

ISSUED PURSUANT TO REGULATIONS 24, 25 AND 29 OF MARKET DISCIPLINE GUIDELINES FOR BANKS AND FINANCIAL INSTITUTIONS, 2023

Background

In 2023, the Bank of Tanzania issued the Market Discipline Guidelines for Banks and Financial Institutions, directing all licensed banks and financial institutions to comply with enhanced disclosure requirements. These guidelines are designed to strengthen transparency, promote accountability, and align Tanzania's banking sector with international best practices under the Basel framework.

As part of this regulatory mandate, UBA Tanzania has prepared its Annual Market Discipline Disclosure Report. This report provides stakeholders, including regulators, investors, customers, and the wider public with comprehensive information on the bank's risk profile, capital adequacy, and prudential metrics.

The disclosures contained herein cover both qualitative and quantitative aspects of our operations, including credit risk, operational risk, market risk, liquidity, leverage, and regulatory capital composition. By publishing this report, UBA Tanzania reaffirms its commitment to sound risk management, prudent governance, and sustainable growth, while contributing to the stability and resilience of the Tanzanian financial system.

Table 1: Qualitative information about credit risk

Principal Risk	Context	Opportunities/Mitigations
Credit Risk	Credit risk arises from the potential that an obligor is either unwilling to perform on an obligation or its ability to perform such obligation is impaired resulting in economic loss to the institution.	<p>The Bank defines its business model through its credit policies and procedures, which encompass credit products, pricing, risk management, limits on credit exposure, mitigation strategies, approval grids, and other risk management practices. These elements collectively establish the framework within which the Bank operates, ensuring consistency, transparency, and accountability in the management of credit activities.</p> <p>The Bank's credit policy serves as an umbrella policy, providing guiding principles for incurring and managing credit risk inherent in its business activities. These policies are designed to meet the minimum standards required by the Bank and are not intended to replace experience, sound judgment, or common sense. A variety of techniques and approaches are employed in identifying, measuring, approving, and reporting credit risk. In developing credit limits, the Bank applies both stress testing and scenario analysis to determine sanctionable limits and to set the risk appetite across various products.</p> <p>The Bank employs multiple strategies to manage credit risk across its operations. These strategies include the deployment of competent staff, well-defined policies, processes, and procedures, as well as the segregation of duties across key functions such as Origination, Administration, Monitoring, and Reporting. Matters related to credit risk are escalated to the Executive Credit Management Committee to ensure timely management attention and to safeguard the quality of the credit portfolio.</p> <p>Through its credit risk management policy and risk appetite framework, the Bank establishes clear guidance on what should be monitored and reported. This includes, but is not limited to, portfolio</p>

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		growth, concentration risk, market credit risk, non-performing loans (NPLs), strategies for managing problem loans, and recovery efforts within the credit portfolio. These measures collectively ensure that the Bank maintains a resilient and high-quality credit portfolio aligned with its strategic objectives.
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Table 2: Prudential Regulatory Metrics

S/n	Metric	a	b	c	d	e
		T	T-1	T-2	T-3	T-4
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	21,969,530,966.50	18,387,540,473.93	21,154,561,328.99	21,625,060,328.94	21,556,135,611.95
2	Tier 1	0	0	0	0	0
3	Total capital	21,969,530,966.50	18,387,540,473.93	21,154,561,328.99	21,625,060,328.94	21,556,135,611.95
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	82,071,523,692.82	99,986,180,296.49	81,132,253,978.12	101,178,972,484.79	79,056,828,380.59
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	26.77%	18.39%	26.07%	21.37%	27.27%
6	Tier 1 ratio (%)	26.77%	18.39%	26.07%	21.37%	27.27%
7	Total capital ratio (%)	26.77%	18.39%	26.07%	21.37%	27.27%
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5%)	14.77%	6.39%	14.07%	9.37%	15.27%
9	Total of bank CET1 specific buffer requirements (%)	8.5%	18.39%	26.07%	21.37%	27.27%
10	CET1 available after meeting the bank's minimum capital	6,969,530,966.50	3,387,540,473.93	6,154,561,328.99	6,625,060,328.94	6,556,135,611.95
	Basel III leverage ratio					
11	Total Basel III leverage ratio exposure measure	143,115,500,082.83	147,448,396,851.62	135,541,805,216.11	153,928,483,417.26	168,993,238,668.78
12	Basel III leverage ratio (%) (Tier 1 Capital / Exposure Measure)	15.35%	12.47%	15.61%	14.05%	12.76%
	Liquidity Coverage Ratio					
13	Total high-quality liquid assets (HQLA)	87,563,295,412.18	79,938,742,007.97	75,164,346,529.30	75,990,937,323.41	69,460,253,654.94
14	Total net cash outflow	14,083,584,072.67	10,505,581,204.24	7,132,861,658.28	11,095,292,222.65	39,971,408,837.16
15	LCR (%)	622%	760.92%	1053.78%	684.89%	173.77%
	Net Stable Funding Ratio					
16	Total available stable funding	75,261,158,974.62	66,506,876,926.64	65,616,108,637.95	69,755,915,993.92	82,756,384,059.14
17	Total required stable funding	24,883,757,744.35	36,474,271,494.45	38,475,961,411.81	54,009,185,486.56	42,883,448,646.97
18	NSFR (%)	3.02	182.34%	170.54%	129.16%	192.98%

Table 3: Composition of regulatory capital

Capital Adequacy Return as of 31st December 2025

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S/n	Common Equity Tier 1 capital (CET1): Instruments and reserves	Year 2025 -(TZS)	Year 2024 - (TZS)
1	Fully Paid-up Ordinary shares Capital	31,420,335,000.00	31,420,335,000.00
2	Share Premium arising from Ordinary shares	29,103,634,780.00	29,103,634,780.00
3	Retained earnings less foreseeable dividends	-33,522,841,722.57	-32,495,827,990.51
4	Other disclosed reserves;	-	-
5	Year to date profits of:	-	-
6	Fifty per cent of the year-to-date profits less foreseeable dividends where accounts are unaudited or;	-	-
7	One hundred percent of the year-to-date profits, less foreseeable dividends, where accounts have been	-	-
7	audited subject to submission of the signed accounts to the Bank;	-	-
8	CET 1 before Regulatory Adjustments	27,001,128,057.43	28,028,141,789.49
9	Regulatory adjustments applied to CET1:	5,031,597,090.93	6,472,006,177.55
10	Year to date losses;	4,390,203,547.60	5,591,431,477.49
11	Goodwill;	-	-
12	Other intangible assets;	-	-
13	Deferred tax assets that rely on future profitability;	-	-
14	The amount of items where entities with which the bank has reciprocal cross holdings of Common Equity	-	-
14	Tier 1 instrument that the Central Bank considers to have been designed to inflate artificially the own funds of the bank;	-	-
15	The amount of items required to be deducted from Additional Tier 1 items that exceed the Additional Tier	-	-
15	1 capital of the bank.	-	-
16	Pre-paid expenses;	641,393,543.33	880,574,700.06
17	Pre-operating expenses.	-	-
18	Common Equity Tier 1	21,969,530,966.50	21,556,135,611.95
19	Additional Tier 1 Capital		
20	Non-cumulative Irredeemable Preference Shares	-	-
21	Share Premium arising from Non-cumulative Irredeemable Preference Shares	-	-
22	Other Qualifying Additional Tier-1 capital instruments plus any related share premium	-	-
23	Additional Tier 1 Capital before regulatory adjustments	-	-
24	Total regulatory adjustment applied to Additional Tier 1 capital	-	-
25	The number of items required to be deducted from Tier 2 items that exceed the Tier 2 capital of the bank.	-	-
26	Other Items Qualifying to be deducted from Additional Tier-1 Capital.	-	-
27	Additional Tier 1 capital recognized for capital adequacy	-	-
28	Tier 2 Capital		
29	Qualifying Tier 2 capital instruments and subordinated loans that meet the conditions stipulated by the Bank.	-	-
30	Share premium arising from capital instruments and subordinated loans qualifying as Tier 2 Capital	-	-
31	Instruments issued by consolidate subsidiaries and held by third parties that met the criteria stipulated by	-	-
31	the Bank.	-	-
32	General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted	-	-
32	Assets	-	-
33	Total Tier 2 capital admissible for capital adequacy	-	-
34	TOTAL CAPITAL (Tier Capital plus Tier 2 Capital).	21,969,530,966.50	21,556,135,611.95
35	Total Risk Weighted Assets (RWA)	82,071,523,692.82	79,056,828,380.59
36	Capital Ratios and buffers (in percentage of risk weighted assets)		
37	CET1 to total RWA	26.77%	27.27%
38	Tier-1 capital to total RWA	26.77%	27.27%
39	Total capital to total RWA	26.77%	27.27%
40	Capital conservation buffer		
41	National minimum capital requirements prescribed by the Bank of Tanzania		
42	CET1 to total RWA	8.50%	8.50%
43	Tier-1 capital to total RWA	10.00%	10.00%
44	Total capital to total RWA	12.00%	12.00%
45	Capital conservation buffer	2.50%	2.50%
	Disclosure of Market discipline are found under https://www.ubatanzania.co.tz		

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Table 4: Credit quality of assets

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	a	b	c	d	
	Gross carrying values of:		Allowances/ impairments (TZS)	Net values (a+b-c) - TZS	
	Defaulted exposures (TZS)	Non-defaulted exposures (TZS)			
Loans	3,008,428,410.05	23,317,735,838.98	1,644,926,676.04	24,681,237,572.99	
Debt securities	0	31,665,352,324.80	14,477,346.05	31,650,874,978.75	
Off balance sheet items	0	12,974,489,617.71	0	12,974,489,617.71	
Total	3008428410	67,957,577,781.49	1,659,404,022.09	69,306,602,169.45	

Table 5: Standardized Approach – Credit risk exposure and credit risk mitigation effects

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		a	b	c	d	e	f
	Asset classes	Exposures before CCF and CRM		Exposures post- CCF and post-CRM		RWA and RWA density	
		On- balance sheet amount	Off- balance sheet amount	On- balance sheet amount	Off- balance sheet amount	RWA	RWA density
1	Sovereigns and their central banks	-	-	-	-	-	-
2	Non-central government public sector entities	-	-	-	-	-	-
3	Multilateral development banks	-	-	-	-	-	-
4	Banks and financial institutions	44,279,070,616.15	-	23,711,406,731.98	-	23,711,406,731.98	100%
5	Corporates and securities firms	9,816,744,218.30	12,974,489,617.71	3,848,264,019.73	7,682,386,472.72	11,530,650,492.44	100%
6	Retail	14,864,493,355.00	-	7,829,686,098.00	-	7,829,686,098.00	100%
7	Real estate	-	-	-	-	-	0%
8	Defaulted exposures	-	-	-	-	-	0%
9	Other assets	5,996,711,575.44	-	4,658,214,618.51	-	4,658,214,618.51	100%
10	Total	74,957,019,764.89	12,974,489,617.71	40,047,571,468.21	7,682,386,472.72	47,729,957,940.92	

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Table 6: Standardized Approach – Exposures by Asset Classes and Risk Weights

	0%	20%	50%	100%	150%	Total credit exposure amount (post-CCF and post-CRM)		
Sovereigns and their central banks	0	0	0	0	0	0		
	20%	50%	100%	150%	Total credit exposure amount (post-CCF and post-CRM)			
Public sector entities	0	0	0	0	0			
	0%	20%	30%	50%	100%	150%	Total credit exposure amount (post-CCF and post-CRM)	
Multilateral development banks	0	0	0	0	0	0		
	20%	30%	40%	50%	75%	100%	150%	Total credit exposure amount (post-CCF and post-CRM)
Banks and financial institutions	1,564,047,583.16			40,673,937,334.14		2,041,085,698.85		23,711,406,731.98
	20%	50%	75%	100%	150%	Total credit exposure amount (post-CCF and post-CRM)		
Corporates and securities firms	0	4,124,771,953.00	346,811,106.30	0	1,017,179,809.00	3,848,264,019.73		
	75%	Total credit exposure amount (post-CCF and post-CRM)						
Retail	3,771,074,318.00	2,828,305,738.50						
	20%	25%	30%	40%	50%	70%	Total credit exposure amount (post-CCF and post-CRM)	
Residential real estate	0	0	0	0	0	0	0	
Commercial real estate	0	0	0	0	0	0	0	
	100%	150%	Total credit exposure amount (post-CCF and post-CRM)					
Defaulted exposures	0	0	0					
	0%	20%	100%	1250%	Total credit exposure amount (post-CCF and post-CRM)			
Other assets	1,338,496,956.93	4,658,214,618.51	4,658,214,618.51					

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Table 7: Additional Disclosures Related to The Credit Quality of Assets

Principal Risk	Context	Opportunities/Mitigations
Credit quality of assets	<p>Credit quality of assets refers to the assessment of the likelihood that borrowers will meet their contractual obligations in full and on time measured through indicators such as payment performance, days past due, borrower financial strength, collateral coverage, internal risk ratings, and impairment status.</p>	<p>Problem Loans arise when a credit exposure begins to exhibit adverse performance, in which the Bank has in place a sound early warning mechanism for identification and management of such exposure that is Credit Monitoring Team under credit department are the primary officers to identify Early Warning customers.</p> <p>The bank defines past due where a borrower's ability to pay principal or interest on a debt is impaired. It could be due to deteriorating capacity but also bank defines Impaired exposure as the portion of a financial asset that is at risk of not being fully recovered due to credit deterioration or other risks.</p> <p>The bank will define the extent of past –due exposures but not impaired when a normal repayment of principal and/or interest is in arrears for more than 90 but less than 180 days and more than 180 days but less than 365 days In addition, a revolving or overdraft facility may be within limit but will be considered to be non-performing if interest have not been serviced for 90days and above</p> <p>The bank describes the methods used in determining impairments provision on accordance to IFRS 9 accounting standard. According to the new IFRS 9 accounting standards, the bank calculates impairment provisions according to the Expected Loss Model by considering probability-weighted estimation and the Probability of Default taking into account a 3 stage impairment model.</p> <p>Furthermore, the bank defines restructuring process as part and parcel of the remedial management process defined as a flow of planned, recognizable and sequential events involved in the nurturing and management of past due obligations back to performing obligations or to full recovery.</p> <p>A restructured non-performing credit accommodation shall not be upgraded into a better classification category under two scenarios, in the case of overdraft facilities, the borrower has not satisfactorily performed for a minimum of two consecutive quarters; or otherwise in the case of term loans, has not timely paid four consecutive installments.</p>

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Table 8: Qualitative Disclosure Requirements Related to Credit Risk Mitigation Techniques

<p>Credit Risk</p>	<p>Credit risk represents the risk of financial loss resulting from a counterparty's failure to meet contractual obligations. The bank manages credit risk in line with Basel frameworks and measures impairment in accordance with IFRS 9 financial standard.</p>	<p>No matter how good a credit proposal is or how well structured, it can always become delinquent due to unforeseen events resulting in a credit loss to the Bank. This informs the requirement for a second way out of all credits and, therefore, appropriate collateralization. Collateral Admin Legal and Credit shall be responsible for managing the collateral post-disbursement until the facility is fully recovered</p> <p>We have several collaterals that are acceptable by the bank:</p> <p>Cash: Cash is the most liquid and readily realizable form of security and, therefore, the most acceptable to the Bank. However, cash pledged must be in the possession of the Bank either in savings or a deposit account.</p> <p>Treasury Bills/Certificate: Treasury bill / certificates are acceptable as bank security provided the instruments are purchased through the Bank and have been properly assigned to the Bank. Treasury bills usually have a life span of 90 days while Treasury certificates are for 180 days.</p> <p>Stocks and Shares: The United Government of Tanzania stocks and shares of reputable quoted companies are acceptable bank securities.</p>
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Table 9: Credit Risk Mitigation (CRM) Techniques – Overview

Description	a	b	c
	Exposures carrying amount (TZS)	Exposures secured by eligible collateral (TZS)	Exposures not secured by eligible collateral ((a)-(b))-TZS
Loans	26,326,164,249.03	12,552,751,061.93	13,773,413,187.10
Debt securities	31,650,874,978.75	31,650,874,978.75	-
Total	57,977,039,227.78	44,203,626,040.68	13,773,413,187.10
Of which defaulted			

Table 10: Operational risk – Qualitative disclosures

<p>Operational Risk</p>	<p>Operational risk is the current and prospective risk to earnings and capital arising from inadequate or failed internal processes, people, and systems or from external events.</p>	<p>Policy and Framework</p> <p>The Bank has established a comprehensive Operational Risk Policy and Manual that provides guidelines for the identification, assessment, control, monitoring, measurement, reporting, and management of operational risks across all business lines. This framework defines end-to-end methodologies for managing operational risk exposures and ensures consistency in risk practices</p>
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		<p>throughout the institution. The policy also sets guiding principles for embedding operational risk awareness into daily activities, supported by regular training and awareness programs for all stakeholders.</p> <p>Structure and Organization</p> <p>Operational risk management is organized under a three-lines-of-defense model:</p> <ul style="list-style-type: none">• First line: Business units are responsible for identifying and managing risks within their operations.• Second line: The Operational Risk function provides independent oversight, develops risk policies, and monitors compliance.• Third line: Internal Audit provides independent assurance on the effectiveness of the operational risk framework <p>Oversight is provided by the Board of Directors, with delegated responsibility to the Board Credit and Risk Management Committee. At the executive management level, the Risk Management Committee (RMC) and senior management ensure that operational risk issues are escalated and addressed promptly.</p> <p>Operational Risk Measurement System</p> <p>The Bank employs a range of tools and systems to measure and report operational risk exposures and estimate the operational risk capital charge. Some of these tools include:</p> <ul style="list-style-type: none">• Risk and Control Self-Assessments (RCSA): Conducted across business units to identify key risks and evaluate control effectiveness.• Loss Event Data Collection: Tracking and categorizing operational loss events to inform capital allocation.• Key Risk Indicators (KRIs): Metrics used to monitor risk trends and emerging vulnerabilities.• Scenario Analysis: Stress testing operational risk exposures under extreme but plausible events.• Incident Management tool: for populating incidents and easy tracking and reporting
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		<ul style="list-style-type: none"> • Risk Register: for registering Operational Risk of the bank. <p>Reporting Framework Operational risk reporting is structured to ensure transparency and accountability at all levels:</p> <ul style="list-style-type: none"> • Management Reporting: Regular reports are submitted to senior management, and in monthly Risk Management Committee (RMC) highlighting operational risk exposures, loss events, and emerging risks • Board Reporting: Summarized operational risk reports are presented to the Board Credit and Risk Management Committee and the Board of Directors, ensuring oversight of the Bank's operational risk profile. • Regulatory Reporting: Operational risk information is submitted to the Bank of Tanzania in line with regulatory requirements, example, the Internal audit team submits to the Bank of Tanzania the actual and attempted fraud cases occurred for the quarter ending. <p>This reporting framework ensures that operational risk is monitored continuously, escalated appropriately, and integrated into the Bank's overall risk management and governance processes</p> <p>The embedment of the operational risk policy and other related policies is done through regular training to all stakeholders mentioned above.</p>
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Table 11: Operational Risk – Quantitative Disclosures
Minimum Required Operational Risk Capital (TZS)

	BI and its subcomponents	T	T-1	T-2
1	Interest, lease and dividend component	2,851,538,715.00	3,258,346,926.03	2,369,869,158.14
1a	Interest and lease income	13,786,843,000.00	20,852,306,000.00	22,348,549,781.83
1b	Interest and lease expense	4,774,522,000.00	7,185,328,000.00	19,205,863,047.97
1c	Interest earning assets	126,735,054,000.00	144,815,418,934.57	105,327,518,139.78
1d	Dividend income	-	-	-
2	Services component	22,475,995,165.20	20,551,300,127.66	23,805,739,070.61
2a	Fee and commission income	9,669,372,000.00	7,226,063,000.00	6,267,976,898.46

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2b	Fee and commission expense	4,033,373,834.80	4,827,048,872.34	2,055,456,350.03
2c	Other operating income	26,917,172.54	665,930,989.31	152,800,542.06
2d	Other operating expense	12,806,623,165.20	13,325,237,127.66	17,537,762,172.15
3	Financial component			
3a	Net P&L on the trading book	1,781,686,827.46	5,428,802,010.69	6,059,191,859.33
3b	Net P&L on the banking book	-	-	-
4	BI	9,036,406,902.55	9,746,149,688.13	10,744,933,362.69
5	Marginal Coefficient (a)	12%	12%	12%
6	Business indicator component (BIC)	1,084,368,828.31	1,169,537,962.58	1,289,392,003.52
7	Conversion Factor (Reciprocal of Total Capital Ratio)	8.33	8.33	8.33
8	Risk Weighted Assets for Operational Risk	9,036,406,902.55	9,746,149,688.13	10,744,933,362.69

Table 12: Market risk

a. Qualitative disclosure

Market Risk	<p>Market risk to the bank refers to the risk resulting from movements in market prices, in particular, changes in interest rates, foreign exchange rates, equity and commodity prices.</p>	<p>The Bank currently undertakes limited investment activities, which are potentially exposed to market risk. The primary market risk products include currency trading, credit issuance, and deposit-taking. To effectively manage these exposures, the Bank adopts a three-lines-of-defense model. The Treasury serves as the first line of defense, acting as subject matter experts in trading and asset-liability management. Treasury Operations provide support by ensuring that processes are followed end-to-end, while the Market Risk function independently monitors and reports market risk on a daily basis.</p> <p>At the management level, the Assets and Liability Committee (ALCO) reviews all market risk matters. Oversight at the Board level is provided by the Board Credit and Risk Management Committee and ultimately the Board of Directors, who hold responsibility for approving and managing market risk exposures.</p> <p>Identification of Market Risk</p> <p>Market risks are identified through continuous monitoring of macroeconomic and geopolitical factors, regular reviews of financial and management accounts, audit reports, regulatory reports, and product program approvals. New products are assessed for market risk as part of the approval</p>
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		<p>process, ensuring readiness to measure exposures and establish limits before trading begins.</p> <p>Measurement of Market Risk</p> <p>The Bank employs a comprehensive measurement framework to assess the impact of changes in market risk factors on its positions. Multiple methodologies are applied to ensure comparability and aggregation across products and business lines. Measurement systems are independent of risk-taking units, cover both normal and stressed market conditions, and incorporate conservative assumptions where data is limited.</p> <p>Measurement Metrics</p> <ul style="list-style-type: none">• Mark-to-Market (MTM): Trading book positions are valued daily using independent market prices.• Value-at-Risk (VaR): This is used to estimate potential maximum losses based on historical exchange rate fluctuations at 99% confidence level, with holding periods of one and ten days. Both diversified and undiversified VaR are calculated, supplemented by Marginal VaR, Stressed VaR, and Expected Shortfall.• Stress Testing and Sensitivity Analysis: Applied to assess exposures related to exchange rates, interest rates, commodities, and equities, providing a comprehensive view of potential vulnerabilities under varying market conditions. <p>These methodologies provide a comprehensive view of potential vulnerabilities under varying market conditions.</p> <p>Governance and Reporting</p> <p>Through collaboration between the Market Risk function and the Treasury front office, ALCO is regularly apprised of opportunities and exposures arising from market activities. Compliance with internally sanctioned trading limits is monitored and reported, ensuring adherence to the Bank's risk appetite. Summarized ALCO reports are escalated to the Board Governance, Finance & Remuneration Committee and the Board Credit Risk Management Committee, thereby maintaining transparency and enabling informed decision-making at the highest governance levels.</p>
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Table 13: Interest rate risk in the banking book

Qualitative

The Bank manages its exposure to interest rate risk in the Banking Book through a comprehensive framework of methodologies and tools designed to identify, measure, approve, and report such risks. Portfolio composition is strategically overseen by the Asset and Liability Committee (ALCO), which determines the optimal earnings profile relative to the level of risk the Bank is willing to assume.

To assess interest rate risk, the Bank applies three primary methodologies:

- **Repricing Gap Analysis:** Identifies mismatches between the timing of interest rate changes on assets and liabilities, highlighting potential exposures to rate movements.
- **Economic Value of Equity (EVE):** Measures the long-term impact of interest rate changes on the present value of the Bank's assets and liabilities, providing insight into capital sensitivity.
- **Earnings at Risk (EaR):** Estimates the short-term effect of interest rate movements on net interest income (NII), focusing on profitability under different rate scenarios.

In addition, the Bank has established robust quantitative tools to estimate potential changes in the net present value (NPV) of cash flows arising from both on- and off-balance sheet positions under the prevailing term structure of interest rates. By simulating various future interest rate scenarios, the Bank evaluates the sensitivity of its financial position and ensures prudent risk management practices.

Quantitative

The Bank has the following assumptions in simulation and management of the Interest rate risk in the banking Book.

31st December 2025							
Initial Capital Position (TZS)	19,504	All amounts in TZS M					
Initial Risk Weighted Assets (TZS)	61,419						
Initial CAR	31.76%			Effect on interest rate change	Baseline 1%	Adverse 3%	Severe Adverse 5%
Time Horizon: 12 months	Rate Sensitive Assets (TZS)	Rate Sensitive Liabilities (TZS)	Gap (Assets-Liabilities) TZS	Cumulative Gap TZS	Impact on NII TZS	Impact on NII TZS	Impact on NII TZS
Maturity Buckets							
Maturity Buckets							
< 3 months	74,045	95,064	(21,018)	(21,018)			
3-6 months	8,286	6,911	1,375	(19,643)	(163.28)	(489.85)	(816.42)
6-12 months	5,640	2,325	3,315	(16,328)			

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An increase in interest rates by 1%, 3%, or 5% would lead to a decline in profitability, as Net Interest Income (NII) falls. This reduction in earnings weakens capital through lower retained profits, ultimately diminishing the Capital Adequacy Ratio (CAR).

Conversely, decrease interest rates would benefit the bank due to its asset-sensitive profile -boosting NII, strengthening capital, and enhancing CAR.

- a It assumes that there will be either a decrease or increase in interest rate and affects its earning from the balance sheet structure
- b Other conditions are assumed to remain constant in performing this analysis
- c The results expected is on the economic value of equity and the effects on earning

Summary of the results as of 31st December 2025

- **Effects of rate movements on capital**

Increase on Interest Rate			Decrease on Interest Rate		
Baseline 1%	Adverse 3%	Severe Adverse 5%	Baseline 1%	Adverse 3%	Severe Adverse 5%
Capital Post-Shock and CAR	Capital Post-Shock and CAR	Capital Post-Shock and CAR	Capital Post-Shock and CAR	Capital Post-Shock and CAR	Capital Post-Shock and CAR
19,667.26	19,993.83	20,320.40	19,340.69	19,014.12	18,687.55
32.02%	32.55%	33.09%	31.49%	30.96%	30.43%
14.50%	14.50%	14.50%	14.50%	14.50%	14.50%

Across all interest rate scenarios, both upward and downward the bank consistently maintained compliance with its internal Capital Adequacy Ratio (CAR) threshold of above 16.5%, as well as the regulatory minimum of 14.5% set by the Bank of Tanzania (BOT), which includes the 2.5% Capital Conservation Buffer.

- **Market Risk: Additional Quantitative disclosures**

	Capital charge in simplified standardized method (TZS)
Interest rate risk	-
Equity risk	-
Foreign exchange risk	24,815,069.51

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Table 14: Leverage Ratio

Table 14: Leverage Ratio		
S/No	Particulars	Amount (TZS)
a	b	c
1	Total Assets as calculated under BOT FORM 16-1 to be submitted Monthly (Line item 77)	131,675,787,323.20
2	Total Off Balance Sheet Exposures as calculated under BOT FORM 16-1 Schedule 15(ii) NEW (Line item 53)	9,872,419,554.11
3	Total Exposure Measure (Item 1 plus 2)	141,548,206,877.31
4	Tier 1 Capital as calculated under BOT Form 16-1 (Schedule 10(i)) NEW (Line item 28)	19,503,975,874.10
5	Leverage Ratio	13.78%

As at 31st December 2025, the Bank's leverage ratio stood at **13.78%**, significantly above the minimum regulatory threshold of 3% prescribed under Basel III and the Bank of Tanzania guidelines. Tier 1 capital was of TZS 19.50 billion supporting total exposures of TZS 141.55 billion. The result demonstrates that the Bank maintains capital with buffer relative to both on- and off-balance sheet exposures, ensuring resilience against unexpected losses.

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Table 15: Liquidity Coverage Ratio

S/N O	PARTICULARS	Outstanding Amount	Factor	Net Amount
a	b	c	d	e
1	Stock of High Quality Liquid Assets (HQLA)			
2	Cash (notes and coins)	4,430,248,660.00	100%	4,430,248,660.00
3	Balances with Bank of Tanzania to the extent that these balances can be drawn down in times of stress[1]	9,827,488,246.31	100%	9,827,488,246.31
4	30 days	5,530,328,030.80	100%	5,530,328,030.80
5	Interbank loans receivables	38,764,590,475.07	100%	38,764,590,475.07
6	Government securities maturing within 1 year	22,200,000,000.00	95%	21,090,000,000.00
7	Government securities maturing after 1 year	9,900,800,000.00	80%	7,920,640,000.00
8	Total high quality liquid assets	90,653,455,412.18		87,563,295,412.18
9	Cash Outflows			
10	Demand deposits	80,303,970,556.16	15%	12,045,595,583.42
11	Savings deposits	9,797,249,390.22	15%	1,469,587,408.53
12	Time deposits (maturing in 30 days)	279,699,756.39	100%	279,699,756.39
13	Deposits from banks and financial institutions (maturing in 30 days)	-	100%	-
14	Derivatives cash outflows (sum of all net cash outflows due within 30 days)	-	100%	-
15	All other contractual cash outflows (maturing in 30 days)	188,186,928.96	100%	188,186,928.96
16	Undrawn balances of loans and unexpired overdrafts	2,606,399,685.13	10%	260,639,968.51
17	Other contingent funding liabilities (such as guarantees and letters of credit)	10,899,698,827.33	5%	544,984,941.37
18	Total cash outflows	104,075,205,144.19		14,788,694,587.18
19	Cash Inflows			
20	Loans and advances (maturing within 30 days)	1,410,221,029.04	50%	705,110,514.52
21	Due from banks and financial institutions (maturing in 30 days)	-	100%	-
22	All other contractual cash inflows (maturing in 30 days)	-	100%	-
23	Net derivatives cash inflows	-	100%	-
24	Total cash inflows	1,410,221,029.04		705,110,514.52
25	Total net cash outflows = Total cash outflows minus the lower of total cash inflows and 75% of gross outflows			14,083,584,072.67
26	Liquidity Coverage Ratio =(Total high quality liquid assets)/(Total net cash outflows)			622%

[1] Balances with Bank of Tanzania excluding SMR

As at 31st December 2025, the Bank's Liquidity Coverage Ratio (LCR) stood at 631%, substantially above the regulatory minimum requirement of 100% under Basel III and the Bank of Tanzania guidelines. This ratio demonstrates the Bank's ability to withstand severe liquidity stress scenarios by maintaining a high-quality liquid asset (HQLA) buffer that far exceeds expected net cash outflows over a 30-day horizon.

Table 16: Net Stable Funding Ratio

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S/N O	PARTICULARS	Carrying Amount	Factor	Weighted Amount
a	b	c	d	(e)= (b)*(c)
A	Available Stable Funding (ASF)			
1	Common equity Tier 1	21,969,530,966.50	100%	21,969,530,966.50
2	Additional Tier 1	-	100%	
3	Tier 2 Capital (excluding Tier 2 instruments with residual maturity of less than one year)	-	100%	
4	Borrowings and liabilities with maturities of one year or more	-	100%	
5	Other capital instruments and liabilities with effective residual maturity of one year or more	-	100%	
6	Stable demand and/or term deposits from retail and small business customers with residual maturity of less than one year.	13,749,011,376.48	95%	13,061,560,807.65
7	Less stable demand and/or term deposits from retail and small business customers with residual maturity of less than one year.	-	90%	
8	Funding with residual maturity of less than one year provided by non-financial corporate customers	80,405,886,705.24	50%	40,202,943,352.62
9	Operational Deposits	-	50%	-
10	Funding with residual maturity of less than one year from sovereigns, public sector entities (PSEs), and multilateral and national development banks	54,247,695.70	50%	27,123,847.85
11	Other funding maturing within a period of six months to one year and not included in the line items above, including funding	-	50%	
12	Deferred tax liabilities (if the effective maturity of the liability greater than one year).	-	100%	
13	Deferred tax liabilities maturing within a period of six months to one year.	-	50%	
14	Deferred tax liabilities maturing within six months.	-	50%	
15	Minority Interest - If perpetual or with effective maturity of greater than or equal to one year	-	100%	
16	Minority Interest with residual maturity between six months and less than one year.	-	50%	
17	Minority Interest with effective maturity of less than six months.	-	0%	
18	All other liabilities and equity not included in the above categories, including liabilities without a stated maturity.	-	0%	
19	NSFR derivative liabilities net of NSFR derivative assets if NSFR derivative liabilities are greater than NSFR derivative assets	-	0%	
20	NSFR derivative liabilities (derivative liabilities less total collateral posted as variation margin on derivative liabilities).	-	0%	
21	"Trade date" payables arising from purchases of financial instruments, foreign currencies	-	0%	
B	Total Available Stable Funding (ASF) [sum (1)-(21)]			75,261,158,974.62
C	Required Stable Funding (RSF)			-
	On-balance sheet			-
22	Cash	4,430,248,660.00	0%	-
23	Balances with Bank of Tanzania (All balances including Statutory Minimum Reserve).	15,799,185,428.45	0%	-
24	Claims on Bank of Tanzania with residual maturities of less than six months.	-	0%	-
25	Receivables arising from sales of financial instruments and foreign currencies.	-	0%	-
26	Unencumbered HQLA excluding cash and balance with the Bank of Tanzania.	76,395,718,505.87	5%	3,819,785,925.29
27	Unencumbered loans to banks and financial institutions with residual maturities of less than six months, where the loan is secured against level 1 assets as defined in the LCR	-	10%	
28	All other unencumbered loans to banks and financial institutions with residual maturities of less than six months not included in the line items above.	-	15%	
29	HQLA encumbered for a period of six months or more and less than one year.	-	50%	
30	Loans to Bank of Tanzania, banks and financial institutions with residual maturities between six months and less than one year.	-	50%	
31	Deposits held at other banks and financial institutions for operational purposes	-	50%	
32	All other assets not included in the above categories with residual maturity of less than one year.	-	50%	
33	Unencumbered residential mortgages with a residual maturity of one year or more and with a risk weight of less than or equal to 35% under the standardized approach	-	65%	
34	Other unencumbered loans not included in the above categories, excluding loans to banks and financial institutions, with a residual maturity of one year or more and a risk weight of less than or equal to 35% under the standardized approach	14,848,204,684.92	65%	9,651,333,045.20
35	Cash, securities or other assets posted as initial margin for derivative contracts and cash or other assets provided to contribute to the default fund of a central counterparty (CCP)	-	85%	-
36	Other unencumbered performing loans with risk weights greater than 50% and residual maturities of one year or more, excluding loans to banks and financial institutions	1,328,336,577.47	85%	1,129,086,090.85
37	Unencumbered securities that are not in default and do not qualify as HQLA, with a remaining maturity of one year or more and exchange-traded equities	-	85%	
38	Physical traded commodities, including gold	-	85%	
39	All other assets that are encumbered for a period of one year or more	-	100%	
40	Derivative assets net of derivative liabilities if derivative assets are greater than derivative liabilities.	0	100%	-
41	All other assets not included in the above categories, including non-performing loans, loans to banks and financial institutions with a residual maturity of one year or more, securities that are not in default and do not qualify as HQLA and exchange-traded equities	10,044,235,710.48	100%	10,044,235,710.48
	Off-balance sheet	0		-
42	Irrevocable and conditionally revocable credit and liquidity facilities to any client	-	5%	
43	Unconditionally revocable credit and liquidity facilities	-	5%	
44	Trade finance-related obligations (including guarantees and letters of credit)	-	1%	
45	Guarantees and letters of credit unrelated to trade finance obligations	10,899,698,827.33	1%	108,996,988.27
46	Other non-contractual obligations	-	1%	
47	All other off-balance-sheet obligations not included in the above categories.	2,606,399,685.13	5%	130,319,984.26
D	Total Required Stable Funding (RSF) [sum (22)-(47)]			24,883,757,744.35
	Net Stable Funding Ratio			3.02

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As at 31st December 2025, the Bank's Net Stable Funding Ratio (NSFR) stood at 281%, significantly above the regulatory minimum requirement of 100% under Basel III and the Bank of Tanzania guidelines. The NSFR measures the stability of the Bank's funding profile by comparing available stable funding to required stable funding over a one-year horizon.

An NSFR of 281% demonstrates that the Bank maintains more than double the stable funding required to support its asset base and off-balance sheet exposures. This also reflects prudent liquidity and funding management practices, including reliance on stable customer deposits, diversified funding sources, and conservative balance sheet structuring.