



**PBZ BANK**



# FINANCIAL YEAR 2025

## MARKET DISCIPLINE DISCLOSURE REPORT - PBZ BANK



## Table of Contents

.....	0
1. Introduction.....	1
2. Market discipline disclosure Requirements.....	3
2.1 Qualitative information about credit risk .....	3
2.2 Prudential Regulatory Metrics.....	9
2.3 Composition of regulatory capital.....	11
2.4 Credit Quality of Assets .....	13
2.5 Standardized approach – credit risk exposure and credit risk mitigation effects.....	13
2.7 Additional disclosure related to the credit quality of assets .....	15
2.10 Operational risk – Qualitative disclosures .....	20
2.11 Operational risk – Quantitative disclosures.....	23
2.13 Interest rate risk in the banking book.....	27
2.14 Leverage Ratio: (Amounts in million shillings).....	30
2.15 Computation of Liquidity Coverage Ratio (LCR) as at 31st December 202530	
2.16 Liquidity Risk Management .....	33
3. Conclusion:.....	37



## **1. Introduction**

PBZ Bank ("PBZ" or "the Bank") prepares this Market Discipline Disclosure report in accordance with the Bank of Tanzania Market Discipline Guidelines, 2023, Basel II/III Pillar 3 requirements and established internal control processes. The purpose of this disclosure is to provide stakeholders with transparent, comprehensive, and meaningful information regarding the Bank's risk profile, capital adequacy, governance framework, and risk management practices.

### **1.1 Scope of the report**

The scope of the Market Discipline Disclosure Report covers PBZ Bank on a standalone basis and includes disclosures on capital adequacy, risk management framework, risk exposures, governance systems, and regulatory capital positions. The report reflects the financial position of the Bank as of 31<sup>st</sup> December 2025 and is prepared in accordance with Bank of Tanzania guidelines

### **1.2 Disclosure Governance Framework**

The Bank has established a formal governance framework to ensure the effective preparation, review, approval, and publication of Market Discipline disclosures in compliance with the requirements of the Bank of Tanzania (BOT) Guidelines.

### **1.3 Disclosure Policy**

The Bank maintains a Board-approved Disclosure Policy which mainly defines:

- i) Enhance transparency and market confidence
- ii) Support informed decision-making by stakeholders

### **1.4 Roles and Responsibilities**

The governance of disclosures is supported by clearly defined roles across the Bank:

#### **a) Board of Directors**

The Board of Directors holds ultimate responsibility for ensuring that the Market Discipline Disclosures are prepared in accordance with regulatory requirements. The Board ensures adequacy of internal controls, completeness of disclosures, and alignment with regulatory expectations.

#### **b) The Audit and Risk and Compliance Committee (BARCC)**

Oversee the effectiveness of the disclosure framework and review key disclosures prior to publication, ensuring alignment with the Bank of Tanzania's prescribed disclosure quality principles, including clarity, consistency, comparability, and completeness. The committees are responsible for confirming that all disclosures accurately reflect the Bank's risk profile, financial position, and compliance with regulatory requirements, and for providing guidance on improvements where necessary

#### **c) Senior Management**



Responsible for the implementation of the disclosures framework and maintaining an internal review system to ensure timely, accurate, and comprehensive disclosures of financial and risk information, including Pillar 3 disclosures. They must establish internal controls over disclosure processes, ensure information is easily understood by stakeholders, and align disclosures with risk management strategies to promote market discipline.

**d) Internal Audit**

Internal Audit provides independent assurance on effectiveness of controls, governance processes, and disclosure accuracy.

### **1.4 Materiality and Confidentiality**

In line with the Bank of Tanzania (BOT) Market Discipline Guidelines, the Bank discloses all information considered material to users' understanding of its financial position, performance, and risk profile. Material information is assessed based on its potential influence on stakeholders' economic decisions.

However, certain information may be withheld where it is deemed confidential or proprietary in nature, subject to appropriate justification and internal approval in accordance with the Bank's disclosure policy and regulatory requirements.

Where material information is omitted, the Bank documents the reasons for non-disclosure and performs an assessment to ensure continued compliance with BOT regulatory expectations.

### **1.5 Disclosure Controls and Approval Process**

The Bank has established a structured control mechanism to ensure the accuracy, completeness, and integrity of Market Discipline disclosures. The process includes the following key stages:

Data Preparation – Relevant business units compile and prepare the required information in accordance with regulatory requirements and internal reporting standards.

Review and Validation – Finance and Risk Management and Compliance functions review and validate the information to ensure accuracy and consistency.

Management Approval – Senior Management reviews and approves the disclosures prior to submission and publication.

Independent Assurance – Internal Audit performs periodic independent reviews of the disclosure process and underlying controls.

This structured process ensures consistency, completeness, and compliance with BOT Market Discipline requirements.

### **1.6 Frequency, Publication and Submission**

In accordance with the BOT Market Discipline Guidelines, the Bank publishes Pillar 3 disclosures on both semi-annual and annual basis.



The disclosures are made available through the Bank's official website to enhance transparency and accessibility to stakeholders. In addition, all required disclosures are submitted to the Bank of Tanzania within the prescribed regulatory timelines.

The Bank ensures that publication and submission processes are aligned with regulatory expectations, including clearly defined timelines, responsibilities, and reporting channels.

### **1.5 Continuous Improvement**

The Bank is committed to continuously enhancing its Market Discipline disclosure framework to ensure alignment with evolving regulatory requirements and industry best practices.

This includes strengthening governance structures, improving internal controls, enhancing data quality, and improving the clarity, consistency, and completeness of disclosures to better serve stakeholders and regulatory expectations.

## **2. Market discipline disclosure Requirements**

### **2.1 Qualitative information about credit risk**

#### **a) Business Model and Credit Risk Profile**

Credit risk represents the potential for financial loss arising from a borrower or counterparty failing to meet contractual obligations. As a commercial bank, PBZ Bank primary business model involves extending credit facilities to individuals, corporates, and institutional clients, which makes credit risk the Bank's most significant risk exposure.

The Bank's objective is to maintain a well-diversified, high-quality credit portfolio that supports sustainable growth while safeguarding capital and maintaining sound asset quality. To achieve this, the Bank operates under supported by Board-approved credit policies, procedures, and risk appetite limits.

The credit policies establish clear guidelines for credit assessment, approval, and ongoing monitoring. It defines risk tolerance levels, ensures compliance with Bank of Tanzania regulatory requirements, and promotes prudent lending practices. Continuous portfolio monitoring mechanisms are implemented to identify early warning signals and enable timely corrective actions, thereby ensuring consistency, transparency, and accountability in credit decisions.

PBZ Bank's credit exposures are diversified across three key segments within both Conventional and Islamic banking portfolios:

- i) **Personal Loan** This segment includes consumer loans, salary loans, mortgages, pensioner loans, and Micro, Small and Medium Enterprises (MSMEs). These exposures are typically high-volume and low value, which enhances diversification and reduces concentration risk.



- ii) **Commercial loan (large corporates).** This segment focuses on lending large corporate customers and commercial enterprises. While this segment may carry higher concentration risk, it is actively managed through sector exposure limits, single-obligor limits, and enhanced credit monitoring.
- iii) **Institutional exposures.** This segment comprises sovereign exposures, interbank placements, and investments in treasury instruments and corporate bonds. Sovereign exposure refers to the financial risk that PBZ bank faces when dealing with a government (sovereign state), especially the that the government may fail to repay its debt or meet its financial obligation.

As of year-end 2025, PBZ Bank total credit exposures comprise on balance sheet exposure and Off-balance sheet exposure with total amount of TZS 1,332 billion on balance sheet and TZS 70 billion off balance sheet. There were also interbank loans receivable as well as treasury and corporate bonds including SUKUK amounting to TZS 942 billion. The on-balance sheet was distributed across Personal loan 31%, interbank placement 10%, Commercial loan risk 27% and 31% to other assets.

## b) Criteria and Approach for Credit Risk Policy and Limits

The Bank's credit risk management policies are established based on the following key considerations:

- i) Regulatory frameworks including Basel II, Basel III, and Bank of Tanzania prudential regulations
- ii) Internal risk appetite approved periodically by the Board of Directors
- iii) Quantitative criteria including borrower financial strength, sector outlook, and collateral quality
- iv) Qualitative criteria including governance standards, management quality, and sustainability of business models

Credit limits are established at multiple levels, including

- i) Counterparty limits
- ii) Industry sector limits
- iii) Geographic limits

These limits ensure diversification of the credit portfolio and prevent excessive concentration risk.

## c) Structure and Organization of Credit Risk Management and Control Function

### i) Governance and Oversight Framework

The Board of Directors has ultimate responsibility for oversight of credit risk management. The Board approves the Credit Policy and Risk Appetite Framework, including exposure limits, and ensures management operates within approved parameters.

The Board reviews and recommends credit risk policies, concentration limits, and major credit exposures. The Board Audit, Risk and Compliance



Committee BARCC provides overarching oversight and strategic guidance on credit risk management.

Management oversight is exercised through:

- i) Management Credit Committee (MCC)
- ii) Risk Management Committee (RMC)
- iii) Asset and Liabilities Committee (ALCO)

The Credit Department operates independently from business origination units to ensure objective credit assessment and monitoring.

### **Credit Risk Strategy and Risk Appetite**

The Bank's credit risk appetite supports sustainable growth and risk-adjusted returns and is defined using both quantitative and qualitative metrics, including:

- i. Single borrower limits
- ii. Sector exposure limits
- iii. Non-performing loan thresholds
- iv. Portfolio diversification targets

These metrics are approved by the Board, reviewed annually, and monitored regularly.

### **Credit Approval and Underwriting Standards**

PBZ Bank maintains structured credit approval and underwriting processes supported by clearly defined roles, responsibilities, and segregation of duties. These processes are designed to ensure that credit facilities are granted based on sound risk assessment, repayment capacity, and compliance with internal policies as well as regulatory requirements. All credit facilities undergo comprehensive assessment, including detailed financial analysis of the borrower's performance, evaluation of projected cash flows to determine repayment capacity, internal risk grading based on the Bank's credit rating framework, and collateral evaluation to ensure adequacy and enforceability of security.

Delegated approval authorities are aligned with the size of exposure, risk profile of the borrower, and complexity of the transaction. Higher risk and large exposures are escalated to senior management, the Board Credit Committee, and where necessary, the Board of Directors for approval. This structured approach ensures prudent lending decisions and strengthens credit risk governance across the Bank.

### **Credit Risk Measurement and Monitoring**

PBZ Bank measures and monitors credit risk using internal risk grading models and the Standardized Approach for regulatory capital computation in accordance with Bank of Tanzania requirements. Credit exposures are continuously monitored to identify early signs of deterioration in asset quality and to ensure timely corrective action. Monitoring activities include



tracking loan performance, identification of early warning indicators, assessment of portfolio concentration risks, and periodic credit portfolio reviews.

Expected Credit Loss (ECL) is calculated in accordance with IFRS 9 using forward-looking macroeconomic assumptions. The ECL methodology incorporates key credit risk parameters, including Probability of Default (PD), which measures the likelihood of borrower default; Loss Given Default (LGD), which estimates the expected loss in the event of default; and Exposure at Default (EAD), which represents the outstanding exposure at the time of default. This forward-looking approach enhances the Bank's ability to proactively manage credit risk and maintain adequate provisioning levels

### **Credit Risk Mitigation Techniques**

The Bank employs various credit risk mitigation techniques to reduce potential losses arising from borrower default. These include the use of collateral, guarantees, loan covenants, and insurance arrangements. Acceptable collateral typically includes land and buildings, cash deposits, government securities, motor vehicles, and other eligible assets in accordance with the Bank's credit policy.

Collateral values are periodically reviewed and revalued to ensure continued adequacy and enforceability. In addition, appropriate haircuts are applied to reflect market volatility, liquidity constraints, and legal enforceability risks. Loan covenants are also monitored regularly to ensure borrowers maintain agreed financial and operational conditions, thereby strengthening credit risk mitigation.

### **Concentration Risk Management**

Concentration risk management refers to how a PBZ Bank controls the risk of having too much exposure to a single borrower, sector, region, or type of asset.

PBZ Bank actively monitors and manages concentration risks to avoid excessive exposure to individual borrowers, sectors, or geographic regions. Concentration risk is assessed across various dimensions, including industry sectors, geographic regions, customer segments, product types, and large exposures. The Bank establishes exposure limits in line with regulatory requirements and internal risk appetite thresholds.

Regular portfolio reviews are conducted to identify emerging concentration risks, and appropriate mitigation strategies are implemented where necessary. This approach supports diversification of the credit portfolio and enhances resilience against adverse sector-specific or regional developments.

### **Stress Testing Framework**



The Bank conducts periodic credit portfolio stress testing to evaluate the potential impact of adverse economic conditions on asset quality, earnings, and capital adequacy. Stress testing scenarios incorporate various macroeconomic shocks, including economic slowdown, inflationary pressures, sector-specific downturns, and default of large borrowers or counterparties. Additional stress scenarios include increases in probability of default, deterioration in loss given default, and overall decline in portfolio quality.

Combined stress scenarios are also performed to assess the cumulative impact of multiple adverse conditions. The results of stress testing are used to support capital planning, review risk appetite thresholds, and guide strategic decision-making to ensure the Bank maintains adequate capital buffers under stressed conditions

### **Capital Adequacy for Credit Risk**

PBZ Bank calculates regulatory capital for credit risk using the Standardized Approach as prescribed by Bank of Tanzania Capital Adequacy Regulations. The Bank continuously monitors capital adequacy ratios to ensure compliance with regulatory minimum requirements and internal risk appetite thresholds. Maintaining adequate capital buffers enables the Bank to absorb potential credit losses and support sustainable business growth while safeguarding depositors and other stakeholders.

### **Relationships between credit, risk management and compliance and internal audit functions**

PBZ Bank applies the Three Lines of Defense model to ensure effective credit risk governance and control

- i) **Business units** serve as the first line of defense and are responsible for customer engagement, credit origination, and ongoing monitoring of customer exposures. These units ensure that relevant information is collected and that borrowers continue to meet their contractual obligations.
- ii) **Credit department:** Operates independently from business units and is responsible for conducting credit appraisals, recommending or approving credit exposures within delegated authority, monitoring portfolio performance, performing Expected Credit Loss assessments, and overseeing recovery and remedial management activities.
- iii) **Risk and compliance:** Independently assessing credit risk exposures, monitoring adherence to credit policies, reviewing risk limits, and ensuring compliance with regulatory requirements. They also ensure that identified control weaknesses are addressed in a timely manner.
- iv) **Internal audit:** Reviews credit operations, evaluates adequacy of controls, and assesses compliance with policies and regulatory requirements.



Findings and recommendations are reported to the Board and Senior Management to strengthen governance and risk management practices.

These functions interact through joint committees, coordinated reviews, and regular reporting, ensuring a robust control environment.

#### **d) Reporting Scope and Content**

PBZ Bank maintains a comprehensive credit risk reporting framework to support effective risk oversight and decision-making. Credit risk reports are prepared regularly and provide management with insights into portfolio composition, limit utilization, asset quality trends, non-performing loans, and provisioning levels. These reports support early identification of emerging risks and facilitate timely management action.

Quarterly reports are submitted to the Board and Board Committees, providing updates on credit risk trends, stress testing outcomes, concentration risk exposures, and compliance with approved risk appetite limits. These reports enhance Board oversight and support strategic decision-making.

In addition, the Bank submits regulatory returns and disclosures to the Bank of Tanzania in accordance with Pillar 3 and other prudential reporting requirements. Credit risk reports combine quantitative data, including exposure levels, asset quality indicators, and capital allocation, with qualitative analysis covering emerging risks, sector outlooks, and mitigation strategies. This integrated reporting framework enhances transparency, strengthens governance, and supports sound credit risk management.)



## 2.2 Key Prudential Regulatory Metrics

The table below presents the disclosed metric values for the reporting period ended 31 December 2025 (T), with comparative figures for the previous four quarterly reporting periods, 30 September 2025 (T-1), 30 June 2025 (T-2), 31 March 2025 (T-3), and 31 December 2024 (T-4) in accordance with the Bank of Tanzania Market Discipline Disclosure Guidelines.

**(Amounts in million shillings)**

S/n	Metric	A	B	C	d	e
		Dec-25 (T)	Sept-25 (T-1)	Jun-25 (T-2)	Mar-25 (T-3)	Dec-24 (T-4)
<b>Available capital (amounts)</b>						
1	Common Equity Tier 1 (CET1)	294,801	247,444	242,815	235,832	229,274
2	Tier 1	294,801	247,444	242,815	235,832	229,274
3	Total capital	306,801	259,444	254,815	247,832	243,274
<b>Risk-weighted assets (amounts)</b>						
4	Total risk-weighted assets (RWA)	1,092,162	1,098,592	1,057,974	989,948	954,599
<b>Risk-based capital ratios as a percentage of RWA</b>						
5	Common Equity Tier 1 ratio (%)	26.99%	22.52%	22.95%	23.82%	24.02%
6	Tier 1 ratio (%)	26.99%	22.52%	22.95%	23.82%	24.02%
7	Total capital ratio (%)	28.09%	23.62%	24.09%	25.03%	25.48%
<b>Additional CET1 buffer requirements as a percentage of RWA</b>						
8	Capital conservation buffer requirement (2.5%)	14.49%	11.62%	12.09%	13.03%	11.52%
9	Total of bank CET1 specific buffer requirements (%)	0%	0%	0%	0%	0%



10	CET1 available after meeting the bank's minimum capital	18.09%	15.12%	15.59%	16.53%	15.48%
	<b>Basel III leverage ratio</b>					
11	Tier 1 Capital	294,801	247,444	242,815	235,832	229,274
	Exposure measure	2,776,052	2,897,164	2,782,827	2,625,741	2,525,016
12	Basel III leverage ratio (%) (Tier 1 Capital / Exposure Measure)	10.62%	8.72%	9.28%	9.35%	9.46%
	<b>Liquidity Coverage Ratio</b>					
13	Total high-quality liquid assets (HQLA)	880,780	947,767	994,546	745,227	726,198
14	Total net cash outflow	35,968	1,749,591	146,925	71,123	73,381
15	LCR (%)	2449%	521%	677%	378%	1,271%
	<b>Net Stable Funding Ratio</b>					
16	Total available stable funding	1,962,985	1,530,359	1,329,297	1,396,985	1,350,647
17	Total required stable funding	517,700	576,973	221,081	315,351	336,329
18	NSFR (%)	379%	265%	601%	443%	402%



**2.3 Composition of regulatory capital**  
**CAPITAL ADEQUACY RETURN AS OF 31 DECEMBER 2025**

		(Amounts in million shillings)	
		Current Year	Prior Year
		31.12.2025	31.12.2024
S/ No	Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	Fully Paid-up Ordinary shares Capital	31,000	31,000
2	Share Premium arising from Ordinary shares	-	-
3	Retained earnings less foreseeable dividends	192,457	144,447
4	Other disclosed reserves; / <b>Capital Grant</b>	3,422	3,258
5	Year-to-date profits of:	-	-
6	Fifty per cent of the year-to-date profits are 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;	76,517	62,503
8	<b>CET 1 before Regulatory Adjustments</b>	<b>303,395</b>	<b>241,209</b>
9	<b>Regulatory adjustments applied to CET1:</b>	<b>8,595</b>	<b>11,934</b>
10	Year to date losses;	-	-
11	Goodwill;	-	-
12	Other intangible assets;	-	-
13	Deferred tax assets that rely on future profitability;	6,716	9,610
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 having 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;	1,879	2,324

17	Pre-operating expenses.	-	-
18	<b>Common Equity Tier 1</b>	<b>294,801</b>	<b>229,274</b>
19	<b>Additional Tier 1 Capital</b>		-
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	<b>Additional Tier 1 Capital before regulatory adjustments</b>	-	-
24	<b>Total regulatory adjustment applied to Additional Tier 1 capital</b>	-	-
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	<b>Additional Tier 1 Capital recognized for capital adequacy</b>	-	-
	<b>Available Additional Tier 1 Capital</b>	<b>294,801</b>	<b>229,274</b>
28	<b>Tier 2 Capital</b>		
29	Qualifying Tier 2 capital instruments and subordinated loans that meet the conditions stipulated by the Bank.	12,000	14,000
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	<b>Available Tier 2 Capital</b>	<b>12,000</b>	<b>14,000</b>
34	<b>TOTAL CAPITAL (Tier Capital plus Tier 2 Capital).</b>	<b>306,801</b>	<b>243,274</b>
35	<b>Total Risk Weighted Assets (RWA) as BOT FORM 16-1 Schedule 15 (SUMMARY)</b>	<b>1,092,162</b>	<b>954,599</b>
36	<b>Capital Ratios and buffers (in percentage of risk weighted assets)</b>		
37	CET1 to total RWA	26.99%	24.02%



38	Tier-1 capital to total RWA	26.99%	24.02%
39	Total capital to total RWA	28.09%	25.48%
40	Capital conservation buffer	14.49%	<b>11.52%</b>
41	<b>National minimum capital requirements prescribed by the Bank of Tanzania</b>		
42	CET1 to total RWA	8.50%	8.50%
43	Tier-I 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%

## 2.4 Credit Quality of Assets

(figures in million shillings)

	A	B	C	d
Asset Type	Gross Carrying Value of		Allowances / Impairments	Net Values (a+b-c)
	Defaulted Exposures	Non-Defaulted Exposures		
Loans	17,737	1,536,437	8,920	1,545,254
Debt Securities	-	437,895	1,124	436,771
Off-Balance Sheet Items		69,740	268	69,472
<b>Total</b>	<b>17,737</b>	<b>2,044,072</b>	<b>10,312</b>	<b>2,051,497</b>

## 2.5 Standardized approach – credit risk exposure and credit risk mitigation effects

(figures in millions)

	a	b	C	D	e	f
Asset Classes	Exposures Before CCF and CRM		Exposures Post-CCF and Post-CRM		RWA	RWA density
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount		
1 Sovereigns and their central banks	14,091	-	14,091	-	-	0%



2	Non-central government public sector entities	-	1,000.00	-	1,000.00	-	0%
3	Multilateral development banks	-	-	-	-	-	0%
4	Banks and financial institutions	498,849	-	498,849	-	99,770	20%
5	Corporates	44,750	267,983	44,750	267,983	44,750	100%
6	Retail	1,036,965	-	1,036,965	-	5,184,825	50%
7	Real estate	24,551	-	24,551	-	17,186	70%
8	Defaulted exposures	17,737	-	17,737	-	17,737	100%
9	Other assets	1,114,806	-	1,114,806	-	780,364	70%
10	Total	<b>2,751,749</b>	<b>1,383,789</b>	<b>2,751,749</b>	<b>1,383,789</b>	<b>1,478,290</b>	



## 2.6 Additional disclosure related to the credit quality of assets

### Qualitative disclosures

#### Definition of "Past Due" and "Impaired" Exposures

The Bank defines credit exposures as follows:

**Past Due** - An exposure is classified as past due when a counterparty has failed to make a contractual payment (principal and/or interest) on the scheduled due date from one 1 after the due date to 90 days

**Impaired** - An exposure is considered impaired when there is objective evidence that one or more events have occurred after initial recognition and that the event(s) have a negative measurable impact on the estimated future cash flows of the financial asset. Credit-impaired financial assets are referred to as Stage 3 assets.

#### Difference between Past Due and Default (Regulatory Definition)

For regulatory purposes under Bank of Tanzania prudential guidelines, default generally occurs when:

An exposure is 90 days or more past due: or

The Bank considers the obligor unlikely to pay without realization of collateral.

While accounting impairment (Stage 3) typically aligns with regulatory non-performing loans (90+ days past due), accounting standards may also classify exposures as impaired based on forward-looking information even if they are not yet 90 days past due.

(a) The extent of past-due exposures (more than 90 days) that are not considered to be impaired and the reasons for this.

In limited circumstances, exposures that are more than 90 days past due may not be classified as impaired where:

- i) Delay is administrative or operational in nature, e.g. System error, internal operational error or payment processing delay
- ii) There is reasonable evidence of full recovery,
- iii) A highly liquid, adequate and enforceable collateral exists, and recovery through realization is highly probable/certain
- iv) Payments are received shortly after the reporting date.

(b) Description of methods used for determining impairments

The bank has a robust-expected Credit Loss (ECL) model under IFRS 9. Key elements include Staging Assessment, Measurement of ECL (PD, LGD and EAD), Individual vs Collective Assessment, and Write-offs. All exposures classes (assets)



are assessed at each reporting period and classified in stages after which impairment is assessed in accordance with the requirements of IFRS9

(c) The bank's own definition of restructured exposure.

A restructured exposure refers to a facility whose original contractual terms have been modified due to the borrower's financial difficulty, resulting in concessions granted by the Bank.

Restructuring measures may be included.

- i) Extension of tenor,
- ii) Reduction in interest rate,
- iii) Principal repayment rescheduling,
- iv) Grace periods,

Restructured exposures are assessed for impairment and may remain classified as impaired unless sustained performance is demonstrated over a defined observation period.

## Quantitative disclosures

### (d) Breakdown of exposures by industry

(Figures in million shillings)

Year 2025	Financial institutions	Manufacturing	Trading & commercial	Transport & communication	Agriculture	Individual	Construction	Others	Total
Balances with BOT	299,007	-	-	-	-	-	-	-	299,007
Placement & balance with banks	513,617	-	-	-	-	-	-	-	513,617
Govt securities at amort cost	221,682	-	-	-	-	-	-	-	221,682
<b>Loan and Advances</b>									<b>0</b>
Personal loans	-	-	-	-	-	833,403	-	-	833,403
Staff Loans	-	-	-	-	-	8,684	-	-	8,684
Mortgage loans	-	-	-	-	-	-	3,173	-	3,173
Commercial loan and overdraft	-	-	6,793	25,482	-	68,984	184,243	-	285,502
Other loans and advances	-	-	-	-	16	-	-	14,843	14,859
<b>Total Loan and Advances</b>	<b>1,034,306</b>	<b>-</b>	<b>6,793</b>	<b>25,482</b>	<b>16</b>	<b>911,071</b>	<b>187,416</b>	<b>14,843</b>	<b>1,145,621</b>
<b>Islamic Financing loan</b>									
Murabaha	-	276	44,229	36,246	-	83,538	-	-	164,289
Salam Financing	-	-	-	-	60	-	-	-	60
Ijara Services	-	-	-	-	-	68	-	-	68
Istisna Personal	-	-	-	-	-	48	-	-	48
Istisna Corporate	-	-	2,509	-	-	-	-	-	2,509
Tawarruq	-	-	43	-	-	76,596	-	-	76,639
Qard Hassan (SMIDA)	-	36	3,408	-	121	838	-	-	4,403
Commodity Murabah	-	-	-	-	-	20,343	-	-	20,343
Other Islamic financing	-	-	-	-	-	-	-	140,194	140,194
<b>Total Islamic loan Financing</b>	<b>-</b>	<b>312</b>	<b>50,189</b>	<b>36,246</b>	<b>181</b>	<b>181,431</b>	<b>-</b>	<b>140,194</b>	<b>408,553</b>
Other asset	6,563	-	-	-	-	-	-	-	6,563
Guarantees and indemnities	15,876	-	-	-	-	-	-	-	15,876
Undrawn Commitments	6,991	-	-	-	-	-	-	-	6,991
Acceptances & letter of credits	46,874	-	-	-	-	-	-	-	46,874
	<b>69,741</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>69,741</b>

**(d) Breakdown of exposures by Geographical**

**(Figures in million shillings)**

S/NO	GEOGRAPHICAL AREA	Loan Outstanding
1	Arusha	2,049,819
2	Dar es Salaam	354,564,667
3	Dodoma	104,362,856
4	Mbeya	3,916,786
5	Morogoro	3,321,900
6	Mtwara	62,217,784
7	Mwanza	6,150,806
8	Pemba	106,576,197
9	Unguja	1,009,682,378
	<b>Total</b>	<b>1,652,843,193</b>

(e) Amounts of impaired exposures (according to the definition used by the bank for accounting purposes) and related allowances and write-offs, broken down by industry.

**(Figures in TZS million)**

Credit impaired assets	Gross Exposure	Impairment allowance	Carrying amount	Fair value of collateral held
Agriculture	274	-	1	-
Construction and Transportation	224,952	2,331	254,020	118,577
Education, Health & Services	20,933	17	26,984	47
Manufacturing and Trade	60,726	63	6,118	15
Others	343,319	219	19,549	15
Personal	917,894	6,291	834,940	643
<b>Total Credit impaired assets</b>	<b>1,568,098</b>	<b>8,921</b>	<b>1,141,612</b>	<b>119,297</b>

(f) Ageing analysis of accounting past-due exposures.



(Figures in TZS million)

Days Past Due	Total Exposure
1-30 days	174,781
31-90 days	23,609
91-180 days	9,273
181-360 days	7,537
361 and above	10,911
<b>Grand Total</b>	<b>226,111</b>

## 2.7 Qualitative disclosure requirements related to credit risk mitigation techniques

Core features of policies and processes for, and an indication of the extent to which the bank makes use of, on- and off-balance sheet netting.

a. Policies and processes for on- and off-balance sheet netting.

1. Legal Enforceability

Netting is only applied where there is a legally enforceable right of set-off. All netting arrangements are supported by formal agreements (e.g., ISDA Master Agreements) and a legal opinion is obtained to confirm enforceability

2. Approval and Governance

Netting arrangements require approval from Legal, Risk, and Finance functions. Oversight is maintained through Risk Committees and Audit structures.

3. Accounting Treatment

Netting is applied in financial reporting only when criteria under IFRS are met and legal right to offset exists

4. Risk Management Integration

Netting is incorporated into counterparty credit risk measurement, limit monitoring and capital adequacy calculations (aligned with Basel principles)

5. Documentation and Review

All netting agreements and processes are documented and periodically reviewed. Regular reviews by second and third lines of deference ensure compliance with internal policy and regulatory expectations.

b. Extent to which the bank makes use of, on- and off-balance sheet netting.

a) Netting On-Balance Sheet

Applied selectively and only where strict accounting and legal criteria are satisfied.

Typically limited to:

Accounts with the same counterparty  
Situations with clear settlement intent

b) Off-Balance Sheet Netting

Applied more extensively, particularly in treasury and markets activities. This is common in Derivative transactions (e.g., FX, swaps)

Enabled through:

ISDA agreements  
Collateral arrangements (CSA)

(b) Core features of policies and processes for collateral evaluation and management.

Bank maintains a comprehensive lending Policy that covering the following

- i) Eligible collateral Types (Real estate (land and buildings), Cash deposits, Government securities, Motor vehicles and equipment, Guarantees),
- ii) Valuation (internal and external valuers, Periodic revaluation (frequency based on risk profile),
- iii) Monitoring (Regular review of collateral coverage, Insurance requirements and Legal perfection and enforceability checks)
- iv) Application of collateral values in impairment assessment including the use of haircuts, realization period and discounting to arrive at net present values

(c) Information about market or credit risk concentrations under the credit risk mitigation instruments used (i.e. by guarantor type, and collateral).

The bank's collateral policy considers the use of credit risk mitigation techniques. These mitigations are used to reduce potential losses by either securing exposures, transferring risk to third parties, or diversifying portfolios. These include those that qualify for capital computations purposes in accordance with the Bank of Tanzania guideline on Computation of Capital Charge for Credit Risk for Banks and Financial Institutions, 2022, issued by the Bank of Tanzania as well as those that the bank considers useful in meeting the potential loss reduction, diversification and risk transfer/sharing

The respective credit risk mitigations include.

1. Guarantee of the Government of the United Republic.



2. Guarantee of the Revolutionary Government of Zanzibar.
3. Guarantee of the Bank of Tanzania.
4. Cash, fixed deposit, treasury bills, notes or bonds, or other instruments as approved by the bank of Tanzania
5. Unconditional and irrevocable guarantee of a first-class international bank or a first-class international financial institution
6. Guarantees provided by other institutions such as financial institutions and corporates
7. Insurance bonds
8. Corporate bonds and shares
9. Landed properties
10. Chattels

## 2.8 Credit risk mitigation (CRM) techniques – overview

(Figures in million shillings)

	A	B	c
	Exposures carrying amount	Exposures secured by eligible collateral	Exposures not secured by eligible collateral ((a)-(b))
Loans	1,568,098	162	1,567,936
Off Balance sheet	69,740	28	69,712
<b>Total</b>	<b>1,637,838</b>	<b>190</b>	<b>1,637,648</b>
Of which defaulted	69,740	28	69,712

## 2.9 Operational risk – Qualitative disclosures

### Operational risk – Qualitative disclosures

This disclosure outlines PBZ Bank approach to managing operational risk, including governance, policies, measurement systems, and reporting frameworks. The Bank applies international best practices and complies with Bank of Tanzania regulations to ensure robust risk management and transparency.

### Policies, frameworks and guidelines for the management of operational risk.

The PBZ bank is guided by Board approved Risk Management Framework which sets out governance structure, risk identification, risk measurement and assessment, risk monitoring and lastly risk control and mitigation. The framework

specifies roles and responsibilities of risk owners or role players in relation to the Risk Management Approach. The framework also outlines Group governance, oversight, and reporting requirements. The framework is reviewed annually to ensure relevance and effectiveness.

Supporting this framework is annually Board approved Operational Risk Management Policy, which:

- a) Defines principles and responsibilities for managing operational risk
- b) Establishes methodologies for identifying, assessing, mitigating, and reporting risks
- c) Aligns with Bank of Tanzania regulatory requirement

To operationalize the framework and policy, management has established procedures and guidelines for day-to-day operations. These procedures guide risk identification, assessment, measurement, mitigation, monitoring and reporting.

### **The structure and organization of their operational risk management and control function.**

PBZ bank operational risk management is overseen by the Head of Risk and Compliance and risk governance teams. The Bank operates under the Three Lines of Defence model:

- a) **First Line:** Business units own and manage risks within their operations.
- b) **Second Line:** The Risk and Compliance functions provide oversight, set policies, and monitor adherence.
- c) **Third Line:** Internal Audit provides independent assurance on the effectiveness of operational risk controls.

Oversight is reinforced through below committee structure across all levels of the organization which ensures segregation of duties, independence, and robust governance.

- a) **Board of Directors** – Provides ultimate oversight and approves the operational risk framework, policies, and capital adequacy assessments.
- b) **Board Audit Risk and Compliance Committee** – A delegated committee of the Board responsible for detailed oversight of risk management, including operational risk exposures, mitigation strategies, and compliance with regulatory requirements.
- c) **Risk Management Committee (RMC)** – A management-level committee responsible for day-to-day monitoring of operational risk, reviewing key risk indicators (KRIs), loss events, and emerging risks. It ensures that risk governance processes are embedded across business units.



## **Operational risk measurement system**

The bank employs a comprehensive operational risk measurement system that combines both qualitative and quantitative methodologies. The system leverages internal loss data and scenario analysis under stress testing to estimate potential exposures. Risks are classified as either high, medium or low based on the likelihood of occurrence and impact. Capital charge for operational risk follows Basel standardized measurement approach (SMA) as adopted by Bank of Tanzania (Central Bank).

## **The scope and main context of their reporting framework on operational risk to executive management and to the board of directors**

Operational risk reporting is conducted through a structured framework that ensures transparency and accountability. Regular risk reports are submitted to management, highlighting key risk indicators, emerging risk trends, and mitigation actions. The Board of Directors receives quarterly operational risk reports through the Board Audit, Risk and Compliance Committee, which include detailed analyses of significant incidents and compliance with regulatory requirements. This reporting framework ensures that both executive management and the Board are fully informed and engaged in overseeing operational risk management.



**2.10 Operational risk – Quantitative disclosures Minimum required operational risk capital for the year of 2025**

(figures in million shillings)

	BI and its subcomponents	2024	2023	2022	AVERAGE
1	Interest, lease and dividend component	116,651	100,516	71,296	82
1a	Interest income	161,208	121,705	89,312	
1b	Interest expense	44,557	21,189	18,016	
1c	2.25% of Interest-bearing assets	0.00	0.00	0.00	
1d	Financial and operating lease income	0	0	0	
1e	Financial and operating lease expenses	0.00	0.00	0.00	
1f	Dividend income	136	79	30	
2	Services component	25,080	19,045	16,244	80,009
2a	Fee and commission income	25,080	19,045	16,244	
2b	Fee and commission expenses	11,303	5,251	4,082	
2c	Other operating income	26,382	19,284	16,203	
2d	Other operating expenses	64,725	59,532	55,402	
3	Financial component	14,371	8,720	4,092	9,061
3a	Net P & L on the trading book	0	0	0	
3b	Net P & L on the banking book	14371	8720	4092	
4	BI				89,152
5	Marginal Coefficient (a)				0.12

6	Capital Charge (Average*risk factor)				10,698
7	Conversion Factor				8.33
8	Calibrated Risk- Weighted Equivalent Amount				89,152

## 2.11 Market Risk

### Market Risk Qualitative Disclosures

#### 1.0 Description of Market Risk

Market risk refers to the risk of losses in on- and off-balance sheet positions resulting from adverse movements in market prices. PBZ Bank is exposed to market risk through book banking activities.

The major market risk types to which the Bank is exposed include:

- **Interest Rate Risk** – arising from changes in market interest rates that affect earnings and the economic value of assets and liabilities.
- **Foreign Exchange Risk** – arising from fluctuations in exchange rates that impact foreign currency positions and cash flows.

The Bank manages market risk in accordance with the Bank of Tanzania prudential requirements, Board-approved internal policies, and internationally recognized risk management practices. The Bank's strategy ensures that market risks are **identified, measured, monitored, controlled, and reported** in a timely and effective manner to safeguard capital, liquidity, and earnings.

#### 2.2 Market Risk Management Processes

The Bank has established a robust framework to identify, measure, monitor, and control market risk exposures. There is strong segregation of duties between Front Office, Middle Office, and Back Office. Independent oversight is provided by the **Risk Management and compliance function**.

Key processes include:

- Monitoring market valuation of all trading positions.
- Monitoring of market risk limits including positions management, Stop loss limit, VaR, and sensitivity metrics (PV01, DV01)
- Periodic stress testing and scenario analysis to assess vulnerability to extreme market movements.



- Regular reporting of exposures, limit utilizations, exceptions, and trends to ALCO, Senior Management, and the Board Audit and Risk Compliance Committee (BARCC).
- Independent review of the Trading activities as deemed by the bank's approved policies

### **3.0 Governance Structure**

PBZ Bank applies the Three Lines of Defense (3LoD) model to ensure effective governance, oversight, and management of market risk. Roles and responsibilities across the lines of defense are clearly defined to maintain strong internal controls and compliance with regulatory expectations.

#### **3.1 First Line of Defense (1LoD)**

##### **3.1.1 Treasury (Front Office)**

The Treasury Front Office is responsible for managing market related activities and directly owning market risk within approved limits. Its responsibilities include:

- Trade execution and market making
- Strategy formulation and pricing
- Client facilitation and delivery of hedging solutions
- Day-to-day position management within authorized mandates
- Identifying and managing risks arising from trading activities

The Front Office operates under approved policies, risk limits, and product programs.

##### **3.1.2 Back Office (Settlements & Operations)**

The Back Office reports to the Director of Commercials and provides essential operational control and post-trade verification. Although operational, it forms part of the 1LoD as it supports trade execution and helps prevent operational and settlement risk.

Core responsibilities include:

- Trade confirmation with counterparties
- Settlement processing of cash flows and securities
- Reconciliation of positions, accounts, and cash movements
- Maintenance of static data and settlement instructions
- Ensuring trades executed by Treasury are accurately captured, confirmed, and settled

The Back Office ensures operational integrity, accuracy, and completeness of Treasury transactions, reinforcing control within 1LoD.

### **3.2 Second Line of Defense (2LoD) – Market Risk Management (Independent Oversight)**

The Market Risk Management function sits under the **Head of Risk and Compliance** and provides independent oversight of risk-taking activities conducted in 1LoD.

Key responsibilities include:

- Developing and maintaining market risk frameworks, policies, and limits
- Independently identifying and measuring market risk exposures
- Monitoring compliance with approved limits and risk appetite
- Conducting stress testing and scenario analysis
- Validating valuation inputs, models, and methodologies
- Reporting exposures, limit breaches, and trends to Senior Management, ALCO, and Board Committees
- Providing challenge and oversight to the First Line

Independence ensures professional objectivity and strong governance.

### **3.3 Third Line of Defence (3LoD) – Internal Audit**

Internal Audit provides independent assurance to the Board and senior management that the market risk management framework, internal controls, and governance processes are:

- Adequately designed
- Operating effectively
- Compliant with regulatory and internal policy requirements
- 

Internal Audit operates independently of management and reports directly to the Board Audit Committee.

## **4.0 Scope and Nature of Risk Reporting and Measurement Systems**

The Bank uses comprehensive risk measurement tools and reporting structures to ensure timely oversight of market risk exposures.

### **4.1 Risk Oversight Committees**

#### **Board of Directors**

Holds ultimate accountability for market risk governance.

#### **Board Audit, Risk and Compliance Committee**

Provides strategic oversight of market risk, reviews key reports and risk appetite (quarterly).

#### **Asset and Liability Committee (ALCO)**



Reviews interest rate risk, FX risk, liquidity risk, capital risk and limit utilization (monthly)

**Risk Management Committee (Management Level)**

Monitors overall risk exposures, including market risk including stress tests results and ensures alignment with approved risk appetite (monthly).

**4.2 Market Risk Measurement, Monitoring, and Control Tools**

The Bank employs the following tools:

- Risk Limits – Specific per risk type, product, currency, and portfolio.
- Stress Testing and Scenario Analysis – To assess extreme but plausible shocks.
- Key Risk Indicators (KRIs) – Early warning signals of rising risk.
- Risk and Control Self-Assessments (RCSAs) – To identify control weaknesses.

Regular reporting ensures exposures remain aligned with the Bank’s risk appetite, and exceptions are escalated promptly.

**Quantitative disclosures**

**(Amount TZS “million”)**

	<b>Capital charge in simplified standardized method</b>
Interest rate risk	-
Equity risk	-
Foreign exchange risk	641

**2.12 Interest rate risk in the banking book.**

Interest rate risk is the possibility that changes in market interest rates will negatively affect the bank’s earning or the value of its assets and liabilities

**A: Qualitative Disclosures:**

The bank’s IRRBB is the risk that changes in interest rates hurt a bank’s earnings or its economic value because of how assets and liabilities are structured in the banking book. It arises because asset and liability cash flows don’t reprise at the same time or in the same way when interest rates move. Since the bank is typically borrowing short-term and lend long-term, it is therefore naturally exposed.

IRRBB for PBZ is mainly caused by: -

- Repricing (gap) risk: - Happens when assets (like loans) and liabilities (like deposits) are repriced at different times.
- Yield curve risk: - Different maturities respond differently to rate changes. This can affect the value of investments and loans differently.
- Basis risk: - Different reference rates don’t move perfectly together.

PBZ manages IRRBB through: -

- Asset–liability matching (ALM): The PBZ bank matches the maturity and repricing of assets and liabilities.
- Product pricing and repricing strategies
- Limits and governance via ALCO: The PBZ bank setting limits on acceptable risk levels and regularly reviewing exposure.



## B: Quantitative disclosures:

### 2.13 Interest rate Risk. TZS million)

(Amount in

At December 2025	31	Non- interest bearing	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
<b>Assets</b>								
Cash and balances with BOT		345,905	-	-	-	-	-	<b>345,905</b>
Balance with other Banks		-	513,619	-	-	-	-	<b>513,619</b>
Government securities at amortized cost		-	-	-	-	31,000	190,682	<b>221,682</b>
Cheques and Items for Clearing		-	23	-	-	-	-	<b>23</b>
Loan and advances		-	3,807	11,027	255,268	559,467	316,051	<b>1,145,620</b>
Islamic Financing		-	248,944	17,850	203	141,556	-	<b>408,553</b>
Equity investment at FVOCI		-	-	-	-	-	4,497	<b>4,497</b>
Other assets		-	111,850	-	-	-	-	<b>111,850</b>
<b>Total assets</b>		<b>345,905</b>	<b>878,243</b>	<b>28,877</b>	<b>255,471</b>	<b>732,023</b>	<b>511,230</b>	<b>2,751,749</b>
<b>Liabilities</b>								
Deposits to customer (Conventional)		810,775	65,219	168,712	580,714	-	-	<b>1,625,420</b>
Deposits to customers (Islamic)		563,430	766	14,272	-	-	-	<b>578,468</b>
Special deposits		53,034	-	-	-	-	-	<b>53,034</b>
Other liabilities		22,317	-	-	-	-	-	<b>22,317</b>
Borrowings		-	148,162	-	-	10,152	-	<b>158,314</b>
<b>Total liabilities</b>		<b>1,449,556</b>	<b>214,147</b>	<b>182,984</b>	<b>580,714</b>	<b>10,152</b>	<b>-</b>	<b>2,437,553</b>
<b>Total interest sensitivity gap</b>		<b>(1,103,651)</b>	<b>664,096</b>	<b>(154,107)</b>	<b>(325,243)</b>	<b>721,871</b>	<b>511,230</b>	<b>314,199</b>

As at 31 December 2025, the Bank's interest rate sensitivity analysis shows an overall positive gap of TZS 314.2 billion, indicating that interest-sensitive assets exceed



interest-sensitive liabilities and confirming that the Bank is generally asset-sensitive. The significant positive gap in the short-term bucket (up to one month) reflects stronger asset repricing compared to liabilities, while the negative gaps in the 1–3 months and 3–12 months buckets indicate some medium-term repricing pressure where liabilities may reprice faster than assets, potentially compressing margins in a rising rate environment.

#### 2.14 Leverage Ratio:

(Amounts in million shillings)

S/No	Particulars	Amount
a	b	c
1	Total Assets as calculated under BOT FORM 16-1 to be submitted Monthly (Line item 77)	2,751,749
2	Total Off-Balance Exposures as calculated under BOT FORM 16-1 Schedule 15(ii) NEW (Line item 53)	24,303
3	Total Exposure Measure (Item 1 plus 2)	2,776,052
4	Tier 1 Capital as calculated under BOT Form 16-1 (Schedule 10(i)) NEW (Line item 28)	294,801
5	<b>Leverage Ratio</b>	<b>10.62%</b>

#### 2.15 Computation of Liquidity Coverage Ratio (LCR) as at 31st December 2025

(Amounts in million shillings)				
S/NO	PARTICULARS	Outstanding Amount	Factor	Net Amount
a	b	c	d	E
1	<b>Stock of High-Quality Liquid Assets (HQLA)</b>			
2	Cash (notes and coins)	46,925	100%	46,925
3	Balances with Bank of Tanzania to the extent that these balances can be drawn down in times of stress <sup>1</sup>	148,874	100%	148,874
4	Balances with Other banks and Interbank Loan Receivable callable on demand or with a maturity of less than 30 days	512,940	100%	512,940
5	Unencumbered Government securities maturing within 1 year	-	95%	-

6	Unencumbered Government securities maturing after 1 year	215,051	80%	172,041
7	<b>Total high quality liquid assets</b>	<b>923,790</b>	<b>0%</b>	<b>880,780</b>
8	<b>Cash Outflows</b>			
9	Demand deposits	1,006,957	10%	100,696
10	Savings deposits	367,249	10%	36,725
11	Time deposits (maturing in 30 days)	288	100%	288
12	Deposits from banks and financial institutions (maturing in 30 days)	579	100%	579
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	6,990	30%	2,097
16	Undrawn balances of loans	-	10%	-
17	Other contingent funding liabilities (such as guarantees and letters of credit)	69,740	5%	3,487
18	<b>Total cash outflows</b>	<b>1,451,803</b>	<b>0%</b>	<b>143,872</b>
19	<b>Cash Inflows</b>			
20	Loans and advances (maturing within 30 days)	252,752	50%	126,376
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	<b>Total cash inflows</b>	<b>252,752</b>		<b>126,376</b>



25	Total net cash outflows = Total cash outflows minus the lower of total cash inflows and 75% of gross outflows			35,968
26	Liquidity Coverage Ratio = (Total high quality liquid assets)/(Total net cash outflows)			2449%



## 2.16 Liquidity Risk Management

### Computation of Net Stable Funding Ratio (NSFR) as at 31st December 2025

(Amounts in million shillings)

S/NO		Carrying Amount	Factor	Weighted Amount(B*C)
A	<b>Available Stable Funding (ASF)</b>			
1	Common equity Tier 1	294,801	100%	294,801
2	Additional Tier 1	-	100%	0
3	Tier 2 Capital (excluding Tier 2 instruments with residual maturity of less than one year)	12,000	100%	12,000
4	Borrowings and liabilities with maturities of one year or more	0	100%	0
5	Stable demand and/or term deposits from retail and small business customers with residual maturity of less than one year.	444,509	95%	422,283
6	Less stable demand and/or term deposits from retail and small business customers with residual maturity of less than one year.	904,894	90%	814,405
7	Funding with residual maturity of less than one year provided by non-financial corporate customers	169,071	50%	84,536
8	Operational Deposits	113,316	50%	56,658
9	Funding with residual maturity of less than one year from sovereigns, public sector entities (PSEs), and multilateral and national development banks	556,026	50%	278,013
10	Other funding maturing within a period of six months to one year and not included in the line items above, including funding provided by central banks and financial institutions, including banks within the same cooperative network	579	50%	290
11	Deferred tax liabilities (if the effective maturity of the liability is greater than one year).	-	100%	-
12	Deferred tax liabilities maturing within a period of six months to one year.	-	50%	-
13	Deferred tax liabilities maturing within six months.	-	50%	-
14	Minority Interest – If perpetual or with effective maturity of greater than or equal to one year	-	100%	-



15	Minority Interest with residual maturity between six months and less than one year.	-	50%	-
16	Minority Interest with effective maturity of less than six months.	-	0%	-
17	All other liabilities and equity not included in the above categories, including liabilities without stated maturity.	18,080	0%	-
18	NSFR derivative liabilities net of NSFR derivative assets if NSFR derivative liabilities are greater than NSFR derivative assets	-	0%	-
19	NSFR derivative liabilities (derivative liabilities less total collateral posted as variation margin on derivative liabilities).	-	0%	-
20	"Trade date" payables arising from purchases of financial instruments, foreign currencies	-	0%	-
<b>B</b>	<b>Total Available Stable Funding (ASF) [sum (1)-(21)]</b>			1,962,985
<b>C</b>	<b>Required Stable Funding (RSF)</b>			
	<b>On-balance sheet</b>			
21	Cash	46,925	0%	-
22	Balances with Bank of Tanzania (All balances including Statutory Minimum Reserve).	299,091	0%	-
23	Claims on Bank of Tanzania with residual maturities of less than six months.	-	0%	-
24	Receivables arising from sales of financial instruments and foreign currencies.	-	0%	-
25	Unencumbered HQLA excluding cash and balance with the Bank of Tanzania.	0	5%	0
26	Unencumbered loans to banks and financial institutions with residual maturities of less than six months, where the loan is secured against Level 1 assets, where a bank or financial institution can freely rehypothecate the received collateral	0	10%	0
27	All other unencumbered loans to banks and financial institutions with residual maturities of less than six months not included in the above categories.	0	15%	0



28	HQLA encumbered for a period of six months or more and less than one year.	0	50%	0
29	Loans to Bank of Tanzania, banks and financial institutions with residual maturities between six months and less than one year.	497,824	50%	248,912
30	Deposits held at other banks and financial institutions for operational purposes	14,091	50%	7,046
31	All other assets are not included in the above categories with residual maturity of less than one year.	0	50%	0
32	Unencumbered residential mortgages with a residual maturity of one year or more and with a risk weight of less than or equal to 75%.	0	65%	0
33	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 with a risk weight of less than or equal to 50%.	0	65%	0
34	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 Counter Party.	-	85%	-
35	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.	0	85%	0
36	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	215,051	85%	182,794
37	Physically traded commodities, including gold	-	85%	-
38	All other assets that are encumbered for a period of one year or more	-	100%	-
39	Derivative assets net of derivative liabilities if derivative assets are greater than derivative liabilities.	2,679	100%	2,679
40	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, non-exchange-traded equities, fixed assets,	75,293	100%	75,293



	items deducted from regulatory capital, retained interest, insurance assets, subsidiary interests and defaulted securities.			
41	<b>Off-balance sheet</b>	-		
42	Irrevocable and conditionally revocable credit and liquidity facilities to any client	0	5%	0
43	Unconditionally revocable credit and liquidity facilities	-	5%	-
44	Trade finance-related obligations (including guarantees and letters of credit)	46,876	1%	469
45	Guarantees and letters of credit unrelated to trade finance obligations	15,876	1%	159
46	Other non-contractual obligations	-	1%	-
47	All other off balance-sheet obligations are not included in the above categories.	6,990	5%	350
<b>D</b>	<b>Total Required Stable Funding (RSF) [sum (22)-(47)]</b>	-		<b>517,700</b>
<b>E</b>	<b>Net Stable Funding Ratio = (Total available stable funding)/ (Total required stable funding) [B/D]</b>			<b>379.17%</b>



### **3. Conclusion:**

The Bank remains committed to full compliance with the Market Discipline Guidelines issued by the Bank of Tanzania, recognizing the critical role of transparent, accurate, and timely disclosures in promoting market confidence and accountability. Through robust governance structures, effective internal controls, and clearly defined roles and responsibilities, the Bank ensures that all disclosures meet regulatory requirements and reflect the institution's true risk profile and financial position. Continuous review and enhancement of the disclosure framework will be maintained to align with evolving regulatory expectations and best practices.

