable | 13 | 409,735 | 401,398 |
| Right of Use Asset | 19 | 689,199 | 897,538 |
| Other assets | 18 | 2,053,580 | 639,326 |
| Property and equipment | 20 | 743,937 | 845,847 |
| Intangible assets | 21 | 276,785 | 419,119 |
| **Total assets** | | **97,671,893** | **89,399,037** |
| | | | |
| **Liabilities** | | | |
| Deposits from customers | 22 | 75,072,342 | 68,683,274 |
| Interbank Borrowings | 22 | 3,575,374 | 1,005,255 |
| Lease Liability | 19 | 847,443 | 893,022 |
| Other liabilities | 23 | 1,175,335 | 2,167,481 |
| **Total liabilities** | | **80,670,495** | **72,749,033** |
| | | | |
| **Shareholders' equity** | | | |
| Share capital | 24 | 30,912,460 | 30,912,460 |
| Advance towards share capital | 24 | 7,000,000 | 7,000,000 |
| Provision General reserve | 25 | 20,782 | 20,782 |
| Accumulated losses | 25 | (20,931,842) | (21,283,237) |
| | | 17,001,399 | 16,650,005 |
| **Total shareholders' equity and liabilities** | | **97,671,893** | **89,399,037** |

The annual financial statements were approved by the board of directors and authorized for issue on 27 03, 2026 and signed on its behalf by:

**Francis Cecil Ramadhani**
**Board Chairman**

**Richard Louis Makungwa**
**Chief Executive Officer**

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

| | Share capital | Accumulated Losses | Advance towards share capital | Non-distributable reserve | Total |
|---|---|---|---|---|---|
| | TZS '000 | TZS '000 | TZS '000 | TZS '000 | TZS '000 |
| **Year ended 31 December 2025** | | | | | |
| At 1 January 2025 | 30,912,460 | (21,283,237) | 7,000,000 | 20,781 | 16,650,004 |
| Additions | - | - | | - | - |
| Profit for the year | - | 351,395 | - | - | 351,395 |
| Prior year adjustments | - | | - | - | - |
| Provision General reserve | - | 20,782 | - | (20,782) | - |
| **At end of year** | **30,912,460** | **(20,931,843)** | **7,000,000** | **(1)** | **17,001,399** |
| **Year ended 31 December 2024** | | | | | |
| At 1 January 2024 | 30,912,460 | (20,400,396) | 5,000,000 | 113,927 | 15,625,991 |
| Additions | | | 2,000,000 | | 2,000,000 |
| Profit for the year | - | 132,059 | - | - | 132,059 |
| Non-distributable reserve | - | 93,146 | - | (93,146) | - |
| Prior year adjustments | - | (1,108,046) | - | | (1,108,046) |
| **At end of year** | **30,912,460** | **(21,283,237)** | **7,000,000** | **20,781** | **16,650,004** |

## STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2025

| | Note | 2025 | 2024 |
|---|---|---|---|
| | | TZS '000 | TZS '000 |
| **Cash flows from operating activities** | | | |
| Profit before income tax | | 486,582 | 218,390 |
| Adjusted for: | | | |
| Depreciation and amortization | 19&20 | 473,161 | 382,343 |
| Net foreign exchange differences | 8 | (69,764) | (125,775) |
| Loan credit losses charges | 17 | 414,308 | 342,708 |
| Effective interest income | 5 | (12,101,521) | (10,342,910) |
| Effective interest expense | 6 | 6,723,997 | 4,844,523 |
| | | **(4,073,236)** | **(4,680,721)** |
| Changes in operating assets and liabilities: | | | |
| Statutory Minimum Reserve | | (242,556) | (619,664) |
| Loans and advances to banks | | 4,503,143 | (5,723,333) |
| Loans and advances to customers | | (8,000,096) | 5,034,277 |
| Other assets | | (5,689,843) | (1,629,004) |
| Deposits from customers | | 6,389,068 | 13,661,035 |
| Deposits from banks | | 2,570,119 | (1,396,547) |
| Other liabilities | | (1,037,725) | (844,039) |
| Interest received | | 12,390,223 | 11,489,363 |
| Tax paid | | 87,927 | (475,786) |
| Interest paid | | (1,716,831) | (8,625,188) |
| **Net cash inflow from operating activities** | | **(5,180,195)** | **6,190,393** |
| | | | |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of investment securities - at FVOCI | | - | - |
| Acquisition of property and equipment | 20 | (250,490) | (369,716) |
| Acquisition of intangible assets | 21 | (180,324) | (398,911) |
| **Net cash inflow/(outflow) from investing activities** | | **(430,814)** | **(768,628)** |
| | | | |
| **Cash flows from financing activities** | | | |
| Repayment of principal portion of lease liabilities | | 374,478 | 275,947 |
| Advance towards share capital | | - | - |
| **Net cash inflow from financing activities** | | **374,478** | **275,947** |
| | | | |
| **Net increase in cash and cash equivalents** | | **5,123,859** | **5,697,712** |
| | | | |
| **Movement in cash and cash equivalents** | | | |
| Net increase in cash and cash equivalents | | 5,123,859 | 5,697,712 |
| Net foreign exchange difference | | (66,578) | (2,673) |
| Cash and cash equivalents at 1 January | | 9,822,313 | 4,127,274 |
| **Cash and cash equivalents at 31 December** | | **14,879,594** | **9,822,313** |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 1 STATEMENT OF COMPLIANCE

These annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The annual financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB) and the requirements of the Companies Act, CAP 212 Act No. 12 of 2002 and the Banking and Financial Institutions Act, 2006 of Tanzania.

### 2 SIGNIFICANT ACCOUNTING POLICIES

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

#### *(a) Adoption of new and revised accounting standards*

During the current year, the Bank has adopted all of the new and revised standards and interpretations issued by the IASB and the IFRIC that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2023. The adoption of these new and revised standards and interpretations did not result in material impaction to the Bank's accounting policies. For details of the new and revised accounting policies refer to Note 30.

#### *(b) Basis of preparation*

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. The statements have been prepared under the historical cost basis except for fair value through other comprehensive income financial assets, which have been measured at fair value. The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern.

The disclosures on risks from financial instruments are presented in the financial risk management report contained in Note 30.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions. It also requires 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. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

#### *(c) Functional and presentation currency*

Items included in the annual financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The annual financial statements are presented in Tanzania shillings (TZS), which is the Bank's functional and presentation currency, rounded to the nearest thousand.

Transactions in foreign currencies during the year are converted into the Tanzania Shillings using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss account.

## 3 SIGNIFICANT ACCOUNTING POLICIES

### *(d) Revenue recognition*

The accounting policies applied to the comparative balances and current year balances are indicated below.

***Effective Interest income and expenses***

Effective Interest income and expense for all interest-bearing financial instruments are recognized within 'effective interest income' or 'effective interest expense' in the statement of profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the effective interest income or effective interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Effective Interest income on non-performing loans for which no impairment provision has been recorded is recognized using the effective interest method. Effective interest income for non-performing loans is recognized basing on the carrying value net of the loss allowance.

For credit-impaired financial assets the effective interest income is calculated by applying the EIR to the amortized cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses (ECLs). For financial assets originated or purchased credit-impaired (POCI) the EIR reflects the ECLs in determining the future cash flows expected to be received from the financial asset.

***Fees and Commission income***

The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee income is divided into the following two categories:

- Fee income earned from services that are provided over a certain period of time: Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income from MCB mobile banking and ATM card fees, service charge from customer accounts, agency banking commission, insurance commission. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognized as an adjustment to the effective interest rate on the loan.

- Fee income from providing transaction services: Fees arising from negotiating or participating in the negotiation of a transaction for a third party such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *(e) Classes of financial instruments*

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

| Category (as defined by IFRS 9) | | Class (as determined by the Bank) | | Subclass |
|---|---|---|---|---|
| Financial Assets | Amortized cost | Loans and Advances to Banks | | |
| | | Loans and advances to customers | Loans to individuals | Personal Loans |
| | | | | Mortgage Loans |
| | | | Loans to corporate entities | Corporate Loans |
| | | | Loans to SMEs | SME Loans |
| | | Investment in Debt securities | Government securities | Treasury Bills and Bonds (SPPI) |
| | Fair value through profit or loss (FVPL) | Equity Investment (Which are not under scope of IAS 28 and IFRS 10) | | |
| | Fair value through other comprehensive income (FVOCI) | Other treasury bonds held to collect contractual cash flows and sale | | |
| Financial liabilities | Financial liabilities at amortised cost | Deposits from Banks | | |
| | | Borrowings and other liabilities | | |
| | | Deposits from customers | Retail customers | |
| | | | Corporate customers | |

### *(f) Financial assets*

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

Classification and subsequent measurement of financial assets depends on.

(a) The Bank's business model for managing the asset; and
(b) The cash flow characteristics of the asset.

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

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

*(f) Financial assets (Continued)*

- **Fair value through profit or loss (FVPL):** Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in the profit or loss statement within 'Other income' in the period in which it arises.
- **Fair value through other comprehensive income (FVOCI):** Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest and are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in 'Other Income'.

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

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

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

**Recognition of financial assets**

The Bank uses trade date accounting for regular way contracts when recording financial asset transactions.

**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 summarized 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 statement of financial position date.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *(f) Financial assets (Continued)*

- 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 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 that include one or more unobservable input that is significant to the measurement as whole.

The Bank periodically reviews its valuation techniques including the adopted methodologies and model calibrations. However, the base models may not fully capture all factors relevant to the valuation of the Bank's financial instruments such as credit risk (Credit Valuation Adjustment), own credit (Debit Valuation Adjustment) and/or funding costs (Funding Valuation Adjustment). Therefore, the Bank applies various techniques to estimate the credit risk associated with its financial instruments measured at fair value, which include a portfolio-based approach that estimates the expected net exposure per counterparty over the full lifetime of the individual assets, in order to reflect the credit risk of the individual counterparties for non-collateralized financial instruments.

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.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry Bank, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indicators that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, LIBOR yield curve, FX rates, volatilities and counterparty spreads) existing at the statement of financial position date. In cases when the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at FVOCI. The fair value for loans and advances as well as liabilities to banks and customers are determined using a present value model on the basis of contractually agreed cash flows, taking into account credit quality, liquidity and costs. The fair values of contingent liabilities and irrevocable loan commitments correspond to their carrying amounts.

### Impairment of financial assets

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

- Loans and advances to banks;
- Loans and advances to customers;
- Debt investment securities;
- Corporate bonds;
- Loan commitments issued; and
- Financial guarantee contracts issued.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *(f) Financial assets (Continued)*

With the exception of POCI financial assets (which are considered separately below), ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- Lifetime ECL, i.e. ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

For the purposes of determining ECL quantitative and qualitive factors are considered, all facilities whose contractual payments are more than 30 days due but less than or equal to 90 days due are grouped in stage 2 as they are taken to have experienced a significant increase in credit risk, changes in business environment is also considered as qualitative factor. As part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate unlikeness to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as stage 3 for ECL calculations or whether stage 2 is appropriate. Such events include:

- 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 decreases in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral;
- A material decreases 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; and
- Debtor's listed debt or equity suspended at the primary exchange because of rumors or facts about financial difficulties.

More details on the determination of a significant increase in credit risk are provided in Note 30.

**Measuring ECL – Explanation of inputs, assumptions and estimation techniques**

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Bank under the contract and the cash flows that the Bank expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

- for undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Bank if the holder of the commitment draws down the loan and the cash flows that the Bank expects to receive if the loan is drawn down; and

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *(f) Financial assets (Continued)*

- for financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Bank expects to receive from the holder, the debtor or any other party.

The Bank measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original effective interest rate, regardless of whether it is measured on an individual basis or a collective basis.

The ECL is determined by projecting the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD) for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

PD – the probability at a point in time that a counterparty will default, calibrated over up to 12 months from the reporting date (stage 1) or over the lifetime of the product (stage 2) and incorporating the impact of forward-looking economic assumptions that have an effect on credit risk, such as interest rates, unemployment rates and GDP forecasts. The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

EAD – the expected statement of financial position exposure at the time of default, taking into account the expected change in exposure over the lifetime of the exposure. This incorporates the impact of drawdowns of committed facilities, repayments of principal and interest, amortization and prepayments, together with the impact of forward-looking economic assumptions where relevant. The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

**Measuring ECL – Explanation of inputs, assumptions and estimation techniques (Continued)**

- For amortized products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over 12 month or lifetime basis. This will also be adjusted for any expected overpayments made by the borrower. Early repayment/refinance assumptions are also incorporated into the calculation.
- For revolving facilities, for Retail portfolios, asset duration is based on behavioral life and this is normally greater than contractual life. For Wholesale portfolios, a sufficiently long period to cover expected life modelled and an attrition rate is applied to cater for early settlement.

LGD – The loss that is expected to arise on default which represents the difference between the contractual cash flows due and those that the Bank expects to receive. The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
- For unsecured products, LGD's are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies, including contracted debt sales and price.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *(f) Financial assets (Continued)*

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type. Refer to note 4 for an explanation of forward- looking information and its inclusion in ECL calculations.

The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs and how collateral values change etc. – are monitored and reviewed on an annual basis.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

**Definition of default**

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

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

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

**Measuring ECL – Explanation of inputs, assumptions and estimation techniques (Continued)**

**Definition of default (Continued)**

It may not be possible to identify a single discrete event—instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Bank assesses whether debt instruments that are financial assets measured at amortized cost or FVOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Bank considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding. The Bank's write-off policy under IFRS 9 remains the same as it was under IAS 39. Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to profit or loss. The Bank writes off non-performing financial assets that have been past due for more than four (4) consecutive quarters.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *(f) Financial assets (Continued)*

The Bank may write off financial assets in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Bank's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full. The assessment is done to specific borrower.

### (i) Assets carried at amortized cost

The Bank assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The criteria that the Bank uses to determine that there is objective evidence of impairment include:

Significant financial difficulty of the issuer or obligor;

- A breach of contract, such as a default or delinquency in interest or principal payment; Cash flow difficulties experienced by the borrower;
- Breach of loan covenants or conditions;
- Initiation of Bankruptcy proceedings;
- Deterioration of the borrower's competitive position; and
- Deterioration in the value of collateral.

The estimated period between a loss occurring and its identification is determined by management for each identified portfolio. In general, the periods used vary between three months and twelve months; in exceptional cases, longer periods are warranted. The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a Bank of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. If, in subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is revised by adjusting the allowance account. The amount of the reversal is recognized in profit or loss in impairment charge for credit losses.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *(f) Financial assets (Continued)*

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment.

**Purchased or originated credit-impaired (POCI) financial assets**

POCI financial assets are treated differently because the asset is credit-impaired at initial recognition. For these assets, the Bank recognizes all changes in lifetime ECL since initial recognition as a loss allowance with any changes recognized in profit or loss. A favorable change for such assets creates an impairment gain.

**(ii) Assets carried at fair value through other comprehensive income**

The Bank assesses at each statement of financial position date whether there is objective evidence that a financial asset or a Bank of financial assets is impaired. In the case of equity investments carried at fair value through other comprehensive income, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment resulting in the recognition of an impairment loss. If any such evidence exists for Assets carried at fair value through other comprehensive income, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in profit or loss. Impairment losses recognized in profit or loss on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the profit or loss.

**(iii) Renegotiated loans**

Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. An impairment assessment is performed in a similar manner for loans whose terms are renegotiated as a result of financial difficulty of the borrower in the year the terms were renegotiated even if the loan is classified as performing.

**Modification of financial assets**

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. The Bank renegotiates loans to customers in financial difficulty to maximize collection and minimize the risk of default.

If the terms are substantially different, the Bank derecognizes the original financial asset and recognizes a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Bank also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. A loan will remain at its original stage until it meets the criteria of cure.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the modified terms at initial recognition. The Bank monitors the subsequent performance of modified assets until they are completely and ultimately derecognized. The Bank may determine that the credit risk has significantly improved

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) *Financial assets (Continued)*

after modification, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms. Differences in the carrying amount are recognized in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). The Bank monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms. There were no financial assets which were modified during the period and hence no modification loss suffered by the Bank.

**Cure of non-performing financial assets including restructured loans**

An instrument is considered to no longer be SICR or in default (i.e. to have cured) when it has been established that the obligor is able to meet the requirements of the agreed terms and conditions.

IFRS 9 allows credit exposures to migrate from higher credit risk categories to lower credit risk categories, that is, from stage 3 to stage 2 and from stage 2 to stage 1.

Under migration from stage 3 to stage 2, the Bank shall consider criteria for upgrade of credit accommodations as follows:

(a) in the case of overdraft facilities, the account has satisfactorily performed for a minimum period of two consecutive quarters; and
(b) in the case of term loans, the obligor has timely paid four consecutive installments.

These periods have been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions. The Bank has not used the low credit risk exemption for any financial instruments in the year ended 31 December 2025.

On the other hand, credit exposures may migrate from stage 2 to stage 1 when there is a significant improvement of the credit exposure. In determining whether an exposure should shift backward from stage 2 to stage 1, The Bank shall consider the following;

(a) All outstanding payments on the credit facility are made on time and there are no payments in arrears.
(b) There is improvement of the quantitative and qualitative factors that caused significant increase of the credit risk.

Upgrade from stage 2 to stage 1 shall be subject to a monitoring period of 90 days for conventional loans and 30 days for Microfinance loans to confirm if the risk of default has decreased sufficiently before upgrading such exposure.

For credit exposures that have cured i.e shifted from stage 2 to stage 1, effective interest income is calculated on gross carrying amount of the asset at the beginning of the period before allowance for ECLs using effective interest rate. The carrying amount of the exposure shall be the amortized cost at the end of the period.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *(f) Financial assets (Continued)*

**Cure of non-performing financial assets including restructured loans (Continued)**

For credit exposures that have shifted from stage 3 to stage 2, objective evidence of impairment still exists, and accordingly effective interest income is computed on gross carrying amount of the asset at the beginning of the period using effective interest rate. The gross carrying amount of the exposure shall be the amortized cost at the end of the period.

**Financial liabilities**

Financial liabilities are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method. Financial liabilities are derecognized when extinguished. Such financial liabilities include deposits from banks or customers, other liabilities, subordinate debts and borrowings.

**Derecognition of financial assets and liabilities**

Financial assets, or a portion thereof, are derecognized when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Bank transfers substantially all the risks and rewards of ownership, or (ii) the Bank neither transfers nor retains substantially all the risks and rewards of ownership and the Bank has not retained control. The Bank enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards.

These transactions are accounted for as ‘pass through’ transfers that result in derecognition if the Bank:

(a) has no obligation to make payments unless it collects equivalent amounts from the assets;
(b) is prohibited from selling or pledging the assets; and
(c) has an obligation to remit any cash it collects from the assets without material delay.

Financial liabilities are recognized when they have been redeemed or otherwise extinguished.

**Offsetting financial instruments**

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

**Impairment of non-financial assets**

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less cost of disposal or the value in use can be determined reliably. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

### *(a) Income Tax*

***Income tax charge***

The tax expense for the period comprises current and deferred income tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *(f) Financial assets (Continued)*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date.

### *Deferred income tax*

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

Deferred tax liabilities are recognized for all taxable temporary and all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit shall be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized. The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit shall be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each statement of financial position date and are recognized to the extent that it has become probable that future taxable profit shall allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date. Income tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### *(h) Property and equipment*

Property and equipment are initially recorded at historical cost and subsequently stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred. Depreciation is calculated using the straight-line method to write down the cost of each asset to its residual value over its estimated useful life as follows:

| | |
|---|---|
| Leasehold improvements | 10 years (10%) |
| Computer equipment | 5 years (33%) |
| Furniture and fittings | 5 years (20%) |
| Office equipment | 5 years (20%) |
| Motor vehicles | 4 years (25%) |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

As at 31 December 2025, the bank had 669 assets that are fully depreciated with the original value of TZS 10.2B. Out of these 483 assets are still in good condition whereby its useful life can be extended while 186G assets are in poor condition subjected to disposal. A revaluation process of these assets is planned to take place in 2023 using a register valuer. The bank has two motor vehicles that are fully depreciated, one vehicle used by the bank on daily routines will be revalued while the other vehicle with original value of 146.6million was disposed in 2025 at 27 million. Currently all motor vehicles are currently maintained at their original cost.

### *(i) Intangible assets*

The Bank's intangible assets include the value of computer software licenses. An intangible asset is recognized only when its cost can be measured reliably, and it is probable that the expected future economic benefits that are attributable to it will flow to the Bank. Intangible assets acquired separately 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 indefinite. Intangible assets with finite lives are amortized over their useful economic lives. 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 they are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in operating expenses in profit or loss. Amortization is calculated using the straight–line method to write down the cost of intangible assets to their residual values over their estimated useful lives (seven years for core banking software and five years for other software).

### *(j) Accounting for leases*

**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.

***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 recognizes 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 recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured 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 recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The right-of-use assets are presented within Note 19 right-of-use assets and are subject to impairment in line with the Bank's policy.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Lease liabilities*

At the commencement date of the lease, the Bank recognizes 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).

***Bank as a lessor***

The Bank has no activities as a lessor and hence the Bank does not expect any impact on the financial statements.

### *(k) Employee benefits*

***Retirement benefit obligations***

All bank employees are members of Public Service Social Security Fund-PSSSF which is a defined pension contribution plan. A defined contribution plan is a pension plan under which the bank pays fixed contributions into a separate entity. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The bank and employees each contribute 10% of the employees' gross salaries to the defined contribution plans. The bank's contributions are recognized as employee benefits expense when they are due.

***Short-term benefits***

Short-term employee benefits are those expected to be settled wholly before twelve months after the end of the annual reporting period during which employee services are rendered, but do not include termination benefits. These benefits consist of salaries and any non-monetary benefits such as medical reimbursements and insurance. The undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in an accounting period is recognized in that period. The expected cost of short-term compensated absences is recognized as the employees render service that increases their entitlement or, in the case of non-accumulating absences, when the absences occur, and includes any additional amounts an entity expects to pay as a result of unused entitlements at the end of the period.

### *(l) Cash and cash equivalents*

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, including cash and balances with Bank of Tanzania, loans and advances to banks, net of deposits from banks.

For the purposes of the statement of cash flows, cash comprises cash on hand and demand deposits and cash equivalents comprise highly liquid investments that are convertible into cash with an insignificant risk of changes in value with original maturities of three months or less.

### *(m) Other assets*

Other assets consist of prepayments, sundry debtors and other receivables. Other assets are initially recognized at fair value and subsequently measured at amortized cost. Prepayments are recognized at the fair value of the amount paid and amortized over the coverage period.

### *(n) Other liabilities*

Other liabilities consist of payables to third parties. Other liabilities are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other liabilities are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

### *(o) Share capital*

Ordinary shares are classified as 'share capital' in equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as deduction from the proceeds.

### *(p) Share capital*

Ordinary shares are classified as 'share capital' in equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as deduction from the proceeds.

### *(q) Provisions*

Provisions are recognized when there is a present obligation, whether legal or constructive, as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. There were no provisions at year end recorded in the statement of financial position.

### *(r) Segment reporting*

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is responsible for allocating resources and assessing performance of the operating segments. The chief operating decision maker has been identified as operating board that makes strategic decisions.

## 3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Bank's financial statements requires management to make judgments, 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 material adjustment to the carrying amount of assets or liabilities affected in future periods.

### (a) Impairment losses on loans and advances

**Impairment under IFRS 9**

**Fair value of financial instruments**

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the Bank estimate the fair values of financial instruments from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. Changes in valuation assumptions could affect the reported fair value of the financial instruments.

**Incorporation of forward-looking information**

The evolving economic environment is a key determinant of the ability of a Bank's clients to meet their obligations as they fall due.

## 3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

It is a fundamental principle of IFRS 9 that the provisions banks hold against potential future credit risk losses should depend not just on the health of the economy today but should also take account of changes to the economic environment in the future. To capture the effect of changes to the economic environment in the future, the computation of probability of default (PD), loss given default (LGD) and so expected credit loss incorporates forward-looking information; assumptions on the path of economic variables and asset prices that are likely to have an effect on the repayment ability of the Bank's clients. Such variables include Inflation, GDP Growth, oil prices fluctuation, average electricity generation, natural gas, population, total household spending, total food sales, total public debt, Government spending in priority sector, unemployment rate, exchange rate movement.

### Cure rate

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

### Significant increase in credit risk

Significant increase in credit risk is assessed by comparing the risk of default of an exposure at the reporting date to the risk of default at origination (after taking into account the passage of time). Whether a change in the risk of default is significant or not is assessed using a number of quantitative and qualitative factors (as per note 4), the weight of which depends on the type of product and counterparty. Financial assets that are 30 or more days past due and not credit-impaired will always be considered to have experienced a significant increase in credit risk. Financial assets that are 30 or less days past due are considered to be have low credit risk.

### Taxes

Significant judgment is required in determining the Bank's overall income tax provision or estimated future recovery of income tax losses. There are many transactions and calculations, for which the ultimate tax determination is uncertain. The Bank recognizes liabilities for anticipated tax audit issues, based on estimates of whether additional taxes will be due. Where the outcome of tax matters is different from the amounts that were initially recorded, such differences will have an impact on the current and any deferred income tax provisions (note 13) in the periods in which the determination is made.

### Going concern

The Bank's management has made an assessment of the Bank's ability to continue as a going concern and is satisfied that the Bank has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the annual financial statements continue to be prepared on the going concern basis.

## 4 BUSINESS SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is responsible for allocating resources and assessing performance of the operating segments. The chief operating decision maker has been identified as members charged with governance that makes strategic decisions. As at the date of these annual financial statements, there were no separate financial results maintained and reviewed by the chief operating decision maker. The bank operates as one segment and the information that chief operating decision maker is reviewing is the same as what is presented in the annual financial statements.

| | | **2025** | 2024 |
|---|---|---|---|
| | | **TZS '000** | TZS '000 |
| **5** | **EFFECTIVE INTEREST INCOME** | | |
| | Investment securities | **218,938** | 40,000 |
| | Loans and advances to banks | **643,659** | 386,754 |
| | Loans and advances to customers | **11,457,862** | 9,956,156 |
| | | **12,320,459** | 10,382,910 |
| **6** | **EFFECTIVE INTEREST EXPENSE** | | |
| | Deposits from banks | **174,825** | 166,260 |
| | Deposits from customers | **6,549,172** | 4,678,263 |
| | | **6,723,997** | 4,844,523 |
| **7** | **FEES AND COMMISSION INCOME** | | |
| | Loan fees | **2,882,029** | 1,108,819 |
| | Service charge on customer accounts | **197,431** | 88,730 |
| | Mwalimu Bima | **154,795** | 68,513 |
| | Mwalimu Mobile | **403,169** | 236,580 |
| | MwalimuCard Visa | **209,218** | 157,241 |
| | Mwalimu Wakala | **38,868** | 44,122 |
| | Other fees and commissions | **51,497** | 48,992 |
| | | **3,937,008** | 1,752,998 |

| | | **2025** | **2024** |
|---|---|---|---|
| | | TZS '000 | TZS '000 |
| **8** | **NET TRADING INCOME** | | |
| | Foreign currency translation gains | **66,578** | 121,170 |
| | Cash and cash equivalents fx gains | **-** | - |
| | Trading activities gains | **3,186** | 4,605 |
| | | **69,764** | 125,775 |
| **9** | **OTHER INCOME** | | |
| | Recovery income | **54,689** | 197,501 |
| | Gain on disposal of fixed assets | **27,250** | |
| | | **81,939** | 197,501 |
| **10** | **STAFF COSTS** | | |
| | Wages and salaries | **2,557,049** | 2,414,787 |
| | Social security costs (Defined contribution plan) | **256,659** | 223,712 |
| | Other staff costs* | **930,434** | 626,058 |
| | | **3,744,142** | 3,264,558 |

*Other staff costs include; travel allowance, SDL, WCF, medical, recruitment, staff training expenses, responsibility allowance, overtime

| | | 2025 | 2024 |
|---|---|---|---|
| **11** | **INFRASTRUCTURE COSTS** | TZS '000 | TZS '000 |
| | Right of Use Asset depreciation | **421,837** | 318,233 |
| | Office repair and maintenance costs | **337,688** | 240,746 |
| | Information Technology* | **1,213,543** | 665,976 |
| | Depreciation of property and equipment (Note 20) | **352,401** | 291,323 |
| | Amortisation of intangible assets | **120,760** | 107,020 |
| | | **2,446,229** | 1,623,297 |

*Information technology includes; core banking system implementation expenses, software licenses, data lines hire and all other ICT software maintenance expenses

| | | | |
|---|---|---|---|
| **12** | **ADMINISTRATION AND GENERAL EXPENSES** | | |
| | Marketing costs | **670,436** | 683,446 |
| | Subscriptions | **175,715** | 32,035 |
| | Professional fees | **139,931** | 29,184 |
| | Telephone, postage & Communication costs | **117,073** | 107,729 |
| | Printing and stationery expenses | **60,468** | 33,362 |
| | Insurance | **145,775** | 173,446 |
| | Service charges & levies | **22,435** | 26,479 |
| | Bank charges | **12,590** | 6,812 |
| | Office security | **76,819** | 70,656 |
| | Auditor's remuneration | **48,760** | 40,823 |
| | Legal expenses | **145,027** | 118,374 |
| | Directors fees | **35,250** | 20,075 |
| | Directors sitting allowances | **51,525** | 57,747 |
| | Provision on expected losses on other assets | **63,200** | 29,975 |
| | Other administrative expenses | **718,319** | 606,824 |
| | | **2,483,323** | 2,036,967 |

| | | | |
|---|---|---|---|
| **13** | **INCOME TAX** | | |
| | Tax charge | | |
| | Current tax: | | |
| | Current tax on profits for the year | 135,187 | 86,331 |
| | Total current tax expense | 135,187 | 86,331 |
| | Deferred income tax: | | |
| | Decrease/(decrease) in deferred tax assets | 12,652 | 66,209 |
| | Total deferred tax expense | 12,652 | 66,209 |
| | Deferred tax movement not recognised | (12,652) | (66,209) |
| | **Income tax expense** | 135,187 | **86,331** |

| | | |
|---|---|---|
| **Reconciliation of income tax expense** | | |
| Profit/(Loss) before income tax | **486,582** | 218,390 |
| Tax calculated at 30% | **145,974** | 65,517 |
| Tax considering 60% of allowed unrelieved loss | **135,187** | 65,517 |
| provision tax paid | **(71,192)** | (66,209) |
| Income tax expense | **63,995** | 86,331 |
| | | |
| **Reconciliation of tax recoverable** | | |
| Current tax asset per statement of financial position | 408,020 | 401,399 |
| *Movement of current tax asset* | | |
| Balance at the beginning of the year | (401,398) | (418,862) |
| Income tax charge | **135,187** | 86,331 |
| Taxes paid | **(143,524)** | (68,868) |
| Balance at the end of year | **409,735** | (401,398) |
| | | |
| **Non-current** | **409,735** | **(401,398)** |

## 14 EARNINGS PER SHARE

Basic Earnings Per Share (EPS) is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares during the period. The Bank does not have potential ordinary shares with convertible options and therefore there is no dilutive impact on the (loss) attributable to the ordinary shareholders of the Bank

| | 2025 | 2024 |
|---|---|---|
| Net (loss) attributable to shareholders (TZS'000) | **351,395** | 132,059 |
| Weighted average number of ordinary shares in issue (Note 25) ('000) | **61,825** | 61,825 |
| **Basic and diluted earnings per share (TZS)** | **5.68** | 2.14 |

| | | | |
|---|---|---|---|
| 15 | **CASH AND BALANCES WITH BANK OF TANZANIA** | | |
| | Cash in hand* | 839,995 | 678,520 |
| | Clearing accounts with Bank of Tanzania | 14,037,086 | 8,797,722 |
| | Statutory Minimum Reserves (SMR) | 4,059,881 | 3,817,325 |
| | | **18,936,962** | 13,293,568 |

*Cash in hand includes; vault cash, ATM cash balances and petty cash

The SMR amount is not available to finance the Bank's day-to-day operations and is hence excluded from cash and cash equivalents for the purpose of the cash flow statement (See Note 28). Cash in hand and balances with Bank of Tanzania are non-interest bearing.

| | | **2025** | **2024** |
|---|---|---|---|
| | | **TZS '000** | **TZS '000** |
| 16 | **LOANS AND ADVANCES TO BANKS** | | |
| | Current account balances with banks | 69,091 | 348,743 |
| | Placements with other banks | 8,973,130 | 13,196,620 |
| | Less: impairment | - | - |
| | | **9,042,221** | **13,545,363** |
| | Current | **9,042,221** | **13,545,363** |

Movement in allowance for impairment losses on loans and advances is as follows;

| | **2025** | **2024** |
|---|---|---|
| | **TZS '000** | **TZS '000** |
| At 1 January | - | - |
| Net impairment charge for the year | - | (8,172) |
| At 31 December | **-** | **(8,172)** |

| | | | |
|---|---|---|---|
| 17 | **LOANS AND ADVANCES TO CUSTOMERS** | | |
| | Mwalimu loans | 50,328,078 | 49,920,333 |
| | Personal loans | 6,776,614 | 5,447,092 |
| | Business loans | 7,913,894 | 1,788,829 |
| | Staff loans | 1,603,795 | 1,379,817 |
| | Gross loans and advances | **66,622,382** | **58,536,071** |
| | Less: | | |
| | Allowance for impairment | (1,000,585) | (869,619) |
| | Interest in suspense | (102,323) | (147,074) |
| | | **65,519,474** | **57,519,378** |

Movement in allowance for impairment losses on loans and advances is as follows;

| | 2025 | 2024 |
|---|---|---|
| | TZS '000 | TZS '000 |
| At 1 January | 869,619 | 661,694 |
| Net credit loss charge for the year | 414,308 | 342,708 |
| Net credit loss reversal for the year | (283,343) | (134,783) |
| At 31 December | **1,000,585** | **869,619** |

Analysis of provision account for losses on loans and advances by class is as follows;

| | Retail | Retail |
|---|---|---|
| **Year ended 31 December 2025** | **TZS '000** | **TZS '000** |
| At 1 January 2025 | 869,619 | 434,120 |
| Net credit loss charge for the year | 414,308 | 447,101 |
| Net credit loss reversal for the year | (283,343) | (219,527) |
| At 31 December 2025 | **1,000,585** | **661,694** |

| | Retail | Retail |
|---|---|---|
| **Year ended 31 December 2024** | **TZS '000** | **TZS '000** |
| At 1 January 2024 | 661,694 | 661,694 |
| Net credit loss charge for the year | 342,708 | 342,708 |
| Net impairment charge for the year | (134,783) | (134,783) |
| At 31 December 2024 | **869,619** | **869,619** |

| | 2025 | 2024 |
|---|---|---|
| | **TZS '000** | **TZS '000** |
| **18 OTHER ASSETS** | | |
| Prepayments | 384,377 | 477,079 |
| Sundry receivables | 253,387 | 673 |
| Other receivables | 948507 | 161,574 |
| Right issue | 388,519 | |
| Working in Progress | 78,790 | |
| | **2,053,580** | **639,326** |

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## 19 RIGHT OF USE ASSET

(i) Amounts recognised in the balance sheet

| | 2025 TZS '000 | 2024 ZS '000 |
|---|---|---|
| **Cost** | | |
| At 1 January 2025 | 1,626,915 | 1,463,251 |
| **At 31 December 2025** | **1,626,915** | **1,463,251** |
| | | |
| **Depreciation** | | |
| At 1 January 2025 | 565,714 | 247,481 |
| Depreciation charge for the year | 372,002 | 318,233 |
| **At 31 December 2025** | **937,716** | **565,714** |
| | | |
| **Net Book Value** | | |
| **At 31 December 2025** | **689,199** | **897,537** |

Set out below are the carrying amounts of lease liabilities and the movements during the period:

(ii) Amounts recognized in the statement of profit or loss

| | 2025 TZS '000 | 2024 ZS '000 |
|---|---|---|
| **Lease liability** | | |
| At 1 January 2025 | 893,022 | 1,463,251 |
| Accretion of interest | 110,589 | 128,742 |
| Payments and reversal adjustments | (470,072) | (698,971) |
| **At 31 December 2025** | **847,443** | **893,022** |

| 20 | PROPERTY & EQUIPMENT | Leasehold Improvements TZS '000 | Computer Equipment TZS '000 | Office Equipment TZS '000 | Motor Vehicles TZS '000 | Furniture & Fittings TZS '000 | Total TZS '000 |
|---|---|---|---|---|---|---|---|
| | **Year ended 31 December 2025** | | | | | | |
| | **Cost** | | | | | | |
| | At 1 January 2025 | 1,309,414 | 2,055,010 | 1,011,733 | 489,151 | 162,393 | 5,027,702 |
| | Additions | 19,930 | 136,146 | 103,860 | 98,363 | 38,839 | 397,138 |
| | Disposal | | | | (146,648) | | (146,648) |
| | At 31 December 2025 | **1,329,345** | **2,191,156** | **1,115,593** | **440,866** | **201,231** | **5,278,192** |
| | **Accumulated Depreciation** | | | | | | |
| | At 1 January 2025 | (943,989) | (1,992,800) | (851,488) | (253,269) | (140,306) | (4,181,853) |
| | Charge for the year | (129,433) | (44,323) | (73,492) | (93,630) | (11,524) | (352,401) |
| | Adjustment/Disposal | 26,981 | 2,800 | | 146,648 | | |
| | **At 31 December 2025** | (1,046,441) | (2,034,323) | (924,980) | (200,251) | (151,830) | (4,534,255) |
| | **Net carrying value** | **282,903** | **156,833** | **190,613** | **240,615** | **49,401** | **743,937** |
| | | | | | | | |
| | **Year ended 31 December 2024** | | | | | | |
| | **Cost** | 0 | 0 | (0) | (0) | (0) | |
| | At 1 January 2024 | 1,281,213 | 2,019,740 | 991,022 | 212,997 | 153,013 | 4,657,985 |
| | Additions | 28,201 | 35,270 | 20,712 | 276,154 | 9,380 | 369,716 |
| | At 31 December 2024 | **1,309,414** | **2,055,010** | **1,011,733** | **489,151** | **162,393** | **5,027,702** |
| | **Accumulated Depreciation** | | | | | | |
| | At 1 January 2024 | (794,787) | (1,989,008) | (776,936) | (212,997) | (132,802) | (3,906,531) |
| | Charge for the year | (149,202) | (3,792) | (74,552) | (40,272) | (7,504) | (275,322) |
| | At 31 December 2024 | (943,989) | (1,992,800) | (851,488) | (253,269) | (140,306) | (4,181,853) |
| | **Net carrying value** | **365,425** | **62,210** | **160,245** | **235,882** | **22,086** | **845,848** |

*No property or equipment has been pledged as collateral. All property and equipment items are non-current

| | | 2025 TZS '000 | 2024 TZS '000 |
|---|---|---|---|
| **21** | **INTANGIBLE ASSETS** | | |
| | At 1 January | 621,017 | 127,227 |
| | Paid during the year | 180,324 | 398,911 |
| | Work in progress | | 201,898 |
| | Amortisation charge for the year | (120,760) | (107,020) |
| | At 31 December | **680,581** | **621,017** |
| | At 31 December | | |
| | Cost | 7,943,308 | 7,762,984 |
| | Accumulated amortisation | (7,666,524) | (7,545,764) |
| | Net Book Value | **276,785** | **419,119** |

| | | 2025 TZS '000 | 2024 TZS '000 |
|---|---|---|---|
| **22** | **DEPOSITS FROM CUSTOMERS** | | |
| | Retail banking: | | |
| | Savings Accounts | 5,024,706 | 6,417,087 |
| | Current Account | 2,766,000 | 7,336,613 |
| | Term Deposits | 67,281,635 | 54,929,574 |
| | Interbank Borrowings | 3,575,374 | 1,005,255 |
| | | **78,647,716** | **69,688,529** |
| | Current | **78,647,716** | **69,688,529** |
| | **Maturity Analysis** | | |
| | Repayable on demand | 7,790,707 | 13,753,700 |
| | Maturing within 3 months | 9,408,285 | 9,405,715 |
| | | **17,198,992** | **23,159,416** |

| | | | |
|---|---|---|---|
| **23** | **OTHER LIABILITIE** | | |
| | Accrued taxes payable | 509,468 | 768,121 |
| | Accrued expenses | 554,165 | 193,538 |
| | Sundry creditors | 268,290 | 964,245 |
| | Other payables | 156,588 | 241,577 |
| | Deferred loan fees | - | - |
| | | **1,175,335** | **2,167,481** |

Other liabilities are expected to be settled within no more than 12 months after end of reporting period.

## 24 SHARE CAPITAL

| | Number of ordinary shares | Total TZS '000 |
|---|---|---|
| At 1 January 2025 | 61,824,920 | 30,912,460 |
| Advance towards share capital | - | 7,000,000 |
| **At 31 December 2025** | **61,824,920** | **37,912,460** |
| At 1 January 2024 | 61,824,920 | 35,912,460 |
| | | 2,000,000 |
| At 31 December 2024 | **61,824,920** | **37,912,460** |

## 25 RESERVES

| | Retained earnings TZS '000 |
|---|---|
| Balance at 1 January 2025 | (21,283,237) |
| Provision General reserve | - |
| Profit for the year | 351,395 |
| Previous years adjustments | |
| **Balance at 31 December 2025** | **(20,931,842)** |
| Balance at 1 January 2024 | (20,400,395) |
| Previous years adjustments | (1,108,046) |
| Provision General reserve | 93,145 |
| Loss for the year | 132,059 |
| Balance at 31 December 2024 | **(21,283,237)** |

(*) General regulatory reserve represents 1% additional provision on performing (current) loans and advances to customers in order to comply with requirement of Bank of Tanzania prudential guidelines. This reserve is not available for distribution.

## 25 Regulatory reserve

| | Regulatory reserve TZS '000 |
|---|---|
| Balance at 1 January 2025 | 20,782 |
| Previous years adjustments | |
| **Balance at 31 December 2025** | **20,782** |
| Balance at 1 January 2024 | 113,927 |
| Provision General reserve | (93,145) |
| Balance at 31 December 2024 | **20,782** |

## 26 ANALYSIS OF CASH & CASH EQUIVALENTS AS SHOWN IN THE STATEMENT OF CASH FLOWS

| | 2025<br>TZS '000 | 2024<br>TZS '000 |
|---|---|---|
| Cash in hand (Note 15) | 839,995 | 678,520 |
| Clearing accounts with Bank of Tanzania (Note 15) | 14,037,086 | 8,797,722 |
| Loans and advances to banks (Note 16) | 69,091 | 348,743 |
| Net foreign exchange difference | (66,578) | (2,673) |
| | **14,879,594** | **9,822,313** |

(a) ***Tax assets***

The Bank is awaiting a refund from the tax authority amounting to TZS 294 million. As of the reporting date, this refund has not been received, and the refund is contingent on the approval of the Tanzania Revenue Authority. The amount has not been recognized as an asset in the balance sheet, as its receipt is uncertain.

(b) ***Legal proceedings***

There were two legal proceeding outstanding against the Bank as at 31 December 2025

(c) ***Capital commitments***

There were no capital commitments at the year-end (2024: nil).

## 27 RELATED PARTY TRANSACTIONS

The Bank is owned and controlled by TTU (Tanzania Teachers' Union), TDCL (Teachers' Development Company Limited), PSSSF (Public Service Social Security Fund, NHIF (National Health Insurance Fund), Individual Teachers and General Public through shareholding. Transactions entered with the shareholders in the normal course of business during the year to 31 December 2025 include loans and deposits. All related party transactions were entered into at an arm's length.

The volumes of related party transactions, outstanding balances at the year-end and related income and expenses for the year are as follows:

| **(a) Loans and advances to related parties** | **Directors and key management personnel** | |
|---|---|---|
| | **2025** | **2024** |
| | **TZS '000** | **TZS '000** |
| At start of year | 306,518 | 521,160 |
| Loans issued during the year | 5,000,000 | 286,269 |
| Loan repayment during the year | (2,908,421) | (468,366) |
| At end of year | **2,398,097** | **521,160** |
| Interest income earned | 350,822 | 32,5451 |
| Current | 350,822 | 32,545 |
| **Non-current** | **2,047,275** | **306,518** |

All loan repayments are done on monthly basis

| (a) **Deposits from related parties** | **Directors and key management personnel** | |
|---|---|---|
| | **2025** | **2024** |
| | **TZS ’000** | TZS ’000 |
| At the start of year | 43,762,368 | 33,121,102 |
| Deposits during the year | 2,387,347 | 10,641,266 |
| At end of year | **46,149,715** | **43,762,368** |

**Key management compensation**

| | **2025** | **2024** |
|---|---|---|
| | **TZS ’000** | **TZS ’000** |
| Social Security | 103,931 | 100,856 |
| Salaries and other short-term employment benefits | 1,039,313 | 988,611 |
| | **1,143,245** | **1,089,467** |

## 28. FINANCIAL INSTRUMENTS BY CATEGORY

| **At 31 December 2025** | **Loans and receivables TZS ‘000** | **Total TZS ‘000** |
|---|---|---|
| **Financial assets** | | |
| Cash and balances with Bank of Tanzania | 18,936,962 | 18,936,962 |
| Loans and advances to banks | 9,042221 | 9,042221 |
| Loans and advances to customers | 65,591,9474 | 65,591,9474 |
| Other assets | 1,218,333 | 1,218,333 |
| | **94,716,990** | **94,716,990** |

| **At 31 December 2025** | **other liabilities at amortized cost** | **Total** |
|---|---|---|
| **Financial liabilities** | **TZS ‘000** | **TZS ‘000** |
| Deposits from customers | 75,072,342 | 75,072,342 |
| Other liabilities | 618,608 | 618,608 |
| | **75,690,950** | **75,690,950** |

| At 31 December 2024 | Loans and receivables TZS '000 | Total TZS '000 |
|---|---|---|
| **Financial assets** | | |
| Cash and balances with Bank of Tanzania | 13,293,568 | 13,293,568 |
| Loans and advances to banks | 13,545,364 | 13,545,364 |
| Loans and advances to customers | 57,519,378 | 57,519,378 |
| Other assets | 129,823 | 129,823 |
| | **84,488,133** | **84,488,133** |

| At 31 December 2024 | other liabilities at amortized cost | Total |
|---|---|---|
| **Financial liabilities** | **TZS '000** | **TZS '000** |
| Deposits from customers | 68,683,274 | 68,683,274 |
| Other liabilities | 1,399,360 | 1,399,360 |
| | **70,082,634** | **70,082,634** |

## 29. FINANCIAL RISK MANAGEMENT

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business and the financial risks are inevitable consequences of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Bank's financial performance. The most important types of financial risks are credit risk, liquidity risk and market risk.

### Credit risk

Credit risk is the risk that the Bank shall incur a loss because its customers, clients or counterparties failed 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 geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The Bank has a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process allows the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

### Credit risk measurement

***Loans and advances***

In measuring credit risk of loan and advances to customers and to banks at a counterparty level, the Bank assesses the financial condition by looking at the trend of key ratios as well as conducting site visits to gauge feasibility of the prospective businesses.

Impairment allowances are computed as required under IFRS 9, which are based on expected losses as at the statement of financial position date (the 'expected credit loss model').

Aging analysis is used to give ex-post information on the extent of exposure assumed by the Bank. The Bank's rating scale shown below, is used in ranking the level of exposure.

**Bank's internal ratings scale**

| Bank rating | Description of the grade | Ageing | % used for Regulatory Provisioning |
|---|---|---|---|
| 1 | Current | 0 – 30 days | 0% |
| 2 | Especially Mentioned | 31 – 90 days | 3% |
| 3 | Sub-standard | 91 – 180 days | 20% |
| 4 | Doubtful | 181 – 360 days | 50% |
| 5 | Loss | 361 days and above | 100% |

**Risk limit control and mitigation policies**

The Bank manages limits and controls concentrations of credit risk wherever they are identified in particular, to individual counterparties and groups, and to industries. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. The exposure to any one borrower, including banks is further restricted by sub-limits covering on- and off-statement of financial position exposures. Actual exposures against limits are monitored daily. Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

**Impairment and provisioning policies**

The internal bank rating system focus more on credit-quality mapping from the inception of the lending and investment activities. In contrast, impairment provisions are recognized for financial reporting purposes only for losses that have been incurred at the statement of financial position date based on objective evidence of impairment. Due to the different methodologies applied, the amount of credit losses incurred provided for in the annual financial statements are usually lower than the amount determined from the expected loss model that is used for internal operational management and banking regulation purposes. The impairment allowance shown on the statement of financial position at year-end is derived from current grades. The table below shows the percentage of the Bank's on statement of financial position items relating to loans and advances and the associated impairment provision for each of the Bank's internal rating categories:

| | **31-Dec-25** | | | | **31-Dec-24** | | | |
|---|---|---|---|---|---|---|---|---|
| Bank's rating | Loans and advances | | Impairment provision | | Loans and advances | | Impairment provision | |
| | Amount | (%) | Amount | (%) | Amount | (%) | Amount | (%) |
| | TZS '000 | | TZS '000 | | TZS '000 | | TZS '000 | |
| 1. Current | 65,262,822 | 98.0 | 3,381 | - | 57,167,921 | 97.7 | - | - |
| 2. ESM | 401,825 | 0.6 | 40,904 | 0 | 112,275 | 0.2 | 3,368 | 0 |
| 3. Substandard | 84,970 | 0.1 | 83,535 | 8 | 335,722 | 0.6 | 67,144 | 8 |
| 4. Doubtful | 262,371 | 0.4 | 262,371 | 11 | 200,533 | 0.3 | 100,266 | 11 |
| 5. Loss | 610,394 | 0.9 | 610,394 | 81 | 719,621 | 1.2 | 719,621 | 81 |
| | 66,622,382 | 100.0 | 1,000,585 | 100.0 | 58,536,072 | 100.0 | 890,399 | 100.0 |

The internal rating tool assists management to determine whether objective evidence of impairment exists under IFRS 9, based on the following criteria set out by the Bank:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower;
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;

- Deterioration of the borrower's competitive position; and
- Deterioration in the value of collateral.

The Bank's policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the expected loss at statement of financial position date on a case-by-case basis and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

**Maximum exposure to credit risk before collateral held or other credit enhancements**

The Bank's maximum exposure to credit risk at 31 December 2025 and 31 December 2024 respectively is represented by the carrying amounts of the financial assets in the Statement of Financial Position. There was no collateral held in respect of the financial assets exposed to credit risk. See below:

| | **2025** | **2024** |
|---|---|---|
| | TZS '000 | TZS '000 |
| Cash and balances with Bank of Tanzania | 18,936,962 | 13,293,568 |
| Loans and advances to banks | 9,042,221 | 13,545,364 |
| Loans and advances to customers | 65,519,474 | 57,519,378 |
| Other assets | 1,218,333 | 129,823 |
| **Total** | **94,716,990** | **84,488,133** |

*Other assets exclude prepayments as they are not financial assets.

The total maximum exposure for the Bank is derived from loans and advances to banks and loans and advances to customers at 11% (2024: 10.6%) and 89% (2024: 89%) respectively. The directors are confident in the ability to continue to control and sustain minimal exposure of credit risk to the Bank resulting from both its loan and advances. 98% of the loans and advances portfolio is considered to be current (2024: 92.3%).

| **Loans and advances** | **2025** | **2024** |
|---|---|---|
| Loans and advances are summarized as follows: | **TZS '000** | **TZS '000** |
| Loans and advances | 66,622,382 | 58,388,997 |
| **Gross loans and advances to customers** | **66,622,382** | **58,388,997** |
| **Less: expected credit losses** | | |
| Stage 3 | (956,299) | (675,574) |
| Stage 2 | (40,904) | (189,684) |
| Stage 1 | (3,381) | (4,361) |
| **Credit losses** | (1,000,585) | (869,619) |
| **Net loans and advances to customers** | **65,519,474** | **57,519,378** |

***Loans and advances to customers***

Impairment provision for loans and advances was TZS 1,000,585 million in 2025 (2024: TZS 869 million). This represents results of loans assessed individually for impairment and also on a portfolio basis.

***Loans and advances to banks***

There was no amount of individually impaired loans and advances to banks as at 31 December 2025 (2024: nil).

### Investment securities

Investment securities held by the Bank are treasury bonds issued by the Government of Tanzania which were considered to be neither past due nor impaired. These investment securities are held with the Government with no history of default.

### Other assets

Prepayments are not financial assets and therefore excluded accordingly. There is no history of default on other assets amount and management does not deem other assets balance to be impaired.

### Concentration of risks of financial assets with credit risk exposure

*a)* ***Geographical sectors***

As of 31 December 2025, all financial instruments are with counterparties in Tanzania.

| **Year ended 31 December 2025** | **Tanzania** | **Total** |
|---|---|---|
| | **TZS '000** | **TZS '000** |
| Cash and balances with Bank of Tanzania | 18,936,962 | 18,936,962 |
| Loans and advances to banks | 9,042,221 | 9,042,221 |
| Loans and advances to customers | 65,519,474 | 65,519,474 |
| Other assets | 1,218,333 | 1,218,333 |
| Total | **93,311,201** | **93,311,201** |

| **Year ended 31 December 2024** | **Tanzania** | **Total** |
|---|---|---|
| | **TZS '000** | **TZS '000** |
| Cash and balances with Bank of Tanzania | 13,293,568 | 13,293,568 |
| Loans and advances to banks | 13,545,364 | 13,545,364 |
| Loans and advances to customers | 57,519,378 | 57,519,378 |
| Other assets | 129,823 | 129,823 |
| Total | **84,488,133** | **84,488,133** |

b) ***Industry sectors***

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

| **Year ended 31 December 2025** | **Financial Institutions** | **Individuals** | **Others** | **Total** |
|---|---|---|---|---|
| | **TZS '000** | **TZS '000** | **TZS '000** | **TZS '000** |
| Cash and balances with Bank of Tanzania | 18,936,962 | - | - | 18,936,962 |
| Loans and advances to banks | 9,042,221 | - | - | 9,042,221 |
| Loans and advances to customers | - | 65,519,474 | - | 65,519,474 |
| Other assets | - | - | 1,218,333 | 1,218,333 |
| **Total** | **27,979,183** | **65,519,474** | **1,218,333** | **94,716,990** |

| Year ended 31 December 2024 | Financial Institutions | Individuals | Others | |
|---|---|---|---|---|
| | TZS '000 | TZS '000 | TZS '000 | TZS '000 |
| Cash and balances with Bank of Tanzania | 13,293,568 | - | - | 13,293,568 |
| Loans and advances to banks | 13,545,364 | - | - | 13,545,364 |
| Loans and advances to customers | - | 57,519,378 | - | 57,519,378 |
| Other assets | - | - | 129,823 | 129,823 |
| **Total** | **26,838,932** | **57,519,378** | **129,823** | **84,488,133** |

**Liquidity risk**

Liquidity risk is the risk that the bank is unable to meet its payment 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.

**Liquidity risk management process**

The Bank's liquidity management process, as carried out within the Bank and monitored by the Asset and Liability Committee (ALCO) of the Bank includes:

- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring statement of financial position liquidity ratios against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management.

The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

**Funding approach**

Sources of liquidity are regularly reviewed by the Bank's Asset and Liability Committee (ALCO) of the Bank to maintain a wide diversification by currency, provider, product and term.

**Non-derivative cash flows**

The table below analyses financial assets and financial liabilities into relevant maturity groupings based on their contractual undiscounted amounts as at 31 December 2025.

## 29 FINANCIAL RISK MANAGEMENT (CONTINUED)

### Liquidity risk (Continued)

### Non-derivative cash flows (Continued)

| As at 31 December 2025 | Up to1 month | 1 to 3 months | 4 to 12 months | 1 to 5 years | over 5 years | Total |
|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | |
| Deposits from customers | 29,622,233 | 2,440,570 | 40,310,539 | 2,699,000 | - | 75,072,342 |
| Deposits from banks | 3,575,374 | - | - | - | - | 3,575,374 |
| Other liabilities * | 1,128,076 | - | - | - | - | 1,128,076 |
| **Total liabilities (contractual maturity dates)** | **34,325,683** | **2,440,570** | **40,310,539** | **2,699,000** | **-** | **79,213,073** |
| **Assets** | | | | | | |
| Cash and balances with Bank of Tanzania | 18,936,962 | - | - | - | - | 18,936,962 |
| Loans and advances to banks | 9,042,221 | - | - | - | - | 9,042,221 |
| Loans and advances to customers | 8,771,494 | 332,694 | 2,891,562 | 21,062,245 | 33,564,386 | 66,622,382 |
| Other assets | - | - | 1,218,333 | - | - | 1,218,333 |
| **Total assets (expected maturity dates)** | **36,750,677** | **332,694** | **4,109,895** | **21,062,245** | **33,564,386** | **95,819,898** |
| **Liquidity Gap** | **3,424,994** | **(2,107,876)** | **((36,200,645)** | **18,363,245** | **33,564,386** | **16,044,105** |

The bank shall bridge the liquidity gap through: increase in current & savings account balances from shareholders engagements, sourcing of long term fund and receipt of funding from individual shareholders via implementation of the turnaround strategy

*Other liabilities exclude statutory obligations.

## 29 FINANCIAL RISK MANAGEMENT (CONTINUED)

**Liquidity risk (Continued)**

**Non-derivative cash flows (Continued)**

| As at 31 December 2024 | Up to1 month | 1 to 3 months | 4 to 12 months | 1 to 5 years | over 5 years | Total |
|---|---|---|---|---|---|---|
| **Liabilitiesw** | | | | | | |
| Deposits from customers | 23,233,165 | 2,440,570 | 40,310,539 | 2,699,000 | - | 68,683,274 |
| Deposits from banks | 5,255 | - | - | 1,000,000 | - | 1,005,255 |
| Other liabilities * | 1,535,221 | - | - | - | - | 1,535,221 |
| **Total liabilities (contractual maturity dates)** | **24,773,641** | **2,440,570** | **40,310,539** | **3,699,000** | **-** | **71,223,750** |
| **Assets** | | | | | | |
| Cash and balances with Bank of Tanzania | 13,293,568 | - | - | - | - | 13,293,568 |
| Loans and advances to banks | 13,545,364 | - | - | - | - | 13,545,364 |
| Loans and advances to customers | 685,184 | 332,694 | 2,891,562 | 21,062,245 | 33,564,386 | 58,536,071 |
| Other assets | - | - | 129,823 | - | - | 129,823 |
| **Total assets (expected maturity dates)** | **27,524,116** | **332,694** | **3,021,385** | **21,062,245** | **33,564,386** | **85,504,826** |
| **Liquidity Gap** | **2,750,475** | **(2,107,876)** | **(37,289,154)** | **24,761,245** | **(33,564,386)** | **14,281,076** |

*Other liabilities exclude statutory obligations.

## 29 FINANCIAL RISK MANAGEMENT (CONTINUED)

### Liquidity risk (Continued)

### Non-derivative cash flows (Continued)

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, balances with central bank, treasury bills; loans and advances to banks; and loans and advances to customers. In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended. The Bank would also be able to meet unexpected net cash outflows by selling securities and accessing additional funding sources such as asset-backed markets.

### Market risk

The Bank takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rates and foreign currencies, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, and foreign exchange rates.

### Foreign exchange risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flow. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. With all other variables held constant, a shift in foreign exchange rate by 5% on all foreign denominated assets, liabilities and equity, would lead to foreign currency exposure to the Bank of a lower or higher loss after tax of TZS 2.61 million as at 31 December 2025 (2024: TZS 2.61 million).

The table below summarizes the Bank's exposure to foreign currency exchange rate risk at 31 December 2025. Included in the table are the Bank's financial instruments at carrying amounts, categorized by currency (amounts are in USD).

| **As at 31 December 2025** | USD | Total |
|---|---|---|
| **Assets** | | |
| Cash and balances with Bank of Tanzania | 7,858 | 7,858 |
| Balances with other banks | 5,031 | 5,031 |
| **Total financial assets** | 12,889 | 12,889 |
| | | |
| **Liabilities** | | |
| Deposits | 1,371,159 | 1,371,159 |
| **Total financial liabilities** | 1,371,159 | 1,371,159 |
| | | |
| **Net on-balance sheet financial position** | (1,358,270) | (1,358,270) |

## 29 FINANCIAL RISK MANAGEMENT (CONTINUED)

| As at 31 December 2024 | USD | Total |
|---|---|---|
| **Assets** | | |
| Cash and balances with Bank of Tanzania | 44,792 | 44,792 |
| Balances with other banks | 1,414,943 | 1,414,943 |
| **Total financial assets** | 1,459,735 | 1,459,735 |
| | | |
| **Liabilities** | | |
| Deposits | 2,203,701 | 2,203,701 |
| **Total financial liabilities** | 2,203,701 | 2,203,701 |
| | | |
| **Net on-balance sheet financial position** | **(743,966)** | **(743,966)** |

**Foreign exchange risk (Continued)**

**Interest rate risk**

Interest rate risk represents exposures to instruments whose values vary with the level or volatility of interest rates. These instruments include, but are not limited to loans, debt securities, certain traded assets and liabilities, deposits, borrowings and derivative instruments.

The bank is exposed to the risk that the value of a financial instrument will fluctuate due to changes in market interest rates, as funds are sourced and invested at both fixed and floating rates. The maturities of assets and liabilities, plus the ability to replace interest bearing liabilities at an acceptable cost as they mature, are important factors in assessing the bank's exposure to changes in interest rates.

In addition to maintaining an appropriate mix between fixed and floating rates deposit base, interest rates on advances to customers and other risk assets are mainly pegged to the bank's base lending rate (floating rates). The base lending rate is adjusted from time to time to reflect prevailing market costs of deposits.

Interest rates on customer deposits are negotiated between the bank and its customers, with the bank retaining the discretion to re-negotiate the rates at maturity in line with changes in market trends. The interest rates given or charged to clients therefore fluctuate depending on the movements in the market interest rates. The bank also invests in fixed interest rate instruments issued by the Government of Tanzania through the Bank of Tanzania.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the bank's interest rate risk. It is unusual for a bank ever to completely be matched due to the nature of business terms and types of products offered.

## 29 FINANCIAL RISK MANAGEMENT (CONTINUED)

### Interest rate risk (Continued)

### Bank's exposure to interest rate risks

No exposure in 2025 as the bank does not have the instruments held in 2025

### Fair value of financial assets and liabilities

The table below summarizes the carrying amounts and fair values of the financial assets and liabilities presented on the Bank's statement of financial position:

| Year ended 31 December 2025 | Carrying value TZS '000 | Fair value TZS '000 |
|---|---|---|
| Cash and balances with Bank of Tanzania | 18,936,962 | 18,936,962 |
| Loans and advances to banks | 9,042,221 | 9,042,221 |
| Loans and advances to customers | 65,519,474 | 65,519,474 |
| Other assets | 1,218,333 | 1,218,333 |
| **Total financial assets** | **94,716,990** | **94,716,990** |
| Deposits from customers | 75,072,342 | 75,072,342 |
| Other liabilities | 618,608 | 618,608 |
| **Total financial liabilities** | **75,690,950** | **75,690,950** |

| Year ended 31 December 2024 | Carrying value TZS '000 | Fair value TZS '000 |
|---|---|---|
| Cash and balances with Bank of Tanzania | 13,293,568 | 13,293,568 |
| Loans and advances to banks | 13,545,364 | 13,545,364 |
| Loans and advances to customers | 57,519,378 | 57,519,378 |
| Other assets | 129,823 | 129,823 |
| **Total financial assets** | **84,488,133** | **84,488,133** |
| Deposits from customers | 68,683,274 | 68,683,274 |
| Other liabilities | 1,399,360 | 1,399,360 |
| **Total financial liabilities** | **70,082,634** | **70,082,634** |

### Fair valuation methods and assumptions

***a) Financial instruments not measured at fair value***

The fair values of the Bank's financial assets such as loans and advances to customers, loans and advances to banks, other assets, deposits from customers and other liabilities approximate their respective carrying amounts due to the generally short periods to maturity dates.

## 29 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) *Cash and bank balances*

Cash and bank balances comprises cash at bank. The carrying amount of cash and balances with banks is a reasonable approximation of fair value.

(ii) *Loans and advances to banks*

Loans and advances to banks include inter-bank placements. The carrying amount of floating rate placements and overnight deposits is a reasonable approximation of fair value.

The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

(iii) *Loans and advances to customers*

Loans and advances are net of charges for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(iv) *Other liabilities*

Other liabilities contain accruals and other payables, which are non-interest bearing and therefore carrying value, approximated to the fair value.

***b) Basis for the fair value hierarchy***

The fair value hierarchy of the financial instruments presented above is based on the following:

(i) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

(ii) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market are determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. Specific valuation techniques used to value financial instruments include quoted market prices or dealer quotes for similar instruments and other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

**Capital management**

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 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.

## 29 FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the Bank of Tanzania, for supervisory purposes. The required information is filed with the Bank of Tanzania on monthly basis.

The Bank of Tanzania requires each bank or banking group to:

i. hold the minimum level of Core Capital of TZS 15 billion.
ii. maintain a ratio of core capital to the risk-weighted assets plus risk-weighted off-statement of financial position assets (the 'Basel ratio') at or above the required minimum of 10%; and
iii. and maintain total capital of not less than 12% of risk-weighted assets plus risk-weighted off-statement of financial position items.

The Bank's regulatory capital as managed by its Treasury department is divided into two tiers:

- Tier 1 capital: share capital, retained earnings and reserves created by appropriations of retained earnings. Intangible assets, leasehold improvements and prepaid expenses are deducted in arriving at Tier 1 capital. And
- Tier 2 capital: collective impairment allowances and unrealized gains arising on the fair valuation of equity instruments held as available for sale.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of - and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-statement of financial position exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarizes the composition of regulatory capital and the ratios of the Bank for the year ended 31 December 2025 and year ended 31 December 2024. During the year, the Bank complied with all of the externally imposed capital requirements to which they are subject.

## 29 FINANCIAL RISK MANAGEMENT (CONTINUED)

### Capital management (Continued)

| | 2025 | 2024 |
|---|---|---|
| **Tier 1 capital** | **TZS '000** | **TZS '000** |
| Share capital | 30,912,460 | 30,912,460 |
| Advance towards share capital | 7,000,000 | 7,000,000 |
| Retained earnings | (20,931,842) | (21,376,382) |
| Prepaid expenses | (384,377) | (477,079) |
| Deferred Tax Assets | | (31,921) |
| **Total qualifying tier 1 capital** | **16,596,241** | **16,027,078** |
| Tier 2 capital (1% general provision) | - | - |
| **Total regulatory capital** | **16,596,241** | **16,027,078** |
| **Risk weighted assets** | | |
| On-balance sheet | 40,782,445 | 49,764,614 |
| Capital charge for market risk | 247,973 | 679,218 |
| Capital charge for operational risk | 3,148,705 | 3,148,705 |
| Off-balance sheet | 687,266 | 620,469 |
| **Total risk weighted assets** | **44,866,389** | **54,213,006** |

| | Required ratio | Bank's ratio | Bank's ratio |
|---|---|---|---|
| | % | % | % |
| **Tier 1 capital** | **10** | **36.99** | **29.56** |
| **Tier 1 + Tier 2 capital** | **12** | **36.99** | **29.56** |

## 30 NEW AND AMENDED STANDARDS THAT ARE EFECTIVE FOR THE CURRENT YEAR

In the current year, the company has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2025. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

| Effective date | New Standards or Amendments | Summary |
|---|---|---|
| **New currently effective requirements** | | |
| 1 January 2025 | Lack of Exchangeability – Amendments to IAS 21 | Under the amendments, companies will need to provide new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements. These disclosures might include:<br>• the nature and financial impacts of the currency not being exchangeable,<br>• the spot exchange rate used,<br>• the estimation process, and<br>• risks to the company because the currency is not exchangeable. |
| **Forthcoming requirements** | | |
| 1 January 2026 | Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7 | The amendments introduce an additional SPPI test for financial assets with contingent features that are not related directly to a change in basic lending risks or costs – e.g. where the cash flows change depending on whether the borrower meets an ESG target specified in the loan contract.<br><br>And on settlement by electronic payments, consider a company that settles its trade payable by using an electronic payment system. |
| 1 January 2026 | Contracts Referencing Nature dependent Electricity –<br><br>Amendments to IFRS 9 and IFRS 7 | The amendments allow a company to apply the own-use exemption to PPAs if the company has been, and expects to be, a net-purchaser of electricity for the contract period.<br><br>The amendments apply retrospectively using facts and circumstances at the beginning of the reporting period of initial application (without requiring prior periods to be restated). |
| 1 January 2026 | Annual Improvements to IFRS Accounting<br><br>Standards – Volume 11 | The IASB's amendments remove the conflict between IFRS 9 and IFRS 15 over the amount at which a trade receivable is initially measured.<br><br>Under IFRS 15, a trade receivable may be recognised at an amount that differs from the transaction price – e.g. when the transaction price is variable. Conversely, IFRS 9 requires that companies initially measure trade receivables without a significant financing component at the transaction price.<br><br>The IASB has amended IFRS 9 to require companies to initially measure a trade receivable without a significant financing component at the amount determined by applying IFRS 15. |

| Effective date | New Standards or Amendments | Summary |
| --- | --- | --- |
| 1 January 2027 | IFRS 18 Presentation and Disclosure in Financial<br><br>Statements | Under current IFRS Accounting Standards, companies use different formats to present their results, making it difficult for investors to compare financial performance across companies.<br><br>IFRS 18 promotes a more structured income statement. It introduces a newly defined 'operating profit' subtotal and a requirement for all income and expenses to be classified into three new distinct categories based on a company's main business activities. |
| 1 January 2027 | IFRS 19 Subsidiaries without Public Accountability:<br><br>Disclosures | IFRS 19 allows eligible subsidiaries to apply IFRS Accounting Standards with the reduced disclosure requirements of IFRS 19.<br><br>A subsidiary may choose to apply the new standard in its consolidated, separate or individual financial statements provided that, at the reporting date:<br><br>• it does not have public accountability; and<br>• its parent produces consolidated financial statements under IFRS Accounting Standards.<br><br>A subsidiary applying IFRS 19 is required to clearly state in its explicit and unreserved statement of compliance with IFRS Accounting Standards that IFRS 19 has been adopted. |
| 1 January 2027 | Translation to a<br><br>Hyperinflationary Presentation<br><br>Currency – Amendments to IAS 21 | Under the amendments, a company with a non-hyperinflationary functional currency but a hyperinflationary presentation currency translates all the financial statement amounts (including comparatives) using the closing rate at the latest reporting date.<br><br>The final amendments also provide guidance for a company with hyperinflationary functional and presentation currencies that has a foreign operation with a non-hyperinflationary functional currency. In this case, the company:<br><br>• restates the comparative information of the foreign operation included in the company's previously issued financial statements by applying the general price index under paragraph 34 of IAS 29 Financial Reporting in Hyperinflationary Economies; and<br>• translates all amounts of the foreign operation other than comparatives using the closing rate at the latest reporting date.<br><br>The company is also required to disclose:<br><br>• that the amendments have been applied in translating financial statements; and, when applicable,<br>• summarised financial information about its foreign operations affected by the translation method. |

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