



Annual Quantitative and Qualitative Disclosure Publications for the year ending 31 December 2025

Issued Pursuant To Guidelines 24 And 25 of the Market Discipline Guidelines For Banks and Financial Institutions, 2023

Table 1: Qualitative Information about Credit Risk

(a) Business Model and Credit Risk Profile

ICB-Tanzania's business model is primarily focused on trade finance, SME lending, and selective corporate banking, complemented by treasury activities. The Bank adopts a prudential and relationship-driven lending approach, with a strategic emphasis on:

- Short-tenor, self-liquidating facilities, particularly import financing, trade loans, and working capital lines
- Collateral-backed lending, with a preference for cash cover, fixed deposits, and high-quality tangible security
- Sectoral focus on trade-related businesses, established SMEs, and clients with predictable cash flows
- Limited exposure to long-term project financing, thereby reducing duration and concentration risks

This model results in a moderate credit risk profile, characterized by:

- Low non-performing loan (NPL) levels
- High collateral coverage ratios
- Controlled sectoral concentration through targeted portfolio diversification
- Conservative Loan-to-Deposit Ratio (LDR), ensuring liquidity strength alongside credit discipline

(b) Credit Risk Management Policy and Limit Framework

The Bank's credit risk management framework is governed by a Board-approved Credit Risk Policy, which establishes the principles, standards, and processes for managing credit risk across all portfolios.

Key Elements:

- Risk Appetite Framework: Defined by the Board, setting thresholds for:
 - Maximum exposure limits (single obligor, group, sector)
 - Portfolio concentration limits
 - NPL tolerance levels
- Credit Approval Process:
 - Structured maker-checker framework
 - Multi-tier approval authorities (Management Credit Committee, Board Loan Approval Committee)
- Credit Assessment Criteria:
 - Borrower repayment capacity and cash flow analysis
 - Collateral adequacy and enforceability

- Industry and macroeconomic considerations
- Credit history and behavioural risk indicators
- Limit Setting Approach:
 - Exposure limits assigned based on customer risk rating, financial strength, and collateral coverage
 - Use of cash-backed or partially secured structures for higher-risk segments
- Risk Mitigation Techniques:
 - Collateralization (land, buildings, deposits, guarantees)
 - Credit insurance (where applicable)
 - Covenants and structured repayment terms

(c) Structure and Organization of Credit Risk Management

The Bank maintains a segregated and independent credit risk management structure, ensuring clear separation between business origination and risk oversight.

Organizational Structure:

- Board of Directors
 - Overall oversight of credit risk strategy and risk appetite
- Board Loan Approval Committee (BLAC)/ Audit & Risk Management Committee (ARMC)
 - Reviews portfolio quality, risk exposures, and policy compliance
- Chief Executive Officer (CEO)
 - Accountable for implementation of Board-approved credit strategy
- Credit Risk Function (Independent Unit)
 - Headed by Head of Risk / Credit Risk
 - Responsible for:
 - Credit risk assessment and independent review
 - Portfolio monitoring and stress testing
 - Early warning signals and remedial management
- Business Units (Relationship Managers)
 - Responsible for origination and first-level credit analysis
- Credit Administration / Operations
 - Responsible for documentation, limit loading, and disbursement controls

This structure ensures independence, accountability, and effective risk oversight.

(d) Relationship Between Credit Risk, Risk Control, Compliance and Internal Audit

ICB-Tanzania adopts a Three Lines of Defence model:

1st Line – Business Units

- Originate and manage credit exposures
- Ensure compliance with approved terms and conditions

2nd Line – Risk Management & Compliance

- Credit Risk Function:
 - Independent credit assessment and monitoring
 - Portfolio analytics and risk reporting
- Risk Control Function:
 - Establishes policies, limits, and risk appetite

- Conducts stress testing and scenario analysis
- Compliance Function:
 - Ensures adherence to regulatory requirements (Bank of Tanzania guidelines, Basel principles)
 - Reviews credit processes for regulatory compliance

3rd Line – Internal Audit

- Provides independent assurance on:
 - Effectiveness of credit risk controls
 - Compliance with internal policies and regulatory standards
- Conducts periodic audits and reports findings directly to the Board Audit Committee

This integrated approach ensures robust governance, independent oversight, and continuous control enhancement.

(e) Credit Risk Reporting to Management and Board

The Bank maintains a comprehensive and structured reporting framework to ensure timely and transparent communication of credit risk exposures.

Reporting to Executive Management:

- Monthly Credit Risk Reports, covering:
 - Portfolio composition and sectoral exposures
 - NPL levels and movements
 - Top exposures and concentration risks
 - Watchlist and early warning accounts
 - Limit breaches and exceptions
- Ad-hoc reports for emerging risks or significant exposures

Reporting to Board / ARMC:

- Quarterly Board Risk Reports, including:
 - Credit portfolio performance and trends
 - Risk appetite compliance (limits, concentrations, NPL ratios)
 - Stress testing results and scenario analysis
 - Status of remedial and recovery actions
- Board Loan Approval Committee (BLAC):
 - Reviews and approves large exposures and strategic credit decisions

Key Features:

- Forward-looking risk indicators and dashboards
- Integration with regulatory reporting requirements
- Clear escalation mechanisms for breaches and deteriorating exposures

Conclusion

ICB-Tanzania maintains a conservative and well-governed credit risk framework, aligned with its strategic focus on trade finance and SME banking. The Bank's disciplined approach to underwriting, strong collateralization practices, and robust governance structure ensure sustainable asset quality and resilience against adverse economic conditions.

Table 2: Prudential Regulatory Metrics

Amounts in million TZS

s/n	Metric	31-Dec-25	30-Sept-25	30-Jun-25	31-Mar-25	31-Dec-24
	Available capital (amounts)					
1	Common Equity Tier 1(CET1)	19,485	18,978	20,025	20,848	20,945
2	Tier 1	19,485	18,978	20,025	20,848	20,945
3	Total capital	19,485	18,978	20,025	20,848	20,945
	Risk weighted assets (amounts)					
4	Total risk weighted assets (RWA)	25,569	24,661	23,858	22,814	21,720
	Risk based capital ratios as a percentage of RWA					
5	Common equity Tier 1 ratio (%)	76%	77%	84%	91%	96%
6	Tier 1 ratio	76%	77%	84%	91%	96%
7	Total capital ratio	76%	77%	84%	91%	96%
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer (2.5%)	639	617	596	570	543
9	Total of bank CET1 specific buffer requirements (%)	0.0%	0.0%	0.0%	0.0%	0.0%
10	CET1 available after meeting the bank's minimum capital	64%	65%	72%	79%	84%
11	Basel III leverage ratio exposure measure	67,546	68,834	71,039	88,956	87,556
12	Basel III leverage ratio (%) (Tier 1 Capital/Exposure Measure)	29%	28%	28%	23%	24%
	Liquidity Coverage Ratios					
13	Total high-quality Liquid assets (HQLA)	30,002	32,986	35,988	27,418	28,673
14	Total net cash out flow	2,483	1,290	577	1,769	9,446
15	LCR (%)	1208%	2558%	6233%	1550%	304%
	Net Stable Funding Ratio					
16	Total available stable funding	29,995	47,029	48,672	67,868	66,441
17	Total required stable funding	20,816	16,870	9,749	6,967	5,591
18	NSFR (%)	144%	279%	499%	974%	1188%

Table 3: Composition of Regulatory Capital

All amounts in million TZS

S/No	Common Equity Tier 1 capital (CET1): Instruments and reserves	31-Dec-25	31-Dec-24
1	Fully Paid-up Ordinary shares Capital	40,788	40,788
2	Share Premium arising from Ordinary shares	-	-
3	Retained earnings less foreseeable dividends	(13,968)	(14,577)
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 audited subject to submission of the signed accounts to the Bank;	-	676
8	CET 1 before Regulatory Adjustments	26,820	26,887
9	Regulatory adjustments applied to CET1:		
10	Year to date losses;	974	-
11	Goodwill;	-	-
12	Other intangible assets;	-	-
13	Deferred tax assets that rely on future profitability;	6,325	5,936
14	The amount of items where entities with which the bank has reciprocal cross holdings of Common Equity 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 1 capital of the bank.	-	-
16	Pre-paid expenses;	36	6
17	Pre-operating expenses.	-	-
18	Available Common Equity Tier 1	19,485	20,945
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	Regulatory adjustment applied to Additional Tier 1 capital	-	-
25	The amount 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 the Bank.	-	-
32	General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	-	-
33	Available Tier 2 Capital	-	-
34	TOTAL CAPITAL (Tier Capital plus Tier 2 Capital).	19,485	20,945
35	Total Risk Weighted Assets (RWA)	25,569	21,720
36	Capital Ratios and buffers (in percentage of risk weighted assets)		
37	CET1 to total RWA	76.21%	96.43%
38	Tier-1 capital to total RWA	76.21%	96.43%
39	Total capital to total RWA	76.21%	96.43%
40	Capital conservation buffer	64.21%	84.43%
41	National minimum capital requirements prescribed by 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 (Made of Instrument Qualifying to be included in CET1)	2.50%	2.50%
----	--	-------	-------

Table 4: Credit quality of assets

	a	b	c	d
	Gross carrying values of:		Allowances/ impairments	Net values (a+b- c)
	Defaulted exposures	Non-defaulted exposures		
Loans	695	12,655	49	13,301
Debt securities	-	20,000	40	19,960
Off balance sheet items	-	965	-	965
Total	695	33,620	89	34,226

Table 5: Standardized approach – credit risk exposure and credit risk mitigation effects

		a	b	c	d	e	f
		Exposure before CCF and CRM		Exposure post CCF and CRM		RWA and RWA density	
s/n	Asset classes	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	6,605	-	0.01	-	1,361	21%
5	Corporate and securities firms	9,011	956	8,660	605	9,265	93%
6	Retail	3,001	9.00	1,001	-	1,001	33%
7	Retail estate	602	-	602	-	375	62%
8	Defaulted exposures	641	-	641	-	961	150%
9	Other assets	12,800	-	0.01	-	2,162	17%
10	Total	32,661	965	10,904	605	15,125	45%

Table 6: Standardized approach -exposures by asset classes and risk weights

Amounts in millions TZS

	0%	20%	50%	100%	150%	Total credit exposure amount (post-CCF and post-CRM)
Sovereigns and their central banks						

	20%	50%	100%	150%	Total credit exposure amount (post-CCF and post-CRM)
Public sector entities					

	0%	20%	30%	50%	100%	150%	Total credit exposure amount (post-CCF and post-CRM)
Multilateral development banks							

	20%	30%	40%	50%	75%	100%	150%	Total credit exposure amount (post-CCF and post-CRM)
Banks and financial institutions								

	20%	50%	75%	100%	150%	Total credit exposure amount (post-CCF and post-CRM)
Corporates and securities firms					8,651	8,651

	75%	Total credit exposure amount (post-CCF and post-CRM)
Retail	813	813

	20%	25%	30%	40%	50%	70%	Total credit exposure amount (post-CCF and post-CRM)
Residential real estate	70		29			503	602
Commercial real estate							

	100%	150%	Total credit exposure amount (post-CCF and post-CRM)
Defaulted exposures	0.23	641	641

	0%	20%	100%	1250%	Total credit exposure amount (post CCF and post CRM)
Other assets	10,638	-	2,162	-	2,162

Table 7: Additional Disclosure Related to the Credit Quality of Assets

7.1. Qualitative Disclosures

(a) Definitions of “Past Due” and “Impaired” Exposures

Past Due Exposures

An exposure is considered past due when a counterparty has failed to make a payment (principal and/or interest) on the contractual due date.

- 1–30 days past due: Early arrears (Stage 1 under IFRS 9 unless significant increase in credit risk is identified)
- 31–90 days past due: Underperforming exposures (Stage 2 classification)
- More than 90 days past due: Default category for regulatory purposes

Impaired Exposures (Accounting Definition)

An exposure is considered impaired (credit-impaired / Stage 3 under IFRS 9) when there is objective evidence of default, including:

- Payments overdue by more than 90 days
- Significant financial difficulty of the borrower
- Breach of contract or covenant
- Restructuring due to borrower financial distress
- High probability of bankruptcy or insolvency

Differences Between Accounting and Regulatory Definitions

- Under IFRS 9 (accounting), impairment is based on expected credit loss (ECL) and forward-looking assessment
- Under BoT regulatory framework, default is typically triggered at 90 days past due
- Certain exposures may be classified as Stage 2 (significant increase in credit risk) under IFRS 9 without meeting regulatory default criteria

(b) Past Due (>90 Days) but Not Considered Impaired

ICB-Tanzania may have limited exposures that are past due beyond 90 days but not classified as impaired, where:

- The delay is administrative or procedural, not credit-related
- The exposure is fully secured by cash collateral or highly liquid assets
- There is documented evidence of imminent recovery (e.g., pending confirmed payments, LC settlements, or government receivables)

Such exposures are closely monitored and remain subject to enhanced review and provisioning overlays where necessary.

(c) Methods Used for Determining Impairment

The Bank applies the IFRS 9 Expected Credit Loss (ECL) model, incorporating:

Three-Stage Approach:

- Stage 1: Performing exposures (12-month ECL)
- Stage 2: Significant increase in credit risk (Lifetime ECL)
- Stage 3: Credit-impaired exposures (Lifetime ECL with specific provisions)

Key Components:

- Probability of Default (PD)
- Loss Given Default (LGD)
- Exposure at Default (EAD)

Assessment Methodologies:

- Individual assessment for large or high-risk exposures
- Collective assessment for homogeneous portfolios (e.g., SME loans)
- Incorporation of forward-looking macroeconomic factors
- Consideration of collateral valuation and recovery timelines

Write-Off Policy:

- Loans are written off when there is no realistic prospect of recovery, subject to Board approval
- Recoveries post write-off are recognized as income

(d) Definition of Restructured Exposure

A restructured exposure is defined as a facility where the Bank has modified the original contractual terms due to the borrower's financial difficulty, including:

- Extension of repayment tenor
- Reduction in interest rates or waiver of interest
- Grace periods or moratoriums
- Conversion of unpaid interest into principal
- Partial debt forgiveness

Restructured exposures are classified as:

- Impaired (Stage 3) if financial distress persists
- Non-impaired (Stage 2) if performance improves post-restructuring

All restructured accounts are closely monitored under a probation period before returning to performing status.

7.2. Quantitative Disclosures

(e) Breakdown of Exposures by Geography, Industry and Residual Maturity

By Geography (TZS Millions)

Region	Gross Exposures	% of Total
Tanzania	13,350	100%
East Africa (Regional)	-	-
Other (Offshore)	-	-
Total	13,350	100%

By Industry (TZS Millions)

Sector	Gross Exposures	% of Total
Trade	2,846	21%
Personal (Private)	2,208	17%
Transport And Communication	2,585	19%
Building And Construction	437	3%
Mortgage	603	5%
Other Services	2,587	19%
Hotels And Restaurants	937	7%
Education	-	0%
Manufacturing	679	5%
Tourism	468	4%
Total	13,350	100%

(f) Impaired Exposures and Related Allowances / Write-offs

By Geography (TZS Millions)

Region	Impaired Loans	Allowances	Write-offs
Tanzania	676	36	278
Regional	-	-	-
Total	676	36	-

By Industry (TZS Millions)

Sector	Impaired Loans	Allowances	Write-offs
Trade	-	-	-
Personal (Private)	-	-	278
Transport And Communication	676	36	-
Building And Construction	-	-	-
Mortgage	-	-	-
Other Services	-	-	-
Hotels And Restaurants	-	-	-

Education	-	-	-
Manufacturing	-	-	-
Tourism	-	-	-
Total	-	-	-

(g) Ageing Analysis of Past Due Exposures (TZS Millions)

Age Bucket	Gross Exposure	% of Total Exposure
1 – 30 days	8,724	65%
31 – 60 days	3,930	29%
61 – 90 days	1	0%
91 – 180 days	676	5%
Above 180 days	19	0%
Total	13,350	100%

(h) Breakdown of Restructured Exposures (TZS Millions)

Category	Amount	% of Total
Restructured – Impaired	676	18%
Restructured – Not Impaired	3,147	82%
Total Restructured	3,823	100%

Conclusion

ICB-Tanzania maintains a strong credit quality profile, supported by:

- Conservative underwriting standards
- High collateralization levels
- Robust IFRS 9 impairment framework
- Active monitoring and early remediation of problem accounts

The Bank continues to enhance its credit risk analytics, provisioning methodologies, and portfolio diversification strategies to ensure resilience and regulatory compliance.

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

(a) Policies and Processes for On- and Off-Balance Sheet Netting

ICB-Tanzania adopts a conservative approach to credit risk mitigation, with limited reliance on netting and a stronger emphasis on collateralized lending structures.

Core Features:

- The Bank recognizes on-balance sheet netting only where:
 - A legally enforceable right of set-off exists
 - There is intention to settle on a net basis or simultaneously

- Netting agreements are supported by robust legal documentation and enforceability opinions
- Off-balance sheet netting (e.g., derivatives netting under ISDA-type agreements) is currently limited, as the Bank has no exposure to derivative transactions.
- Netting is primarily applied in:
 - Customer deposit-linked facilities (e.g., loans secured by fixed deposits)
 - Cash-collateralized trade facilities, where exposure is effectively reduced through set-off rights

Extent of Usage:

- Netting is used selectively and prudently, representing a small proportion of total credit risk mitigation, as the Bank prioritizes:
 - Direct collateralization
 - Cash-backed exposures
 - Guarantees and structured facilities

(b) Policies and Processes for Collateral Evaluation and Management

Collateral remains the primary credit risk mitigation tool at ICB-Tanzania, supported by a Board-approved Credit Risk Policy and Collateral Management Framework.

Eligible Collateral Types:

- Cash and fixed deposits (primary and preferred form)
- Real estate (land and buildings)
- Bank guarantees and corporate guarantees
- Trade-related collateral (e.g., goods under LCs, warehouse receipts)
- Other tangible assets, subject to valuation and enforceability

Collateral Evaluation Process:

- Initial Assessment:
 - Independent valuation by approved and licensed valuers
 - Legal verification of ownership, title, and enforceability
 - Assessment of marketability and liquidity
- Valuation Standards:
 - Adoption of forced sale value (FSV) for lending purposes
 - Application of haircuts depending on asset type and volatility
 - Conservative loan-to-value (LTV) thresholds
- Approval and Documentation:
 - Collateral must be perfected prior to disbursement
 - Legal documentation reviewed and approved by internal legal function

Ongoing Collateral Management:

- **Periodic revaluation** (frequency depends on asset class and risk profile)
- Continuous monitoring of:
 - Collateral coverage ratios
 - Market value fluctuations
- **Insurance requirements** for physical assets, with the Bank noted as beneficiary

- Maintenance of **collateral registers and tracking systems**

Risk Mitigation Practices:

- Preference for cash-backed and highly liquid collateral
- Use of margin calls or top-up requirements where collateral value declines
- Strict enforcement procedures in case of default

(c) Concentration Risks in Credit Risk Mitigation Instruments

ICB-Tanzania actively monitors concentration risks arising from collateral and guarantees, ensuring that reliance on any single type of mitigation instrument does not create undue risk.

Collateral Concentration Risks:

The Bank's collateral profile is typically concentrated in:

- **Cash and fixed deposits**
 - Represents the largest share of credit risk mitigation, providing strong risk reduction
- **Real estate assets**
 - Exposure subject to market valuation risks and liquidity considerations
- **Trade-related collateral**
 - Linked to underlying transaction performance and counterparty risk

Risk Management Approach:

- Diversification of collateral types
- Conservative valuation and haircuts
- Regular monitoring of sector-specific risks (e.g., real estate market conditions)

Guarantor Concentration Risks:

Guarantees are primarily sourced from:

- Corporate entities with established financial standing
- Individual sponsors / directors (for SME exposures)
- Occasionally, financial institutions (for trade finance transactions)

Risk Considerations:

- Dependence on guarantor financial strength and creditworthiness
- Potential correlation between borrower and guarantor risk profiles

Mitigation Measures:

- Independent credit assessment of guarantors
- Legal enforceability of guarantee agreements
- Limiting excessive reliance on a single guarantor or group

Overall Concentration Risk Management:

The Bank manages concentration risks through:

- Exposure limits by collateral type and guarantor category
- Integration into the Risk Appetite Framework
- Regular reporting to:
 - Executive Management
 - Board Risk / Audit & Risk Management Committee (ARMC)
- Stress testing scenarios considering:
 - Decline in collateral values
 - Correlated defaults (borrower and guarantor)

Conclusion

ICB-Tanzania’s credit risk mitigation framework is highly conservative and collateral-driven, with strong emphasis on:

- Cash-backed exposures and high-quality collateral
- Robust valuation, legal enforceability, and monitoring processes
- Active management of concentration risks across collateral and guarantors

This approach ensures effective reduction of credit risk exposures while maintaining compliance with regulatory expectations and supporting the Bank’s overall risk management strategy.

Table 9: Credit risk mitigation (CRM) techniques – overview

	a	b	C
	Exposures carrying amount	Exposures secured by eligible collateral	Exposures not secured by eligible collateral ((a)-(b))
Loans	13,255	2,547	10,708
Debt securities	1960	1960	-
Total	15,215	4,507	10,708
Of which defaulted	640	-	-

Table 10: Operational risk -Qualitative disclosures

Operational risk refers to the risk of loss resulting from inadequate or failed internal processes, people, systems, or from external events. The Bank recognizes that operational risk is inherent in all its products, services, and operational activities, and therefore maintains an effective framework to manage such risks.

The Bank has established an Operational Risk Management Framework which provides policies, procedures, and internal controls aimed at identifying, assessing, monitoring, and mitigating operational risks across all business units. The framework is approved by the Board of Directors and implemented by Management to ensure sound operational risk management practices across the Bank.

Oversight of operational risk is provided by the Board of Directors through its relevant committees, while Senior Management is responsible for the implementation and maintenance

of effective operational risk management practices. The Risk Management function coordinates the monitoring and reporting of operational risks across the Bank and provides regular updates to Management and the Board.

The Bank adopts the Three Lines of Defence model in managing operational risk. Business units act as the first line of defence and are responsible for identifying and managing risks within their operations. The Risk Management and Compliance functions serve as the second line of defence by providing oversight, guidance, and monitoring. Internal Audit acts as the third line of defence by providing independent assurance on the effectiveness of the Bank's internal control systems and risk management processes.

Operational risk management is supported by various tools and processes including risk and control self-assessments, incident and loss event reporting, key risk indicators, and continuous monitoring of operational activities. The Bank also implements internal control procedures, staff training programs, and information technology controls to minimize operational risk exposures.

Furthermore, the Bank maintains a Business Continuity Plan and Disaster Recovery Plan to ensure the continuity of critical operations in the event of disruptions or unforeseen events.

The Bank continues to strengthen its operational risk management practices in line with regulatory requirements issued by the Bank of Tanzania and international standards recommended by the Basel Committee on Banking Supervision.

Table 11: Operational risk-Quantitative disclosures

Amounts in millions TZS except ratios

S/No	BI and its subcomponents	31-Dec-25	31-Dec-24	31-Dec-23	Total BI Average
1	Interest, Lease and Dividend component	826	786	958	857
1a	Interest income	4,553	5,094	5,120	-
1b	Interest expense	1,985	2,066	1,978	-
1c	Interest bearing assets	36,700	34,942	42,595	-
1d	Dividend income	-	-	-	-
2	Services component	6,634	6,294	5,878	6,269
2a	Fee and commission income	655	246	186	-
2b	Fee and commission expenses	422	495	441	-
2c	Other operating income	292	252	896	-
2d	Other operating expenses	5,979	5,799	5,438	-
3	Financial component	122	12	638	257
3a	Net profit (loss) on the trading book	-	-	-	-
3b	Net profit (loss) on the banking book	122	12	638	-
4	BI and its subcomponents	7,582	7,093	7,475	7,383
5	Marginal Coefficient	12%	12%	12%	12%
6	Capital Charge (Average*risk factor)	910	851	897	886
7	Conversion Factor	8.33	8.33	8.33	8.33
8	Calibrated Risk-Weighted Equivalent Amount	7,582	7,093	7,475	7,383

Table 12: Market risk

a) Market Risk Objectives and Policies

i) Strategic Objectives

The bank's strategic objectives for market risk center on balancing profitability with capital preservation.

- **Risk-Adjusted Returns:** Ensuring that the compensation received for taking market positions is commensurate with the level of risk.
- **Capital Adequacy:** Maintaining sufficient Tier 1 and Tier 2 capital to satisfy **Basel III** requirements and local regulatory floors.
- **Market Share & Liquidity:** Facilitating client trades and maintaining market-making capabilities without exposing the institution to "tail risks."

ii) Trading Desk Structure

The trading desk is usually organized by asset class or function to ensure specialized expertise:

- **Fixed Income/Treasury:** Manages interest rate products, government bonds, and corporate debt.
- **Foreign Exchange (FX):** Handles spot, forwards, and swaps to manage currency volatility.
- **Money Market:** Manages short-term liquidity, interbank lending, and repo markets.
- **ALM Desk:** Focuses on the "Banking Book" to manage long-term interest rate gaps and structural liquidity.

iii) Policies

Policies serve as the formal "rulebook" for risk-taking:

- **Limit Management Policy:** Stress testing, and concentration limits.
- **New Product Policy:** Ensures that any new financial instrument is vetted by risk, legal, and operations before trading begins.
- **Valuation Policy:** Mandates "Mark-to-Market" or "Mark-to-Model" procedures to ensure assets are recorded at fair value.
- **Hedging Policy:** Dictates the use of derivatives (like swaps or options) to mitigate specific exposures.

iv) Structure and Organization of Market Price Risk

Market price risk is organized into specific risk factors that impact the valuation of the portfolio:

- **Interest Rate Risk:** Sensitivity to shifts in yield curves.
- **Foreign Exchange Risk:** Exposure to currency fluctuations.

b) Governance Structure

A tiered governance model ensures clear accountability and "Three Lines of Defense."

Tier	Entity	Role
Level 1	Board of Directors	Approves the Risk Appetite Statement (RAS) and high-level policy framework.
Level 2	ALCO Committee	Senior management oversight of balance sheet risk, liquidity, and limit breaches.
Level 3	Risk Management Function	Independent monitoring, stress testing, and limit enforcement.
Level 4	Internal Audit	Provides independent assurance that the risk framework is functioning as intended.
Level 5	Treasury Front Office	Executes trades within the approved limits and manages daily liquidity.

c) Scope and Nature of Risk Reporting & Measurement

Measurement Systems

Banks utilize sophisticated quantitative models to measure potential impact:

- **Sensitivity Analysis (Greeks):** Measuring specific variables like **Delta** (price change), **Gamma** (rate of change), and **Vega** (volatility).
- **Stress Testing:** Simulating "Black Swan" events or historical crises.

Reporting Scope

Reports are generated daily for the trading desk and monthly/quarterly for the Board:

- **Limit Utilization Reports:** Highlighting any "red" or "amber" breaches of set limits.
- **P&L Attribution:** Breaking down profits or losses by risk factor (e.g., "We made \$X due to an interest rate drop").
- **Regulatory Reports:** Submissions to the central bank regarding capital charges for market risk.

Table 13: Interest rate risk in the banking book

13.1. Quantitative disclosure

1. The Nature of Interest rate risk in the banking book (IRRBB)

IRRBB manifests through three primary sub-risk categories:

Gap Risk: Arises from timing mismatches in the maturity (for fixed rates) and repricing (for floating rates) of assets, liabilities, and off-balance sheet instruments.

Basis Risk: Occurs when interest rates of different instruments change by different amounts, even if they have similar maturities.

Option Risk: Arises from "embedded options" where the bank's customers can alter the level and timing of their cash flows in response to changes in interest rates.

2. Key Assumptions in IRRBB Modelling

Because banking book cash flows are often uncertain, behavioural assumptions have been made to model risk accurately.

A. Loan Prepayments

Borrowers often have the right to pay off their loans early, particularly when market interest rates drop, allowing them to refinance at a lower cost.

Prepayment Speeds: Banks assume a "constant prepayment rate" (CPR) based on historical data.

Economic Sensitivity: Modelling must account for the fact that as market rates fall, prepayment speeds typically increase, leaving the bank to reinvest the returned principal at lower prevailing rates.

B. Behaviour of Non-Maturity Deposits (NMDs)

NMDs (such as current accounts or savings accounts) are among the most complex items to model because they have no contractual maturity date, and the bank has the right to change the interest rate paid.

All current and savings accounts have been assumed to have a maturity of more than one year.

3. Measurement Perspectives

The IRRBB risk has only been measured in view of Earnings Perspective (Net Interest Income - NII) which focuses on the impact of rate changes on expected earnings over a short-term horizon (for 1 year) It measures the volatility of the "margin."

4. Frequency of Measurement

The frequency of IRRBB measurement is determined by the bank's risk profile and regulatory requirements:

Standard Frequency: The banks conduct formal IRRBB measurement and reporting monthly. This aligns with the meeting cycle of the Asset and Liability Committee (ALCO).

Internal Monitoring: Treasury departments often monitor key risk indicators (KRIs) and gap positions monthly and reports to ALCO.

Regulatory Stress Testing: Comprehensive stress tests (where rates are shocked by +/- 200 basis points for base scenario, +/- 400 basis points for adverse scenario and +/- 600 basis points for severe adverse scenario), are typically performed quarterly or as part of the annual Internal Capital Adequacy Assessment Process (ICAAP).

13.2. Qualitative disclosure

IRRBB Sensitivity Disclosure: Impact of Interest Rate Shocks

Amount in TZS million

Category	Shock level	Impact on NII (12-Month)
Base case	2%	(35)
Adverse	4%	(71)

Severe Adverse	6%	(106)
----------------	----	-------

Table 14: Leverage Ratio

Amount in TZS million

S/No	Particulars	Amount
1	Total Assets	66,581
2	Total Off-Balance Sheet Exposures	965
3	Total Exposure Measure (Item 1 plus 2)	67,546
4	Tier 1 Capital	19,485
5	Leverage Ratio	29%

Table 15: Liquidity Coverage ratio as at 31 December 2025

Amounts in million TZS

S/No	Particulars	Outstanding Amount	Factor	Net Amount
a	b	c	d	e
1	Stock of High-Quality Liquid Assets (HQLA)			
2	Cash (notes and coins)	2,116	100%	2,116
3	Balances with Bank of Tanzania to the extent that these balances can be drawn down in times of stress ¹	8,462	100%	8,462
4	Balances with Other banks and Interbank Loan Receivable callable on demand or with a maturity of less than 30 days	3,717	100%	3,717
5	Unencumbered Government securities maturing within 1 year	-	95%	-
6	Unencumbered Government securities maturing after 1 year	19,632	80%	15,706
7	Total high quality liquid assets	33,928	0%	30,002
8	Cash Outflows	-	0%	-
9	Demand deposits	4,423	10%	442
10	Savings deposits	11,623	10%	1,162
11	Time deposits (maturing in 30 days)	716	100%	716
12	Deposits from banks and financial institutions (maturing in 30 days)	-	100%	-
13	Derivatives cash outflows (sum of all net cash outflows due within 30 days)	-	100%	-
14	All other contractual cash outflows (maturing in 30 days)	-	100%	-
15	Undrawn and unexpired overdrafts	465	30%	140
16	Undrawn balances of loans	-	10%	-
17	Other contingent funding liabilities (such as guarantees and letters of credit)	500	5%	25
18	Total cash outflows	17,726	0%	2,485
19	Cash Inflows	-		-
20	Loans and advances (maturing within 30 days)	3	50%	1
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	3	1
25	Total net cash outflows = Total cash outflows minus the lower of total cash inflows and 75% of gross outflows		2,483
26	Liquidity Coverage Ratio = (Total high quality liquid assets)/(Total net cash outflows)		1208%