

MKOMBOZI COMMERCIAL BANK PLC
ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

MKOMBOZI COMMERCIAL BANK PLC

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FOR THE YEAR ENDED 31 DECEMBER 2025**

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MKOMBOZI COMMERCIAL BANK PLC

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

CORPORATE INFORMATION

Registered Office:

Plot Number 40
Mansfield Street
P.O. Box 38448
Dar es Salaam, Tanzania

Main Bankers:

BHF BANK
Frankfurt am Main
German 60302
Bockenheimer Landstrabe10

United Bank for Africa Plc
575 5th Avenue
32nd Floor
New York, NY 10017

Bank's Lawyers:

Galati Law Chambers,
Plot No. 21 Block K
Kenyatta Road
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Mwanza, Tanzania

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P.O. Box 79944
Tancot House, Ground Floor
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Mawala Advocates,
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Plot No. 245,
P.O. Box 4490,
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MM Attorneys,
Suite No. 1005 10th Floor,
Uhuru Heights Tower,
Plot No. 33,
Bibi Titi Mohamed Road,
P.o. Box 7281
Dar es Salaam, Tanzania

Locus Attorneys,
2nd Floor, Peageout House,
Bibi Titi Mohamed Road,
P.o. Box 4110,
Dar es Salaam.

Bank's Secretary:

Paulina P. Kunjumu

Auditor:

Ernst & Young,
EY House, Plot 162/1 Mzinga Way,
14111 Oysterbay,
P.O. Box 2475,
Dar es Salaam, Tanzania

MKOMBOZI COMMERCIAL BANK PLC**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025****CORPORATE INFORMATION (CONTINUED)****The Directors of the Bank**

Name	Position	Age	Profession/Qualification	Nationality	Date appointed/ Resigned
Mr. Gasper Njuu	Chairman	66 Years	Advanced Diploma in Banking, Post Graduate Diploma in Financial Management, MBA in International Business	Tanzanian	Appointed on 27 January 2022
Mr. Respige O. Kimati	Managing Director	52 Years	B. Com in Finance, MSc in Finance	Tanzanian	Appointed on 18 January 2020
Most Rev. Beatus Kinyaiya	Director	69 years	Archbishop of Archdiocese of Dodoma, MA in History, BA in Geography, BA in Spiritual Theology	Tanzanian	Reappointed on 30 May 2015
Mr. Martin Mdoe	Director	55 Years	Advocate of the High Court of Tanzania, LLB, LLM and MBA.	Tanzanian	Appointed on 27 January 2022
Mr. Robert Mtendamema	Director	53 years	B. Computer Science and Master of Science in Data Communications Networks and Distributed Systems	Tanzanian	Appointed on 8 August 2018 and Retired on 17 th October, 2025.
Ms. Uphoo Swai	Director	54 Years	Certified Public Accountant, Advanced Diploma in Accountancy, Master of Business Administration	Tanzanian	Appointed on 8 August 2018 and Retired on 26 th July 2025
Mr. Benedict Warisianga Sudi	Director	58 Years	Certified Public Accountant, Advanced Diploma in Accountancy	Tanzanian	Appointed on 9 May 2019
Fr. Dr. Charles Kitima	Director	61 years	BA in Theology, Licentiate in Canon Law and Doctorate in Laws	Tanzanian	Appointed on 2 January 2019
Ms. Agnes Kitwanga	Director	43 years	BSc Computer Science, MSc Business Information System	Tanzanian	Appointed on 26 th July 2025
Mr. Damas Mugashe	Director	57 years	Advanced Diploma in Accountancy, PDG in Financial Management, Masters in Business Administration	Tanzanian	Appointed 26 th July 2025.

MKOMBOZI COMMERCIAL BANK PLC

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

1. INTRODUCTION

The Governing Board members have pleasure to submit their report together with the audited financial statements for the financial year ended 31 December 2025, which disclose the state of affairs of Mkombozi Commercial Bank Public Limited Company ('Mkombozi Commercial Bank Plc' or the 'Bank').

2. INCORPORATION

The Bank was incorporated as a public limited liability company in Tanzania in 2007 under the Companies Act, No12 of 2002.

3. BANK'S VISION AND MISSION

The Bank's vision is to be a leading Bank in addressing the growth needs of small and medium size enterprises through delivery of high quality and integrity banking services to a wide micro customer base and corporate enterprises.

The Bank's Mission is to be a Bank that will provide high quality financial services to all sectors of the economy in a sustainable and socially responsible manner to meet stakeholders' expectations.

4. PRINCIPAL ACTIVITIES

The principal activity of the Bank is the provision of banking and related services stipulated in the Banking and Financial Institutions Act, 2006 of Tanzania. There has been no change in the principal activities of the Bank during the financial year.

5. SHARE CAPITAL STRUCTURE

The Bank's share capital structure for the year under review is shown below: -

Authorized Share Capital

TZS 50,000,000,000 comprising 50,000,000 ordinary shares of TZS 1,000 each.

Called up and fully paid-up share capital

TZS 22,820,069,500 comprising 23,555,002 ordinary shares. of TZS 1,000 each.

Part of these shares were issued at discount as shown in Note 35 to the financial statements.

6. SHAREHOLDING STRUCTURE

As at 31 December 2025, the shares of the Bank were held as follows:

Category	No of shares	Value of shares (TZS)	% of holding
Roman Catholic Church Dioceses and affiliated Institutions	7,049,049	6,731,213,750	29.50%
Other Institutions	2,235,141	2,207,832,500	9.67%
Tanzania Episcopal Conference (TEC)	4,133,995	4,133,995,000	18.12%
Individuals	10,136,817	9,747,028,250	42.71%
Total	23,555,002	22,820,069,500	100.0%

As at 31 December 2024, the shares of the Bank were held as follows:

Category	No of shares	Value of shares (TZS)	% of holding
Roman Catholic Church Dioceses and affiliated Institutions	7,049,049	6,731,213,750	29.50%
Other Institutions	2,235,141	2,207,832,500	9.67%
Tanzania Episcopal Conference (TEC)	4,133,995	4,133,995,000	18.12%
Individuals	10,136,817	9,747,028,250	42.71%
Total	23,555,002	22,820,069,500	100.0%

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

6. SHAREHOLDING STRUCTURE (CONTINUED)

The following directors held shares in the Bank as at the respective year-ends:

Name of the director	Number of shares held	
	2025	2024
Most Rev. Beatus Kinyaiya	13,574	13,574
Mr. Robert Mtendamema	1,190	1,190
Mr. Respige Onesmo Kimati	260	260
Total shares held by directors	15,024	15,024

No director owned more than 0.1% of total issued share capital of the Bank.

7. CRITICAL ACCOUNTING POLICIES AND JUDGEMENTS

Results of the Bank are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of the financial statements. When preparing the financial statements, it is the responsibility of those charged with governance under the Tanzania Companies Act 2002 to select suitable accounting policies and to make judgments and estimates that are reasonable and prudent. The accounting policies that are deemed critical to our results and financial position, in terms of the materiality of the items to which the policies are applied and the high degree of judgment involved, including the use of assumptions and estimation,

8. COMPOSITION OF THOSE CHARGED WITH GOVERNANCE

Those charged with the governance “the Board” of the Bank at the date of this report, who held office during the year, except where otherwise indicated, are set out on Page 3.

9. CORPORATE GOVERNANCE

The Board of Directors (“the Board”) comprises of 8 Directors. Apart from the Managing Director, no other director holds an executive position at the Bank. The Board takes overall responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters, and reviewing the performance and management of business plans and budgets. The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative, and for compliance with sound corporate governance principles.

The appointments of those charged with governance are made on merit, and candidates are considered against objective criteria, having due regard to the benefits of the diversity of the Board. A rigorous selection process is followed in relation to the appointment of Directors.

The Board delegates the day to day management of the business to the Managing Director who is assisted by senior management. Senior management are invited to attend Board meetings and facilitates the effective control of all the Bank’s operational activities, acting as a medium of communication and coordination between all the various business units.

During the year, the Board met four times as required by the Bank’s policy.

The Bank is committed to the principles of effective corporate governance. The Directors also recognise the importance of integrity, transparency and accountability. The Board retains effective control over operations and has established committees to assist in providing detailed attention to specific areas of expertise. Board delegated authorities are reviewed regularly and Directors have full access to Board and Committee documentation.

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

9. CORPORATE GOVERNANCE (CONTINUED)

During the year, the Board held four ordinary meetings and six extraordinary meetings due to special activities that necessitated the Board's deliberations. The Board meetings held during the year are as summarized below:

No.	Name of the director	Position	Total meetings	Meetings attended	%
1.	Mr. Gasper Njuu	Board Chairperson	10	10	100%
2.	Most Rev. Beatus Kinyaiya	Director	10	10	100 %
3.	Mr. Benedict Warisianga Sudi	Director	10	10	100%
4.	Mr. Robert Mtendamema	Director	10	8	80%
5.	Ms. Uphoo Swai	Director	10	5	50%
6.	Fr. Dr. Charles Kitima	Director	10	8	80%
7.	Mr. Respige O. Kimati	Director	10	10	100%
8.	Mr. Martin Mdoe	Director	10	10	100%
9.	Ms. Agnes Kitwanga	Director	1	1	100%
10.	Mr. Damas Mugashe	Director	1	1	100%

Directors Uphoo Swai and Robert Mtendamema retired on 26 July 2025 and were replaced by Directors Damas Mugashe and Agnes Kitwanga.

The Board has three committees, that is, the Board Audit, Risk and Compliance Committee, the Board Human Resources and Operations Committee and the Board Credit Committee. Each committee has a charter to govern its roles and responsibilities as well as facilitate efficiency and effectiveness of the Board's performance.

The Bank is committed to the principles of effective corporate governance, especially recognising the importance of integrity, transparency and accountability. The Board exercised close oversight over the Bank's operations and ensured high standards of corporate governance through its committees as shown below:

The Board Audit, Risk and Compliance Committee (BARC)

During the year the committee held four ordinary meetings as per Bank's policy and two extra ordinary meetings. The purpose of the BARC includes among others:

- (i) To assist the Board of Directors in fulfilling its oversight responsibility with regard to audit and control.
- (ii) To monitor and assess the overall integrity of the financial statements and disclosures of the financial condition and results of operations of the Bank.
- (iii) To monitor management's responsibilities to ensure effective systems of financial and internal controls are in place.
- (iv) To assist the Board in discharging its responsibility on Information Technology (IT) as it relates to financial reporting and the status of the Bank as a going concern.
- (v) To monitor and evaluate on a regular basis the qualifications, independence and
- (vi) Performance of both the external auditors and the internal audit and control department.

The Board Audit, Risk and Compliance Committee (BARC) is composed of the following:

No.	Name of director	Position	Total meetings	Meetings attended	%
1.	Ms. Uphoo Swai	Retired Chairperson	6	4	67%
2.	Most Rev. Beatus Kinyaiya	Director	6	6	100%
3.	Mr. Benedict Warisianga Sudi	Chairperson	6	6	100%
4	Mr. Damas Mugashe	Director	3	3	100%

Director Uphoo Swai retired on 26 July 2025 and Director Damas Mugashe was appointed on 26 July 2025, and attended meetings from September 2025 to year-end.

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

9. CORPORATE GOVERNANCE (CONTINUED)

Board Credit Committee (BCC)

During the year the committee held four ordinary meetings as per Bank's policy and twenty-one extra ordinary meetings. The purpose of the BCC includes among others:

- (i) Review the adequacy of the Bank's capital and its allocation to the Bank's business.
- (ii) To assist the Board of Directors to discharge the responsibility to exercise due care, diligence and skill to oversee, direct and review the management of the credit portfolio of the Bank.
- (iii) To review and recommend to the Board for approval the Bank's credit policies and strategies.

The Board Credit Committee (BCC) is composed of the following:

No.	Name of director	Position	Total meetings	Meetings attended	%
1.	Mr. Robert Mtendamema	Retired Chairperson	20	20	100%
2.	Mr. Martin Mdoe	Director	25	25	100%
3.	Fr. Charles Kitima	Director	25	20	80%
4.	Mr. Agnes Kitwanga	New Chairperson	5	5	100%

Director Robert Mtendamema retired on 26 July 2025 and he attended meetings up to to the date he retired. Director Agnes Kitwanga was appointed on 26 July 2025 and attended meetings from September 2025 to year-end.

The Board Human Resources and Operations Committee

During the year the committee held four ordinary meetings as per Bank's policy and three extra ordinary meetings. The purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities in the field of human resources management.

The Committee's primary focus is with respect to the recruitment, development, succession planning and compensation of senior executives and the identification, oversight and management of risk related to the Human Resources policies, disciplinary procedures and practices of the bank. The Committee also assists the Board in establishing the compensation philosophy and the compensation and benefit plans for the workforce of the bank's business.

The Board Human Resources and Operations Committee is composed of the following:

No.	Name of director	Position	Total meetings	Meetings attended	%
1.	Mr. Martin Mdoe	Chairperson	7	7	100%
2.	Mr. Robert Mtendamema	Director	7	5	71%
3.	Fr. Charles Kitima	Director	7	6	86%
4.	Ms. Agnes Kitwanga	Director	2	2	100%

Director Robert Mtendamema retired on 26 July 2025, and Director Agnes Kitwanga was appointed on 26 July 2025 and attended meetings from September 2025 to year-end.

10. MANAGEMENT TEAM

The Managing Director was assisted by the following Heads of Departments:

- Chief Financial Officer - Chief Operations Officer - Head of Treasury - Head of Credit - Chief Internal Auditor - Chief Commercial Officer	- Head of Legal Services (Company Secretary) - Head of Risk and Compliance. - Head of Human Resources.
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THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

11. FINANCIAL PERFORMANCE AND POSITION

The Bank posted a profit before tax of TZS 17,002 million for the year ended 31 December 2025 (2024: TZS 11,493 million), driven by the following key performance factors: -

- Net operating income for the period increased to TZS 36,789 million from TZS 29,216 million in 2024. The growth was primarily driven by a TZS 7,827 million (26%) increase in interest income, supported by a stable and robust balance sheet.
- Customer deposits increased to TZS 242,862 million from TZS 217,491 million in 2024, representing a 12% growth in 2025. This was driven by enhanced deposit mobilization initiatives and improved banking infrastructure, including digital channels.
- Total assets increased to TZS 318,231 million from TZS 282,380 million in 2024, primarily driven by a TZS 34,000 million increase in loans and advances to customers and banks. This growth reflects the Bank's improved lending capacity and an expanding customer base.
- Total operating expenses increased to TZS 19,786 million from TZS 17,723 million in 2024, representing a 12% rise. This increase reflects business expansion and higher operational activity.
- The loans and advances portfolio increased to TZS 188,931 million (2024: TZS 162,565 million), reflecting a 16% increase in 2025. This growth demonstrates our efficiency across lending processes and customer engagement.

The key performance indicators (KPIs) of the Bank are indicated below:

Performance Indicator	Definition and calculation method	2025	2024
Return on Equity	Profit Before Tax/Total Equity	34%	29%
Return on Assets	Profit Before Tax/Total Assets	5%	4%
Cost to Income Ratio	Operating Costs/Net Interest + Non-Interest Income	52%	57%
Interest Margin on Earning Assets	Total Interest Income/ (interest on government securities + balances with other banks + interbank loans receivable + investments in other securities + net loans, advances and overdrafts)	13%	13%
Non - Interest Income to Gross Income	Non - Interest Income/Total Income	23%	22%
Earnings Per Share	Basic Earnings/ Number of Ordinary Shares in Issue (TZS)	486	384
Gross Loans to Customers Deposits	Total Loans and Advances to Customers/Total Deposits due to Customers	78%	75%
Non - performing Loans to Gross Loans	Non - performing Loans/Gross Loans and Advances	3.7%	3.8%
Earning Assets to Total Assets	Earning assets/Total assets	85%	81%
Growth in Total Assets	Trend (2025 Total Assets – 2024 Total Assets)/ (2024 Total Assets)	13%	10%

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

11. FINANCIAL PERFORMANCE AND POSITION (CONTINUED)

The key performance indicators (KPIs) of the Bank (Continued):

Performance Indicator	Definition and calculation method	2025	2024
Growth in Loans and Advances to Customers	Trend (2025 loans and advances – 2024 loans and advances) /2024 loans and advances)	16%	21%
Growth in Deposits due to Customers	Trend (2025 Deposits – 2024 Deposits)/2024 Deposits)	12%	5%

Capital adequacy

Performance Indicator	Definition and calculation method	2025	2024
Core (Tier 1) Capital Ratio	[Core Capital/Total Risk-weighted on and Off Statement of Financial Position, Operational and Market Risk Weighted Exposures] x 100	20.62%	16.93%
Total (Tier 1 + Tier 2) Capital Ratio	[Total Capital/Total Risk-weighted on and off statement of financial position, operational and market risk weighted exposures] x 100	21.88%	18.23%

The Core Capital and Total Capital Ratio were at TZS 43,942 million and TZS 46,642 million, translating to 20.62% and 21.88% respectively (2024: TZS 35,319 million and 38,019 million, 16.93% and 18.23%). The current year compares favorably with the minimum regulatory requirement of TZS 15,000 million, 12.5% and 14.5% respectively in Core Capital, Core and Total Capital Ratio respectively. The directors confirm that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis.

12. NETWORK AND OUTREACH

The Bank had fourteen branches as at 31 December 2025; four located in Dar es Salaam, two in Mwanza, and one each in Bukoba, Morogoro, Dodoma, Iringa Njombe, Moshi, Geita and Arusha. The Bank's total number of depositors and borrowers as at the respective year-ends were as shown below:

	2025	2024
Account type		
Current accounts	6,910	6,335
Savings accounts	155,872	166,276
Time deposits	632	844
Total number of deposit accounts	163,412	173,455
Loan to customers' accounts	10,643	12,143

13. DIVIDEND

The company realized a net profit of TZS 11,450 million (2024: TZS 9,041 million). During the year the Bank paid dividend amounting to TZS 2,203 million (2024: Nil).

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

14. KEY DEVELOPMENTS DURING THE YEAR

During the year (2025), the bank consolidated and focused on execution of its strategic initiatives around the following key opportunity pockets;

1. Rollout of the cash management solution to Schools and Hospitals to drive business performance initiatives around deposits and transactional revenue aspects
2. Expansion of the physical outlets by opening a new full-fledged bank branch at Geita (making up a total of 14 branches) and finalizing necessary groundworks for additional three branches, in Kahama, Bagamoyo and Same, all of which are expected to be opened in 2026.
3. Rollout of the Account Planning Program, which is targeting a select number of existing customer base aimed at increasing wallet share through upsell and cross sell and also to exploit underlying value chain to expand the balance sheet.
4. Strategic mobilization of customers within the niche market through deployment of digital solutions and tailored products and services.

15. RELATED PARTY TRANSACTIONS AND BALANCES

The related party transactions and balances are disclosed in Note 38 to the financial statements.

16. PLANNED DEVELOPMENT

The Bank continues to focus on its key strategic initiatives both in the short and medium-term in order to achieve sustainable profitability levels necessary for growth and return to shareholders in terms of dividends pay out. We shall focus on penetrating the market with competitive banking solutions as well as harnessing the full potential of our existing clients especially across our niche market.

17. OPERATING ENVIRONMENT

Macro and micro economic overview

GDP

Domestic Economic growth in 2025 accelerated to 5.9% year-on-year, building on 5.6% growth in 2024. This good performance was driven mainly by agriculture, mining, and construction. The Zanzibar economy for 2025 is estimated to have grown by 6.8%, driven by construction, tourism, and manufacturing activities. The medium-term outlook is positive, with GDP growth expected to align more closely with its long-term potential to remain strong at 6% for Mainland Tanzania and the Zanzibar economy is projected at 7.2%.

Inflation

Inflation remained low, changing slightly within the target range of 3-5%. Annual inflation averaged at 3.4% in 2025 from 3.1% in 2024. This was due to prudent monetary policy and favorable global conditions, which provided relief to the exchange rate and lowered imported inflation. Inflation is expected to remain within the target of 3 to 5% throughout the year 2026. This is consistent with the country's medium-term target of 5%, as well as the regional benchmarks of the East African Community and the Southern African Development Community.

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

17. OPERATING ENVIRONMENT (CONTINUED)

Macro and micro economic overview (continued)

Inflation (continued)

In the period ahead, inflation is projected to remain low in many countries. This trend will continue helping to keep inflation low in Tanzania. In 2026 Crude oil prices are projected to remain at the same levels of USD 62-65 per barrel, attributable to ample supply and subdued demand. However, there is a risk to the inflation outlook, in the event of an escalation of geopolitical conflicts, climate change effects, and energy price increase associated with OPEC+ production decisions.

Monetary Policy

In 2025, the implementation of monetary policy was satisfactory. Liquidity in the economy was aligned with economic conditions. Monetary policy was executed using repo and reverse repo operations, 35-day, 91-day, 182-day Treasury bills, and foreign exchange operations. Banks also squared daily liquidity positions through the BOT credit window. In 2026, Monetary policy will continue to play a significant role in reducing inflationary pressures.

Money and Credit

Money supply continued to expand steadily, consistent with the monetary policy stance and the pace of economic growth. Reflecting the accommodative monetary policy as indicated by a lower policy rate, reserve money (monetary base) expanded strongly at 26.2% in 2025 compared with 19.1% in 2024. With the money multiplier remaining fairly stable over the year, the extended broad money (M3) is estimated to expand by 24.6% in 2025, compared with 11.1% in 2024. The outturn was mostly driven by private sector credit growth following a rapid increase in shilling deposits.

The growth of private sector credit remained strong throughout 2025. The stock of credit outstanding is estimated to be TZS 43.4 Trillion at the end of December 2025, equivalent to 21% of GDP, up from 17.4% of GDP in the preceding year. The trend was broadly consistent with most of the EAC and SADC countries.

Interest Rates

The overall lending rates hovered between 15 and 16%, and deposit rates were around 8%. Negotiated lending rate charged on loans extended to prime customers stood at around 12% from 10% in 2024, while negotiated deposit rate averaged 11% from 10% in 2024. Nonetheless, these interest rate levels were relatively lower than in most EAC countries.

18. OPERATING MODEL

We offer banking services to Individuals, Small to Medium sized Businesses, as well as large corporate clients. We have a wide branch network of over 13 branches, over 1,000 Mkombozi Wakala.

Agents and over 250 Umoja switch ATMs serving over 2 million customers across the country. Our key client servicing segments are Retail banking, Micro Group Lending, Business banking, Corporate banking and Treasury services.

Retail Banking

Our Retail banking segment offers a wide range of products to individual customers including different types of savings accounts, time deposits and loans and advances. Customers have access to digital products such as mobile banking, internet banking, Access to ATM and Agencies across the country.

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

18. OPERATING MODEL (CONTINUED)

Micro Group Lending

This segment offers banking solutions to solidarity groups. The products are structured to align with the business needs and cashflows from small business ventures engaged by solidarity group members. Customers are given access to financial wellbeing knowledge through well trained bank officers.

Business Banking

Our Small and Medium sized business customers are offered banking solutions tailored to their needs. Innovative banking products covering sole proprietors, partnerships and companies are tailored to give our customers a world class banking experience and solutions.

Corporate Banking

Premium products for our corporate and high net worth clients to meet their business and personal banking needs. First class access to our business and sector specific knowledge and expertise tailored to their unique business needs.

Treasury Services

The segment offers foreign currency services and money market services to Individuals, SME's, Institutions and Corporate customers.

19. HUMAN RESOURCES

The Bank has adequate employees with pre-requisite competency and experience in key positions to manage the banking operations and pursue the business objectives.

20. PRINCIPAL RISKS, UNCERTAINTIES AND OPPORTUNITIES

Risk Management Framework

The management of risk lies at the heart of business. The Bank's major risks arise from extending credit to customers through our trading and lending operations. The Bank is also exposed to a range of other risk types such as market, liquidity, operational, reputational, and other risks that are inherent to Bank's strategy, product range and geographical coverage. Effective risk management is fundamental to being able to generate profits consistently and sustainably and is thus an integral part of the financial and Bank's operational management.

Risk Governance

The ultimate responsibility for setting our risk appetite and for the effective management of risk rests with the Board. Acting within an authority delegated by the Board, The Board Audit, Risk and Compliance Committee (BARC) has responsibility for oversight and review of prudential risks including but not limited to credit, market, capital, liquidity and operational. It reviews the bank's overall risk appetite and makes recommendations thereon to the Board.

It's responsibilities also include reviewing the appropriateness and effectiveness of the Bank's risk management systems and controls, considering the implications of material regulatory change proposals, ensuring effective due diligence on material transactions. The BARC reviews regular reports on risk management, policies, stress testing, liquidity, and capital adequacy, and is authorized to investigate or seek any information relating to an activity within its terms of reference.

The Board accepts final responsibility for the risk management and internal control systems of the Bank. It is the task of the Directors to ensure that adequate internal financial and operational control systems are developed and maintained on an ongoing basis. 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 miss-statement or losses, the Bank's system is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively

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

20. PRINCIPAL RISKS, UNCERTAINTIES AND OPPORTUNITIES (CONTINUED)

Risk Governance (Continued)

The Board assessed the internal control systems throughout the financial year ended 31 December 2025 and is of the opinion that they met accepted criteria. The Board carries out risk and internal control assessment through the Board Audit and Risk Committee.

Risk Management Culture

The Bank is cognizant of the fact that people are its most asset and are core to the establishment of a positive and responsible risk management culture. To that end, the Bank continues to invest in the capability of its people through carefully designed initiatives and programs towards embedding a positive risk management culture in the Bank. Roles and responsibilities for risk management are defined under two lines of defence model. Each line of defence describes a specific set of responsibilities for risk management and control:

First Line of Defence: This compose of management and internal controls; operational managers own and manage risks. They also are responsible for implementing corrective actions to address process and control deficiencies.

Second Line of Defence: This comprises the independent risk function and is responsible for ensuring that the risks remain within the Bank's risk appetite.

Third line of defence: The independent assurance provided by the Internal Audit Department. Its role is defined and overseen by the Board Audit Committee.

In servicing its clients Mkombozi Commercial bank Plc assumes numerous risks. Principal risks that the Bank is exposed to are:

Risk	Mitigation Actions
Credit Risk Risk of loss arising from failure of customers to meet their contractual obligations when they fall due. These obligations can be financial and non-financial.	• Enhanced customer onboarding procedures with increased scrutiny on customer's past credit performance and present capacity. • Recovery process monitoring and reporting on monthly basis. • Proper loan monitoring procedures to flag out customers with elevated credit risk for quicker actions and remediation plans.
Compliance Risk Potential risk of penalties, sanctions, reputational damage and material loss resulting from failure to adhere to regulatory requirements.	• Periodic assessment of the bank's compliance with existing regulatory requirements. • Assessment of the adequacy of the bank's internal controls put in place to mitigate and manage compliance risk.
Strategic Risk Strategic risk can have severe consequences that impact organizations in the long term. Unmanaged strategic risks pose a risk to the bank. As such the bank manages its strategic risks in order to ensure that long term objectives are achieved.	• Formulation of a strategic plan that maps out the strategic activities and initiatives that are taken by the bank. • Monitoring of key performance indicators quarterly and discussed during the meeting of the Board Audit Risk and Compliance Committee. • Develop a performance evaluation system that tracks progress towards achieving both financial and non-financial targets. • Proper succession plan for the board of directors' critical positions (Chairman of the Board and the Managing Director) and management succession plan.

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

20. PRINCIPAL RISKS, UNCERTAINTIES AND OPPORTUNITIES (CONTINUED)

Risk Management Culture (Continued)

Risk	Mitigation Actions
Liquidity Risk Inability of the bank in meeting its repayment obligations in full when they fall due or from being unable to do so at a sustainable cost.	• Ensure that the agreed commitments to the Bank's creditors can be met in the long term (solvency) and at the right time (liquidity). • Maintain combined liquidity reserves of cash and securities and unused bank lines of credit as a buffer just in case. • Ensure that the bank's assets and liabilities are diversified across currencies, geographic areas and business.
Operational Risk The risk of loss resulting from inadequate or failed internal processes, people, and systems, or external events	• Risk transfer through outsourcing and insurance. • Establishment of controls through policies and procedures. • Business Continuity Planning by ensuring Disaster Recovery Site is in place and all core systems are replicated at the site.
Market Risk The risk of adverse movement of interest rates, foreign exchange fluctuations and or commodities prices.	• Hedging of foreign currency. • Timely evaluation and monitoring of market interest rates and prices movements.
Technology and Cyber Risk Risk of inability to manage Confidentiality of information, integrity of data, protection of physical IT assets and system availability which could results in loss of data, reputational damage and significant financial loss.	• Enhancement of modules in the core banking system. • Enhancement of the resilience of system security • Improvement of system stability.

Technology and Innovation

The Bank has gone through significant transformation in key aspects of technology and innovation over the past three years in an effort to build a robust operating platform to deliver competitive products and service solution to customers. This transformation journey was anchored on the digital platform, which was rolled out in 2021. The platform has facilitated implementation of various services solutions such as Agency Banking, Internet Banking, Cash Collection Solutions and enhanced Mobile Banking. The technology and innovation initiatives have been executed in the following phases:

- Information Gathering Phase:

This involved identifying key service pain points and possible remedial interventions.

- Stabilization & Catch-up Phase:

This entailed stabilizing the Bank's technology environment to foster business growth and catching up with the market in terms of the products and services offering.

- Business Growth Phase:

This involves strategic clients' acquisition and product penetration initiatives in line with profitability and growth ambitions of the Bank laid down the strategic business plan 2023 - 2026, with emphasis on the matters tabulated below:

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

20. PRINCIPAL RISKS, UNCERTAINTIES AND OPPORTUNITIES (CONTINUED)

Technology and Innovation (Continued)

Niche Market Proposition	Focus on key segments namely Retail Consumers, Jumuiya Ndogo Ndogo, Vyama Vya Kitume, Parishes, Dioceses, Congregations, Schools, Hospitals
Digitalization	Roll out of digital solution to drive customer acquisition, transaction and liquidity mobilization
Expansion	Physical, Digital
Cost Rationalization	Building the Culture
Credit	Origination, Management, Remedial
People	Alignment, Motivation, Responsibility, Productivity
Processes and Service Excellence	Customer Centricity

21. RISK MANAGEMENT AND INTERNAL CONTROLS

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

- The effectiveness and efficiency of operations;
- The safeguarding of the Bank's assets;
- Compliance with applicable laws and regulations;
- The reliability of accounting records;
- Business sustainability under normal as well as adverse conditions; and
- Responsible behavior 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 with such measures by staff. Whilst no system of internal control can provide absolute assurance against misstatement or losses, the Bank's system is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively. The Board assessed the internal control systems throughout the financial year and is of the opinion that they met accepted criteria. The Board monitors risk and internal control effectiveness through the BARC and BCC.

22. SERIOUS PREJUDICIAL MATTERS

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

**THE REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025****23. WELFARE OF EMPLOYEES****Relationship between Management and Employees**

The relationship between employees and management continued to be good. Complaints are resolved through meetings and discussions. Work morale continues to be good and there were no unresolved complaints from employees. There was good teamwork 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, tribe, religion, and disability which does not impair one's ability to discharge duties.

Training

During the year, the Bank spent TZS 71.9 million on training of staff (2024: TZS 63.7 million). Training programs have been and are continually being developed to ensure employees are adequately trained at all levels. Employees received training to upgrade their skills and enhance their performance.

Staff Loans and Advances

The Bank provides loans to staff as well as salary advances to enable them meet financial needs and promote their economic development. Staff loans and advances are based on specific terms and conditions approved by the Board.

Medical Facilities

The Bank covers medical bills for all of its employees and their immediate family dependents as well as medical insurance coverage to all staff.

Retirement Benefits

The Bank makes statutory contributions in respect of staff social security benefits. The Bank's obligations in respect of these contributions are limited to 10% of the employee's gross salary.

24. GENDER PARITY

The Bank is an equal opportunity employer and maintains reasonable gender balance among its employees. The Bank had the following employees by gender:

Gender	2025	2024
Female	87	93
Male	109	103
Total	196	196

25. POLITICAL DONATIONS

The Bank did not make any political donations during the year (2024: Nil).

26. RELATIONSHIP WITH STAKEHOLDERS

The Bank continued to maintain cordial relationships with stakeholders including the regulators.

27. CHARITABLE DONATIONS

The Bank participates actively in community activities and development programs throughout the country. Charitable donations made during the year amounted to TZS 53.70 million (2024: TZS 19.48 million). The Bank makes donations to various institutions including orphanage centres as education support for orphans.

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

28. AUDITOR

Name: Ernst & Young

Physical address: EY House Plot No. 162/1, Mzingo Way 14111 Oysterbay

Registration number: 151

TIN number: 100149222

PF Number: FCPA 1227

Ernst & Young was the auditor of the Bank for the year ended 31 December 2025. A proposal appointing the external auditor of the Bank for the year ending 31 December 2025 was approved by shareholders in the Sixteenth's Annual General Meeting which resolved that Ernst and Young will be the auditor of the Bank for a period of three years from 2025.

29. RESPONSIBILITY OF THOSE CHARGED WITH GOVERNANCE

The members charged with governance accepts responsibility for preparing these financial statements which shows true and fair view of the Bank to the date of approval of audited financial statements in accordance with the applicable standards, rules, regulations and legal provisions.

The members also confirm compliance with the provisions of the requirements of TFRS1 and all other statutory legislations relevant to the bank.

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

SUSTAINABILITY RELATED FINANCIAL DISCLOSURES

1. Executive overview

The Board presents these Sustainability-related Financial Disclosures for the year ended 31 December 2025 to enable users of the Bank's general-purpose financial reports to understand how sustainability-related risks and opportunities – particularly climate-related matters – could reasonably be expected to affect the Bank's cash flows, access to finance and cost of capital over the short, medium and long term.

Sustainability-related factors are relevant to the Bank's enterprise value because its business model is centred on deposit mobilisation and credit intermediation to retail, SME and niche institutional segments, supported by expanding digital delivery channels. The Bank's loan portfolio and deposit base grew during the year, and the Bank continues to invest in technology and distribution. Sustainability-related risks and opportunities may therefore affect the Bank primarily through credit risk outcomes, operational resilience and continuity, regulatory compliance expectations, and stakeholder trust.

These disclosures are presented within the Report by Those Charged with Governance (being the same report referred to as the "Directors' Report"), consistent with Tanzania's sustainability reporting framework, which requires sustainability-related financial information and climate-related disclosures to be incorporated within the report accompanying the financial statements.

The Bank's sustainability reporting is at an early stage of implementation. In this reporting period, the Bank has prioritised establishing foundational governance and reporting discipline, and therefore certain disclosures remain qualitative where data systems, methodologies or analytical capabilities are still developing.

These disclosures are organised under the four core pillars of the IFRS Sustainability Disclosure Standards – Governance, Strategy, Risk Management, and Metrics & Targets – and are intended to be read together with the Directors' Report and the financial statements. Where information is already disclosed elsewhere in the Directors' Report or financial statements, these disclosures use cross-references to avoid duplication. Where measurement systems and methodologies are still being established, the disclosures explain the limitation and the Bank's approach to progressive enhancement.

2. Basis of preparation and reporting scope

These disclosures have been prepared with reference to the IFRS Sustainability Disclosure Standards, specifically:

- **IFRS S1** – General Requirements for Disclosure of Sustainability-related Financial Information; and
- **IFRS S2** – Climate-related Disclosures, issued by the International Sustainability Standards Board (ISSB); as adopted for implementation in Tanzania through the national framework.

The disclosures are also prepared with reference to the Bank of Tanzania's (BoT) Sustainability and Climate Reporting Guidelines of 2025, being:

- Guidelines on Reporting of Sustainability-Related Risks and Opportunities for Banks and Financial Institutions (2025); and
- Guidelines on Climate-Related Financial Risks Management and Disclosures (2025).

Reporting entity and boundary

These disclosures cover Mkombozi Commercial Bank PLC for the year ended 31 December 2025, consistent with the reporting entity and reporting period of the financial statements.

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

2. Basis of preparation and reporting scope (Continued)

2.1 Basis of preparation and disclosure maturity

These sustainability-related financial disclosures have been prepared with reference to the IFRS Sustainability Disclosure Standards and the BoT Sustainability and Climate Reporting Guidelines. As this is an early stage of implementation, the Bank has not yet developed all quantitative information, methodologies and analytical capabilities required for a complete set of disclosures (including climate scenario analysis, and financed emissions). Accordingly, the disclosures are provided on a progressive basis, and the Bank will continue to enhance completeness and precision over subsequent reporting periods.

At this stage of implementation, the Bank has prioritised climate-related disclosures and foundational governance and reporting discipline, while broader quantification and advanced analysis will be phased in as data and methodologies mature. This approach reflects the Bank's current capacity and the progressive enhancement pathway described in this report.

2.2 Key judgements and estimation uncertainty

In preparing these disclosures, management applies judgement in: (i) identifying sustainability-related risks and opportunities that could reasonably be expected to affect enterprise value; (ii) selecting appropriate time horizons for assessment; (iii) determining which portfolio and operational indicators are sufficiently reliable for disclosure; and (iv) assessing the extent to which qualitative disclosures can be provided where quantitative measurement is still under development. Estimation uncertainty arises primarily from limitations in data coverage and evolving methodologies for climate exposure assessment, greenhouse gas measurement and financed emissions.

Comparative information

In this reporting period, the Bank's sustainability disclosures are primarily qualitative due to the current state of development of measurement systems and the limited availability of assured sustainability metrics. As quantitative metrics and targets are developed and disclosed, the Bank will provide comparative information in subsequent reporting periods to enhance trend analysis and comparability.

2.3 Limitations in the first year of sustainability reporting

The Bank's ability to quantify certain sustainability and climate-related metrics is currently constrained by data coverage, the maturity of measurement methodologies, and the ongoing development of analytical tools. Where quantitative information is not yet available, the Bank provides qualitative disclosure and describes the steps being taken to strengthen future measurement and reporting.

3. Reporting boundary, timing and connectivity to the financial statements

These disclosures relate to Mkombozi Commercial Bank Plc for the year ended 31 December 2025 and form part of the Bank's general-purpose financial reporting, presented within the Directors' Report that accompanies the financial statements.

3.1 Connectivity to financial reporting

Sustainability-related risks and opportunities may affect the Bank's financial position, performance and cash flows through existing accounting line items and risk disclosures. For Mkombozi Bank, the most direct transmission channels are expected to include credit risk outcomes and expected credit losses, operational resilience and continuity costs, and capital expenditure associated with technology and distribution. The financial statements include detailed disclosures on credit risk management and expected credit losses, operating expenses, and investments in technology and distribution capacity, which provide relevant context for understanding the potential financial effects of sustainability-related matters.

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

3. Reporting boundary, timing and connectivity to the financial statements (Continued)

3.1 Connectivity to financial reporting (Continued)

In particular, users should read these disclosures together with the Bank's financial statement disclosures on expected credit losses and credit risk management, capital commitments (including technology and outlet expansion), and operating expenses, which provide the primary financial statement linkages through which sustainability-related factors could affect enterprise value

4. Time horizons

Sustainability- and climate-related risks and opportunities may manifest over different time frames, depending on their nature and transmission pathways.

For the purpose of assessing sustainability- and climate-related risks and opportunities, the Bank applies the following time horizons:

- **Short-term:** up to 1 year (operational planning and annual budgeting)
- **Medium-term:** 1 to 5 years (strategic planning and capital allocation)
- **Long-term:** beyond 5 years (business model resilience and longer-term transition considerations)

These horizons are applied consistently across governance reporting, strategic planning and risk assessment to support coherent decision-making and progressive enhancement of climate and sustainability analysis over time.

5. Governance of sustainability- and climate-related matters

5.1 Board oversight

The Bank's corporate governance arrangements, Board structure and committee responsibilities are set out in the Directors' Report.

In the current phase of sustainability implementation, oversight of sustainability- and climate-related matters is embedded within the Bank's existing governance architecture – particularly through Board committees responsible for risk oversight, internal control, and credit governance. The Directors' Report describes the mandates and roles of these committees, including oversight of financial reporting integrity, risk governance and credit policy matters.

During the reporting period, the Board discharged its oversight responsibilities through its established governance structures, including the Board Audit, Risk and Compliance Committee, the Board Credit Committee, and the Board Human Resources and Operations Committee, each operating in accordance with approved mandates.

At the current stage of implementation, sustainability- and climate-related matters have not yet been formalised as stand-alone agenda items within Board or committee proceedings. Instead, such matters are considered within the Bank's existing governance framework, as sustainability considerations are progressively integrated into enterprise risk management, credit governance, people management, and oversight of operational resilience.

Consistent with this stage of maturity, sustainability and climate-related considerations are not yet embedded within the formal performance-linked remuneration arrangements applicable to directors or senior management. The Bank intends to assess, over time, whether and how sustainability-related objectives may be appropriately incorporated into performance governance frameworks as reporting practices and internal capabilities continue to evolve.

The Bank intends to incorporate sustainability and climate-related updates into regular governance reporting cycles over time as reporting processes mature.

5.2 Management responsibilities

Day-to-day execution of the Bank's operations and risk management is delegated to management under the Board's oversight. The Directors' Report sets out the Bank's management structure and the heads of key functions relevant to risk, finance, operations and internal assurance.

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

5. Governance of sustainability- and climate-related matters (Continued)

5.3 Disclosure controls, sign-off and escalation

To support the integrity, completeness and reliability of sustainability-related disclosures, the Bank applies internal disclosure controls and review procedures designed to be consistent with its broader internal control environment.

Sustainability information included in these disclosures is prepared under defined accountability arrangements, subject to review and validation, and escalated for resolution where inconsistencies or material omissions are identified. Material sustainability disclosure matters are escalated through appropriate management and governance channels prior to publication.

The Bank's disclosure controls are aligned with its broader governance and internal control environment.

5.4 Capacity building

The Bank invests in staff capability through training and development programmes disclosed in the Directors' Report. Sustainability and climate reporting capability is being developed progressively, with an initial focus on strengthening internal awareness, data ownership and reporting discipline. Board-level sustainability training and the formalisation of sustainability competencies will be considered as part of the Bank's progressive enhancement plan.

6. Strategy: sustainability-related risks and opportunities

6.1 Business model context

The Bank's principal activities, operating model and market footprint are described in the Directors' Report (including the Bank's operating segments and delivery channels). This context is relevant because sustainability-related risks and opportunities typically transmit into enterprise value through credit risk, operational continuity, compliance expectations and stakeholder trust.

Mkombozi Bank's value creation model is primarily driven by mobilising customer deposits and deploying funds through lending and related banking services, delivered through branches and digital channels. Sustainability-related risks and opportunities may therefore arise through (i) borrower and sector performance, (ii) operational continuity and technology resilience, and (iii) evolving regulatory and stakeholder expectations affecting the Bank's cost of compliance and access to finance.

6.2 Financially material sustainability topics (IFRS S1) – including selected non-climate topics

In addition to climate-related risks and opportunities addressed under IFRS S2, the Bank considers the following non-climate sustainability topics to be financially relevant, based on their reasonable potential to affect enterprise value and their connection to matters already disclosed in the Directors' Report.

The Bank's lending exposures include concentrations by sector and counterparty type as disclosed in the financial statements (for example, the industry sector credit exposure analysis). These exposures provide the context for assessing how sustainability-related and climate-related risks may transmit into credit risk and enterprise value over time. At this stage, the Bank's assessment remains primarily qualitative while sector sensitivity analysis and supporting data continue to be developed.

(a) Financial inclusion and outreach

The Bank's vision and mission include providing financial services in a sustainable and socially responsible manner, and its operating model includes outreach channels and customer access initiatives disclosed in the Directors' Report. This is consistent with the Bank's stated mission to provide financial services in a sustainable and socially responsible manner.

From an IFRS S1 perspective, inclusion and outreach may affect enterprise value through deposit mobilisation, customer growth, revenue sustainability, credit performance and reputational trust. Detailed outreach indicators and customer account information are disclosed in the Directors' Report sections on Network and Outreach and Operating Model.

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

6. Strategy: sustainability-related risks and opportunities (Continued)

6.2 Financially material sustainability topics (IFRS S1) – including selected non-climate topics

(b) People and workforce-related matters

The Bank considers human capital capability, training and staff wellbeing as relevant to operational resilience and service quality. The Directors' Report includes disclosures on employee welfare, training and gender parity. From an IFRS S1 perspective, these matters may affect enterprise value through productivity, operational continuity, compliance capability and cost discipline.

The Bank's broader risk governance narrative recognises the role of people in establishing a positive and responsible risk management culture, which is relevant to how sustainability-related governance and controls will mature over time.

(c) Corporate social responsibility and community engagement

Corporate social responsibility and community engagement activities are not, in themselves, sustainability measures for the purposes of IFRS S1. However, such activities may have indirect relevance to enterprise value through their influence on stakeholder trust, reputation and the Bank's social licence to operate.

The non-climate sustainability topics identified above are grounded in information presented in the Directors' Report, including disclosures on outreach, workforce matters and community engagement. At this stage, the Bank does not separately quantify financial effects attributable to these topics, and related disclosures therefore remain primarily qualitative.

7. Climate-related disclosures

Climate-related considerations are relevant to the Bank's risk profile and longer-term resilience, particularly through their potential influence on borrowers, sectors and operational continuity.

Climate-related risks and opportunities are considered in terms of their potential implications for the Bank's operations, resilience and enterprise value over time, with emphasis on qualitative assessment and progressive integration into existing governance and risk management frameworks.

7.1 Climate-related risks and opportunities

Climate change may give rise to both physical risks and transition risks that can affect the safety and soundness of banks and financial institutions. The BoT climate guideline defines these risk categories and requires banks to embed climate risk considerations within governance, risk management and disclosures.

Climate-related considerations form part of the broader macroeconomic and operating environment relevant to the Bank's risk profile.

For the year 2025, the Bank's climate-related assessment is based on qualitative analysis, with climate-related risks expected to influence borrowers, sectors and operational continuity over time, and climate-related opportunities potentially emerging through product design, client engagement and operational efficiency.

7.2 Scenario analysis and resilience (early-stage)

Climate scenario analysis is not yet applied on a quantitative basis and is being developed for integration into the Bank's portfolio and capital planning over time. Development efforts currently focus on establishing appropriate governance of scenarios, identifying priority sectors and exposures for analysis, and documenting key assumptions and uncertainties.

The Bank expects initial scenario work to be informed by publicly available reference scenarios, complemented by internally defined sensitivities that reflect the Bank's portfolio composition, geographic footprint and operating environment.

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

7. Climate-related disclosures (Continued)

7.3 Current and anticipated financial effects (qualitative)

Separate quantification of climate-related financial effects has not yet been incorporated into the Bank's financial reporting for the year 2025. However, climate-related risks may reasonably be expected to affect enterprise value primarily through credit risk outcomes, collateral values, and operational disruption costs.

The Bank's existing credit risk and expected credit loss frameworks incorporate forward-looking macroeconomic variables for risk measurement; climate-related considerations will be progressively incorporated as data availability and analytical capability improve, particularly for sector sensitivity and longer-term resilience analysis.

8. Risk management

The Bank's risk governance framework comprises oversight of principal risks, compliance risk, strategic risk, liquidity risk, operational risk, market risk and technology/cyber risk, together with related mitigation actions and the internal control environment. This framework provides the base risk context within which sustainability- and climate-related risk drivers may increasingly connect.

The Bank's risk governance framework includes Board oversight of prudential risks, management risk functions, and stress testing practices supporting capital and liquidity planning. Climate-related risks are being incorporated progressively within this existing framework, rather than through a parallel or stand-alone risk management process.

The Bank has initiated the progressive integration of sustainability- and climate-related considerations within its risk management approach, focusing first on strengthening governance, internal control discipline for disclosures, and qualitative identification of relevant risk channels. At this stage, climate risk assessment remains primarily qualitative while data availability, methodologies and analytical capability continue to develop.

As an initial step, prioritisation is intended to focus on the Bank's largest sector and counterparty exposures, as well as operational dependencies that support service continuity (such as distribution channels and technology). In the near term, the Bank's focus is on defining relevant climate risk transmission channels, establishing a consistent approach to identifying and prioritising climate-related risks, and strengthening documentation of inputs, assumptions and escalation processes.

The Bank will continue developing more structured methods, data inputs and monitoring indicators in subsequent periods, consistent with Bank of Tanzania expectations and the progressive enhancement pathway described in this report.

9. Metrics and targets (early-stage)

9.1 Sustainability-relevant indicators supporting enterprise value

At this stage of implementation, the Bank's sustainability assessment is informed by a limited set of sustainability-relevant indicators that provide context on matters reasonably expected to affect enterprise value.

MKOMBOZI COMMERCIAL BANK PLC

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

9. Metrics and targets (early-stage) (Continued)

9.1 Sustainability-relevant indicators supporting enterprise value (Continued)

The table below summarises these indicators and explains their relevance to the Bank's sustainability assessment.

Sustainability-relevant indicator	Why it is relevant for IFRS S1	Where disclosed
Outreach and customer access (branches, deposit accounts, delivery channels)	Indicates financial inclusion, franchise strength and long-term revenue sustainability	Directors' Report – Network and Outreach; Operating Model
Workforce composition, training and gender parity	Relevant to operational resilience, risk culture and service quality	Directors' Report – Welfare of Employees, Training, Gender Parity
CSR and community engagement	Relevant to stakeholder trust and social licence to operate	Directors' Report – CSR and Charitable Donations
Credit exposure by industry sector	Provides context for sustainability and climate-related risk transmission into credit risk	Financial Statements – Credit risk disclosures (industry sector exposure)

9.2 Environmental and climate metrics

The Bank has quantified its Scope 1 and Scope 2 greenhouse gas emissions for the reporting period, based on available operational data and internally defined methodologies appropriate to the Bank's current operating footprint. These metrics provide an initial baseline for monitoring operational environmental impacts.

Measurement of Scope 3 greenhouse gas emissions, including financed emissions, remains under development due to data availability, boundary definition and methodological considerations in line with phased adoption guided by the local regulators. The Bank is strengthening data governance, methodologies and documentation to support phased expansion of climate-related metrics over subsequent reporting periods.

Operational GHG emissions

The Bank has quantified its operational greenhouse gas (GHG) emissions using calculation approaches aligned with the principles of the GHG Protocol, applied in a manner appropriate to the Bank's operating activities and data availability. The sustainability-related metrics disclosed in this report, including Scope 1 and Scope 2 emissions, have been prepared using internally defined methodologies and have not been independently validated or assured by an external party for the reporting period. Coverage of the emissions are as highlighted in the table below.

Metric	Status	Coverage / Notes
Scope 1 GHG emissions	Quantified	Operational fuel use; boundary limited to Bank-controlled sources
Scope 2 GHG emissions	Quantified	Purchased electricity consumption
Scope 3 / financed emissions*	Under development	Data and methodology being developed

♦ In its first year of application of IFRS Sustainability Disclosure Standards, the Bank is applying the available relief from disclosing Scope 3 greenhouse gas emissions. In addition, the domestic implementation roadmap for the IFRS S1 and IFRS S2 provides a phased timeline, extending to the calendar year 2029, for full measurement and disclosure of Scope 3 emissions.

MKOMBOZI COMMERCIAL BANK PLC

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

9. Metrics and targets (early-stage) (Continued)

9.2 Environmental and climate metrics (Continued)

Operational GHG emissions (Continued)

Accordingly, the Bank has commenced preparatory work to identify and assess relevant Scope 3 categories, while comprehensive quantification will be introduced progressively as data availability, supplier engagement, financed-emissions methodologies and value-chain assessment capabilities are further developed.

Emission factors applied

Fuel Type	Emission factor	Comments
Diesel (Stationary & Mobile combustion)	2.288 kg CO ₂ /litre	GHG Tool kit, emission factors
Petrol (Stationary & Mobile combustion)	2.910 kg CO ₂ /litre	GHG Tool kit, emission factors

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

The 2025 Scope 1 and Scope 2 GHG emission results

Metric	2024 Actual	2025 Actual
Scope 1 GHG emissions (tCO ₂ e)	229.5	177.7
Scope 2 GHG emissions (tCO ₂ e)	68.7	80.0
Scope 3 GHG emissions (tCO ₂ e)	Not measured	Not measured

tCO₂e = Tonnes of carbon dioxide equivalent (standard unit for measuring GHG emissions)

9.3 Targets

At present the Bank has not published formal externally reported sustainability targets. The current focus is on strengthening the underlying enablers for target-setting, including the development of appropriate data management systems, clarification of data ownership and responsibilities, enhancement of internal processes and controls, and integration of sustainability-related information into governance and risk management processes.

Formal target-setting will be considered once these foundations are sufficiently developed to support consistent, reliable and decision-useful measurement.

10. Assurance readiness and disclosure reliability

The Bank is strengthening sustainability disclosure reliability by applying disclosure controls aligned to its broader governance and internal control environment. Sustainability information is prepared under defined accountability arrangements, subject to review and validation by relevant functions, and escalated for resolution where material inconsistencies or omissions are identified. Final disclosures are subject to senior management validation and governance review before publication. As reporting maturity improves, the Bank will continue enhancing documentation standards, evidence retention and data validation routines to support future assurance expectations.

As reporting maturity continues to develop, the Bank will consider the appropriateness and scope of external assurance over sustainability-related disclosures in line with regulatory and stakeholder expectations.

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

11. Forward priorities and progressive enhancement plan

The Bank will continue strengthening sustainability reporting progressively, focusing on actions that enhance governance, connected information, and the availability of reliable metrics.

Near-term priorities include: (i) strengthening sustainability governance reporting within existing Board and management structures; (ii) refining the identification and prioritisation of sustainability and climate risk channels relevant to the Bank's portfolio and operations; (iii) developing consistent methodologies and documentation for climate exposure assessment, including initial sector sensitivity analysis; and (iv) establishing reliable baselines for operational environmental indicators and data governance.

Medium-term priorities include: (i) introducing structured climate scenario analysis governance and methodology; (ii) strengthening the linkage between sustainability risk assessment and risk management tools (including capital and liquidity planning processes); and (iii) expanding quantitative disclosures for operational emissions and financed emissions as data and methodologies mature.

12. Index of sustainability disclosures presented elsewhere in the Annual Report

This index identifies where sustainability-related information is presented in the Directors' Report and the audited financial statements

The table below sets out cross-references to sustainability-related information directly or indirectly disclosed elsewhere in the Directors' Report and the financial statements.

Sustainability disclosure topic	Where detailed information is already disclosed
Governance structure and Board committees	Directors' Report: Corporate Governance and committee sections
Operating model and business segments	Directors' Report: Operating Model
Outreach / access indicators	Directors' Report: Network and Outreach
Principal risks and mitigation actions	Directors' Report: Principal Risks, Uncertainties and Opportunities; Risk Management and Internal Controls
Workforce, training and gender parity	Directors' Report: Welfare of Employees, Training, Gender Parity
CSR and charitable donations	Directors' Report: CSR and Charitable Donations
Financial statement note references mentioned in the Directors' Report	Financial Statements: relevant notes as referenced in the Directors' Report (e.g., share capital and related party disclosures)

MKOMBOZI COMMERCIAL BANK PLC

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

12. Index of sustainability disclosures presented elsewhere in the Annual Report (Continued)

12.1 Alignment with Bank of Tanzania sustainability and climate reporting guidance

The Bank of Tanzania's sustainability and climate reporting guidance requires banks to address sustainability- and climate-related matters through their existing governance, risk management and financial reporting frameworks, including disclosure of climate-related risks and opportunities, assessment of resilience, and the progressive development of relevant metrics and targets

The table below identifies where these requirements are addressed within this report, together with an indication of the nature of disclosure at the current stage of implementation.

BoT guidance topic	Relevant section(s)	Nature of disclosure
Governance of sustainability and climate-related matters	Section 5 – Governance	Qualitative
Integration of sustainability considerations into risk management	Section 8 – Risk management	Qualitative
Climate-related risks and opportunities	Section 7.1 – Climate-related risks and opportunities	Qualitative
Scenario analysis and resilience	Section 7.2 – Scenario analysis and resilience	Early-stage / under development
Current and anticipated financial effects	Section 7.3 – Financial effects	Qualitative
Metrics and targets	Section 9 – Metrics and targets	Early-stage / limited
Progressive enhancement and implementation roadmap	Section 11 – Forward priorities	Narrative

The Report by those charged with governance was approved by the Board of Directors on 31 March 2026 and signed on behalf of the Board per the resolution of the Board by:


Gasper Casmir Njuu
Chairperson of the Board


Benedict Warisianga Sudi
Board Member and Chairperson of the BARC

MKOMBOZI COMMERCIAL BANK PLC

STATEMENTS OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2025

The Companies Act, 2002 of Tanzania requires 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 for the year. 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 directors 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 are responsible for the preparation of financial statements that present fairly the financial position and results of operations of the Bank in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Companies Act, 2002 of Tanzania and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors accept responsibility for the financial statements, which have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board IFRS Accounting Standards, the requirements of the Companies Act, 2002 of Tanzania and Banking and Financial Institutions Act, 2006 of Tanzania. using appropriate accounting policies and supported by reasonable and prudent judgments and estimates. 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 Company and of its profit in accordance with IFRS Accounting Standards.

The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial statements, as well as adequate systems of internal financial control.

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. The financial statements continue to be prepared on a going concern basis.

The financial statements were approved by the Board of Directors on 31 March 2026 and were signed on its behalf by:



Gasper Casmir Njuu
Chairperson of the Board



Benedict Warisianga Sudi
Board Member and Chairperson of the BARC

MKOMBOZI COMMERCIAL BANK PLC

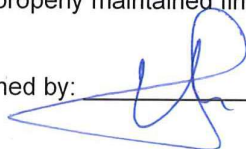
DECLARATION BY THE HEAD OF FINANCE FOR THE YEAR ENDED 31 DECEMBER 2025

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

It is the duty of a Professional Accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing a true and fair view of the entity's financial position and performance in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, the requirements of the Companies Act, 2002 of Tanzania and Banking and Financial Institutions Act, 2006 of Tanzania. Full legal responsibility for the preparation of financial statements rests with the Board of Directors as stated under the Statement of Directors' Responsibilities on page 28.

I, Vitalis Constantine Michael, being the Chief Financial Officer of Mkombozi Commercial Bank Plc hereby acknowledge my responsibility of ensuring that the financial statements for the year ended 31 December 2025 have been prepared in compliance with IFRS Accounting Standards as issued by the International Accounting Standards Board, the requirements of the Companies Act, 2002 of Tanzania and the Banking and Financial Institutions Act, 2006 of Tanzania.

I thus confirm that the financial statements of Mkombozi Commercial Bank Plc give a true and fair view of the financial position and results of Mkombozi Commercial Bank Plc as on that date and for the year then ended 31 December 2025, and that the financial statements have been prepared based on properly maintained financial records.

Signed by: 

Position: Chief Financial Officer

NBAA Membership No: ACPA 6278

Date: 31st March 2026

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF MKOMBOZI COMMERCIAL BANK PLC**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Mkombozi Commercial Bank Plc ("the Bank") set out on pages 36 to 116 which comprise of the statement of financial position as at 31 December 2025, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2025, and its financial performance and cash flows for the year then ended, in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, the requirements of the Companies Act, 2002 of Tanzania, the Banking and Financial Institutions Act, 2006 of Tanzania, and the Banking and Financial Institutions (Capital Adequacy) Regulations, 2014 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' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) as applicable to audits of financial statements of public interest entities, and other independence requirements applicable to performing audits of financial statements of the Bank and in Tanzania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits of the Bank and in Tanzania. 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 judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

INDEPENDENT AUDITOR'S REPORT (Continued)
TO THE SHAREHOLDERS OF MKOMBOZI COMMERCIAL BANK PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)
Key audit matters (Continued)

No.	Key audit mater description	How the matter was addressed in the audit
1	Expected credit losses on loans and advances to customers	
	As disclosed in Note 22 to the financial statements, as at 31 December 2025, the Bank has an allowance (ECL) for expected credit losses of TZS 1,574 million (2024: TZS 2,290 million) charged on gross loans and advances to customers of TZS 190.5 billion (2024: TZS 164.9 billion). The related charge for the year to the income statement was TZS 1,351 million (2024: credit of TZS 507 million) as disclosed in Note 22 to the financial statements. The expected credit losses are based on a forward-looking approach that recognises impairment loss allowances in accordance with IFRS 9 Financial Instruments. The estimation of expected credit losses requires the Bank to make significant judgements in the consideration of the following variables: • Allocation of loan facilities due from customers to stages 1, 2 and 3 in accordance with IFRS 9 based on: - Credit exposures for which there has been a significant increase in credit risk since initial recognition, and for which a loss allowance is recognised over the remaining life of the exposure (life-time ECL); and - Credit exposures for which there has been no significant increase in credit risk, and for which a loss allowance is recognised for default events that are possible within the next 12-months (12-month ECL). • Stratification of loans and advances to customers under different credit portfolio on the basis of the associated credit risk. • Assessment of Probability of Default (PD) and Loss Given Default (LGD). • Application of historical and forward-looking information, including macro-economic factors in the assessment of the PD.	Our audit procedures included, but were not limited to: • Obtaining an understanding of management's process and controls over credit origination, credit monitoring, credit remediation and expected credit loss modelling. This included understanding the governance over the credit models and related management overlay adjustments and evaluating that the ECL models were in accordance with the IFRS 9 principles. • Specific for non-performing loans (NPLs or Stage 3) ECL models: - Reviewed the allocation of loans and advances to customers to stages 1, 2 and 3 for compliance with IFRS 9 basing on the performance of the loans and the available information. - We tested the completeness of the NPLs identified by management by inspecting the loan register that all loans meeting the NPL criteria are included in the schedule of NPLs. For credit classifications based on subjective criteria, we evaluated the appropriateness of the factors considered by management. - We understood the ECL models and the key inputs and selected a sample for testing, taking into consideration both quantitative and qualitative factors. The quantitative factors were primarily based on our performance materiality while the qualitative factors considered aspects such as facilities watch-listed by management and/or the regulator, nonperforming borrowers known from publicly available information and borrowers in sectors that are not performing as expected. -

INDEPENDENT AUDITOR'S REPORT (Continued)
TO THE SHAREHOLDERS OF MKOMBOZI COMMERCIAL BANK PLC
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)
Key audit matters (Continued)

No.	Key audit mater description	How the matter was addressed in the audit
1	Expected credit losses on loans and advances to customers	
	Assessing and forecasting expected future cash flows from impaired (stage 3) loans and advances to customers and assessing the financial condition of the counterparty, estimated recoverable amounts and collateral realisation. - Expected utilisation of overdraft and other lending commitments over the lifetime of the commitments. - Application of additional overlay adjustments to reflect factors that are not considered in the applied expected credit loss model. Due to the significance of the amounts and significant judgements and related estimation uncertainty involved, the assessment of ECLs has been considered a key audit matter. Management is required to disclose the key judgments and the key inputs into the ECL computations. These disclosures in Notes 4(f), 5 and 22 to the financial statements provide information about the bank's ECL models and the related accounting policies, key assumptions and judgements.	- For the selected sample of NPLs, we inspected the related loan files and evaluated that the inputs in the ECL models agreed to the supporting documentation in the files. Inputs considered included interest rates which are used as the discount factors, outstanding loan balances which are the basis for determining the LGD, value of the collateral held which is the basis for expected cash flows from loans to be recovered through foreclosure. - We evaluated whether the basis for determining the expected net cash flows from the loans was reasonable in the circumstances. This included evaluating that expected cash flows based on foreclosure are based on the collateral Forced Sale Values as determined by the external valuer and as adjusted by appropriate haircuts, or as otherwise justified by management, including reflecting available supportable information which reflects borrower specific and/or current market conditions. For cash flows expected from repayments by the borrowers, we evaluated that they were supported by enforceable commitments and evidence of source of cash to be used by the borrower to repay the loans. - We evaluated whether the expected timing of the cash flows was reasonably supported considering the information available to the bank without undue cost and effort. This included considering past experience of the time it takes to complete a foreclosure including factors such as the time required to complete relevant legal processes as adjusted for changes in the business environment. - We evaluated whether necessary adjustments to the expected cash flows were considered including a reasonable estimate of the costs expected to be incurred to recover the expected cash flows. - For Stage 1 and 2 ECL models, the ECL balances determined by management were evaluated by assessing whether they were within the range of estimates recomputed using available inputs and validated information produced by the Bank. This included evaluating that inputs into the ECL models like the loan balances used agreed to the general ledger and that there were no duplicated or omitted loan facilities and management overlay adjustments like technical arrears were in line with the Bank's policy. - We assessed whether disclosures made in the financial statements agreed to the audited balances and information, and whether they were in accordance with IFRS 9.

INDEPENDENT AUDITOR'S REPORT (Continued)
TO THE SHAREHOLDERS OF MKOMBOZI COMMERCIAL BANK PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

Other Matter

The financial statements of the Company for the year ended 31 December 2024 were audited by another auditor who expressed an unmodified opinion on those financial statements on 28 March 2025.

Other Information

The directors are responsible for the other information. The other information comprises the information included on pages 2 to 29 of the document titled "Mkombozi Commercial Bank Plc Annual Report and Audited Financial Statements for the year ended 31 December 2025", which includes Corporate Information, the Report of those charged with governance as required by the Companies Act, 2002 of Tanzania, Sustainability related disclosures, Statement of Directors' Responsibilities for the Financial Statements and Declaration by the Head of Finance. The other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements, in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, the requirements of the Companies Act, 2002 of Tanzania, the Banking and Financial Institutions Act, 2006 of Tanzania, and the Banking and Financial Institutions (Capital Adequacy) Regulations, 2014 of Tanzania and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole 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

INDEPENDENT AUDITOR'S REPORT (Continued)
TO THE SHAREHOLDERS OF MKOMBOZI COMMERCIAL BANK PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)
Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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 financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for 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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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, actions taken to eliminate threats or safeguards applied.

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



Shape the future
with confidence

INDEPENDENT AUDITOR'S REPORT (Continued)
TO THE SHAREHOLDERS OF MKOMBOZI COMMERCIAL BANK PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

This report, together with our report on the audit of the financial statements, is made to the Company's members in accordance with the Companies Act, 2002 of Tanzania which stipulates that a company's auditor shall make a report to the company's members on all annual accounts of the company of which copies are to be laid before the company in a general meeting.

We report to you, based on our audit, that:

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

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

- i. In our opinion, the capital adequacy ratios, as presented in Note 5.5 to the financial statements, have been computed in accordance with the Banking and Financial Institutions Act, 2006, and the Banking and Financial Institutions (Capital Adequacy) Regulations, 2014 of Tanzania.

The engagement *partner* on the audit resulting in this independent auditor's report is CPA Dr. Neema Kiure – FCPA 1227.

Ernst & Young
Certified Public Accountants
Dar es Salaam, Tanzania

CPA Dr. Neema Kiure (FCPA 1227)
Partner

Date: 31 March 2026

NBAAVN: 25FCPA1227TZH2PYLE

MKOMBOZI COMMERCIAL BANK PLC

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

	Notes	<u>2025</u> TZS'000	<u>2024</u> TZS'000
Interest income calculated using the effective interest method	8	35,976,572	30,108,219
Interest expense calculated using the effective interest method	9	(8,656,704)	(7,702,557)
Net interest income		27,319,868	22,405,662
Expected credit losses	10	(1,518,154)	(1,651,387)
Net interest income after expected credit losses		25,801,714	20,754,275
Fees and commission income	11	6,807,174	4,252,461
Other income	12	1,439,041	1,405,242
Net gains on derecognition of financial assets measured FVOCI	23(b)	235,134	159,086
Net foreign currency trading and translation gains	13	2,505,688	2,645,395
Total non-interest income		10,987,037	8,462,184
Net operating income		36,788,751	29,216,459
Personnel expenses	14	(9,975,500)	(9,256,991)
Depreciation and amortization	15	(2,652,564)	(2,182,975)
Other operating expenses	16	(7,158,696)	(6,283,193)
Total operating expenses		(19,786,759)	(17,723,159)
Profit before income tax		17,001,992	11,493,300
Income tax charge	17	(5,551,175)	(2,451,883)
Profit for the year		11,450,817	9,041,417
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
FVOCI investment securities;			
-Fair value (loss)/gain arising during the year (Note 23a)		20,558	(273,857)
-Tax Thereon		(6,167)	82,157
Other comprehensive income, net of tax		14,391	(191,700)
Total comprehensive income for the year, net of tax		11,465,207	8,849,717
Earnings per share		TZS	TZS
Basic and diluted earnings per share	18	486	384

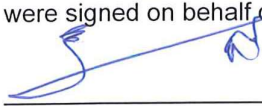
MKOMBOZI COMMERCIAL BANK PLC

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2025

		<u>2025</u>	<u>2024</u>
	Notes	TZS '000	TZS'000
ASSETS			
Cash and balances with Bank of Tanzania	19	25,802,786	23,398,540
Loans and advances to banks	20	30,365,679	22,730,935
Government securities – FVOCI	23(a)	1,960,069	10,875,000
Loans and advances to customers	22	188,931,898	162,565,818
Current income tax recoverable	17	612,484	76,144
Government securities – amortised cost	24	50,926,184	41,538,307
Other assets	21	6,241,004	5,054,408
Equity investments	25	487,000	539,000
Property and equipment	28	5,001,623	5,637,947
Right-of-use assets	26	4,952,327	7,046,812
Deferred tax asset	29	258,469	1,648,305
Intangible assets	27	2,692,085	1,269,416
TOTAL ASSETS		<u>318,231,608</u>	<u>282,380,632</u>
LIABILITIES AND EQUITY			
Liabilities			
Deposits due to Banks	30(a)	11,856,257	9,511,626
Deposits due to customers	30(b)	242,862,512	217,491,606
Other liabilities	32	3,595,254	2,185,341
Borrowings	31(a)	1,509,221	1,508,323
Subordinated loan	31(b)	3,346,962	3,119,721
Provisions	33	649,454	905,724
Lease liabilities	34	5,062,551	7,570,371
		<u>268,882,211</u>	<u>242,292,712</u>
Equity			
Share capital	35	23,555,002	23,555,002
Share discount	35	(734,932)	(734,932)
Retained earnings		22,547,511	14,510,180
Regulatory reserve	36(a)	4,598,346	3,388,590
Other reserves-FVOCI	36(b)	(616,530)	(630,920)
		<u>49,349,397</u>	<u>40,087,920</u>
TOTAL LIABILITIES AND EQUITY		<u>318,231,608</u>	<u>282,380,632</u>

These financial statements were authorized for issue by the Board of Directors on 31 March 2026, and were signed on behalf of the Board of Directors by:


Gasper Casmir Njuu
Chairperson of the Board.


Benedict Warisianga Sudi
Board Member and Chairperson of the BARC

MKOMBOZI COMMERCIAL BANK PLC

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

STATEMENT OF CHANGES IN EQUITY

	Share capital TZS' 000 (Note 35)	Share discount TZS' 000 (Note 35)	Retained earnings TZS' 000	Regulatory reserve** TZS' 000 (Note 36(a))	Fair Value reserve TZS' 000 (Note 36(b))	Total TZS' 000
Balance as at 01 January 2024	23,555,002	(734,932)	3,434,731	5,422,622	(439,220)	31,238,203
Profit for the year	-	-	9,041,417	-	-	9,041,417
Revaluation loss	-	-	-	-	(114,771)	(114,771)
Add: Revaluation gain transferred to Profit or Loss 23(b)	-	-	-	-	(159,086)	(159,086)
Other comprehensive income	-	-	-	-	(273,857)	(273,857)
Less: Tax thereon	-	-	-	-	82,157	82,157
Other comprehensive income, net of tax	-	-	-	-	(191,700)	(191,700)
Total comprehensive income for the year, net of tax	-	-	-	-	(191,700)	(191,700)
*Transfer from regulatory reserve	-	-	2,034,032	(2,034,032)	-	-
At 31 December 2024	23,555,002	(734,932)	14,510,180	3,388,590	(630,920)	40,087,920
Balance as at 01 January 2025	23,555,002	(734,932)	14,510,180	3,388,590	(630,920)	40,087,920
Profit for the year	-	-	11,450,817	-	-	11,450,817
Revaluation gain	-	-	-	-	255,692	255,692
Add: Revaluation gain transferred to Profit or Loss (23(b))	-	-	-	-	(235,134)	(235,134)
Other comprehensive income	-	-	-	-	20,558	20,558
Less: Tax thereon	-	-	-	-	(6,167)	(6,167)
Total comprehensive income for the year, net of tax	-	-	-	-	14,391	14,391
Dividend Paid	-	-	(2,203,730)	-	-	(2,203,730)
*Transfer to regulatory reserve	-	-	(1,209,756)	1,209,756	-	-
At 31 December 2025	23,555,002	(734,932)	22,547,511	4,598,346	(616,530)	49,349,398

**Regulatory reserve represents an amount set aside to cover additional provision for loan losses required to comply with the requirements of the Bank of Tanzania prudential guidelines. This reserve is not available for distribution.

MKOMBOZI COMMERCIAL BANK PLC

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

STATEMENT OF CASHFLOWS

	Notes	2025 TZS'000	2024 TZS'000
Cash flow from Operating activities			
Profit before tax		17,001,992	11,493,300
Adjustments:			
Interest expense on lease liabilities	9	612,896	737,107
ECL on financial assets	10	1,518,154	1,651,387
Depreciation on right-of-use assets	15	1,013,328	1,013,984
Amortization of intangible assets	15	431,738	67,871
Non-trading foreign exchange loss	34	(2,505,688)	(2,645,395)
Depreciation on property and equipment	15	1,207,497	1,101,120
Interest expense on bank borrowing	30(a)	591,801	534,059
Gain on derecognition of financial assets	23(b)	(235,134)	(159,086)
Increase/(decrease) in provisions	33	(444,847)	(408,489)
Interest income	8	(35,976,572)	(30,108,219)
Interest expense on customer deposits	9	6,842,726	6,138,295
		(10,284,760)	(10,584,066)
Changes in operating assets and liabilities:			
Change in Statutory minimum reserve		(1,000,632)	(435,286)
Change in Other assets		(1,186,596)	(768,821)
Change in Loans and advances to customers		(25,649,466)	(28,304,431)
Change in Deposits due to customers		25,370,906	10,094,796
Change in Deposits due to Banks		2,344,631	9,511,626
Payment of gratuities		(701,117)	(231,105)
Change in Other liabilities		1,409,913	(91,747)
Cash generated from (used in) operations		587,639	(10,224,968)
Interest income		37,738,347	32,736,072
Interest expense		(6,548,896)	(5,944,464)
Income tax paid	17	(4,697,679)	(2,890,493)
Tax refunds		-	220,053
Net cash flows generated from operating activities		16,794,651	3,312,134
Cash flow from Investing activities			
Investment in government securities-amortized		(9,387,877)	(9,057,792)
Investment in securities-FVOCI		8,914,931	9,500,253
Purchases of property and equipment	28	(1,571,425)	(2,070,185)
Purchases of intangible assets		(875,685)	(1,056,441)
Net cash flows used in investing activities		(2,920,056)	(2,684,165)
Financing activities			
Lease liabilities repayment principal paid	34	(1,490,458)	(2,026,755)
Lease liabilities repayment interest paid	34	(166,880)	(212,753)
Repayment of borrowings interest	31(a)	(318,142)	(140,856)
Repayment of subordinated debts	31(b)	(63,000)	(126,000)
Dividend Payment		(2,203,730)	-
Net cash flows used in financing activities		(4,242,210)	(2,506,364)
Increase/ (decrease) in cash and cash equivalents		9,632,385	(1,878,395)
Cash and cash equivalents at 1 January		36,086,752	37,962,062
Net foreign exchange difference		(1,777)	3,085
Cash and cash equivalents at 31 December	37	45,717,360	36,086,752

MKOMBOZI COMMERCIAL BANK PLC

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

1. GENERAL INFORMATION

Mkombozi Commercial Bank Public Limited Company (the "Bank" or "Mkombozi Commercial Bank Plc") is a public limited liability company incorporated and domiciled in the United Republic of Tanzania. The Bank's shares are listed and traded on the Dar es Salaam Stock Exchange (DSE). The address of the Bank's registered office is as follows:

Mkombozi Commercial Bank Plc
Plot No. 40, Mansfield Street
Behind St. Joseph Cathedral
P.O. Box 38448
Dar es Salaam, Tanzania

Further information about the Bank is presented under the Bank Information and the Bank's activities are presented in the report by those charged with governance.

The financial statements were approved for issue by the Board of Directors as indicated under the statement of financial position.

2. BASIS OF PREPARATION

2.1 Statement of compliance and basis of preparation

The Bank's financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) and the requirements of the Banking and Financial Institutions Act, 2006 and Companies Act, 2002 of Tanzania.

The measurement basis applied in the preparation of the financial statements is the historical cost basis, except where otherwise stated in the accounting policies. The financial statements are presented in Tanzania shillings (TZS) and the amounts are rounded to the nearest thousand (TZS'000), except where otherwise indicated.

For purposes of reporting under the requirements of the Companies Act, 2002 and Banking and Financial Institutions Act, 2006 of Tanzania, the balance sheet in these financial statements is represented by the statement of financial position, and the profit and loss account is represented by the statement of profit or loss and other comprehensive income.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Bank's management and directors to exercise judgment 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 change. 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 judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 6.

MKOMBOZI COMMERCIAL BANK PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

2. BASIS OF PREPARATION (CONTINUED)

2.2 Going concern

The Bank's core capital, total capital, core capital ratio and total capital ratio were TZS 43,942 million (2024: TZS 35,319 million) and TZS 46,642 million (2024: TZS 38,019 million) equivalent to 20.62% and 21.88% (2024: 16.93% and 18.23%). Both the absolute core capital and Capital Adequacy Ratios were within regulatory benchmark of TZS 15,000 million, and the regulatory requirements of 12.5% and 14.5% respectively.

The Bank's core and total capital positions are dependent on a number of factors including financial results and raising of additional equity and the level of risk weighted assets. The directors and management expect these factors to continue to improve.

The Bank's management and directors have made an assessment of the Bank's ability to continue as a going concern and have concluded that there are no reasons to believe that the Bank will not be a going concern. The financial statements have therefore been prepared on the going concern assumption.

The Bank's liquidity position is expected to be reasonably sufficient to meet the maturing obligations and other business requirements. This is expected to continue for the foreseeable future. The Bank's management and directors will continue to take necessary mitigations including close monitoring of key liquidity metrics, liquidity outflows, close and tight management of positions and intraday flows, slowing down/prioritizing lending in order to minimize the risk of default and liquidity distress, and managing the loan portfolio closely in order to take necessary performance remedial actions timely.

3. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

The bank has early adopted IFRS S1 and IFRS S2 standards. The bank has not early adopted any other new standards and interpretations or amendments that have been issued but are not yet effective in these financial statements.

a. New and amended standards and interpretations effective during the year

The following amendments to existing IFRS accounting standards, new standards became effective for annual periods beginning on 1 January 2025:

- Lack of exchangeability – Amendments to IAS 21 – effective 1 Jan 2025
- IFRS S1 General requirement for disclosures of sustainability related financial information — effective 01 Jan 2025
- IFRS S2 Climate related disclosures – effective 01 Jan 2025

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**

3. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS (CONTINUED)

b. New standards and interpretations issued but not yet effective

At the date of authorisation of these financial statements, the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective for the year presented. The amendments are not expected to have a material impact on the Bank, except for IFRS 18 – Presentation and Disclosure in Financial Statements and Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7. The directors are currently evaluating the potential effects of this standard on the Bank's financial statements.

New standards or amendments	Effective for annual period beginning on or after
Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7	1 January 2026
Annual Improvements to IFRS Accounting Standards Volume 11	1 January 2026
Contracts Referencing Nature-dependent Electricity– Amendments to IFRS 9 and IFRS 7	1 January 2026
IFRS 18 – Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19 – Subsidiaries without Public Accountability: Disclosures	1 January 2027
Translation to a Hyperinflationary Presentation Currency – Amendments to IAS 21	1 January 2027
Amendments to Illustrative Examples on IFRS 7, IFRS 18, IAS 1, IAS 8, IAS 36 and IAS 37	To be determined
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28	To be determined

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

The standard requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and it also includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes

In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, are effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

The Bank is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**

3. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS (CONTINUED)

b. New standards and interpretations issued but not yet effective

Amendments to the Classification and Measurement of Financial Instruments—Amendments to IFRS 9 and IFRS 7

In May 2024, the IASB issued Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments (the Amendments). The Amendments include:

- A clarification that a financial liability is derecognised on the 'settlement date' and the introduction of an accounting policy choice (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date
- Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed
- Clarifications on what constitute 'non-recourse features' and what are the characteristics of contractually linked instruments
- The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI)

The Amendments are effective for annual periods starting on or after 1 January 2026 with early adoption permitted for classification of financial assets and related disclosures only. The bank is currently working to identify all impacts the amendments will have on the financial statements.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES

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

(a) Interest income and expense

For all interest-bearing instruments measured at amortized cost, interest income and expenses are recognized in 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 interest income or 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 gross 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.

(b) Fees and commission income

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

When the Bank provides services to its customers, consideration is invoiced in accordance with the terms of the contract, which may require billing in advance, as the service is delivered, or upon completion of specific activities. For performance obligations satisfied over time, revenue is recognised as the customer simultaneously receives and consumes the benefits of the service, irrespective of the timing of invoicing. The Bank generally acts as principal in these arrangements because it controls the service before it is transferred to the customer.

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(b) Fees and commission income (continued)

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

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

Loan processing fees: These are fixed annual fees paid by customers for loan and other credit facilities with the Bank. The Bank promises to provide a loan facility for a specified period. Since the customer receives and consumes the benefits of these services evenly over the period of performance, the related fees are recognised as revenue on a straight-line basis over that period.

Loan syndication fees: These are recognized as revenue when the syndication has been completed and the Bank has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commission and 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.

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

Fee and commission income from providing services where performance obligations are satisfied at a point in time

Transactional fees: Transactional fees are service charges on deposit accounts, cash management services and transactional processing fees such as fees income generated from credit applications. Fees earned on the execution of a significant act typically includes transactional fees. Transaction and processing fees are recognized at the point in time the transaction occurs, or service is performed. They include banking services such as Automated Teller Machine (ATM) fees, wire transfer fees, overdraft or late fees and foreign exchange fees, among others.

These fees are received, and the Bank's provides the service, monthly; the fees are recognized in income on this basis. The Bank also receives certain fees in respect of its asset finance business where the performance obligations are typically fulfilled towards the end of the customer contract; these fees are recognized in income on this basis.

For services where the Bank's performance obligations are satisfied over time, revenue is recognised as the service is performed and the customer simultaneously receives and consumes the benefits. For services that are satisfied only upon completion of the underlying transaction, revenue is recognised at the point in time when the performance obligation is fully satisfied and the customer obtains the benefit of the completed service. This is typically upon completion of the underlying transaction or, for fees linked to specific performance criteria, when those criteria have been met.

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

(c) Other income

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(d) Provisions

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

(e) Foreign currency translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency") which is TZS. The financial statements are presented in TZS.

Transactions and balances

Transactions in foreign currencies during the year are converted to TZS using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currency are translated with the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

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.

(f) 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 following table:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (continued)

Category (As defined by IFRS 9)		Class (as determined by the Bank)	
Financial assets	Debt instruments at amortized cost	Loans and advances to other banks	
		Cash at bank	
		Balances with BoT	
		Loans and advances to customers	Loans to individuals
			Loans to commercial entities
			Loans to salaried employees
			Advances to staff
	Fair value through other comprehensive income (FVOCI)	Investments in debt instruments	Government securities
		Other assets	Corporate bonds
			Sundry debtors
			Imprest accounts and other financial assets
Financial liabilities	Financial liabilities at amortised cost	Equity investments designated at FVOCI	
		Government Securities at FVOCI	
		Deposits due to other banks	
		Other liabilities	
		Deposits due to customers	Demand deposits
Off balance sheet Items		Borrowings	Time deposits and other deposits
		Subordinated Loan	
		Bank Guarantees	Letters of Credit
		Undrawn loan commitments	

Undrawn loan commitments

The Bank issues loan commitments, which represent obligations to provide credit under pre-agreed terms. Although the nominal contractual amounts of undrawn loan commitments that are on market terms are not recognised in the statement of financial position, they are within the scope of IFRS 9 for expected credit loss (ECL) assessment. The Bank therefore measures ECL on all undrawn loan commitments, and any resulting ECL amount is recognised in the statement of financial position within provisions, with movements recognised in profit or loss, subject to the Bank's materiality considerations.

Financial assets

The Bank uses trade date accounting for regular way contracts when recording financial asset transactions. The classification and subsequent measurement of financial assets depends on:

The Bank's business model for managing the asset; and, The cash flow characteristics of the asset. 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 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 group 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').

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

Financial assets (continued)

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.

Based on these factors, the Bank classifies its financial assets into one of the following 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 'Interest and similar income' using the effective interest rate method.
- **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 profit or loss within 'Other income' in the period in which it arises.
- **Fair value through other comprehensive income (FVOCI) with recycling:** Debt instruments are held for collection of contractual cash flows and for selling the assets, where the debt instruments' cash flows represent solely payments of principal and interest and are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognized in profit or loss. When the debt instrument is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in 'Other income'
- **Equity instruments:** Equity instruments are instruments that meet the definition of equity from the issuer's perspective, that is, instruments that do not contain a contractual obligation to pay cash and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares. The Bank subsequently measures all investments in equity instruments at fair value through profit or loss, except where the Bank's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Bank's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as other income when the Bank's right to receive payments is established.

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

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

Financial assets (Continued)

Initial recognition

Purchases and sales of financial assets and liabilities held at fair value through profit or loss, and debt securities classified as financial assets held at fair value through other comprehensive income are initially recognized on the trade date (the date on which the Bank commits to purchase or sell the asset). Loans and advances and other financial assets held at amortised cost are recognized on settlement date (the date on which cash is advanced to the borrowers).

All financial instruments are initially recognized at fair value, which is normally the transaction price, plus directly attributable transaction costs for financial assets which are not subsequently measured at fair value through profit or loss.

In certain circumstances, the initial fair value may be based on a valuation technique which may lead to the recognition of profits or losses at the time of initial recognition. However, these profits or losses can only be recognized when the valuation technique used is based solely on observable market data. In those cases where the initially recognized fair value is based on a valuation model that uses unobservable inputs, the difference between the transaction price and the valuation model is not recognized immediately in the statement of profit and loss but is amortised or released to the statement of profit and loss as the inputs become observable, or the transaction matures or is terminated.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

Financial assets (Continued)

Subsequent measurement

Financial assets and financial liabilities held at amortised cost

Financial assets and financial liabilities measured at amortised cost are initially recognised at fair value. For financial instruments not measured at fair value through profit or loss, directly attributable transaction costs are added to or deducted from the initial carrying amount. Subsequently, these instruments are measured at amortised cost using the effective interest method. Foreign exchange gains and losses on such financial assets and liabilities are recognised in profit or loss.

Financial assets held at FVOCI

Debt instruments classified as FVOCI are subsequently measured at fair value, with unrealised gains and losses arising from changes in fair value (including related foreign exchange differences) recognised in other comprehensive income and accumulated in a separate fair value reserve within equity. Expected credit losses are recognised in profit or loss, with the corresponding allowance recorded in OCI as an accumulated impairment amount. Upon derecognition, the cumulative fair value gains or losses previously recognised in OCI net of the accumulated impairment amount are reclassified to profit or loss.

Financial assets held at fair value through profit or loss

Financial assets mandatorily held at fair value through profit or loss and financial assets designated at fair value through profit or loss are subsequently carried at fair value, with gains and losses arising from changes in fair value recorded in the profit or loss unless the instrument is part of a cash flow hedging relationship. Contractual interest income on financial assets held at fair value through profit or loss is recognized as interest income in a separate line in the profit or loss.

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 original 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 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 de-recognition.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

Financial assets (Continued)

Subsequent measurement (continued)

Modification of financial assets (Continued)

If the terms are not substantially different, the renegotiation or modification does not result in de-recognition, 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.

De-recognition of financial assets

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

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

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

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

A transfer only qualifies for de-recognition if either:

The Bank has transferred substantially all the risks and rewards of the asset; or
The Bank has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Impairment of financial assets

The Bank records the allowance for expected credit losses on loans and other debt financial assets not held at FVPL. Equity instruments are not subject to impairment under IFRS 9.

ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit losses or LTECL) unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit losses (12-month ECL).

The 12-month ECL allowance is a portion of LTECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

Subsequent measurement (Continued)

Impairment of financial assets (Continued)

Both LTECL and 12 months' ECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on this process, the Bank groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

Stage 1: When loans are first recognized, the Bank recognises an allowance based on 12 months expected credit losses. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the lifetime expected credit losses. Stage 2 loans also include facilities, where the credit risk has improved, and the loan has been reclassified from Stage 3.

Stage 3: Loans considered credit-impaired. The Bank records an allowance for the lifetime expected credit losses.

POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit-adjusted EIR. The ECL allowance is only recognized or released to the extent that there is a subsequent change in the ECL.

Calculation of Expected Credit Losses

The Bank calculates expected credit losses based on probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the effective interest rate. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the expected credit losses calculations are outlined below and the key elements are, as follows:

Probability of Default (PD): The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

Financial assets (Continued)

Subsequent measurement (Continued)

Impairment of financial assets (Continued)

The Exposure at Default (EAD): Is an estimate of the exposure at a future default date, considering expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

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

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying amount.

Calculation of Expected Credit Losses (Continued)

The mechanics of the Expected Credit Losses method are summarised below:

Stage 1: The 12-month expected credit loss is calculated as the portion of life time expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12-month expected credit loss allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original effective interest rate (EIR).

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

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

Loan commitments: When estimating lifetime expected losses for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The expected credit losses is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the four scenarios. The expected cash shortfalls are discounted at an approximation to the expected effective interest rate on the loan. The calculation of expected credit losses, including the estimation of the expected period of exposure and discount rate is made, on an individual basis for corporate and on a collective basis for retail loans products. The collective assessments are made separately for portfolios of facilities with similar credit risk characteristics.

Forward looking information: In the expected credit losses models, the Bank relies on a broad range of forward-looking, information as economic inputs. The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

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. The Bank considers a default as and when a financial asset is past due for more than 90 days or the qualitative criterion by which the financial institution considers that the obligor is unlikely to pay its credit obligations in full, without recourse to actions such as realizing security.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

Financial assets (Continued)

Subsequent measurement (continued)

Impairment of financial assets (Continued)

The analysis in this model is based on the consideration that any loans past due for more than 30 days or degraded 3 notches from the rating at initial recognition is an indication of increase in credit risk and subject to staging as per IFRS 9 requirements. The Bank also considers 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. 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 measured at amortised cost or FVOCI are credit-impaired at each reporting date.

Qualitative criteria

The borrower meets unlikelihood to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is in long-term forbearance
- The borrower is deceased
- The borrower is insolvent
- The borrower is in breach of financial covenant(s)
- An active market for that financial asset has disappeared because of financial difficulties
- Concessions have been made by the lender relating to the borrower's financial difficulty
- It is probable that the borrower will enter bankruptcy

Collateral valuation

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

Collateral repossessed

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

In its normal course of business, the Bank engages external agents to recover funds from the repossessed assets, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the properties under legal repossession processes are not recorded on the balance sheet.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

Financial assets (Continued)

Write off of financial assets

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 the ECL expense.

The Bank may write off financial assets in whole or in part, when it has exhausted all practical recovery efforts and has concluded that 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 or there is no reasonable expectation of completing the recovery process because of litigation proceedings by the borrowers. The Bank generally considers that there is no reasonable expectation of recovering non-performing financial assets that have been in loss category for more than four (4) consecutive quarters. The assessment is done per specific borrower.

Judgements and estimates applied in determining ECL

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Bank's expected credit losses calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the expected credit losses models that are considered accounting judgements and estimates include:

- The Bank's internal credit grading model, which assigns PDs to the individual grades
- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime expected credit losses basis and the qualitative assessment
- The segmentation of financial assets when their ECLs are assessed on a collective basis.

Cure of non-performing financial assets including restructured loans

An instrument is considered to no longer be credit-impaired (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 considers criteria for upgrade of credit accommodations, whereby the obligor has timely paid two consecutive instalments. 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 used the low credit risk exemption for any financial instruments in the current year.

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 considers the following:

- All outstanding payments on the credit facility are made on time and there are no payments in arrears.
- Improvement of the quantitative and qualitative factors that caused significant increase of the credit risk.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

Financial assets (Continued)

For credit exposures that have shifted out of Stage 3, the Bank, in a reporting period, calculates the interest income by applying the effective interest rate to the gross carrying amount. This is because the credit risk on the financial instrument has improved and the financial asset is no longer credit-impaired.

Financial liabilities

Financial liabilities are initially recognized at fair value plus transaction costs, except for financial liabilities recorded at fair value through profit or loss. Subsequent to initial recognition all financial liabilities other than derivatives are measured at amortized cost. Derivatives are initially recognized and subsequently measured at fair value. Financial liabilities measured at amortized cost are deposits and other liabilities.

De-recognition of financial liabilities

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

(g) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and all cash equivalent items maturing within 90 days from the date of acquisition including non-restricted balances with BoT and loans and advances to other banks maturing within three months. Cash and cash equivalents exclude the statutory minimum reserve requirement held with BoT.

(h) Impairment of non-financial assets

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

In determining the recoverable amount, the Bank considers the higher of the fair value of the asset less costs to disposal, and value in use. In estimating value in use, the Bank is cognisant of the estimated future cash flows discounted to the present value using a pre-tax discount rate that is reflective of the current market assessment of time value of money and the risks specific to the asset itself. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by available fair value indicators.

Where impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but limited to the extent that, the increased carrying amount does not exceed the carrying amount that would have been determined, net of accumulated depreciation or amortisation, had no impairment loss been recognised. Such reversal is recognised in profit or loss.

The Bank has no goodwill, intangible assets with indefinite useful lives, or intangible assets not yet available for use; therefore, are not subject to mandatory annual impairment testing.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(i) Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments.

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 group, 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, government securities yields, foreign exchange rates, volatilities and counterparty spreads) existing at the reporting date.

For non-financial assets measured at fair value, the Bank determines fair value based on the asset's highest and best use, which represents the use that would maximise the value of the asset from the perspective of market participants.

Fair value measurements are classified into a three-level hierarchy based on the significance of the inputs used in the valuation techniques: Level 1 (quoted prices in active markets), Level 2 (observable inputs other than quoted prices), and Level 3 (unobservable inputs). The categorisation within this hierarchy is based on the lowest-level input that is significant to the fair value measurement. Further details on the fair value hierarchy and the Bank's related disclosures are presented in Note 5.4.

(j) Taxes

Income tax expense represents the net of current income tax expenses and deferred tax charges or credits.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

Deferred tax

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

Deferred tax liabilities are recognised for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognized for all deductible temporary differences. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(j) Taxes (Continued)

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

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

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.

Value Added Tax (VAT)

The Bank pays VAT on all its taxable purchases during the course of operation (input tax). The Bank also collects VAT, that is, output VAT, on the fees and commissions charged on the financial services according to the prevailing laws and remits the amount to Tanzania Revenue Authority (TRA).

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

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

(k) Equity

Equity instruments issued by the Bank are recorded at the proceeds received, net of direct issue costs. Share capital represents the aggregate of the paid-up and called-up amounts of shares issued. Share premium represents the excess of the amounts received on the issue of shares over the nominal value of shares. Statutory reserves are reserves such as credit risk reserves and other reserves that are normally set up according to regulatory requirements. Accumulated losses/retained earnings are the net financial results of the previous and current years.

(l) Fair value through OCI Reserve

The reserves recorded in equity (OCI) on the Bank's statement of financial position include:

Fair value reserves which comprises the cumulative net change in the fair value of debt instruments classified at FVOCI and the cumulative net change in fair value of equity instruments at FVOCI

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025****4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)****(m) Property and equipment**

Property and equipment are stated at cost, less accumulated depreciation and any accumulated impairment in value. Depreciation is calculated on the straight-line basis at annual rates estimated to write down the carrying amounts of the assets to their residual value over their expected useful lives. The depreciation expense is recognised in profit or loss.

The annual rates in use are:

Machinery and equipment	12.5%
Furniture, fixtures and fittings	12.5%
Computer and IT equipment	33.3%
Motor vehicles	20.0%
Leasehold improvements	As per the contract tenure

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset, calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is included in profit or loss in the year the asset is derecognised.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, 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 considered to modify the depreciation period or method, as appropriate, and are treated as changes in accounting estimates.

Refer to Note 4(g) for the policy on impairment.

(n) Intangible assets

Intangible assets comprise computer software licenses and other intangible assets. Intangible assets are initially recognised at cost and subsequently at cost less accumulated amortisation and impairment losses. Cost includes amounts directly attributable to preparing the asset for its intended use, such as purchase price, installation and testing costs, and professional fees. Costs that do not meet the recognition criteria such as staff training costs, research expenditure, start-up costs, and general administrative overheads are expensed as incurred.

The useful lives of intangible assets are assessed to be finite. Intangible assets with a finite useful life are amortized using the straight-line method over their estimated useful economic life, generally not exceeding 4 - 10 years. In determining the useful lives of intangible assets, the Bank considers factors such as expected usage, technological obsolescence, legal or contractual limits, system compatibility, and planned maintenance or upgrades. The amortisation period and the amortisation method are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense is recognised in profit or loss.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised. Refer to Note 4(g) for the policy on impairment.

(o) Employees' benefits

Short-term employment benefits such as salaries, social security contributions, and leave fare assistance are recognized in profit or loss when they fall due.

Defined contribution benefits

The Bank operates a defined contribution plan whereby the employee and the Bank each contribute 10% of the employee's monthly salary to the National Social Security Fund, the state managed statutory fund. Apart from these monthly contributions, the Bank has no further commitments or obligations to the fund and it has no other postretirement benefit scheme. The contributions are charged to profit or loss in the year to which they relate.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(o) Employees' benefits (Continued)

Other employee benefits

The Bank provides free medical treatment to staff and their dependants. The cost is charged to profit or loss. The estimated monetary liability for employees' accrued leave entitlement at the reporting date is recognized as an expense accrual.

Performance benefit

Certain senior personnel are entitled to a payable benefit every three years, subject to the outcome of a performance assessment. The benefit is calculated as 25% of the value of the related employment contract. The Bank recognises a provision for this benefit progressively over the employees' service period, reflecting the obligation incurred as service is rendered, until the benefit becomes payable at the end of each three-year cycle.

(p) Operating segments

The Bank is managed as a single operating segment, as the Management Team and Board assess performance primarily based on revenue from loans and advances. Due to the nature of the Bank's products and services, no other discrete financial information is reviewed internally. Accordingly, the Bank reports one operating segment, as disclosed in Note 7.

(q) Leases

Bank as a lessee

The bank leases a number of branch and office premises. The leases typically run for a period of up to 16 years, with an option to renew the lease after that date. For some leases, payments are renegotiated every five years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices.

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.

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

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at/ or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term. The useful lives for the recognised right-of-use assets are 1.5 – 16 years.

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

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

Refer Note 6 for information regarding the estimates and assumptions used in determining the incremental borrowing rate and the lease term.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**

5. FINANCIAL RISK MANAGEMENT

The Bank's business involves taking on risks in a targeted manner and managing the risks professionally. The core functions of the Bank's risk management are to identify the key risks for the Bank, measure these risks, manage the risk positions and determine capital allocations. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice.

The Bank's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance. The Bank defines risk as the possibility of losses or profit foregone, which may be caused by internal or external factors.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which employees understand their roles and obligations.

The directors have overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board approves written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, and liquidity risk. Risk management is carried out by the Risk and Compliance Department under policies approved by the Board. The Risk and Compliance Department evaluates financial risk in close coordination with the operating units.

The main risks arising from the Bank's financial instruments are market risk, liquidity risk and credit risk. Market risk comprises interest rate risk, foreign currency risk and price risk. The Bank does not have significant exposure to price risk as the equity investments held are not exposed to significant price risk.

MKOMBOZI COMMERCIAL BANK PLC

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**

5. FINANCIAL RISK MANAGEMENT(CONTINUED)

Management of financial risks

The Board reviews and agrees policies for managing each of the financial risks to which the Bank is exposed. These policies are applied to the following financial instruments by category:

	Amortised cost TZS '000	FVOCI TZS '000	Total TZS '000
At 31 December 2025			
Financial assets			
Cash and balances with BoT	25,802,786	-	25,802,786
Loans and advances to banks	30,365,679	-	30,365,679
Other assets ¹	6,241,004	-	6,241,004
Loans and advances to customers	188,931,898	-	188,931,898
Government securities – FVOCI	-	1,960,069	1,960,069
Government securities – amortised cost	50,926,184	-	50,926,184
Equity investments	-	487,000	487,000
	302,267,551	2,447,069	304,714,620
Financial liabilities			
Deposits due to Banks	11,856,257	-	11,856,257
Deposits due to customers	242,862,512	-	242,862,512
Borrowings	1,509,221	-	1,509,221
Subordinated loans	3,346,962	-	3,346,962
Other liabilities ²	2,276,430	-	2,276,430
Lease liabilities	5,062,553	-	5,062,553
	266,913,935	-	266,913,935
At 31 December 2024			
Financial assets			
Cash and balances with BoT	23,398,540	-	23,398,540
Loans and advances to banks	22,730,935	-	22,730,935
Other assets ¹	4,527,481	-	4,527,481
Loans and advances to customers	162,565,818	-	162,565,818
Government securities – FVOCI	-	10,875,000	10,875,000
Government securities – amortised cost	41,538,307	-	41,538,307
Equity investments	-	539,000	539,000
	254,761,081	11,414,000	266,175,081
Financial liabilities			
Deposits due to Banks	9,511,626	-	9,511,626
Deposits due to customers	217,491,606	-	217,491,606
Borrowings	1,508,323	-	1,508,323
Subordinated loan	3,119,721	-	3,119,721
Other liabilities ²	642,745	-	642,745
Lease liabilities	7,801,460	-	7,801,460
	240,075,481	-	240,075,481

¹Comprises other assets as presented in the statement of financial position excluding items that are not financial assets like prepayments and stock of stationery.

²Comprises other liabilities as presented in the statement of financial position excluding items that are not financial liabilities like statutory liabilities and deferred fees.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

Management of financial risks (continued)

Excessive risk concentration

Concentration arises when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Concentration indicates the relative sensitivity of the Bank's performance to developments affecting a particular counterparty, industry or geographical location. In order to avoid excessive concentration of risk, the directors ensure that the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio and that identified concentration of risk is controlled and managed accordingly.

5.1 Credit Risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from loans and advances to customers and other banks, and investments in government securities and corporate bonds. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure.

Credit risk measurement

In measuring credit risk, the Bank reflects two components, that is, the PD by the client or counterparty on its contractual obligations and current exposures to the counterparty and its likely future development, from which the Bank derives the EAD. These credit risk measurements, which reflect ECL, are embedded in the daily operational management and are in line with IFRS 9.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit Risk (Continued)

Credit risk measurement (Continued)

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

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

The Bank has its internal credit rating tools tailored in accordance with the BoT guidelines. Customers of the Bank are segmented into five rating classes. The Bank's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class.

Bank's rating	Description of the grade	Number of days outstanding	Bank's description of the grade¹
1	Current	0-30	Stage 1
2	Especially mentioned	31-90	Stage 2
3	Sub-standard	91-180	Stage 3
4	Doubtful	181-360	Stage 3
5	Loss	361 and above	Stage 3

¹Some of the financial assets in the grades could be classified in different IFRS 9 stages depending on criteria that is specific to the financial asset.

Significant increase in credit risk

The Bank monitors financial assets that are subject to ECL to assess whether there has been a significant increase in credit risk (SICR) since initial recognition. When there is a SICR since initial recognition, a financial asset is moved from Stage 1 to Stage 2 but is not yet deemed to be credit-impaired. If the financial asset is credit-impaired, the financial asset is then moved to Stage 3. The table below summarises the 'three-stage' model for impairment based on changes in credit quality since initial recognition.

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

The Bank considers a debt instrument and loan commitment to have experienced a SICR when one or more of the following quantitative or qualitative criteria have been met:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit Risk (Continued)

Significant increase in credit risk (Continued)

Balances due from other banks

The qualitative factors considered as indicators of significant increase in credit risk as follows:

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

Loans and advances to customers and related commitments

Quantitative criteria

Based on quantitative review for the purpose of ECL calculations, loans and advances and loan commitments are classified as follows:

- **0 – 30 days to be classified as Stage 1:** Loans and advances and related commitments which are performing according to contracted terms and conditions with low credit risk at the reporting date with 12-month expected credit losses being recognised.
- **31 – 90 days to be classified as Stage 2:** Loans and advances and related commitments which have had significant increase in credit risk since initial recognition but do not have objective evidence of credit loss event with lifetime expected credit losses being recognised.
- **91 days or more to be classified as Stage 3:** Loans and advances and related commitments which have objective evidence of impairment at the reporting date with lifetime expected credit losses being recognized (credit-impaired assets).

Qualitative criteria

For personal loans, if the borrower meets one or more of the following criteria:

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

For corporate and SME portfolios, if the borrower is on the watch list (especially mentioned) and/or the instrument meets one or more of the following criteria:

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit Risk (continued)

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, groups, and industries. The Bank structures the levels of credit risk undertaken 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 weekly analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits, where appropriate. Other specific control and mitigation measures are outlined below.

Collateral

This is the most traditional of the approaches applied to manage credit risk and involves taking of security for funds advanced, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation.

The principal collateral types for loans and advances to customers are:

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

In order to minimise credit loss, the Bank will seek additional collateral from the counterparty as soon as impairment indicators are noticed for a facility.

Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Loan commitments carry the same credit risk as loans and advances. Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss of the amounts equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Internal reviews and audits

Regular audit of the Credit Department processes is undertaken by the Internal Audit Department.

Internal credit ratings

The internal rating scale assists the directors 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; and,
- Deterioration in the value of collateral.

The Bank's policy requires the review of individual financial assets regularly and monitoring is on monthly basis.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit Risk (continued)

Maximum exposure to credit risk

The maximum exposure to credit risk in respect to loans and advances to customers before collateral held or other credit enhancements is analysed as follows:

Bank's rating	2025		2024	
	Credit risk exposure	ECL allowance	Credit risk exposure	ECL allowance
	%	%	%	%
Current	96	6	96	43
Especially mentioned	1	0	0	0
Substandard	0	6	0	4
Doubtful	0	11	1	12
Loss	3	78	3	41
	100	100	100	100

The directors are reasonably confident in the ability to continue to control and mitigate exposure to credit risk resulting from both the exposures for which the Bank holds collateral and other credit enhancements and for which none is held.

The carrying amounts which represent the maximum exposure to credit risk, including those for which no collateral or other credit enhancements are held, are indicated below:

	2025		2024	
	TZS'000	%	TZS'000	%
Balances with Bank of Tanzania	16,126,395	5%	13,864,198	5%
Loans and advances to banks	30,365,679	10%	22,730,935	9%
Other assets	6,241,004	2%	4,527,481	2%
Government securities – FVOCI	1,960,069	1%	10,875,000	4%
Government securities – amortised cost	50,926,184	17%	41,538,307	16%
No collateral held	105,619,331	35%	93,535,921	36%
Loans and advances to customers	188,931,898	63%	162,565,818	62%
Loan commitments	3,463,470	1%	4,437,146	2%
With collateral or other credit enhancements	192,395,368	65%	167,002,964	64%
Maximum exposure to credit risk	298,014,699	100%	260,538,885	100%

The above exposures are before considering the value of collateral held.

The next table shows internal rating of the financial assets at the end of the year.

MKOMBOZI COMMERCIAL BANK PLC

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit Risk (continued)

5.1.1 Credit exposure internal rating

	Current TZS'000	Special mention TZS'000	Substandard TZS'000	Doubtful TZS'000	Loss TZS'000	Total TZS'000
As at 31 December 2025						
Balances with Bank of Tanzania	16,126,395	-	-	-	-	16,126,395
Loans and advances to banks	30,365,679	-	-	-	-	30,365,679
Government securities – FVOCI	1,960,069	-	-	-	-	1,960,069
Government securities – amortised cost	50,926,184	-	-	-	-	50,926,184
Loans and advances to customers	183,048,317	1,706,625	428,307	698,625	3,050,024	188,931,898
Other assets	6,241,004	-	-	-	-	6,241,004
	288,667,648	1,706,625	428,307	698,625	3,050,024	294,551,229
% Contribution	98%	1%	0%	0%	1%	100%
As at 31 December 2024						
Balances with Bank of Tanzania	13,864,198	-	-	-	-	13,864,198
Loans and advances to banks	22,730,935	-	-	-	-	22,730,935
Government securities – FVOCI	10,875,000	-	-	-	-	10,875,000
Government securities – amortised cost	41,538,307	-	-	-	-	41,538,307
Loans and advances to customers	157,414,850	26,761	192,005	778,402	4,153,800	162,565,818
Other assets	4,527,481	-	-	-	-	4,527,481
	250,950,771	26,761	192,005	778,402	4,153,800	256,101,739
% Contribution	98%	0%	0%	0%	2%	100%

The Bank does a detailed internal rating with consideration of both quantitative and qualitative factors for the portfolio with the most credit risk i.e., loans and advances to customer, the analysis of this is included in note 22 of the financial statements.

Based on the nature of other financial assets, the assets have been internally graded as current and performing, with exception of an exposure in other assets which has demonstrated significant increase in credit risk.

MKOMBOZI COMMERCIAL BANK PLC

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Credit Risk (continued)

5.1.2 Credit exposure per industry sector

The following table indicates the Bank's credit exposure at carrying amounts, without taking into account any collateral held or other credit support, as categorized by the industry sectors of the Bank's counterparties.

All amounts are in TZS'000 At 31 December 2025	Financial institutions	Real estate	Wholesale and retail trade	Church institutions	Other	Total
Balances with Bank of Tanzania	16,126,395	-	-	-	-	16,126,395
Loans and advances to banks	30,365,679	-	-	-	-	30,365,679
Other assets	3,561,515	-	-	501,132	2,178,357	6,241,004
Government securities – FVOCI	1,960,069	-	-	-	-	1,960,069
Government securities – amortised cost	50,926,184	-	-	-	-	50,926,184
Loans and advances to customers	77,726	841,624	115,189,735	57,197,928	15,624,885	188,931,898
	103,017,568	841,624	115,189,735	57,699,060	17,803,242	294,551,229
At 31 December 2024						
Balances with Bank of Tanzania	13,864,198	-	-	-	-	13,864,198
Loans and advances to banks	22,730,935	-	-	-	-	22,730,935
Other assets	33,307	-	-	362,479	4,131,695	4,527,481
Government securities – FVOCI	10,875,000	-	-	-	-	10,875,000
Government securities – amortised cost	41,538,307	-	-	-	-	41,538,307
Loans and advances to customers	273	4,469,168	111,640,880	39,240,145	7,215,352	162,565,818
	89,042,020	4,469,168	111,640,880	39,602,624	11,347,047	256,101,739

MKOMBOZI COMMERCIAL BANK PLC

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit Risk (continued)

5.1.3 Collateral and other credit enhancements

5.1.3.1 Total maximum exposure and collateral and other credit enhancement.

The amount and type of collateral required to secure loan and advances depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral. In its normal course of business, the Bank engages external agents to recover funds from repossessed properties or other assets in its retail portfolio, generally at auction, to settle outstanding debt.

Any surplus funds are returned to the customers/obligors. Exposure to credit risk is also managed through weekly analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits, where appropriate.

Type of collateral or credit enhancement for credit accommodations and associated ECL

In TZS' Million

31 December 2025	Maximum exposure to credit risk	Landed Property	Cash	Total collateral	Net Exposure
Loans and advances to customers					
Agriculture and General Commerce	7,464,870	6,004,472	85,000	6,089,472	1,375,398
Consumer Credit	17,181,590	8,202,564	-	8,202,564	8,919,487
General Services	159,748,984	487,466,715	78,221,045	565,687,760	-
Microfinance	4,536,454	-	7,151,517	7,151,517	-
	188,931,898	501,673,751	85,457,562	587,131,313	10,294,885
31 December 2024					
Loans and advances to customers					
Agriculture and General Commerce	11,402,642	19,318,182		19,318,182	-
Consumer Credit	19,678,364	3,170,073	99,593	3,269,666	16,408,699
General Services	125,968,711	345,756,150	4,383,897	350,140,047	-
Microfinance	5,516,101	-	7,431,362	7,431,362	-
	162,565,818	368,244,405	11,914,852	380,159,257	16,408,699

MKOMBOZI COMMERCIAL BANK PLC

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit Risk (continued)

5.1.3 Collateral and other credit enhancements (Continued)

5.1.3.2 Default (stage 3) exposure and collateral and other credit enhancement.

The below tables provide an analysis of the current fair values of collateral held and credit enhancements for stage 3 assets. Dependent on the level of collateral, some Stage 3 exposures may not have individual ECL when the expected value of the collateral, measured using multiple economic scenarios, is greater than the LGD. However, the Stage 3 ECL can be higher than net exposure shown below when the future value of collateral, measured using multiple economic scenarios, is lower than fair value at the reporting date.

In TZS' Million

31 December 2025	Maximum exposure to credit risk	Landed Property	Cash	Total collateral	Net Exposure	Associated ECL
Loans and advances						
Agriculture and General Commerce	28,613	-	-	-	28,613	17,753
Consumer Credit	1,870,686	-	-	-	1,870,686	902,314
General Services	4,741,552	1,071,006	9,747,477	10,818,483	-	347,508
Microfinance	304,401	-	552,191	552,191	-	30,128
	6,945,252	1,071,006	10,299,668	11,370,674	1,899,299	1,297,703
31 December 2024						
Loans and advances						
Agriculture and General Commerce	3,517,408	4,393,000	-	4,393,000	-	77,725
Consumer Credit	1,115,430	113,289	-	113,289	1,002,141	1,062,863
General Services	3,624,916	9,179,095	81,000	9,260,095	-	578,037
Microfinance	124,454	4,393,000	280,841	4,673,841	-	-
	8,382,208	18,078,384	361,841	18,440,225	1,002,141	1,718,625

MKOMBOZI COMMERCIAL BANK PLC

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit Risk (continued)

5.1.3 Collateral and other credit enhancements (Continued)

5.1.3.3 Exposure without loss allowance.

Below table shows financial instruments for which an entity has not recognised a loss allowance because of the collateral.

In TZS' Million

31 December 2025

	Maximum exposure to credit risk	Landed Property	Cash	Total collateral	Net Exposure	Associated ECL
Loans and advances						
Agriculture and General Commerce	757,299	710,785	85,000	795,785	-	-
Consumer Credit	945,917	-	-	-	945,917	-
General Services	123,365,463	13,790,240	70,133,537	83,923,777	39,441,686	-
Microfinance	4,536,449	-	7,090,719	7,090,719	-	-
	129,605,128	14,501,025	77,309,256	91,810,281	40,387,603	-

31 December 2024

Loans and advances						
Agriculture and General Commerce	4,604,449	13,860,000	-	13,860,000	-	-
Consumer Credit	9,068,053	2,679,297	99,593	2,778,890	-	-
General Services	117,024,232	342,378,221	4,210,375	346,588,596	-	-
Microfinance	5,506,651	-	7,429,362	7,429,362	-	-
	136,203,385	358,917,518	11,739,330	370,656,848	-	-

MKOMBOZI COMMERCIAL BANK PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit Risk (continued)

5.1.3 Collateral and other credit enhancements (Continued)

The table below summarises the Gross carrying amount for loans and advances with significant increase in credit risk and associated collateral.

In TZS' Million	Gross carrying amount			Collateral			Net exposure		
	Total	Stage 2	Stage 3	Total	Stage 2	Stage 3	Total	Stage 2	Stage 3
31 December 2025									
Loans and advances									
Agriculture and General Commerce	28,613	-	28,613	8,438	-	8,438	20,175	-	20,175
Consumer Credit	4,149,592	2,278,906	1,870,686	2,666,938	2,024,002	642,936	1,482,654	254,904	1,227,750
General Services	24,424,975	19,683,423	4,741,552	81,596,034	53,242,553	28,353,481	-	-	-
Microfinance	1,696,195	1,391,794	304,401	2,828,173	2,275,982	552,191	-	-	-
	30,299,375	23,354,123	6,945,252	87,099,583	57,542,537	29,557,046	1,502,829	254,904	1,247,925
31 December 2024									
Loans and advances									
Agriculture and General Commerce	3,517,408		3,517,408	4,393,000	-	4,393,000	-	-	-
Consumer Credit	4,505,722	3,390,292	1,115,430	141,291	28,002	113,289	5,427,294	3,362,290	2,065,004
General Services	15,839,134	12,214,218	3,624,916	33,274,645	24,014,550	9,260,095	-	-	-
Microfinance	3,229,686	3,105,232	124,454	4,522,919	4,242,078	280,841	-	-	-
	27,091,950	18,709,742	8,382,208	42,331,855	28,284,630	14,047,225	5,427,294	3,362,290	2,065,004

MKOMBOZI COMMERCIAL BANK PLC

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit Risk (continued)

5.1.4 Analysis of changes in the gross carrying amount and the corresponding ECL allowances for the bank is as follows.

The loss allowance recognised is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the year, as well as releases for financial instruments de-recognised in the year;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the year, arising from regular refreshing of inputs to models;
- Impact on the measurement of ECL due to changes made to models and assumptions and impact of discounting relative to passage of time.
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

Analysis of changes in the gross carrying amount and the corresponding ECL allowances for the bank is as follows.

2025	Stage I		Stage II		Stage III		Total	
ECL allowance reconciliation	Gross Carrying Amount TZS'000	12 - Month ECL TZS'000	Gross Carrying Amount TZS'000	Lifetime ECL TZS'000	Gross Carrying Amount TZS'000	Lifetime ECL TZS'000	Gross Carrying Amount TZS'000	ECL TZS'000
Balance as at 01 January 2025	137,764,050	399,283	18,709,740	172,270	8,382,207	1,718,625	164,855,997	2,290,178
Stage transfer								
– Transfer to stage 1	8,223,788	117,704	(7,854,044)	(50,417)	(369,744)	(67,287)	-	-
– Transfer to stage 2	(11,756,150)	(30,793)	12,253,265	189,758	(497,115)	(158,965)	-	-
– Transfer to stage 3	(7,881,084)	(41,644)	(1,038,898)	(35,929)	8,919,982	77,573	-	-
New financial assets	48,715,745	9,822	3,967,707	807,819	299,087	229,417	52,982,539	1,047,058
Payments and Financial assets that have been derecognized	(13,516,255)	(398,641)	(2,683,647)	(256,496)	(9,065,189)	(273,634)	(25,265,091)	(928,771)
Write-offs	-	-	-	-	(2,067,983)	(834,902)	(2,067,983)	(834,902)
Balance as at 31 December	161,550,094	55,731	23,354,123	827,005	5,601,245	690,827	190,505,462	1,573,563

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit Risk (continued)

5.1.4 Analysis of changes in the gross carrying amount and the corresponding ECL allowances for the bank is as follows (Continued).

2024	Stage I		Stage II		Stage III		Total	
ECL allowance reconciliation	Gross Carrying Amount TZS'000	12 - Month ECL TZS'000	Gross Carrying Amount TZS'000	Lifetime ECL TZS'000	Gross Carrying Amount TZS'000	Lifetime ECL TZS'000	Gross Carrying Amount TZS'000	ECL TZS'000
Balance as at 01 January 2024	117,074,361	627,301	7,862,354	164,092	13,078,305	2,962,239	138,015,020	3,753,632
Stage transfer								
– Transfer to stage 1	2,884,565	151,844	(2,201,719)	(28,506)	(682,846)	(123,338)	-	-
– Transfer to stage 2	(8,596,154)	(123,884)	8,712,337	131,528	(116,183)	(7,644)	-	-
– Transfer to stage 3	(1,889,088)	(18,838)	(1,768,858)	(66,742)	3,657,946	85,580	-	-
New financial assets originated or purchased	46,367,590	96,151	10,417,278	29,632	107,799	53,712	56,892,667	179,495
Payments and Financial assets that have been derecognized	(18,077,224)	(185,042)	(4,311,652)	(56,579)	(4,548,446)	(837,334)	(26,937,322)	(1,078,955)
Write-offs	-	-	-	-	(3,114,368)	(956,500)	(3,114,368)	(956,500)
Balance as at 31 December	137,764,050	399,283	18,709,740	172,270	8,382,207	1,718,625	164,855,997	2,290,178

MKOMBOZI COMMERCIAL BANK PLC

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit Risk (continued)

5.1.5 Analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to Agriculture and General Commerce for the bank is as follows:

2025	Stage I		Stage II		Stage III		Total	
ECL allowance reconciliation	Gross Carrying Amount	12 - Month ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	ECL
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Balance as at 01 January 2025	13,378,786	165,114	146,040	9,184	1,144,702	488,931	14,669,528	663,229
Stage transfer								
– Transfer to stage 1	-	-	-	-	-	-	-	-
– Transfer to stage 2	(42,937)	(222)	42,937	222	-	-	-	-
– Transfer to stage 3	(1,659,476)	(16,022)	(146,030)	(1,000)	1,805,506	17,022	-	-
New financial assets originated or purchased	46,000	514	-	-	-	-	46,000	514
Payments and Financial assets that have been derecognized	(4,268,877)	(110,000)	(42,947)	(8,406)	(2,150,950)	(85,818)	(6,462,774)	(204,224)
Write-offs	-	-	-	-	(770,645)	(398,504)	(770,645)	(441,766)
Balance as at 31 December	7,453,496	39,384	-	-	28,613	21,631	7,482,109	61,015

MKOMBOZI COMMERCIAL BANK PLC

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit Risk (continued)

5.1.5 Analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to Agriculture and General Commerce (Continued)

2024	Stage I		Stage II		Stage III		Total	
ECL allowance reconciliation	Gross Carrying Amount	12 - Month ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	ECL
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Balance as at 01 January 2024	27,908,804	249,957	277,969	-	5,003,803	1,086,791	33,190,576	1,336,748
Stage transfer								
– Transfer to stage 1	406,747	162	-	-	(406,747)	(162)	-	-
– Transfer to stage 2	(41,040)	(161)	41,040	161	-	-	-	-
– Transfer to stage 3	(2,958)	(162)	-	-	2,958	162	-	-
New financial assets originated or purchased	-	-	-	-	-	-	-	-
Payments and Financial assets that have been derecognized	(14,974,847)	(82,800)	(90,889)	(1,882)	(800,562)	(260,739)	(16,077,760)	(345,421)
Write-offs	-	-	-	-	(2,654,750)	(327,937)	(2,654,750)	(327,937)
Balance as at 31 December	13,378,786	163,232	146,040	(1,721)	1,144,702	498,115	14,458,066	663,229

MKOMBOZI COMMERCIAL BANK PLC

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit Risk (continued)

5.1.6 Analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to Consumer Credit for the bank is as follows.

2025	Stage I		Stage II		Stage III		Total	
ECL allowance reconciliation	Gross Carrying Amount	12 - Month ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	ECL
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Balance as at 01 January 2025	14,816,436	95,685	3,510,408	171,668	2,195,556	1,076,070	20,522,400	1,343,423
Stage transfer								
– Transfer to stage 1	1,391,688	99,848	(1,274,844)	(50,369)	(116,844)	(49,479)	-	-
– Transfer to stage 2	(436,806)	(5,768)	634,703	126,962	(197,897)	(121,194)	-	-
– Transfer to stage 3	(850,032)	(24,422)	(452,803)	(30,230)	1,302,835	54,652	-	-
New financial assets originated or purchased	1,835,600	5,960	416,546	1,297	11,603	2,733	2,263,749	9,990
Payments and Financial assets that have been derecognized	(2,820,452)	(123,325)	(555,104)	(205,645)	(707,524)	(10,446)	(4,083,080)	(339,416)
Write-offs	-	-	-	-	(617,043)	(50,022)	(617,043)	(50,022)
Balance as at 31 December	13,936,434	47,978	2,278,906	13,683	1,870,686	902,314	18,086,026	963,975

MKOMBOZI COMMERCIAL BANK PLC

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit Risk (continued)

5.1.7 Analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to Consumer Credit (Continued).

2024	Stage I Gross Carrying Amount	12 - Month ECL	Stage II Gross Carrying Amount	Lifetime ECL	Stage III Gross Carrying Amount	Lifetime ECL	Total Gross Carrying Amount	ECL
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Balance as at 01 January 2024								
	17,379,267	213,434	947,255	140,925	2,276,538	1,625,067	20,603,060	1,979,426
Stage transfer								
– Transfer to stage 1	496,301	146,594	(223,470)	(23,256)	(272,831)	(123,338)	-	-
– Transfer to stage 2	(2,715,401)	(29,123)	2,724,968	36,767	(9,567)	(7,644)	-	-
– Transfer to stage 3	(800,636)	(13,167)	(289,828)	(66,153)	1,090,464	79,320	-	-
New financial assets originated or purchased	3,536,765	17,809	709,794	29,086	97,420	35,903	4,343,979	82,798
Payments and Financial assets that have been derecognized	(3,079,860)	(239,862)	(358,311)	(39,252)	(685,005)	(255,265)	(4,123,176)	(534,379)
Write-offs	-	-	-	-	(301,463)	(184,422)	(301,463)	(184,422)
Balance as at 31 December	14,816,436	95,685	3,510,408	78,117	2,195,556	1,169,621	20,522,400	1,343,423

MKOMBOZI COMMERCIAL BANK PLC

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit Risk (continued)

5.1.6 Analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to General Services for the bank is as follows.

2025	Stage I		Stage II		Stage III		Total	
ECL allowance reconciliation	Gross Carrying Amount TZS'000	12 - Month ECL TZS'000	Gross Carrying Amount TZS'000	Lifetime ECL TZS'000	Gross Carrying Amount TZS'000	Lifetime ECL TZS'000	Gross Carrying Amount TZS'000	ECL TZS'000
Balance as at 01 January 2025	107,339,445	138,471	12,026,656	547	4,928,177	144,440	124,294,278	283,458
Stage transfer								
– Transfer to stage 1	5,822,515	17,808	(5,570,379)	(17,080)	(252,136)	(728)	-	-
– Transfer to stage 2	(10,912,143)	(25,025)	11,210,863	62,796	(298,720)	(37,771)	-	-
– Transfer to stage 3	(5,256,549)	(4,900)	(317,199)	(799)	5,573,748	5,699	-	-
New financial assets originated or purchased	51,144,299	3,862	4,497,170	270,146	239,385	227,068	55,880,854	501,076
Payments and Financial assets that have been derecognized	(10,848,304)	(127,363)	(2,163,688)	(50,844)	(6,133,111)	(30,620)	(19,145,103)	(208,827)
Write-offs	-	-	-	-	(659,798)	(14,000)	(659,798)	(14,000)
Balance as at 31 December	137,289,263	2,853	19,683,423	264,766	3,397,545	294,088	160,370,231	561,707

MKOMBOZI COMMERCIAL BANK PLC

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit Risk (continued)

5.1.6 Analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to General Services (Continued)

2024	Stage I		Stage II		Stage III		Total	
	Gross Carrying Amount	12 - Month ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	ECL
ECL allowance reconciliation	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Balance as at 01 January 2024	67,218,919	163,676	6,433,960	22,821	5,681,548	250,381	79,334,427	436,878
Stage transfer								
– Transfer to stage 1	1,961,699	5,250	(1,961,699)	(5,250)	-	-	-	-
– Transfer to stage 2	(4,451,551)	(50,181)	4,557,895	94,481	(106,344)	(44,300)	-	-
– Transfer to stage 3	(1,030,469)	(45,671)	(1,459,960)	(36,340)	2,490,429	82,011	-	-
New financial assets originated or purchased	45,673,932	78,342	8,204,295	546	-	62,429	53,878,227	141,317
Payments and Financial assets that have been derecognized	(2,033,085)	(3,395)	(3,747,835)	(16,981)	(2,981,948)	(250,381)	(8,762,868)	(270,757)
Write-offs	-	-	-	-	(155,508)	(23,980)	(155,508)	(23,980)
Balance as at 31 December	107,339,445	148,021	12,026,656	59,277	4,928,177	76,160	124,294,278	283,458

MKOMBOZI COMMERCIAL BANK PLC

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit Risk (continued)

5.1.7 Analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to Microfinance for the bank is as follows.

2025	Stage I		Stage II		Stage III		Total	
ECL allowance reconciliation	Gross Carrying Amount TZS'000	12 - Month ECL TZS'000	Gross Carrying Amount TZS'000	Lifetime ECL TZS'000	Gross Carrying Amount TZS'000	Lifetime ECL TZS'000	Gross Carrying Amount TZS'000	ECL TZS'000
Balance as at 01 January 2025	2,229,383	13	3,026,636	55	113,772	-	5,369,791	68
Stage transfer								
– Transfer to stage 1	1,009,585	48	(1,008,821)	(28)	(764)	(20)	-	-
– Transfer to stage 2	(364,264)	(50)	364,762	100	(498)	(50)	-	-
– Transfer to stage 3	(115,027)	(125)	(122,866)	(125)	237,893	250	-	-
New financial assets originated or purchased	855,814	34,939	391,903	9,993	49,006	198	1,296,723	45,130
Payments and Financial assets that have been derecognized	(745,104)	(10,000)	(1,259,820)	(5,000)	(74,511)	(50)	(2,079,435)	(15,050)
Write-offs	-	-	-	-	(20,497)	(20)	(20,497)	(20)
Balance as at 31 December	2,870,387	24,825	1,391,794	4,995	304,401	308	4,566,582	30,128

MKOMBOZI COMMERCIAL BANK PLC

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit Risk (continued)

5.1.7 Analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to Microfinance (Continued)

2024	Stage I		Stage II		Stage III		Total	
ECL allowance reconciliation	Gross Carrying Amount	12 - Month ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	ECL
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Balance as at 01 January 2024	4,567,371	234	203,170	266	116,416	80	4,886,957	580
Stage transfer								
– Transfer to stage 1	19,818	68	(16,550)	(50)	(3,268)	(18)	-	-
– Transfer to stage 2	(1,470,242)	(119)	1,470,514	150	(272)	(31)	-	-
– Transfer to stage 3	(55,025)	(32)	(19,070)	(41)	74,095	73	-	-
New financial assets originated or purchased	1,366,574	80	1,518,171	55	10,379	100	2,895,124	235
Payments and Financial assets that have been derecognized	(2,199,113)	(231)	(129,599)	(346)	(80,931)	(170)	(2,409,643)	(747)
Write-offs	-	-	-	-	(2,647)	(30)	(2,647)	(30)
Balance as at 31 December	2,229,383	-	3,026,636	34	113,772	4	5,369,791	68

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Market Risk

The Bank takes on exposure to market risk, 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 on interest and foreign currency positions, both 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 and foreign exchange rates. The Bank separates exposures to market risk into either trading or non-trading portfolios. The market risks arising from trading and non-trading activities are monitored regularly by the Bank's treasury department. Regular reports are submitted to the Board and Management Team.

The objective of market risk measurement is to manage and control market risk exposures within acceptable limits while optimising the return on risk. The principal measurement technique used to measure, and control market risk is stress testing as outlined below:

Stress testing: Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress testing carried out by the Bank covers: interest rate, credit, foreign exchange and liquidity risks, where stress movements are applied to each risk category to assess the overall impact and the Bank's capital resilience to different market risk factor shocks. The results of the stress tests are reviewed by the Asset and Liability Management Committee (ALCO) and reported to the Board.

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 flows. The Board sets limits on the level of exposure by currency which is monitored daily. The Bank's exposure to foreign currency risk was as follows:

<i>All amounts are in TZS'000</i>	USD	EURO	GBP	KSH	Total
At 31 December 2025					
Financial assets					
Average exchange rate	2,450	2,875	3,345	21.50	
Cash and balances with Bank of Tanzania	1,592,701	910,929	131,091	630	2,635,351
Loans and advances to banks	16,975,123	8,235,775	8,885	-	25,219,784
Loans and advances to customers	9,950,419	-	-	-	9,950,419
	28,518,243	9,146,707	139,976	630	37,805,554
Financial liabilities					
Deposits from customers	27,318,428	10,623,418	45,626	-	37,987,473
Other liabilities	828,491	42,443	60	-	870,995
	28,146,920	10,665,861	45,686	-	38,858,468
Net open position	371,323	(1,519,157)	94,289	630	(1,052,914)
At 31 December 2024					
Average exchange rate	2,395	2,502	3,016	21.23	
Cash and balances with Bank of Tanzania	1,323,968	467,121	94,471	420	1,885,980
Loans and advances to banks	13,007,566	8,987,965	14,967	-	22,010,498
Loans and advances to customers	6,249,549	-	-	-	6,249,549
	20,581,083	9,455,086	109,438	420	30,146,027
Financial liabilities					
Deposits from customers	22,175,517	9,334,842	22,736	-	31,533,095
Other liabilities	789,080	32,890	-	-	821,970
	22,964,597	9,367,732	22,736	-	32,355,065
Net open position	(2,383,514)	87,354	86,702	420	(2,209,038)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Market Risk (continued)

Foreign exchange risk (Continued)

The following table details the Banks's sensitivity to a 5% increase and decrease in the USD to TZS rate. The Bank has considered the official monetary policy rates published by the Bank of Tanzania over the past five years, which have ranged between 5.0% and 6.0%, including the most recent rate of 5.75% in 2025. The Bank has therefore considered using 5% appreciation/depreciation in deriving the sensitivity analysis to foreign exchange rate changes. The same rate has used in the sensitivity analysis of the prior year.

The sensitivity analysis is done for USD as this is the main foreign currency used by the Bank and considers only outstanding monetary items denominated in USD. A positive number indicates an increase in profit and equity while a negative number indicates the reverse.

		Amounts in TZS'000	
	Change in USD: TZS rate	Profit before tax sensitivity	Equity sensitivity
At 31 December 2025			
Foreign exchange rates	+5%	123,250	32,734
	-5%	(123,250)	(32,734)
At 31 December 2024			
Foreign exchange rates	+5%	(119,176)	(31,652)
	-5%	119,176	31,652

Potential exposure to other foreign currencies is not considered significant.

Interest rate risk

The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of changes in the prevailing levels of market rates but may also decrease or create losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest re-pricing that may be undertaken. Consequently, the interest sensitivity effects on profit or loss would not be significant given the re-pricing frequency.

With all other variables held constant, a change in interest rates by +/- 100 basis points on interest-bearing financial assets and liabilities would have resulted in lower/higher results before tax and equity as indicated below:

		Amounts in TZS' 000,000	
	Change in interest rates	(Loss)/profit before tax sensitivity	Equity sensitivity
At 31 December 2025			
Change in interest rates	+1%	1,079	863
	-1%	(1,079)	(863)
At 31 December 2024			
Change in interest rates	+1%	822	606
	-1%	(822)	(606)

The table below summarizes the exposure to interest rates risks. Included in the table are the Bank's financial assets and liabilities at carrying amounts categorized by the earlier of contractual re-pricing or maturity dates. The Bank does not bear interest rate risk on off statement of financial position items.

MKOMBOZI COMMERCIAL BANK PLC

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Market Risk (Continued)

Interest rate risk (Continued)

All amounts are in TZS'000

	Up to 1 month TZS'000	Interest bearing >1 – 3 months TZS'000	>3-12 months TZS'000	Over 1 year TZS'000	Non-interest bearing TZS'000	Total TZS'000
At 31 December 2025						
Financial assets						
Cash and Bank balances with BoT	-	-	-	-	25,802,786	25,802,786
Loans and balance due from banks	21,430,589	-	-	-	8,935,089	30,365,679
Other assets	-	-	-	-	4,372,483	4,372,483
Loans and advances to customers	2,057,411	3,259,891	34,233,328	149,381,268	-	188,931,898
Government securities – FVOCI	-	-	-	1,960,069	-	1,960,069
Government securities – amortised cost	-	-	11,540,264	39,385,920	-	50,926,184
Equity investments	-	-	-	-	487,000	487,000
	23,488,000	3,259,891	45,773,592	190,727,257	39,597,358	302,846,099
Financial liabilities						
Deposits due to Banks	11,856,257	-	-	-	-	11,856,257
Borrowings	-	-	9,221	1,500,000	-	1,509,221
Subordinated loan	-	646,962	-	2,700,000	-	3,346,962
Deposits due to customers	81,350,438	4,144,326	59,558,225	3,507,619	94,301,904	242,862,512
Other liabilities	-	-	-	-	2,276,430	2,276,430
Total liabilities	93,206,695	4,791,288	59,567,446	7,707,619	96,578,334	258,504,420
Interest sensitivity gap	(69,718,695)	(1,531,397)	(13,793,854)	183,019,638	(56,980,976)	44,341,679

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Market Risk (Continued)

Interest rate risk (Continued)

All amounts are in TZS'000

	Up to 1 month TZS'000	Interest bearing >1 – 3 months TZS'000	>3-12 months TZS'000	Over 1 year TZS'000	Non-interest Bearing TZS'000	Total TZS'000
At 31 December 2024						
Assets						
Cash and Bank balances with BoT					23,398,540	23,398,540
Loans and balance due from banks	15,287,570	-	-	-	7,443,365	22,730,935
Other assets	-	-	-	-	4,527,481	4,527,481
Loans and balance with customers	1,669,755	4,663,990	35,233,712	120,998,361	-	162,565,818
Government securities – FVOCI	-	-	-	10,875,000	-	10,875,000
Government securities – amortised cost	-	-	9,651,497	31,886,810	-	41,538,307
Equity investment	-	-	-	-	539,000	539,000
Total assets	16,957,325	4,663,990	44,885,209	163,760,171	35,908,386	266,175,081
Liabilities						
Deposits due to Banks	9,511,626	-	-	-	-	9,511,626
Borrowings	-	-	8,323	1,500,000	-	1,508,323
Subordinated loan	-	419,721	-	2,700,000	-	3,119,721
Deposits due to customers	67,961,573	29,792,880	37,771,806	2,320,258	79,645,089	217,491,606
Other liabilities	-	-	-	-	642,745	642,745
Total liabilities	77,473,199	30,212,601	37,780,129	6,520,258	80,287,834	232,274,021
Interest sensitivity gap	(60,515,874)	(25,548,611)	7,105,080	157,239,913	(44,379,448)	33,901,060

Price risk

The Bank is exposed to price risk because of investments in government securities that are measured at fair value through other comprehensive income (FVOCI). A 10-basis point increase in the yield of the Bank's securities at 31 December 2025 would have decreased the securities' fair value by 59.86 million (2024: 10.5 million). An equivalent decrease would have resulted in an equivalent but opposite impact and would have caused a potential impairment. The Bank manages price risk by ensuring appropriate diversification of the FVOCI portfolio to create natural hedge against price movements.

MKOMBOZI COMMERCIAL BANK PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 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.

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its obligations when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

The Bank's treasury department maintains a portfolio of short-term liquid assets, largely made up of short-term liquid Government securities, loans and advances due from other banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole. The liquidity policies and procedures are subject to review by the Assets and Liabilities Committee and approval by the Board.

The Bank manages the liquidity structure of assets, liabilities and commitments so that cash flows are appropriately matched to ensure that the funding obligations are met when due. Banking operations are such that mismatch of assets and liabilities according to their maturity profiles cannot be avoided. However, the directors ensure that the mismatch is controlled in line with allowable risk levels. Liquidity management processes include:

- Day-to-day funding managed by monitoring future cash flows to ensure that requirements can be met. These include replenishment of funds as they mature or are borrowed by customers. The Bank maintains an active presence in money markets to enable this to happen;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring 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 gap analysis, maturity ladder as well as cash flow measurement and projections for the next day, week and month 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.

Sources of liquidity are regularly reviewed by the Bank to maintain a wide diversification by currency, provider, product and term.

The table below presents the cash flows payable by the Bank under non-derivative financial liabilities by remaining contractual maturities at the reporting date. The amounts disclosed are the contractual undiscounted cash flows as liquidity is managed on this basis.

MKOMBOZI COMMERCIAL BANK PLC
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**
5. FINANCIAL RISK MANAGEMENT (CONTINUED)
5.3 Liquidity Risk (Continued)

All amounts are in TZS'000

	Due on Demand TZS'000	>1-3 months TZS'000	>3-12 Months TZS'000	Over 1 year TZS'000	Total TZS'000
At 31 December 2025					
Deposits due to banks	-	11,856,257	-	-	11,856,257
Borrowings	-	27,739	1,481,482	-	1,509,221
Subordinated Loan	-	419,721	-	2,927,240	3,346,962
Deposits due to customers	175,652,341	4,144,327	59,558,225	3,507,619	242,862,512
Lease liabilities	-	-	955,096	4,107,457	5,062,553
Other liabilities	2,276,430	-	-	-	2,276,430
Total financial liabilities	177,928,771	16,448,044	61,994,803	10,542,316	266,913,935

At 31 December 2025

Cash and balance with Bank of Tanzania	25,802,786	-	-	-	25,802,786
Loans and advances to banks	30,365,679	-	-	-	30,365,679
Government securities - FVOCI	-	-	-	1,960,069	1,960,069
Equity Investments	-	-	-	487,000	487,000
Loans and Advances to customers	-	14,557,720	24,992,911	149,381,267	188,931,898
Government securities- amortised cost	-	-	11,553,318	39,372,866	50,926,184
Other Assets	-	-	4,372,483	-	4,372,483
Total financial assets	56,168,465	14,557,720	40,918,712	191,201,202	302,846,099

Net Liquidity position	(121,760,306)	1,890,324	21,076,091	180,658,886	35,932,164
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At 31 December 2024

Deposits due to banks	-	9,511,626	-	-	9,511,626
Borrowings	-	8,323	-	1,500,000	1,508,323
Subordinated Loan	-	263,000	-	2,856,721	3,119,721
Deposits due to customers	147,606,662	29,295,627	37,771,806	2,817,511	217,491,606
Lease liabilities	-	721,079	254,270	6,595,022	7,570,371
Other liabilities	642,745	-	-	-	642,745
Total financial liabilities	148,249,407	39,975,792	38,026,076	13,769,254	239,844,392

At 31 December 2024

Cash and balance with Bank of Tanzania	23,398,540	-	-	-	23,398,540
Loans and advances to banks	22,730,935	-	-	-	22,730,935
Government securities - FVOCI	-	-	-	10,875,000	10,875,000
Equity Investments	-	-	-	539,000	539,000
Loans and Advances to customers	-	6,333,745	35,032,702	121,199,371	162,565,818
Government securities- amortised cost	-	-	9,651,497	31,886,810	41,538,307
Other Assets	-	-	3,505,648	-	3,505,648
Total financial assets	46,129,475	6,333,745	48,189,847	164,500,181	265,153,248

Net Liquidity position	(102,119,932)	(33,465,910)	10,163,771	150,730,927	25,308,856
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MKOMBOZI COMMERCIAL BANK PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2025

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Liquidity Risk (Continued)

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

All amounts are in TZS'000

	Due on Demand TZS'000	>1-3 months TZS'000	>3-12 Months TZS'000	Over 1 year TZS'000	Total TZS'000
At 31 December 2025					
Financial guarantees	-	-	636,514	-	636,514
Undrawn commitments to lend			2,826,956		2,826,956
Total	-	-	3,463,470	-	3,463,470
At 31 December 2024					
Financial guarantees	-	-	1,440,733	-	1,440,733
Undrawn commitments to lend	-	-	4,437,146	-	4,437,146
Total	-	-	5,877,879	-	5,877,879

The Bank expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments.

In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended. The Bank would be able to meet unexpected net cash outflows by selling investment securities and accessing additional funding sources such as equity and external borrowing.

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, central bank balances (excluding statutory minimum reserve), items in the course of collection and treasury and other eligible 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.

5.4 Fair value measurement

The fair values are disclosed below:

Fair value hierarchy

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

5.4 Fair value measurement (continued)

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Fair value hierarchy (Continued)

- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible.

The following represents the Bank's assets that were measured at fair value:

	TZS '000			
	Level 1	Level 2	Level 3	Total
At 31 December 2025				
Government securities-FVOCI	-	1,960,069	-	1,960,069
Equity investments	-	-	487,999	487,000
31 December 2024				
Government securities-FVOCI	-	10,875,000	-	10,875,000
Equity investments	-	-	539,000	539,000

The equity investments are valued using transaction prices for the same or similar investments done at or close to the reporting period. Transfers between fair value hierarchy levels occur when there are changes in market activity, in the availability or observability of inputs, or in the valuation methodology. During 2025 and 2024, no such circumstances arose; therefore, no transfers between levels were recorded.

The following summarizes the carrying amount of those assets and liabilities not held at fair value. Except for held-to-maturity investment securities, the carrying amount of assets and liabilities held at amortized cost is considered to approximate the fair value of the assets and liabilities.

31 December 2025	Level 1 TZS '000	Level 2 TZS '000	Level 3 TZS '000
Cash and balances with Bank of Tanzania	-	-	25,802,786
Loans and advances to banks	-	-	30,365,679
Government securities – amortised cost	-	50,926,184	-
Loans and advances at amortized cost	-	-	188,931,898
Other assets	-	-	4,372,483
Total financial assets	-	50,926,184	249,472,846
Deposits from customers	-	-	242,862,512
Borrowings	-	-	1,509,221
Subordinated loan	-	-	3,346,962
Other liabilities	-	-	1,873,512
Total financial liabilities	-	-	249,592,207

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.4 Fair value measurement (Continued)

Fair value hierarchy (Continued)

31 December 2024	Level 1 TZS '000	Level 2 TZS '000	Level 3 TZS '000
Cash and balances with Bank of Tanzania	-	-	23,398,540
Loans and advances to banks	-	-	22,730,935
Government securities – amortised cost	-	41,538,307	-
Loans and advances at amortized cost	-	-	162,565,818
Other assets	-	-	4,527,481
Total financial assets	-	41,538,307	213,222,774
Deposits from customers	-	-	217,491,606
Borrowings	-	-	11,019,949
Subordinated loan	-	-	3,119,721
Other liabilities	-	-	642,745
Total financial liabilities	-	-	232,274,021

5.5 Capital management

The primary objectives of the Bank's capital management which is a broader concept than the 'equity' in the statement of financial positions are:

- To comply with the regulatory capital requirements set by the Banking and Financial Institutions Act, 2006 (the "Act") and related regulations;
- 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;
- To maintain a strong capital base to support the development of its business;
- To ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business; and,
- To maximize shareholders' value.

Regulatory capital requirements

The regulatory capital requirements are stipulated in the Act and the related regulations, that is, The Banking and Financial Institutions (Capital Adequacy) Regulations, 2014 and The Banking and Financial Institutions (Capital Adequacy) (Amendment) Regulations, 2015. The Act and related regulations set, among other measures, the ratios and rules for monitoring adequacy of capital. These include requirements that a supervised bank shall at all times maintain:

- Minimum core capital of not less than TZS 15 billion.
- A ratio of core capital to the risk-weighted assets plus risk-weighted off-statement of financial position assets (the 'Basel ratio') plus market risks and operational risk charges at or above the required minimum of 12.5%.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.5 Capital management (Continued)

c) A ratio of total capital of not less than 14.5% of the risk-weighted assets plus risk-weighted off-statement of financial position items plus market risks and operational risk charges.

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 other than software, deferred tax assets and prepaid expenses are deducted in arriving at Tier 1 capital; and
- Tier 2 capital: qualifying subordinated loan capital and regulatory general provisions for loans and advances.

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.

Limits are applied to elements of the capital base, for example, qualifying tier 2 capital cannot exceed tier 1 capital; and qualifying term subordinated loan capital may not exceed 50 percent of tier 1 capital.

The Banking and Financial Institutions (Credit Concentration and Other Exposures Limits) Regulations, 2014 prescribe limits for credit concentration and other exposures basing on core capital as the determinant of the limits. These include single borrower's limits, aggregate large exposure limits, equity investments limits, among others.

BoT monitors capital requirements for the supervised banks and financial institutions as a whole. Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, employing techniques based on the guidelines implemented by BoT for supervisory purposes. The required information is filed with BoT on a quarterly basis.

MKOMBOZI COMMERCIAL BANK PLC

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.5 Capital management (Continued)

The table below summarizes the composition of regulatory capital and the Bank's capital adequacy ratios as at 31 December.

	<u>2025</u> <u>TZS'000</u>	<u>2024</u> <u>TZS'000</u>
Tier 1 capital		
Share capital	23,555,002	23,555,002
Share discount	(734,932)	(734,932)
Retained earnings	21,930,981	14,510,180
Less:		
Prepaid expenses	(550,714)	(362,479)
Deferred tax asset	(258,469)	(1,648,305)
Total qualifying Tier 1 capital	<u>43,941,868</u>	<u>35,319,466</u>
Tier 2 capital		
Subordinated loan	<u>2,700,000</u>	<u>2,700,000</u>
Total qualifying Tier 2 capital	<u>46,641,868</u>	<u>38,019,466</u>
Total regulatory capital	<u>46,641,868</u>	<u>38,019,466</u>
Risk - weighted assets		
On statement of financial position risk weighted assets ²	196,491,325	183,551,588
Off statement of financial position risk weighted exposures	-	2,333,761
Total adjusted capital required for operational risk	13,354,848	15,896,648
Total adjusted capital required for market risk	3,293,835	6,821,934
Total risk-weighted on and off statement of financial position, operational and market risk weighted exposures	<u>213,140,008</u>	<u>208,603,931</u>
Capital adequacy ratio	%	%
Tier 1 (Regulatory required minimum ratio 12.5%)	20.62%	16.93%
Tier 1 + Tier 2 (Regulatory required minimum ratio 14.5%)	<u>21.88%</u>	<u>18.23%</u>

There were no changes in the regulatory capital requirements during the year. However, BoT made the following pronouncements which impact how the capital requirements are calculated:

²Guiding, on 2 April 2020, that right-of-use assets should be treated as tangible assets by applying a risk weight consistent with the risk weight that would be applied to the underlying asset if owned or acquired.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**

6. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Bank's financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

In the process of applying the Bank's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Going concern assessment

In the process of applying the Bank's accounting policies, the Bank's management and directors have made significant judgements in determining that the Bank will successfully implement its business and capital restoration plans and will consequently continue in existence for the foreseeable future. Refer to Note 2.2 for further details on going concern.

Business model assessment

The business model reflects how the Bank manages its assets in order to generate cash flows. That is, whether the Bank's objective is solely to collect the contractual cash flows from the asset or to collect both contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Bank in determining the business model for a group of assets include 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 and how risks are assessed and managed.

Refer to Note 5 for the disclosures of financial instruments by category.

Significant increase of credit risk (SICR)

SICR 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 quantitative factors, that is, financial assets that are 30 or more days past due and not credit-impaired will always be considered to have experienced a SICR. Financial assets that are 30 or less days past due are considered to have low credit risk. The Bank considers other qualitative factors that reasonably reflect SICR.

Refer to Notes 5 and 22 for further disclosures on the financial assets subject to ECL.

Deferred tax assets

Deferred tax assets are recognised in respect of tax losses and tax credits to the extent that it is probable that future taxable profit will be available against which the tax losses and credits can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies.

Refer to Note 29 for further disclosures on deferred tax.

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 fair values are estimated 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 management. Changes in valuation assumptions could affect the reported fair value of the financial instruments.

Refer to Note 5.4 for further disclosures on fair value measurements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

6. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Estimates and assumptions

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next period. All estimates and assumptions required are in conformity with IFRS and are the best estimates undertaken in accordance with the relevant standard.

Determination of ECL allowances

The measurement of ECLs under IFRS 9 across all categories of financial assets requires judgement and estimations. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The ECL calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The elements of the ECL models that are considered accounting judgements and estimates are indicated below:

- **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 is factored in at the LGD level when assessing recovery rate. The rate reduces the percentage of LGD 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 BoT guidelines on IFRS 9 implementation. Accounts in default which are assessed whether they have cured exclude accounts which have been restructured or which have been charged off during the period.
- **Incorporation of forward-looking information:** The evolving economic environment is a key determinant of the ability of the Bank's clients to meet their obligations as they fall due. It is a fundamental principle of IFRS 9 that the provisions held 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 PD and LGD and hence ECLs incorporates forward-looking information. This includes 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 rates, oil prices fluctuation, average electricity generation, natural gas, population, total household spending, total food sales, total public debt, Government spending in priority sectors, unemployment rate, exchange rate movement, among others.

In its ECL models, the bank applied Nominal GDP and consumer price inflation as its macros in its determination of forwarding looking probability of default.

Table (a) shows the main macroeconomic factors used to estimate the allowances for credit losses on loans. The table shows the weighted average rate considering all scenario, namely, the base line, worst case and bet case scenario, the average values of the factors over the next 12 months and over the remaining forecast period. Table

Main Macroeconomic Factors

Table (a) Macro factors

Macro name	2025	2026	2027	2028	2029	2030
Nominal GDP, LCU	11%	11%	12%	12%	12%	12%
Consumer price inflation, % y-o-y	4%	4%	4%	4%	4%	4%

Table (b) Macro factors Scenario weightings

Scenario Weightings	2025	2024
Base Line	80%	80%
Worst Case	10%	10%
Best Case	105	10%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

6. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Estimates and assumptions

Sensitivity analysis of key estimates and assumptions

The most significant assumptions affecting the ECL allowance are as follows;

- i) Market value of collaterals, given its impact on Loss Given Default (LGD)
- ii) Realization period of re-possessed collaterals, given its impact on present value of the collaterals.
- iii) Probabilities of default (PDs) - change in macros impacting PDs
- iv) Recovery rate for unsecured portfolio

Set out below are changes to the ECL as at 2024 that would result from reasonably possible changes in these parameters from actual assumptions used:

2025		2024	
Change in market Value of Collaterals		Change in market Value of Collaterals	
Increase by 10%	Decrease by 10%	Increase by 10%	Decrease by 10%
TZS '000	TZS '000	TZS '000	TZS '000
(427,360)	397,515	(571,553)	563,148
2025		2024	
Change in Realisation		Change in Realisation	
Increase by 1 year	Decrease by 1 year	Increase by 1 year	Decrease by 1 year
TZS '000	TZS '000	TZS '000	TZS '000
475,190	(274,170)	563,148	(343,527)
2025		2024	
Change in Probability of Default (PDs)		Change in Probability of Default (PDs)	
Increase by 10%	Decrease by 10%	Increase by 10%	Decrease by 10%
TZS '000	TZS '000	TZS '000	TZS '000
214,745	(214,745)	229,018	(229,018)
2025		2024	
Change in Recovery for Unsecured Facilities		Change in Recovery for Unsecured Facilities	
Increase by 10%	Decrease by 10%	Increase by 10%	Decrease by 10%
TZS '000	TZS '000	TZS '000	TZS '000
75,140	-	24,242	-
(Decrease)/ Increase in ECL allowances			

Refer to Notes 5.1 and 22 for further disclosures on ECLs.

Useful lives, depreciation methods and residual values of property and equipment, intangible assets and right-of-use assets

The Bank reviews the estimated useful lives, depreciation methods and residual values of property and equipment, intangible assets and right-of-use assets at the end of each annual reporting period. Factors considered when reviewing the useful lives and residual values include:

- The expected usage of the asset by the Bank, which is assessed by reference to the asset's expected capacity;
- The expected physical wear and tear, which depends on operational factors, the repair and maintenance programme of the Bank, and the care and maintenance of the asset while idle; and,

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**

6. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Estimates and assumptions (Continued)

- Legal or similar limits on the use of the asset, such as the expiry dates of related leases.

Refer to Notes 26, 27 and 28 for the carrying amounts of the right-of-use assets, intangible assets and property and equipment.

Incremental borrowing rate

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that would have to be paid to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Bank “would have to pay”, which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Bank estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments (such as the credit spread, debt-service ratio, inflation to reflect the terms and conditions of the lease).

Refer to Note 34 for further details.

Determining the lease term of contracts with renewal and termination options

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

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

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

Refer to Notes 26 and 34 for further details.

Impairment of non-financial assets

The Bank assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Refer to Notes 26, 27 and 28 for the carrying amounts of the non-financial assets.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**

7. OPERATING SEGMENTS

Management considers the Bank as one operating segment for the purpose of financial performance. The Bank revenue is derived from loans and advances issued to customers and banks (as disclosed in note 22) and the Board of Directors relies primarily on revenue from loans and advances to assess performance. The reason for looking at the business as one segment is because of the nature of the products and services they offer. Profitability is discussed, and action plans agreed where necessary to improve performance. Other than revenue, there is no other discrete financial information relating to the revenue streams that the Management Team looks at.

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

	<u>2025</u>	<u>2024</u>
8. INTEREST INCOME	TZS'000	TZS'000
Interest income calculated using the effective interest method comprises:		
Loans and advances	28,027,285	22,435,612
Government securities and corporate bond	7,359,443	6,872,774
Placements	589,844	799,833
	<u>35,976,572</u>	<u>30,108,219</u>
9. INTEREST EXPENSES		
Interest expense calculated using the effective interest method		
Time deposits	6,001,245	5,811,540
Savings deposits	841,481	758,461
Deposits due to banks	591,801	11,626
Borrowing*	319,040	120,823
Subordinated loan (Note 31b)	290,241	263,000
Interest expense on lease liabilities (Note 34)	612,896	737,107
	<u>8,656,704</u>	<u>7,702,557</u>

*This relates to borrowing from TMRC refer to note 31(a)

MKOMBOZI COMMERCIAL BANK PLC
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**

10. EXPECTED CREDIT LOSSES	2025	2024
	TZS'000	TZS'000
Increase/(decrease) in ECL on loans and advances to customers (Note 22)	1,351,368	(506,954)
Government securities (Note 24)	179,146	-
Loans and advances to Banks (Note 20)	56,560	-
ECL release on other assets (Note 21)	(68,920)	-
Write-off of other impaired credit exposures	-	2,158,341
	1,518,154	1,651,387
11. FEES AND COMMISSION INCOME		
<i>Fee income earned from services that are provided over time:</i>		
Loan processing fees	1,476,819	1,401,713
<i>Fee income from providing financial services at a point in time:</i>		
Service charges	962,974	557,385
Withdrawal fees	372,124	363,447
Commission on western union transfers	12,445	19,428
Commission charged on transfers	143,481	26,324
Commission on ATM withdrawal charges	142,286	158,338
Agency and mobile fees	441,756	376,457
Insurance commission	626,341	527,998
Bank guarantee	1,582,664	257,388
Other fees*	1,046,284	563,983
	6,807,174	4,252,461
*Other fees include early settlement fees on credit facilities, external transfer fees, internet banking fees, ATM cards issuance charges, salary processing fees and cheque book issuance fees.		
12. OTHER INCOME		
Charged off recoveries	551,873	205,077
Miscellaneous income	887,168	1,200,165
	1,439,041	1,405,242
13. NET FOREIGN CURRENCY TRADING AND TRANSLATION GAINS		
Foreign currency trading gains	2,518,947	1,957,135
Net unrealised foreign currency translation (loss)/gains	(13,259)	688,260
	2,505,688	2,645,395
14. PERSONNEL EXPENSES		
Wages and salaries	7,350,671	6,864,996
Social security contributions	720,746	686,309
Local leave allowance	611,809	532,966
² Other staff benefit	432,727	408,489
¹ Other staff costs	859,547	764,231
	9,975,500	9,256,991
¹ Other staff costs include statutory deductions, medical expenses and terminal benefits.		
² Other staff benefits relate to performance benefit payable to some senior personnel.		
15. DEPRECIATION AND AMORTIZATION		
Depreciation on right-of-use assets (Note 26)	1,013,328	1,013,984
Amortization of intangible assets (Note 27)	431,738	67,871
Depreciation on property and equipment (Note 28)	1,207,497	1,101,120
	2,652,564	2,182,975

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

16. OTHER OPERATING EXPENSES	<u>2025</u> <u>TZS'000</u>	<u>2024</u> <u>TZS'000</u>
Auditor's remuneration	205,588	210,686
Professional fees	246,164	184,901
Directors' emoluments	64,000	64,000
Communication cost	298,800	206,336
Travelling and accommodation	51,145	211,801
Local authority service charges	195,578	142,860
Maintenance cost – software	500,344	270,624
ATM management fees	27,167	51,370
Occupancy costs	416,461	443,006
Maintenance cost - motor vehicles	11,337	25,328
Insurance costs	498,862	485,472
Marketing and advertising costs	322,507	603,367
Training costs	71,912	63,738
Security costs	493,988	424,102
Data connectivity and bank charges	562,086	489,931
Printing and stationery	253,053	196,984
Repairs and maintenance of office equipment	391,354	320,347
Excise duty on commissions	200,626	404,041
Other expenses ¹	2,347,724	1,484,299
	<u>7,158,696</u>	<u>6,283,193</u>

¹Other expenses include shareholders meeting expenses, donations, board expenses, legal fees, and general office administration expenses.

17. INCOME TAX		
Income tax expense		
Current income tax – current year	3,352,507	2,475,099
Current income tax – prior year	808,832	234,722
Deferred tax credit – current year (Note 29)	86,514	333,227
Deferred tax charge – prior years	1,303,322	(591,165)
	<u>5,551,175</u>	<u>2,451,883</u>

The tax on the Bank's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

Profit before tax	17,001,991	11,493,300
Tax calculated at a tax rate of 30% (2024: 30%)	5,100,597	3,447,990
<i>Tax effect of:</i>		
Expenditure permanently disallowed	18,503	133,017
Final and unrealized income	-	651,361
Current income tax – prior year	808,832	234,722
Deferred tax-prior year	1,303,322	(591,165)
Property plant and equipment	(6,458)	47,482
Current year – non-taxable Interest income government bonds	(1,673,621)	(1,471,524)
	<u>5,551,175</u>	<u>2,451,883</u>
Current income tax recoverable		
At 1 January	76,144	115,526
Payments during the year	4,697,679	2,890,493
Tax refund	-	(220,053)
Current income tax charge prior year	(808,832)	-
Current income tax charge for the year	(3,352,507)	(2,709,822)
At 31 December	<u>612,484</u>	<u>76,144</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

18. EARNINGS PER SHARE

Basic earnings/(loss) per share is calculated by dividing the (loss)/profit for the year attributable to ordinary equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings/(loss) per share is calculated by dividing the profit/(loss) for the year attributable to ordinary equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

There were no dilutive potential ordinary shares. As such, basic and diluted earnings/loss per share are the same as follows:

	<u>2025</u>	<u>2024</u>
Profit attributable to ordinary shareholders (TZS'000)	11,450,817	9,041,417
Weighted average number of ordinary shares (Note 35)	23,555,002	23,555,002
Basic and diluted earnings per share (TZS)	<u>486</u>	<u>384</u>

19. CASH AND BALANCES WITH THE BANK OF TANZANIA

Cash in hand	9,676,391	9,534,343
Balances with BoT - Current accounts	2,246,668	985,103
Balances with BoT - Statutory minimum reserve (SMR)	13,879,727	12,879,094
	<u>25,802,786</u>	<u>23,398,540</u>

Cash in hand and balances with BoT are non-interest bearing. The SMR is not available for the Bank's day-to-day operations and is hence excluded from cash and cash equivalents for the purpose of the statement of cash flows (Note 37).

20. LOANS AND ADVANCES TO BANKS

Balances with other banks	8,847,716	7,443,365
Cheques in the course of collection with other banks	86,839	-
Placements with other banks	21,487,684	15,287,570
	<u>30,422,239</u>	<u>22,730,935</u>
Expected credit losses (Note 10)	(56,560)	-
Total	<u>30,365,679</u>	<u>22,730,935</u>

Balances with other banks and money market placements earn interest rates of 3.5% to 4.5% for foreign currency and 7% to 8% for local currency.

The credit quality of loans and advance to banks is performing i.e. categorised internally as current i.e. stage 1. Details of the Bank's internal grading system are explained in Note 5 and the accounting policies on determination of ECL allowances are in Note 4.

MKOMBOZI COMMERCIAL BANK PLC
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**

	<u>2025</u>	<u>2024</u>
21. OTHER ASSETS	TZS'000'	TZS'000'
Sundry debtors	943,861	669,277
Prepayments	550,714	362,479
Staff benefits fair value	1,105,143	1,090,753
Stock of stationery	212,664	164,447
Balances with MNOs	3,428,622	2,836,372
Allowance for probable losses	-	(68,920)
	<u>6,241,004</u>	<u>5,054,408</u>

The movement in the allowance for ECL was as follows:

At 1 January	68,920	68,920
Release	(68,920)	-
At 31 December	<u>-</u>	<u>68,920</u>

Sundry debtors are non-interest bearing and due within 12 months. The amounts are unsecured.

	<u>2025</u>	<u>2024</u>
22. LOANS AND ADVANCES TO CUSTOMERS	TZS'000'	TZS'000'
Commercial	154,830,834	133,241,161
Individuals	17,854,136	10,535,570
Salaried loans	17,756,408	21,008,213
Advances to staff	64,084	71,053
Gross loans and advances to customers	<u>190,505,462</u>	<u>164,855,997</u>
Allowance for expected credit losses	(1,573,564)	(2,290,179)
	<u>188,931,898</u>	<u>162,565,818</u>
Maturity analysis		
With maturity of 3 months or less	5,317,302	6,132,735
With maturity of between 3 months and 1 year	34,233,328	35,233,712
With maturity of more than 1 year	149,381,268	121,199,371
	<u>188,931,898</u>	<u>162,565,818</u>

The interest rates charged on these loans range from 15% to 19% (2024: 15% to 19%).

The movement in the allowance for ECL was as follows:

	<u>2025</u>	<u>2024</u>
	TZS'000	TZS'000
At 1 January	(2,290,179)	(3,753,632)
(Charge)/credit	(1,351,367)	506,954
Write offs	2,067,981	956,500
At 31 December	<u>(1,573,564)</u>	<u>(2,290,179)</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

22. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of ECL allowances. Details of the Bank's internal grading system are explained in Note 5 and the accounting policies on determination of ECL allowances are in Note 4.

At 31 December 2025	Stage 1 TZS'000	Stage 2 TZS'000	Stage 3 TZS'000	Total TZS'000
Internal rating grade				
<i>Performing:</i>				
Current	161,578,916	20,790,648	-	182,369,564
Especially mentioned	-	1,353,274	-	1,353,274
<i>Non-performing:</i>				
Sub-standard	1,484,438	-	1,279,523	2,763,961
Doubtful	-	-	781,458	781,458
Loss	-	-	4,840,535	4,840,535
Total	163,063,354	22,143,922	6,901,516	192,108,793
At 31 December 2024				
Internal rating grade				
<i>Performing:</i>				
Current	137,764,048	18,705,499	1,931,149	158,400,696
Especially mentioned	-	4,243	22,518	26,761
<i>Non-performing:</i>				
Sub-standard	-	-	288,057	288,057
Doubtful	-	-	1,040,259	1,040,259
Loss	-	-	5,100,225	5,100,225
Total	137,764,048	18,709,742	8,382,208	164,855,998

23 GOVERNMENT SECURITIES - FVOCI

	2025 TZS'000'	2024 TZS'000'
(a) Government security – FVOCI		
Treasury bonds maturing after one year	1,960,069	10,875,000
Reconciliation		
At start of the year	10,875,000	20,375,253
Purchase of investment securities	1,029,334	-
Sale of securities	(10,375,000)	(9,594,879)
Fair value gain	430,735	94,626
At end of year	1,960,069	10,875,000
Maturity		
Current	-	-
Non-current	1,960,069	10,875,000
At end of year	1,960,069	10,875,000

MKOMBOZI COMMERCIAL BANK PLC
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**
23. GOVERNMENT SECURITIES - FVOCI (CONTINUED)

2025
TZS'000'

2024
TZS'000'

(b) Net gain or (loss) on derecognition of financial assets measured at FVOCI

Net gains on derecognition of financial assets measured at fair value through other comprehensive income	235,134	159,086
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24 GOVERNMENT SECURITY – AMORTISED COST

Treasury bills maturing between 3 months and one year	11,553,319	9,651,497
Treasury bonds maturing after one year	39,552,011	31,886,810
	51,105,330	41,538,307
Expected Credit Losses (Note 10)	(179,146)	-
	50,926,184	52,413,307

These securities are due from the Government of the United Republic of Tanzania. The securities are unsecured and carry interest rates of 5% to 15% (2024: 5% to 15%) per annum.

Reconciliation

At start of the year	41,538,307	32,480,515
Purchase of investment securities	17,684,082	22,103,497
Matured securities	(8,296,205)	(13,045,705)
At end of year	50,926,184	41,538,307

Maturity

Current	11,553,318	9,651,497
Non-current	39,372,866	31,886,810
At end of year	50,926,184	41,538,307

25. EQUITY INVESTMENTS

Umoja Switch Co. Ltd		
As at 01 January	39,000	39,000
Fair value gain	150,000	-
As at 31st December	189,000	39,000
TMRC		
As at 01 January	500,000	500,000
Fair value (loss)	(202,000)	-
As at 31st December	298,000	500,000
Total	487,000	539,000

The equity investments are classified as financial assets at fair value through other comprehensive income (FVOCI). These shares do not have a quoted market price in an active market. The fair value of the equity investment at the reporting date has been determined using the price of recent transaction of the shares provided by TMRC and Umoja Switch.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025

26. RIGHT-OF-USE ASSETS

	<u>2025</u> TZS'000'	<u>2024</u> TZS'000'
Cost		
At 1 January	11,551,209	12,712,168
Additions	3,718,807	-
Remeasurement*	-	(589,062)
Derecognition	(7,090,341)	(571,897)
At 31 December	<u>8,179,675</u>	<u>11,551,209</u>
Depreciation		
At 1 January	4,504,398	4,062,312
Charge for the year	1,013,328	1,013,984
Derecognition	(2,290,378)	(571,897)
At 31 December	<u>3,227,348</u>	<u>4,504,398</u>
Net carrying amount	<u>4,952,327</u>	<u>7,046,812</u>

*Remeasurement: relates to impact of remeasuring the opening balances.

The right-of-use assets comprise lease arrangements for office and branch space.

27. INTANGIBLE ASSETS

	<u>2025</u> TZS'000'	<u>2024</u> TZS'000'
Cost		
At 1 January	3,358,786	2,302,345
Additions	875,685	1,056,441
Transfer from property and equipment	978,722	-
At 31 December	<u>5,213,193</u>	<u>3,358,786</u>
Amortization		
At 1 January	2,089,370	2,021,499
Charge for the year	431,738	67,871
At 31 December	<u>2,521,108</u>	<u>2,089,370</u>
Net carrying amount	<u>2,692,085</u>	<u>1,269,416</u>

The intangible assets comprise the core banking and other software used by the Bank. The intangible assets are amortised over the estimated useful life of 5 years.

MKOMBOZI COMMERCIAL BANK PLC

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**

28. PROPERTY AND EQUIPMENT

	Machinery & Equipment	Furniture, fixture & fittings	Computer & IT equipment	Motor vehicles	Leasehold improvements	Work-in- progress	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Cost							
At 1 January 2024	2,949,699	2,127,499	3,817,121	197,624	3,789,812	-	12,881,755
Additions	153,106	91,404	141,402	3750	701,801	978,722	2,070,185
At 31 December 2024	3,102,805	2,218,903	3,958,523	201,374	4,491,613	978,722	14,951,940
Additions	200,325	85,914	586,458	-	120,882	577,846	1,571,425
Transfer to intangible assets	-	-	-	-	-	(978,722)	(978,722)
Reclassification	474,390	8,396	136,530	-	(619,316)	-	-
Write off	-	-	-	-	(21,530)	-	(21,530)
At 31 December 2025	3,777,520	2,313,213	4,681,511	201,374	3,971,649	577,846	15,523,113
Depreciation							
At 1 January 2024	1,847,733	1,625,097	3,187,693	192,999	1,359,351	-	8,212,873
Charge for the year	316,643	139,400	243,536	1,197	400,344	-	1,101,120
At 31 December 2024	2,164,376	1,764,497	3,431,229	194,196	1,759,695	-	9,313,993
Charge for the year	325,533	116,682	376,647	1,225	387,410	-	1,207,497
Reclassification	69,807	6,424	112,966	4,031	(193,228)	-	-
At 31 December 2025	2,559,716	1,887,603	3,920,842	199,452	1,953,877	-	10,521,490
Net carrying amount							
At 31 December 2024	938,429	454,406	527,294	7,178	2,731,918	978,722	5,637,947
At 31 December 2025	1,217,804	425,610	760,669	1,922	2,017,772	577,846	5,001,623

Property and equipment were not pledged as collateral against liabilities

MKOMBOZI COMMERCIAL BANK PLC
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**
29. DEFERRED TAX ASSET

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes using the principal tax rate of 30%. Deferred income tax asset and deferred income tax credit to the profit or loss are attributed by the following items:

	(Charge)/Credit to				
	1 January	Profit or loss – Prior year	OCI Current year	Profit or loss – Current year	31 December
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Year ended 31 December 2025					
Property and equipment	(316,305)	(318,160)	-	160,672	(473,793)
Fair valuation loss/(gain)loss reserve	(535,114)	535,114	-	-	-
Right of use assets	-	-	-	(9,334)	(9,334)
General provisions	2,499,724	(1,520,276)	-	(237,852)	741,596
Net deferred tax asset	1,648,305	(1,303,322)	-	(86,514)	258,469
Year ended 31 December 2024					
Property and equipment	(97,696)	455,201	-	(673,810)	(316,305)
Fair valuation loss reserve	188,237	-	(723,351)	-	(535,114)
General provisions	2,023,176	135,965	-	340,583	2,499,724
Net deferred tax asset	2,113,717	591,166	(723,351)	(333,227)	1,648,305

	2025 TZS'000	2024 TZS'000
Summarized as:		
At 1 January	1,648,305	2,113,717
Charged/(Credited) in profit or loss	(1,389,836)	257,939
Recognized in OCI	-	(723,351)
At 31 December	258,469	1,648,305

	2025 TZS'000	2024 TZS'000
30(a) DEPOSITS DUE TO BANKS		
As at 1 January	9,511,626	-
Additions	2,338,572	9,500,000
Interest expense charged	591,801	11,626
Interest paid	(585,742)	-
As at 31 December	11,856,257	9,511,626

This relates to the short-term funds borrowed from banks at an effective interest rate of 6.5% per annum

MKOMBOZI COMMERCIAL BANK PLC

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**

	<u>2025</u> TZS'000	<u>2024</u> TZS'000
30(b) DEPOSITS DUE TO CUSTOMERS		
Current accounts	94,301,904	79,645,089
Savings deposits	81,350,438	67,961,573
Time deposits	67,210,170	69,884,944
	<u>242,862,512</u>	<u>217,491,606</u>
Current	239,519,429	215,171,348
Non-current	3,343,083	2,320,258
	<u>242,862,512</u>	<u>217,491,606</u>

The deposits are unsecured. The time deposits were at fixed interest rates of 5% to 12% and the other deposits at variable rates of 0% to 12% per annum with a maximum tenure of two years.

	<u>2025</u> TZS'000	<u>2024</u> TZS'000
31(a) BORROWING		
As at 1 January	1,508,323	1,528,356
Additions	-	-
Interest expense charged	319,040	120,823
Principal paid	-	-
Interest paid	(318,142)	(140,856)
As at 31 December	<u>1,509,221</u>	<u>1,508,323</u>
Maturity analysis		
Current	9,221	8,323
Non-current	1,500,000	1,500,000
	<u>1,509,221</u>	<u>1,508,323</u>

This relates to the funds borrowed from TMRC. In 2021, the Bank obtained secured loan of TZS 1.5 billion from TMRC repayable quarterly. As at 31 December 2025 the outstanding balance related to TMRC at an effective interest rate of 7.5% per annum. As at 31 December 2025, the Bank was compliant with all the lender's covenants.

	<u>2025</u> TZS'000'	<u>2024</u> TZS'000'
31(b) SUBORDINATED LOAN		
As at 1 January	3,119,721	2,982,721
Interest expense charged	290,241	263,000
Interest paid	(63,000)	(126,000)
As at 31 December	<u>3,346,962</u>	<u>3,119,721</u>
Maturity analysis		
Current	646,962	419,721
Non-current	2,700,000	2,700,000
	<u>3,346,962</u>	<u>3,119,721</u>

The subordinated loans from Bugando Medical Centre of TZS 2 billion carries a fixed 10% interest rate and TEC of TZS 0.7 billion carries a fixed 9% interest rate, are subject to BoT-mandated covenants restricting repayment to periods when the Bank remains compliant with capital requirements, and are fully unsecured and subordinated to all other creditors, ranking pari passu only with other subordinated debt. As at 31 December 2025, the Bank was compliant with all the lender's covenants

MKOMBOZI COMMERCIAL BANK PLC

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**

32. OTHER LIABILITIES	<u>2025</u>	<u>2024</u>
	TZS'000	TZS'000
Accruals	584,452	265,681
Accounts payable	1,480,777	378,164
Deferred fees	1,092,487	1,128,310
Statutory and regulatory obligation	437,538	413,186
	<u>3,595,254</u>	<u>2,185,341</u>

Other liabilities are unsecured, interest free and due within 12 months. The carrying amount of other financial liabilities is considered to approximate the fair value of other liabilities due to their short-term nature.

33. PROVISIONS		<u>2025</u>		<u>2024</u>		
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
	Other staff benefit	Legal	Total	Other staff benefit	Legal	Total
At 1 January	723,284	182,440	905,724	545,900	182,440	728,340
Increase during the year	444,847	-	444,847	408,489	-	408,489
Utilized	(701,117)	-	(701,117)	(231,105)	-	(231,105)
At 31 December	<u>467,014</u>	<u>182,440</u>	<u>649,454</u>	<u>723,284</u>	<u>182,440</u>	<u>905,724</u>

Other staff benefit provision:

The provision relates to performance benefit payable, refer to note 4(o) of the financial statements for more details.

Legal provision:

This relates to provision for legal cases that are deemed probable for events of failure by the bank to occur.

34. LEASE LIABILITIES	<u>2025</u>	<u>2024</u>
	TZS'000	TZS'000
At 1 January	7,570,371	9,637,792
Additions	3,718,807	-
Remeasurement*	-	(166,509)
Derecognition	(5,235,876)	-
Interest accretion	612,898	737,107
Payments (Principal)	(1,490,458)	(2,026,755)
Payments (Interest)	(166,881)	(212,753)
Forex loss/(gain)	53,690	(398,511)
At 31 December	<u>5,062,551</u>	<u>7,570,371</u>
Maturity analysis for the lease liability:		
Due in 1 year	955,094	975,349
Due after 1 year	4,107,457	6,595,022
	<u>5,062,551</u>	<u>7,570,371</u>

The weighted average discount rate applied as at year-end was 12.5%, USD 7% (2024: TZS 12.5%, USD 7%)

MKOMBOZI COMMERCIAL BANK PLC

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**

35. SHARE CAPITAL

	2025	2024
	TZS'000	TZS'000
Authorized		
50,000,000 ordinary shares of TZS 1,000 each	<u>50,000,000</u>	<u>50,000,000</u>
Issued and fully paid ordinary shares		
20,615,272 issued at TZS 1,000	20,615,272	20,615,272
2,939,730 issued at TZS 750	2,204,798	2,204,798
Discount on 2,939,730 shares	<u>734,932</u>	<u>734,932</u>
23,555,002 shares at TZS 1,000	<u>23,555,002</u>	<u>23,555,002</u>
SHARE DISCOUNT	<u>(734,932)</u>	<u>(734,932)</u>

During the year there were no additional shares issued (2024: Nil and 2023: There was a rights issue resulting in additional TZS 2,204,797,500 of the share capital). The shares issued in 2021 were issued at a discount of TZS 250 per share which resulted to a total of share discount of TZS 735 million.

36. REGULATORY AND OTHER RESERVES

- a) The regulatory reserve relates to the excess of the regulatory provisions for loans and advances to customers above the IFRS 9 provisions. The regulatory provisions and reserve are determined in accordance with the Banking and Financial Institutions prudential regulations and guidelines. The reserve is not available for distribution to the shareholders and is excluded when determining regulatory core capital.

	2025	2024
	TZS'000	TZS'000
Regulatory reserve		
As at 01 January	3,388,590	5,422,622
Transfer from/(to) retained earnings	<u>1,209,756</u>	<u>(2,034,032)</u>
As at 31 December	<u>4,598,346</u>	<u>3,388,590</u>

- b) The FVOCI reserve is attributable to marking to market fair value gains or losses on financial assets classified under FVOCI category. This reserve is not available for distribution to shareholders.

Movement in fair valuation reserve is as follows:

At 1 January	(630,920)	(439,220)
<u>Charged to OCI</u>		
Fair valuation gain/(loss) (including derecognition)	20,559	(273,857)
Deferred tax on fair valuation loss	<u>(6,167)</u>	<u>82,157</u>
	<u>(14,391)</u>	<u>(630,920)</u>
At 31 December	<u>(616,530)</u>	<u>(630,920)</u>

37. CASH AND CASH EQUIVALENTS

	2025	2024
	TZS'000	TZS'000
Cash and balances with BoT (Note 19)	25,802,786	23,398,540
Less: SMR (Note 19)	<u>(13,879,727)</u>	<u>(12,879,095)</u>
Cash and balances with BoT excluding SMR	11,923,059	10,519,445
Loans and advances to Banks (Note 20)*	30,365,679	22,730,935
Balances with MNOs (Note 21)	<u>3,428,622</u>	<u>2,836,372</u>
	<u>45,717,360</u>	<u>36,086,752</u>

*Loans and advances to Banks include balances with other banks and placements which mature within 30 days.

MKOMBOZI COMMERCIAL BANK PLC

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**

38. RELATED PARTIES TRANSACTIONS AND BALANCES

The Bank's issued share capital is owned as follows:

Shareholder category

Church dioceses and affiliated institutions
Other institutions
Tanzania Episcopal Conference (TEC)
Individuals (general public)

2025	2024
29.50%	29.50%
9.67%	9.67%
18.12%	18.12%
42.71%	42.71%
100%	100%

The following were the balances and transactions with related parties:

I. Loans due from key management personnel

At 1 January

Loans advanced during the year

Loan repayments during the year

At 31 December

ECL for these loans at the end of the year

Interest income earned

2025	2024
TZS'000	TZS'000
730,710	732,684
323,255	245,947
(165,189)	(247,921)
888,776	730,710
4,302	-
51,509	77,313

II. Shareholder deposits

Roman Catholic Church Dioceses

Tanzania Episcopal Conference (TEC)

2025	2024
TZS'000	TZS'000
11,753,801	38,054,067
601,122	411,916
12,354,923	38,465,983

These loans are salary secured. The interest rates charged are in line with prevailing market rates for similar loans.

III. Compensation for key management personnel

Salaries and other short-term benefits

Social security contributions

Other staff benefits (Note 33)

1,743,430	1,725,624
174,343	172,562
444,847	408,489
2,362,620	2,062,646

IV. Directors' remuneration (Note 16)

64,000	64,000
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V. Subordinated Loans

Subordinated loans comprise of funds borrowed from Bugando Medical Centre and Tanzania Episcopal Conference. The outstanding balances as at 31 December 2025 and 2024 are as follows:

	2025	2024
	TZS '000'	TZS'000
Tanzania Episcopal Conference (TEC)	700,000	763,000
Bugando Medical Centre (BMC)	2,646,962	2,356,721
	3,346,962	3,119,721

MKOMBOZI COMMERCIAL BANK PLC

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**

39. COMMITMENTS

	<u>2025</u> TZS'000	<u>2024</u> TZS'000
Capital commitments		
Capital expenditure that has been approved by the Board but not contracted for, most of which being commitments brought forward from 2025	<u>4,861,481</u>	<u>3,808,234</u>

The capital commitments as at year-end comprise of TZS 1.3 billion for ICT related infrastructures, TZS 1.8 billion for expansion of banking outlets, TZS 689 million for digital channels development and 1 billion for leasehold improvements.

Commitments to extend credit - undrawn loan commitments

Commitments to extend credit represent contractual commitments to advance loans and revolving credits to customers. Commitments generally have fixed expiry dates, or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements. However, the potential credit loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific standards.

The Bank had the following commitments:

Undrawn commitments to lend	<u>2,826,956</u>	<u>4,437,146</u>
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The undrawn commitments to lend were under the current grade (Stage 1) credit risk category.

40. CONTINGENT LIABILITIES

The Bank had no contingent liabilities as at year-end (2024: Nil).

41. EVENTS AFTER THE REPORTING PERIOD

There were no other events after the reporting that required adjustments to or disclosure in the financial statements.

MKOMBOZI COMMERCIAL BANK PLC

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**

42. MATURITY ANALYSIS

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled. Trading assets and liabilities have been classified to mature and/or be repaid within 12 months, regardless of the actual contractual maturities of the products. Regarding loans and advances to customers, the Bank uses the same basis of expected repayment behavior that was used for estimating the EIR. Issued debt reflects the contractual coupon amortization.

As at 31 December 2025	< 12 months TZS '000	Over 12 months TZS '000	Total TZS '000
ASSETS			
Cash and balance with Bank of Tanzania	25,802,786	-	25,802,786
Loans and advances to banks	30,365,679	-	30,365,679
Government securities -FVOCI	-	1,960,069	1,960,069
Loans and advances to customers	39,550,631	149,381,267	188,931,898
Current Income tax recoverable	612,484	-	612,484
Government securities-amortised cost	11,553,318	39,372,866	50,926,184
Other Assets	6,241,004	-	6,241,004
Equity Investments	-	487,000	487,000
Property and equipment	-	5,001,623	5,001,623
Right of Use Assets	-	4,952,327	4,952,327
Deferred tax assets	-	258,469	258,469
Intangible assets	-	2,692,085	2,692,085
Total assets	114,125,902	204,105,706	318,231,608
LIABILITIES			
Deposits due to Banks	11,856,257	-	11,856,257
Deposits due to customers	239,354,893	3,507,619	242,862,512
Other liabilities	3,595,254	-	3,595,254
Borrowings	1,509,221	-	1,509,221
Subordinated loan	419,721	2,927,240	3,346,962
Provisions	649,453	-	649,453
Lease Liabilities	955,095	4,107,457	5,062,552
Total liabilities	178,034,609	90,847,602	268,882,211
Net Position	(144,213,992)	193,563,390	49,349,397

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**
42. MATURITY ANALYSIS (Continued)

As at 31 December 2024	< 12 months TZS '000	Over 12 months TZS '000	Total TZS '000
ASSETS			
Cash and balance with Bank of Tanzania	23,398,540	-	23,398,540
Loans and advances to banks	22,730,935	-	22,730,935
Government securities -FVOCI		10,875,000	10,875,000
Equity Investments		539,000	539,000
Loans and advances to customers	41,366,447	121,199,371	162,565,818
Current Income tax recoverable	76,144	-	76,144
Government securities-amortised cost	9,651,497	31,886,810	41,538,307
Other Assets	5,054,408	-	5,054,408
Property and equipment	-	5,637,947	5,637,947
Right of Use Assets	-	7,046,812	7,046,812
Deferred tax assets	-	1,648,305	1,648,305
Intangible assets	-	1,269,416	1,269,416
Total assets	102,277,971	180,102,661	282,380,632
LIABILITIES			
Deposits due to Banks	9,511,626	-	9,511,626
Deposits due to customers	214,674,095	2,817,511	217,491,606
Other liabilities	2,185,341	-	2,185,341
Borrowings	8,323	1,500,000	1,508,323
Subordinated loan	263,000	2,856,721	3,119,721
Provisions	905,724	-	905,724
Lease Liabilities	975,349	6,595,022	7,570,371
Total liabilities	174,438,437	67,854,274	242,292,712
Net Position	(71,959,455)	112,047,377	40,087,920

The maturity gap reflects the Bank's normal maturity transformation role, where short-term deposits fund longer-term lending. Although the short-term gap is negative, liquidity remains well managed through a strong stock of liquid assets, stable core deposits, and ongoing monitoring of cash flows and liquidity ratios. A significant portion of customer deposits is behaviorally stable, with historically low withdrawal volatility, which further supports the Bank's short-term liquidity position. The Bank also maintains a substantial long-term surplus and capital levels comfortably above regulatory requirements, ensuring that all maturing obligations can be met without liquidity stress.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**

43. RESTATEMENT OF PRIOR-PERIOD CASH FLOWS (FY 2024)

Comparative cash flow information for the year ended 31 December 2024 has been restated in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to correct prior period presentation errors relating to the classification and presentation of cash flows.

The restatement primarily addresses presentation inconsistencies within operating and financing activities, arising from the application of IAS 7 classification principles. In particular, the adjustments relate to the presentation of interest related cash flows, the separation of principal and interest components within financing activities (including lease related cash flows), and the removal or reclassification of certain non cash items previously included within operating cash flows. No reclassifications were identified or required within investing activities.

The adjustments presented below therefore relate solely to operating and financing cash flows. The fully restated statement of cash flows, incorporating these changes, is presented on the following page. The restatement is presentational in nature and does not affect profit or loss, total cash flows, or cash and cash equivalents at the reporting date.

For ease of comparison and interpretation, the statement of cash flows for the year ended 31 December 2025 should be read together with the below restated comparative statement of cash flows for the year ended 31 December 2024.

MKOMBOZI COMMERCIAL BANK PLC
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025**
43. RESTATEMENT OF PRIOR-PERIOD CASH FLOWS (FY 2024) (Continued)

Description	Previously reported (TZS'000)	Reclassification (TZS'000)	Reclassified (TZS'000)
OPERATING ACTIVITIES			
Profit before tax	11,493,300	-	11,493,300
Adjustments for:			
Interest expense on lease liabilities	737,107	-	737,107
ECL on financial assets	1,651,387	-	1,651,387
Depreciation on right-of-use assets	1,013,984	-	1,013,984
Amortization of intangible assets	67,871	-	67,871
Non-trading foreign exchange loss	(398,511)	(2,246,884)	(2,645,395)
Depreciation on property and equipment	1,101,120	-	1,101,120
Interest expense on bank borrowings	534,059	-	534,059
Gain on derecognition of financial assets	-	(159,086)	(159,086)
Loans effective interest receivable write-off	163,569	(163,569)	-
Increase/(decrease) in provisions	(408,489)	-	(408,489)
Interest income (adjustment)	-	(30,108,219)	(30,108,219)
Interest expense on customer deposits (adjustment)	-	6,138,295	6,138,295
	4,462,097	(26,539,463)	(22,077,366)
Operating profit/loss) before working capital changes	15,955,397	(26,539,463)	(10,584,066)
Changes in operating assets and operating liabilities:			
Change in Statutory minimum reserve	(435,286)	-	(435,286)
Change in Other assets	(768,821)	-	(768,821)
Change in Loans and advances to customers	(28,304,431)	-	(28,304,431)
Change in Deposits due to customers	10,094,796	-	10,094,796
Change in Deposits due to Banks	9,511,626	-	9,511,626
Payment of gratuities	(231,105)	-	(231,105)
Change in Other liabilities	(91,747)	-	(91,747)
Cash generated from (used in) operations	(10,224,968)	-	(10,224,968)
Interest income (cash) - received	-	33,140,168	32,736,072
Interest expense (cash) - paid	-	(5,944,464)	(5,944,464)
Income tax paid	(2,890,493)	-	(2,890,493)
Tax refunds	220,053	-	220,053
	(2,670,440)	27,195,704	24,121,168
Net cash flows generated from operating activities	3,059,989	252,145	3,312,134
INVESTING ACTIVITIES			
Investment in government securities-amortized	(9,057,792)	-	(9,057,792)
Investment in securities-FVOCI	9,500,253	-	9,500,253
Purchases of property and equipment	(2,070,185)	-	(2,070,185)
Purchases of intangible assets	(1,056,441)	-	(1,056,441)
Net cash flows used in investing activities	(2,684,165)	-	(2,684,165)
FINANCING ACTIVITIES			
Lease liabilities repayment principal paid	(2,239,508)	212,753	(2,026,755)
Lease liabilities repayment interest paid	-	(212,753)	(212,753)
Proceeds from new borrowings	255,230	(255,230)	-
Repayment of borrowings (principal and interest)	(266,856)	266,856	-
Repayment of borrowings interest	-	(140,856)	(140,856)
Repayment of subordinated debts	-	(126,000)	(126,000)
Net cash flows used in financing activities	(2,251,134)	(255,230)	(2,506,364)
NET MOVEMENT IN CASH AND CASH EQUIVALENTS			
Net (decrease)/increase in cash and cash equivalents	(1,875,310)	(3,085)	(1,878,395)
Cash and cash equivalents at 1 January	37,962,062	-	37,962,062
Net foreign exchange difference	-	3,085	3,085
Cash and cash equivalents at 31 December	36,086,752	-	36,086,752