

**KCB**

**SAHL BANKING**



## **INFORMATION MEMORANDUM**

**IN RESPECT OF UNSECURED, SUBORDINATED AND NON-CUMULATIVE SUKUK  
AL MUDHARABAH PROGRAMME ("MAPATO SUKUK") OF TANZANIAN  
SHILLINGS THIRTY BILLION (TZS 30,000,000,000) WITH A GREENSHOE  
OPTION OF TANZANIAN SHILLINGS THIRTY BILLION ( TZS 30,000,000,000)  
APRIL 2026**



## CAUTION STATEMENT

This Information Memorandum has been prepared in compliance with the Capital Markets and Securities Act, Cap 79, Companies Act, Cap 212 (Act No.12 of 2002) of the Laws of United Republic of Tanzania, Capital Markets and Securities (Guideline for the issuance of Corporate Bonds, Municipal Bonds and Commercial Papers), 2019, the Dar es Salaam Stock Exchange PLC. Rules, 2022 and Capital Markets and Securities (Corporate and Subnational Sukuk Bonds) Guidelines, 2023.

A copy of this Information Memorandum has been delivered to the Capital Markets and Securities Authority (CMSA) for approval and to the Registrar of Companies for registration. Approval of this Information Memorandum by the CMSA should not be taken as an indication of the merits of KCB Bank Tanzania Limited or its application. The securities offered in this Information Memorandum have not been approved or disapproved by the CMSA.

Prospective investors should carefully consider the matters set forth under the caption "Risk Factors" under section 7 of this Information Memorandum. If you are in doubt about the contents of this Information Memorandum, you should consult your Investment Advisor, Stockbroker, Lawyer, Banker or any other Financial Consultant.



## Important Notice

This Information Memorandum (together with any supplementary information memorandum and information incorporated herein by reference, "the Information Memorandum") contains summary information provided by KCB Bank Tanzania Limited (the "Issuer") in connection with an Unsecured, Subordinated and Non-Cumulative Sukuk Al Mudharabah Programme ("Mapato Sukuk"). Under this Sukuk Programme the Issuer may from time to time issue Sukuks with an aggregate amount of Tanzanian Shillings Thirty Billion (TZS 30,000,000,000).

Each Tranche of Sukuk will be issued on the terms set out in the Conditions, as supplemented by the Applicable Final Terms. This Information Memorandum must be read and construed together with any amendment or supplement hereto and with any information incorporated by reference herein. In relation to a Tranche of Sukuk, this Information Memorandum should be read and construed together with the Applicable Final Terms.

The register of Sukukholders will be maintained by KCB Bank Tanzania as the Registrar.

The Sukuk is issued in accordance with AAOIFI Shari'ah Standard No. 17: Investment Sukuk (3/6/2 Mudharabah Sukuk).

The sale or transfer of the Sukuk by Sukukholders will be subject to the rules and regulations of the Dar es Salaam Stock Exchange PLC (DSE) and where applicable, the prevailing Central Securities Depository Rules and the Terms and Conditions of the Sukuk. There are currently no other restrictions on the sale or transfer of Sukuk under Tanzanian law. In particular, there are no restrictions on the sale or transfer of Sukuk by or to non-residents of Tanzania.

The Sukuk has not been and will not be registered under any other securities legislation in any other country other than Tanzania.

A copy of this Information Memorandum has been filed with the Registrar of Companies in Dar es Salaam, in accordance with the requirements of the Companies Act Cap 212 (R.E) of the Laws of Tanzania.

The Sukuk to be issued shall be placed with investors and thereafter be available for secondary trading on the Dar es Salaam Stock Exchange PLC.

Investors should note that the Sukuk are being sold only to Qualified Investors (as defined in the Conditions) and that only Qualified Investors may be registered as Sukukholders.

The Sukuk may not be offered or sold, directly or indirectly and neither this document nor any other Information Memorandum, offering circular or any Information Memorandum, form of application, advertisement, other offering material or other information relating to the Issuer or the Sukuk may be issued, distributed or published in any country or jurisdiction, except under circumstances that will result in compliance with all applicable laws, orders, rules and regulations of that country or jurisdiction.



## Disclaimer Statements

This Information Memorandum should be read in its entirety. If you are in doubt about the contents of this Information Memorandum or what action you should take, you should seek advice from your investment advisor, stockbroker, lawyer, banker or any other financial consultant.

The Issuer has confirmed to the Arranger that the information contained or incorporated by reference in this Information Memorandum is true and accurate in all material respects and not misleading and that there are no other facts the omission of which makes this Information Memorandum as a whole, or any such information contained or incorporated by reference herein, misleading.

Approval of the Capital Markets and Securities Authority (the "Authority" or the "CMSA") as required under Section 131 of the Capital Markets and Securities Act, Cap 79 of the Laws of Tanzania has been obtained for the Issue, circulation and publication of this Information Memorandum.

It must be distinctly understood that in giving this approval, the CMSA does not take any responsibility for the financial soundness of the issuer and any of its schemes stated herein or for the correctness of any of the statements made or opinions expressed with regards to them by the issuer in this Information Memorandum.

CMSA has not rated quality of the issue and its approval for issue, circulation and publication of information memorandum should not be construed as any commitment of the same. The public/investors should conduct their own independent due diligence and analysis regarding the quality of the issue before subscribing.

The Information Memorandum for the Unsecured, Subordinated, Non-Cumulative Sukuk Al Mudharabah Sukuk Programme ("Mapato Sukuk" or "Sukuk") has been approved by Dar es Salaam Stock Exchange PLC ("DSE") in accordance with the listing requirements.

DSE has not evaluated the quality of the issue and its approval should not be considered and construed as any commitment of the same. The public/investors should conduct their own independent investigation and analysis regarding the quality of the issue before subscribing.

The contents of this Information Memorandum do not constitute an invitation to invest in Sukuk or subscribe for any securities or other financial instrument by DSE, nor should it or any part of it form the basis of, or be relied upon in any connection with any contract or commitment whatsoever of DSE.

The information in this Information Memorandum should not be construed as advice on any particular matter by DSE and must not be treated as a substitute for specific advice.

The Bank of Tanzania (BoT) has given a letter of no objection for the issuance of Sukuk by the Issuer. As a matter of policy, the BoT does not assume responsibility for the accuracy of any statements, opinions, reports or recommendations made in this Information Memorandum. Receipt of a no objection from the BoT of the Issue should not be taken as an indication of the merit of the Issuer or of the Sukuk.

## Directors' Declaration

The Directors of KCB Bank Tanzania Limited, whose particulars appear in section 4.5.1 in this Information Memorandum, collectively and individually accept responsibility for the information given and certify that to the best of their knowledge and belief there are no other facts the omission of which would make any statement false or misleading, that they have made all reasonable enquiries to ascertain that this is true.

As at the date of the Information Memorandum and for a period of at least 2 years prior to that date, no Director:

- (i) or any partnership in which said Director was a partner or any company of which he was an executive officer, is or has been the subject of a filing of a petition under any bankruptcy law;
- (ii) had been convicted in a criminal proceeding or been a named subject of a ruling of a court of competent jurisdiction or any governmental body, that permanently or temporarily prohibited him from acting as an investment advisor or as a director or employee of a broker or dealer, director or employee of any financial institution or engaging in any type of business practice or activity;
- (iii) held any shares of the Company; or
- (iv) had existing business contracts with the Company.



**Director**



**Secretary**

17/10/2025

**Date**



## Managing Director's Statement

Dear Prospective Investors,

It is with great pleasure that I present to you an exciting investment opportunity, KCB Sukuk Programme (Mapato Sukuk). This Information Memorandum outlines an opportunity to invest in a Shari'ah compliant capital markets instrument (Sukuk), structured in line with Islamic principles and designed to support inclusive economic development in Tanzania.

KCB Bank Tanzania Limited, a licensed full-service commercial bank under the Banking and Financial Institutions Act, 2006, has served the Tanzanian market since its incorporation in 2008. The Bank operates five core business divisions: Treasury, Corporate Banking, Retail Banking, Islamic Banking, and Trade Finance, delivering comprehensive financial solutions across the country. As of 31 December 2024, the Bank had a national footprint of 17 branches, including eight in Dar es Salaam, three located in Arusha, one each in Moshi, Mwanza, Morogoro, Kahama, Geita and Zanzibar. This network is complemented by 21 ATMs, 637 agents and 778 active POS merchants across the country.

In line with its positive trajectory and strategic ambitions, KCB Bank Tanzania successfully launched Tanzania's first publicly listed Sukuk in 2022 to support the growth of its Islamic Banking Division, KCB Sahl Banking. This inaugural Sukuk issuance marked a significant milestone, raising TZS 11 billion against a target of TZS 10 billion, reflecting strong investor interest with a subscription rate of 110%.

Building on this achievement, the Bank is now introducing a TZS 30 billion Sukuk Programme, structured to be implemented in three tranches. This programme represents an important step in expanding Shari'ah-compliant capital markets in Tanzania and will support the Bank in meeting increasing demand for Islamic financing solutions, including Murabaha, Qardh, Tawarruq, Ijarah, and Diminishing Musharaka.

This issuance reflects our deep commitment to expanding financial inclusion, supporting ethical investment, and fostering the development of capital markets in Tanzania and the East African region. It aligns with our broader mission to be "your preferred financial solutions provider in Africa with global reach."

We are also proud of our continued community involvement. In 2023/2024, KCB Bank Tanzania partnered with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) to provide 960 scholarships under the 2jijiri program designed to enhance employability and skills development through vocational training. As a result, 601 jobs were created, directing contributing to economic growth. 388 beneficiaries received toolkit grants, empowering them to unlock their potential, improve their livelihoods, and establish self-employment. Environmental stewardship, community development, and responsible banking remain core pillars of our operations.

The Sukuk Programme aims to:

- Provide KCB Sahl Banking with additional capital to meet growing financing demand.
- Deepen the Islamic capital market and diversify funding sources in Tanzania.
- Offer Shari'ah-compliant investors, including Islamic banks, takaful providers, and faith-based institutions viable long-term investment opportunities.
- Promote inclusive economic development through innovative financing solutions.

KCB Bank Tanzania Limited has taken all reasonable care to ensure that the information presented in this Information Memorandum is true, fair and accurate in all material respects, and that it complies with the applicable legal and regulatory requirements governing capital markets in the United Republic of Tanzania. Furthermore, this Sukuk Programme has been structured in accordance with the Shari'ah Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and has been reviewed and endorsed by the KCB Sahl Banking Shari'ah Advisory Board and Independent External Shari'ah Advisor to ensure full compliance with Shari'ah principles.

We invite you to partner with us in this journey of ethical, inclusive, and sustainable finance.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Cosmas Kimario".

Cosmas Kimario  
Managing Director



# Table of Contents

List of Figures	ix	
Glossary of Abbreviations and Technical Terms	x	
<b>01</b>	<b>Overview of the Programme</b>	<b>1</b>
	1.1 Primary Business of the Issuer	1
	1.2 Investment Manager	1
	1.3 Salient Features of The Programme	1
<b>02</b>	<b>Economic Overview and Industry overview</b>	<b>3</b>
	2.1 Economic Overview	3
	2.1.1 Gross Domestic Product (GDP)	3
	2.1.2 Inflation	3
	2.1.3 Conventional Bank Interest Rates	4
	2.1.4 Credit to Private Sector	4
	2.2 Conventional Banking Industry Overview	5
	2.2.1 Banking Sector Assets and Liabilities	6
	2.2.2 Asset Quality	6
	2.2.3 Profitability	7
	2.2.4 Capital Adequacy	7
	2.2.5 Liquidity Adequacy	7
	2.2.6 Overall Industry Performance	7
	2.3 Islamic Banking Industry Overview	8
<b>03</b>	<b>Description of Islamic Finance</b>	<b>9</b>
	3.1 Principles of Islamic Finance	10
	3.2 Key Benefits of Sukuk Issuances	10
	3.3 Comparison of Sukuk and Conventional Bonds	11
<b>04</b>	<b>Issuer's Overview, History and Prospects</b>	<b>12</b>
	4.1 Background & History	15
	4.2 Operating Performance Highlights	15
	4.3 Summary of Borrowings and Debt Outstanding:	16
	4.4 Shareholders and Shareholding Structure	16
	4.5 Management of the Bank	16
	4.5.1 Board of Directors of the Bank	16
	4.5.2 Board Committees	21
	4.5.3 KCB Bank Tanzania Limited Executive Management	21
	4.5.4 KCB Bank Tanzania Limited Executive Management Structure	22
	4.6 KCB Sahl Banking Shari'ah Board	26
	4.7 KCB Sahl Banking Organization Structure	28
	4.8 Employees	28
	4.9 KCB Sahl Banking Products and Services	28
	4.9.1 Saving Accounts	28
	4.9.2 Consumer Finance	29

<b>04</b>	4.9.3 Transaction Account	29
	4.9.4 Investment Accounts	29
	4.10 Branches and ATM	30
	4.11 Summary of Issuer's Financial Information	30
	4.11.1 Statement of Profit or Loss and Other Comprehensive Income	30
	4.11.2 Statement of Financial Position	31
	4.11.3 Statement of Cash Flows	32
	4.12 KCB Sahl Banking Financial Summary	34
	4.12.1 Statement of Profit and Loss and Other Comprehensive Income	34
	4.12.2 Statement of Financial Position Summary	34
	4.12.3 Key Performance Indicators KCB Bank Tanzania Limited	34
	4.12.4 Key Performance Indicators KCB Sahl Banking	35
<b>05</b>	<b>Details of the Issue and Related Information</b>	36
	5.1 Instrument Structure	36
	5.2 Parties Involved	37
	5.3 Expenses to the Issue	39
	5.4 Utilization of Proceeds	39
	5.5 Management of Proceeds	39
	5.6 Investment Plan	39
	5.7 Periodic Shari'ah Audit for KCB Sahl Banking	40
	5.8 Shari'ah Advisor to the Issue	40
	5.8.1 CIFCA Shari'ah Board Members	40
	5.9 Issue and Credit of Sukuk	43
5.10 Refund of Money to Unsuccessful Applicants	43	
<b>06</b>	<b>Shari'ah Opinion (CIFCA Certificate)</b>	44
<b>07</b>	<b>Risk Factors</b>	45
	7.1 Risk Factors related to the Issuer	45
	7.2 Risk Factors Related to the Market	46
	7.3 Risk Factors Related to the Sukuk	47
<b>08</b>	<b>Master Programme Sukuk Al Mudharabah Terms &amp; Conditions</b>	48
	8.1 Definitions	48
	8.2 Structure of the Mudharabah Sukuk	51
	8.3 Commencement and Term of Mudharabah Sukuk	51
	8.4 The Investment Plan	52
	8.5 Issuance of Sukuk	52
	8.6 Profit Sharing and Distributions	53
	8.7 Subordination	53
	8.8 Redemption and Dissolution	54
	8.9 Dissolution Event	55
	8.10 Transfers	56
	8.11 Taxation	56
8.12 Notices	57	



<b>08</b>	8.13 Amendments and Waivers	57
	8.14 Miscellaneous	58
	8.15 Acknowledgement, Consent and Representations	58
	8.16 Shari'ah Compliance	59
	8.17 Waiver of Interest	59
	8.18 Governing Law and Dispute Resolution	59
<b>09</b>	<b>General and Statutory Information</b>	60
	9.1 Authorisation	60
	9.2 Licenses	60
	9.3 Summary of Material Provisions of the Memorandum and Articles of Association	60
	9.3.1 Annual General Meetings	60
	9.3.2 Voting Rights	60
	9.3.3 Election and approval of directors	60
	9.3.4 Issuance and Alteration of Share Capital	61
	9.4 Significant or Material Changes	61
	9.5 Acquisitions and Disposals of Material Assets	61
	9.6 Consents	61
	9.6.1 Shari'ah Opinion	61
	9.6.2 Legal Opinion	61
9.6.3 Reporting Accountant's Report	61	
9.7 Documents available for inspection	61	
<b>10</b>	<b>Reporting Accountant Report</b>	63
<b>11</b>	<b>Legal Opinion</b>	175
	<b>Appendix 1:</b> Application Form	185
	<b>Appendix 2:</b> Pricing Supplement	189
	<b>Appendix 3:</b> Appendix 3: Licensed Dealing Members of the Dar es Salaam Stock Exchange	192

# List of Figures

<b>Figure 1:</b> GDP Annual Growth Rate	3
<b>Figure 2:</b> Annual Average Inflation Rate	3
<b>Figure 3:</b> Interest rates	4
<b>Figure 4:</b> Commercial Banks Domestic Lending by Economic Activity	5
<b>Figure 5:</b> Banking Sector Assets	6
<b>Figure 6:</b> Banking Sector Liabilities	6
<b>Figure 7:</b> NPL to Gross Loans	8
<b>Figure 8:</b> Cost to Income and Net Interest Margin to Total Income Ratios	8
<b>Figure 9:</b> Core Capital and Total Capital Ratios	8
<b>Figure 10:</b> ROA and ROE	8
<b>Figure 11:</b> KCBT Executive Management Structure	22
<b>Figure 12:</b> KCB Sahl Banking Organization Structure	28

## Glossary of Abbreviations and Technical Terms

<b>AAOIFI</b>	Means Accounting, Auditing Organization of Islamic Financial Institutions
<b>Applicable Laws</b>	Means any laws or regulations (including any foreign exchange rules or regulations) of any governmental or other regulatory authority which may govern the Issue, the Conditions of the Sukuk and the Sukuk issued thereunder in accordance with which the same are to be construed.
<b>Board/BOD</b>	Means Board of Directors of KCB Bank Tanzania Limited
<b>BoT</b>	Means the Bank of Tanzania
<b>CAR</b>	Means Capital Adequacy Ratio; the amount of risk-based capital (Tier 1 and Tier 2) as a percentage of risk-weighted assets
<b>CMSA</b>	Means Capital Markets and Securities Authority
<b>Companies Act</b>	Means the Companies Act, 2002.
<b>CSD</b>	Means Central Securities Depository
<b>CSDR</b>	Means CSD and Registry Company Limited
<b>Conditions</b>	Means the terms and conditions set out under section 8 of the Information Memorandum governing and regulating the Sukuk.
<b>CY</b>	Means Calendar Year
<b>DSE</b>	Means Dar es Salaam Stock Exchange Public Limited Company
<b>EPS</b>	Means Earnings per Share
<b>FY</b>	Means Financial Year
<b>Mudharabah Pool</b>	Means the general investment pool managed by the Investment Manager, comprising the Mudharabah Capital and other co-mingled Shari'ah-compliant funds held and invested in accordance with the rules and principles of Shari'ah. These may include (without limitation) proceeds of all current, savings and investment deposit account balances held with KCB Sahl, as well as any other Shari'ah-compliant sources of funds as may be included in the pool from time to time.
<b>Greenshoe Option</b>	Means the right of the Issuer in case of over-subscription to issue Sukuk up to an additional Tanzanian Shillings Ten Billion (TZS 10,000,000,000) for each tranche.
<b>Investment Manager</b>	Means KCB Sahl Banking
<b>Issue Date</b>	Means the date upon which the relevant tranche of the under the Sukuk Programme is issued and as provided in the relevant Pricing Supplement.
<b>Issuer</b>	Means KCB Bank Tanzania Limited
<b>Lead Arranger</b>	Means FIMCO Limited
<b>Licensed Dealing Members</b>	Means the Authorised Collecting Agents listed in Appendix 4 of this Information Memorandum
<b>Legal Advisor</b>	Means Twelfth Law & Advisory
<b>Listing Date</b>	Means the date on which the Sukuk is listed on the Dar es Salaam Stock Exchange PLC.
<b>Mudarib</b>	Means KCB Bank, in its capacity as managing trustee (in a contractual capacity) of the Mudharabah, responsible for overseeing the Mudharabah Capital contributed by the Rabbul Maal and ensuring its investment (through the Investment Manager) in accordance with Shari'ah rules and principles and the Terms & Conditions.

<b>Qualified Investor</b>	Means any person or entity that is permitted under the applicable laws, regulations, and guidelines of the CMSA to subscribe for and hold Sukuk as may be defined under the CMSA regulations from time to time.
<b>Rabbul Maal</b>	Means each Sukuk Holder, in its capacity as the provider of Mudharabah Capital to the Mudarib under the Mudharabah arrangement, thereby acquiring an undivided beneficial interest in the Mudharabah Pool.
<b>Receiving Bank</b>	Means KCB Bank Tanzania Limited
<b>Registrar/Transfer Agent</b>	Means KCB Bank Tanzania Limited
<b>Reporting Accountant</b>	Means RSM Tanzania
<b>Shari'ah Advisor</b>	Means the Centre for Islamic Finance, Compliance and Advice (CIFCA)
<b>Shari'ah Advisory Board</b>	Means the Shari'ah Advisory Board appointed by KCB Bank, which provides oversight and guidance on the Shari'ah compliance of the Sukuk Al Mudharabah structure and all investments made under the Programme.
<b>Sponsoring Broker</b>	Means FIMCO Limited
<b>Subordinated Sukuk</b>	Means an asset-based Sukuk that when the issuer goes into liquidation, the holders will have a rank below that of other liabilities.
<b>Sukuk</b>	Means the unsecured, subordinated, dematerialised investment certificate(s) issued by the Issuer under the Programme from time to time, representing the Rabbul Maal's (each Sukukholder's) undivided beneficial interest in the Mudharabah Pool in accordance with the Terms & Conditions and Shari'ah rules and principles.
<b>Sukuk Depository Receipt</b>	Means the document issued to a Sukuk holder evidencing a portion of ownership of the Sukuk.
<b>Sukuk Holder</b>	Means a person who is for the time being entered in the Register as the holder of the Sukuk, and includes, where the context permits, any person entitled to receive payments under the Sukuk in accordance with the Terms & Conditions and the applicable laws and regulations.
<b>Sukuk Programme</b>	Means the Mapato Mudharabah Sukuk issuance programme established by the Issuer for the issuance of up to TZS 30,000,000,000 (Tanzanian Shillings Thirty Billion) over a period of three (3) years, comprising up to three Tranches of TZS 10,000,000,000 (Tanzanian Shillings Ten Billion) each, with the possibility of additional issuance under a Greenshoe Option, all pursuant to and subject to these Master Programme Al Mudharabah Sukuk Terms & Conditions.
<b>Sukuk Price</b>	Means the issue price to be paid by the Sukuk Holders in subscribing for the Sukuk.
<b>Sukuk Proceeds</b>	Means the amount received by KCB Bank Tanzania Limited after the subscription of the Sukuk by the Sukuk Holders.
<b>Tanzanian Shillings or TZS</b>	Means the legal currency of Tanzania.
<b>Tier 1 Capital</b>	Means core capital as defined in the Banking and Financial Institutions Act, 2006.
<b>Tier 2 Capital</b>	Means supplementary capital as defined in the Banking and Financial Institutions Act, 2006.
<b>Transaction Documents</b>	Means the following documents: <ol style="list-style-type: none"> <li>1. Information Memorandum</li> <li>2. Application Form</li> <li>3. Pricing Supplement</li> </ol>
<b>TRWA and OBSE</b>	TRWA and OBSE Means total risk weighted assets and off-balance sheet exposures as defined in the Banking and Financial Institutions Act, 2006;

A decorative green frame with a scalloped top and a large green number 1 in the center. The background features a repeating geometric pattern of interlocking lines forming a grid of squares and octagons.

1

## 1. Overview of the Programme

The issuer from time to time may issue Sukuks in different tenure, rates and features as will be further specified in the relevant pricing supplement. Applicable Terms and conditions for the Sukuks issued under the programme can be found under the Terms and Conditions in section [7] of this Information Memorandum and as modified and supplemented by the relevant pricing supplement relating to the sukuks or any supplemental Information Memorandum.

Under the programme the Bank intends to issue Sukuk of an aggregate Nominal amount of up to TZS 30,000,000,000, unless such amount is increased as per Information Memorandum or Supplemental Information Memorandum.

### Indicative Issuance Tranches of the Sukuk Programme

Tranche	Amount	Indicative Offer Date
1.	TZS 10,000,000,000	May 2026
2.	TZS 10,000,000,000	May 2027
3.	TZS 10,000,000,000	May 2028

\* Indicative dates, to be confirmed on relative pricing Supplement

### 1.1 Primary Business of the Issuer

The Issuer is licensed as a full-service commercial Bank incorporated in the United Republic of Tanzania under the Banking and Financial Institutions Act, 2006 to conduct banking business in Tanzania. The Bank is regulated by the Bank of Tanzania and is subject to the provisions of the Banking and Financial Institutions Act, 2006 and its regulations. The Bank provides banking and other related services permitted under the Banking and Financial Institutions Act, 2006. The Bank offers a full range of services in corporate, commercial, consumer, retail banking and investment banking activities.

### 1.2 Investment Manager

The proceeds from the issue will be managed by KCB Sahl Banking which is an Islamic Window offering Shari'ah compliant banking services such as customer deposits, fixed deposit Mudharabah accounts, financing products etc. It is an Islamic Window under KCB Bank Tanzania Limited which is licensed by the Central Bank of Tanzania (BoT).

### 1.3 Salient Features of The Programme

<b>Programme Amount</b>	Tanzanian Shillings Thirty Billion (TZS 30,000,000,000/-)
<b>Greenshoe Option</b>	In case of oversubscription, the Issuer has a right to increase the size of any tranche by up to an additional Tanzanian Shillings Ten Billion (TZS 10,000,000,000/-)
<b>Utilization of Proceeds</b>	The funds so raised will be utilized in KCB Sahl Banking financing and investment activities in line with its business strategy. See Section 5.6 for Investment Plan.
	The proceeds of the Issue shall be co-mingled with other Shari'ah compliant funds and shall be invested by the Investment Manager through the Mudharabah Pool on behalf of the Rabbul Maal.
<b>Form and Denomination</b>	The Sukuk will be issued in such denominations as may be specified in the Applicable Pricing Supplement
<b>Issue Date</b>	To be specified in the applicable Pricing Supplement
<b>Principal Redemptions</b>	Applicable at the end of Sukuk maturity
<b>Profit Sharing Ratio</b>	Unless otherwise specified in the relevant Pricing Supplement, profits shall be shared between the Rabbul Maal and the Mudarib in the ratio of ninety-five percent (95%) (Rabbul Maal) to five percent (5%) (Mudarib), after deduction of any permitted costs and expenses.
<b>Profit Payment Frequency</b>	To be specified in the applicable Pricing Supplement
<b>Issue Price</b>	The Sukuk will be issued at an issue price as specified in the Applicable Pricing Supplement

<b>Security</b>	The Sukuk will be unsecured i.e., an asset-based Sukuk transaction that provides no recourse against the underlying originator but provides full recourse against the assets themselves to the extent of the Sukuk holding of the investor.
<b>Subordinated Sukuk</b>	A type of Sukuk structure which give Sukuk Holders residual claim over the assets financed by their funds. This claim ranks after the claims of other creditors and depositors (Unrestricted Profit-Sharing Investment Accounts (UPSIA)) with the bank.
<b>Listing</b>	Each Tranche in the Programme will be listed in the Dar es Salaam Stock Exchange PLC (DSE)
<b>Entity Rating</b>	Unrated
<b>Instrument Rating</b>	Unrated
<b>Subscription Date</b>	15th April 2026 to 14th May 2026 (during banking hours) (both days inclusive)
<b>Risk Factors</b>	For details, please refer to Part 7 of the Information Memorandum
<b>Shari'ah Advisor</b>	Centre for Islamic Finance, Compliance and Advise (CIFCA)
<b>Shari'ah Compliance Manager</b>	Fardus Mohammed Shari'ah Compliance Manager KCB Sahl Banking Harambee Plaza Building, Ali Hassan Mwinyi Road and Kaunda Drive, P.O. Box 804 Dar es Salaam
<b>Lead Arranger</b>	FIMCO Limited
<b>Transferability</b>	<p>Upon successful subscription each tranche of the Sukuk Programme will be listed into the DSE, transfer shall be made in accordance with the Capital Markets and Securities, Cap 79 of the Laws of Tanzania and relevant Regulations and Circulars as well as according to AAOIFI Standard No 21.</p> <p>Sukuk may be transferred at its par value. Any transfer that purports to take place at a premium or discount to par shall be void and of no effect. This restriction is imposed to preserve compliance with Shari'ah principles, as the Sukuk represents a beneficial interest in the Mudharabah Capital (a debt-like entitlement) and therefore must not be traded at a value above or below their face amount.</p>
<b>Governing Law</b>	The Sukuk shall be subject to the laws of The United Republic of Tanzania.
<b>Allotment Policy</b>	To be specified in the applicable pricing supplement.



**2**

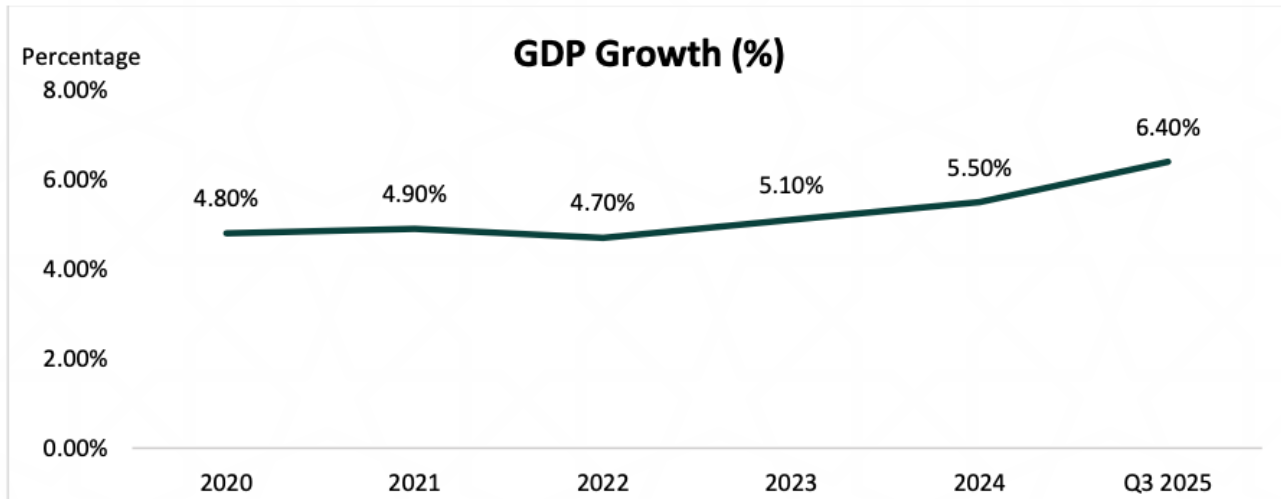
## 2 Economic Overview and Industry Overview

### 2.1 Economic Overview

#### 2.1.1 Gross Domestic Product (GDP)

Tanzania's economy continued to strengthen in the third quarter of 2025, with GDP growth reaching 6.4%, up from 6.1% in the corresponding period of 2024. This sustained upward momentum reflects the country's continued economic resilience, with the key economic activities driving this growth being construction, agriculture, and financial services, alongside sustained investment, improved capacity utilization, and ongoing infrastructure and market reforms.

Figure 1: GDP Annual Growth Rate

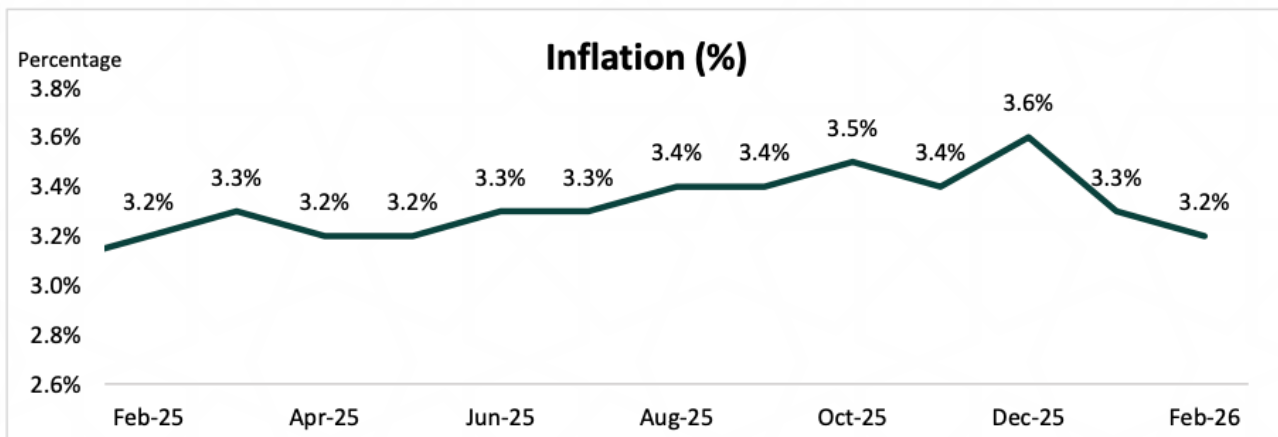


Source: National Bureau of Statistics (NBS)

#### 2.1.2 Inflation

Inflation in Tanzania remained stable and within national and regional (SADC and EAC) targets, supporting macroeconomic stability. In February 2026, headline inflation slightly declined to 3.2%, compared to the 3.3% recorded in the previous month. This decline was due to a slight deceleration in the pace of price increases for commodities in the year ending February 2026 compared to the year ending January 2026.

Figure 2: Annual Average Inflation Rate

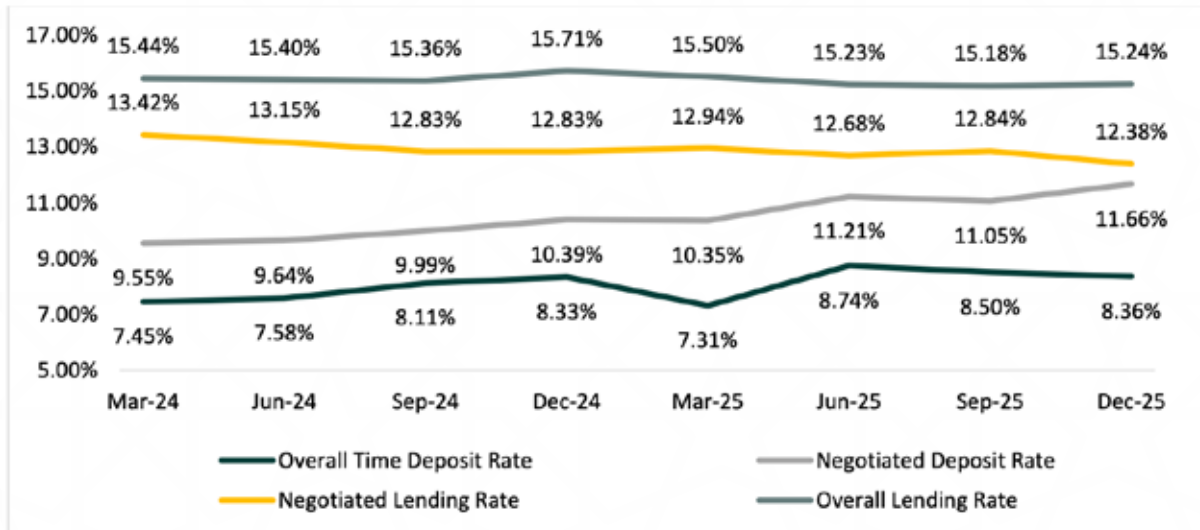


Source: National Bureau of Statistics (NBS)

### 2.1.3 Conventional Bank Interest Rates

Interest rates on loans and deposits remained relatively stable in the fourth quarter of 2025. Lending rates averaged around 15%, while deposit rates hovered at approximately 8%. Similarly, negotiated lending and deposit rates remained mainly unchanged, averaging 13% and 11%, respectively. The persistence of relatively high lending rates mirrors structural rigidities in the financial sector, which contribute to elevated credit risk perceptions and to address these challenges a series of reforms are being implemented. These include the enforcement of financial consumer protection regulations, enhancements in customer identification frameworks and judicial reforms aimed at expediting the resolution of loan default cases.

Figure 3: Interest rates

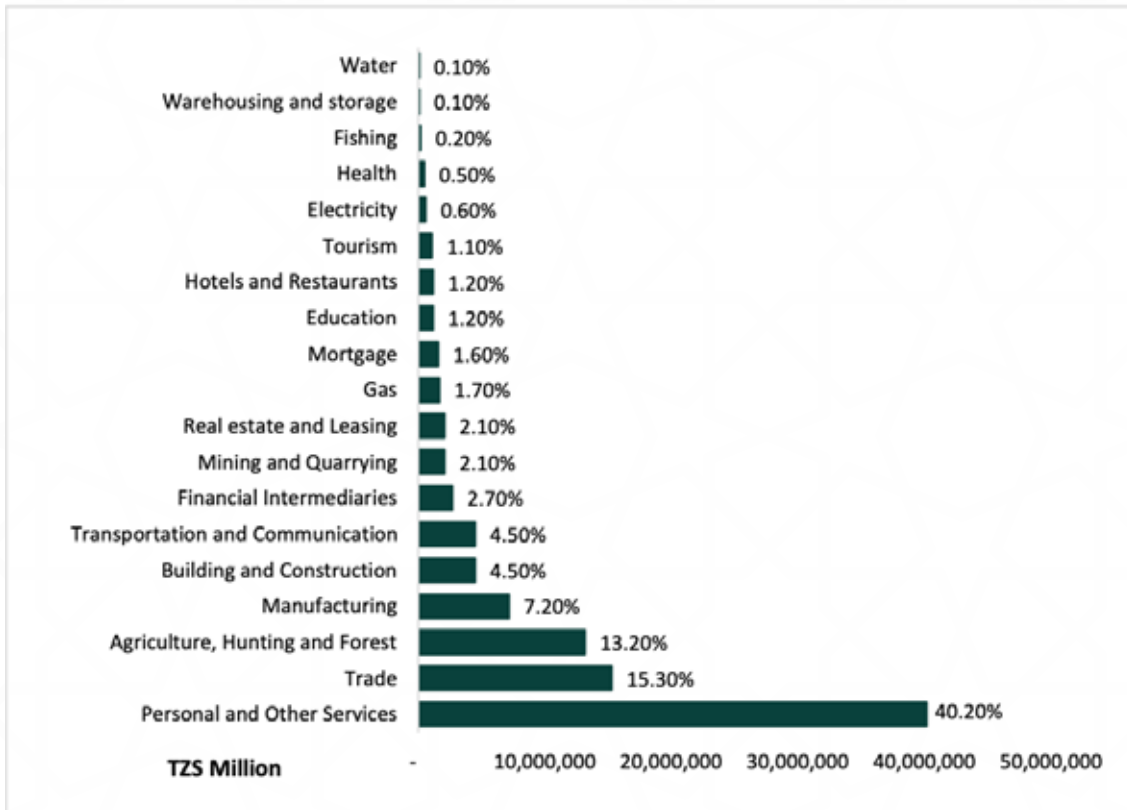


Source: Bank of Tanzania (BoT), Quarterly Statistical Bulletin (December 2025)

### 2.1.4 Credit to Private Sector

Credit to the private sector continued to improve for the quarter ending December 2025, with the credit extended being 23.5%, an impressive rise from 20.8% recorded in the previous quarter. The acceleration in credit growth reflects increased demand for loans due to an improving business environment. Most of the credit to the private sector was Personal Loans, which had a share of 40.2% of the commercial banks domestic lending.

Figure 4 Commercial Banks Domestic Lending by Economic Activity



Source: Bank of Tanzania (BoT), Quarterly Statistical Bulletin (December 2025)

## 2.2 Conventional Banking Industry Overview

Tanzania's banking sector comprises of Commercial Banks, Community Banks, Development Banks and Microfinance Institutions. The country has 42 banking institutions comprising of 34 commercial banks, 2 Development Banks, 3 Community Banks, and 3 Microfinance Institutions as of 31 December 2024.

### Composition of Tanzania Banking Sector

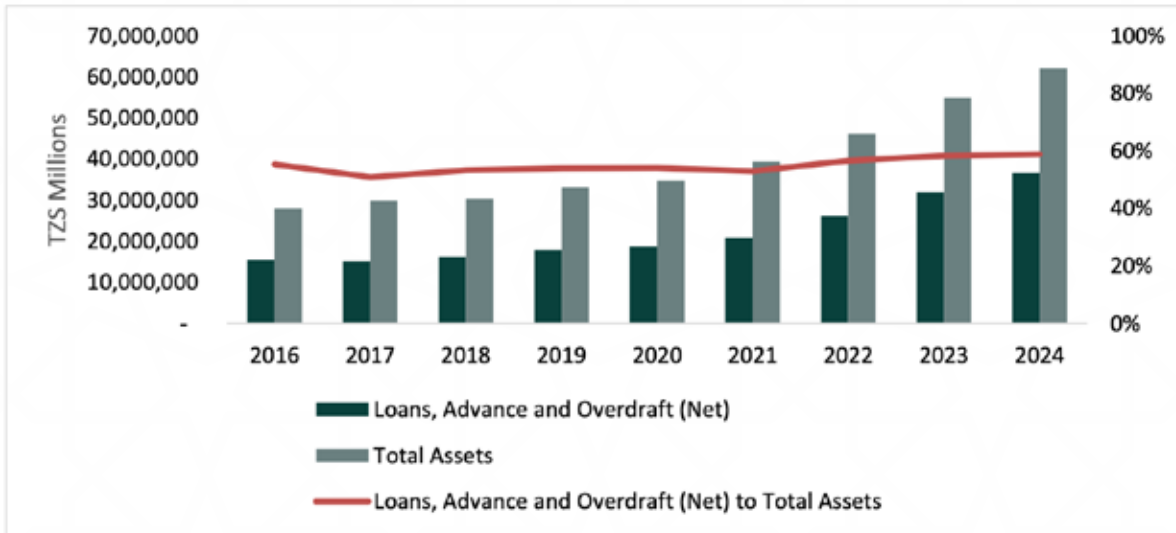
Category	2016	2017	2018	2019	2020	2021	2022	2023	2024
Commercial Banks	38	38	40	38	35	34	34	34	34
Development Banks	2	2	2	2	2	2	2	2	2
Microfinance Banks	4	5	5	5	4	5	4	3	3
Community Banks	12	11	6	6	5	5	5	5	3
Other Financial Institutions	3	3	0	0	0	0	0	0	0
<b>Total</b>	<b>59</b>	<b>59</b>	<b>53</b>	<b>51</b>	<b>46</b>	<b>46</b>	<b>45</b>	<b>44</b>	<b>42</b>

Source: Bank of Tanzania

## 2.2.1 Banking Sector Assets and Liabilities

Banking Total Assets increased by 14.40% from TZS 54.94 trillion in 2023 to TZS 62.20 trillion in 2024. Loans, Advances and Overdrafts had the largest share of 58.82% of the Total Assets.

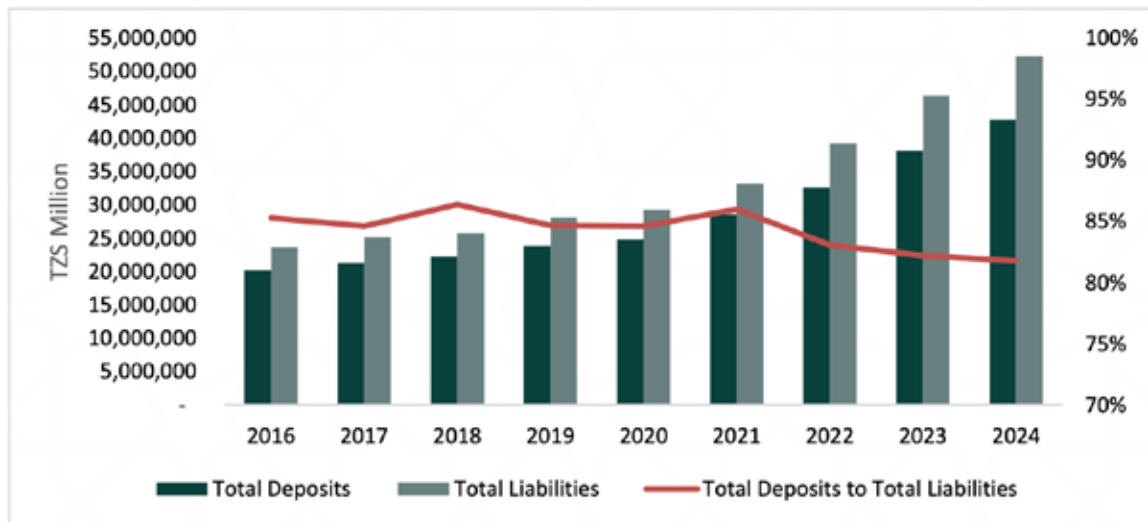
Figure 5 Banking Sector Assets



Source: Bank of Tanzania

Banking Total Liabilities increased by 12.90% from TZS 46.32 trillion in 2023 to TZS 52.31 trillion in 2024. Total Deposits had the largest share of 81.77% of the Total Liabilities.

Figure 6 Banking Sector Liabilities



Source: Bank of Tanzania

## 2.2.2 Asset Quality

According to BoT, the level of Non-performing Loans (“NPLs”) declined to 3.40% as of 31 December 2024 from 4.40% recorded in 31 December 2023. This reduction was mainly attributed to enhanced recovery efforts by financial institutions and continued post-pandemic restructuring measures. While this represents notable progress, the ratio remains marginally above the regulatory benchmark of 5%. See Figure 7.

### 2.2.3 Profitability

The banking sector demonstrated strong profitability in 2024. Driven by an increase in return on assets and return on equity to 5.2% and 23.7 % from 4.4 % and 20.5% recording in the previous year. This reflects improved operational efficiency and stronger credit performance. *See Figure 8.*

### 2.2.4 Capital Adequacy

The banking sector remained well-capitalized during the period under review. As at 31 December 2024, the Core Capital Adequacy Ratio (CAR) stood at 19.4%, and the Total Capital Adequacy Ratio at 20.0%, both comfortably above the minimum regulatory requirements of 12.5% and 14.5%, respectively. *See Figure 9.*

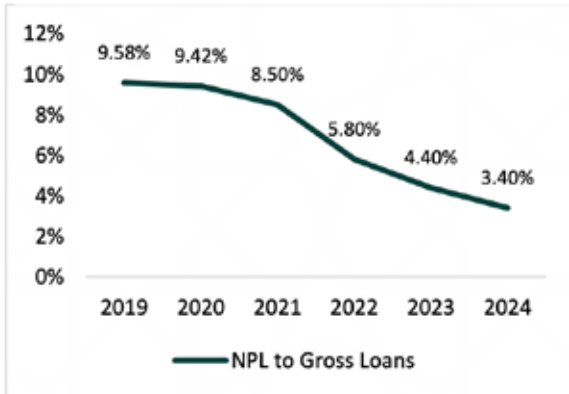
### 2.2.5 Liquidity Adequacy

The sector continued to maintain adequate levels of liquidity to meet maturing short-term obligations. The ratio of liquid assets to demand liabilities remained stable at 28.6% compared to 28.8% recorded in 2023. The ratio was above the minimum regulatory requirement of 20%. 2.2.6 Overall Industry Performance In 2024, the Tanzanian banking sector maintained strong growth, with assets and lending expanding by over 14 percent. The sector remained well-capitalized and resilient, with capital adequacy ratios above regulatory minimums, improved asset quality as NPLs declined to 3.4 percent, and robust profitability supported by rising interest and non-interest income. Operational efficiency also strengthened, reflecting sound risk management and effective regulatory oversight.

### 2.2.6 Overall Industry Performance

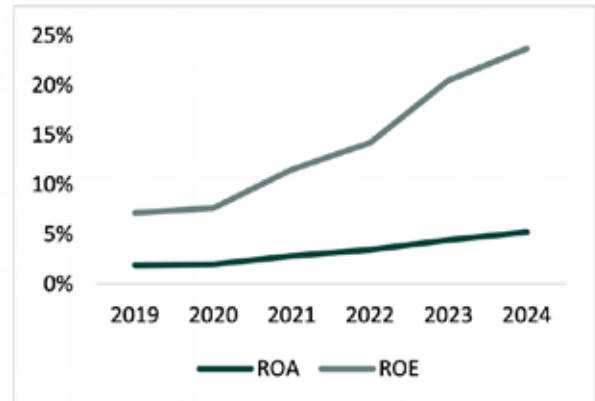
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Figure 7: NPL to Gross Loans



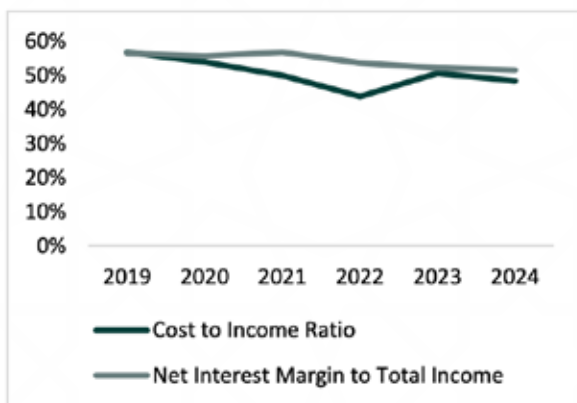
Source: Bank of Tanzania

Figure 9: Core Capital and Total Capital Ratios



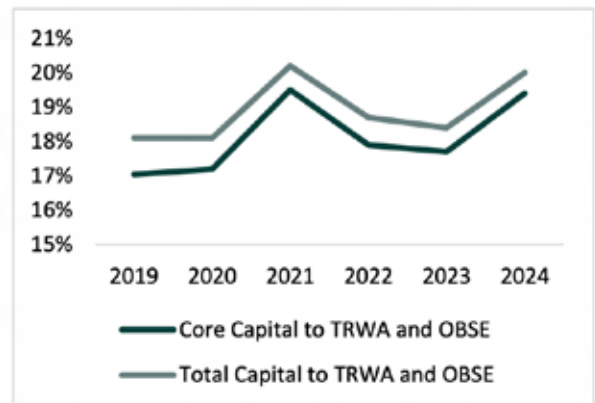
Source: Bank of Tanzania

Figure 8: Cost to Income and Net Interest Margin to Total Income Ratios



Source: Bank of Tanzania

Figure 10: ROA and ROE



Source: Bank of Tanzania

### 2.3 Islamic Banking Industry Overview

The network of Islamic banking industry consists of five (5) Islamic banking institutions; 1 fully fledged Islamic Bank (Amana Bank) and four (4) conventional banks having Islamic banking branches and Islamic Windows namely; KCB Bank, PBZ Bank, NBC Bank and CRDB Bank.

Some of the services provided by the Banks include: Shari’ah Compliant Savings Accounts, Shari’ah Compliant Current Accounts, Murabaha Financing, Ijarah Financing, Zakat Services, Investment Products such as Musharaka and Mudharabah.



3

### 3 Description of Islamic Finance

Islamic finance is a type of financing & investing that complies with the rules and principles of Shari'ah (i.e. Islamic law of transactions)). The concept can also refer to the investments that are permissible under Shari'ah. "Shari'ah" is an Islamic religious law that governs not only religious rituals but also aspects of day-to-day life in Islam. Shari'ah, literally translated, means "the way."

The common practices of Islamic finance and banking are based on the foundations of the Islamic economic system. The formal establishment of Islamic finance took place in the 20th century. Today, the Islamic finance industry continues to grow steadily, supported by increasing demand for Shari'ah-compliant financial solutions.

As of 2024, the global Islamic finance industry has reached approximately USD 5.98 trillion in total assets, reflecting a strong 21% year-on-year growth and continued global momentum. The industry is projected to expand further, with estimates suggesting it could approach USD 9.7 trillion by 2029, driven by increasing cross-border activity, regulatory developments and sustained demand across key markets\*.

Islamic banking remains the dominant segment, accounting for approximately 72% of total industry assets, equivalent to about USD 4.3 trillion in 2024 and continues to underpin the overall growth of the sector\*.

The global Sukuk market, a key pillar of Islamic capital markets, has also demonstrated strong performance, with outstanding Sukuk surpassing USD 1 trillion in 2024. Annual issuance reached approximately USD 254.3 billion, supported primarily by sovereign funding needs, refinancing requirements and increased activity in GCC markets\*.

Growth across the Islamic finance industry continues to be supported by its ethical foundation, increasing alignment with sustainability principles, and rising adoption in both traditional and non-Muslim-majority markets. The sector is expected to maintain an average annual growth rate of around 10%, supported by innovation, financial inclusion initiatives, and expanding global awareness. While Islamic banking remains the core of the industry, other segments have also gained traction in recent years. These include:

- Takaful (Islamic insurance),
- Islamic mutual funds and investment vehicles,
- Islamic money markets,
- Islamic microfinance institutions,
- Mudharabah companies, and
- Islamic SACCOs, among others.

Together, these segments illustrate the breadth and maturity of the Islamic financial system, and its growing contribution to inclusive and ethical finance globally.

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Source\*: LSEG and ICD (2025) "ICD – LSEG Islamic Finance Development Report 2025: 50 Years of Exponential Growth", LSEG

### 3.1 Principles of Islamic Finance

Islamic finance strictly complies with Shari'ah financial transaction laws. Contemporary Islamic finance is based on a number of prohibitions that are not always illegal in the countries where Islamic financial institutions are operating:

#### (i) Prohibition on Paying or charging interest

Islam considers lending with interest payments as an exploitative practice that favours the lender at the expense of the borrower. According to Shari'ah law, interest is usury (Riba), which is strictly prohibited. The Riba can be defined as 'Anything over and above the loan transaction is Riba whether monetary or non-monetary that means loans should always be at zero percentage.

#### (ii) Prohibition on Investing in businesses involved in prohibited activities

Some activities, such as producing and selling alcohol or pork, are prohibited in Islam. The activities are considered haram or forbidden. Therefore, investing in such activities is likewise forbidden.

#### (iii) Prohibition on Speculation (Maysir)

Shari'ah strictly prohibits any form of speculation or gambling, which is called Maysir. Thus, Islamic financial institutions cannot be involved in contracts where the ownership of goods depends on an uncertain event in the future.

#### (iv) Prohibition on Excessive Uncertainty and Risks (Gharar)

The rules of Islamic finance ban participation in contracts with excessive risk and/or uncertainty. The term Gharar measures the legitimacy of risk or uncertainty in investments. Gharar is observed with derivative contracts and short-selling, which are forbidden in Islamic finance. In addition to the above prohibitions, Islamic finance is based on two other crucial principles:

- i. Material finality of the transaction: Each transaction must be related to a real underlying economic transaction.
- ii. Profit/loss sharing: Parties entering into the contracts in Islamic finance share profit/loss and risks associated with the transaction. No one can benefit from the transaction more than one's share in the transaction.

### 3.2 Key Benefits of Sukuk Issuances

- a). Free from Riba (Interest), Gharar (Uncertainty) & Maysir (Gambling) hence provides comfort to the investors who aspire to ethical financing. Accordingly, Sukuk are more transparent in execution and reporting compared to any conventional bonds;
- b). Sukuk are competitively priced compared to conventional bond issues;
- c). Most Sukuk structures are tradable and fill the need for alternative investments which suits the requirement of investors for liquidity profile;
- d). Fulfils the liquidity needs of the Islamic Financial Institutions.
- e). Promotes product diversification and financial inclusion.

### 3.3 Comparison of Sukuk and Conventional Bonds

	SUKUK	BOND
(a)	Sukuk represent ownership stakes in existing and/or to be built well defined assets or business activity;	Bonds represent pure debt obligations due from the issuer;
(b)	The sale of a Sukuk represents a sale of a share or rights of usufruct of an asset;	The sale of a bond is basically the sale of a debt;
(c)	The underlying assets financed by a Sukuk issuance is Shari'ah compliant in both their nature and use;	Bonds, can be issued to finance almost any purpose which is legal in its jurisdiction regardless of impermissibility in Islamic principles; and
(d)	Sukuk holders have recourse to the assets acquired with the Sukuk proceeds in the event of the Originator's bankruptcy.	In case of an Originator's failure, unsecured bondholders join the pool of general creditors seeking payments from the assets of a bankrupt company or issuer.
(e)	Sukuk adhere to an Islamic view of finance, avoiding Riba (generating money from money, i.e., interest or usury)	Bonds are securities that are interest based hence impermissible to Islamic principles.
(f)	Sukuk are priced according to the value of the assets backing them.	Bond pricing is based on credit rating of the Issuer.
(g)	Sukuk can increase in value when the assets increase in value.	Interest from bonds correspond to fixed interest.



**4**

4 Issuer's Overview, History and Prospects

**KCB Bank Tanzania Limited at a glance**

**2024 Financial Performance**

**Net Interest Income**



2024: TZS 90.7 billion  
2023: TZS 77.2 billion

**Non-Interest Income**



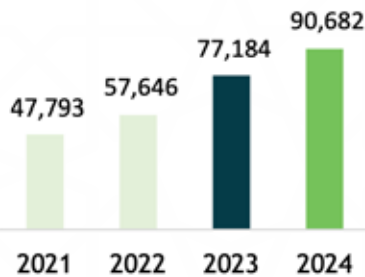
2024: TZS 41.7 billion  
2023: TZS 32.0 billion

**Net Income**



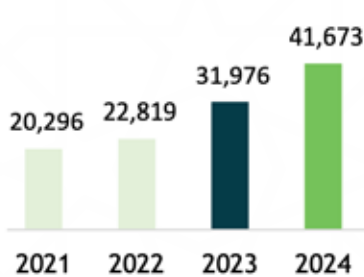
2024: TZS 50.8 billion  
2023: TZS 37.6 billion

*In TZS Millions*

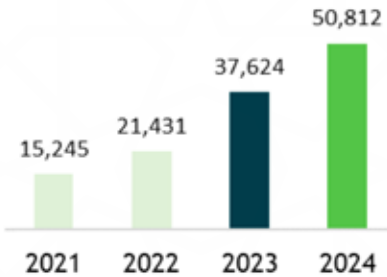


**4-Year Performance Trend**

*In TZS Millions*



*In TZS Millions*



**KCB Sahl Banking at a glance**

**2024 Financial Performance**

**Net Financing and Investment Income**



2024: TZS 5.6 billion  
2023: TZS 5.4 billion

**Net Fees and Commission**



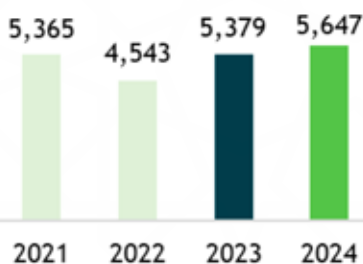
2024: TZS 5.2 billion  
2023: TZS 6.0 billion

**Total Income**



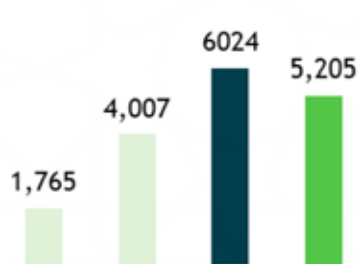
2024: TZS 10.9 billion  
2023: TZS 11.4 billion

*In TZS Millions*

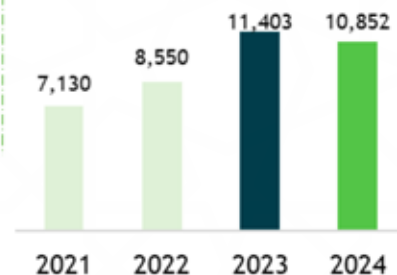


**4-Year Performance Trend**

*In TZS Millions*



*In TZS Millions*



## KCB Bank Tanzania Limited at a glance

### 2024 Financial Performance

#### Loans and Advances



2024: TZS 1.0 trillion  
2023: TZS 893 billion

#### Customer Deposits



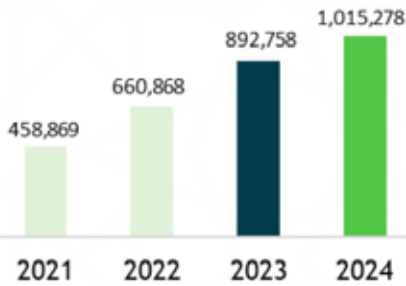
2024: TZS 985 billion  
2023: TZS 845 billion

#### Total Assets



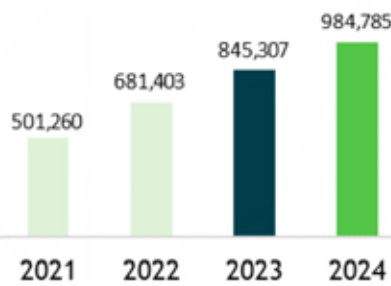
2024: TZS 1.6 trillion  
2023: TZS 1.4 trillion

In TZS Millions

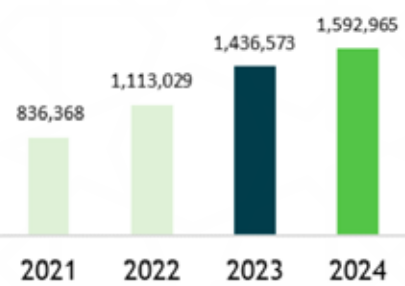


### 4-Year Performance Trend

In TZS Millions



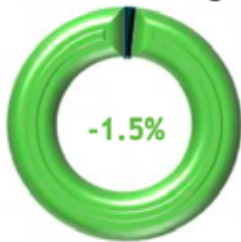
In TZS Millions



## KCB Sahl Banking at a glance

### 2024 Financial Performance

#### Total Financing



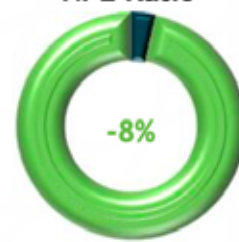
2024: TZS 86.1 billion  
2023: TZS 87.5 billion

#### Deposits



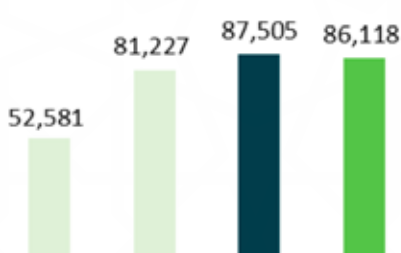
2024: TZS 106.1 billion  
2023: TZS 114.2 billion

#### NPL Ratio



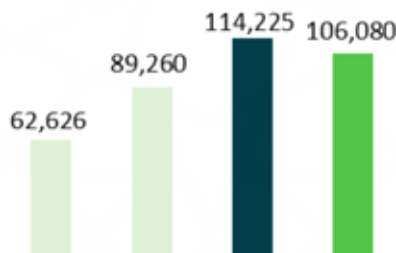
2024: 3.5%  
2023: 3.8%

In TZS Millions

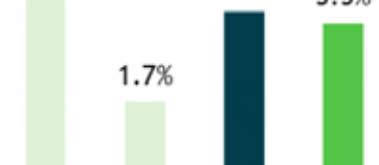


### 4-Year Performance Trend

In TZS Millions



4.1%



## KCB Bank Tanzania Limited at a glance

### 2024 Financial Performance

Cost to Income Ratio



2024: 43.5%  
2023: 45.9%

NPL Ratio



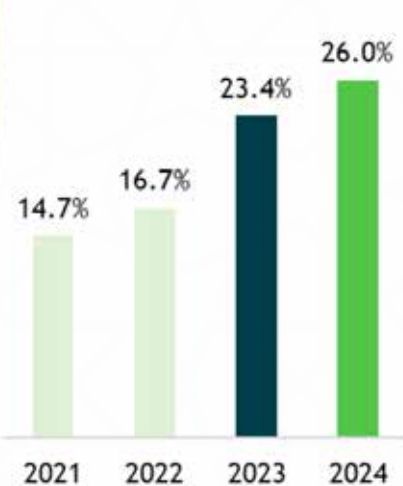
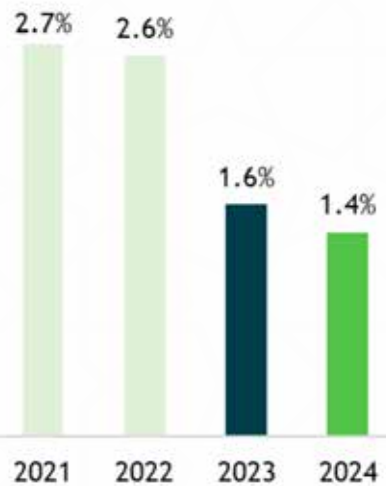
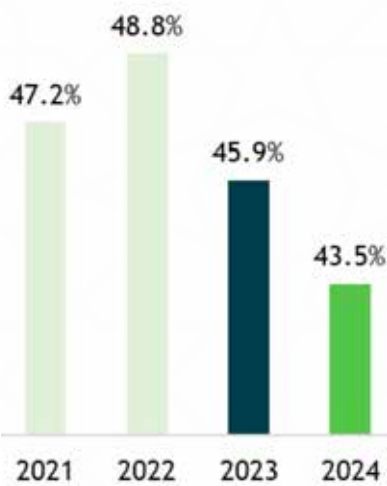
2024: 1.4%  
2023: 1.6%

Return on Equity



2024: 26.0%  
2023: 23.4%

### 4-Year Performance Trend





## 4.1 Background & History

KCB Bank is the biggest and oldest bank in East Africa, starting its operations in Zanzibar in 1896 and later moving to Kenya and back to Tanzania in 1997. KCB is currently operating in Tanzania, Kenya, Uganda, Rwanda, South Sudan, Burundi and Ethiopia. The Bank employs about 300 staff, exports talents from Tanzania to East Africa, a good tax payer, offers great support to the community in the sectors of education, health, enterprise development, environment and children living in difficulties.

KCB Bank Tanzania Limited is licensed as a full-service commercial Bank incorporated in the United Republic of Tanzania under the Banking and Financial Institutions Act, 2006 to conduct banking business in Tanzania. The Bank is regulated by the Bank of Tanzania and is subject to the provisions of the Banking and Financial Institutions Act, 2006 and its regulations. The Bank provides banking and other related services permitted under the Banking and Financial Institutions Act, 2006. These are not limited to accepting deposits and lending.

Its main business divisions that is Treasury, Corporate banking, Retail banking, Islamic banking, and Trade Finance do avail a variety of commercial banking services across Tanzania through various channels. As of 31 December 2024, the Bank has 17 branches (2023: 16), (eight of which are in Dar es Salaam, three located in Arusha, one each in Moshi, Mwanza, Morogoro, Kahama, Geita and Zanzibar), 21 ATMs (2023: 18), 637 Agents (2023: 491), and 778 POS (2023: 668) active merchants across the country. KCB Group Plc, the majority shareholder of KCB Bank Tanzania Limited is cross listed at the Dar es Salaam Stock Exchange with TZS 2,643.6 billion market capitalization (2023: TZS 965.8 billion). In the year 2024, KCB shares traded at an average of TZS 890 (2022: TZS 350) The origin of KCB Sahl Banking can be traced back to 2008 being the first conventional bank to open a window for Islamic Banking. KCB Sahl banking operation is almost 14 years in Tanzanian Market.

KCB Sahl Banking is leveraging on 17 branches located in Dar es Salaam (8), Morogoro (1), Arusha (3branches), Moshi (1), Kahama (1), Zanzibar (1), Geita (1) and Mwanza (1).

As of December 2024, KCB Sahl Banking total deposits of TZS 106.080 billion and total loans of TZS 86.118 billion. Income generated as of December 2024 stood at TZS 10.343 billion. KCB Sahl Banking offers products that address the needs of not just Muslims but everyone in the country. Some of the Milestones of KCB Sahl Banking includes the following:

- i. 2008 - Established as a window model – offering Islamic products & services across all branches
- ii. 2014 - First full-fledged Islamic Branch opened – Lumumba Branch
- iii. 2017 - Stone Town Branch in Zanzibar converted to full-fledged Islamic Branch
- iv. 2022 – Issued the first public listed Sukuk in Tanzania and East Africa

## 4.2 Operating Performance Highlights

- The Bank posted strong and consistent growth in profitability over the five-year period. Net Profit After Tax increased from TZS 4.68 billion in 2020 to TZS 50.81 billion in 2024, representing a more than tenfold increase. Over the period 2020 -2024, net profit grew at a Compound Annual Growth Rate (CAGR) of 81.54%, reflecting strong growth in interest and non-interest income, effective cost control, and lower loan impairment charges.
- The Bank maintained a solid capital position throughout the period, with Tier 1 Capital rising from 16.11% in 2020 to 17.33% in 2024, and Total Capital (Tier 1 + Tier 2) at 17.40% in 2024 from 16.61% in 2020, all well above the minimum regulatory requirement of 12.5% and 14.5% respectively, supporting asset growth and balance sheet resilience.
- Asset Growth: Total Assets grew from TZS 722.65 billion in 2020 to TZS 1.59 trillion in 2024, a CAGR of 21.85%, driven by strong growth in the loan book and investments in government securities. The loan portfolio alone grew by over 146% from TZS 411.50 billion in 2020 to TZS 1.02 trillion in 2024, reflecting the Bank's expanding lending capacity.
- Total Customer Deposits increased from TZS 470.28 billion in 2020 to TZS 984.79 billion in 2024, representing a 4-year CAGR of 20.29%. The growth was underpinned by the Bank's strategic focus on expanding its CASA base and digital banking channels.
- The Bank has made significant strides in improving asset quality, with the Non-Performing Loan (NPL) ratio declining from 6.11% in 2020 to 1.41% in 2024, well below the regulatory benchmark of 5%. This improvement highlights effective credit risk management and enhanced loan monitoring practices.
- The Cost-to-Income Ratio improved from 57.47% in 2020 to 43.49% in 2024, indicating increased efficiency and stronger operating leverage.
- The Bank's Return on Assets (ROA) rose from 0.68% in 2020 to 3.43% in 2024, while Return on Equity (ROE) improved significantly from 4.97% to 25.97% over the same period, reflecting improved profitability and efficient capital utilization.

### 4.3 Summary of Borrowings and Debt Outstanding:

As at 31 December 2024, the issuer had outstanding borrowings of TZS 102,705,931,910, including a 4-year loan of TZS 5 billion obtained from Tanzania Mortgage Refinancing Company (TMRC) on 9 August 2022 at an interest rate of 8.5%, and a 5-year loan of TZS 5 billion obtained from TMRC on 22 March 2021, also at an interest rate of 8.5%.

In addition, the issuer secured a 7-year loan of USD 21.876 million from the European Investment Bank (EIB) in July 2023 at an interest rate of 5.814%. It also obtained a 4-year loan of USD 10 million from Water Equity in February 2024 at an interest rate of 5.59%, and a 3-year loan of USD 5 million in November 2024 at an interest rate of 4.75%. The table below provides a summary of the bank's outstanding borrowings:

#### Summary of Borrowings

Lender	Currency	Amount Outstanding
TMRC	Tanzanian Shillings	10,074,520,550
Water Equity	Tanzanian Shillings	37,320,000,000
EIB	United States Dollars*	55,311,411,360
<b>Total</b>		<b>102,705,931,910</b>

\*Note: The Exchange Rate used: USD/TZS: 2,488

### 4.4 Shareholders and Shareholding Structure

KCB Bank Tanzania Limited has 750,000,000 authorized ordinary shares of TZS 100 each out of which 626,699,361 ordinary shares are issued and fully paid as at 31st December 2024. KCB Bank Tanzania Limited pattern of shareholding is given below:

Shareholder Category	No. of Shares	Percentage
KCB Group PLC	626,699,360	100%
KCB Nominee Limited	1	0%
<b>Total</b>	<b>626,699,361</b>	<b>100%</b>

KCB Group is a public listed company with the top shareholder holding 19.76% of the shares, top ten shareholders hold 42.93% of KCB Group shares. KCB Group Shareholding Structure as at 31 December 2024 is as follows:

#### KCB Group Shareholding Structure

No.	Shareholder Category	No. of Shares	Percentage
1.	Permanent Secretary to the Treasury of Kenya	635,001,947	19.76%
2.	National Social Security Fund	321,734,192	8.48%
3.	Stanbic Nominees Ltd A/C Nr3530153-1	141,905,400	4.02%
4.	Standard Chartered Kenya Nominees Ltd A/C Ke004667	61,384,600	1.99%
5.	Kenya Commercial Bank Nominees Ltd A/C 927b	79,289,541	1.60%
6.	Babla,Sandip Kana Sinh;Babla,Alka Sandip	30,949,100	0.92%
7.	STANDARD CHARTERED NOMINEES A/C 9688	29,013,023	0.90%
8.	BABLA SANDIP KANAKSINH: KARSANDAS	28,193,900	0.88%
9.	STANDAR CHARTERED NOMINEES NON-RESD. A/C KE10085	30,270,700	0.86%
10.	STANDARD CHARTERED NOMINEES NON-RED. A/C 9827	26,432,015	0.82%
11.	Others	1,920,608,454	59.77%
	<b>Total</b>	<b>3,213,462,815</b>	<b>100.00%</b>

### 4.5 Management of the Bank

#### 4.5.1 Board of Directors of the Bank

The Bank's affairs are governed by the Board of Directors (the "Board"), which comprises eight directors (seven non-executive directors), including the Chairman and the Managing Director. Except for the Managing Director, all the Directors are Non-Executive Directors. The Board is responsible for policy related issues and is headed by the Chairman. The Managing Director has overall responsibility for the Bank's strategic direction and for managing the Bank's business and its functions. The tenure of the Board membership is three years. The Chairman and all the board members are appointed by the shareholders at the Annual General Meeting.

### KCB Bank Tanzania Limited Board of Directors

S/NO.	Name	Position	Qualifications	Age	Nationality	Date of appointment
1	Ambassador Peter Allan Kallaghe	Chairman	Master's degree in International Relations	66	Tanzanian	10th December 2024
2	Mr. Cosmas Kimario	Managing Director	MBA in Finance and Master of International Management	57	Tanzanian	10th Oct 2016
3	Mrs. Anuja Pandit	Non-Executive Director	Masters in Strategic Management	54	Kenyan	06th July 2022
4	Mrs. Rosalind Gichuru	Non-Executive Director	Master of Business Administration (MBA)	50	Kenyan	13th March 2023
5	Mr. Frederick Otieno	Non-Executive Director	Master of Science in Marketing and Chartered Public Accountant (CPA)	49	Kenyan	06th July 2022
6	Mrs. Santina Majengo Benson	Non-Executive Director	Master of Science in Contemporary Management	47	Tanzanian	28th Nov 2019
7	Mr. Anael Samuel	Non-Executive Director	Masters of Business Administration (Finance) and Chartered Public Accountant (CPA)	48	Tanzanian	17th January 2024
8	Mrs. Jacqueline Woiso	Non-Executive Director	Master of Business Administration (MBA)	50	Tanzanian	17th January 2024

Source: KCB Bank Tanzania Limited

**\*Note:** 1) All Non-Executive Directors are Independent Directors  
 2) None of the Directors has any direct or indirect material interest in the Sukuk issuance.

## The summary profiles of the directors of KCB Bank Tanzania Limited Board are as follows:



### **Ambassador Peter Allan Kallaghe – Chairman**

Ambassador Kallaghe is a seasoned diplomat and government official with over 34 years of experience in African and international affairs. He has a distinguished leadership, strategic planning, and communication career, serving in high-profile diplomatic and government roles. His expertise spans national security, foreign policy, economic diplomacy, and corporate consulting.

Ambassador Kallaghe is a Senior Executive & Strategic Management Consultant, providing advisory services on leadership, national security, and strategic issues. He also serves as a part-time lecturer at the Centre for Foreign Relations, the National Defence College, and the UONGOZI Institute, offering executive training in international protocol, corporate etiquette, and soft skills for Tanzanian businesses and banks.

Previously, he held key diplomatic positions, including Tanzania's High Commissioner to the United Kingdom and Ambassador to Ireland (2010–2016), as well as High Commissioner to Canada and Ambassador to Cuba (2007–2010). He played a crucial role in shaping Tanzania's international relations and strategic diplomatic engagements. His tenure as Senior Directing Staff (Foreign) at the Tanzania National Defence College (2016–2020) involved training senior military, security, and civil service officers in national security and strategic studies.

In his earlier career, Ambassador Kallaghe was the Deputy Private Secretary to the President (1998–2005), Director of Government Communications (2002–2007), and Special Assistant to President Benjamin Mkapa on Foreign Affairs (1997–2005). His leadership in government communications and advisory roles significantly contributed to Tanzania's diplomatic and governance landscape.

Ambassador Kallaghe currently serves as a Board Member of TPDC (Tanzania's National Oil, Petroleum, and Gas Corporation) and previously held a board position at Tanzania Standard Newspapers (TSN). In 2023, he was appointed by President Samia Suluhu Hassan as a member of the Presidential Committee tasked with evaluating and advising the Ministry of Foreign Affairs on implementing economic diplomacy.

He holds a Master's degree in International Relations and has specialized in Strategic Communications Studies.



### **Mr. Cosmas Kimario - Managing Director**

Cosmas Kimario is a Banker by profession. He holds a Master's of Business Administration (MBA) in Finance and a Master's of International Management (MIM) from Thunderbird – The American Graduate School of International Management USA as well as Bachelor of Commerce and Management (B'Com) Degree from the University of Dar es Salaam where he was the best student from the class of 1994. Mr. Kimario is a Lifetime Member of Beta Gamma Sigma – the Honor Society for Best World Business Students, a Lifetime Member of Phi Sigma Iota – the International Foreign Language Honor Society and also a Lifetime Member Pi Sigma Alfa – the International Studies Honor Society.

Mr. Kimario is also trained in the areas of Foreign Exchange, Derivatives and Credit Management. Mr. Kimario is an experienced expert in the Banking industry with over 25 years of service in the sector holding different top positions. He has worked in different capacities in different countries including: The USA, The UK, Nigeria, Senegal and Kenya. He has specialized in Structured Products, Project Financing, Corporate Financing, Treasury, Money Market and Foreign Exchange Products and Derivatives Products and Public Housing. Mr. Kimario is one of the pioneers who introduced Foreign Exchange Options and Derivatives in many markets in Africa including Tanzania, Nigeria, Uganda and Zambia.



**Mrs. Anuja Pandit - Non-Executive Director**

Mrs. Anuja Pandit holds a Masters in Strategic Management from the United States International University (USIU), Nairobi; a Bachelor of Science, in Accounting and Finance, United States International University (USIU), Nairobi; and an ACI Dealing Certificate from the ACI Financial Markets Association.

A senior banker of almost two decades, Anuja has several years of experience leading diverse teams in Sub-Sahara Africa, having worked with Citibank as Vice President in their Fixed Income, Currencies & Commodities (FICC) Sales, and most recently as their Regional Director, driving their digital Strategy in automated trading systems for their Institutional and Corporate Client Base. She has had further experience in leading teams in Africa, that developed and executed strategic business initiatives that delivered revenue and market growth in Sub-Sahara Africa, encompassing foreign exchange products and investment portfolios for their regional, multi-national and local clientele. Anuja currently runs her own consultancy helping property management companies streamline operations and compliance.



**Mrs. Rosalind Gichuru - Non-Executive Director**

Rosalind was appointed the Group Director Marketing & Communication, KCB Group PLC on August 9th, 2021. She has a career spanning over 21 years, having served in various local and international corporations.

Rosalind joined KCB from NCBA Group PLC where she has been serving in a similar capacity since 2019. She has previously worked for NIC Group PLC, Coca-Cola SABCO (now Coca-Cola Beverages Africa), The Coca-Cola Company, and The Gillette Company (now Proctor and Gamble).

She holds a Master of Business Administration (MBA) from North- eastern University, Boston, USA and a Bachelor of Commerce (General Management) from McMaster University Hamilton, Ontario, Canada.

She is also a Certified Executive Coach by the Academy of Executive Coaching, United Kingdom.



**Mr. Frederick Otieno - Non-Executive Director**

Fredrick is an accomplished business leader with vast experience in various sectors and a track record of delivering growth. He has extensive experience in business leadership having successfully led teams in Kenya, Uganda and Indonesia. He has been in leadership positions in agricultural sector, FMCG and automotive sectors. He bring broad geographical and multicultural experience in commercial operations, P&L management, marketing and innovations.

Fredrick's passion is delivering significant, holistic business growth. He leverages his business leadership skills, knowledge in creating value-adding innovation and commercial execution expertise to grow businesses. He is the leader and founder of Innovation Flame Limited and serves on a number of boards.

He is a chartered marketer, a qualified accountant (CPA) and an alumni of IESE business school, Strathmore business school, University of Glamorgan and University of Nairobi.



**Mrs. Santina Majengo Benson - Non-Executive Director**

Santina M. Benson is the Executive Director of the CEO Roundtable of Tanzania (CEOrt), which brings together 150 CEOs of leading companies in Tanzania and provides a platform for regular engagement with government and key stakeholders for the country's sustainable economic development. During her time with the CEO Roundtable, Mrs. Benson has led key initiatives including driving the organisation's Business and Sustainability agenda and spearheading the Ethical Leadership agenda as part of Tanzania's National Anti- Corruption campaign in collaboration with the Government of Tanzania. She was also responsible for launching the ground-breaking CEO Apprenticeship Programme (CAP), a leadership initiative aimed at developing Tanzania's future leaders.

Prior to her role with the CEO Roundtable of Tanzania, she held senior positions at various multi-national corporations within the Telecoms, ICT and Financial sectors. Her experience includes Programme Management, Strategic Planning, Team Building and Business Development.

In addition to her role as Executive Director of the CEOrt, Mrs. Benson serves as a Non-Executive Director of KCB Bank Tanzania Limited and sits on the Advisory Board of Strathmore Business School Tanzania Leadership Academy, providing strategic guidance on the transformation of leaders within the region.

Mrs. Benson currently serves as an Advisory Board Member for One Acre Fund Tanzania and previously served as a Steering Committee member of the United Nations Global Compact (UNGC) Tanzania Chapter. Santina Benson graduated with a Master's Degree in Management from Caldwell University, New Jersey.



**Mr. Anael Samuel- Non-Executive Director**

Anael is the Managing Director of Songas, a position he has held since February 2020. In this role, he provides strategic leadership and oversees operations while driving the company's performance. He also in charge of a 52 MW solar power plant in Malindi, Kenya. Before he was appointed Managing Director, Anael served as the Chief Financial Officer, responsible for managing all financial and reporting aspects of Songas Limited, as well as financial planning and risk management.

Anael serves in various Boards including, the Songas Board and the Association of Tanzania Employees (ATE), CCBRT and KCB Bank Tanzania. Anael has extensive experience in the finance and management fields. Before joining Songas, he was with Intra Energy Tanzania Limited, a coal mining company, as the Head of Finance and Administration.

Prior to that, he served as the Deputy Chief Financial Officer, and Company Secretary at Tanga Cement Ltd. Anael's career began at Unilever as a Management Trainee, where he spent nearly 5 years.

Anael holds a Bachelor's degree in Computer Science and Mathematics, and a Masters of Business Administration (Finance), both from the University of Dar es Salaam and is a Chartered Certified Accountant (CPA).



**Mrs. Jacqueline Wiso- Non-Executive Director**

Jacqueline is a habituated leader and management expert with over 20 years of driving change in both Multinational and Local Organizations in the Banking and Broadcasting Industry. She has been serving as a Managing Director and Chief Executive Officer respectively for over 7 years with key expertise in Strategic Leadership, Corporate Finance, Resource Management, Public Relations, Regulatory reviews & Formulation of Policies.

Before joining Multichoice Tanzania in November 2018 as the Managing Director, Jacqueline had served for over 19 years in the Banking industry working at Standard Chartered Bank, Barclays Bank and Bank M in Tanzania.

Her track record and achievements in the roles, extensive leadership experience, exposure and dynamism have seen her attain Board Memberships in Public and Private Sector Institutions for over 10 years and various committee memberships playing a huge role in driving growth, offering sound leadership, management guidance and advisory. The Institutions include University of Dar es Salaam, Private Sector Foundation (TPSF), SAGCOT Catalytic Trust Fund, Jakaya Kikwete Cardiac Institute and Culture & Arts Trust Fund. She is currently serving as a Board member for KCB Bank Tanzania, Muhimbili National Hospital, Tanzania Tourist Board, AMREF Health Africa (Tanzania) and the CEO Roundtable of Tanzania.

## 4.5.2 Board Committees

The Board has delegated authority to various Board committees to enable them to oversee certain specific responsibilities based on their terms of reference. The terms of reference of each Board committee set out the responsibilities of the Board committee, conduct of meetings including quorum, voting requirements and qualifications for Board committee membership. The Banks Board committees comprise Non-Executive Directors only. Any change to the terms of reference for any Board committee requires Board approval. The minutes of Board Committee meetings, which records the key deliberations and decisions taken during these meetings, are circulated to all Board members for their information.

### 4.5.2.1 Audit and Compliance Committee

The Committee meets quarterly and was set up to deal with all matters relating to the financial reporting and disclosures matters, internal control systems of the Bank, internal audit and external auditor. It further oversees the Bank’s mitigation and appreciation of all risks in the business.

### 4.5.2.2 Risk and Strategy Committee

The purpose of the Committee is to assist the Board to discharge its duties relating to the corporate accountability together with its associated risks in terms of management, assurance, reporting and execution of KCBT Strategy. The Committee is established to ensure quality, integrity and reliability of the Company’s risk management and to oversee the management and execution of the KCBT Strategic Plan.

### 4.5.2.3 Human Resource Committee

The Human Resource Committee meets quarterly to review the human resource policies and make suitable recommendations to the Board on the Senior Management appointments. The Committee also oversees the nomination function and Senior Management performance reviews.

### 4.5.2.4 Credit Committee

This Committee meets at least once in a quarter to review the credit risk profile of the Bank and recommend for Board’s approval, policies and standards for credit risk governance and management. Also, the committee review and approve all credit applications above management discretionary.

#### Summary of KCB Bank Tanzania Limited Board Committees

Name	Audit and Compliance	Risk and Strategy	Human Resource Committee	Credit Committee
Mr. Anael Samuel	Chairperson			
Mrs. Anuja Pandit	Member			
Mr. Frederick Otieno	Member			
Mrs. Santina Majengo Benson		Chairperson	Chairperson	Member
Mrs. Rosalind Gichuru		Member	Member	Member
Mrs. Jacqueline Wiso		Member	Member	Chairperson

Source: KCB Bank Tanzania Limited Management

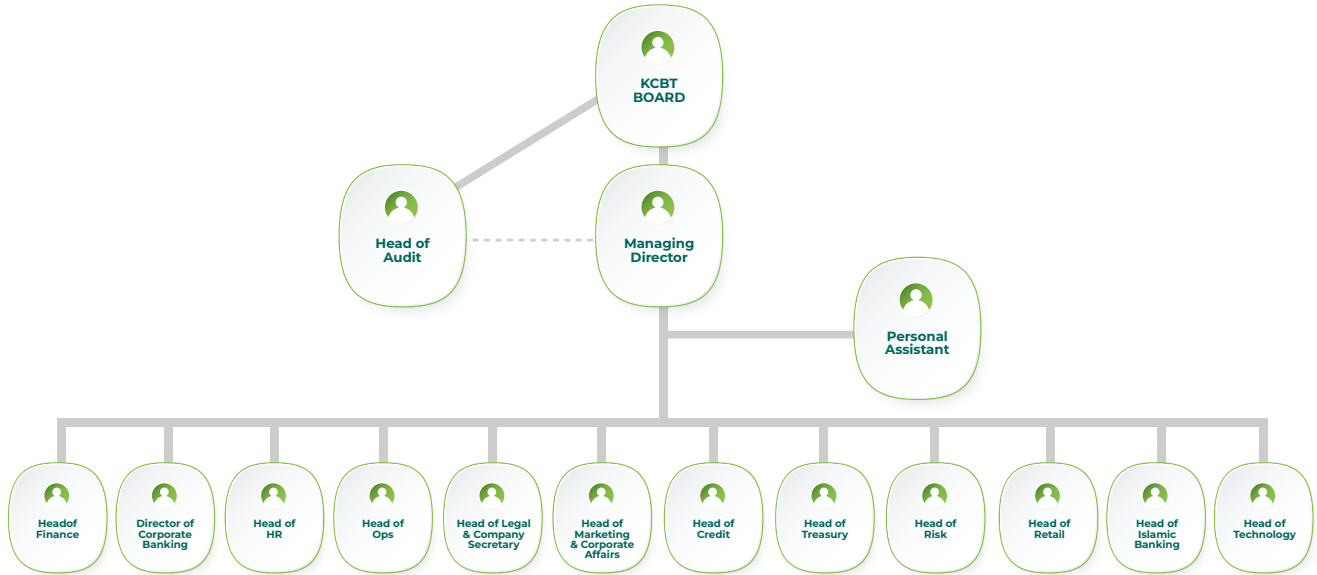
## 4.5.3 KCB Bank Tanzania Limited Executive Management

The day-to-day management of KCB Bank Tanzania Limited is entrusted to the Managing Director who is supported by the following departments: Corporate, Retail, Treasury; Credit, Operations and information technology, Human Resources, Finance, Internal Audit, Legal Services, Risk, Marketing and Corporate Affairs and Islamic Banking.

Each department is headed by a head of department. The Managing Director reports to the Board and all heads of departments report to the Managing Director. The Head of Internal Audit reports functionally to the Audit and Compliance Committee.

#### 4.5.4 KCB Bank Tanzania Limited Executive Management Structure

Figure 11: KCBT Executive Management Structure



Source: KCB Bank Tanzania Limited Management

#### KCB Bank Tanzania Limited Executive Management

S/No.	Name	Position	Nationality
1.	Mr. Cosmas Kimario	Managing Director	Tanzanian
2.	Mr. Willis Mbatia	Executive Director & Head of Finance	Kenyan
3.	Mr. Gabriel Lekundayo	Director of Corporate Banking	Tanzanian
4.	Mrs. Frida Shirima	Head of Legal & Company Secretary	Tanzanian
5.	Mrs. Monde Lushako	Head of Human Resources	Tanzanian
6.	Mrs. Magreth George	Head of Internal Audit	Tanzanian
7.	Mr. Waissaka Magweiga	Head of Credit	Tanzanian
8.	Mr. Juma Abdul	Head of Retail Banking	Tanzanian
9.	Mr. Amour Muro	Head of Sahl Banking	Tanzanian
10.	Mr. Pascal Machango	Head of Treasury	Tanzanian
11.	Mrs. Warda Kimaro	Head of Marketing, Corporate Affairs & Citizenship	Tanzanian
12.	Mrs. Lulu Namfua-Sikonyi	Head of Operations	Tanzanian
13.	Mr. Shadrack Koech	Head of IT and Technology	Kenyan
14.	Mrs. Angelina Semiono	Head of Risk and Compliance	Tanzanian

Source: KCB Bank Tanzania Limited Management

The summary profiles of the Senior Managers of KCB Bank Tanzania Limited Board are as follows:



**Mr. Cosmas Kimario - Managing Director**

Cosmas Kimario is a Banker by profession. He holds a Master's of Business Administration (MBA) in Finance and a Master's of International Management (MIM) from Thunderbird – The American Graduate School of International Management USA as well as Bachelor of Commerce and Management (B'Com) Degree from the University of Dar es Salaam where he was the best student from the class of 1994. Mr. Kimario is a Lifetime Member of Beta Gama Sigma – the Honor Society for Best World Business Students, a Lifetime Member of Phi Sigma Iota – the International Foreign Language Honor Society and also a Lifetime Member Pi Sigma Alfa – the International Studies Honor Society.

Mr. Kimario is also trained in the areas of Foreign Exchange, Derivatives and Credit Management. Mr. Kimario is an experienced expert in the Banking industry with over 25 years of service in the sector holding different top positions. He has worked in different capacities in different countries including: The USA, The UK, Nigeria, Senegal and Kenya. He has specialized in Structured Products, Project Financing, Corporate Financing, Treasury, Money Market and Foreign Exchange Products and Derivatives Products and Public Housing. Mr. Kimario is one of the pioneers who introduced Foreign Exchange Options and Derivatives in many markets in Africa including Tanzania, Nigeria, Uganda and Zambia.



**Mr. Willis Mbatia – Executive Director and Head of Finance**

Willis has over 20 years' professional experience across Finance, Audit and Project management. He joined KCB Bank Tanzania with effect from September 2017 from KCB Bank Kenya. He acted as the Head of Finance in KCB Bank Uganda. Between 2011 and 2017, he was a Business Finance Manager in charge of Corporate, Treasury, Mortgage and Credit at KCB Bank Kenya.

Prior to joining KCB Bank Kenya in 2004, he worked at Ernst & Young Kenya where he was involved in auditing and accountancy assignments of various companies and industries both as a team leader and as a team member for a period of five years.

He holds a Bachelor of Commerce (Finance Option) from the University of Nairobi and is a Certified Public Accountant of Kenya.



**Mr. Gabriel Lekundayo – Director of Corporate Banking**

Gabriel is an experienced banker with over 10 years' experience in Banking and sells having worked in the UK & Tanzania. Prior to joining KCB Tanzania in Jan 2014, he had a privilege of working with Halifax Bank, RBS, Bracknell UK.

He holds a degree in Accounting & Management from Spicer Memorial University India, MBA from University of Wales Cardiff Institute UK & a postgraduate diploma in Management from University of Stratford, London UK.



**Mrs. Frida Shirima - Head of Legal & Company Secretary**

Mrs. Frida Shirima was appointed as the Company Secretary & Head of Legal for KCB Bank Tanzania Limited in July 2023. She holds a Bachelors' Degree of Laws (LL.B) and a Masters' Degree of Entrepreneurship specializing in business entrepreneurship from the University of Dar es Salaam and ESAMI, respectively.

Mrs. Shirima is a practicing Advocate of the High Court of Tanzania. With her unique ability to comprehend the business landscape of the banking industry, she possesses extensive experience in litigation, corporate governance, commercial transactions, contract negotiation and drafting, legal research and advisory services, licensing, regulatory compliance, stakeholder management, as well as merger, acquisitions, and project management.

Prior to joining KCB, Mrs. Shirima worked at Mawalla Advocates for over ten years. Before her tenure at KCB, she served as the Head of Legal, Governance & Company Secretary for NCBA Bank Tanzania Limited.



#### **Mrs. Monde Lushako - Head of Human Resources**

Mrs. Monde Lushako is a Human Resource professional with over 16 years of experience. She is instrumental in creating and implementing HR strategies aligned with institutional objectives. Having served in several Human Resources roles such as Head of Human Resources, Snr HRBP- Learning & Development/Talent Management and many more, she brings strategic insights and operational excellence to the HR practices. Her expertise spans from Employee Relations, Talent Management, Learning & Development, Performance Management, Culture Change Management, and Rewards & Benefits.

As a talent management expert, Mrs. Monde extends her competencies in advocating for mentoring young leaders. Her professional ethos is grounded in integrity, professionalism, attention to detail, and a commitment to fostering best practices in the workplace.

She is a certified Global Professional HR (GPHR) and possesses a Master's of Business Administration from the University of Dar es Salaam and Bachelor's Degree in Business Administration from Tumaini University Dar es Salaam College.



#### **Mrs. Magreth George - Head of Internal Audit**

Mrs. Magreth holds a Master's of Science in Finance with distinction from University of Strathclyde, and a Bachelor of Commerce with Honors from University of Dar es Salaam. Professionally, she is a registered member of the National Board of Accountant and Auditors (NBAA), as a Certified Public Accountant and she is the active member of the Institute of Internal Auditors (IIA). Previously, Mrs. Magreth had the privilege to work with Delloitte & Touche where she was involved in Auditing assignments of various companies and industries. She also worked with Alios Finance Tanzania as a Chief Accountant.



#### **Mr. Waissaka Magweiga - Head of Credit**

Waissaka is a Certified Professional Banker, holder of CPB qualification from Tanzania Institute of Bankers with over 10 years' experience in Credit risk management. Prior joining KCB Tanzania as Head of Credit, he worked with KCB Burundi as Head of Credit (Expatriate). Also, he has worked in various roles at NIC (NCBA) bank and KCB Tanzania before joining KCB Burundi.

He holds bachelor's degree of Commerce in Accounting with Honors from The University of Dodoma.



#### **Mr. Juma Abdul - Head of Retail Banking**

Juma Abdul has more than 18 years' experience in the Banking Industry having worked with Local and International Banks. Previously had a privilege to work with Akiba Commercial Bank, Stanbic Bank, Standard chartered Bank and Barclays/ABSA. He holds Bachelor of Accounting from College of Business Education.



#### **Mr. Amour Muro - Head of Sahl Banking**

Amour has more than 10 years of banking experience in several roles including Treasury Sales, Corporate Banking, and Investment Banking exposure.

He joined KCB Bank Tanzania with effect from August 2021 to take on a new role as Head of Islamic Banking. He is guided by a foundation of integrity, diplomacy, and the necessary tact to deliver results and overall stakeholder needs. He holds a Bachelor of Science in Economics from Rockford University in Illinois, U.S.A.



**Mr. Pascal Machango – Head of Treasury**

Pascal Stanislaus Machango fellow and holds of MBA from Open University, Bachelor of commerce and accounts from university of Dar es Salaam and ACI holder. He has experience in Banking industry formore than 21 years. Current, he is Head of Treasury at KCB Tanzania.



**Mrs. Warda Kimaro – Head of Marketing, Corporate Affairs & Citizenship**

Mrs. Warda Kimaro is a seasoned marketing, communications and corporate affairs executive with over 17 years of leadership experience across the banking, telecommunications and FMCG sectors in Tanzania and the wider East African region. She currently serves as Head of Marketing, Corporate Affairs & Citizenship at KCB Bank Tanzania. Prior to joining KCB Bank Tanzania, Warda held senior leadership roles at Vodacom Tanzania Plc and Tanzania Breweries Limited (AB InBev), where she led high-impact brand transformations, innovation pipelines and large-scale integrated campaigns.

Her career spans strategic brand repositioning, portfolio growth management, commercial P&L optimization, trade marketing and multi-stakeholder engagement, with a consistent record of delivering measurable growth in brand equity, revenue performance and market share.

Warda holds an MBA from ESAMI, a BA (Hons) in Business Management from Southampton Solent University, and professional certifications in Corporate Governance and Directorship from the Institute of Directors Tanzania.



**Mrs. Lulu Namfua-Sikonyi - Head of Operations**

Lulu has been a banker for more than 20 years and in the Mining Industry for 2 years taking up Managerial roles within these two industries. She has been managing and overseeing various departments in the Operation area as the Head of Internal Control, Head of Operations and Head, Human Resource and Administration. Under her tenor the following have been her area of expertise; Customer Care, Trade Finance, Treasury Back Office and SWIFT, Clearing, Administration and Procurement, Projects, Facility and Security, Operations Integrity (Risk and Compliance), Operations Branch Support and Human Resource Management.

Lulu has been a member in various Management Committees such as Extended Management Committee (EXCO), Board Audit Committee (BAC), Operational Risk Committee, Cost Containment Committee and New Product Committee.

In August Lulu joined KCB Bank Tanzania as the New Head of Operations. Seeing herself bringing impact in the business growth and ready to take up new challenges with the Mission, Vision and the Strategy of KCB Bank.

Lulu holds a Bachelor of Arts Degree in Public Administration (International Relations) and Masters' Degree in Business Administration (Human Resource Management) both from the University of Dar es Salaam, in Tanzania

She is passionate to what she has been and continue to do being hard working, team player, a mentor and role model to many. She is a person of integrity, accompanied with track record of good performance and successes including awards such as Leadership Excellency and Team Player award, Long Service Award and Service Excellence Award.



**Mr. Shadrack Koech - Head of IT and Technology**

Mr. Koeach has more than 24 years' experience dealing with ICT related roles in several geographies including Kenya, Tanzania, Rwanda and Uganda. He holds an MBA in Strategic Management from JKUAT and Bachelors of Science in Computer Information Maseno University in Kenya.



**Mrs. Angelina Semiono – Head of Risk and Compliance**

Angelina has more than 10 years of banking experience working in different roles within Audit, Risk and Compliance. She is a person of integrity and solution-oriented aiming at achieving stakeholders' objectives.

Angelina joined KCB in Sept 2022, prior to that she has worked with local and international companies including Stanbic Bank, the former TIB Corporate and PricewaterhouseCoopers (PwC). She holds a Master's Degree in Business Administration from ESAMI, BSc In Computer Science from University of Dar es Salaam. Moreover, she is a Certified Information System Auditor (CISA).

#### 4.6 KCB Sahl Banking Shari'ah Advisory Board

KCB Sahl Banking Shari'ah Advisory Board (SAB) is an independent body of Shari'ah scholars appointed to oversee the compliance of KCB Sahl Banking's products, services and operations with Shari'ah principles. The Board plays a critical role in reviewing and approving Islamic financial contracts, product structures and policies to ensure they align with Shari'ah principles. It also provides ongoing guidance to the bank on matters related to Islamic banking and monitors the implementation of Shari'ah rulings to uphold the integrity of the institution's Islamic offerings.

**KCB Sahl Banking Shari'ah Advisory Board (SAB)**

S/No.	Name	Position	Nationality	Date of appointment
1.	Sheikh Khamis Mataka	Chairman	Tanzanian	5th August 2020
2.	Sheikh Yassir Salim Awadh	Member	Tanzanian	1st December 2023
3.	Sheikh Omar Mahmoud Sharif	Member	Tanzanian	1st December 2023

## The summary profiles of the KCB Sahl Banking Shari'ah Board Board are as follows:



### **Sheikh Khamis Said Mohamed Mataka**

Sheikh Khamis Said Mohamed Mataka has more than 15 years working experience in the Islamic Finance profession, he has served several religious bodies as Chairman and Secretary General including National Executive Organ of the National Muslim Council of Tanzania (BAKWATA), Board of Trustee Masjid Nur & Islamic Centre, Educational Board of Tanzania Islamic Centre, Foundation of Sheikhs and Islamic Scholars in Tanzania and the Mohamed IV Foundation for African Ulamaa (Scholars).

He is currently a co-chair of interfaith Standing Committee on Economic Justice and Integrity of Creation which is formed jointly by the Catholic Tanzania Episcopal Conference (TEC), The National Muslim Council of Tanzania (BAKWATA) and Christian Council of Tanzania (CCT).

Sheikh Mataka has a vast knowledge in the field of language especially Arabic, Swahili and English and he is holder of B.A of Arts in language, Philosophy and religious studies. He is a holder of MBA in Human Resource and marketing from IGNOU University, India.

Sheikh Mataka joined KCB Sahl Banking Shari'ah Advisory Board in 2008 as a member of Technical Team and on 2010 as Board member, currently he is a chair of the Board.



### **Sheikh Yassir Salim Awadh**

Sheikh Yassir Salim Awadh has more than 15 years working experience in the Islamic Finance profession. He has served as an Islamic Finance Expert on USAID (Engine Program) and Trainer to USAID Business Development Service Providers in Zanzibar.

He also serves as an Executive Chairman to TAMPRO SACCOS LTD and holds several other Shari'ah Advisory roles within a Sukuk Company, an Islamic Bank, and a Halal Investment Platform.



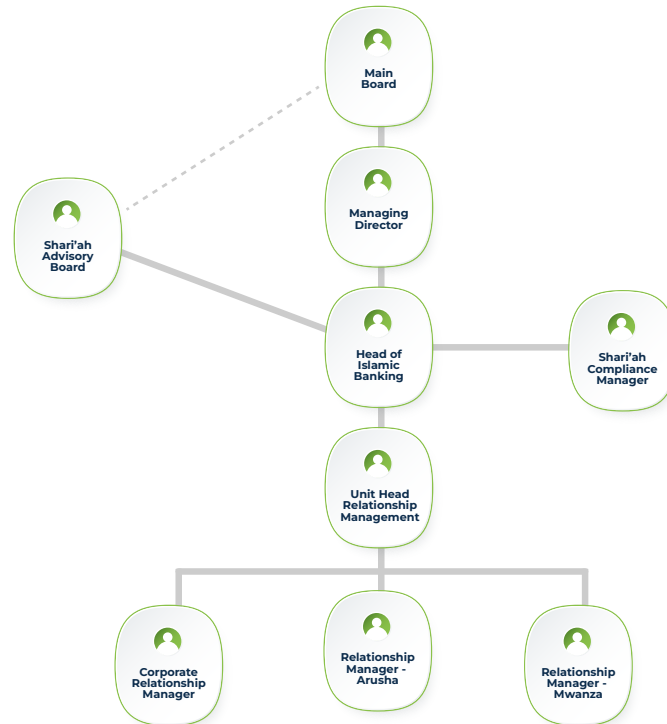
### **Sheikh Omar Mahmoud Sharif**

Sheikh Omar Mahmoud Sharif is in the finance industry for over 25 years working in senior positions in East and West Africa (Kenya, Tanzania, Sudan, and Gabon) and the Middle East. He is a Certified Public Accountant CPA(K), Certified Sukuk Professional CSP(Dubai), holds a Post Graduate Diploma in Islamic Finance and Economy (Dubai), and a Certified Islamic Public Accountant CIPA (Al Injaz Institute - accredited AAOIFI Centre).

His working experience in Islamic Finance include being a Public Presenter, Trainer, and Lecturer who has published several works such as Taxation of Islamic Finance products in Tanzania, trained the Capital Market and Security Authority (CMSA) and Dar es Salaam Stock Exchange (DSE) staff on Islamic Finance, and was Contracted by the Tanzanian Insurance Regulator through Centre of Islamic Finance Compliance and Advise (CIFCA), to steer the Takaful regulations in Tanzania. He also participated in several Islamic Finance advisory works such as Structuring the First Sukuk in East Africa, floated by KCB Bank Tanzania Sahl Banking, named Fursa Sukuk, and Drafting Islamic Finance Regulations with the Ministry of Finance in Tanzania towards developing Islamic finance infrastructure locally.

## 4.7 KCB Sahl Banking Organization Structure

Figure 12: KCB Sahl Banking Organization Structure



Source: KCB Bank Tanzania Limited Management

## 4.8 Employees

As of 31st December 2024, the Bank employed 326 full-time employees (2023: 304). The bank has a strong ethical culture that is customer and employee centric with competent and skilled employees engaged within a diverse workforce.

## 4.9 KCB Sahl Banking Products and Services

KCB Sahl Banking has a full range of products and services catering to various customer segments. A summary of the products/services offered by the Bank is given below:

### 4.9.1 Saving Accounts

KCB Sahl Banking offers a wide variety of accounts fulfilling all the needs of its diverse customer base. The following are the account options offered by the KCB Sahl Banking:

#### (i) Personal Saving Account

This is a saving account designed for personal savings and structured under Qardh Contract.

#### (ii) Junior Account

This is an account for children and managed by a parent or guardian structured under Qardh Contract. This account enables a parent to save for the child and groom a child with savings behavior.

#### (iii) Student Account

This is an account for students structured under Qardh Contract. This account enables a student to save and transact for his education use.

#### (iv) Hajj Saving Account

This account is designed to help customers to perform Hajj and Umrah through gradual savings till the required amount for Hajj is completed. Hajj Saving Account is structured under Qardh Contract.

#### (v) Salary Saving Account

This is an account designed for organizations' staff whose source of income is salary. The account is structured under Qardh Contract.

## 4.9.2 Consumer Finance

In this category, KCB Sahl Banking offers a range of Shari'ah compliant financing products to its customers. The following products are available for the consumers in the category:

### (i) Murabaha Financing

Murabaha is a trade contract for the sale of an item on cost of good plus mark-up whereby the seller is obliged to disclose to the buyer the cost of goods sold and a margin of profit included in the sale price of goods agreed to be sold. The contract is normally done on deferred payment basis.

### (ii) Qardh Loan

(A good-will loan) is a contract of loan between two parties in which borrower is required to pay back only the amount borrowed. The debtor is required to return the principal amount in the future without any increase.

### (iii) Commodity Murabaha – Tawarruq

Commodity Murabaha (Tawarruq) is the process of purchasing a commodity for a deferred price and selling it to third party for a spot price to obtain cash. This is typically done in a matter of minutes through an existing Shari'ah-Compliant commodity market. It's designed to cater for the needs of getting cash in meeting various commitments; it can be done between the Banks as liquidity management tool and with customers who need cash.

The commodity Murabaha shall be the last resort in helping our customers after looking at all existing shari'ah compliant products (contracts) such as, normal Murabaha, Ijarah, and Musharaka.

KCBT carries out this arrangement with both local and foreign markets such as Bursa Suq Al- Sila (BSAS) depending on need and type of transactions to be performed.

### (iv) Ijarah Financing (Leasing) – Service Ijarah

This is a financing product for business purposes granted to existing and potential KCBT clients who meet our onboarding Credit Criteria; the underlying Shari'ah structure for this product is Ijarah (leasing) with deferred repayment.

Ijarah refers to 'the lease of an asset or service for an agreed period in exchange for an agreed consideration' charged in terms of fees or rentals. The Ijarah contract is applicable to 'usufructs' as well as 'services'. Currently KCBT offers.

Ijarah on services and not usufructs. Ijarah on Services or Service Ijarah means; a lease contract for providing services in exchange for agreed consideration. For instance, the services of a lawyer, clearing agents and Tax payments, etc.

### (v) Diminishing Musharaka Financing

This is a financing product based on a partnership mode with a profit-and-loss sharing under Musharaka contract. Diminishing Musharaka (declining partnership) is now being used extensively in many areas for financing fixed assets such as houses and motor vehicles as well as project financing.

It is used mostly when one party who wants to own an asset cannot afford to pay the full price and takes the assistance of financing from another party with the end-goal of complete ownership of the asset by the first party at the end of the repayment period through gradual purchase of the shares of the other party. Both parties need to contribute capital to jointly own the asset.

When used in home financing, Diminishing Musharaka can be viewed as a form of shared ownership with a leasing sale-back arrangement, which makes it different from an interest-based mortgage.

## 4.9.3 Transaction Accounts

### (i) Personal & Business Current Accounts

These accounts have been designed for Sole Proprietors, SME clients, Corporate and Government bodies to assist in their daily business transactions structured under Qardh Contract.

### (ii) Community Current Account

This account is designed for various groups within the community including but not limited to Madrasa's (Schools), Mosques, Churches, SACCOS/Cooperatives/Vikoba, Family Groups, Wakfs (Trusts), etc. It is a zero charges accounts structured under Qardh Contract.

## 4.9.4 Investment Accounts

### (i) Sahl Simba Savers Account

This account is designed under Mudharabah contract specific for savers to earn profit on monthly basis calculated via their minimum average monthly balances maintained

### (ii) Fixed Deposit Account - Mudharabah

This account is designed Under Mudharabah contract specific for savers to earn profit on an agreed fixed period. Profit Ratio is not set but is negotiable be based on amount and time deposits are to be fixed.

## 4.10 Branches and ATM

KCB Bank Tanzania Limited has 17 branches including eight in Dar es Salaam, three located in Arusha, one each in Moshi, Mwanza, Morogoro, Kahama, Geita and Zanzibar. This network is complemented by 21 ATMs, 637 agents and 778 active POS merchants across the country. KCB Sahl Banking is available across all the branches. Currently, KCB Sahl Banking has 2 fully fledged Islamic branches one located at Stone Town in Zanzibar and the other branch is located at Lumumba in Dar es Salaam.

**Note:** Islamic Banking Services are available in all 17 branches.

### KCB Bank Tanzania Limited Branch Network

	2020	2021	2022	2023	2024
Number of Branches	14	14	15	16	17

Source: KCB Bank Tanzania Limited

## 4.11 Summary of Issuer's Financial Information

### 4.11.1 Statement of Profit or Loss and Other Comprehensive Income

TZS Millions	2020	2021	2022	2023	2024
Interest Income	67,793	74,413	92,639	124,261	152,135
Interest Expense	(25,142)	(26,620)	(34,993)	(47,077)	(61,452)
<b>Net Interest Income</b>	<b>42,651</b>	<b>47,793</b>	<b>57,646</b>	<b>77,184</b>	<b>90,682</b>
Impairment Losses on Loans and Advances	(15,360)	(12,501)	(9,568)	(4,699)	8,800
<b>Non-Interest Income</b>	<b>17,753</b>	<b>20,296</b>	<b>22,819</b>	<b>31,976</b>	<b>41,673</b>
Foreign Exchange Profit/(Loss)	6,701	7,489	9,234	11,321	14,943
Fee and Commission Income	10,163	10,204	12,946	20,655	26,332
Other Operating Income	889	2,603	639	0	398
<b>Non-Interest Expense</b>	<b>(34,360)</b>	<b>(32,962)</b>	<b>(39,960)</b>	<b>(51,877)</b>	<b>(51,705)</b>
Salaries and Benefits	(16,519)	(16,426)	(19,201)	(23,595)	(25,212)
Fees and Commission Expense	(996)	(1,103)	(1,376)	(5,722)	(15,782)
Other Operating Expenses	(16,846)	(15,433)	(19,383)	(22,559)	(24,169)
<b>Operating Income/(Loss) before Tax</b>	<b>10,683</b>	<b>22,626</b>	<b>30,937</b>	<b>52,584</b>	<b>75,993</b>
Income Tax Expense	(6,005)	(7,381)	(9,506)	(14,960)	(25,181)
<b>Net Income/ (Loss) after Income Tax</b>	<b>4,678</b>	<b>15,245</b>	<b>21,431</b>	<b>37,624</b>	<b>50,812</b>
Other Comprehensive Income	4,838	972	6,797	(2,782)	(6,811)
<b>Total Comprehensive Income</b>	<b>9,516</b>	<b>16,217</b>	<b>28,228</b>	<b>34,842</b>	<b>44,001</b>

Source: KCB Bank Tanzania Limited (Audited Financial Reports (2020 -2024)

**4.11.2 Statement of Financial Position**

<b>TZS Millions</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>ASSETS</b>					
Cash and Bank balances with Bank of Tanzania	82,795	61,912	106,280	127,510	84,467
Placements with Other Banks	69,343	108,526	109,608	162,650	233,541
Derivative Financial Instrument	896	1,179	1,208	-	349
Government Securities at FVOCI	63,123	94,208	100,574	96,680	89,057
Government Securities at Amortized Cost	61,300	79,788	95,573	87,603	112,486
Loans and Advances to Customers	411,504	458,869	660,868	892,758	1,015,278
Investment in Other Securities at Amortized Cost	-	205	1,028	2,030	2,035
Other Assets	9,073	10,046	17,769	34,027	24,255
Equity Investments					500
Current Income Tax	1,572	431	-	-	-
Property, Plant and Equipment	8,384	7,853	7,783	8,298	9,565
Right of use assets	9,781	7,611	7,768	8,442	7,821
Intangible Assets	1,801	2,613	1,999	1,481	1,319
Deferred Income Tax	2,974	3,126	2,571	15,093	12,114
<b>Total Assets</b>	<b>722,650</b>	<b>836,368</b>	<b>1,113,029</b>	<b>1,436,573</b>	<b>1,592,965</b>
<b>LIABILITIES</b>					
Deposits from Other Banks & Financial Institutions	111,916	187,405	242,654	289,872	240,841
Deposits from Customers	470,281	501,260	681,403	845,307	984,785
Items in the course of collection		227	101	123	180
Other Liabilities	14,267	14,359	16,175	24,860	22,725
Derivative Financial Liabilities				367	-
Borrowings	17,336	10,087	10,075	65,551	102,706
Lease Liabilities	10,817	8,781	8,875	8,883	8,578
Current Income Tax Payable	-	-	194	13,210	747
Debt Instrument at Amortized Cost	-	-	11,074	11,080	11,083
<b>Total Liabilities</b>	<b>624,618</b>	<b>722,119</b>	<b>970,552</b>	<b>1,259,253</b>	<b>1,371,645</b>
<b>SHAREHOLDERS' FUNDS</b>					
Share Capital	62,670	62,670	62,670	62,670	62,670
Retained Earnings	25,534	46,491	69,409	107,032	155,028
General Provision Reserve	-	-	-	-	806
Fair Value Reserve	2,629	3,602	10,399	7,617	2,817
Non-Distributable Reserve	7,198	1,487	-	-	2,817,084
<b>Total Shareholders' Funds</b>	<b>98,032</b>	<b>114,249</b>	<b>142,477</b>	<b>177,319</b>	<b>221,320</b>
<b>Total Liabilities and Shareholders' Funds</b>	<b>722,650</b>	<b>836,368</b>	<b>1,113,029</b>	<b>1,436,573</b>	<b>1,592,965</b>

Source: KCB Bank Tanzania Limited (Audited Financial Reports (2020 -2024))

### 4.11.3 Statement of Cash Flows

Amounts in TZS Millions	2020	2021	2022	2023	2024
Profit before Tax	10,683	22,626	30,937	52,584	75,993
<b>Adjustment for non-cash items</b>					
Depreciation and Amortisation	2,221	2,714	3,136	2,940	3,135
Net Impairment Charge on Loans and Advances	-	-	9,568	4,699	(8,800)
Net Interest Income (excluding interest expense on lease and borrowings)	-	-	(59,261)	(80,322)	(97,027)
Property and Equipment Written Off	-	-	-	-	3
Profit on disposal of items of Property and Equipment	(12)	(13)	(94)	(0)	(8)
Foreign Exchange Rate on	-	-	-	2,250	(2,007)
Revaluation of Long-term Borrowings					
Interest Charge on Long term Borrowing	2,000	1,170	897	2,389	5,459
Modification Loss on Lease Contracts	-	-	(21)	196	-
Foreign Exchange on Lease Contracts	-	-	99	(950)	291
Foreign Exchange on Cash and Cash Equivalents	-	-	-	-	257
Depreciation on right of use assets	2,353	2,400	2,274	2,552	2,559
Interest Charge Lease Liability	933	805	719	749	886
<b>Cash Flows from Operating Activities before Changes in Working Capital Items</b>	<b>18,177</b>	<b>29,702</b>	<b>(11,748)</b>	<b>(12,913)</b>	<b>(19,260)</b>
<b>Changes in Working Capital Items</b>					
Increase in Loans and Advances to Customers	(13,438)	(47,365)	(209,610)	(235,430)	1113,329
Increase in Derivative Financial Instrument	(15)	(283)	(29)	1,208	(349)
(Increase/Decrease in other assets	(1,677)	(1,189)	(5,259)	(14,314)	9,666
Increase/(Decrease) in Deposits	77,589	106,468	234,942	206,651	82,264
(Decrease)/increase in other	475	92	1,816	9,051	(2,501)
Liabilities					
(Decrease)/Increase in Items in the Course of Payment	-	227	(126)	22	57
Decrease in Statutory Minimum Reserve account	(1,009)	(4,280)	(7,978)	(8,326)	(9,222)
Increase in Government Securities at FVOCI	(23,195)	(29,697)	3,344	(80)	(2,108)
Decrease/(increase) in Government Securities at Amortized Cost	22,817	(18,487)	(15,826)	6,885	(24,616)
Decrease/(Increase in Other Investment in Other Securities at Amortized Cost	-	(205)	(823)	(1,002)	(221)
Interest Received	-	-	90,723	124,186	151,476

Interest Paid	(2,228)	(1,440)	(32,928)	(42,127)	(52,970)
Tax paid during the year	(5,679)	(6,809)	(11,238)	(13,274)	(31,745)
<b>Net Cash generated from / (used in)</b>	<b>71,817</b>	<b>26,732</b>	<b>35,261</b>	<b>20,538</b>	<b>(12,858)</b>
Operating Activities					
<b>Cash Flow from Investing Activities</b>					
Equity Investment	-	-	-	-	(500)
Purchase of Property and Equipment	(4,363)	(1,603)	(2,325)	(2,882)	(3,815)
Purchase of Intangible Assets	(1,235)	(1,401)	(127)	(56)	(428)
Proceeds from disposal of items of Property and Equipment	12	22	94	0	8
<b>Net Cash used in Investing Activities</b>	<b>(5,586)</b>	<b>(2,982)</b>	<b>(2,358)</b>	<b>(2,938)</b>	<b>(4,734)</b>
<b>Cash Flow from Financing Activities</b>					
Proceeds from Borrowings	-	-	-	52,524	39,079
Principal paid on Borrowings	(6,968)	(6,968)	-	(2,242)	-
Payment of Lease Liabilities	(2,845)	(3,071)	(2,414)	6	(2,534)
Proceeds from Debt Instrument at Amortized Cost	-	-	11,074		3
<b>Net Cash (used in)/ generated from Financing Activities</b>	<b>(9,813)</b>	<b>(10,049)</b>	<b>7,752</b>	<b>50,289</b>	<b>36,547</b>
<b>Net (Decrease)/Increase in Cash During the period</b>	<b>56,419</b>	<b>13,701</b>	<b>39,935</b>	<b>67,889</b>	<b>18,956</b>
Effects of Foreign Exchange on Cash and Cash Equivalents	-	-	-	-	(257)
Cash and Cash Equivalents at the beginning of the year	68,812	125,231	138,932	187,078	254,967
<b>Cash and Cash Equivalents at the year end</b>	<b>125,231</b>	<b>138,932</b>	<b>178,867</b>	<b>254,967</b>	<b>273,665</b>

Source: KCB Bank Tanzania Limited (Audited Financial Reports (2020 -2024))

## 4.12 KCB Sahl Banking Financial Summary

### 4.12.1 Statement of Profit and Loss and Other Comprehensive Income

Amounts in TZS Millions	2020	2021	2022	2023	2024
Total Income from Financing	6,790	6,161	6,900	10,274	10,197
Total income from Sukuk Investment	-	-	33	125	146
<b>Total financing and investment income</b>	<b>6,790</b>	<b>6,161</b>	<b>6,900</b>	<b>10,399</b>	<b>10,343</b>
Profit Sharing expense to depositors	(1,412)	(796)	2,357)	(4,048)	(3,728)
Profit Sharing expense to sukuk holders	-	-	-	(972)	(969)
<b>Net financing and investment income</b>	<b>5,378</b>	<b>5,365</b>	<b>4,543</b>	<b>5,379</b>	<b>5,647</b>
Fees, Commission Charges & Forex	1,299	1,765	4,007	6,024	5,205
<b>Profit Before Impairment Losses &amp; Taxes</b>	<b>6,677</b>	<b>7,130</b>	<b>8,550</b>	<b>11,403</b>	<b>10,852</b>
Impairment Losses	(1,690)	(1,669)	(1,139)	(754)	262
Taxes for the period	(377)	(435)	(2,223)	(3,194)	(3,334)
<b>Net Profit for the period</b>	<b>4,610</b>	<b>5,026</b>	<b>5,188</b>	<b>7,454</b>	<b>7,780</b>

Source: KCB Sahl Banking

### 4.12.2 Statement of Financial Position Summary:

Amounts in TZS Millions	2020	2021	2022	2023	2024
Total Financing	56,023	52,581	81,227	87,505	86,118
Sukuk Investment	-	-	-	1,521	1,592
<b>Total Assets</b>	<b>56,023</b>	<b>52,581</b>	<b>81,227</b>	<b>89,026</b>	<b>87,710</b>
Customer Deposits	48,670	62,626	89,260	114,225	106,080
Sukuk Financing Investments	-	-	11,074	11,080	11,083
<b>Total Deposits</b>	<b>48,670</b>	<b>62,626</b>	<b>100,334</b>	<b>125,305</b>	<b>117,162</b>

### 4.12.3 Key Performance Indicators KCB Bank Tanzania Limited

Ratio	2020	2021	2022	2023	2024
Return on Assets	0.68%	2.01%	2.20%	2.95%	3.43%
Return on Equity	4.97%	14.71%	16.70%	23.39%	25.97%
Cost to Income Ratio	57.47%	47.20%	48.79%	45.87%	43.49%
Net Interest Income to Average	8.06%	7.63%	7.42%	7.23%	7.07%
Earning Assets					
Non-Performing Loans and Advances to Total Gross Loans	6.11%	2.71%	2.63%	1.60%	1.41%
Loans and Advances Growth	3.38%	11.51%	44.02%	35.00%	13.80%
Total Deposits Growth	15.29%	18.29%	34.18%	22.85%	790%
Assets Growth	12.26%	15.70%	33.15%	28.96%	8.50%
Tier 1 Capital	16.11%	17.67%	15.86%	16.32%	17.33%
Tier 1 + Tier 2 Capital	16.61%	18.29%	17.15%	17.14%	17.40%



**4.12.4 Key Performance Indicators KCB Sahl Banking**

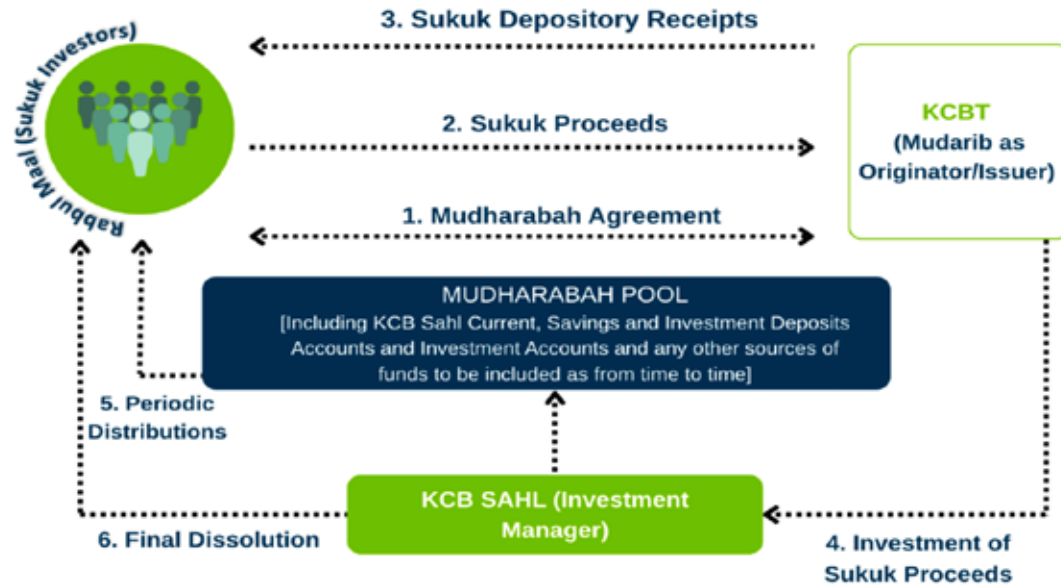
Ratio	2020	2021	2022	2023	2024
Return on Assets	8.23%	9.56%	6.39%	8.37%	8.87%
Non-Performing Loans and Advances to Total Gross Loans	2.70%	4.09%	1.68%	3.79%	3.53%
Total Deposits Growth		28.67%	60.21%	24.89%	-6.50%
Assets Growth		-6.14%	54.48%	9.60%	-1.48%
Loan to Deposit Ratio	115%	84.00%	81.00%	67.00%	75.00%



5

## 5 Details of the Issue and Related Information

### 5.1 Instrument Structure



#### The Mudharabah structure will be as follows for each Sukuk Issued:

The Sukuk has been structured on the basis of Islamic principle of Mudharabah where one partner gives money to another for investment in a business. The capital provider / Sukuk Holders are called "Arbaabul-Maal/ (singular Rabbul Maal)", while the management and work are the exclusive responsibility of the other partner, the Bank, who is called the "Mudharib". The Mudharabah structure will be as follows:

- 1) The issuance of Sukuk under the Programme is based on an unrestricted Mudharabah Agreement between the Issuer (as Mudharib) and each Sukukholder (as Rabbul Maal), in accordance with the rules and principles of Shari'ah. The Mudharabah Capital contributed by the Rabbul Maal is entrusted to the Mudharib (in a contractual capacity).
- 2) Sukuk Investors purchase the Sukuk and pay Sukuk Proceeds to KCBT.
- 3) KCBT issues Sukuk Depository Receipts to Sukuk Holders evidencing their portion of ownership of the Sukuk.
- 4) The Mudharib arranges for its investment through the Investment Manager (KCB Sahl Banking). The funds are co-mingled with other Shari'ah-compliant funds in the Mudharabah Pool managed by the Investment Manager. These may include proceeds of all current, savings and investment deposit accounts held with KCB Sahl, as well as any other permitted Shari'ah-compliant sources of capital.
- 5) KCB Sahl will invest the Sukuk proceeds together with its other Shari'ah-compliant funds as a Mudharabah Pool and the profit share of the Sukuk investors is used to pay for periodic distributions from Profit Reserve created therefrom. KCB Sahl will deliver part of the profit due to Sukuk investors to KCBT for it to pay periodic distributions to Sukuk Investors four times every year at the agreed profit rate specified in the Pricing Supplement.
- 6) At Sukuk maturity- three (3) years, KCBT will purchase the Sukuk from Sukuk investors at par value and will redeem the Sukuk through the Final Dissolution amount plus the final periodic distribution.

## 5.2 Parties Involved

a)	Issuer and Investment Manager	
(i)	Issuer	KCB Bank Tanzania Limited
(ii)	Investment Manager	KCB Sahl Banking
(iii)	Registered Office of the Issuer	Harambee Plaza Building, Ali Hassan Mwinyi Road and Kaunda Drive, PO Box 804, Dar es Salaam, Tanzania.
(iv)	Issuer Business registration number	31740
(v)	Date and place of incorporation of the Issuer	17th September 2008, Dar es Salaam
(vi)	Issuer's Principal Activities	The Issuer provides banking and other related services permitted under the Banking and Financial Institutions Act, 2006.
(vii)	Investment Manager's Principal Activities	The principal activity of the Investment Manager is to provide banking services to various entities, in compliance with Islamic principles (Shari'ah).
(viii)	Managing Director	Mr. Cosmas Kimario
(ix)	Head of Sahl Banking	Mr. Amour Muro
(x)	Financial Calendar	31s December
(xi)	Bankers	<p><b>KCB Bank Kenya Ltd,</b> KCB MOI Avenue Branch, P.O Box 30081 Nairobi</p> <p><b>Deutsche Bank AG</b> Head office 60262 Frankfurt Bank sort code: 500 700 10 Swift: DEUTDEFF</p> <p><b>Deutsche Bank Trust Company Americas</b> P.O Box 318, Church Street Station, New York, New York 10008-0318. Cable: BANKTRUS Swift: BKTRUS33</p> <p><b>Deutsche Bank</b> 72, London Wall, London, EC2N 2DB United Kingdom</p>
(xii)	Auditors	<p><b>KPMG</b> Masaki 2nd Floor, The Luminary Haile Selassie Road P.O Box 1160 Dar es Salaam, Tanzania</p>

	Trad Arrangedisors	Issuer and Investment Manager
(i)	Lead Arranger	 <p><b>FIMCO Limited</b> Suite 205 - Alfa Plaza, 2nd Floor Plot No. G6, Chaburuma Road Ali Hassan Mwinyi Road -Dar es Salaam, Tanzania +255 22 292 627/ v 5 767 211 690 <a href="mailto:info@fimco.co.tz">info@fimco.co.tz</a></p>
(ii)	Sponsoring Broker	 <p><b>FIMCO Limited</b> Suite 205 - Alfa Plaza, 2nd Floor Plot No. G6, Chaburuma Road Ali Hassan Mwinyi Road Dar es Salaam, Tanzania +255 22 292 627/+255 767 211 690 <a href="mailto:info@fimco.co.tz">info@fimco.co.tz</a></p>
(iii)	Shari'ah Advisor	 <p><b>CIFCA Tanzania</b> 4th Floor, Plot 13 House No.2 Morogoro Road/Lumumba Street P.O. Box 5533 Dar es Salaam- Tanzania</p>
(iv)	Legal Advisor	 <p><b>Twelfth Law &amp; Advisory</b> First Floor, VIVA Towers, Ali Hassan Mwinyi Road, Dar es Salaam, Tanzania</p>
(v)	Reporting Accountant	 <p><b>RSM Tanzania</b> 15t Floor, Plot 1040, Haile Selassie Road, Masaki P.O. Box 79586, Dar es Salaam Tanzania +255 (0)22 2602714/74</p>
(vi)	Receiving Bank	 <p><b>KCB BANK TANZANIA LIMITED</b> Harambee Plaza Building, Ali Hassan Mwinyi Road and Kaunda Drive, PO Box 804,</p>
(vii)	Registrar	 <p><b>KCB BANK TANZANIA LIMITED</b> Harambee Plaza Building, Ali Hassan Mwinyi Road and Kaunda Drive, PO Box 804,</p>

### 5.3 Expenses to the Issue

S/No	Professional Fees	Amounts in TZS
1.	Advisors' Fees	260,000,000
2.	CMSA Prospectus Evaluation Fees	75,000,000
3.	DSE Application Fees	5,900,000
4.	DSE Annual Listing Fee	2,360,000
5.	CSDR IPO Processing Fee	11,800,000
6.	Printing Depository Receipts	200,000
7.	International Securities Identification Number (ISIN)	500,000
8.	Marketing Expenses	60,000,000
	<b>Total</b>	<b>415,760,000</b>

### 5.4 Utilization of Proceeds

The funds raised will be utilized in KCB Sahl Banking financing and investment activities in line with its business strategy. These activities involve providing Shari’ah compliant financing products to its customers as mentioned in section 4.9.2, including Murabaha Financing, Commodity Murabaha – Tawarruq, Service Ijarah Financing and Diminishing Musharaka Financing.

The proceeds of the Issue shall be co-mingled with other Shari’ah compliant funds in the Mudharabah Pool and shall be invested in the aforementioned activities of KCB Sahl banking under Mudharabah contract with Sukuk Holders who will be owners of Sukuk funds (Rabbul Maal) and KCB Sahl Banking who will be the Investment Manager. Profits generated from the General Pool will be shared between Sukuk Holders and KCB Sahl Banking per the indicated profit-sharing ratio in this IM. Total deposits in KCB Sahl Banking representing the General Pool as of 31st December 2024 was TZS 117.16 billion hence the Sukuk proceeds of the first tranche would represent a 17.07% share, assuming full subscription with greenshoe option exercised of TZS 20 billion.

### 5.5 Management of Proceeds

The proceeds shall be administered in accordance with the approved internal policies, procedures, and manuals, which are aligned with the credit appraisal framework and Shari’ah principles as endorsed by the Shari’ah Advisory Board. Disbursement of the proceeds shall only occur upon receipt of the requisite approval from the Credit Department. Such disbursement shall strictly comply with the applicable credit policies and Shari’ah compliance requirements, as set out in Islamic Banking Product Policies and Procedures approved by the Shari’ah Advisory Board.

Credit monitoring and disbursement activities shall be carried out jointly by the Central Shari’ah Banking Team under KCB Sahl Banking, which shall be responsible for always ensuring full adherence to the approved Shari’ah guidelines.

### 5.6 Investment Plan

The Investment Manager intends to deploy the proceeds raised under the issue to finance eligible clients and projects across a diverse range of high impact economic sectors. The focus will be on Shari’ah-compliant financing structures tailored to meet the specific needs of businesses operating in both traditional and emerging sectors. The Investment Manager has identified a pipeline of potential investment opportunities across key strategic sectors, including Trade, Tourism, Transport & Communication, and Oil & Gas. These prospective opportunities represent the initial business pipeline targeted under the proposed investment plan.

The indicative sectoral allocation is as follows:

#### Target Business Pipeline Sectorial Distribution

No.	Sector	Amount in TZS	Share
1.	Trade	10,900,548,000	41.44%
2.	Tourism	9,360,900,000	35.59%
3.	Transport & Communication	3,365,000,000	12.79%
4.	Oil & Gas	2,675,000,000	10.17%
	<b>TOTAL BUSINESS PIPELINE</b>	<b>26,301,448,000</b>	<b>100.00%</b>

These sectors were identified based on KCB Sahl's current portfolio, active pipeline, and parked opportunities, and reflect areas with strong economic potential and demand for Shari'ah-compliant financial solutions.

The financing will be structured using Shari'ah compliant contracts will support both new and existing enterprises, thereby promoting inclusive growth and financial development. The current sectorial distribution of KCB Sahl Banking Loan Portfolio as of 31st May 2025 is provided under the table below:

#### Sectorial Distribution of KCB Sahl Banking Loan Portfolio

S/No	Sector	Amounts in TZS Millions	Share
1.	Transport & Communication	36,029,318,204	39.78%
2.	Trade	24,245,800,085	26.77%
3.	Tourism	8,472,355,799	9.35%
4.	Oil & Gas	8,323,535,907	9.19%
5.	Manufacturing	4,834,680,666	5.34%
6.	Personal (Private)	4,535,664,015	5.01%
7.	Agriculture	2,004,148,635	2.21%
8.	Real Estate	1,072,226,293	1.18%
9.	Financial Intermediaries	573,300,063	0.63%
10.	Hotel and Restaurants	204,615,353	0.23%
11.	Health	186,080,184	0.21%
12.	Education	66,640,061	0.07%
13.	Building & Construction	21,408,784	0.02%
	<b>TOTAL PORTFOLIO</b>	<b>90,569,774,049</b>	<b>100%</b>

Source: KCB Sahl Banking

## 5.7 Periodic Shari'ah Audit for KCB Sahl Banking

The Issuer's Management holds ultimate responsibility for ensuring that KCB Sahl Banking operates in full accordance with Shari'ah rules and principles, thereby reinforcing the integrity and soundness of all Islamic banking activities undertaken by the Bank. To support this oversight framework, the issuer will conduct annual independent Shari'ah Audits to assess and verify compliance across all relevant operations. The Shari'ah Advisory Board is mandated to guide, review, validate and oversee the activities of KCB Sahl Banking to ensure continuous alignment with Shari'ah requirements.

In addition, the Issuer's audited annual financial statements will include disclosures relating to the Islamic Banking Window together with information on any active Sukuk issuances, as verified by an Independent Auditor.

## 5.8 Shari'ah Advisor to the Issue

The Centre for Islamic Finance, Compliance and Advice (CIFCA) is acting as Shari'ah Advisor to the Issue and it has provided its consent to include and publish its name in the Information Memorandum.

### 5.8.1 CIFCA Shari'ah Board Members

CIFCA has a renowned Shari'ah Supervisory Board in order to ensure compliance of Shari'ah Standards issued by various institutions including Accounting and Auditing Organization of Islamic Financial Institutions (AAOIFI) and governance standards issued by Islamic Financial Services Board (IFSB) in all banking operations in general and revenue generating activities. CIFCA has a committed professional team in the Shari'ah Compliance department consisting of Shari'ah Scholars along with business graduates from reputed organizations.

The profiles of the members of the Shari'ah Board are provided below:

#### CIFCA Shari'ah Board Members

S/No	Name	Office	Position	Qualification
1.	Sheikh Dr. Ahmed Rufai Mohamed	Chairman	CIFCA	PhD, Islamic Law of Transactions and Islamic Insurance (Takaful)
2.	Sheikh Mohamed Ali Hassan Mshangama	Hayatul Ulamaa	Member	AAOIFI Certified Shariah Auditor and Advisor (CSAA)
3.	Brother Salum Awadh	SSC Capital	Member	Finance, Chartered Global Investment Analyst (CGIA), USA, Certified Islamic Finance and Banking Expert - Chartered Institute of Management of Accountant -UK, CIMA (Islamic Capital Markets)

In this issue, CIFCA's role was confined to External Shari'ah Advisory, and structuring of the Sukuk was done by the Investment Manager (KCB Sahl Banking), and CIFCA reviewed Sukuk structure together with its all issuance documentations to ensure that it is Shari'ah compliant. The qualifications and experience of CIFCA Shari'ah Technical Team is provided below:

#### Sheikh Dr. Ahmed Rufai Mohamed - Chairman

Sheikh Dr. Rufai is a doctor of philosophy (PhD) in Islamic Law of Transactions and Islamic Insurance (takaful) – from Faculty of Shariah and Economics - University of Malaya, Malaysia (2006). He also holds a Master Degree in Islamic Law of Transactions and Islamic Insurance (takaful) – from the same faculty and University (2002).

Sheikh Dr. Rufai graduated with a Bachelor's Degree in Shariah (i.e., the Islamic Law) - Islamic University of Madinah, Kingdom of Saudi Arabia, in 1993. He attained his strong foundation High/Secondary School education from Al-Azhar and then continued studies in Islamic Jurisprudence and Islamic History at the faculty of education - Al Azhar University Cairo, Egypt - 1981 - 1989.

Currently, Sheikh Dr. Ahmed Rufai is the Head of Shariah Compliance for the Kingdom of Bahrain based international standard-setting body, the International Islamic Financial Market (IIFM) for nearly fifteen (15) years, in addition to being a member of the Management Team focusing on the standardization of Shariah-compliant financial contracts and product templates. At IIFM, Dr. Ahmed contributed significantly in:

The development and publication of nineteen (19) comprehensive documentation and product confirmation standards as well as related guidance notes that have been adopted by the Islamic Financial Institutions in many jurisdictions across four (4) key areas of (i) Liquidity Management; (ii) Hedging; (iii) Sukuk; (iv) Trade Finance; and (v) IIFM Annual Sukuk Reports.

Preparing discussion papers for IIFM consultative meetings, as well as in the compilation of the IIFM Annual Sukuk Reports.

Playing the active roles in seminars, workshops and consultative meetings organized by IIFM in many jurisdictions worldwide.

Dr. Ahmed is also sitting in various Shariah Boards across the globe. Positions held include:

- A member of the Internal Shariah Supervisory Committee of the First Abu Dhabi Bank (FAB) UAE since April 2021 to date,
- A member of Shariah Supervisory Board (SSB) of Meethaq Islamic Bank - Bank Muscat - Oman since November 2021 to date,
- A member of the Internal Shariah Advisory Board of the Amanah Ethical in New Zealand since inception in 2014 to date,
- A special Shari'ah Advisor to the Waikato Muslim Association in Hamilton -New Zealand and
- A member of Halal Committee for the federation of Islamic Associations of New Zealand (FIANZ) to date.



As an expert of the Islamic finance with academic background, Sheikh, DR. Rufai has published various articles on various topics related to Islamic finance such as Shari'ah rulings and regulations for the issuance and trading of various types of Sukuk and Islamic Insurance.

Sheikh Dr. Rufai has also served as an Islamic jurisprudence lecturer and person in charge of public relation affairs at the Saudi Arabia International School in Kuala Lumpur – Malaysia, for more than 10 years.

**Sheikh Mohammed Ali Mshangama - Member**

Sheikh Mohamed is an Accounting and Auditing Organisation for Islamic Finance Institutions (AAOIFI) Certified Shari'ah Advisor and Auditor (CSAA) Fellow and a graduate of Teaching Islamic Shariah, from Islamic University of Madina in Saudi Arabia (1997-2001). In addition, he holds a Master's Degree in Islamic Shariah from Sumait University, in Zanzibar, Tanzania (2022) and a Master's Degree in Education from The International Islamic University, Malaysia (IIUM) – 2006.

Sheikh Mohamed also holds a Post-Graduate Diploma (PGD) in Economic Diplomacy from Centre for Foreign Relations in Dares Salaam, Tanzania (2004 – 2006) and a certificate in Islamic Banking and Governance (2012) from University of Zanzibar, Dar es Salaam Campus – organized by Tadamon Islamic Bank of Sudan (2012).

Sheikh Mohamed's career spans from Teaching Islamic Shariah, to advising compliance with shariah requirements in various Islamic financing and banking products. His working experience can be summarized as below:

- Shari'ah Advisor in Sukuk issuances in Tanzania, including KCB Sahl Sukuk (2022), as a member of the External Shariah Advisory Board, Premier Sukuk in which he was a member of the Sukuk issuance Shariah Advisors, and Revolutionary Government of Zanzibar's Quasi-Sovereign Sukuk in which he was a member of Yusra Sukuk Company Limited Shariah Advisors, the Sukuk Lead Arranger and Consultant.
- Sitting in Shariah Advisory Committees, including those for Yusra Takaful Company, and Micro International Halal Bureau.
- Shariah Compliance Manager for Alpha Halal Fund.
- United Nations High Commissioner for Refugees (UNHCR) in Malaysia from 2005 to 2006 and as an interpreter.
- A teacher at Ibun Jazary Education Centre from 2007 to 2009 where from 2010 to-date, he works as Educational Coordinator.
- Secretary General to Holy Quran Memorization Charitable Society in Tanzania from 2009 to-date.
- A member of the Organization of Muslim Scholars in Tanzania (Hay-atul Ulamaa) from 2015 to-date in which he is involved in issuing various Fataawas (religious verdict) about all matters relating to Shari'ah.



#### **Brother Salum Awadh - Member**

Salum Awadh is an award-winning CEO, Entrepreneur, Investment banker, Public speaker, Author, and Investor. He holds an MBA in Finance. He is also a Chartered Global Investment Analyst (CGIA), USA, and holds a certification in Islamic finance and banking with Chartered Institute of Management of Accountant -UK, CIMA (Islamic Capital Markets), Professional Certificate in Capital Investment Techniques with Metropolitan School of Business and Management UK, Securing investment returns in the long run by University of Geneva, and Innovation Finance from University of Cape Town.

Salum has also received certifications in the areas of investment management, private equity and venture capital, AAOIFI Sharia Standards for financial markets, supply chain management, labour economics, consultancy services, accounting packages, risk management, governance, pension funds administrations, and E- marketing, he received these courses from local institutions, Swaziland, and United States of America. He is also an Empretec trained from United Nations Commission on Trade and Development.

Currently, Salum is the CEO of SSC Group, a diversified holding group with interest in investment banking, financial services, real estate, construction, logistics, food, education, and technology.

He was recently appointed by the President of United Republic of Tanzania as the Chairman of Cereals and Other Produce Board in Tanzania. Salum has held and continues to hold several leadership and advisory roles across diverse sectors, reflecting his broad expertise and commitment to socio-economic development. His past board and committee engagements include:

- Ex-Board Member of UN Global Compact, Investor Readiness Board by Anza & Village Capital, Thaqaaafa High school, NICE, Best Dialogue Grants award committee, Shule Direct, Eshan Dental clinic, Kiure Engineering, and Program committee member of TPSF Board.
- A board member of T-Pesa (a mobile money subsidiary of a state-owned parastatal TTCL), also chairs the Audit committee of the board.

Salum previously worked for State University of New York (SUNY) and Public Service Pensions Fund

He is also a public speaker, angel investor, and author. His published works include: Dare or Die: The Courage to Pursue your Dream, Smart-up your Start-up and Where is the Money?- Ask the VC. He was awarded the CEO of the year in Tanzania in 2021, and in 2022 was among the most respected African CEOs by The Business Executive in Mauritius.

## **5.9 Issue and Credit of Sukuk**

The Issuer shall allot Sukuk to the successful allottees within fourteen (14) days of closure of subscription list in compliance with the requirements of CMSA. Sukuk will be issued only in the Book- Entry Form through credit in their CDS Accounts. The applicants, therefore, must provide their CDS Account Number in the Application Form.

## **5.10 Refund of Money to Unsuccessful Applicants**

The Issuer shall take a decision within fourteen (14) days of the closure of subscription list as to which applications have been accepted or are successful and refund the money in cases of unaccepted or unsuccessful applications within fourteen (14) days of the date of such decision as required.



6

## 6. Shari'ah Opinion (CIFCA Certificate)

مركز مراقبة المعاملات المالية الإسلامية والإستشارات  
Centre for Islamic Finance Compliance and Advice



In The Name of Allah (God), Most Gracious, Most Merciful

### A CERTIFICATE OF SHARI'AH COMPLIANCE

For

#### KCB MAPATO SUKUK AL-MUDARABAH PROGRAMME

The Centre for Islamic Finance, Compliance and Advice (CIFCA) hereby issues this certificate in its capacity as Independent Shari'ah Advisors for the KCB Mapato Sukuk Al-Mudarabah worth TZS 30,000,000,000 (Thirty Billion Tanzanian Shillings Only), and structured in three (3) tranches, with the first tranche being TZS 10,000,000,000 (Ten Billion Tanzanian Shillings Only) with Green Shoe options of TZS 10,000,000,000 (Ten Billion Tanzanian Shillings for each of the issuances), as per the agreement with KCB Tanzania Limited dated 2<sup>nd</sup> day of April, 2025.

We, the undersigned Shari'ah Scholars, have reviewed the KCB Mapato Sukuk Al-Mudarabah Prospectus, Master Mudarabah Sukuk Terms and Conditions, Mudarabah Sukuk Structure, and other Shariah related sections of the whole Information Memorandum (IM) for MAPATO SUKUK AL-MUDARABAH prepared by various parties to this Sukuk issuance.

Based on the Islamic Law (i.e. Shari'ah) rulings and guidelines, and to the best of our knowledge of the same,

*We proclaim and affirm that;*

**KCB TANZANIA LIMITED'S MAPATO SUKUK AL-MUDARABAH IS SHARI'AH COMPLIANT**

**Allah knows the best.**

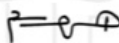
This religious ruling has been affirmed and issued by the undersigned on this **25<sup>th</sup> Day of August, 2025.**



Sheikh Mohamed A.H. Mshangama  
Member - Shari'ah Advisory Council



Mr. Salum Awadh Hagan  
Member-Shari'ah Advisory Council



Sheikh Dr. Ahmed Rufai Mohammed  
Chairman-Shari'ah Advisory Council

**Disclaimer:**

*This Shari'ah compliance certificate:*

1. Is being issued in relation to KCB Mapato Sukuk of TZS 30,000,000,000 to be issued in three (tranches) with a Green shoe of TZS 10,000,000,000 for each tranche. Any other Sukuk to be issued by the Issuer shall be subject to a new Shari'ah compliance review.
2. Is only on Shari'ah compliance nature of KCB Mapato Sukuk and it does not endorse any other act to be done by the issuer in regard to its implementation or a declaration of its economic viability which falls outside the realm of this council.
3. Does not constitute a lifetime validation of the Sukuk's compliance. It is issued conditionally, requiring continuous Sharia'h adherence by the issuer, Originator and/or Investment Manager, and all Transaction Agents throughout the Sukuk tenure. Compliance shall be validated through: (1) Ongoing monitoring by the Sharia'h Advisory Committee, (2) Semi-annual Sharia'h reviews and (3) An annual Sharia'h audit. Should the Sharia'h Advisors find any non-compliance with Sharia'h principles during the Sukuk tenure, they will not hesitate to issue a Fatwa declaring this instrument non-compliant.



**7**

## 7 Risk Factors

### 7.1 Risk Factors related to the Issuer:

#### i). Compliance and Regulatory Risk.

The Issuer operates within a highly regulated environment. Non-compliance with applicable regulations may result in sanctions by the Bank of Tanzania (BoT), including potential revocation of the banking license if the Bank fails to meet critical requirements such as capital adequacy, minimum capital thresholds, and anti-money laundering standards.

Oversight of compliance risk management rests with the Board of Directors. The Issuer has in place a robust risk management framework governed by board-level and management-level committees with appropriate expertise. The framework aims to balance regulatory compliance and shareholder expectations by prudently managing capital, liquidity, and funding to support business growth and maintain stakeholder confidence.

#### ii). Strategic Risk.

Strategic risk arises from flawed assumptions in decision-making or failure to appropriately respond to long-term changes in the business environment. The Bank adopts a conservative strategy within the constraints of the Sukuk niche market. A structured strategic planning and review process is in place, involving all management levels and subject to continuous assessment.

#### iii). Credit Risk

Credit risk refers to the possibility of a counterparty defaulting on its obligations, resulting in financial loss. This risk primarily stems from direct financing and contingent liabilities.

The Issuer mitigates this risk through a comprehensive Credit Policy, including robust credit appraisal procedures, authorization and review structures, risk rating systems, collateral management and post-disbursement monitoring, all approved by the Board.

#### iv). Liquidity Risk

Liquidity risk is the possibility of the Bank failing to meet its financial obligations as they fall due without incurring unacceptable costs or losses.

Liquidity is managed daily, short-term, and long-term by the Treasury, Asset and Liability Committee (ALCO), and Risk Management Committee (RMC). These committees monitor liquidity metrics, funding mix, depositor concentration, and contingency planning.

The Bank assets classified as cash and cash equivalents (high liquid assets which are readily convertible into know amount of cash increased by TZS 16 billion to close at TZS 261 billion in the year ending December 2024, demonstrating the strength of the Bank's liquidity position.

#### v). Market Risk

Market risk refers to potential losses in the Bank's balance sheet positions due to fluctuations in market prices, such as foreign exchange rates and benchmark yields.

The Bank employs valuation techniques, scenario analyses, stress testing, and Value at Risk (VaR) models to monitor market risk. Risk controls include sensitivity and gap analysis, and the capital charge is determined using the Standardized Approach.

**vi). Yield / Profit Rate Risk**

This risk pertains to potential earnings or equity valuation impacts arising from changes in yield rates. The Bank manages this risk through duration gap analysis and shock scenario testing. Some Islamic finance products are subject to contractual repricing terms. Notional principal limits and adherence to regulatory requirements help manage residual risks.

**vii). Country Risk**

Country risk arises from economic, political, or social instability affecting borrowers' capacity to meet obligations. This risk is mitigated through diversification and country exposure monitoring.

**viii). Systemic Risk**

Systemic risk refers to the possibility of a widespread financial system disruption. It is mitigated by regulatory oversight and the Bank's participation in industry bodies such as the Tanzania Bankers' Association (TBA) and Islamic banking forums.

**7.2 Risk Factors Related to the Market:****i). Secondary Market Risk**

The Mudharabah structure adopted under this Sukuk programme requires redemption at par value in accordance with Shari'ah principles. This requirement may limit the appeal to investors who typically seek capital gains through secondary market trading. Consequently, the opportunity to sell the Sukuk at a premium or discount prior to maturity may be constrained, potentially affecting the overall liquidity and tradability of the instrument in the secondary market.

**ii). Foreign Exchange Risk**

Investors whose base currency differs from the Sukuk's denomination may be exposed to foreign exchange losses. Currency movements can affect both principal and profit distributions.

**iii). Macroeconomic and Policy Risk**

Macroeconomic conditions such as inflation, fiscal policy changes, or shifts in monetary policy can directly impact investor sentiment and market conditions. Regulatory or policy uncertainty affecting the capital markets more broadly could influence investor appetite and secondary market activity for the Sukuk.

### 7.3 Risk Factors Related to the Sukuk:

#### i). Shari'ah Non-Compliance Risk

This risk arises from failure to align the Sukuk and operations with Shari'ah principles as outlined by AAOIFI and the Bank's own Shari'ah Advisory structures. The risk is mitigated by the presence of an internal Shari'ah Board, an external Shari'ah Advisor and a dedicated Shari'ah Compliance Manager.

#### ii). Security and Subordination

The Sukuk is unsecured, it is not backed by specific collateral or pledged assets. The Sukuk relies on the general creditworthiness and financial strength of the Issuer. In the event of default or liquidation, Sukukholders will not have any preferential claim on specific assets, unlike secured creditors. Additionally, the Sukuk is subordinated to all senior obligations of the Bank, including customer deposits and other senior liabilities. This means Sukukholders may recover less than the principal amount, or nothing at all, if the Issuer's financial condition deteriorates.

#### iii). Instrument Liquidity

While the Sukuk will be listed on the Dar es Salaam Stock Exchange (DSE), market liquidity cannot be guaranteed. This risk is heightened by the par-value transfer restriction required under the Mudharabah structure, which limits investors' ability to sell at a premium or discount. As a result, investors may be unable to exit their investment prior to maturity or may face delays in finding a counterparty willing to transact at par.

#### iv). Market Rate of Return Risk

Returns may be influenced by asset mix, macroeconomic factors and regulatory environment. Although the Sukuk is priced to reflect the Bank's diverse financing strategy, returns are ultimately market-determined.

#### v). Profit and Loss Sharing Risk

Under the Mudharabah structure, profits are shared per agreed ratios, and losses are borne solely by the investors (Rabbul Maal). To mitigate this, the Investment Manager may, from time to time and at its discretion, allocate a portion of its own profit income to a Profit Equalisation Reserve. The Profit Equalization Reserve may be used to supplement future Periodic Distribution Amounts in the event of a shortfall in distributable profit, subject to the availability of funds and compliance with Shari'ah principles.

#### DISCLAIMER:

To the best of the Issuer's knowledge, all material risk factors have been disclosed herein. However, there may exist other risks, either currently unknown or considered immaterial, that could significantly impact the Bank's performance, financial condition, and prospects.



8

## 8 Master Programme Sukuk Al Mudharabah Terms & Conditions

### 8.1 Definitions

In these Master Programme Sukuk Al Mudharabah Terms & Conditions, the following terms have the following meanings unless otherwise defined:

#### Business Days

Means a day (other than a Saturday, Sunday, or public holiday) on which banks are open for general business in Tanzania;

#### CMSA

Means the Capital Markets and Securities Authority of Tanzania;

#### CSDR

Means The CSD & Registry Company Limited, being the licensed central securities depository and registrar for the Tanzanian capital markets;

#### Dissolution Event

Means any event that triggers the early redemption of the Sukuk and dissolution of the Mudharabah prior to its scheduled maturity, including (without limitation) the insolvency of the Issuer, regulatory intervention, or any other event specified in Clause 8 (Dissolution Event);

#### DSE

Means the Dar es Salaam Stock Exchange Public Limited Company, being the licensed securities exchange in the United Republic of Tanzania;

#### Green Shoe Option

Means the option available to the Issuer, in the event of oversubscription, to increase the size of any Tranche under the Programme by up to an additional TZS 10,000,000,000 (Tanzanian Shillings Ten Billion), as may be specified in the relevant Pricing Supplement;

#### Information Memorandum

Means the offering document prepared and issued by or on behalf of the Issuer in connection with the Programme, including these Master Programme Sukuk Al Mudharabah Terms & Conditions and any applicable Pricing Supplement, as approved by CMSA and as amended or supplemented from time to time;

#### Investment Manager

Means KCB Sahl, which has been authorised by the Mudarib to manage the Mudharabah Capital by investing it in Shari'ah-compliant assets through the Mudharabah Pool, in accordance with the rules and principles of Shari'ah and the instructions of the Mudarib;

#### Investment Plan

Means the indicative plan prepared by the Mudarib outlining the types of Shari'ah-compliant investments or sectors in which the Mudharabah Capital may be deployed, as described in the Information Memorandum;

### Issuer

Means KCB Bank, in its capacity as issuer of the Sukuk under the CMSA regulations and the Programme;

### KCB Bank

Means KCB Bank Tanzania Limited, a company incorporated and registered in the United Republic of Tanzania with company number 31740 whose registered office is at Harambee Plaza, Ali Hassan Mwinyi Road / Kaunda Street, P.O Box 804, Dar es Salaam, Tanzania;

### KCB Sahl

Means the Islamic window of KCB Bank, the division responsible for Shari'ah-compliant deployment of the Mudharabah Assets;

### Master Programme Sukuk Al Mudharabah Terms & Conditions

Means these terms and conditions governing the issuance of Sukuk under the Programme by the Issuer, as amended or supplemented from time to time, and which are deemed to be incorporated by reference into each Pricing Supplement;

### Mudharabah

Means an unrestricted Shari'ah-compliant profit-sharing arrangement under which the Rabbul Maal entrusts the Mudharabah Capital to the Mudarib, who holds the capital and, through the Investment Manager, invests it in Shari'ah-compliant assets or activities. Profits are shared between the Rabbul Maal and the Mudarib in accordance with an agreed ratio, while financial losses (if any) are borne solely by the Rabbul Maal, unless caused by the Mudarib's misconduct, negligence, or breach of contract;

### Mudharabah Assets

Means the Shari'ah-compliant assets in which the Mudharabah Capital is invested by the Investment Manager through the Mudharabah Pool on behalf of the Rabbul Maal, including any returns, proceeds or rights arising therefrom;

### Mudharabah Capital

Means the amount contributed by the Rabbul Maal pursuant to each Tranche under the Programme, which is entrusted to the Mudarib and forms part of the Mudharabah Pool for investment in accordance with these Master Programme Sukuk Al Mudharabah Terms & Conditions;

### Mudharabah Pool

Means the general investment pool managed by the Investment Manager, comprising the Mudharabah Capital and other co-mingled Shari'ah-compliant funds held and invested in accordance with the rules and principles of Shari'ah. These may include (without limitation) proceeds of all current, savings and investment deposit account balances held with KCB Sahl, as well as any other Shari'ah-compliant sources of funds as may be included in the pool from time to time;

### Mudarib

Means KCB Bank, in its capacity as managing trustee (in a contractual capacity) of the Mudharabah, responsible for overseeing the Mudharabah Capital contributed by the Rabbul Maal and ensuring its investment (through the Investment Manager) in accordance with Shari'ah rules and principles and these Master Programme Sukuk Al Mudharabah Terms & Conditions;

**Periodic Distribution Amount**

Means the anticipated quarterly profit distribution amount payable to the Rabbul Maal in respect of each Sukuk, as specified in the applicable Pricing Supplement and subject at all times to the availability of distributable profit (including any amount drawn from the Profit Equalisation Reserve, where applicable);

**Pricing Supplement**

Means the document issued by the Issuer in relation to a specific Tranche of Sukuk under the Programme, setting out the applicable commercial terms of that Tranche, and which shall be appended to the Information Memorandum and read together with and form part of these Master Programme Sukuk Al Mudharabah Terms & Conditions;

**Profit Equalisation Reserve**

Means a reserve maintained by the Mudarib (through the Investment Manager) to support the target Periodic Distribution Amount, in accordance with Clause 8.6.2; Programme means the Mapato Al Mudharabah Sukuk issuance programme established by the Issuer for the issuance of up to TZS 30,000,000,000 (Tanzanian Shillings Thirty Billion) over a period of three (3) years, comprising up to three Tranches of TZS 10,000,000,000 (Tanzanian Shillings Ten Billion) each, with the possibility of additional issuance under a Green Shoe Option, all pursuant to and subject to these Master Programme Al Mudharabah Sukuk Terms & Conditions;

**Qualified Investor**

Means any person or entity that is permitted under the applicable laws, regulations, and guidelines of the CMSA to subscribe for and hold Sukuk as may be defined under the CMSA regulations from time to time;

**Rabbul Maal**

Means each Sukukholder, in its capacity as the provider of Mudharabah Capital to the Mudarib under the Mudharabah arrangement constituted by these Master Programme Terms & Conditions, thereby acquiring an undivided beneficial interest in the Mudharabah Pool;

**Registrar**

Means KCB Bank, in its capacity as registrar of the Sukuk, responsible for maintaining the register of Sukukholders in accordance with applicable laws and CMSA regulations;

**Shari'ah Advisory Board**

Means the Shari'ah advisory board appointed by KCB Bank, which provides oversight and guidance on the Shari'ah compliance of the Sukuk Al Mudharabah structure and all investments made under the Programme;

**Sukuk**

Means the unsecured, subordinated, dematerialised investment certificate(s) issued by the Issuer under the Programme from time to time, representing the Rabbul Maal's (each Sukukholder's) undivided beneficial interest in the Mudharabah Pool in accordance with these Master Programme Sukuk Al Mudharabah Terms & Conditions and Shari'ah rules and principles;

**Sukukholder**

Means a person who is for the time being entered in the Register as the holder of the Sukuk, and includes, where the context permits, any person entitled to receive payments under the Sukuk in accordance with these Master Programme Sukuk Al Mudharabah Terms & Conditions and the applicable laws and regulations; and

**Tranche**

Means an individual issuance of Sukuk under the Programme, having specific commercial terms and conditions as set out in the applicable Pricing Supplement.

## 8.2 Structure of the Mudharabah Sukuk

8.2.1 The issuance of Sukuk under the Programme is based on an unrestricted Mudharabah arrangement between the Issuer (as Mudarib) and each Sukukholder (as Rabbul Maal), in accordance with the rules and principles of Shari'ah. The Mudharabah Capital contributed by the Rabbul Maal is entrusted to the Mudarib (in a contractual capacity), who shall arrange for its investment through the Investment Manager into Shari'ah-compliant assets via the Mudharabah Pool.

8.2.2 The Mudharabah Capital shall be co-mingled with other Shari'ah-compliant funds in the Mudharabah Pool managed by the Investment Manager. These may include proceeds of all current, savings and investment deposit accounts held with KCB Sahl, as well as any other permitted Shari'ah-compliant sources of capital.

8.2.3 The Mudarib shall act in a contractual capacity as managing trustee and will not itself invest the Mudharabah Capital. Instead, it shall instruct and authorise the Investment Manager to apply the capital in accordance with the investment objectives and restrictions outlined in these Master Programme Sukuk Al Mudharabah Terms & Conditions and the applicable Pricing Supplement.

8.2.4 The Mudharabah Capital shall be managed and invested by the Investment Manager on behalf of the Mudarib in accordance with the investment objectives and restrictions set out in these Master Programme Sukuk Al Mudharabah Terms & Conditions, the applicable Pricing Supplement and the rules and principles of Shari'ah.

8.2.5 The Mudharabah Capital shall be invested in Mudharabah Assets selected by the Investment Manager. Profits generated from such investments shall be shared between the Rabbul Maal and the Mudarib in accordance with the profit-sharing ratio and profit distribution terms set out in these Master Programme Sukuk Al Mudharabah Terms & Conditions and the relevant Pricing Supplement.

8.2.6 Any financial losses arising from the investment of the Mudharabah Capital shall be borne solely by the Rabbul Maal, except where such losses are caused by the Mudarib's or Investment Manager's misconduct, negligence, or breach of contract, in which case the responsible party shall indemnify the Rabbul Maal.

8.2.7 In the event of any loss of the Mudharabah Capital, the Mudarib shall bear the burden of proving that such loss did not result from any act of misconduct, negligence, or breach of the terms of these Master Programme Sukuk Al Mudharabah Terms & Conditions.

## 8.3 Commencement and Term of Mudharabah Sukuk

8.3.1 Each Tranche of Sukuk issued under the Programme shall constitute a separate Mudharabah arrangement governed by these Master Programme Sukuk Al Mudharabah Terms & Conditions and the relevant Pricing Supplement.

8.3.2 The Mudharabah in respect of each Tranche shall commence on the date on which the relevant Mudharabah Capital is received by the Mudarib and shall terminate upon the earlier of

- (i) the scheduled maturity date for that Tranche, or
- (ii) the occurrence of a Dissolution Event, in each case as further provided in Clause 8.8 (Redemption and Dissolution).



## 8.4 The Investment Plan

8.4.1 The Mudarib acknowledges that the Investment Plan has been prepared by it with due care, skill, and attention.

8.4.2 The Mudarib believes, based on reasonable assumptions and information available as at the date of the relevant Pricing Supplement, that the Investment Plan fairly reflects the types of investments or sectors into which the Mudharabah Capital may be deployed, subject always to prevailing market conditions and compliance with Shari'ah principles.

8.4.3 For the avoidance of doubt, the Investment Plan is indicative only and does not constitute a binding obligation or representation by the Mudarib or the Investment Manager.

## 8.5 Issuance of Sukuk

8.5.1 Sukuk may be issued by the Issuer from time to time under the Programme in one or more Tranches, subject to applicable laws and the approval of the CMSA. Each Tranche shall be constituted by a separate Pricing Supplement setting out the commercial terms applicable to that issuance, including the Mudharabah Capital amount, expected return, maturity date, and any specific conditions.

8.5.2 The Sukuk shall be issued in dematerialised form and shall represent the Rabbul Maal's undivided beneficial ownership interest in the Mudharabah Pool. The Sukuk shall be recorded in the register of Sukukholders maintained by the Registrar and title shall pass by registration in accordance with applicable law and CMSA regulations. Registration in the register shall constitute conclusive evidence of ownership, unless manifest error is shown.

8.5.3 The Sukuk shall constitute unsecured and subordinated obligations of the Issuer, ranking pari passu among themselves and junior to all senior indebtedness of the Issuer, in accordance with Clause 8.7 (Subordination).

8.5.4 Each Tranche shall be offered only to Qualified Investors. The minimum subscription amount per investor and other eligibility criteria shall be specified in the applicable Pricing Supplement.

8.5.5 Where applicable, a Tranche may be increased by an additional amount pursuant to a Green Shoe Option. The exercise and allocation of the Green Shoe Option shall be at the discretion of the Issuer and subject to the terms set out in the relevant Pricing Supplement.

8.5.6 Subscription to any Tranche of Sukuk shall be made by completing and submitting the prescribed application form, in accordance with the instructions contained in the Information Memorandum and/or the applicable Pricing Supplement. The Issuer reserves the right to accept, reject, or scale down any subscription at its sole discretion, including in the event of oversubscription.



## 8.6 Profit Sharing and Distributions

8.6.1 Profits generated from the investment of the Mudharabah Capital in the Mudharabah Assets shall be calculated on a quarterly basis by the Investment Manager. Subject to the availability of distributable profit, the Issuer shall pay to each Rabbul Maal the applicable Periodic Distribution Amount in respect of each Sukuk on the Business Day preceding the relevant profit distribution date, unless otherwise specified in the applicable Pricing Supplement.

8.6.2 Pursuant to Clause 8.6.2.A below, the Profit Equalisation Reserve shall be funded by the Investment Manager from time to time, including by allocating a portion of its own profit income. Any amount standing to the credit of the Profit Equalisation Reserve may, at the discretion of the Investment Manager, be applied to supplement future Periodic Distribution Amounts in the event of a shortfall in distributable profit, subject at all times to the availability of funds and compliance with Shari'ah principles.

8.6.2.A As part of its reserve policy, the Investment Manager shall credit to the Profit Equalisation Reserve an amount equivalent to five per cent. (5%) of its total profit income for the relevant financial year, calculated on a cumulative basis and reviewed quarterly. The Investment Manager may adjust, replenish, or reduce the reserve amount from time to time at its discretion, provided that such actions are consistent with the reserve's intended purpose and in accordance with Shari'ah principles. The Profit Equalisation Reserve shall be maintained separately from the Mudharabah Capital and shall not constitute an obligation of the Issuer or a guarantee of return.

8.6.3 Unless otherwise specified in the relevant Pricing Supplement, profits shall be shared between the Rabbul Maal and the Mudarib in the ratio of ninety five per cent. (95%) (Rabbul Maal) to five per cent. (5%) (Mudarib), after deduction of any permitted costs and expenses.

8.6.4 The Rabbul Maal acknowledges and accepts that distributions under this Clause 8.6 are subject to the actual performance of the Mudharabah Assets. The Periodic Distribution Amount is a target return only and is not guaranteed. Financial losses, if any, shall be borne in accordance with Clause 8.2.6.

## 8.7 Subordination

8.7.1 The Sukuk shall constitute unsecured and subordinated obligations of the Issuer. In the event of the winding-up, insolvency, dissolution, or liquidation of the Issuer, the claims of the Rabbul Maal (in respect of Mudharabah Capital, Periodic Distribution Amounts, and any other amounts payable under the Sukuk) shall rank:

- (a) Junior to the claims of all senior and unsubordinated creditors of the Issuer (including depositors and other general creditors);
- (b) Pari passu among themselves and with any other subordinated instruments of the same class; and
- (c) In priority only to holders of share capital or instruments expressly ranking junior to the Sukuk.



8.7.2 The Rabbul Maal shall not be entitled to exercise any right of set-off, counterclaim, or combination of accounts with respect to any amount owed to it under the Sukuk against any liability owed by it to the Issuer.

8.7.3 The Rabbul Maal irrevocably waives any rights that may otherwise be available to it under applicable law to claim or enforce payment in preference to other subordinated creditors of the Issuer, except as expressly permitted in these Master Programme Sukuk Al Mudharabah Terms & Conditions.

## 8.8 Redemption and Dissolution

8.8.1 Each Tranche of Sukuk shall be redeemed by the Issuer on its scheduled maturity date as set out in the applicable Pricing Supplement, by returning to each Rabbul Maal:

- (a) The principal amount (in TZS) of Mudharabah Capital attributable to such Sukuk; and
- (b) any distributable profit accrued for the final profit distribution period, subject to Clause 8.6 and the availability of distributable profit.

8.8.2 The Issuer may redeem any Tranche of Sukuk prior to its scheduled maturity:

- (a) upon the occurrence of a Dissolution Event; or

8.8.3 Upon the occurrence of a Dissolution Event, the Issuer shall promptly notify the Rabbul Maal and liquidate the Mudharabah Assets attributable to the relevant Tranche. The proceeds from such liquidation shall be distributed:

- (a) first, in payment of any permitted costs and expenses; and
- (b) thereafter, to the Rabbul Maal in respect of:
  - (i) the principal amount (in TZS) of Mudharabah Capital; and
  - (ii) any distributable profit accrued, subject to Clause 8.6 and the actual performance of the Mudharabah Assets.

8.8.4 The Issuer shall not be obliged to redeem the Sukuk using its own funds or assets. Redemption amounts are payable solely from the proceeds of the Mudharabah Assets and are subject to the actual availability of such proceeds at the time of redemption.

8.8.5 Upon payment of the amounts due under this Clause 8.8, the relevant Sukuk shall be deemed fully redeemed and cancelled, and the Rabbul Maal shall have no further claim in respect thereof.

## 8.9 Dissolution Event

8.9.1 A Dissolution Event shall occur upon the happening of any of the following events, unless otherwise specified in the applicable Pricing Supplement:

- (a) Insolvency or liquidation of the Issuer, whether voluntary or involuntary, or the appointment of a receiver, administrator, or similar officer in respect of the Issuer or its assets;
- (b) Breach of material obligation by the Issuer or the Investment Manager under these Master Programme Sukuk Al Mudharabah Terms & Conditions, which is not remedied within thirty (30) days of notice from the Rabbul Maal or an authorised representative acting on behalf of Sukukholders;
- (c) Regulatory intervention by the Bank of Tanzania or CMSA that requires suspension, winding-up, or cancellation of the Sukuk or the Programme;
- (d) Cessation of the Shari'ah-compliant status of the Mudharabah structure or any of the material Mudharabah Assets, as confirmed by the Shari'ah Advisory Board; or
- (e) Dissolution election by the Issuer (where provided for in the relevant Pricing Supplement), subject to approval from CMSA and satisfaction of all required redemption conditions.

8.9.2 Upon the occurrence of a Dissolution Event:

- (a) The Issuer shall cause the Investment Manager to liquidate the Mudharabah Assets and apply the proceeds in accordance with Clause 8 (Redemption and Dissolution);
- (b) The Sukuk issued under the relevant Tranche shall be redeemed in full or in part (if partial redemption is specified in the Pricing Supplement), and cancelled;
- (c) Notice of such dissolution shall be provided to Sukukholders in accordance with Clause 8.12 (Notices), including details of the Dissolution Event, redemption timeline, and amount payable.

8.9.3 The occurrence of a Dissolution Event shall not give rise to any right of acceleration of payments or enforcement action by the Rabbul Maal against the Issuer, except to the extent expressly permitted under these Master Programme Sukuk Al Mudharabah Terms & Conditions or the applicable laws and regulations.

## 8.10 Transfers

8.10.1 Sukuk may only be transferred to persons who qualify as Qualified Investors. Any purported transfer to a non-Qualified Investor shall be void and of no effect.

8.10.2 Subject to Clause 8.10.3 below, transfers of Sukuk shall be effected by electronic book- entry through the facilities of the DSE, CSDR and the Registrar. Title to Sukuk shall pass only upon registration of the transfer in the register of Sukukholders maintained by the Registrar, and such registration shall be conclusive evidence of ownership, unless manifest error is shown.

8.10.3 All transfers shall be subject to the transferee completing all required documentation and paying any applicable legal processing fee, in accordance with the procedures prescribed by the Registrar.

8.10.4 Nothing in these Master Programme Sukuk Al Mudharabah Terms & Conditions shall restrict the Issuer from issuing additional Sukuk or conducting further offerings under the Programme, provided such issuances comply with applicable laws and regulatory approvals.

8.10.5 The Registrar shall update the register of Sukukholders to reflect any valid transfer notified to it in accordance with the applicable procedures. The Issuer and the Registrar shall not be liable for any delay or failure in registration, except where such delay or failure is due to their wilful default or gross negligence.

8.10.6 No Sukuk may be transferred at a price other than its par value. Any transfer that purports to take place at a premium or discount to par shall be void and of no effect. This restriction is imposed to preserve compliance with Shari'ah principles, as the Sukuk represent a beneficial interest in the Mudharabah Capital (a debt-like entitlement) and therefore must not be traded at a value above or below their face amount. The Issuer and the Registrar shall not be obliged to inquire into, monitor, or verify the consideration actually paid or received in respect of any transfer, and shall not be liable for any breach of this requirement by the parties to a transfer.

## 8.11 Taxation

8.11.1 All payments in respect of the Sukuk shall be made subject to any applicable taxes, duties, levies, or governmental charges (whether imposed under the laws of Tanzania or any other jurisdiction), and the Issuer shall not be obliged to gross up any such payment to account for any withholding or deduction, unless expressly stated otherwise in the relevant Pricing Supplement or required by applicable law.

8.11.2 Each Sukukholder shall be solely responsible for the payment of any personal income tax, capital gains tax, or other tax liabilities arising from their investment in the Sukuk, including receipt of profit distributions or redemption proceeds. The Issuer shall have no obligation to compensate or indemnify any Sukukholder in respect of any tax incurred.

8.11.3 The Issuer and the Registrar may, where required by law or regulation, report details of any payments made to Sukukholders to the relevant tax authorities. Sukukholders may also be required to provide tax identification numbers or other documentation to comply with applicable reporting obligations.



## 8.12 Notices

8.12.1 Any notice or communication to be given under these Master Programme Sukuk Al Mudharabah Terms & Conditions shall be in writing and delivered by hand, courier, registered post, or electronic mail to the recipient's address as specified below or as otherwise notified:

- |  |  |
|--|--|
| <p>(a) To the Issuer:<br/>         KCB Bank Tanzania Limited<br/>         Harambee Plaza<br/>         Ali Hassan Mwinyi Road / Kaunda Street<br/>         P.O Box 804<br/>         Dar es Salaam<br/>         Tanzania<br/>         Email: Sukuk@kcbbank.co.tz</p> | <p>(b) To the Registrar:<br/>         KCB Bank Tanzania Limited (in its capacity as Registrar)<br/>         Harambee Plaza<br/>         Ali Hassan Mwinyi Road / Kaunda Street<br/>         P.O Box 804<br/>         Dar es Salaam<br/>         Tanzania<br/>         Email: Sukuk@kcbbank.co.tz</p> |
| <p>(c) To a Sukukholder:<br/>         At the address or email recorded in the register of Sukukholders maintained by the Registrar.</p>  |  |

8.12.2 Any such notice shall be deemed to have been received:

- (a) If delivered by hand or courier, at the time of delivery;
- (b) If sent by registered post, three (3) Business Days after posting (or seven (7) Business Days in the case of international delivery); and
- (c) If sent by electronic mail, at the time of transmission, provided no delivery failure notice is received. If such transmission occurs outside normal business hours in the recipient's jurisdiction, it shall be deemed received at the opening of business on the next Business Day.

8.12.3 Notwithstanding Clause 8.12.2 above, notices to Sukukholders may also be published in a national newspaper in Tanzania or posted on the website of the Issuer or Registrar, where required by law or specified in the relevant Pricing Supplement.

## 8.13 Amendments and Waivers

8.13.1 The Issuer may, with the prior approval of the CMSA and subject to any other applicable legal or regulatory requirements, amend these Master Programme Sukuk Al Mudharabah Terms & Conditions or any applicable Pricing Supplement. Any such amendment shall be binding on all Sukukholders and deemed to have been accepted by them, provided that:

- (a) Where the amendment materially and adversely affects the rights of Sukukholders, it shall not take effect unless approved by Sukukholders holding at least seventy five percent. (75%) in principal amount of the relevant Tranche;
- (b) Where the amendment is of a technical or administrative nature, or required to comply with applicable law or regulation, the Issuer may proceed without Sukukholder consent; and
- (c) Any amendment must be consistent with the rules and principles of Shari'ah, and the Issuer shall obtain confirmation of such consistency from the Shari'ah Advisory Board, which confirmation shall be final and binding solely in respect of matters of Shari'ah compliance.



8.13.2 No failure to exercise, nor any delay in exercising, any right or remedy under these Master Programme Sukuk Al Mudharabah Terms & Conditions shall operate as a waiver thereof. No single or partial exercise of any right shall preclude any other or further exercise of such right or remedy.

8.13.3 Any amendment or waiver effected in accordance with this Clause 8.13 shall be binding upon all Sukukholders of the relevant Tranche, and notice of such amendment or waiver shall be provided to them in accordance with Clause 8.12 (Notices).

#### **8.14 Miscellaneous**

8.14.1 No failure or delay by any party to exercise any right or remedy under these Master Programme Sukuk Al Mudharabah Terms & Conditions shall operate as a waiver of such right or remedy, nor shall any single or partial exercise of any right or remedy preclude any further exercise of that or any other right or remedy.

8.14.2 If any provision of these Master Programme Sukuk Al Mudharabah Terms & Conditions is found by any competent authority to be invalid, illegal, or unenforceable, the remainder of the provisions shall remain in full force and effect.

8.14.3 These Master Programme Sukuk Al Mudharabah Terms & Conditions, together with the relevant Pricing Supplement and the Information Memorandum, constitute the entire agreement between the Issuer and the Sukukholders in respect of the relevant Tranche of Sukuk and supersede all prior understandings or arrangements, whether oral or written.

8.14.4 Each party shall, at its own expense, do all such acts and execute all such documents as may be reasonably required to give effect to the provisions of these Master Programme Sukuk Al Mudharabah Terms & Conditions.

#### **8.15 Acknowledgement, Consent and Representations**

8.15.1 By submitting an application form for the allocation of any Sukuk under the Programme, or by acquiring any Sukuk in the secondary market, each Sukukholder shall be deemed to have:

- (a) Read, understood, and agreed to be bound by these Master Programme Sukuk Al Mudharabah Terms & Conditions, the relevant Pricing Supplement, and the Information Memorandum (each as amended or supplemented from time to time);
- (b) Accepted the risks, rights, and obligations associated with the structure and terms of the Mudharabah and the Sukuk;
- (c) Acknowledged that the Sukuk represents an investment based on Shari'ah rules and principles and subject to performance of the Mudharabah Assets;
- (d) Represented and warranted that it is a Qualified Investor and is acquiring the Sukuk for its own account and not with a view to resale or distribution in contravention of any applicable law; and
- (e) Confirmed that it has made its own independent decision to invest in the Sukuk based on its own judgment and advice (if any), and is not relying on any communication, representation, or assurance from the Issuer, the Mudarib, or the Investment Manager as investment advice or a recommendation.



8.15.2 Upon allocation of the Sukuk, each Sukukholder shall be deemed to have entered into a Mudharabah arrangement with the Issuer on the terms set out in these Master Programme Sukuk Al Mudharabah Terms & Conditions.

8.15.3 These Master Programme Sukuk Al Mudharabah Terms & Conditions shall be binding upon, and enforceable by, the Issuer and each Sukukholder, and shall govern the respective rights and obligations of the parties in respect of each Tranche of Sukuk issued under the Programme.

## 8.16 Shari'ah Compliance

Each of the Issuer and the Sukukholder acknowledges and agrees that these Master Programme Sukuk Al Mudharabah Terms & Conditions and the transactions contemplated herein are intended to be Shari'ah-compliant. Accordingly:

- (a) It shall not assert that any of its obligations under these Master Programme Sukuk Al Mudharabah Terms & Conditions (or any provision thereof) are ultra vires or otherwise unenforceable on the basis that they do not comply with the rules and principles of Shari'ah;
- (b) It shall not initiate or pursue any proceedings in any forum to challenge the Shari'ah compliance of these Master Programme Sukuk Al Mudharabah Terms & Conditions; and
- (c) To the fullest extent permitted by applicable law, none of its obligations under these Master Programme Sukuk Al Mudharabah Terms & Conditions shall be diminished, abrogated, impaired, or otherwise adversely affected by any judgment, declaration, or order of any court or tribunal to the effect that these Master Programme Sukuk Al Mudharabah Terms & Conditions or any part thereof do not comply with the rules and principles of Shari'ah.

## 8.17 Waiver of Interest

8.17.1 The Issuer and each Sukukholder acknowledge and agree that no amount payable or receivable under these Master Programme Sukuk Al Mudharabah Terms & Conditions shall constitute interest (Riba). In the event that any amount is determined by any court, tribunal or authority to constitute interest under applicable law, whether by judicial ruling, operation of law or otherwise, the recipient shall irrevocably waive any right to retain such amount and shall, as soon as reasonably practicable, donate an equivalent sum to a charity approved by the Shari'ah Advisory Board.

8.17.2 For the avoidance of doubt, nothing in this Clause 8.17 shall be construed as a waiver of any entitlement to Periodic Distribution Amounts or any other amounts payable under these Master Programme Sukuk Al Mudharabah Terms & Conditions, howsoever described or characterised, notwithstanding any recharacterisation by any court, tribunal or other authority.

## 8.18 Governing Law and Dispute Resolution

8.18.1 These Master Programme Sukuk Al Mudharabah Terms & Conditions, each Pricing Supplement, and any non-contractual obligations arising out of or in connection with the Sukuk shall be governed by and construed in accordance with the laws of the United Republic of Tanzania, subject always to Shari'ah principles as applicable to the Mudharabah structure.

8.18.2 Subject to Clause 8.18.3, the courts of the United Republic of Tanzania shall have exclusive jurisdiction to settle any dispute arising out of or in connection with these Master Programme Sukuk Al Mudharabah Terms & Conditions, including any question regarding their existence, validity, or termination.

8.18.3 Any dispute or question relating to the Shari'ah compliance of the Mudharabah structure or any transaction under the Programme shall be referred to the Shari'ah Advisory Board for non-binding opinion. For the avoidance of doubt, this shall not affect the jurisdiction of the Tanzanian courts over contractual matters.





## 9 General and Statutory Information

### 9.1 Authorisation

The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue of the Sukuk, including but not limited to a resolution of the Board of Directors of the Bank passed on July 2025.

### 9.2 Licenses

KCB Bank Tanzania has been issued with licence number CBA 00045 dated 04th August 2010 issued by the Bank of Tanzania licensing the to conduct mortgage banking business.

## 9.3 Summary of Material Provisions of the Memorandum and Articles of Association

### 9.3.1 Annual General Meetings

Pursuant to article 51 of the Articles of Association, the Company shall each year hold a general meeting as its annual general meeting in addition to any other meetings in the year and shall specify as such in the notice calling the meeting; not more than fifteen months shall have elapsed between the date of one annual general meeting and the next. The annual general meeting shall be at the registered office of the company or such other place in Tanzania as the Directors shall appoint.

### 9.3.2 Voting Rights

Pursuant to article 67 of the Articles of Association, subject to any rights or restrictions for the time being attached to any class or classes of shares, every member shall have one vote for each share of which it is a holder.

### 9.3.3 Election and approval of directors

Pursuant to article 78, the number of the Directors shall, unless otherwise determined by an ordinary resolution of the Company, neither be less than five nor more than seven. Any director appointed shall be subject to the provisions of article 83 relating to removal from and vacation of the office of a Director.

As long as Kenya Commercial Bank Limited shall hold fifty-one per cent (51%) or more of the issued shares of the Company it shall:

- (i) Appoint the directors of the Company;
- (ii) Appoint the Chairman of the Board from among the Directors of the Company;
- (iii) From time to time appoint, in respect of any director, an Alternate Director available to act in place of such Director whenever he is absent or otherwise unable to act; and
- (iv) Remove or replace any Director or Alternate Director from office.

### 9.3.4 Issuance and Alteration of Share Capital

Pursuant to article 6, any share may be issued with such rights or restrictions, whether in regards to dividend, voting, return of capital or otherwise as the Company may from time to time by Ordinary Resolution determine.

Pursuant to article 47 of the Articles of Association, the Company may by Ordinary Resolution consolidate and divide all or any of its share capital into shares of larger amount than its existing shares, sub-divide its existing shares into shares of smaller amount and cancel shares which have been taken or agreed to be taken by any person.

Pursuant to article 48 of the Articles of Association, the Company may by Special Resolution increase its share capital.

### 9.4 Significant or Material Changes

As at the date of this Information Memorandum, there has been no significant change in the financial or trading position of the Bank.

### 9.5 Acquisitions and Disposals of Material Assets

As at the date of this Information Memorandum, there was no acquisition and disposal of material assets otherwise in the ordinary course of business.

### 9.6 Consents

#### 9.6.1 Shari'ah Opinion

CIFCA Tanzania, the Shari'ah Advisor to the Issuer, have given and not withdrawn their written consent to the inclusion in this Information Memorandum of their Shari'ah Opinion and the references to their names, in the form and context in which they appear and have authorized the contents of their letter set out in this Information Memorandum.

#### 9.6.2 Legal Opinion

Twelfth Law & Advisory, Advocates., the Legal Advisor to the Issuer, have given and not withdrawn their written consent to the inclusion in this Information Memorandum of their Legal Opinion and the references to their names, in the form and context in which they appear and have authorized the contents of their letter set out in this Information Memorandum.

#### 9.6.3 Reporting Accountant's Report

RSM Tanzania (RSM), the Reporting Accountant, have given and have not, prior to the date of the Information Memorandum, withdrawn their written consent to the inclusion of the Reporting Accountant's Report in the Information Memorandum in the form and context in which it appears.

### 9.7 Documents available for inspection

As long as the Sukuk remains outstanding, copies of the following documents will, when published, be available for inspection at the Specified Offices of the Issuer in Dar es Salaam, Tanzania:



- (i) The Memorandum and Articles of Association of the KCB Bank Tanzania Limited;
- (ii) The Audited Financial Statements of the Issuer for the four years ended 31 December 2021, 2022, 2023 and 2024;
- (iii) The Board Resolution approving the Issue;
- (iv) The Reporting Accountant's Report as reproduced in this Information Memorandum and their written consent to the issue of this Information Memorandum with their report included herein in the form and context in which it is so included;
- (v) The Shari'ah Compliance Certificate with respect to the Shari'ah Compliance of the Sukuk and the Certificate documentation
- (vi) A copy of the Authorised Collecting Agent Agreements between the Placing Agents and the Issuer;
- (vii) The consents of the advisors to this transaction;
- (viii) A copy of this Information Memorandum;
- (ix) A copy of the approval of the CMSA in respect of this issue;
- (x) A copy of DSE's Letter approving the Listing;
- (xi) A copy of a letter of no objection from the BOT, in respect of this Issue.
- (xii) Tax clearance certificate from TRA
- (xiii) Confirmation of BRELA status of shareholders (BRELA Search)
- (xiv) Copy of payment remittance
- (xv) Certificate of Incorporation



**10**

10 Reporting Accountant Report

THE POWER OF BEING UNDERSTOOD  
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KCB BANK TANZANIA LIMITED  
REPORTING ACCOUNTANT'S REPORT



RSM Tanzania  
Certified Public Accountants

1st Floor, Plot No. 1040  
Haile Selassie Road, Masaki  
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[www.rsm.global/tanzania](http://www.rsm.global/tanzania)

## Reporting Accountant's Report

### Introduction to Reporting Accountant's Report

Board of Directors,  
KCB Bank Tanzania Limited,  
P.O. Box 804  
Dar es Salaam  
Tanzania.

At your request, we submit our Reporting Accountant's Report for the purpose of listing Mapato Sukuk as required by the Capital Markets and Securities Act, Cap 79 of the Laws of Tanzania as amended and subject to the Laws of Tanzania and of the Guidelines for the issue of corporate bonds, municipal bonds and commercial papers issued by the Capital Markets and Securities Authority-Tanzania (CMSA), 2019 and Dar es salaam Stock Exchange PLC rules, 2022.

#### 1 Responsibilities of the Directors

The Directors of KCB Bank Tanzania are responsible for the preparation and accuracy of the historical financial information of KCB Bank Tanzania for the years ended 31 December 2024, 31 December 2023, and 31 December 2022, and the preparation and presentation of the forecasted financial information for years ending 31 December 2025, 2026, and 2027 and the assumptions on which it is prepared ("Directors' Assumptions").

The statutory financial statements for the years ended 31 December 2024, 31 December 2023, and 31 December 2022 were audited by KPMG and received unmodified audit reports.

#### 2 Our responsibilities as reporting accountants

Our responsibilities are detailed in our engagement letter. The Reporting Accountant's Report includes the following:

- a) An Independent Review Report on Historical Financial Information in accordance with ISRE 2400 (Revised).
- b) An Independent Limited Assurance Report to the directors of KCB Bank Tanzania on financial ratios Act, Cap.79 R.E (2002) as amended and subject to the Laws of Tanzania and of the Guidelines for the issue of corporate bonds, municipal bonds and commercial papers issued by the Capital Markets and Securities Authority - Tanzania, 2019.
- c) A report on the forecasted financial information for the years ending 31 December 2025, 31 December 2026 and 31 December 2027, and including a limited assurance conclusion on the reasonableness of the Directors' Assumptions and an opinion on the Forecasted Financial Information in accordance with the International Standard on Assurance

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Partners: Lina Ratansi (Managing), Nihla Mazrui, Kaniz Ladha, Mit Sinai

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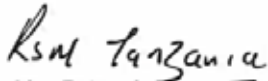


RSM

Engagements applicable to the examination of prospective financial information (ISAE) 3400 The Examination of Prospective Financial Information, set out on pages 501 to 503.

### 3 Consent

We as the Reporting Accountant confirm that we have given, and have not, prior to the date of the Prospectus, withdrawn our written consent to the inclusion of the Reporting Accountant's Report in the Information Memorandum in the form and context in which it appears



Lina Ratansi

FCPA No 644

For and on behalf of RSM Tanzania

Certified Public Accountants

The Board of Directors  
KCB Bank Tanzania Limited  
P.o Box 804  
Dar es Salaam  
Tanzania

Dear Sirs,

## INDEPENDENT ACCOUNTANT'S REPORT ON KCB BANK TANZANIA LIMITED'S HISTORICAL FINANCIAL INFORMATION

### Report on the Historical Financial Information.

We have reviewed the accompanying historical financial information of KCB Bank Tanzania Limited ("KCB" or "the Bank") for the years ended 31 December 2024, 31 December 2023, and 31 December 2022. These comprise the statements of financial position as at each of those dates and the related statements of profit or loss and other comprehensive income, changes in equity, and cash flows for each of the years then ended, together with a summary of material accounting policies and other explanatory notes.

The historical financial information, has been prepared by management for inclusion in the Information Memorandum in connection with the proposed issuance of Mapato Sukuk offering.

### Director's responsibility for the Historical Financial Information.

The directors are responsible for the preparation and fair presentation of the historical financial information and financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal controls as management determines is necessary to enable the preparation of historical financial information that are free from material misstatement, whether due to fraud or error.

### Reporting accountant's responsibility

Our responsibility is to express a conclusion on the accompanying historical financial information. We conducted our review in accordance with International Standards on Review Engagements (ISRE) 2400 (Revised), Engagements to Review Historical Financial Information. This standard requires us to conclude whether anything has come to our attention that causes us to believe that the historical financial information, taken as a whole, is not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of financial information in accordance with ISRE 2400 (Revised) is a Limited Assurance Engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures and evaluates the evidence obtained. The procedures performed in the review are substantially less than those performed in an audit conducted in accordance with International Standards in Auditing. Accordingly, we do not express an audit opinion on these historical financial information.

### Audited Financial Statements

The Bank's financial statements for the years ended 31 December 2024 and 31 December 2023 were audited by KPMG, while PricewaterhouseCoopers (PwC) audited the financial statements for the year ended 31 December 2022. All audit reports for the years ended 31 December 2024, 2023, and 2022, from which the historical financial information has been derived, received unqualified audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that these historical financial information do not present fairly, in all material respects, the financial position of KCB as at 31 December 2024, 31 December 2023, and 31 December 2022, and of its financial performance and cash flows for the years ended 31 December 2024, 31 December 2023, and 31 December 2022 in accordance with IFRS

### Report on Other Legal and Regulatory Requirements

We hereby submit our Reporting Accountant's Report in accordance with the requirements of the Capital Markets and Securities (Prospectus Requirements) Regulations, 1997 (as amended) of Tanzania and Part V of the Dar es Salaam Stock Exchange Plc Rules, 2022 (hereafter referred to as the "Regulations").

.....  
Lina Ratansi  
FCPA No. 644  
For and on behalf of RSM Tanzania  
Certified Public Accountants (T)

6 February .....2026  
Dar Es Salaam

**KCB BANK TANZANIA LIMITED**
**STATEMENT OF FINANCIAL POSITION**

	NOTE	2024 TZS' 000	2023 TZS' 000	2022 TZS' 000
<b>ASSETS</b>				
Cash and bank balances with Bank of Tanzania	15(a)	84,645,743	127,510,153	106,280,044
Placements and balances with other banks	16	233,540,764	162,649,818	109,607,956
Derivative financial instrument	30	348,888	-	1,207,934
Government securities at FV OCI	17	89,057,388	96,679,888	100,573,925
Government securities at amortised cost	17	112,485,813	87,602,921	95,572,920
Loans and advances to customers (Net)	8	1,015,278,209	892,758,409	660,868,288
Equity Investment	17	500,000	-	-
Investment in other securities at amortised cost	17	2,034,557	2,029,773	1,028,118
Other assets	22	24,254,672	34,026,574	17,769,345
Property and equipment	18	9,564,835	8,298,408	7,782,920
Right-of-use assets	19	7,820,943	8,442,186	7,767,519
Intangible assets	20	1,319,260	1,481,348	1,999,144
Deferred income tax asset	21	12,113,997	15,093,188	2,570,595
<b>TOTAL ASSETS</b>		<b>1,592,965,069</b>	<b>1,436,572,666</b>	<b>1,113,028,708</b>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
Deposits from other banks	23	240,841,174	289,872,430	242,654,174
Deposits from customers	24	984,784,867	845,306,718	681,403,260
Items in the course of payment		179,928	122,960	100,737
Other liabilities	25	22,725,199	24,859,506	16,175,369
Derivative Financial Instruments	30	-	367,187	-
Borrowings	28	102,705,932	65,550,903	10,074,522
Lease liabilities	19	8,577,701	8,883,068	8,875,279
Current income tax payable	14(b)	747,216	13,210,435	194,121
Debt instrument at amortised cost	29	11,082,814	11,080,167	11,074,266
<b>TOTAL LIABILITIES</b>		<b>1,371,644,831</b>	<b>1,259,253,374</b>	<b>970,551,728</b>
<b>EQUITY</b>				
Share capital	26	62,669,936	62,669,936	62,669,936
Retained earnings		155,027,545	107,032,401	69,408,535
Fair value reserve	27	805,673	7,616,955	10,398,509
Non-Distributable Reserve	27	2,817,084	-	-
<b>TOTAL EQUITY</b>		<b>221,320,238</b>	<b>177,319,292</b>	<b>142,476,980</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,592,965,069</b>	<b>1,436,572,666</b>	<b>1,113,028,708</b>

**KCB BANK TANZANIA LIMITED**
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	NOTE	2024 TZS' 000	2023 TZS' 000	2022 TZS' 000
Interest income calculated using the effective interest method	6	152,134,565	124,260,864	92,639,150
Interest expense and similar charges	7	(61,452,421)	(47,077,124)	(34,993,127)
<b>Net interest income</b>		<b>90,682,144</b>	<b>77,183,740</b>	<b>57,646,023</b>
Fees and commission income		26,332,207	20,655,294	12,945,647
Fees and commission expense		(15,781,957)	(5,722,451)	(1,375,894)
<b>Net fees and commission income</b>	9	<b>10,550,250</b>	<b>14,932,843</b>	<b>11,569,753</b>
Trading income and foreign exchange revaluation	10	14,943,159	11,320,746	9,233,706
Other income	11	398,099	6	639,442
<b>Revenue</b>		<b>116,573,652</b>	<b>103,437,335</b>	<b>79,088,924</b>
Impairment credit / (charge) on loans and advances	8 (c)	8,800,075	(4,699,428)	(9,568,036)
<b>Net income after impairment charge on loans and advances</b>		<b>125,373,727</b>	<b>98,737,907</b>	<b>69,520,888</b>
Employee benefits	13	(25,212,466)	(23,595,127)	(19,201,323)
Depreciation and amortisation		(5,693,354)	(5,492,117)	(5,410,001)
Other operating expenses	12	(18,475,160)	(17,066,861)	(13,972,696)
<b>Profit before income tax</b>		<b>75,992,747</b>	<b>52,583,802</b>	<b>30,936,868</b>
Income tax expense	14(a)	(25,180,519)	(14,959,936)	(9,505,590)
<b>Profit for the year</b>		<b>50,812,228</b>	<b>37,623,866</b>	<b>21,431,278</b>
<b>Items that are or may be reclassified subsequently to profit or loss</b>				
Government securities at Fair Value through Other Comprehensive Income – net change in Fair value		(9,730,403)	(3,973,649)	9,921,772
Government securities at FVOCI – reclassified to profit or loss		-	-	(211,929)
Related deferred tax		2,919,121	1,192,095	(2,912,953)
<b>Other comprehensive income net of income tax</b>	27	<b>(6,811,282)</b>	<b>(2,781,554)</b>	<b>6,796,890</b>
<b>Total comprehensive income for the year</b>		<b>44,000,946</b>	<b>34,842,312</b>	<b>28,228,168</b>

**KCB BANK TANZANIA LIMITED**

CASHFLOW STATEMENT PARTICULARS	NOTE	2024	2023	2022
		TZS'000	Restated* TZS'000	TZS'000
<b>Profit before tax</b>		75,992,747	52,583,802	30,936,868
<b>Adjustment for non-cash items</b>				
Depreciation on PPE	18	2,544,996	2,366,344	2,394,834
Depreciation on right of use assets	19	2,558,655	2,552,224	2,274,072
Amortisation on Intangible assets	20	589,703	573,549	741,095
Net impairment (credit) / charge on loans and advances	8 (c)	(8,800,075)	4,699,428	9,568,036
Net interest income (excluding interest expense on lease and borrowings)	6&7	(97,026,866)	(80,322,326)	(59,261,245)
Property and equipment written off	18	3,244	-	-
Profit on disposal of scrapped items of property and equipment		(8,100)	(6)	(93,862)
Foreign exchange rate on revaluation of long-term borrowings	28	(2,007,220)	2,250,206	-
Interest charge on long term borrowing	28	5,458,523	2,389,303	896,576
Modification loss on lease contracts	19	-	195,628	(21,473)
Foreign exchange on lease contracts	19	291,062	(950,247)	98,876
Interest charge on lease liability	19	886,200	749,283	718,647
<b>Cash flows from operating activities before changes in working capital items</b>		<b>(19,517,131)</b>	<b>(12,912,812)</b>	<b>(11,747,576)</b>
<b>Changes in working capital items</b>				
Loans and advances to customers		(113,328,842)	(235,430,435)	(209,609,502)
Derivative financial instrument		(348,888)	1,207,934	(28,690)
Other assets	22	9,665,512	(14,314,368)	(5,259,143)
Deposits from customers		134,013,361	160,353,593	180,215,255
Other liabilities	25&30	(2,501,494)	9,051,324	1,816,228
Items in the course of payment		56,968	22,223	(125,871)
Statutory Minimum Reserve account*	15	(9,221,964)	(8,325,925)	(7,978,330)
Deposits from other banks		(51,749,350)	46,297,153	54,726,784
Government securities at Fair Value through Other Comprehensive Income		(2,107,903)	(79,612)	3,344,337
Government securities at amortised cost		(24,615,558)	6,885,448	(15,826,222)
Other investments in other securities at amortised costs		(220,568)	(1,001,655)	(823,472)
Interest received		151,476,348	124,186,301	90,722,531
Interest paid on deposits		(46,709,033)	(39,690,463)	(33,646,588)
Interest paid on lease liabilities	19	(886,200)	(749,283)	-
Interest paid on borrowings	28	(5,374,874)	(1,687,403)	-
Tax paid during the year	14 (b)	(31,745,426)	(13,274,120)	(11,237,772)
<b>Net cash generated from operating activities</b>		<b>(13,115,042)</b>	<b>20,537,900</b>	<b>34,541,969</b>
<b>Cash flows from investing activities</b>				
Equity investment	17	(500,000)	-	-
Purchase of property and equipment	18	(3,814,667)	(2,881,831)	(2,325,321)
Purchase of intangible assets	20	(427,615)	(55,753)	(126,762)
Proceeds from disposal of items of property and equipment		8,100	6	93,862
<b>Net cash used in investing activities</b>		<b>(4,734,182)</b>	<b>(2,937,578)</b>	<b>(2,358,221)</b>

**KCB BANK TANZANIA LIMITED**

<b>CASHFLOW STATEMENT (CONTINUED)</b>				
<b>PARTICULARS</b>	<b>NOTE</b>	<b>2024 TZS'000</b>	<b>2023 Restated* TZS'000</b>	<b>2022 TZS'000</b>
<b>Cash flows from financing activities</b>				
Payment of lease liabilities	19	(2,533,841)	(2,464,483)	(2,413,665)
Proceeds from debt instrument at amortised cost	29	2,647	5,901	11,074,266
Proceeds from borrowings	28	39,078,600	52,524,276	-
<b>Net cash generated from financing activities</b>		<b>36,547,406</b>	<b>50,065,694</b>	<b>8,660,601</b>
<b>Net increase in cash and cash equivalents</b>		<b>18,955,589</b>	<b>67,888,908</b>	<b>39,935,310</b>
Effect of foreign exchange on cash and cash equivalents		(257,407)	-	-
Cash and cash equivalents at the beginning of the year		254,966,881	187,077,973	138,932,314
<b>Cash and cash equivalents at the year end</b>	15 (b)	<b>273,665,063</b>	<b>254,966,881</b>	<b>178,867,624</b>

**KCB BANK TANZANIA LIMITED**
**STATEMENT OF CHANGES IN NET ASSETS**

	SHARE CAPITAL	RETAINED EARNINGS	NON DISTRIBUTABLE RESERVES	FAIR VALUE RESERVE	TOTAL
	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000
<b>At 1 January 2022</b>	62,669,936	46,490,737	1,486,520	3,601,619	114,248,812
Profit for the year	-	21,431,278	-	-	21,431,278
Realised gain on sale of government securities at FVOCI	-	-	-	(211,929)	(211,929)
Deferred tax on realised gain on sale of government securities at FVOCI	-	-	-	63,579	63,579
Change in fair value of government securities at FVOCI	-	-	-	9,921,772	9,921,772
Deferred tax on change in fair value of government securities at FVOCI	-	-	-	(2,976,532)	(2,976,532)
<b>Total comprehensive income for the year</b>	-	21,431,278	-	6,796,890	28,228,168
Transfer from the non-distributable reserve	-	1,486,520	(1,486,520)	-	-
<b>At 31 December 2022</b>	<b>62,669,936</b>	<b>69,408,535</b>	<b>-</b>	<b>10,398,509</b>	<b>142,476,980</b>
<b>At 1 January 2023</b>	62,669,936	69,408,535	-	10,398,509	142,476,980
Profit for the year	-	37,623,866	-	-	37,623,866
<b>Other comprehensive income</b>					
Change in fair value of government securities at FVOCI	-	-	-	(3,973,649)	(3,973,649)
Deferred tax on change in fair value of government securities at FVOCI	-	-	-	1,192,095	1,192,095
<b>Total other comprehensive income</b>	-	-	-	(2,781,554)	(2,781,554)
<b>Total comprehensive income for the year</b>	-	37,623,866	-	(2,781,554)	34,842,312
Transfer from the non-distributable reserve	-	-	-	-	-
<b>At 31 December 2023</b>	<b>62,669,936</b>	<b>107,032,401</b>	<b>-</b>	<b>7,616,955</b>	<b>177,319,292</b>
<b>At 1 January 2024</b>	62,669,936	107,032,401	-	7,616,955	177,319,292
Profit for the year	-	50,812,228	-	-	50,812,228
<b>Other comprehensive income</b>					
Change in fair value of government securities at FVOCI	-	-	-	(9,730,403)	(9,730,403)
Deferred tax on change in fair value of government securities at FVOCI	-	-	-	2,919,121	2,919,121
<b>Total other comprehensive income</b>	-	-	-	(6,811,282)	(6,811,282)
<b>Total comprehensive income for the year</b>	-	50,812,228	-	(6,811,282)	44,000,946
Transfer from the non-distributable reserve	-	(2,817,084)	2,817,084	-	-
<b>At 31 December 2024</b>	<b>62,669,936</b>	<b>155,027,545</b>	<b>2,817,084</b>	<b>805,673</b>	<b>221,320,238</b>

**KCB BANK TANZANIA LIMITED**

**NOTES**

**1 GENERAL INFORMATION**

KCB Bank Tanzania Limited (the Bank) is a company domiciled in Tanzania. The Bank’s registered office is at Harambee Plaza Building, junction of Ali Hassan Mwinyi Road and Kaunda Drive, P. O. Box 804, Dar es Salaam, Tanzania. The parent company is KCB Group Plc, a company registered in Kenya.

**2 MATERIAL ACCOUNTING POLICIES**

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

**(a)Basis of preparation**

The Bank’s historical financial information for the year 2024, 2023 and 2022 have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in the manner required by the Companies Act, 2002 and Banking and Financial Institutions Act, 2006.

The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Tanzania Shillings (TZS), rounded to the nearest thousand (TZS'000).

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Certain comparative amounts in the statement of cash flows have been restated or re-presented, as a result of a change in the presentation of cash and cash equivalents during the current year refer to Note 34.

**(b)Changes in accounting policies and disclosures**

i)  New standards, amendments and interpretations effective and adopted are as follows;

During the year 2024, the Bank has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Standards Interpretations Committee (IFRS-IC) that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2024. The adoption of these new and revised standards and interpretations has not resulted in material changes to the Bank’s accounting policies. The Bank adopted the following standards, interpretations and amended standards during the year 2024:

i)  *New standards, amendments and interpretations effective and adopted during the year 2024.*

Effective date	New standard or amendment
01-Jan-24	The following amendments were effective in the current reporting period commencing 1 January 2024. These amendments had no material impact on financial statements.
	Lease Liability in a Sale and Leaseback – <i>Amendments to IFRS 16</i>
	The amendments specify that, in measuring the lease liability subsequent to the sale and leaseback, the seller-lessee determines ‘lease payments’ and ‘revised lease payments’ in a way that does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use that it retains. This could particularly impact sale and leaseback transactions where the lease payments include variable payments that do not depend on an index or a rate.
	Non-current Liabilities with Covenants – Amendments to IAS 1 and Classification of Liabilities as Current or Non-current – Amendments to IAS 1
	The amendments require that an entity classify a liability as non-current if it has a right to defer settlement for at least 12 months after the reporting date. This right may be subject to an entity complying with conditions (covenants) specified in a loan arrangement, in the event that the entity is required to comply with the conditions on or before the reporting date. Furthermore, the amendments clarify how an entity classifies a liability that can be settled in its own shares – e.g. convertible debt.

**KCB BANK TANZANIA LIMITED**

**2. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**(b) Changes in accounting policies and disclosures (continued)**

i)  New standards, amendments and interpretations effective and adopted during the year 2024 (continued)

Effective date	New standard or amendment
01-Jan-24	<p><i>Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7</i></p> <p><i>The objective of the new disclosures is to provide information about SFAs that enables investors to assess the effects on an entity's liabilities, cash flows and the exposure to liquidity risk. The new disclosures include information about the following:</i></p> <p><i>The terms and conditions of SFAs.</i></p> <p><i>(i) The carrying amounts of financial liabilities that are part of SFAs and the line items in which those liabilities are presented.</i></p> <p><i>(ii) The carrying amount of the financial liabilities in (b) for which suppliers have already received payment from the finance providers.</i></p> <p><i>(iii) The range of payment due dates for both the financial liabilities that are part of SFAs, and comparable trade payables that are not part of such arrangements.</i></p> <p><i>(iv) Non-cash changes in the carrying amounts of financial liabilities in (b).</i></p> <p><i>Access to SFA facilities and concentration of liquidity risk with finance providers.</i></p>

ii) New and revised standards and interpretation which have been issued but are not effective during the year 2024

This table lists the recent changes to the Accounting Standards that are not yet effective as at 31 December 2024 and that are available for early adoption in annual periods beginning on 1 January 2024; however, the Bank has not early adopted the new and amended standards in preparing these financial statements.

Effective date	Standard
01-Jan-25	<p>Amendments resulting from annual improvements for the following standards.</p> <p>Lack of Exchangeability - Amendments to IAS 21</p> <p>The amendments require companies to provide new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements. These disclosures might include:</p> <ul style="list-style-type: none"> <li>• the nature and financial impacts of the currency not being exchangeable.</li> <li>• the spot exchange rate used.</li> <li>• the estimation process; and</li> </ul> <p>risks to the company because the currency is not exchangeable.</p>
01-Jan-26	<p>Initial measurement of trade receivables</p> <p>The amendment removes the conflict between IFRS 9 and IFRS 15 over the amount at which a trade receivable is initially measured. Under IFRS 15, a trade receivable may be recognised at an amount that differs from the transaction price, for example, when the transaction price is variable. Conversely, IFRS 9 requires that entities initially measure trade receivables without a significant financing component at the transaction price. IFRS 9 has been amended to require entities to initially measure a trade receivable without a significant financing component at the amount determined by applying IFRS 15. The amendments are effective for annual reporting periods beginning on or after 1 January 2026, with earlier application permitted.</p>

## KCB BANK TANZANIA LIMITED

## MATERIAL ACCOUNTING POLICIES (CONTINUED)

## (b) Changes in accounting policies and disclosures (continued)

## ii) New and revised standards and interpretation which have been issued but are not effective during the year 2024 (continued)

Effective date	Standard
1-Jan-2027	<p>Non-recourse assets and contractually linked instruments – IFRS 9 The amendments clarify the treatment of non-recourse assets and contractually linked instruments. The amendments are effective for annual reporting periods beginning on or after 1 January 2026, with earlier application permitted.</p> <p>Presentation and disclosure of financial statements- IFRS 18 IFRS 18 promotes a more structured income statement, introduces a newly defined “operating profit” subtotal, and a requirement for all income and expenses to be classified into three new distinct categories based on an entity’s business activities. The new standard requires an entity to analyse their operating expenses directly on the face of the income statement - either by nature, by function or on a mixed basis. In addition, the standard defines “management-defined performance measures” (MPMs) and requires that an entity provide disclosures regarding its MPMs in order to enhance transparency. The standard further provides enhanced guidance on aggregation and disaggregation of information, which will apply to both the primary financial statements and the notes. IFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027 and applies retrospectively with early adoption permitted. The impact of this standard on the Bank is currently being assessed.</p> <p>Subsidiaries without public accountability– IFRS 19 The standard is applicable to subsidiaries that do not have public accountability and that have a parent that produces consolidated accounts under IFRS Accounting Standards. IFRS 19 allows eligible subsidiaries to apply IFRS Accounting Standards with the reduced disclosure requirements of IFRS 19. A subsidiary applying IFRS 19 is required to clearly state in its explicit and unreserved statement of compliance with IFRS Accounting Standards that IFRS 19 has been adopted. Eligible subsidiaries can choose to apply the standard for reporting periods beginning on or after 1 January 2027 with earlier application permitted.</p>
To be determined	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> *

The above changes will be implemented based on their effective dates however, the changes are not expected to have a significant impact on the bank’s financial statements.

iii)  New standards, amendments and interpretations effective and adopted during the year 2023

Effective	New standards or amendments
1-Jan-2023	Definition of Accounting Estimates – Amendments to IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> .
	Disclosure Initiative: Accounting Policies – Amendments to IAS 1 <i>Presentation of Financial Statements</i> and IFRS Practice Statement 2 <i>Making Materiality Judgements</i> .

**KCB BANK TANZANIA LIMITED**

**2. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**(b) Changes in accounting policies and disclosures (continued)**

*iv) New and revised standards and interpretation which have been issued but are not effective during the year 2023*

Certain new accounting standards and interpretations have been published that are not mandatory during the year 2023 reporting period and have not been early adopted by the Bank. The Bank does not anticipate significant impact on adoption of these accounting standards.

Number	Effective date
01-Jan-24	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 <i>Leases</i>
	Classification of liabilities as Current or Non-Current and Non-current Liabilities with Covenants – Amendments to IAS 1 <i>Presentation of Financial Statements</i>
	Amendments to IAS 7 <i>Statement of Cash Flows</i> and IFRS 7 <i>Financial Instruments: Disclosures – Supplier Finance Arrangements</i> .
	IFRS S1** <i>General Requirements for Disclosure of Sustainability-related Financial Information</i> .
	IFRS S2** <i>Climate-related Disclosures</i> .
01-Jan-25	Lack of Exchangeability – Amendments to IAS 21 <i>The Effects of Changes in Foreign Exchange Rates</i> .

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions

*v)  New standards, amendments and interpretations effective and adopted during the year 2022*

Number	Effective date	Executive summary
IFRS 16, ‘Leases’ COVID-19-Related Rent Concessions Amendment	01-Jan-22	The IASB has provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification, provided that the concession meets certain conditions. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. The March 2021 amendment will only be available if an entity chose to apply the May 2020 optional practical expedient.
Annual improvements cycle 2018 -2020	1 January 2022.	These amendments include minor changes to: <ul style="list-style-type: none"> <li>• IFRS 1, ‘First time adoption of IFRS’ has been amended for a subsidiary that becomes first-time adopter after its parent. The subsidiary may elect to measure cumulative translation differences for foreign operations using the amounts reported by the parent at the date of the parent’s transition to IFRS.</li> <li>• IFRS 9, ‘Financial Instruments’ has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of “the 10% test” for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation.</li> <li>• IFRS 16, ‘Leases’, amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives.</li> <li>• IAS 41, ‘Agriculture’ has been amended to align the requirements for measuring fair value with those of IFRS 13. The amendment removes the requirement for entities to exclude cash flows for taxation when measuring fair value.</li> </ul>
Amendments to IAS 37 Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022 (Published May 2020)	The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of ‘costs to fulfil a contract’. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract.

**KCB BANK TANZANIA LIMITED**

**2. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**(b) Changes in accounting policies and disclosures (continued)**

v)  *New standards, amendments and interpretations effective and adopted during the year 2022 continued*

Number	Effective date	Executive summary
Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022 (Published May 2020)	The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss.
Amendment to IFRS 3, 'Business combinations'  Asset or liability in a business combination clarity	1 January 2022 (Published May 2020)	The Board has updated IFRS 3, 'Business combinations', to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination.  In addition, the Board added a new exception in IFRS 3 for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', or IFRIC 21, 'Levies', rather than the 2018 Conceptual Framework.  The Board has also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

vi)  *New and revised standards and interpretation which have been issued but are not effective during the year 2022*

Certain new accounting standards and interpretations have been published that are not mandatory for the reporting period and have not been early adopted by the Bank. The Bank's assessment of the impact of these new standards and interpretations is set out below:

Title	Effective date	Key Requirement
IFRS 17, 'Insurance contracts'	Annual periods beginning on or after 1 January 2023  Early application is permitted for entities that apply IFRS 9, 'Financial Instruments', and IFRS 15, 'Revenue from Contracts with Customers', at or before the date of initial application of IFRS 17.  (Published May 2017)	he IASB issued IFRS 17, 'Insurance contracts', and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators.  Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period.  Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less.  For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract.
IFRS 17, Insurance contracts Amendments	Annual periods beginning on or after 1 January 2023  (Published June 2020)	In response to some of the concerns and challenges raised, the Board developed targeted amendments and a number of proposed clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and ease transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard or unduly disrupt implementation already underway.

**KCB BANK TANZANIA LIMITED**
**2. MATERIAL ACCOUNTING POLICIES (CONTINUED)**
**(b) Changes in accounting policies and disclosures (continued)**
*vi) New and revised standards and interpretation which have been issued but are not effective during the year 2022*

<b>Title</b>	<b>Effective date</b>	<b>Key Requirement</b>
Amendment to IAS 1 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current	Annual periods beginning on or after 1 January 2023. (Published Jan 2020)	The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant).
Amendments to IAS 12, Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Annual periods beginning on or after 1 January 2023. Earlier application is permitted. (Published May 2021)	The amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.
Narrow scope amendments to IAS 1 'Presentation of Financial Statements', Practice statement 2 and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'	Annual periods beginning on or after 1 January 2023. Earlier application is permitted. (Published February 2021)	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish changes in accounting policies from changes in accounting estimates.
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	01-Jan-23	The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.  To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.
Definition of Accounting Estimates – Amendments to IAS 8	01-Jan-23	The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

**KCB BANK TANZANIA LIMITED**

**2. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**(b) Changes in accounting policies and disclosures (continued)**

vi)  New and revised standards and interpretation which have been issued but are not effective during the year 2022

Title	Effective date	Key Requirement
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	01-Jan-23	<p>The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.</p> <p>The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:</p> <ul style="list-style-type: none"> <li>• right-of-use assets and lease liabilities, and</li> <li>• decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets. The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate.</li> </ul> <p>IAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.</p>

**(e) Foreign currency transactions and balances**

*i. Functional and presentation currency*

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

*ii Transactions and balances*

Foreign currency transactions are translated into Tanzania Shillings using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currency are translated at the closing rate as at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

**(d) Recognition interest income and expense**

**i) Effective interest rate**

Interest income and expense are recognised in profit or loss using the effective interest method.

The ‘effective interest rate’ is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

**KCB BANK TANZANIA LIMITED**

**2. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

**(d) Recognition interest income and expense (continued)**

**i) Effective interest rate (continued)**

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

At times the Bank estimates future cash flows based on its experience of customers' behaviour, considering all contractual terms of the financial instrument, as well as the expected lives of the assets and liabilities. Due to the large number of products and types (both assets and liabilities), there are no individual estimates that are material to the results or financial

**ii) Amortised cost and gross carrying amount**

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance. The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

**(e) Fees and commission income**

Fees and commission are generally recognised on an accrual basis when the service has been rendered except those fees that form part of the effective interest rate. Other fee and commission income – including account servicing fees, investment management fees, sales commission, placement fees and syndication fees – is recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

A contract with a customer that results in a recognised financial instrument in the Bank's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Bank first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual. Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

**(f) Income tax**

Income tax expense is the aggregate of the charge to the profit or loss in respect of current tax and deferred tax. Current tax is the amount of income tax payable on the taxable profit for the period determined in accordance with the Income Tax Act, 2004 and its regulations.

Deferred tax is provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred income tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.

**(g) Financial assets (excluding derivatives)**

***Recognition and measurement of financial assets***

***Initial recognition***

At initial recognition, the Bank measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions.

Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

**KCB BANK TANZANIA LIMITED**
**2. MATERIAL ACCOUNTING POLICIES (CONTINUED)**
**(g) Financial assets (excluding derivatives) (continued)**
***Recognition and measurement of financial assets (continued)***

(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e., a level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognized as a gain or loss.

(b) In all other cases, the difference is deferred, and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realized through settlement.

***Classification and subsequent measurement***

The Bank classifies its financial assets into the following categories:

- Amortised cost.
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVPL)

***(i) Amortised cost:***

This category includes assets that are held for collection of contractual cash flows where those cash flows represent solely payment of principal and interest and are not designated at FVPL. The carrying amounts of these assets is adjusted by any expected credit loss allowance. Interest income from these assets is included in "interest and similar income" using the effective interest rate method. Loans and advances to customers, Government securities at amortised cost, cash and balances with BOT, placement with other banks, investments in other securities at amortised cost and other assets fall under this classification.

***Fair value through other comprehensive income (FVOCI)***

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method. Government securities held to collect, and sale are accounted under this classification.

***(ii) Fair value through profit or loss (FVPL)***

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss.

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

**SPPI:** Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic

**(h) Impairment of financial assets**
***Assets carried at amortised cost***

The Bank assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Bank recognizes a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

**KCB BANK TANZANIA LIMITED**
**2. MATERIAL ACCOUNTING POLICIES (CONTINUED)**
**(h) Impairment of financial assets (continued)**
*Assets carried at amortised cost (Continued)*

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

*Modification of loans*

The Bank sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Bank assesses whether or not the new terms are substantially different to the original terms. If the terms are substantially different, the Bank derecognizes the original financial asset and recognizes a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Bank also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss.

The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets)

The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

**(i) POCI financial assets**

POCI financial assets are assets that are credit-impaired on initial recognition. For POCI assets, lifetime ECL are incorporated into the calculation of the effective interest rate on initial recognition. Consequently, POCI assets do not carry an impairment allowance on initial recognition. The amount recognized as a loss allowance subsequent to initial recognition is equal to the changes in lifetime ECL since initial recognition of the asset.

**(j) Financial guarantee contracts held**

The Bank assesses whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately. The factors that the Bank considers when making this assessment include whether:

- the guarantee is implicitly part of the contractual terms of the debt instrument;
- the guarantee is required by laws and regulations that govern the contract of the debt instrument;
- the guarantee is entered into at the same time as and in contemplation of the debt instrument; and
- the guarantee is given by the parent of the borrower or another company within the borrower's group.

If the Bank determines that the guarantee is an integral element of the financial asset, then any premium payable in connection with the initial recognition of the financial asset is treated as a transaction cost of acquiring it. The Bank considers the effect of the protection when measuring the fair value of the debt instrument and when measuring ECL.

**(k) Financial Liabilities**

The Bank's holding in financial liabilities is mainly in financial liabilities at amortised cost and financial liabilities at fair value through profit or loss. Financial liabilities are derecognised when extinguished.

*Liabilities measured at amortised cost*

Financial liabilities are recognised initially at fair value, generally being their issue proceeds net of transaction costs incurred. Financial liabilities are subsequently stated at amortised cost and interest is recognised over the period of the borrowing using the effective interest method. Deposits from other banks, deposits from customers, other liabilities, borrowings and debt instrument at amortised costs are included in this category. Deposits due to other banks, deposits from customers, other liabilities, borrowings, and debt instrument are classified under this category.

**KCB BANK TANZANIA LIMITED**
**2. MATERIAL ACCOUNTING POLICIES (CONTINUED)**
**(l) Derivative financial instruments**

Derivatives are financial instruments that derive their value in response to changes in interest rates, financial instrument prices, commodity prices, foreign exchange rates, credit risk and indices. Derivatives are categorised as for held for trading unless they are designated as hedging instruments. All derivatives are initially recognised and subsequently measured at fair value, with all fair value gains and losses recognised in profit and loss.

Fair values may be obtained from quoted market prices in active markets, recent market transactions, and valuation techniques, including discounted cash flow models. Where the initially recognised fair value of a derivative contract is based on a valuation model that uses inputs that are not observable in the market, it follows the same initial recognition accounting policy as for other financial assets and liabilities. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

**(m) Leases**
**1. The Bank's leasing activities and how these are accounted for**

The Bank leases office space in various parts of the region. Rental contracts are typically made for fixed periods of 4 to 10 years but may have extension options as described in note 2 below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Contracts may contain both lease and non-lease components. The Bank allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Bank is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Bank. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Bank, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Bank:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Bank, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g., term, country, currency and security

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs and
- restoration costs

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

**KCB BANK TANZANIA LIMITED**

**2. MATERIAL ACCOUNTING POLICIES (CONTINUED)**

*2. Extension and termination options (continued)*

Extension and termination options are included in a number of property leases contracts. These terms are used to maximise operational flexibility in terms of managing contracts.

**(n) Financial guarantee contracts**

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance; and
- The premium received on initial recognition less income recognized in accordance with IFRS 15.

**(o) Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, unrestricted balances held with central bank, deposits held at call with banks, items in the course of collection other short term highly liquid investments with original maturities of three months or less. The Bank of Tanzania require banks to maintain at least 80% of the required statutory minimum reserve (SMR) in their clearing account at the Bank of Tanzania daily while ensuring that the average balance over the maintenance period meets 100% of the required SMR amount. Cash and cash equivalents exclude restricted balances held with the Bank of Tanzania (80% of SMR). Cash and cash equivalents are carried at amortised cost in the statement of financial position.

**(p) Property and equipment**

Property and equipment are stated at historical cost less depreciation and accumulated impairment loss, if any. Depreciation is provided on the straight-line basis so as to allocate the cost of assets to their residual values over their useful economic lives, at the following annual rates:

Description	Rate	Useful life
Furniture and fittings	10%	10 years
Office equipment	20%	5 years
Computer equipment	20%	5 years
Motor vehicles	25%	4 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each end of the reporting period. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the assets fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are recognised in profit or loss. Leases of leasehold improvements are classified as finance leases; these include improvements made on leased Bank buildings for its head office and branches. The total payments made under operating leases are charged to the profit and loss on a straight-line basis over the life of the lease period.

**(q) Intangible assets**

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Bank are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Software costs recognised as intangible assets are amortised on a straight basis over their estimated useful life of five years.

## KCB BANK TANZANIA LIMITED

### 2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### 2. Extension and termination options (continued)

##### (r) Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The impairment test can also be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. No non-financial assets were impaired at the end of the reporting period.

##### (s) Employee benefits

The Bank and its employees contribute to the National Social Security Fund (NSSF) which is a statutory defined contribution scheme. Employees contribute 10% of their monthly emoluments while the Bank contributes 10% to the schemes. A defined contribution scheme is a pension plan under which the Bank pays fixed contributions into a separate entity. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years. The Bank's contributions to the defined contribution scheme are charged to profit or loss in the year to which they relate

##### (t) Offsetting of financial assets and financial liabilities

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

Income and expenses are presented on a net basis only when permitted under IFRSs, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

##### (u) Share capital

Ordinary shares are classified as 'share capital' in equity. New shares are recorded at nominal value and any premium received over and above the par value of the shares is classified as 'share premium' in equity.

##### (v) Related Parties

Related parties are considered to be related if one party has the ability to control the other party or exercise significant influence on the other party in making either financial or operational decisions. Related party transactions are carried out at arm's length except for staff loans which are issued at concessionary rates.

##### (w) Contingent liabilities

Estimates of the outcome and the financial effect of contingent liabilities is made by management based on the information available up to the date that the financial statements are approved for issue by the Directors.

##### (x) Segment reporting

An operating segment is a component of the bank that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with any of the bank's other components, whose operating results are regularly reviewed by the bank's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the bank's CEO include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses and tax assets and liabilities. Information about the segments is included in Note 37.

### 3. FINANCIAL RISK MANAGEMENT

The Bank's activities expose it to a variety of financial risks, including credit risk, liquidity risk, market risks and operational risks. The Bank's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Bank's financial performance.

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board of Directors of the Bank has established the Credit, Audit, Risk and Human Resources committees, which are responsible for developing and monitoring the Bank risk management policies in their specified areas. All Board committees have both executive and non-executive members and report regularly to the Board of Directors on their activities.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Risk Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank.

**KCB BANK TANZANIA LIMITED**
**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**

The Committee is assisted in these functions by a Risk and Compliance department which undertake reviews of risk management controls and procedures, the results of which are reported to the Risk Committee.

- (a) Credit risk;
- (b) Liquidity risk;
- (c) Market risks;
- (d) Operational risk; and
- (e) Capital management.

This note presents information about the Bank's exposure to each of the above risks, its objectives, policies and processes for measuring and managing the risks, and its management of capital.

**(a) Credit risk**

Credit risk is the risk of suffering financial loss, should any of the Bank's customers, clients or market counterparties fail to fulfil their contractual obligations to the Bank. Credit risk arises mainly from commercial and consumer loans and advances and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, financial guarantees, letters of credit, endorsements and acceptances. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure.

The Bank is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities ('trading exposures'), including non-equity trading portfolio assets and settlement balances with market counterparties and reverse repurchase loans.

**(i) Governance and oversight**

The Board of Directors has delegated responsibility for the management of credit risk to its Board Credit Committee. Credit Division, reporting to the Board Credit Committee, is responsible for the day-to-day management of credit risk, while the Risk and Compliance division, reporting to Risk and Strategy Committee, is responsible for independent credit risk oversight, including:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements;
- Periodically reviewing the credit risk strategy, credit risk management policies, and the underlying credit risk management process of the Bank as a whole, including the Bank tolerance or appetite for credit risk;
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit credit officers. Larger facilities require approval by head of credit, bank credit committee or the board of directors as appropriate;
- Reviewing and assessing credit risk. Bank Credit assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process;
- Limiting concentrations of exposure to counterparties, geographies and industries (for loan and advances), and by issuer, credit rating band, market liquidity and country (for investment securities);
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, counter risk and product types. Regular reports are provided to credit committee in respect of the quality of the loan portfolio; and
- Developing and maintaining the Bank's risk grading in order to categorize exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures;
- Regular audits of business units and Bank credit processes are undertaken by Internal Audit Department.

The Credit Risk Management Committee is responsible for reviewing the Bank's credit risk strategy and overseeing the implementation of the Credit Risk Management policies, standards and practices as well as providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk. The committee also regularly reviews and reports on the quality of the Bank's loan portfolio and compliance of business units with agreed exposure limits, including those for selected industries and product types.

**KCB BANK TANZANIA LIMITED**
**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**
**(a) Credit risk (continued)**
**(ii) Management and monitoring**

The credit risk management framework enables the Bank to manage credit risk within the limits of its evolving risk appetite, develop risk-response strategies and optimise risk-taking by anticipating and acting on potential opportunities or threats. Specifically, it relies on the Bank's well-established dual control structure, sound credit processes and clear delegation of decision-making authority, amongst other considerations, for the approval of loans.

Credit risk exposures are managed through the Bank's robust credit assessment, structuring and monitoring process. The latter, under the responsibility of the Credit Division, involves the daily monitoring of credit limit excesses as well as the review of all exposures, the frequency of which is increased in accordance to the size and likelihood of potential credit losses to ensure the timely detection of possible default loans. Exposures showing signs of deterioration are placed on early alert list for closer monitoring where appropriate. The Credit division is responsible for independent risk portfolio monitoring and risk measurement methodologies.

**(iii) Credit risk measurement**

Credit risk measurement consists of appraising the track record of customers as appropriate for the prediction of the likely future behaviour of existing accounts for ongoing credit risk management. Ultimately, the Bank assesses whether individual business areas provide sufficient contribution to the targeted risk-return profile, with the aim to ensure that capital allocation generates an optimum return for the Bank. This is achieved by channelling risk capital away from low-return to high-return business areas, in a manner commensurate with the risks assumed.

The Bank's rating grades reflect the range of parameters developed to predict the default probabilities of each rating class in line with international best Practices and in compliance with regulatory requirements. The suitability of the classification of the debt and of the collectible amount is examined by Credit Division.

The Bank ratings scale is as follows:

Grade	Regulatory Classification	Days Past Due	Equivalent IFRS 9
Grade 1	Normal	0 – 30	Stage 1
Grade 2	Especially mentioned	31 – 90	Stage 2
Grade 3	Sub-standard	91 – 180	Stage 3
Grade 4	Doubtful	181 – 360	Stage 3
Grade 5	Loss	> 360	Stage 3

The Bank also assesses the probability of default of customer or counterparty using internal rating scale tailored to the various categories of counter party as described below;

**Retail**

Retail credit comprising mainly residential mortgages, unsecured loans and credit cards are managed on a portfolio basis and assessed, based on credit scoring models, records from the Credit Reference Bureaus, customers' behavioural records, as well as the application of relevant risk acceptance criteria. To ensure the robustness and adequacy of the scoring models, the Risk Division independently conducts formal validation of those models. In collaboration with the Credit Division, Risk regularly analyses default trends, identifies the underlying root causes and subsequently and where applicable results in appraisal of the credit scoring parameters.

**Corporate**

Large corporate credits are assessed using credit software which evaluates the counterparty's financial standing and specific non-quantitative factors such as industry risk, access to funding, market standing and management strength. The ratings generated are used to measure the risk profile of the corporate banking customer segment which consumes a sizeable proportion of capital resources of the Bank. The ratings are also used to set tolerance limits for management of excesses. The counterparty risk rating assigned to smaller business borrowers is primarily based on the counterparty's financial position and strength.

**KCB BANK TANZANIA LIMITED**
**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**
**(a) Credit risk (continued)**
**(iv) Expected credit loss measurement**
**Inputs, assumptions and techniques used for estimating impairment**

The Bank follows a “three-stage” model for impairment based on changes in credit quality since initial recognition as follows:

- A financial instrument that is not credit impaired on initial recognition is classified in “Stage 1” and has its credit risk continuously monitored by the Bank.
- If a significant increase in credit risk (SICR) since initial recognition is identified, the financial instrument is moved to “stage 2” but is not yet deemed to be credit impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to “stage 3”.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward looking information.

**a) Significant increase in credit risk**
**Loans and advances to customers**

The Bank considers both qualitative and quantitative criteria to determine whether a loan to customer has experienced a significant increase in credit risk.

**Quantitative criteria**

A financial instrument is considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments or in case of non-amortising facilities, has an expired line or exposure above limit which has not been regularized for a period exceeding 30 days.

**Qualitative criteria**

A financial instrument is considered to have experienced a significant increase in credit risk if the borrower meets one or more of the following criteria:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower;
- Breach of loan covenants or conditions;
- Initiation of Group bankruptcy proceedings;
- Deterioration of the borrower’s competitive position;
- Deterioration in the value of collateral

**Balances due from other banks**

The Bank considers both qualitative and quantitative criteria to determine whether a credit facility to other banks has experienced a significant increase in credit risk. This is done based on external rating as shown in the following table

**External rating criteria**

No	Rating description	Credit risk	Staging
1	Very good	Very low risk	Stage 1
2	Good	Low risk	Stage 1
3	Average	Relative low risk	Stage 1
4 & 5	Poor and very poor	Increase in credit risk	Stage 2
-	Defaulted	Impaired	Stage 3

Interbank placements to counterparties between 1 and 3 are considered to have low credit risk at any point in time and at the reporting date unless they move to rating 4 & 5 or other factors which triggers significant increase in credit risk occurs. When a counterparty moves from upper category (1) to lower categories (2 or 3) it will not be considered as significant increase in credit risk since it does not depict significant changes in internal price indicators of credit risk, however when it is downgraded to category 4 & 5 will be considered as significant increase in credit risk.

Other qualitative factors considered as indicators of significant increase in credit risk are:

- Significant counterparty management restructuring or reorganisation due to prolonged poor performance of the entity.

**KCB BANK TANZANIA LIMITED**

**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(a) Credit risk (continued)**

**(iv) Expected credit loss measurement (continued)**

**b) Definition of default and credit-impaired assets**

**Loans and advances to customers**

The Bank defines a loan or advance to customer as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

*Quantitative criteria*

The borrower is more than 90 days past due on its contractual payments.

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty.

These are instances where:

- Customer's business extinction or significant deterioration due to natural disaster or man-made factor with no business insurance recovery/reinstatement.
- The borrower is deceased.
- Customer business declared bankrupt, under liquidation, under supervisory management, or facing regulatory recovery that goes to rampant business closures.
- The borrower is in breach of financial covenant(s).
- Customer dealing with activities that are banned by current government policy i.e., change of government policy on particular activities or sector.
- The calling of the guarantee by the guaranteed third party, this to be applicable where the bank has issued a guarantee to back up its customer who is doing business with a third party.

• The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the

• Loss Given Default (LGD) represents the Banks's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan. The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, and time to repossession. For unsecured products, LGD's are assessed based cure rate for the product.

• EAD is based on the amounts the Bank expects to be owed at the time of default, over the next 12 months (12-month EAD) or over the remaining lifetime (Lifetime EAD). For revolving products, the exposure at default is predicted by taking limit or for balances above limit the outstanding balance. For fixed exposures EAD equate to current outstanding balance at the reporting date.

**Government securities**

For government securities, below events are considered as default when they occur.

- When repayments of interest and principal are not done on time as per contractual schedules and that such delays considered are not those caused by operational issues.
- When the government is downgraded to below rating "C" status by international rating agency such as Moody's, S&P, or Fitch.
- When the government is declared default/bankrupt by responsible agencies like World Bank or IMF.

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

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

**KCB BANK TANZANIA LIMITED**


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**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**
**(a) Credit risk (continued)**
**(iv) Expected credit loss measurement (continued)**

*Inputs, assumptions and techniques used for estimating impairment (continued)*

**Balances due from other banks**

- The ECL model for interbank placements is built on key variables Exposure at Default (EAD), Loss Given Default (LGD) and Probability of default (PD).
- The PD refers to the likelihood of a default over a time horizon. It provides an estimate of the likelihood that a borrower will be unable to meet its debt obligations. PD for counterparties is assessed under the framework of external rating of the counterparties.
- The EAD defined as gross exposure in the event of obligor default over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). The bank assesses EAD at each deal/facility level. EAD is equivalent to the existing outstanding balance (including interest accrued at the reporting date).
- The LGD, this refers to the share of an asset that is lost if a borrower default. LGD for interbank investment is computed based on recovery rate that is assessed based on historical recovery experience of counterparties' experience in the market.

**Government securities**

- The ECL model for government securities is built on key variables Exposure at Default (EAD), Loss Given Default (LGD) and Probability of default (PD).
- The PD refers to the likelihood of a default over a time horizon. It provides an estimate of the likelihood that a borrower will be unable to meet its debt obligations. PD for this is assessed based on market experience. The average PD ranges from 0% to 0.3%.
- The EAD defined as gross exposure in the event of obligor default over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). The bank assesses EAD at each deal/facility level. EAD is equivalent to the existing outstanding balance (including interest accrued at the reporting date).
- The LGD, this refers to the share of an asset that is lost if a borrower default. LGD for government securities is computed based on collateral placed or recovery rate experience.

**Forward - looking information incorporated in the model**

The bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The bank formulates three economic scenarios: a base case, which is a central scenario, developed internally based on consensus forecasts, and two less likely scenarios, one upside and one downside scenario. External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in the country where the bank operates, supranational organisations such as the International Monetary Fund, and selected private-sector and academic forecasts.

**KCB BANK TANZANIA LIMITED**
**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**
**(a) Credit risk (continued)**
**(iv) Expected credit loss measurement (continued)**

The table below lists the macroeconomic assumptions used in the base, upside and downside scenarios over the five-year forecast period. The assumptions represent the year-on-year change of the macro-economic variables for the various portfolios: Amana, Corporate, Mortgage, Personal & SME.

	2025	2026	2027	2028	2029	2030
<b>Amana;</b>						
Real estate nominal GVA USD	2,284,098	2,398,848	2,545,125	2,714,587	2,894,438	3,084,705
Transport & communications nominal GVA, USD	7,042,386	7,560,922	8,189,260	8,904,515	9,661,690	10,461,272
Nominal Effective Exchange Rate Index	68	66	65	64	64	63
Goods and services exports, USD, % change YoY	5	4	4	3	4	4
<b>Corporate;</b>						
M2, % of GDP	17	17	17	17	17	17
Principal payments, % of exports of G&S	9	10	10	10	10	10
<b>Mortgage;</b>						
Mining nominal GVA, USD, % change YoY	12	15	16	16	15	14
Construction nominal GVA, LCU	24,960,900,000	25,318,400,000	25,825,900,000	26,491,300,000	27,299,400,000	28,255,900,000
Finance & real estate nominal GVA, USD, % change YoY	1	4	6	6	6	6
Real lending rate, %, average	13	12	12	11	11	11
<b>Personal;</b>						
Finance, public administration, education and human health nominal GVA, % of GDP	18	18	18	18	18	18
M1, % of GDP	11	11	11	11	11	11
Lending rate, %, average	16	16	16	16	16	16
Current expenditure, LCU	25,533,800,000	26,584,100,000	29,860,900,000	32,885,700,000	35,685,500,000	39,174,600,000
<b>SME;</b>						
Exports of goods and services, USD	14,085,775	14,681,529	15,289,057	15,747,728	16,305,064	16,882,516
Savings, % of investment	92	92	92	92	92	92
Nominal Effective Exchange Rate Index	68	66	65	64	64	63
Capital expenditure, % of total fiscal expenditure	35	37	38	38	38	38
Goods exports, USD	8,563,000	8,905,000	9,262,000	9,539,000	9,921,000	10,318,000

(Source: Fitch Data)

Expected credit loss incurred during the year is disclosed under Note 8 and full year credit risk loss allowance reconciliation has been disclosed under Note 3a.

**KCB BANK TANZANIA LIMITED**
**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**
**(a) Credit risk (continued)**
**(iv) Expected credit loss measurement (continued)**

The table below lists the combined macroeconomic index used for the regression in the base, upside and downside scenarios over the five-year forecast period. The assumptions represent the year-on-year change of the macro-economic variables for the various portfolios: Amana, Corporate, Mortgage, Personal & SME.

	2025	2026	2027	2028	2029	2030
<b>Amana</b>						
Base Scenario(40%)	84.69%	28.25%	16.13%	11.33%	9.90%	8.38%
Upside Scenario(30%)	51.09%	17.04%	9.73%	6.83%	5.97%	5.05%
Downside Scenario(30%)	140.39%	213.25%	201.87%	141.77%	123.87%	104.81%
Probability weighted	91.32%	80.39%	69.93%	49.11%	42.91%	36.31%
<b>Corporate</b>						
Base Scenario(50%)	67.51%	58.84%	60.71%	67.94%	64.09%	61.66%
Upside Scenario(25%)	36.03%	31.40%	32.40%	36.26%	34.20%	32.91%
Downside Scenario(25%)	126.50%	206.61%	213.17%	238.56%	225.04%	216.50%
Probability weighted	74.38%	88.92%	91.75%	102.68%	96.86%	93.18%
<b>Mortgage</b>						
Base Scenario(40%)	19.75%	31.09%	13.94%	16.91%	28.55%	29.56%
Upside Scenario(35%)	5.23%	8.24%	3.69%	4.48%	7.56%	7.83%
Downside Scenario(25%)	281.28%	442.74%	198.51%	240.81%	406.51%	421.02%
Probability weighted	80.05%	126.00%	56.50%	68.54%	115.69%	119.82%
<b>Personal</b>						
Base Scenario(40%)	41.43%	66.23%	28.81%	24.85%	28.70%	23.89%
Upside Scenario(30%)	23.11%	36.94%	16.07%	13.86%	16.01%	13.33%
Downside Scenario(30%)	133.17%	212.88%	165.99%	143.20%	165.40%	137.66%
Probability weighted	63.46%	101.44%	66.14%	57.06%	65.91%	54.85%
<b>SME</b>						
Base Scenario(80%)	30.85%	20.54%	14.45%	13.66%	9.89%	8.02%
Upside Scenario(10%)	9.43%	6.28%	4.42%	4.18%	3.02%	2.45%
Downside Scenario(10%)	329.98%	718.56%	505.73%	478.09%	345.93%	280.75%
Probability weighted	58.62%	88.91%	62.58%	59.16%	42.81%	34.74%

**KCB BANK TANZANIA LIMITED**
**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**
**(a) Credit risk (continued)**
**(iv) Expected credit loss measurement (continued)**
**Sensitivity of ECL to future economic conditions**

Expected credit loss is sensitive to judgements and assumptions made regarding formulation of forward-looking scenarios and how such scenarios are incorporated into the calculations. Management performs a sensitivity analysis on the ECL recognised on material classes of its assets.

The table below shows the loss allowance on loans and advances to corporate and retail customers assuming each forward-looking scenario (e.g. upside, base, and downside) were weighted 100% instead of applying scenario probability weights across the three scenarios.

For ease of comparison, the table also includes the probability-weighted amounts that are reflected in the financial statements.

	Probability weighted	Base	Upside	Downside
	TZS	TZS	TZS	TZS
<b>2024</b>	236,672	224,043	160,026	330,156
Amana				
Corporate	2,324,716	2,272,833	2,042,409	2,710,789
Mortgage	735,414	377,653	291,519	1,929,286
Personal	3,366,030	3,056,814	2,800,431	4,343,918
Personal(ex-staff)	145,897	142,137	139,009	157,798
SME	1,563,813	1,357,956	1,199,297	3,575,181
	<b>8,372,542</b>	<b>7,431,436</b>	<b>6,632,691</b>	<b>13,047,128</b>
<b>2023</b>				
Amana	3,725,694	3,550,401	3,534,910	4,734,514
Corporate	7,725,876	6,906,116	6,835,719	12,441,581
Mortgage	539,631	120,295	86,275	2,949,893
Personal	1,408,536	608,735	538,228	6,011,247
Personal(ex-staff)	361,901	268,092	259,826	901,747
SME	4,360,560	2,876,317	2,745,161	12,902,429
<b>Grand Total</b>	<b>18,122,198</b>	<b>14,329,956</b>	<b>14,000,119</b>	<b>39,941,411</b>

**(v) Modified financial assets**

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognized and the renegotiated loan recognized as a new loan at fair value in accordance with the accounting policy set out in Note 2(g).

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data on initial recognition and the original contractual terms

When modification results in derecognition, a new loan is recognized and allocated to Stage 1 (assuming it is not credit-impaired at that time).

**KCB BANK TANZANIA LIMITED**

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**3. FINANCIAL RISK MANAGEMENT (CONTINUED)****(a) Credit risk (continued)****(vi) Credit related commitment risk**

The Bank makes available to its customers guarantees which may require the Bank to make payments on their behalf and enters into commitments to extend lines to secure their liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Bank to similar risks to loans and are mitigated by the same control processes and policies.

**(vii) Write-off policy**

The Bank writes off loans either partially or in their entirety as and when the Board Credit Committee reviews and accepts the recommendations by the management that the loans or a portion thereof are irrecoverable. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation or that proceeds from collateral will not be sufficient to pay back the entire exposure. A write-off constitutes a derecognition event.

If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. The Bank may apply enforcement activities to financial assets written off. Recoveries resulting from the Bank's enforcement activities will result in impairment gains, which will be presented in 'net impairment loss on financial assets' in the statement of profit or loss.

**(viii) Loss allowance**

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

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

**KCB BANK TANZANIA LIMITED**
**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**

(a) Credit risk (continued)

(viii) Loss allowance (continued)

Changes in gross carrying amount and Loss allowance

Total loans and advances

2024	Stage I		Stage II		Stage III		Total	
	Gross Carrying Amount	12 Month ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	ECL
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
<b>Balance as at 1 January</b>	<b>697,274,874</b>	<b>3,553,897</b>	<b>172,046,375</b>	<b>1,009,438</b>	<b>42,605,837</b>	<b>14,605,342</b>	<b>911,927,086</b>	<b>19,168,677</b>
<b>Stage transfer</b>								
Stage 1 to stage 2	(16,927,542)	(66,956)	16,927,542	66,956	-	-	-	-
Stage 1 to stage 3	(3,469,497)	(51,778)	-	-	3,469,497	51,778	-	-
Stage 2 to stage 1	77,814,756	369,048	(77,814,756)	(369,048)	-	-	-	-
Stage 2 to stage 3	-	-	(1,809,914)	(32,217)	1,809,914	32,217	-	-
Stage 3 to stage 1	1,862,886	1,942,469	-	-	(1,862,886)	(1,942,469)	-	-
Stage 3 to stage 2	-	-	6,832,702	1,098,560	(6,832,702)	(1,098,560)	-	-
New assets originated or purchased	112,107,439	213,299	2,179,117	7,184	389,215	5,150,691	114,675,771	5,371,174
Payment and assets derecognized	36,228,462	(4,134,946)	(19,622,447)	(1,395,218)	(9,797,724)	(5,190,560)	6,808,291	(10,720,724)
Unwinding of Discount Foreign Exchange	-	406,496	-	106,638	-	1,611,230	-	2,124,364
Adjustment	(1,644,158)	(4,877)	(494,346)	(3,383)	(102,505)	(43,301)	(2,241,009)	(51,561)
Write off	-	-	-	-	(6,657,326)	(6,657,326)	(6,657,326)	(6,657,326)
<b>Balance as at 31 December</b>	<b>903,247,220</b>	<b>2,226,652</b>	<b>98,244,273</b>	<b>488,910</b>	<b>23,021,320</b>	<b>6,519,042</b>	<b>1,024,512,813</b>	<b>9,234,604</b>

## KCB BANK TANZANIA LIMITED

## 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(viii) Loss allowance (continued)

Changes in gross carrying amount and loss allowance (continued)

Total loans and advances (continued)

2023	Stage I		Stage II		Stage III		Total	
	Gross Carrying Amount	12 Month ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	ECL
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
<b>Balance as at 1 January</b>	551,755,714	4,470,543	90,146,254	1,112,776	35,226,793	10,677,155	677,128,761	16,260,474
<b>Stage transfer</b>								
Stage 1 to stage 2	(62,573,925)	(694,935)	62,573,925	694,935	-	-	-	-
Stage 1 to stage 3	(1,727,535)	(41,830)	-	-	1,727,535	41,830	-	-
Stage 2 to stage 1	4,112,515	60,648	(4,112,515)	(60,648)	-	-	-	-
Stage 2 to stage 3	-	-	(2,759,528)	(356,689)	2,759,528	356,689	-	-
Stage 3 to stage 1	-	-	-	-	-	-	-	-
Stage 3 to stage 2	-	-	-	-	-	-	-	-
New assets originated or purchased	226,807,535	964,830	45,811,690	155,503	9,935,297	5,239,642	282,554,522	6,359,975
Payment and assets derecognized	(35,851,587)	(1,829,230)	(22,357,779)	(724,734)	(4,989,153)	(8,660)	(63,198,519)	(2,562,624)
Unwinding of Discount	-	512,062	-	157,224	-	1,086,031	-	1,755,317
Foreign Exchange Adjustment	14,752,157	111,809	2,744,328	31,071	1,153,839	420,657	18,650,324	563,537
Write off	-	-	-	-	(3,208,002)	(3,208,002)	(3,208,002)	(3,208,002)
<b>Balance as at 31 December</b>	<b>697,274,874</b>	<b>3,553,897</b>	<b>172,046,375</b>	<b>1,009,438</b>	<b>42,605,837</b>	<b>14,605,342</b>	<b>911,927,086</b>	<b>19,168,677</b>

## KCB BANK TANZANIA LIMITED

## 3.FINANCIAL RISK MANAGEMENT (CONTINUED)

## (a)Credit risk (continued)

## (viii) Loss allowance (continued)

## Changes in gross carrying amount and Loss allowance

## Total loans and advances

2022	Stage I		Stage II		Stage III		Total	
	Gross Carrying Amount	12 Month ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	ECL
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Balance as at 1 January	353,727,955	3,217,821	89,870,285	1,488,920	24,478,837	4,477,960	468,053,734	9,184,701
Stage transfer								
Stage 1 to stage 2	(37,967,432)	(144,027)	37,967,432	275,348	-	-	-	131,321
Stage 1 to stage 3	(6,837,601)	(22,769)	-	-	6,837,601	3,058,345	-	3,035,576
Stage 2 to stage 1	42,924,402	267,333	(42,924,402)	(392,175)	-	-	-	(124,842)
Stage 2 to stage 3	-	-	(15,052,590)	(320,249)	15,052,590	3,278,914	-	2,958,665
Stage 3 to stage 1	151,454	-	-	-	(151,454)	-	-	-
Stage 3 to stage 2	-	-	359,101	2,498	(359,101)	(14,086)	-	(11,588)
New assets originated or purchased	201,598,049	2,092,332	26,776,857	116,819	5,934,629	5,631	234,309,535	2,209,848
Payment and assets derecognized	(2,635,407)	(1,345,648)	(7,256,345)	(262,218)	(11,030,354)	4,532,870	(20,922,106)	2,902,347
Unwinding of Discount	-	400,779	-	198,096	-	899,966	-	1,498,841
Foreign Exchange Adjustment	794,294	4,722	405,916	5,737	49,842	8	1,250,052	10,467
Write off	-	-	-	-	(5,562,454)	(5,562,454)	(5,562,454)	(5,562,454)
Balance as at 31 December	551,755,714	4,470,543	90,146,254	1,112,776	35,226,793	10,677,154	677,128,761	16,260,473

## KCB BANK TANZANIA LIMITED

## I. FINANCIAL RISK MANAGEMENT (CONTINUED)

## a) Credit risk (continued)

## viii) Loss allowance (continued)

## Changes in gross carrying amount and Loss allowance (continued)

## Corporate Loans

2024	Stage I		Stage II		Stage III		Total	
	Gross Carrying Amount TZS'000	12 Month ECL TZS'000	Gross Carrying Amount TZS'000	Lifetime ECL TZS'000	Gross Carrying Amount TZS'000	Lifetime ECL TZS'000	Gross Carrying Amount TZS'000	ECL TZS'000
ECL allowance reconciliation								
Balance as at 1 January	240,859,077	585,508	144,036,738	367,399	25,844,029	6,771,856	410,739,844	7,724,763
Stage Transfer								
Stage 1 to stage 2	(15,230,877)	(42,860)	15,230,877	42,860	-	-	-	-
Stage 1 to stage 3	-	-	-	-	-	-	-	-
Stage 2 to stage 1	69,203,792	230,316	(69,203,792)	(230,316)	-	-	-	-
Stage 2 to stage 3	-	-	(75,074)	(2)	75,074	2	-	-
Stage 3 to stage 1	1,862,886	1,942,469	-	-	(1,862,886)	(1,942,469)	-	-
Stage 3 to stage 2	-	-	6,832,702	1,098,560	(6,832,702)	(1,098,560)	-	-
New assets originated or purchased	18,477,505	9,351	253,934	-	221,271	1,979,845	18,952,710	1,989,196
Payment and assets derecognized	58,339,511	(2,302,386)	(8,753,375)	(1,062,078)	(911,072)	-	48,675,064	(3,364,464)
Unwinding of Discount	-	62,503	-	34,015	-	826,374	-	922,892
Foreign Exchange Adjustment	(755,735)	(1,278)	(441,186)	(2,177)	(64,548)	(21,200)	(1,261,469)	(24,655)
Write off	-	-	-	-	(4,321,775)	(4,321,775)	(4,321,775)	(4,321,775)
Balance as at 31 December	372,756,159	483,623	87,880,824	248,261	12,147,391	2,194,073	472,784,374	2,925,957

## KCB BANK TANZANIA LIMITED

## 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(viii) Loss allowance (continued)

Changes in gross carrying amount and Loss allowance (continued)

Corporate Loans (continued)

## 12 - Month

2023	Stage I		Stage II		Stage III		Total	
	Gross Carrying Amount	12 Month ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	ECL
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
<b>ECL allowance reconciliation</b>								
<b>Balance as at 1 January</b>	253,993,592	1,334,339	80,436,239	792,213	17,345,345	5,626,646	351,775,176	7,753,198
<b>Stage Transfer</b>								
Stage 1 to stage 2	(48,340,895)	(216,935)	48,340,895	216,935	-	-	-	-
Stage 1 to stage 3	-	-	-	-	-	-	-	-
Stage 2 to stage 1	3,076,070	-	(3,076,070)	-	-	-	-	-
Stage 2 to stage 3	-	-	(1,632,008)	(339,737)	1,632,008	339,737	-	-
Stage 3 to stage 1	-	-	-	-	-	-	-	-
Stage 3 to stage 2	-	-	-	-	-	-	-	-
New assets originated or purchased	45,156,387	163,812	35,576,848	13,309	8,662,547	1,008,765	89,395,782	1,185,886
Payment and assets derecognized	(22,622,176)	(876,395)	(18,196,677)	(450,887)	(1,472,434)	-	(42,291,287)	(1,327,282)
Unwinding of Discount	-	132,445	-	108,573	-	613,163	-	854,181
Foreign Exchange Adjustment	9,596,099	48,242	2,587,511	26,993	734,980	241,962	12,918,590	317,197
Write off	-	-	-	-	(1,058,417)	(1,058,417)	(1,058,417)	(1,058,417)
<b>Balance as at 31 December</b>	<b>240,859,077</b>	<b>585,508</b>	<b>144,036,738</b>	<b>367,399</b>	<b>25,844,029</b>	<b>6,771,856</b>	<b>410,739,844</b>	<b>7,724,763</b>

KCB BANK TANZANIA LIMITED

## 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(viii) Loss allowance (continued)

Changes in gross carrying amount and Loss allowance (continued)

Corporate Loans (continued)

## 12 - Month

2022	Stage I		Stage II		Stage III		Total	
	Gross Carrying Amount	12 Month ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	ECL
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
<b>ECL allowance reconciliation</b>								
<b>Balance as at 1 January</b>	186,681,787	817,646	75,439,375	1,111,825	13,263,433	2,285,638	275,384,595	4,215,109
<b>Stage Transfer</b>								
Stage 1 to stage 2	(32,932,275)	(26,634)	32,932,275	152,652	-	-	-	126,018
Stage 1 to stage 3	(436,161)	(3,835)	-	-	436,161	78,376	-	74,541
Stage 2 to stage 1	37,725,196	234,890	(37,725,196)	(326,813)	-	-	-	(91,923)
Stage 2 to stage 3	-	-	(11,084,517)	(202,004)	11,084,517	2,839,658	-	2,637,654
Stage 3 to stage 1	-	-	-	-	-	-	-	-
Stage 3 to stage 2	-	-	-	-	-	-	-	-
New assets originated or purchased	62,375,867	242,192	24,642,115	4,468	1,166,968	-	88,184,950	246,660
Payment and assets derecognized	-	(37,007)	(4,142,895)	(91,121)	(6,755,782)	1,831,594	(10,898,677)	1,703,466
Unwinding of Discount	-	105,257	-	137,902	-	484,862	-	728,021
Foreign Exchange Adjustment	579,178	1,830	375,082	5,304	43,538	8	997,798	7,142
Write off	-	-	-	-	(1,893,490)	(1,893,490)	(1,893,490)	(1,893,490)
<b>Balance as at 31 December</b>	<b>253,993,592</b>	<b>1,334,339</b>	<b>80,436,239</b>	<b>792,213</b>	<b>17,345,345</b>	<b>5,626,646</b>	<b>351,775,176</b>	<b>7,753,198</b>

**KCB BANK TANZANIA LIMITED**
**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**
**(a) Credit risk (continued)**
**(viii) Loss allowance (continued)**
**Changes in gross carrying amount and Loss allowance (continued)**
**SME Loans**

2024	Gross Carrying Amount	Stage I 12 - Month ECL	Gross Carrying Amount	Stage II Lifetime ECL	Gross Carrying Amount	Stage III Lifetime ECL	Gross Carrying Amount	Total ECL
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
<b>ECL allowance reconciliation</b>								
<b>Balance as at 1 January</b>	<b>249,769,286</b>	<b>1,546,414</b>	<b>10,360,593</b>	<b>231,473</b>	<b>8,117,787</b>	<b>2,485,637</b>	<b>268,247,666</b>	<b>4,263,524</b>
Stage 1 to stage 2	(1,150,340)	(10,940)	1,150,340	10,940	-	-	-	-
Stage 1 to stage 3	(228,682)	(2,418)	-	-	228,682	2,418	-	-
Stage 2 to stage 1	2,451,872	53,540	(2,451,872)	(53,540)	-	-	-	-
Stage 2 to stage 3	-	-	(3,943)	(74)	3,945	74	2	-
Stage 3 to stage 1	-	-	-	-	-	-	-	-
Stage 3 to stage 2	-	-	-	-	-	-	-	-
New assets originated or purchased	58,259,377	(7,670)	437,259	(101,896)	-	502,791	58,696,636	393,225
Payment and assets derecognized	-	(1,383,169)	(3,487,476)	(96,476)	(2,611,888)	(310,769)	(6,099,364)	(1,790,414)
Unwinding of Discount	-	203,132	-	22,468	-	484,861	-	710,461
Foreign Exchange Adjustment	(402,750)	(193)	(19,634)	-	(3,554)	(26)	(425,938)	(219)
Write off	-	-	-	-	(2,033,918)	(2,033,918)	(2,033,918)	(2,033,918)
<b>Balance as at 31 December</b>	<b>308,698,763</b>	<b>398,696</b>	<b>5,985,267</b>	<b>12,895</b>	<b>3,701,054</b>	<b>1,131,068</b>	<b>318,385,084</b>	<b>1,542,659</b>

## KCB BANK TANZANIA LIMITED

## 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

## (a) Credit risk (continued)

## (viii) Loss allowance (continued)

## Changes in gross carrying amount and Loss allowance (continued)

## SME Loans

2023	Stage I		Stage II		Stage III		Total	
	Gross Carrying Amount	12 Month ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	ECL
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
<b>ECL allowance reconciliation</b>								
<b>Balance as at 1 January</b>	142,502,452	1,309,510	4,820,769	160,177	9,361,213	1,633,659	156,684,434	3,103,346
Stage 1 to stage 2	(4,994,582)	(247,471)	4,994,582	247,471	-	-	-	-
Stage 1 to stage 3	(735,372)	(8,891)	-	-	735,372	8,891	-	-
Stage 2 to stage 1	158,847	-	(158,847)	-	-	-	-	-
Stage 2 to stage 3	-	-	(626,380)	(13,528)	626,380	13,528	-	-
Stage 3 to stage 1	-	-	-	-	-	-	-	-
Stage 3 to stage 2	-	-	-	-	-	-	-	-
New assets originated or purchased	111,568,631	859,911	3,250,213	112,709	730,269	791,200	115,549,113	1,763,820
Payment and assets derecognized	-	(558,663)	(2,008,964)	(301,111)	(2,315,630)	884,384	(4,324,594)	24,610
Unwinding of Discount	-	172,986	-	24,380	-	236,585	-	433,951
Foreign Exchange Adjustment	1,269,310	19,032	89,220	1,375	63,010	216	1,421,540	20,623
Write off	-	-	-	-	(1,082,826)	(1,082,826)	(1,082,826)	(1,082,826)
<b>Balance as at 31 December</b>	<b>249,769,286</b>	<b>1,546,414</b>	<b>10,360,593</b>	<b>231,473</b>	<b>8,117,788</b>	<b>2,485,637</b>	<b>268,247,667</b>	<b>4,263,524</b>

## KCB BANK TANZANIA LIMITED

## 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

## (a) Credit risk (continued)

## (viii) Loss allowance (continued)

## Changes in gross carrying amount and Loss allowance (continued)

## SME Loans

2023	Stage I		Stage II		Stage III		Total	
	Gross Carrying Amount	12 Month ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	ECL
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Balance as at 1 January	86,151,029	1,152,473	10,717,929	216,201	7,139,526	1,133,985	104,008,484	2,502,659
Stage 1 to stage 2	(2,357,125)	(64,599)	2,357,125	70,242	-	-	-	5,643
Stage 1 to stage 3	(632,088)	(47)	-	-	632,088	337,486	-	337,439
Stage 2 to stage 1	3,919,678	21,982	(3,919,678)	(14,363)	-	-	-	7,619
Stage 2 to stage 3	-	-	(3,747,080)	(112,212)	3,747,080	438,977	-	326,765
Stage 3 to stage 1	151,454	-	-	-	(151,454)	-	-	-
Stage 3 to stage 2	-	-	31,466	-	(31,466)	-	-	-
New assets originated or purchased	55,323,757	634,213	895,982	38,548	2,492,625	-	58,712,364	672,761
Payment and assets derecognized	(84,261)	(572,319)	(1,545,809)	(67,988)	(1,650,622)	2,357,209	(3,280,692)	1,716,902
Unwinding of Discount	-	136,880	-	29,316	-	186,686	-	352,882
Foreign Exchange Adjustment	30,008	927	30,834	433	4,120	-	64,962	1,360
Write off	-	-	-	-	(2,820,684)	(2,820,684)	(2,820,684)	(2,820,684)
Balance as at 31 December	142,502,452	1,309,510	4,820,769	160,177	9,361,213	1,633,659	156,684,434	3,103,346

## KCB BANK TANZANIA LIMITED

## 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

## (a) Credit risk (continued)

## (viii) Loss allowance (continued)

## Changes in gross carrying amount and Loss allowance (continued)

## Amana Loans

2024	Stage I		Stage II		Stage III		Total	
	Gross Carrying Amount	12 Month ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	ECL
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
<b>Balance as at 1 January</b>	69,494,556	144,744	10,454,626	60,094	7,236,145	4,567,335	87,185,327	4,772,173
Stage 1 to stage 2	(333,189)	(7,351)	333,189	7,351	-	-	-	-
Stage 1 to stage 3	(1,198,628)	(2,491)	-	-	1,198,628	2,491	-	-
Stage 2 to stage 1	4,201,341	17,589	(4,201,341)	(17,589)	-	-	-	-
Stage 2 to stage 3	-	-	(390,485)	(955)	390,485	955	-	-
Stage 3 to stage 1	-	-	-	-	-	-	-	-
Stage 3 to stage 2	-	-	-	-	-	-	-	-
New assets originated or purchased	32,004,775	25,516	316,392	1,751	48,741	279,349	32,369,908	306,616
Payment and assets derecognized	(21,863,051)	(23,709)	(5,937,614)	(56,964)	(5,784,624)	(4,663,987)	(33,585,289)	(4,744,660)
Unwinding of Discount	-	17,634	-	8,447	-	216,552	-	242,633
Foreign Exchange Adjustment	(149,214)	(73)	(1,639)	-	(34,400)	(22,070)	(185,253)	(22,143)
Write off	-	-	-	-	(57,649)	(57,649)	(57,649)	(57,649)
<b>Balance as at 31 December</b>	<b>82,156,590</b>	<b>171,859</b>	<b>573,128</b>	<b>2,135</b>	<b>2,997,326</b>	<b>322,976</b>	<b>85,727,044</b>	<b>496,970</b>

## KCB BANK TANZANIA LIMITED

## 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(viii) Loss allowance (continued)

Changes in gross carrying amount and Loss allowance (continued)

## Amana Loans

2023	Stage I		Stage II		Stage III		Total	
	Gross Carrying Amount	12 Month ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	ECL
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Balance as at 1 January	70,093,687	306,797	3,158,526	42,374	7,141,064	2,774,030	80,393,277	3,123,201
Stage 1 to stage 2	(4,614,763)	(38,944)	4,614,763	38,944	-	-	-	-
Stage 1 to stage 3	(283,171)	(2,761)	-	-	283,171	2,761	-	-
Stage 2 to stage 1	-	2,400	-	(2,400)	-	-	-	-
Stage 2 to stage 3	-	-	(495,283)	(1,720)	495,283	1,720	-	-
Stage 3 to stage 1	-	-	-	-	-	-	-	-
Stage 3 to stage 2	-	-	-	-	-	-	-	-
New assets originated or purchased	6,790,977	30,549	5,200,284	23,602	350,535	2,121,649	12,341,796	2,175,800
Payment and assets derecognized	(4,079,727)	(193,915)	(2,051,208)	(47,485)	(712,337)	-	(6,843,272)	(241,400)
Unwinding of Discount	-	35,933	-	6,604	-	166,116	-	208,653
Foreign Exchange Adjustment	1,587,553	4,685	27,544	175	355,848	178,478	1,970,945	183,338
Write off	-	-	-	-	(677,419)	(677,419)	(677,419)	(677,419)
Balance as at 31 December	69,494,556	144,744	10,454,626	60,094	7,236,145	4,567,335	87,185,327	4,772,173

## KCB BANK TANZANIA LIMITED

## 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

## (a) Credit risk (continued)

## (viii) Loss allowance (continued)

## Changes in gross carrying amount and Loss allowance (continued)

## Amana Loans

2023	Stage I		Stage II		Stage III		Total	
	Gross Carrying Amount	12 Month ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	ECL
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Balance as at 1 January	47,734,919	691,536	2,302,244	8,985	2,782,492	278,049	52,819,655	978,570
Stage 1 to stage 2	(2,363,483)	(18,318)	2,363,483	4,046	-	-	-	(14,272)
Stage 1 to stage 3	(4,391,259)	(14,107)	-	-	4,391,259	2,425,888	-	2,411,781
Stage 2 to stage 1	1,110,159	-	(1,110,159)	-	-	-	-	-
Stage 2 to stage 3	-	-	(172,028)	(3,477)	172,028	-	-	(3,477)
Stage 3 to stage 1	-	-	-	-	-	-	-	-
Stage 3 to stage 2	-	-	-	-	-	-	-	-
New assets originated or purchased	28,197,350	187,290	1,164,203	38,327	692,727	-	30,054,280	225,617
Payment and assets derecognized	(275,657)	(625,312)	(1,389,217)	(7,111)	(806,802)	113,909	(2,471,676)	(518,514)
Unwinding of Discount	-	85,037	-	1,604	-	46,824	-	133,465
Foreign Exchange Adjustment	81,658	671	-	-	-	-	81,658	671
Write off	-	-	-	-	(90,640)	(90,640)	(90,640)	(90,640)
Balance as at 31 December	70,093,687	306,797	3,158,526	42,374	7,141,064	2,774,030	80,393,277	3,123,201

## KCB BANK TANZANIA LIMITED

## 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

## (a) Credit risk (continued)

## (viii) Loss allowance (continued)

## Changes in gross carrying amount and Loss allowance (continued)

## Mortgage Loans 2024

2024	Stage I		Stage II		Stage III		Total	
	Gross Carrying Amount	12 - Month ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	ECL
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Balance as at 1 January	30,542,909	247,759	6,582,085	332,153	417,920	44,748	37,542,914	624,660
Stage transfer								
Stage 1 to stage 2	-	-	-	-	-	-	-	-
Stage 1 to stage 3	(46,870)	(2,975)	-	-	46,870	2,975	-	-
Stage 2 to stage 1	1,907,798	67,555	(1,907,798)	(67,555)	-	-	-	-
Stage 2 to stage 3	-	-	(1,022,855)	(23,176)	1,022,855	23,176	-	-
Stage 3 to stage 1	-	-	-	-	-	-	-	-
Stage 3 to stage 2	-	-	-	-	-	-	-	-
New assets originated or purchased	4,646,355	68,079	1,234,610	80,449	1,551	123,560	5,882,516	272,088
Payment and assets derecognized	(139,593)	(112,154)	(1,426,196)	(165,047)	(403,479)	(14,951)	(1,969,268)	(292,152)
Unwinding of Discount	-	33,080	-	39,553	-	8,541	-	81,174
Foreign Exchange Adjustment	(33,314)	(272)	(31,887)	(1,206)	-	-	(65,201)	(1,478)
<b>Balance as at 31 December</b>	<b>36,877,285</b>	<b>301,072</b>	<b>3,427,959</b>	<b>195,171</b>	<b>1,085,717</b>	<b>188,049</b>	<b>41,390,961</b>	<b>684,292</b>

**KCB BANK TANZANIA LIMITED**
**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**
**(a) Credit risk (continued)**
**(viii) Loss allowance (continued)**
**Changes in gross carrying amount and Loss allowance (continued)**
**Mortgage Loans Continue**

2023	Stage I		Stage II		Stage III		Total	
	Gross Carrying Amount	12 - Month ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	ECL
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
<b>Balance as at 1 January</b>	29,569,494	(188,281)	1,531,437	188,281	386,950	-	31,487,881	-
<b>Stage transfer</b>								
Stage 1 to stage 2	(4,428,826)	-	4,428,826	-	-	-	-	-
Stage 1 to stage 3	(67,359)	-	-	-	67,359	-	-	-
Stage 2 to stage 1	814,331	-	(814,331)	-	-	-	-	-
Stage 2 to stage 3	-	-	-	-	-	-	-	-
Stage 3 to stage 1	-	-	-	-	-	-	-	-
Stage 3 to stage 2	-	-	-	-	-	-	-	-
New assets originated or purchased	6,812,533	76,717	1,404,628	-	101,713	(81,812)	8,318,874	(5,095)
Payment and assets derecognized	(2,724,878)	42,004	(8,528)	(28,506)	(43,678)	-	(2,777,084)	13,498
Unwinding of Discount	-	247,759	-	86,189	-	63,280	-	397,228
Foreign Exchange Adjustment	567,614	-	40,053	-	-	-	607,667	-
Write off	-	69,560	-	86,189	(94,424)	63,280	(94,424)	219,029
<b>Balance as at 31 December</b>	<b>30,542,909</b>	<b>247,759</b>	<b>6,582,085</b>	<b>332,153</b>	<b>417,920</b>	<b>44,748</b>	<b>37,542,914</b>	<b>624,660</b>

KCB BANK TANZANIA LIMITED

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(viii) Loss allowance (continued)

Changes in gross carrying amount and Loss allowance (continued)

Mortgage Loans Continue

2022	Stage I		Stage II		Stage III		Total	
	Gross Carrying Amount	12 - Month ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	ECL
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Balance as at 1 January	4,734,560	92,614	1,106,186	144,043	231,611	70,321	6,072,357	306,978
Stage transfer								
Stage 1 to stage 2	(196,229)	(25,322)	196,229	26,477	-	-	-	1,155
Stage 1 to stage 3	-	-	-	-	-	-	-	-
Stage 2 to stage 1	39,405	9,891	(39,405)	(47,165)	-	-	-	(37,274)
Stage 2 to stage 3	-	-	-	-	-	-	-	-
Stage 3 to stage 1	-	-	-	-	-	-	-	-
Stage 3 to stage 2	-	-	327,635	2,498	(327,635)	(14,086)	-	(11,588)
New assets originated or purchased	25,654,300	645,123	66,960	34,273	902,721	-	26,623,981	679,396
Payment and assets derecognized	(664,990)	(21,864)	(126,168)	(92,255)	(18,742)	317,262	(809,900)	203,143
Unwinding of Discount	-	13,433	-	28,024	-	27,508	-	68,965
Foreign Exchange Adjustment	2,448	-	-	-	-	-	2,448	-
Write off	-	-	-	-	(401,005)	(401,005)	(401,005)	(401,005)
Balance as at 31 December	29,569,494	713,875	1,531,437	95,895	386,950	-	31,487,881	809,770

## KCB BANK TANZANIA LIMITED

## 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(viii) Loss allowance (continued)

Changes in gross carrying amount and Loss allowance (continued)

2024	Stage I		Stage II		Stage III		Total	
	Gross	12 - Month	Gross	Lifetime ECL	Gross Carrying	Loss Allowance	Gross	ECL
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Balance as at 1 January	97,361,439	923,485	599,184	13,822	476,478	472,774	98,437,101	1,410,081
Stage transfer								
Stage 1 to stage 2	(202,355)	(2,334)	202,355	2,334	-	-	-	-
Stage 1 to stage 3	(1,902,440)	(22,661)	-	-	1,902,440	22,661	-	-
Stage 2 to stage 1	49,952	48	(49,952)	(48)	-	-	-	-
Stage 2 to stage 3	-	-	(317,558)	(8,010)	317,558	8,010	-	-
Stage 3 to stage 1	-	-	-	-	-	-	-	-
Stage 3 to stage 2	-	-	-	-	-	-	-	-
New assets originated or purchased	(3,566,680)	118,023	(63,078)	26,880	60,083	2,230,072	(3,569,675)	2,374,975
Payment and assets derecognized	-	(240,401)	-	(7,789)	(81,774)	(152,824)	(81,774)	(401,014)
Unwinding of Discount Foreign Exchange	-	87,276	-	2,155	-	74,902	-	164,333
Adjustment	(303,146)	(3,061)	-	-	(5)	(5)	(303,151)	(3,066)
Write off	-	-	-	-	(180,193)	(180,193)	(180,193)	(180,193)
Balance as at 31 December	91,436,770	860,375	370,951	29,344	2,494,587	2,475,397	94,302,308	3,365,116

**KCB BANK TANZANIA LIMITED**
**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**
**(a) Credit risk (continued)**
**(viii) Loss allowance (continued)**
**Changes in gross carrying amount and Loss allowance (continued)**
**Personal Loans**

2023	Stage I		Stage II		Stage III		Total	
	Gross Carrying Amount	12 - Month ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	ECL
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
<b>Balance as at 1 January</b>	47,400,750	623,062	179,105	13,675	694,011	485,942	48,273,866	1,122,679
<b>Stage transfer</b>								
Stage 1 to stage 2	(194,859)	(3,304)	194,859	3,304	-	-	-	-
Stage 1 to stage 3	(287,251)	(4,523)	-	-	287,251	4,523	-	-
Stage 2 to stage 1	63,267	16,244	(63,267)	(16,244)	-	-	-	-
Stage 2 to stage 3	-	-	(2,941)	(51)	2,941	51	-	-
Stage 3 to stage 1	-	-	-	-	-	-	-	-
Stage 3 to stage 2	-	-	-	-	-	-	-	-
New assets originated or purchased	54,330,011	502,586	376,799	10,518	(31,083)	113,852	54,675,727	626,956
Payment and assets derecognized	(5,682,059)	-	(85,371)	(113)	(294,471)	-	(6,061,901)	(295,390)
Unwinding of Discount	-	61,775	-	2,733	-	50,577	-	115,085
Foreign Exchange Adjustment	1,731,580	22,922	-	-	-	-	1,731,580	22,922
Write off	-	-	-	-	(182,171)	(182,171)	(182,171)	(182,171)
<b>Balance as at 31 December</b>	<b>97,361,439</b>	<b>923,485</b>	<b>599,184</b>	<b>13,822</b>	<b>476,478</b>	<b>472,774</b>	<b>98,437,101</b>	<b>1,410,081</b>

KCB BANK TANZANIA LIMITED

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(viii) Loss allowance (continued)

Changes in gross carrying amount and Loss allowance (continued)

Personal Loans

2022	Stage I		Stage II		Stage III		Total	
	Gross Carrying Amount	12 - Month ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	ECL
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Balance as at 1 January	21,346,873	239,685	301,077	6,805	295,254	274,743	21,943,204	521,233
Stage transfer								
Stage 1 to stage 2	(94,437)	(1,192)	94,437	13,490	-	-	-	12,298
Stage 1 to stage 3	(1,347,822)	(4,514)	-	-	1,347,822	161,759	-	157,245
Stage 2 to stage 1	128,686	570	(128,686)	(3,226)	-	-	-	(2,656)
Stage 2 to stage 3	-	-	(48,965)	(2,556)	48,965	44,862	-	42,306
Stage 3 to stage 1	-	-	-	-	-	-	-	-
Stage 3 to stage 2	-	-	-	-	-	-	-	-
New assets originated or purchased	28,436,212	373,424	4,123	142	9,455	-	28,449,790	373,566
Payment and assets derecognized	(1,169,764)	(7,102)	(42,881)	(2,028)	(923,044)	22,241	(2,135,689)	13,111
Unwinding of Discount	-	20,897	-	1,048	-	68,962	-	90,907
Foreign Exchange Adjustment	101,002	1,294	-	-	2,184	-	103,186	1,294
Write off	-	-	-	-	(86,625)	(86,625)	(86,625)	(86,625)
Balance as at 31 December	47,400,750	623,062	179,105	13,675	694,011	485,942	48,273,866	1,122,679

KCB BANK TANZANIA LIMITED

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(viii) Loss allowance (continued)

Changes in gross carrying amount and Loss allowance (continued)

Staff Loans

2024	Stage I		Stage II		Stage III		Total	
	Gross Carrying Amount	12 - Month ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	ECL
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Balance as at 1 January	9,033,800	40,428	-	-	-	-	9,033,800	40,428
Stage transfer								
Stage 1 to stage 2	(10,781)	(3,471)	10,781	3,471	-	-	-	-
Stage 1 to stage 3	(26,889)	(454)	-	-	26,889	454	-	-
Stage 2 to stage 1	-	-	-	-	-	-	-	-
-Stage 2 to stage 3	-	-	-	-	-	-	-	-
Stage 3 to stage 1	-	-	-	-	-	-	-	-
Stage 3 to stage 2	-	-	-	-	-	-	-	-
New assets originated or purchased	2,286,109	-	-	-	32,731	35,069	2,318,840	35,069
Payment and assets derecognized	-	(29,583)	(4,637)	(2,367)	-	-	(4,637)	(31,950)
Unwinding of Discount	-	2,871	-	-	-	-	-	2,871
Foreign Exchange	-	-	-	-	-	-	-	-
Adjustment Write off	-	-	-	-	-	-	-	-
Balance as at 31 December	11,282,239	9,791	6,144	1,104	59,620	35,523	11,348,003	46,418

## KCB BANK TANZANIA LIMITED

## 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

## (a) Credit risk (continued)

## (viii) Loss allowance (continued)

## Changes in gross carrying amount and Loss allowance (continued)

## Staff Loans

2023	Stage I		Stage II		Stage III		Total	
	Gross Carrying Amount	12 - Month ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	ECL
<b>Balance as at 1 January</b>	7,660,895	95,770	2,918	1,531	58,725	53,771	7,722,538	151,072
Stage 1 to stage 2	-	-	-	-	-	-	-	-
Stage 1 to stage 3	-	-	-	-	-	-	-	-
Stage 2 to stage 1	-	-	-	-	-	-	-	-
-Stage 2 to stage 3	-	-	-	-	-	-	-	-
Stage 3 to stage 1	-	-	-	-	-	-	-	-
Stage 3 to stage 2	-	-	-	-	-	-	-	-
New assets originated or purchased	1,720,127	(41,484)	-	(1,531)	-	(53,771)	1,720,127	(96,786)
Payment and assets derecognized	(347,222)	(17,025)	(2,918)	-	(58,725)	-	(408,865)	(17,025)
Unwinding of Discount	-	3,167	-	-	-	-	-	3,167
Foreign Exchange	-	-	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-	-	-
<b>Balance as at 31 December</b>	9,033,800	40,428	-	-	-	-	9,033,800	40,428

KCB BANK TANZANIA LIMITED

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(viii) Loss allowance (continued)

Staff Loans (continued)

2022	Stage I		Stage II		Stage III		Total	
	Gross Carrying Amount	12 - Month ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	ECL
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Balance as at 1 January	7,660,895	95,770	2,918	1,531	58,725	53,771	7,722,538	151,072
Stage transfer								
Stage 1 to stage 2	-	-	-	-	-	-	-	-
Stage 1 to stage 3	-	-	-	-	-	-	-	-
Stage 2 to stage 1	-	-	-	-	-	-	-	-
-Stage 2 to stage 3	-	-	-	-	-	-	-	-
Stage 3 to stage 1	-	-	-	-	-	-	-	-
Stage 3 to stage 2	-	-	-	-	-	-	-	-
New assets originated or purchased	1,720,127	(41,484)	-	(1,531)	-	(53,771)	1,720,127	(96,786)
Payment and assets derecognized	(347,222)	(17,025)	(2,918)	-	(58,725)	-	(408,865)	(17,025)
Unwinding of Discount	-	3,167	-	-	-	-	-	3,167
Foreign Exchange	-	-	-	-	-	-	-	-
Adjustment Write off	-	-	-	-	-	-	-	-
<b>Balance as at 31 December</b>	<b>9,033,800</b>	<b>40,428</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,033,800</b>	<b>40,428</b>

KCB BANK TANZANIA LIMITED

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(viii) Loss allowance (continued)

Staff Loans (continued)

2022	Stage I		Stage II		Stage III		Total	
	Gross Carrying Amount	12 - Month ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	ECL
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Balance as at 1 January	7,660,895	95,770	2,918	1,531	58,725	53,771	7,722,538	151,072
Stage transfer								
Stage 1 to stage 2	-	-	-	-	-	-	-	-
Stage 1 to stage 3	-	-	-	-	-	-	-	-
Stage 2 to stage 1	-	-	-	-	-	-	-	-
-Stage 2 to stage 3	-	-	-	-	-	-	-	-
Stage 3 to stage 1	-	-	-	-	-	-	-	-
Stage 3 to stage 2	-	-	-	-	-	-	-	-
New assets originated or purchased	1,720,127	(41,484)	-	(1,531)	-	(53,771)	1,720,127	(96,786)
Payment and assets derecognized	(347,222)	(17,025)	(2,918)	-	(58,725)	-	(408,865)	(17,025)
Unwinding of Discount	-	3,167	-	-	-	-	-	3,167
Foreign Exchange	-	-	-	-	-	-	-	-
Adjustment Write off	-	-	-	-	-	-	-	-
<b>Balance as at 31 December</b>	<b>9,033,800</b>	<b>40,428</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,033,800</b>	<b>40,428</b>

*KCB BANK TANZANIA LIMITED*

**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(a) Credit risk (continued)**

**(viii) Loss allowance (continued)**

**Changes in gross carrying amount and Loss allowance (continued)**

**Ex-Staff Loans**

2024	Stage I		Stage II		Stage III		Total	
	Gross Carrying Amount	12 - Month ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	ECL
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
<b>ECL allowance reconciliation</b>								
<b>Balance as at 1 January</b>	213,807	65,559	13,149	4,497	513,478	262,992	740,434	333,048
<b>Stage transfer</b>								
Stage 1 to stage 2	-	-	-	-	-	-	-	-
Stage 1 to stage 3	(65,988)	(20,779)	-	-	65,988	20,779	-	-
Stage 2 to stage 1	-	-	-	-	-	-	-	-
Stage 2 to stage 3	-	-	-	-	-	-	-	-
Stage 3 to stage 1	-	-	-	-	-	-	-	-
Stage 3 to stage 2	-	-	-	-	-	-	-	-
New assets originated or purchased	-	-	-	-	24,838	-	24,838	-
Payment and assets derecognized	(108,405)	(43,544)	(13,149)	(4,497)	(4,889)	(48,025)	(126,443)	(96,066)
Unwinding of Discount	-	-	-	-	-	-	-	-
Foreign Exchange Adjustment	-	-	-	-	-	-	-	-
Write off	-	-	-	-	(63,790)	(63,790)	(63,790)	(63,790)
<b>Balance as at 31 December</b>	<b>39,414</b>	<b>1,236</b>	<b>-</b>	<b>-</b>	<b>535,625</b>	<b>171,956</b>	<b>575,039</b>	<b>173,192</b>

**KCB BANK TANZANIA LIMITED**
**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**
**(a) Credit risk (continued)**
**(viii) Loss allowance (continued)**
**Changes in gross carrying amount and Loss allowance (continued)**
**Ex-Staff Loans (continued)**

2023	Stage I		Stage II		Stage III		Total	
	Gross Carrying Amount	12 - Month ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	ECL
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Balance as at 1 January	534,844	87,190	17,260	6,911	239,485	103,106	791,589	197,207
Stage transfer								
Stage 1 to stage 2	-	-	-	-	-	-	-	-
Stage 1 to stage 3	(354,383)	(13,043)	-	-	354,383	13,043	-	-
Stage 2 to stage 1	-	-	-	-	-	-	-	-
Stage 2 to stage 3	-	-	(2,918)	(1,653)	2,918	1,653	-	-
Stage 3 to stage 1	-	-	-	-	-	-	-	-
Stage 3 to stage 2	-	-	-	-	-	-	-	-
New assets originated or purchased	428,869	32,852	2,918	1,531	121,317	247,002	553,104	281,385
Payment and assets derecognized	(395,523)	(57,867)	(4,111)	(3,728)	(91,881)	(8,659)	(491,515)	(70,254)
Unwinding of Discount	-	16,427	-	1,436	-	19,591	-	37,454
Foreign Exchange Adjustment	-	-	-	-	-	-	-	-
Write off	-	-	-	-	(112,744)	(112,744)	(112,744)	(112,744)
Balance as at 31 December	213,807	65,559	13,149	4,497	513,478	262,992	740,434	333,048

**KCB BANK TANZANIA LIMITED**
**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**
**(a) Credit risk (continued)**
**(viii) Loss allowance (continued)**
**Changes in gross carrying amount and Loss allowance (continued)**
**Ex-Staff Loans (continued)**

2022	Stage I		Stage II		Stage III		Total	
	Gross Carrying Amount	12 - Month ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	ECL
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Balance as at 1 January	420,853	198,229	-	-	141,112	96,707	561,965	294,936
Stage transfer								
Stage 1 to stage 2	(20,143)	(7,928)	20,143	6,911	-	-	-	(1,017)
Stage 1 to stage 3	-	-	-	-	-	1,065	-	1,065
Stage 2 to stage 1	1,278	-	(1,278)	(608)	-	-	-	(608)
Stage 2 to stage 3	-	-	-	-	-	-	-	-
Stage 3 to stage 1	-	-	-	-	-	-	-	-
Stage 3 to stage 2	-	-	-	-	-	-	-	-
New assets originated or purchased	133,902	7,669	3,474	1,061	641,679	5,631	779,055	14,361
Payment and assets derecognized	(1,046)	(148,911)	(5,079)	(655)	(273,296)	184,589	(279,421)	35,023
Unwinding of Discount	-	38,131	-	202	-	85,124	-	123,457
Foreign Exchange Adjustment	-	-	-	-	-	-	-	-
Write off	-	-	-	-	(270,010)	(270,010)	(270,010)	(270,010)
<b>Balance as at 31 December</b>	<b>534,844</b>	<b>87,190</b>	<b>17,260</b>	<b>6,911</b>	<b>239,485</b>	<b>103,106</b>	<b>791,589</b>	<b>197,207</b>

KCB BANK TANZANIA LIMITED

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(viii) Loss allowance (continued)

The maximum exposure to credit risk before collateral held on other credit enhancements (net):

	2024		2023		2022	
	TZS'000	%	TZS'000	%	TZS'000	%
Balances with Bank of Tanzania	63,134,590	4.11%	104,011,785	7.55%	87,524,226	8.17%
Balances due from other banks	233,540,764	15.19%	162,649,818	11.81%	109,607,956	10.23%
Derivative financial instrument	348,888	0.02%	-	-	-	-
Government securities at FVOCI	89,057,388	5.79%	96,679,888	7.02%	100,573,925	9.39%
Government securities at amortised cost	112,485,813	7.32%	87,602,921	6.36%	95,572,920	8.92%
Investment in other securities at amortised cost	2,034,557	0.13%	2,029,773	0.15%	1,028,118	0.10%
Loans and advances to customers	1,015,278,209	66.04%	892,758,409	64.80%	660,868,288	61.68%
Other assets (excluding prepayments)	21,521,312	1.40%	31,972,751	2.32%	16,283,163	1.52%
	1,537,401,521	100%	1,377,705,345	100%	1,071,458,596	100%

**KCB BANK TANZANIA LIMITED**
**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**
**(a) Credit risk (continued)**
**Credit quality analysis**

The table below show the profile of the loans and advances to customers analysed according to the internal ratings grading system.

2024	Stage I	Stage II	Stage III	Total
	12 - Month ECL TZS'000	Lifetime ECL TZS'000	Lifetime ECL TZS'000	
Current	903,247,220	4,488,526	1,907,698	909,643,444
Especially mentioned	-	93,755,747	8,508,825	102,264,572
Substandard	-	-	3,778,139	3,778,139
Doubtful	-	-	3,310,279	3,310,279
Loss	-	-	5,516,379	5,516,379
Gross carrying amount	903,247,220	98,244,273	23,021,320	1,024,512,813
ECL allowance	(2,226,652)	(488,910)	(6,519,042)	(9,234,604)
<b>Net loans &amp; advances</b>	<b>901,020,568</b>	<b>97,755,363</b>	<b>16,502,278</b>	<b>1,015,278,209</b>

2023	Stage I	Stage II	Stage III	Total
	12 - Month ECL TZS'000	Lifetime ECL TZS'000	Lifetime ECL TZS'000	
Current	697,274,874	5,860,150	9,587,548	712,722,572
Especially mentioned	-	166,186,225	20,646,300	186,832,525
Substandard	-	-	2,248,028	2,248,028
Doubtful	-	-	1,966,971	1,966,971
Loss	-	-	8,156,990	81,569,990
Gross carrying amount	697,274,874	172,046,375	42,605,837	911,927,086
ECL allowance	(3,553,897)	(1,009,438)	(14,605,342)	(19,168,677)
<b>Net loans &amp; advances</b>	<b>693,720,977</b>	<b>171,036,937</b>	<b>28,000,495</b>	<b>892,758,410</b>

2022	Stage I	Stage II	Stage III	Total
	12 - Month ECL TZS'000	Lifetime ECL TZS'000	Lifetime ECL TZS'000	
Current	551,754,552	10,091,128	22,185,573	584,031,253
Especially mentioned	1,162	80,055,126	18,210	80,074,498
Substandard	-	-	4,446,416	4,446,416
Doubtful	-	-	3,662,111	3,662,111
Loss	-	-	4,914,483	4,914,483
Gross carrying amount	551,755,714	90,146,254	35,226,793	677,128,761
ECL allowance	(4,470,543)	(1,112,776)	(10,677,154)	(16,260,473)
<b>Net loans &amp; advances</b>	<b>547,285,171</b>	<b>89,033,478</b>	<b>24,549,639</b>	<b>660,868,288</b>

## KCB BANK TANZANIA LIMITED

3. FINANCIAL RISK MANAGEMENT (CONTINUED)  
(a) Credit risk (continued)

## Credit quality analysis

	2024			2023			2022		
	Stage I 12 - Month ECL	Stage II Lifetime ECL	Total	Stage I 12 - Month ECL	Stage II Lifetime ECL	Total	Stage I 12 - Month ECL	Stage II Lifetime ECL	Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Off balance sheet *	131,340,452	-	131,340,452	183,754,148	-	183,754,148	112,110,059	-	112,110,059
ECL allowance	(647,779)	-	(647,779)	(647,779)	-	(647,779)	(92,379)	-	(92,379)
<b>Net Carry Amount</b>	<b>130,692,673</b>		<b>130,692,673</b>	<b>183,106,369</b>		<b>183,106,369</b>	<b>112,017,680</b>		<b>112,017,680</b>

\*Excludes undrawn balances of unexpired overdraft facilities as they are assessed under loans and advances to customer.  
The impairment allowance for Off Balances sheet is included in other liabilities.

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

	2024 (%)		2023 (%)		2022 (%)	
	Gross loans & advances	Impairment provisions	Gross loans & advances	Impairment provisions	Gross loans & advances	Impairment provisions
Stage I	88%	24%	77%	18%	82%	27%
Stage II	10%	5%	19%	5%	13%	7%
Stage III	2%	71%	4%	77%	5%	66%
	100%	100%	100%	100%	100%	100%

## Profile of financial assets subject to credit risk

	2024 (TZS'000)		2023 (TZS'000)		2022 (TZS'000)	
	Loans and advances to customers	All other financial assets subject to credit risk	Loans and advances to customers	All other financial assets subject to credit risk	Loans and advances to customers	All other financial assets subject to credit risk
Stage I	903,247,220	521,822,430	697,274,874	484,994,942	551,755,714	410,616,819
Stage II	98,244,273	-	172,046,375	-	90,146,254	-
Stage III	23,021,320	-	42,605,837	-	35,226,793	-
<b>Gross</b>	<b>1,024,512,813</b>	<b>521,822,430</b>	<b>911,927,086</b>	<b>484,994,942</b>	<b>677,128,761</b>	<b>410,616,819</b>
Less impairment allowance	(9,234,604)	(48,006)	(19,168,677)	(48,006)	(16,260,473)	(26,511)
<b>Carrying Amount</b>	<b>1,015,278,209</b>	<b>521,774,424</b>	<b>892,758,409</b>	<b>484,946,936</b>	<b>660,868,288</b>	<b>410,590,308</b>

**KCB BANK TANZANIA LIMITED**
**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**

(a) Credit risk (continued)

(viii) Loss allowance (continued)

*Credit quality analysis (continued)*
**Profile of financial assets subject to credit risk (continued)**

Analysis of all other financial assets subject to credit risk:

2024	Stage I	Stage II	Stage III	ECL	Net
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Balances with Bank of Tanzania.	63,134,590	-	-	-	63,134,590
Balances due from other banks	233,537,820	-	-	(2,944)	233,540,764
Government securities at FVOCI	89,042,328	-	-	(15,060)	89,057,388
Government securities at amortised cost	112,456,211	-	-	(29,602)	112,485,813
Investment in other securities at amortised cost	2,034,157	-	-	(400)	2,034,557
Other assets (excluding prepayments)	21,521,312	-	-	-	21,521,312
	<b>521,726,418</b>	<b>-</b>	<b>-</b>	<b>(48,006)</b>	<b>521,774,424</b>

2023	Stage I	Stage II	Stage III	ECL	Net
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Balances with Bank of Tanzania	104,011,785	-	-	-	104,011,785
Balances due from other banks	162,652,762	-	-	(2,944)	162,649,818
Government securities at FVOCI	96,694,948	-	-	(15,060)	96,679,888
Government securities at amortised cost	87,632,523	-	-	(29,602)	87,602,921
Investment in other securities at amortised cost	2,030,173	-	-	(400)	2,029,773
Other assets (excluding prepayments)	31,972,751	-	-	-	31,972,751
	<b>484,994,942</b>	<b>-</b>	<b>-</b>	<b>(48,006)</b>	<b>484,946,936</b>

2022	Stage I	Stage II	Stage III	ECL	Net
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Balances with Bank of Tanzania	87,524,226	-	-	-	87,524,226
Balances due from other banks	109,608,398	-	-	(442)	109,607,956
Government securities at FVOCI	100,587,388	-	-	(13,463)	100,573,925
Government securities at amortised cost	95,585,435	-	-	(12,515)	95,572,920
Investment in other securities at amortised cost	1,028,209	-	-	(91)	1,028,118
Other assets (excluding prepayments)	16,283,163	-	-	-	16,283,163
	<b>410,616,819</b>	<b>-</b>	<b>-</b>	<b>(26,511)</b>	<b>410,590,308</b>

**KCB BANK TANZANIA LIMITED**

**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(a) Credit risk (continued)**

**(viii) Loss allowance (continued)**

**Profile of financial assets subject to credit risk (continued)**

At the end of the reporting period, the total impairment provision for loans and advances was TZS 19,169 million (2023: TZS 16,260 million).

**(a) Stage I**

The portfolio of loans and advances that were classified as stage I in 2024 and 2023. can be analysed as follows: (Amounts

	Amana	Corporate	Mortgage	Personal	Ex-staff	SME	Staff	Total
<b>31-Dec-24</b>								
Stage I	82,156,590	372,756,159	36,877,285	91,436,770	39,414	308,698,763	11,282,239	903,247,220
ECL	(171,859)	(483,623)	(301,072)	(860,375)	(1,236)	(398,696)	(9,791)	(2,226,652)
Net	<u>81,984,731</u>	<u>372,272,536</u>	<u>36,576,213</u>	<u>90,576,395</u>	<u>38,178</u>	<u>308,300,067</u>	<u>11,272,448</u>	<u>901,020,568</u>
<b>31-Dec-23</b>								
Stage I	69,494,556	240,859,077	30,542,909	97,361,439	213,807	249,769,286	9,033,800	697,274,874
ECL	(144,744)	(585,508)	(247,759)	(923,485)	(65,559)	(1,546,414)	(40,428)	(3,553,897)
Net	<u>69,349,812</u>	<u>240,273,569</u>	<u>30,295,150</u>	<u>96,437,954</u>	<u>148,246</u>	<u>248,222,872</u>	<u>8,993,372</u>	<u>693,720,977</u>

**(a) Stage II**

The portfolio of loans and advances that were classified as stage II in 2024 and 2023. can be analysed as follows: (Amounts are in TZS'000).

	Amana	Corporate	Mortgage	Personal	Ex-staff	SME	Staff	Total
<b>31-Dec-24</b>								
Stage II	573,128	87,880,824	3,427,959	370,951	-	5,985,267	6,144	98,244,273
ECL	(2,135)	(248,261)	(195,171)	(29,344)	-	(12,895)	(1,104)	(488,910)
Net	<u>570,993</u>	<u>87,632,563</u>	<u>3,232,788</u>	<u>341,607</u>	<u>-</u>	<u>5,972,372</u>	<u>5,040</u>	<u>97,755,363</u>
<b>31-Dec-23</b>								
Stage II	10,454,626	144,036,738	6,582,085	599,184	13,149	10,360,593	-	172,046,375
ECL	(60,094)	(367,399)	(332,153)	(13,822)	(4,497)	(231,473)	-	(1,009,438)
Net	<u>10,394,532</u>	<u>143,669,339</u>	<u>6,249,932</u>	<u>585,362</u>	<u>8,652</u>	<u>10,129,120</u>	<u>-</u>	<u>171,036,937</u>

**(c) Stage III**

The breakdown of the gross amount of loans and advances in stage III in 2024 and 2023 are as follows: (Amounts are in TZS'000).

	Amana	Corporate	Mortgage	Personal	Ex-staff	SME	Staff	Total
<b>31-Dec-24</b>								
Stage III	2,997,326	12,147,391	1,085,717	2,494,587	535,625	3,701,054	59,620	23,021,320
ECL	(322,976)	(2,194,073)	(188,049)	(2,475,397)	(171,956)	(1,131,068)	(35,523)	(6,519,042)
Net	<u>2,674,350</u>	<u>9,953,318</u>	<u>897,668</u>	<u>19,190</u>	<u>363,669</u>	<u>2,569,986</u>	<u>24,097</u>	<u>16,502,278</u>
<b>31-Dec-23</b>								
Stage III	7,236,145	25,844,029	417,920	476,478	513,478	8,117,787	-	42,605,837
ECL	(4,567,335)	(6,771,856)	(44,748)	(472,774)	(262,992)	(2,485,637)	-	(14,605,342)
Net	<u>2,668,810</u>	<u>19,072,173</u>	<u>373,172</u>	<u>3,704</u>	<u>250,486</u>	<u>5,632,150</u>	<u>-</u>	<u>28,000,495</u>

**KCB BANK TANZANIA LIMITED**
**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**
**(a) Credit risk (continued)**
**(viii) Loss allowance (continued)**
**Profile of financial assets subject to credit risk (continued)**

At the end of the reporting period, the total impairment provision for loans and advances was TZS 18,122 million (2022: TZS 16,260 million).

**(a) Stage I**

The portfolio of loans and advances that were classified as stage I can be analysed as follows: (Amounts are in TZS'000).

31-Dec-23	AMANA	CORPORATE	MORTGAGE	PERSONAL	Ex-staff	SME	STAFF	Total
Stage I	69,494,556	240,859,077	30,542,909	97,361,439	213,805	249,769,286	9,033,800	697,274,872
ECL	(144,744)	(585,508)	(247,759)	(923,485)	(65,559)	(1,508,203)	(40,428)	(3,515,686)
Net	<u>69,349,812</u>	<u>240,273,569</u>	<u>30,295,150</u>	<u>96,437,954</u>	<u>148,246</u>	<u>248,261,083</u>	<u>8,993,372</u>	<u>693,759,186</u>
31-Dec-22								
Stage I	70,093,687	253,993,592	29,569,494	47,400,750	534,844	142,502,452	7,660,895	551,755,714
ECL	(306,797)	(1,334,339)	(713,875)	(623,062)	(87,190)	(1,309,510)	(95,770)	(4,470,543)
Net	<u>69,786,890</u>	<u>252,659,253</u>	<u>28,855,619</u>	<u>46,777,688</u>	<u>447,654</u>	<u>141,192,942</u>	<u>7,565,125</u>	<u>547,285,171</u>

**(b) Stage II**

Loans and advances that were classified as stage II in 2023 and 2022 is analysed as follows: (Amounts are in TZS'000)

31-Dec-23	AMANA	CORPORATE	MORTGAGE	PERSONAL	Ex-staff	SME	STAFF	Total
Stage II	10,454,626	144,036,738	6,582,085	599,184	13,147	10,360,593	-	172,046,373
ECL	(60,094)	(367,399)	(332,153)	(13,822)	(4,498)	(127,651)	-	(905,617)
Net	<u>10,394,532</u>	<u>143,669,339</u>	<u>6,249,932</u>	<u>585,362</u>	<u>8,649</u>	<u>10,232,942</u>	<u>-</u>	<u>171,140,756</u>
31-Dec-22								
Stage II	3,158,526	80,436,239	1,531,437	179,105	17,260	4,820,769	2,918	90,146,254
ECL	(42,374)	(792,213)	(95,895)	(13,675)	(6,911)	(160,177)	(1,531)	(1,112,776)
Net	<u>3,116,152</u>	<u>79,644,026</u>	<u>1,435,542</u>	<u>165,430</u>	<u>10,349</u>	<u>4,660,592</u>	<u>1,387</u>	<u>89,033,478</u>

**(c) Stage III**

The breakdown of the gross amount of loans and advances in stage III in 2023 and 2022 are as follows: (Amounts are in TZS'000).

	AMANA	CORPORATE	MORTGAGE	PERSONAL	Ex-staff	SME	STAFF	Total
31-Dec-23								
Stage III	7,236,145	25,844,029	417,920	476,478	513,481	8,117,787	-	42,605,840
ECL	(4,567,335)	(6,771,856)	(44,748)	(472,775)	(262,991)	(2,627,668)	-	(14,747,373)
Net	<u>2,668,810</u>	<u>19,072,173</u>	<u>373,172</u>	<u>3,703</u>	<u>250,490</u>	<u>5,490,119</u>	<u>-</u>	<u>27,858,467</u>
31-Dec-22								
Stage III	7,141,064	17,345,345	386,950	694,011	239,485	9,361,213	58,725	35,226,793
ECL	(2,774,030)	(5,626,646)	-	(485,942)	(103,106)	(1,633,659)	(53,771)	(10,677,154)
Net	<u>4,367,034</u>	<u>11,718,699</u>	<u>386,950</u>	<u>208,069</u>	<u>136,379</u>	<u>7,727,554</u>	<u>4,954</u>	<u>24,549,639</u>

**KCB BANK TANZANIA LIMITED**
**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**
**(a) Credit risk (continued)**
**(viii) Loss allowance (continued)**
**Profile of financial assets subject to credit risk (continued)**

At the end of the reporting period, the total impairment provision for loans and advances was TZS 16,260 million (2021: TZS 9,185 million).

**(a) Stage I**

The portfolio of loans and advances that were classified as stage I in 2022 and 2021 can be analysed as follows: (Amounts are in TZS'000).

	AMANA	CORPORATE	MORTGAGE	PERSONAL	Ex-staff	SME	STAFF	Total
<b>31-Dec-22</b>								
Stage I	70,093,687	253,993,592	29,569,494	47,400,750	534,844	142,502,452	7,660,895	551,755,714
ECL	(306,797)	(1,334,339)	(713,875)	(623,062)	(87,190)	(1,309,510)	(95,770)	(4,470,543)
Net	<u>69,786,890</u>	<u>252,659,253</u>	<u>28,855,619</u>	<u>46,777,688</u>	<u>447,654</u>	<u>141,192,942</u>	<u>7,565,125</u>	<u>547,285,171</u>
<b>31-Dec-21</b>								
Stage I	47,734,919	186,681,787	4,734,560	21,346,873	420,853	86,151,029	6,657,934	353,727,955
ECL	(691,536)	(817,646)	(92,614)	(239,685)	(198,229)	(1,152,473)	(25,638)	(3,217,821)
Net	<u>47,043,383</u>	<u>185,864,141</u>	<u>4,641,946</u>	<u>21,107,188</u>	<u>222,624</u>	<u>84,998,556</u>	<u>6,632,296</u>	<u>350,510,134</u>

**(b) Stage II**

Loans and advances that were classified as stage II in 2022 and 2021 is analysed as follows: (Amounts are in TZS'000)

	AMANA	CORPORATE	MORTGAGE	PERSONAL	Ex-staff	SME	STAFF	Total
<b>31-Dec-22</b>								
Stage II	3,158,526	80,436,239	1,531,437	179,105	17,260	4,820,769	2,918	90,146,254
ECL	(42,374)	(792,213)	(95,895)	(13,675)	(6,911)	(160,177)	(1,531)	(1,112,776)
Net	<u>3,116,152</u>	<u>79,644,026</u>	<u>1,435,542</u>	<u>165,430</u>	<u>10,349</u>	<u>4,660,592</u>	<u>1,387</u>	<u>89,033,478</u>
<b>31-Dec-21</b>								
Stage II	2,302,244	75,439,375	1,106,186	301,077	-	10,717,929	3,474	89,870,285
ECL	(8,985)	(1,111,825)	(144,043)	(6,805)	-	(216,201)	(1,061)	(1,488,920)
Net	<u>2,293,259</u>	<u>74,327,550</u>	<u>962,143</u>	<u>294,272</u>	<u>-</u>	<u>10,501,728</u>	<u>2,413</u>	<u>88,381,365</u>

**(c) Stage III**

The breakdown of the gross amount of loans and advances in stage III are as follows: (Amounts are in TZS'000).

	AMANA	CORPORATE	MORTGAGE	PERSONAL	Ex-staff	SME	STAFF	Total
<b>31-Dec-22</b>								
Stage III	7,141,064	17,345,345	386,950	694,011	239,485	9,361,213	58,725	35,226,793
ECL	(2,774,030)	(5,626,646)	-	(485,942)	(103,106)	(1,633,659)	(53,771)	(10,677,154)
Net	<u>4,367,034</u>	<u>11,718,699</u>	<u>386,950</u>	<u>208,069</u>	<u>136,379</u>	<u>7,727,554</u>	<u>4,954</u>	<u>24,549,639</u>

**KCB BANK TANZANIA LIMITED**
**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**
**(a) Credit risk (continued)**
**(viii) Loss allowance (continued)**
**Profile of financial assets subject to credit risk (continued)**

Other financial assets stage I	2024 TZS'000	2023 TZS'000	2022 TZS'000
Balances with Bank of Tanzania	63,134,590	104,011,785	87,524,226
Balances due from other banks	233,543,708	162,652,762	109,608,398
Government securities at amortised cost	112,515,415	96,694,948	95,585,435
Government securities at FVOCI	89,072,448	87,632,523	100,587,388
Investment in other securities at amortised cost	2,034,957	2,030,173	1,028,209
Other assets (excluding prepayments)	21,521,312	31,972,751	16,283,163
<b>Total</b>	<b>521,822,430</b>	<b>484,994,942</b>	<b>410,616,819</b>
<b>ECL</b>	<b>(48,006)</b>	<b>(48,006)</b>	<b>(26,511)</b>
<b>Net</b>	<b>521,774,424</b>	<b>484,946,936</b>	<b>410,590,308</b>

**(ix) Concentration of credit risk**

The Bank focuses on the diversification of its lending portfolio by setting industry sector limits based on forecasts spanning a one-year horizon to ensure that its performance is not negatively impacted by a large sectorial exposure default. Additionally, regular stress tests are performed on the portfolio to ensure that the Bank holds sufficient capital to withstand any loss arising from significant exposure to a sector, single customer and group of closely related customers.

Overall, it is the policy of the Bank to limit credit risk exposures and concentrations within the constraints of its capital base. An analysis of concentrations of credit risk at the reporting date is shown below:

Concentration by sectors	2024 TZS '000	2023 TZS '000	2022 TZS '000
Business services	287,664,368	236,142,591	98,534,210
Manufacturing	167,253,793	151,713,901	88,767,218
Wholesale and retail trade	190,114,946	187,743,505	225,754,938
Transport and communication	154,842,965	143,092,474	137,013,739
Real estate	109,299,144	82,746,113	49,374,907
Others	115,337,597	110,488,502	77,683,749
<b>Total loans and advances (including staff advances)</b>	<b>1,024,512,813</b>	<b>911,927,086</b>	<b>677,128,761</b>
Commercial loans	1,012,724,182	903,910,267	669,406,223
Staff loans	11,788,631	8,016,819	7,722,538
	<b>1,024,512,813</b>	<b>911,927,086</b>	<b>677,128,761</b>

Credit risk exposures relating to off-balance sheet items are as follows:

	2024 TZS' 000	2023 TZS' 000	2022 TZS' 000
Business services	64,069,603	74,548,374	44,443,664
Manufacturing	16,611,703	13,935,114	5,369,789
Wholesale and retail trade	44,333,636	62,249,632	58,439,754
Transport and communication	6,325,510	33,021,028	3,856,852
	<b>131,340,452</b>	<b>183,754,148</b>	<b>112,110,059</b>

**KCB BANK TANZANIA LIMITED**
**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**
**(a) Credit risk (continued)**
**Other financial assets**

<b>2024</b>	<b>Financial Institution</b>	<b>Government</b>	<b>Other</b>	<b>Total</b>
Balances with Bank of Tanzania	63,134,590	-	-	63,134,590
Balances due from other banks	233,546,652	-	-	233,546,652
Government securities at FVOCI	-	89,087,508	-	89,087,508
Government securities at amortised cost	-	112,545,017	-	112,545,017
Investment in other securities at amortised cost	-	-	2,034,957	2,034,957
Other assets (excluding prepayments)	-	-	21,521,312	21,521,312
	<u>296,681,242</u>	<u>201,632,525</u>	<u>23,556,269</u>	<u>521,870,036</u>
<b>2023</b>				
Balances with Bank of Tanzania	104,011,785	-	-	104,011,785
Balances due from other banks	162,649,818	-	-	162,649,818
Government securities at FVOCI	-	96,679,888	-	96,679,888
Government securities at amortised cost	-	87,602,921	-	87,602,921
Investment in other securities at amortised cost	-	-	2,029,373	2,029,373
Other assets (excluding prepayments)	-	-	31,972,751	31,972,751
	<u>266,661,603</u>	<u>184,282,809</u>	<u>34,002,124</u>	<u>484,946,536</u>
<b>2022</b>				
Balances with Bank of Tanzania	87,524,226	-	-	87,524,226
Balances due from other banks	109,607,956	-	-	109,607,956
Government securities at FVOCI	-	100,573,925	-	100,573,925
Government securities at amortised cost	-	95,572,920	-	95,572,920
Investment in other securities at amortised cost	-	-	1,028,209	1,028,209
Other assets (excluding prepayments)	-	-	16,283,163	16,283,163
	<u>197,132,182</u>	<u>196,146,845</u>	<u>17,311,372</u>	<u>410,590,399</u>

**KCB BANK TANZANIA LIMITED**

**3.FINANCIAL RISK MANAGEMENT**

**(a) Credit risk (continued)**

**(x) Fair value of collateral held**

The Bank holds collateral against loans and advances to customers in the form of cash, residential, commercial and industrial property; fixed assets such as plant and machinery; marketable securities; bank guarantees and letters of credit, mortgage interests over property and other registered securities over assets and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and generally are updated when a loan is individually assessed as impaired.

The Bank also enters into collateralised reverse purchase agreements. Risk mitigation policies control the approval of collateral types. Collateral is valued in accordance with the bank’s risk mitigation policy, which prescribes the frequency of valuation for different collateral types. The valuation frequency is driven by the level of price volatility of each type of collateral.

Collateral held against impaired loans is maintained at fair value. The valuation of collateral is monitored regularly and is back tested at least annually.

Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse purchase and securities borrowing activity. Collateral usually is not held against investment securities, and no such collateral was held as at 31 December 2024 and 31 December 2023. An estimate of fair values of collaterals held against loans and advances to customers at the end of the year was as follows:

**31-Dec-2024**

Credit impaired assets	Gross exposure	Impairment Allowance	Carrying amount	Fair value of collateral held
	TZS'000	TZS'000	TZS'000	TZS'000
Stage I	902,344,060	2,204,760	900,139,300	1,130,281,242
Stage II	98,244,272	488,909	97,755,363	131,754,150
Stage III	23,924,482	6,540,936	17,383,546	35,274,775
<b>Total</b>	<b>1,024,512,814</b>	<b>9,234,605</b>	<b>1,015,278,209</b>	<b>1,297,310,167</b>

**31-Dec-2023**

Stage I	697,274,872	3,515,687	693,759,185	775,783,556
Stage II	174,298,379	905,618	173,392,761	204,073,232
Stage III	40,353,835	14,747,372	25,606,463	37,183,845
<b>Total</b>	<b>911,927,086</b>	<b>19,168,677</b>	<b>892,758,409</b>	<b>1,017,040,633</b>

**31-Dec-22**

Stage I	551,755,714	4,470,543	547,285,171	720,444,764
Stage II	90,146,254	1,112,776	89,033,478	152,702,789
Stage III	35,226,793	10,677,154	24,549,639	40,364,564
<b>Total</b>	<b>677,128,761</b>	<b>16,260,473</b>	<b>660,868,288</b>	<b>913,512,117</b>

**KCB BANK TANZANIA LIMITED**
**3. FINANCIAL RISK MANAGEMENT**
**(b) Liquidity risk**
**Liquidity risk**

Liquidity risk is the risk that the bank, though solvent either does not have sufficient financial resources available to meet all its obligations and commitments as they fall due or can secure them only at excessive costs.

**Management of liquidity risk**

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

Treasury receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Treasury then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole. The liquidity requirements of business units are met through short-term loans from treasury to cover any short-term fluctuations and longer-term funding to address any structural liquidity requirements. When the bank is subject to a liquidity limit imposed by its local regulator, the bank is responsible for managing its overall liquidity within the regulatory limit in co-ordination with Treasury. Treasury monitors compliance of the bank with local regulatory limits on a daily basis.

The daily liquidity position is monitored, and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by asset and liability committee (ALCO). Daily reports cover the liquidity position of the bank. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

The Bank maintains a portfolio of highly marketable and diverse assets that assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The Bank also has committed lines of credit that it can access to meet liquidity needs. In addition, the Bank maintains a statutory deposit with the Bank of Tanzania ("BOT") equal to 6% of customer deposits and 40% for Central Government deposits. In accordance with the Bank's policy, the liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Bank. The most important of these is to maintain limits on the ratio of net liquid assets to customer liabilities, to reflect market conditions. Net liquid assets consist of cash, short-term Bank deposits and liquid debt securities available for immediate sale, less deposit for banks and other issued securities and borrowings due to mature within the next month.

Details of the customer loans and advances to deposits ratio at 31 December 2024 and 2023 were as follows:

	<b>2024</b>	<b>2023</b>	<b>2022</b>
	<b>TZS '000</b>	<b>TZS '000</b>	<b>TZS '000</b>
Loans and advances to customers	<u>1,015,278,209</u>	<u>892,758,409</u>	<u>660,868,288</u>
Deposits from customers	<u>984,784,867</u>	<u>845,306,718</u>	<u>681,403,261</u>
Advances to deposits ratio (%)	1.03	1.06	0.97

To manage the liquidity risk arising from financial liabilities, the Bank holds liquid assets comprising cash and cash equivalents and investment securities for which there is an active and liquid market. These assets can be readily sold to meet liquidity requirements. Hence, the Bank believes that it is not necessary to disclose a maturity analysis in respect of these assets to enable users to evaluate the nature and extent of liquidity risk.

**KCB BANK TANZANIA LIMITED**
**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**
**(b) Liquidity risk (continued)**

The table below summarises the Bank's liquidity risk as at 31 December 2024, categorized into relevant maturity rankings based on the earlier of the remaining contractual maturities and in line with how the Bank manages its liquidity. Deposits from customers shown as maturing within 90 days relate to current, savings, call and fixed account balances. Changes noted in the liquidity position for some of the maturity buckets is a result of growth of customer deposits. The bank has a strong liquidity position which will assist in mitigating any market volatility. For items with short term maturities, carrying value approximates the fair values.

	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000
<b>At 31 December 2024</b>						
Cash and balances with Bank of Tanzania	30,354,955	40,827,002	13,132,583	331,203	-	84,645,743
Due from banks	233,540,764	-	-	-	-	233,540,764
Government securities at FVOCI	-	-	-	6,113,298	282,742,040	288,855,338
Government securities at amortised cost	7,978,100	24,162,981	-	-	255,303,695	287,444,776
Investment in other securities at amortised cost	-	-	-	2,424,168	-	2,424,168
Loans and advances to customers	118,200,419	99,499,575	198,978,913	399,986,491	198,612,811	1,015,278,209
Derivative financial instruments	348,888	-	-	-	-	348,888
Other assets (excluding Prepayments)	-	21,521,312	-	-	-	21,521,312
<b>Total financial assets</b>	<b>390,423,126</b>	<b>186,010,870</b>	<b>212,111,496</b>	<b>408,855,160</b>	<b>736,658,546</b>	<b>1,934,059,198</b>
Deposits from banks	166,638,467	46,985,145	27,217,562	-	-	240,841,174
Deposits from customers	135,957,672	638,323,203	210,503,992	2,137,989	-	986,922,856
Lease liability	-	-	154,511	11,458,589	-	11,613,100
Other liabilities (excluding statutory deductions)	-	21,685,035	-	-	-	21,685,035
Borrowings	-	73,356	3,274,663	103,586,528	-	106,934,547
Debt instrument at amortised cost	-	34,413	-	11,738,108	-	11,772,521
<b>Total financial liabilities</b>	<b>302,596,139</b>	<b>707,101,152</b>	<b>241,150,728</b>	<b>128,921,214</b>	<b>-</b>	<b>1,379,769,233</b>
<b>Liquidity Gap</b>	<b>87,826,987</b>	<b>(521,090,282)</b>	<b>(29,039,232)</b>	<b>279,933,946</b>	<b>736,658,546</b>	<b>554,289,965</b>
<b>Off Balance</b>						
Letter of credit	7,414,831	15,686,713	9,103,022	-	-	32,204,566
Guarantee and indemnities	2,620,674	15,989,444	65,531,808	14,993,960	-	99,135,886
Undrawn overdraft lines	50,674,860	-	-	-	-	50,674,860
<b>Total</b>	<b>60,710,365</b>	<b>31,676,157</b>	<b>74,634,830</b>	<b>14,993,960</b>	<b>-</b>	<b>182,015,312</b>

**KCB BANK TANZANIA LIMITED**
**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**
**(b) Liquidity risk (continued)**

The table below summarises the Bank's liquidity risk as at 31 December 2023, categorized into relevant maturity rankings based on the earlier of the remaining contractual maturities and in line with how the Bank manages its liquidity. Deposits from customers shown as maturing within 90 days relate to current, savings, call and fixed account balances.

	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
At 31 December 2023	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000
Cash and balances with Bank of Tanzania	84,023,654	32,738,834	10,592,593	155,073	-	127,510,153
Due from banks	162,649,818	-	-	-	-	162,649,818
Government securities at FVOCI	-	-	-	-	274,324,477	274,324,477
Government securities at amortised cost	-	-	-	5,631,024	256,568,487	262,199,511
Investment in other securities at amortised cost	-	-	545,934	1,916,342	-	2,462,276
Loans and advances to customers	87,648,951	82,324,458	211,847,109	527,994,619	248,400,631	1,158,215,768
Other assets (excluding Prepayments)	-	31,972,751	-	-	-	31,972,751
<b>Total financial assets</b>	<b>334,322,423</b>	<b>147,036,043</b>	<b>222,985,636</b>	<b>535,697,058</b>	<b>779,293,595</b>	<b>2,019,334,755</b>
Deposits from banks	137,359,662	103,217,010	26,858,318	29,013,387	-	296,448,377
Deposits from customers	131,391,644	543,051,148	179,105,981	2,547,342	-	856,096,115
Lease liability	-	427,226	2,186,240	6,269,602	-	8,883,068
Other liabilities (excluding statutory deductions)	-	24,859,506	-	-	-	24,859,506
Borrowings	-	105,959	625,217	79,338,447	-	80,069,623
Sukuk Bond	-	34,413	-	12,984,994	-	13,019,407
Debt instrument at amortised cost	126,557	-	240,630	-	-	367,187
<b>Total financial liabilities</b>	<b>268,877,863</b>	<b>671,695,262</b>	<b>209,016,386</b>	<b>130,153,772</b>	<b>-</b>	<b>1,279,743,283</b>
<b>Liquidity Gap</b>	<b>65,444,560</b>	<b>(524,659,219)</b>	<b>13,969,250</b>	<b>405,543,286</b>	<b>779,293,595</b>	<b>739,591,472</b>
<b>Off Balance</b>						
Letter of credit	34,000,014	35,344,064	40,520,480	-	-	109,864,558
Guarantee and indemnities	2,492,701	13,857,217	55,854,537	1,685,135	-	73,889,590
Undrawn overdraft lines	9,651,528	3,668,967	13,432,106	-	-	26,752,601
<b>Total</b>	<b>46,144,243</b>	<b>52,870,248</b>	<b>109,807,123</b>	<b>1,685,135</b>	<b>-</b>	<b>210,506,750</b>

**KCB BANK TANZANIA LIMITED**
**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**

	Up to 1 month TZS' 000	1 - 3 months TZS' 000	3 - 12 months TZS' 000	1 - 5 years TZS' 000	Over 5 years TZS' 000	Total TZS' 000
<b>At 31 December 2022</b>						
Cash and balances with Bank of Tanzania	72,438,420	24,018,708	9,441,860	381,056	-	106,280,044
Due from banks	109,607,956	-	-	-	-	109,607,956
Government securities at FVOCI	-	-	-	-	240,141,509	240,141,509
Government securities at amortised cost	28,061,148	-	-	5,825,671	162,509,328	196,396,147
Investment in other securities at amortised cost	-	-	536,266	539,366	-	1,075,631
Loans and advances to customers	57,500,798	55,671,437	163,780,340	393,710,258	221,083,705	891,746,539
Derivative financial instruments	315,662	287,000	605,272	-	-	1,207,934
Other assets (excluding Prepayments)	-	16,283,164	-	-	-	16,283,164
<b>Total financial assets</b>	<b>267,923,984</b>	<b>96,260,308</b>	<b>174,363,739</b>	<b>400,456,350</b>	<b>623,734,542</b>	<b>1,562,738,923</b>
Deposits from banks	188,873,119	44,699,893	10,902,688	-	-	244,475,700
Deposits from customers	120,092,976	402,822,831	161,610,196	6,325,008	-	690,851,012
Lease liability	941,856	237,697	1,370,002	6,644,032	646,945	9,840,532
Other liabilities (excluding statutory deductions)	-	16,175,369	-	-	-	16,175,369
Borrowings	-	74,521	-	13,400,000	-	13,474,521
Debt instrument at amortised cost	-	31,766	-	13,924,593	-	13,956,359
<b>Total financial liabilities</b>	<b>309,907,951</b>	<b>464,042,078</b>	<b>173,882,886</b>	<b>40,293,633</b>	<b>646,945</b>	<b>988,773,492</b>
<b>Liquidity Gap</b>	<b>(41,983,967)</b>	<b>(367,781,770)</b>	<b>480,853</b>	<b>360,162,718</b>	<b>623,087,597</b>	<b>573,965,431</b>
<b>Off Balance</b>						
Letter of credit	19,134,796	17,366,904	2,351,357	1,141,533	-	39,994,590
Guarantee and indemnities	4,012,460	11,569,806	46,677,962	9,855,241	-	72,115,469
Undrawn overdraft lines	7,051,000	2,857,696	31,651,206	-	-	41,559,902
<b>Total</b>	<b>30,198,256</b>	<b>31,794,406</b>	<b>80,680,525</b>	<b>10,996,774</b>	<b>-</b>	<b>153,669,961</b>

**KCB BANK TANZANIA LIMITED**
**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**
**(b) Liquidity risk (continued)**

The table below analyses the Bank's derivative financial instruments that will be settled on gross and net basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Up to 1 Month TZS' 000	Up to 1-3 Months TZS' 000	Up to 3-12 Months TZS' 000	Total TZS' 000
<b>At 31 December 2024</b>				
Foreign currency derivatives: Purchase	-	-	3,583,288	3,583,288
Sale	-	-	(3,234,400)	(3,234,400)
<b>Net</b>	-	-	348,888	348,888
<b>At 31 December 2023</b>				
Foreign currency derivatives: Purchase	8,749,449	-	15,516,020	24,265,469
Sale	(8,876,006)	-	(15,756,650)	(24,632,656)
<b>Net</b>	(126,557)	-	(240,630)	(367,187)
<b>At 31 December 2022</b>				
Foreign currency derivatives:				
Purchase	(10,843,987)	(8,162,000)	(49,080,563)	(68,086,550)
Sale	11,159,650	8,449,000	49,685,834	69,294,484
<b>Net</b>	315,663	287,000	605,271	1,207,934

For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called. The Bank's expected cash flows on these instruments vary significantly from this analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance and unrecognised loan commitments are not all expected to be drawn down immediately.

**(c) Market risk**

Market risk is the risk that changes in market prices, such as interest rate, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

**Management of market risk**

All foreign exchange risk within the bank is transferred and sold down to Treasury. Overall authority for market risk is vested in ALCO. Bank risk committee is responsible for the development of detailed risk management policies (subject to review and approval by ALCO) and for the day-to-day review of their implementation.

**(i) Interest rate risk**

Interest rate is the risk that the future cash flows of financial instruments will fluctuate because of changes in the market interest rates. Interest margin may increase as a result of such changes but may reduce losses in the event that unexpected movement arises.

The Bank closely monitors interest rate movements and seeks to limit its exposure by managing the interest rate and maturity structure of assets and liabilities carried on the statement of financial position. Assets and Liabilities Committee is the monitoring body for compliance with the set interest rate gaps.

## KCB BANK TANZANIA LIMITED

## 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

## (c) Market risk (continued)

## Management of market risk (continued)

## (i) Interest rate risk (continued)

The table below shows interest rate sensitivity position of the Bank on 31st December 2024 based on the earlier of maturity. Items not recognized on the statement of financial position do not pose any significant interest rate risk to the Bank.

	Weighted interest rates	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Non-interest bearing	Total
		TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000
<b>At 31 December 2024</b>								
Cash and balances with Bank of Tanzania	0%	-	-	-	-	-	84,645,743	84,645,743
Cheques in the course of collection	0%	-	-	-	-	-	-	-
Placements with other banks	6%	191,334,066	-	-	-	-	42,206,698	233,540,764
Loans and advances to customers	12%	118,200,419	99,499,575	198,978,913	399,986,491	198,612,811	-	1,015,278,209
Government securities at FVOCI	15%	-	-	-	-	89,057,388	-	89,057,388
Government securities at amortised cost	14%	7,899,405	13,798,795	9,898,509	-	80,889,104	-	112,485,813
Investment in other securities at amortised cost	10%	-	-	-	2,034,557	-	-	2,034,557
Equity Investment.	-	-	-	-	-	-	500,000	500,000
Derivative financial instruments	-	-	-	-	-	-	348,888	348,888
Clearing house	-	-	-	-	-	-	-	-
Other assets (Excluding Prepayments)	-	-	-	-	-	-	21,521,312	21,521,312
<b>Total assets</b>		<b>317,433,890</b>	<b>113,298,370</b>	<b>208,877,422</b>	<b>402,021,048</b>	<b>368,559,303</b>	<b>149,222,641</b>	<b>1,559,412,674</b>
Deposits from banks	5%	166,638,467	46,985,145	27,217,562	-	-	-	240,841,174
Deposits from customers	6%	135,957,672	146,317,482	205,325,686	5,178,306	-	492,005,721	984,784,867
Lease liability	8.50%	-	-	119,511	8,458,190	-	-	8,577,701
Other liabilities (excluding statutory deductions)	-	-	-	-	-	-	22,725,199	22,725,199
Borrowings	6%	-	73,356	3,274,663	99,357,913	-	-	102,705,932
Debt instrument at amortised cost	-	-	34,413	-	11,048,401	-	-	11,082,814
<b>Total liabilities</b>		<b>302,596,139</b>	<b>193,410,396</b>	<b>235,937,422</b>	<b>124,042,810</b>	<b>-</b>	<b>514,730,920</b>	<b>1,370,717,687</b>
<b>Interest rate sensitivity gap</b>		<b>14,837,751</b>	<b>(80,112,026)</b>	<b>(27,060,000)</b>	<b>277,978,238</b>	<b>368,559,303</b>	<b>(365,508,279)</b>	<b>188,694,987</b>

In assessing the interest rate risk and therefore making repricing considerations, the bank reviews the interest rate gap at each maturity profile and analyse major trends at individual account level.

The sensitivity to a change of exchange rates by +/-1%, with all other variables held constant, the profit before tax and equity will be higher or lower by TZS 155 bn.

**KCB BANK TANZANIA LIMITED**
**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**
**(c) Market risk (continued)**
**(i) Interest rate risk (continued)**

	Weighted interest rates	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Non-interest bearing	Total
At 31 December 2023		TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000
Cash and balances with Bank of Tanzania	0%	-	-	-	-	-	127,510,153	127,510,153
Cheques in the course of collection	0%	-	-	-	-	-	-	-
Placements with other banks	6%	101,208,164	-	-	-	-	61,441,654	162,649,818
Loans and advances to customers	12%	86,809,903	80,004,640	193,175,981	375,544,412	157,223,472	-	892,758,409
Government securities at FVOCI	15%	-	-	-	-	96,679,888	-	96,679,888
Government securities at amortised cost	13%	-	-	-	4,837,408	82,765,513	-	87,602,921
Investment in other securities at amortised cost	6%	-	-	504,327	1,525,446	-	-	2,029,773
							31,972,751	31,972,751
<b>Total assets</b>		<b>188,018,067</b>	<b>80,004,640</b>	<b>193,680,308</b>	<b>381,907,266</b>	<b>336,668,873</b>	<b>220,924,558</b>	<b>1,401,203,713</b>
Deposits from banks	5%	136,664,831	101,666,333	25,683,114	25,858,152	-	-	289,872,430
Deposits from customers	5%	130,964,792	102,969,852	174,001,890	2,547,342	-	434,822,841	845,306,717
Lease liability	0%	-	427,226	2,186,240	6,269,602	-	-	8,883,068
Other liabilities (excluding statutory deductions)	0%	-	-	-	-	-	24,859,506	24,859,506
Borrowings	6%	-	180,479	630,587	64,739,837	-	-	65,550,903
Debt instrument at amortised cost	0%	-	34,413	-	11,045,754	-	-	11,080,167
<b>Total liabilities</b>		<b>267,629,623</b>	<b>205,278,303</b>	<b>202,501,831</b>	<b>110,460,687</b>	<b>-</b>	<b>459,682,347</b>	<b>1,245,552,791</b>
<b>Interest rate sensitivity gap</b>		<b>(79,611,556)</b>	<b>(125,273,663)</b>	<b>(8,821,523)</b>	<b>271,446,579</b>	<b>336,081,684</b>	<b>(238,757,789)</b>	<b>155,650,922</b>

In assessing the interest rate risk and therefore making repricing considerations, the bank reviews the interest rate gap at each maturity profile and analyse major trends at individual account level.

**KCB BANK TANZANIA LIMITED**
**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**
**(c) Market risk (continued)**
**(i) Interest rate risk (continued)**

	Weighted interest rates	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Non-interest bearing	Total
		TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000
<b>At 31 December 2022</b>								
Cash and balances with Bank of Tanzania	0%	-	-	-	-	-	106,280,044	106,280,044
Placements with other banks	5%	94,564,118	-	-	-	-	15,043,838	109,607,956
Loans and advances to customers	14%	57,003,054	54,178,204	123,074,808	284,090,693	142,521,529	-	660,868,288
Government securities at FVOCI	13%	-	-	-	-	100,573,925	-	100,573,925
Government securities at amortised cost	14%	28,061,148	-	-	4,668,733	62,843,039	-	95,572,920
Investment in other securities at amortised	8%	-	-	524,038	504,080	-	-	1,028,118
Derivative financial instruments	-	-	-	-	-	-	1,207,934	1,207,934
Other assets (excluding Prepayments)	-	-	-	-	-	-	16,283,163	16,283,163
<b>Total assets</b>		<b>179,628,320</b>	<b>54,178,204</b>	<b>123,598,846</b>	<b>289,263,506</b>	<b>305,938,493</b>	<b>138,814,979</b>	<b>1,091,422,348</b>
Deposits from banks	6%	188,047,334	44,118,669	10,488,171	-	-	-	242,654,174
Deposits from customers	5%	119,678,228	153,233,769	156,670,058	6,325,008	-	245,496,198	681,403,261
Lease liability	8.50%	710,836	117,445	1,796,331	4,403,567	1,847,100	-	8,875,279
Other liabilities (excluding statutory deductions)	-	-	-	-	-	-	16,175,369	16,175,369
Borrowings	5%	-	74,521	-	10,000,000	-	-	10,074,521
Debt instrument at amortised cost	-	-	31,766	-	11,042,500	-	-	11,074,266
<b>Total liabilities</b>		<b>308,436,398</b>	<b>197,576,170</b>	<b>168,954,560</b>	<b>31,771,075</b>	<b>1,847,100</b>	<b>261,671,567</b>	<b>970,256,870</b>
<b>Interest rate sensitivity gap</b>		<b>(128,808,078)</b>	<b>(143,397,966)</b>	<b>(45,355,714)</b>	<b>257,492,431</b>	<b>304,091,393</b>	<b>(122,856,587)</b>	<b>121,165,479</b>

In assessing the interest rate risk and therefore making repricing considerations, the bank reviews the interest rate gap at each maturity profile and analyse major trends at individual account level.

**KCB BANK TANZANIA LIMITED**
**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**
**(c) Market risk (continued) Management of market risk (continued)**
**(ii) Currency risk**

The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions which are monitored daily, and hedging strategies used to ensure that positions are maintained within the established limits. Foreign exchange risk arises from our non-trading asset and liability positions, denominated in currencies other than the functional currency of the respective entity.

Transactions in foreign currency are recorded at the rate in effect at the date of the transaction. The Bank translates monetary assets and liabilities denominated in foreign currencies at the rate of exchange in effect at the reporting date. The Bank records all gains or losses on changes in currency exchange rates in profit or loss. The Bank operates wholly within Tanzania and its assets and liabilities are reported in the local currency. The Bank's currency risk is managed within the Bank of Tanzania exposure guideline of 7.5% of core capital. (2023: 7.5% of core capital). The Bank's management monitors foreign currency exposure daily. The Bank's foreign currency position equivalent TZS as at 31 December 2024 and 31 December 2023 was as follows:

<b>At 31 December 2024</b>	<b>USD</b>	<b>GBP</b>	<b>Euro</b>	<b>Other</b>	<b>Total</b>
Cash and balances with Bank of Tanzania	6,969,631	92,010	5,530,115	205,423	12,797,179
Placements with other banks	231,617,645	814,048	9,669,188	4,123,043	246,223,924
Loans and advances to customers	334,229,773	175	1,376,474	550	335,606,972
Other assets	3,603,338	-	-	-	3,603,338
<b>Total On Balance sheet Assets</b>	<b>576,420,387</b>	<b>906,233</b>	<b>16,575,777</b>	<b>4,329,016</b>	<b>598,231,413</b>
<b>Off Balance sheet</b>					
Derivative-Purchases	-	-	-	3,583,288	3,583,288
<b>Total off-balance sheet assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,583,288</b>	<b>3,583,288</b>
<b>Total financial assets</b>	<b>576,420,387</b>	<b>906,233</b>	<b>16,575,777</b>	<b>7,912,304</b>	<b>601,814,701</b>
<b>LIABILITIES</b>					
Deposits from banks	82,234,296	-	251,991	40	82,486,327
Deposits from customers	392,577,078	647,097	15,920,927	1,817,079	410,962,181
Lease liability	6,256,346	-	-	-	6,256,346
Other liabilities	89,994,666	95,766	35,912	1,534,670	91,661,014
<b>Total On Balance sheet Liabilities</b>	<b>571,062,386</b>	<b>742,863</b>	<b>16,208,830</b>	<b>3,351,789</b>	<b>591,365,868</b>
<b>Off Balance sheet</b>					
Derivative-Sales	3,234,400	-	-	-	3,234,400
<b>Total Off Balance sheet Liabilities</b>	<b>3,234,400</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,234,400</b>
<b>Total financial liabilities</b>	<b>574,296,786</b>	<b>742,863</b>	<b>16,208,830</b>	<b>3,351,789</b>	<b>594,600,268</b>
<b>Net statement of financial position exposure</b>	<b>2,123,601</b>	<b>163,370</b>	<b>366,947</b>	<b>4,560,515</b>	<b>7,214,433</b>
Exchange rates during the year were as follows:	<b>USD</b>	<b>GBP</b>	<b>Euro</b>		
Opening	2,504	3,191	2,774		
Average	2,606	3,342	2,823		
Closing	2,488	3,119	2,587		

**KCB BANK TANZANIA LIMITED**
**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**
**(ii) Currency risk (continued)**

<b>At 31 December 2023</b>	<b>USD</b>	<b>GBP</b>	<b>Euro</b>	<b>Other</b>	<b>Total</b>
Cash and balances with Bank of Tanzania	6,202,473	102,542	4,821,185	409,792	11,535,992
Placements with other banks	173,014,551	218,489	8,813,767	1,048,277	183,095,084
Loans and advances to customers	328,908,811	592	1,628,742	738	330,538,883
Other assets	-	-	276,114	14,387	290,501
<b>Total On Balance sheet Assets</b>	<b>508,125,835</b>	<b>321,623</b>	<b>15,539,808</b>	<b>1,473,194</b>	<b>525,460,460</b>
<b>Off Balance sheet</b>					
Derivative-Purchases	16,543,317	-	-	2,996,020	19,539,337
<b>Total off-balance sheet assets</b>	<b>16,543,317</b>	<b>-</b>	<b>-</b>	<b>2,996,020</b>	<b>19,539,337</b>
<b>Total financial assets</b>	<b>524,669,152</b>	<b>321,623</b>	<b>15,539,808</b>	<b>4,469,214</b>	<b>544,999,797</b>
<b>LIABILITIES</b>					
Deposits from banks	152,130,251	-	4,417,685	15,662	156,563,598
Deposits from customers	340,047,538	667,229	12,738,943	1,206,698	354,660,408
Lease liability	7,661,197	-	-	-	7,661,197
Other liabilities	37,528,908	99,513	4,023,586	1,257,800	42,909,807
<b>Total On Balance sheet Liabilities</b>	<b>537,367,894</b>	<b>766,742</b>	<b>21,180,214</b>	<b>2,480,160</b>	<b>561,795,010</b>
<b>Off Balance sheet</b>					
Derivative-Sales	3,265,216	-	4,022,590	-	7,287,806
<b>Total Off Balance sheet Liabilities</b>	<b>3,265,216</b>	<b>-</b>	<b>4,022,590</b>	<b>-</b>	<b>7,287,806</b>
<b>Total financial liabilities</b>	<b>540,633,110</b>	<b>766,742</b>	<b>25,202,804</b>	<b>2,480,160</b>	<b>569,082,816</b>
<b>Net statement of financial position exposure</b>	<b>(15,963,958)</b>	<b>(445,119)</b>	<b>(9,662,996)</b>	<b>1,989,054</b>	<b>(24,083,019)</b>
<b>Exchange rates during the year were as follow</b>					
	<b>USD</b>	<b>GBP</b>	<b>Euro</b>		
Opening	2,332	2,809	2,490		
Average	2,420	3,018	2,624		
Closing	2,504	3,191	2,774		

**KCB BANK TANZANIA LIMITED**
**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**
**(ii) Currency risk (continued)**

<b>At 31 December 2022</b>	<b>USD</b>	<b>GBP</b>	<b>Euro</b>	<b>Other</b>	<b>Total</b>
Cash and balances with Bank of Tanzania	8,046,608	151,097	2,615,677	286,412	11,099,794
Placements with other banks	51,734,739	232,692	10,279,168	679,656	62,926,255
Loans and advances to customers	246,978,700	829	1,379,175	135	248,358,839
Other assets	4,325,773	-	47,456	10,003	4,383,232
<b>Total On Balance sheet Assets</b>	<b>311,085,820</b>	<b>384,618</b>	<b>14,321,476</b>	<b>976,206</b>	<b>326,768,120</b>
<b>Off Balance sheet</b>					
Derivative-Purchases	48,009,310	-	-	3,045,028	51,054,338
<b>Total off-balance sheet assets</b>	<b>48,009,310</b>	<b>-</b>	<b>-</b>	<b>3,045,028</b>	<b>51,054,338</b>
<b>Total financial assets</b>	<b>359,095,130</b>	<b>384,618</b>	<b>14,321,476</b>	<b>4,021,234</b>	<b>377,822,458</b>
<b>LIABILITIES</b>					
Deposits from banks	36,702,200	-	4,890	71,878	36,778,968
Deposits from customers	280,830,323	545,375	12,272,671	1,234,976	294,883,345
Lease liability	8,875,279	-	-	-	8,875,279
Other liabilities	24,554,439	87,598	1,370,325	1,811,313	27,823,675
<b>Total On Balance sheet Liabilities</b>	<b>350,962,241</b>	<b>632,973</b>	<b>13,647,886</b>	<b>3,118,167</b>	<b>368,361,267</b>
<b>Off Balance sheet</b>					
Derivative-Sales	22,037,400	-	1,369,497	-	23,406,897
<b>Total Off Balance sheet Liabilities</b>	<b>22,037,400</b>	<b>-</b>	<b>1,369,497</b>	<b>-</b>	<b>23,406,897</b>
<b>Total financial liabilities</b>	<b>372,999,641</b>	<b>632,973</b>	<b>15,017,383</b>	<b>3,118,167</b>	<b>391,768,164</b>
<b>Net statement of financial position exposure</b>	<b>(13,904,511)</b>	<b>(248,355)</b>	<b>(695,907)</b>	<b>903,067</b>	<b>(13,945,706)</b>

Exchange rates during the year were as follow	<b>USD</b>	<b>GBP</b>	<b>Euro</b>
Opening	2,314	3,116	2,619
Average	2,323	2,858	2,445
Closing	2,332	2,809	2,490



## ***KCB BANK TANZANIA LIMITED***

### **3. FINANCIAL RISK MANAGEMENT**

#### **(d) Operational risk management**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated

The Bank objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following areas:

Requirements for appropriate segregation of duties, including the independent authorization of transactions.

- Requirements for the reconciliation and monitoring of transactions.
- Compliance with regulatory and other legal requirements.
- Documentation of controls and procedures.
- Requirements for the yearly assessment of operational risks faced and the adequacy of controls and procedures to address the risks identified.
- Requirements for the reporting of operational losses and proposed remedial action.
- Development of contingency plans.
- Training and professional development.
- Ethical and business standards.
- Risk mitigation, including insurance where this is effective.

Compliance with Bank standards is supported by a program of regular reviews undertaken by both the Internal Audit and Compliance department. The results of internal audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Bank.

#### **(e) Capital management**

The primary objective of the Bank's capital management is to ensure that the Bank complies with capital requirements and maintains healthy capital ratios in order to support its business and to maximize shareholders' value.

##### **Regulatory capital**

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Bank of Tanzania. The Bank of Tanzania sets and monitors capital requirements for the banking industry as a whole.

In implementing current capital requirements, Bank of Tanzania requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets.

The Bank's regulatory capital is analysed into two tiers:

- **Tier 1 capital**, which includes ordinary share capital, share premium, retained earnings, translation reserve after deductions for goodwill and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

- **Tier 2 capital** which includes qualifying subordinated liabilities, general provisions which are held against future, presently unidentified losses and are freely available to meet losses which subsequently materialize and cumulative and redeemable preferred stocks, and any other form of capital as may be determined and announced from time to time by the Bank.

Various limits are applied to elements of the capital base. The amount of innovative tier 1 securities cannot exceed 15 percent of total tier 1 capital; qualifying tier 2 capital cannot exceed tier 1 capital; and qualifying term subordinated loan capital may not exceed 50 percent of tier 1 capital. There are also restrictions on the amount of collective impairment allowances that may be included as part of tier 2 capital.

**KCB BANK TANZANIA LIMITED**
**3. FINANCIAL RISK MANAGEMENT (CONTINUED)**
**(e) Capital management (continued) Regulatory capital (continued)**

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. The capital management policies of the group remain consistent with prior year.

The Bank has complied with all externally imposed capital requirements throughout the year. There have been no material changes in the Bank's management of capital during the year.

The Bank's regulatory capital position at 31 December 2024 was as follows:

	2024	2023	2023
	TZS' 000	TZS' 000	TZS' 000
<b>Core capital (Tier 1)</b>			
Share capital	62,669,936	62,669,936	62,669,936
Retained earnings	155,027,545	107,032,401	69,408,535
	<u>217,697,481</u>	<u>169,702,337</u>	<u>132,078,471</u>
Less: deductions from capital			
Prepaid expenses	(2,733,360)	(2,053,823)	(1,486,182)
Deferred tax assets	(12,113,997)	(15,093,188)	(2,570,595)
<b>Total qualifying Tier 1</b>	<u>202,850,124</u>	<u>152,555,326</u>	<u>128,021,694</u>
<b>Supplementary capital (Tier 2)</b>			
Available for sale reserve	805,673	7,616,955	10,398,509
<b>Total capital</b>	<u>203,655,797</u>	<u>160,172,281</u>	<u>138,420,203</u>
<b>Risk weighted assets</b>			
On-balance sheet	931,465,692	809,684,662	662,821,906
Off-balance sheet	155,941,267	58,802,018	88,838,384
Market Risk	13,470,779	9,672,146	5,817,590
Operational Risk	69,746,933	56,518,740	49,713,111
<b>Total risk weighted assets</b>	<u>1,170,624,671</u>	<u>934,677,566</u>	<u>807,190,991</u>
<b>Capital ratios</b>			
Core capital /total risk weighted assets (BoT minimum: 12.5%)	17.33%	16.32%	15.86%
Total capital /total risk weighted assets (BoT minimum: 14.5%)	17.40%	17.14%	17.15%

**(f) Climate - related risk**
**Sustainability and Climate risk disclosures**

These initiatives align with the sustainability and climate-related disclosure pillars of governance, strategy, risk management, and the establishment of metrics and targets for managing climate risk. This approach ensures alignment with global sustainable development goals (SDGs) and strengthens the organization's sustainability agenda.

The Enterprise Risk Management Framework at KCB Bank Tanzania facilitates risk identification, mitigation, and reporting, including socio-environmental risks. It assigns clear mitigation and management responsibilities across the bank, reinforcing accountability in addressing sustainability challenges.

Sustainability and climate risk considerations are an integral part of Board of Directors deliberations, where strategy, key performance indicators, and risk management activities are reviewed in alignment with the bank's overall risk appetite.

To embed sustainability into risk management, KCB Bank Tanzania has introduced policies such as the Sustainability and Climate-Related Financial Risks Policy, supported by detailed standard operating procedures. These policies establish a structured approach to managing sustainability-related risks.

Managing sustainability and climate-related risks is an ongoing journey. KCB Bank Tanzania remains committed to taking deliberate actions to harness risks and opportunities in alignment with current and upcoming regulatory guidelines. The organization is continuously refining measures to address climate change, mitigate the environmental impact of operations, and support a transition toward low-carbon products and services.

## KCB BANK TANZANIA LIMITED

### 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (f) Climate - related risk (continued)

##### Sustainability and Climate risk disclosures

KCB Bank Tanzania is dedicated to strengthening its capabilities, deploying relevant tools to measure and monitor portfolio alignment with climate efforts, and adopting industry standards wherever possible to promote compatibility and efficiency across peers.

Through these efforts, KCB Bank Tanzania aims to contribute meaningfully to global sustainability goals while enhancing long-term value for stakeholders.

#### 4. USE OF ESTIMATES AND JUDGMENTS

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is set out below.

##### (a) Allowances for credit losses

Management uses estimates based on historical loss experience for assets with similar credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

More details about impairment of financial instruments such as determination of inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information are included in Note 3 (a), (iv).

##### (b) Leases

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). No potential future cash outflows have not been included in the lease liability as the assessment has taken into account the full term of the leases.

For the leases of office space, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Bank is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Bank is typically reasonably certain to extend (or not terminate).
- Otherwise, the Bank considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset. Most extension options in offices and vehicles leases have not been included in the lease liability, because the Bank could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Bank becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. During the current financial year, no such event or change occurred.

To determine the incremental borrowing rate, the bank where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

**KCB BANK TANZANIA LIMITED**


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**4. USE OF ESTIMATES AND JUDGMENTS**
**(b) Leases (continued)**

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the bank is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

**(c) Determining fair values**

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

**(d) Taxes**

The Bank is subjected to numerous taxes and levies by various government and quasi- government regulatory bodies. As a rule of thumb, the Bank recognises liabilities for the anticipated tax/levies payable with utmost care and diligence. However, significant judgment is usually required in the interpretation and applicability of those taxes/levies. Should it come to the attention of management, in one way or the other, that the initially recorded liability was erroneous, such differences will impact on the income and liabilities in the period in which such differences are determined.

**(e) Property and equipment**

Management reviews the useful lives and residual values of the items of property and equipment on a regular basis. During the year, the Directors determined no significant changes in the useful lives and residual values.

**(f) Intangible assets**

Management makes critical estimates in determining the amortization rates and carrying amounts for intangible assets.

**5. FINANCIAL ASSETS AND LIABILITIES**
**Fair value of financial instruments**
**a) Valuation models**

The bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- **Level 1:** Quoted market price (unadjusted) in an active market for an identical instrument.
- **Level 2:** Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- **Level 3:** Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

**KCB BANK TANZANIA LIMITED**
**5. FINANCIAL ASSETS AND LIABILITIES**
**Fair value of financial instruments**
**a) Valuation models**

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models.

Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

**b) Fair value of financial instruments held at fair value**

The table below shows the classification of financial instruments held at fair value into the valuation hierarchy set out below as at 31 December 2024, 2023 and 2022:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>TZS' 000</b>	<b>TZS' 000</b>	<b>TZS' 000</b>	<b>TZS' 000</b>
<b>At 31 December 2024</b>				
Government securities at FVOCI	-	89,057,388	-	89,057,388
Derivative financial instruments	-	348,888	-	348,888
Equity investment in Tanzania Mortgage Refinancing	-	-	500,000	500,000
	<u>-</u>	<u>89,406,276</u>	<u>500,000</u>	<u>89,906,276</u>
<b>At 31 December 2023</b>				
<b>Financial assets</b>				
Government securities at FVOCI	-	96,679,888	-	96,679,888
	<u>-</u>	<u>96,679,888</u>	<u>-</u>	<u>96,679,888</u>
<b>Financial liabilities</b>				
Derivative financial instruments	-	367,187	-	367,187
	<u>-</u>	<u>367,187</u>	<u>-</u>	<u>367,187</u>
<b>At 31 December 2022</b>				
Government securities at FVOCI	-	100,573,925	-	100,573,925
Derivative financial instruments	-	-	1,207,934	1,207,934
	<u>-</u>	<u>100,573,925</u>	<u>1,207,934</u>	<u>101,781,859</u>

**c) Level 3 Fair value measurements**

Level 3 instruments relate to investment in Tanzania Mortgage Refinancing Company (TMRC), a non-listed entity.

**(i) Reconciliation**

On 19 December 2024, the bank invested in TMRC shares, where 308,261 shares were purchased at a share price of 1,622 with a total purchase price of TZS 500 million paid as of that date. There were no significant changes in the fair value of the investment from the purchase date and year end date 31 December 2024.

## KCB BANK TANZANIA LIMITED

**5. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)****Fair value of financial instruments (continued)****c) Level 3 Fair value measurements (continued)**

(ii) Unobservable inputs used in measuring fair value.

The table below sets out information about the valuation techniques applied at the end of the reporting period in measuring assets and liabilities whose fair value is categorized as Level 3 in the fair value hierarchy. A description of the nature of the techniques used to calculate valuations based on observable inputs and valuations is set out in the table below:

Category of asset/liability	Valuation technique applied	Significant observable inputs
Unquoted Equity Investment	Comparable multiple method	Discount rates and prices of comparable companies

*Fair value measurement sensitivity to unobservable inputs*

The estimated fair value would increase and decrease if the market rates for similar instruments and discount rate decrease and increase respectively.

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

The table below summarises the carrying amounts and fair values of financial assets and liabilities not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

As at 31 December 2024	Level 1 TZS' 000	Level 2 TZS' 000	Level 3 TZS' 000	Total fair values TZS' 000	Carrying amount TZS' 000
<b>Assets</b>					
Cash and bank balances with Bank of Tanzania*	-	84,645,743	-	84,645,743	84,645,743
Placements and balances with other banks*	-	233,540,764	-	233,540,764	233,540,764
Government securities at amortised cost		99,774,059		99,774,059	112,485,813
Loans and advances to customers	-	995,533,460	-	995,533,460	1,015,278,209
Investment in other securities at amortised cost		2,175,668		2,175,668	2,034,557
Other assets*		24,254,672		24,254,672	24,254,672
	-	<b>1,439,924,366</b>	-	<b>1,439,924,366</b>	<b>1,472,239,758</b>
<b>Liabilities</b>					
Deposits from other banks*	-	240,841,174	-	240,841,174	240,841,174
Deposits from customers	-	983,911,493	-	983,911,493	984,784,867
Borrowings	-	106,934,537	-	106,934,537	102,705,932
Debt instrument at amortised cost	-	11,738,143	-	11,738,143	11,082,814
	-	<b>1,343,425,347</b>	-	<b>1,343,425,347</b>	<b>1,339,414,787</b>

**KCB BANK TANZANIA LIMITED**
**5. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)**
**Fair value of financial instruments (continued)**
**d) Financial instruments not measured at fair value**

The table below summarises the carrying amounts and fair values of financial assets and liabilities not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

At 31 December 2023	Level 1 TZS' 000	Level 2 TZS' 000	Level 3 TZS' 000	Total fair values TZS' 000	Carrying amount TZS' 000
<b>Assets</b>					
Cash and bank balances with Bank of Tanzania *	-	127,510,153	-	127,510,153	127,510,153
Placements and balances with Government securities at amortised cost	-	162,649,818	-	162,649,818	162,649,818
Loans and advances to customers	-	95,220,127	-	95,220,127	112,485,813
Investment in other securities at amortised cost	-	894,977,285	-	894,977,285	892,758,409
Other assets*	-	1,927,560	-	1,927,560	2,029,773
		31,972,751		31,972,751	31,972,751
	-	<b>1,314,257,694</b>	-	<b>1,314,257,694</b>	<b>1,329,406,717</b>
<b>Liabilities</b>					
Deposits from other banks*	-	289,872,430	-	289,872,430	289,872,430
Deposits from customers	-	854,344,767	-	854,344,767	845,306,718
Borrowings	-	68,503,859	-	68,503,859	65,550,903
Debt instrument at amortized cost	-	11,074,266	-	11,074,266	11,080,167
	-	<b>1,223,795,322</b>	-	<b>1,223,795,322</b>	<b>1,211,810,218</b>

\*The disclosed fair values of these financial assets and financial liabilities approximate their fair values as their related interest rates approximate industry rates and they have short term maturities.

At 31 December 2022	At amortised cost TZS' 000	Level 1 TZS' 000	Level 2 TZS' 000	Level 3 TZS' 000	Total fair value TZS' 000
<b>Financial assets</b>					
Cash and balances with Bank of Tanzania	106,280,044	-	-	106,280,044	106,280,044
Due from other banks	109,607,956	-	-	109,607,956	109,607,956
Government securities at amortised cost	95,572,920	-	103,883,129	-	103,883,129
Loans and advances to customers	660,868,288	-	-	662,510,821	662,510,821
Other assets (excluding prepayments)	16,283,163	-	-	16,283,163	16,283,163
<b>Total financial assets</b>	<b>988,612,371</b>	-	103,883,129	<b>894,681,984</b>	<b>998,565,113</b>
<b>Liabilities</b>					
Due to other banks	242,654,174	-	-	242,693,271	242,693,271
Deposits from customers	681,403,261	-	-	681,410,547	681,410,547
Items in the course of payment	100,737	-	-	100,737	100,737
Other liabilities (excluding statutory deductions)	16,175,369	-	-	16,175,369	16,175,369
Borrowings	10,074,521	-	-	10,105,316	10,105,316
Debt instrument at amortized cost	11,074,266	-	-	10,775,975	10,775,975
<b>Total financial liabilities</b>	<b>961,482,328</b>	-	-	<b>970,357,607</b>	<b>970,357,607</b>

## KCB BANK TANZANIA LIMITED

## 5. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

## Fair value of financial instruments (continued)

## e) Accounting classifications and fair values

The tables below show the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments not measured at fair value.

	Total carrying amount	Level 1	Level 2	Level 3	Total fair value
At 31 December 2024	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000
<b>Financial assets</b>					
Cash and balances with Bank of Tanzania	84,645,743	-	84,645,743	-	84,645,743
Placements and balances with other banks	233,540,764	-	233,540,764	-	233,540,764
Derivative financial instrument	348,888	-	348,888	-	348,888
Due from other banks	233,540,764	-	233,540,764	-	233,540,764
Government securities at amortised cost	112,485,813	-	112,485,813	-	112,485,813
Equity Investment	-	-	-	500,000	500,000
Loans and advances to customers	1,015,278,209	-	1,015,278,209	-	1,015,278,209
Other assets (excluding prepayments)	21,521,312	-	21,521,312	-	21,521,312
<b>Total financial assets</b>	<b>1,701,361,493</b>	<b>-</b>	<b>1,701,361,493</b>	<b>500,000</b>	<b>1,701,861,493</b>
<b>Liabilities</b>					
Due to other banks	240,841,174	-	240,841,174	-	240,841,174
Deposits from customers	984,784,867	-	984,911,493	-	984,911,493
Other liabilities (excluding statutory deductions)	22,725,199	-	22,725,199	-	22,725,199
Borrowings	102,705,932	-	106,934,547	-	106,934,547
Debt instrument at amortised cost	11,082,814	-	11,738,143	-	11,738,143
<b>Total financial liabilities</b>	<b>1,362,139,986</b>	<b>-</b>	<b>1,367,150,556</b>	<b>-</b>	<b>1,367,150,556</b>
<b>At 31 December 2023</b>					
	At amortised cost	Level 1	Level 2	Level 3	Total fair value
	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000
<b>Financial assets</b>					
Cash and balances with Bank of Tanzania	127,510,153	-	-	127,510,153	127,510,153
Placements and balances with other banks	162,649,818	-	-	162,649,818	162,649,818
Government securities at amortised cost	87,602,921	-	95,220,127	-	95,220,127
Loans and advances to customers	892,758,409	-	-	894,977,285	894,977,285
Other assets (excluding prepayments)	31,972,751	-	-	31,972,751	31,972,751
<b>Total financial assets</b>	<b>1,302,494,052</b>	<b>-</b>	<b>95,220,127</b>	<b>1,217,110,007</b>	<b>1,312,330,134</b>
<b>Liabilities</b>					
Due to other banks	289,872,430	-	-	289,919,135	289,919,135
Deposits from customers	845,306,718	-	-	845,315,756	845,315,756
Other liabilities (excluding statutory deductions)	24,859,506	-	-	24,859,506	24,859,506
Borrowings	65,550,903	-	-	68,503,859	68,503,859
Debt instrument at amortized cost	11,080,167	-	-	11,851,641	11,851,641
<b>Total financial liabilities</b>	<b>1,236,669,724</b>	<b>-</b>	<b>-</b>	<b>1,240,449,897</b>	<b>1,240,449,897</b>

**KCB BANK TANZANIA LIMITED**

<b>6 INTEREST AND SIMILAR INCOME</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>
	<b>TZS' 000</b>	<b>TZS' 000</b>	<b>TZS' 000</b>
Government securities	26,029,294	23,401,223	23,590,008
Placements with other banks	9,227,476	5,703,079	2,671,584
Interest on loans and advances	116,877,795	95,156,562	66,377,558
	<u>152,134,565</u>	<u>124,260,864</u>	<u>92,639,150</u>
<b>7 INTEREST EXPENSE AND SIMILAR CHARGES</b>			
Interest on customer deposits	41,439,625	29,821,154	24,642,272
Interest on bank deposits	12,699,500	13,145,209	8,703,867
Interest on borrowed funds	5,458,522	2,389,303	896,575
Interest Expenses-Sukuk bond	968,574	972,175	31,766
Interest on lease liability	886,200	749,283	718,647
	<u>61,452,421</u>	<u>47,077,124</u>	<u>34,993,127</u>
<b>8 LOANS AND ADVANCES TO CUSTOMERS</b>			
<b>(a) Loans and advances to customers</b>			
Gross loans and advances to customers	1,024,512,813	911,927,086	677,128,761
Allowances for impairment (Note 8b)	(9,234,604)	(19,168,677)	(16,260,473)
	<u>1,015,278,209</u>	<u>892,758,409</u>	<u>660,868,288</u>
<b>(b) Specific allowance for impairment loss</b>			
At 1 January	19,168,677	16,260,473	9,184,701
Allowance made during the year	(3,276,747)	6,116,205	12,638,226
Write offs during the year	(6,657,326)	(3,208,001)	(5,562,454)
<b>At 31 December</b>	<u>9,234,604</u>	<u>19,168,677</u>	<u>16,260,473</u>
<b>(c) Net Impairment (credit) / charge on loans and advances</b>			
Allowance made during the year (Note 8 (b))	(3,276,747)	6,116,205	12,638,226
Recoveries from written off loans	(5,523,328)	(1,416,777)	(3,070,190)
	<u>(8,800,075)</u>	<u>4,699,428</u>	<u>9,568,036</u>
<b>(d)Maturity analysis of gross loans and advances to customers:</b>			
Maturing after 1 month but before 3 months	118,200,419	86,809,903	57,003,054
Maturing after 1 month but before 3 months	99,499,575	80,004,640	54,178,204
Maturing after 3 months, but within 1 year	198,978,913	193,175,981	123,074,808
Maturing after 1 year, but within 5 years	399,986,491	375,544,412	284,090,693
Maturing after 5 years	207,847,415	176,392,151	158,782,003
	<u>1,024,512,813</u>	<u>911,927,087</u>	<u>677,128,762</u>
<b>9 FEES AND COMMISSIONS INCOME</b>			
Ledger fees and fees for services rendered	19,185,704	15,163,678	8,719,871
Fees on loans and advances	7,146,503	5,491,616	4,225,776
	<u>26,332,207</u>	<u>20,655,294</u>	<u>12,945,647</u>
<b>FEES AND COMMISSIONS EXPENSE</b>			
Commission expense	(15,781,957)	(5,722,451)	(1,375,894)
<b>Net fees and commission</b>	<u>10,550,250</u>	<u>14,932,843</u>	<u>11,569,753</u>

**KCB BANK TANZANIA LIMITED**
**9. FEE AND COMMISSIONS INCOME (CONTINUED)**
**Contract balances**

The following table provides information about receivables and contract liabilities from contracts with customers.

	<b>2024</b>	<b>2023</b>
	<b>TZS'000</b>	<b>TZS'000</b>
Contract liabilities, which are included in other liabilities – Note 25 (Deferred loan appraisal fees)	4,101,760	4,905,614

The contract liabilities primarily relate to the non-refundable up-front fees received from customers on opening an asset management account. This is recognised as revenue over the period for which a customer is expected to continue receiving asset management services.

The weighted-average expected period at 31 December 2024 was 3.70 years (2023: 3.69 years).

The contracts do not have a minimum stated term. A customer can cancel an asset management contract at any time after contract inception for a surrender charge, which is usually insignificant. Because the customer has discretion over when to terminate the contract, the contract does not have a significant financing component.

The amount of TZS 2,634,078,252 included in contract liabilities at 31 December 2023 has been recognised as revenue for the year ended 31 December 2024 (2023: TZS 2,202,812,138).

**Performance obligations and revenue recognition policies**

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Bank recognises revenue when it transfers control over a service to a customer.

The Bank provides banking services to retail and corporate customers, including account management, provision of overdraft facilities, foreign currency transactions, servicing fees and banc assurance services. Fees for ongoing account management are charged to the customer's account on a monthly basis. The Bank sets the rates separately for retail and corporate banking customers on an annual basis.

Revenue from account service and servicing fees is recognised over time as the services are provided. Revenue related to transactions is recognised at the point in time when the transaction takes place.

For the accounting policy for fees and commissions in the scope of IFRS 9, see Note 2.1.

<b>10 TRADING INCOME AND FOREIGN EXCHANGE REVALUATION (NET)</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>
	<b>TZS' 000</b>	<b>TZS' 000</b>	<b>TZS' 000</b>
Foreign exchange – revaluation (loss)/gain	(15,190,012)	(15,493,570)	(944,711)
Foreign exchange – trading gains	30,133,171	26,814,316	10,178,417
	<u>14,943,159</u>	<u>11,320,746</u>	<u>9,233,706</u>
<b>11 OTHER INCOME</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>
	<b>TZS' 000</b>	<b>TZS' 000</b>	<b>TZS' 000</b>
Gain on disposal of items of property and equipment	8,100	6	93,862
Net gains on derecognition of government securities measured through FVOCI	-	-	319,769
Net gains on derecognition of government securities measured through FVOCI – Reclassified from fair value reserves	281,101	-	211,929
Recovery from items previous provided for	108,898	-	13,882
	<u>398,099</u>	<u>6</u>	<u>639,442</u>

**KCB BANK TANZANIA LIMITED**

	<b>2024</b>	<b>2023</b>	<b>2022</b>
	<b>TZS' 000</b>	<b>TZS' 000</b>	<b>TZS' 000</b>
<b>12 OTHER OPERATING EXPENSES</b>			
Occupancy and maintenance	1,177,386	404,109	1,807,092
Audit fees	246,386	215,204	201,533
Directors' emoluments – non-executive directors	753,981	424,166	378,794
Telephone and connectivity	1,596,719	1,408,714	1,266,363
Marketing and advertising	1,321,626	964,112	1,136,100
Travelling and related expenses	2,916,522	2,273,283	1,604,161
Depositor's protection fund premiums	1,495,836	1,193,405	917,020
Professional and outsourced service costs	2,754,292	2,995,261	2,099,249
Software related costs	2,659,606	1,581,701	1,356,540
Insurance and CIT Costs	2,157,522	1,755,795	1,594,967
Other expenses	1,395,284	3,851,111	1,610,877
	<u>18,475,160</u>	<u>17,066,861</u>	<u>13,972,696</u>
<b>13 EMPLOYEE BENEFITS</b>			
Salaries and wages	17,937,515	15,298,854	13,018,454
Social security contributions	1,736,517	1,481,788	1,267,992
Other employment costs (including benefits)	5,538,434	6,814,485	4,914,877
	<u>25,212,466</u>	<u>23,595,127</u>	<u>19,201,323</u>
<b>14 INCOME TAX EXPENSE</b>			
Income tax -Current year	16,250,802	18,750,803	11,862,972
Income tax – relating to prior year	3,031,405	7,539,631	-
Deferred income tax credit relating to prior years	29,006	(1,396,041)	(25,310)
Deferred income tax credit relating to current year	5,869,306	(9,934,457)	(2,332,072)
	<u>25,180,519</u>	<u>14,959,936</u>	<u>9,505,590</u>
<b>(a) Tax rate reconciliation:</b>			
Tax calculated at a rate of 30%	22,797,824	15,775,141	-
Income tax - Prior year	3,031,405	7,539,631	9,281,060
Deferred income tax – prior year (credit)	29,006	(1,396,041)	-
Income not subject to tax	(1,567,053)	(7,778,940)	(25,310)
Permanently disallowable items	889,337	820,145	249,840
	<u>25,180,519</u>	<u>14,959,936</u>	<u>9,505,593</u>
<b>(b) Current income tax payable</b>			
<b>At 1 January</b>	13,210,435	194,121	(431,079)
Tax charge for the year	16,250,802	18,750,803	11,862,972
Tax expense for previous years	3,031,405	7,539,631	-
Tax paid during the year	(31,745,426)	(13,274,120)	(11,237,772)
<b>At 31 December</b>	<u>747,216</u>	<u>13,210,435</u>	<u>194,121</u>
<b>15 (a) CASH AND BALANCES WITH BANK OF TANZANIA</b>			
Cash on hand	21,511,153	23,498,368	18,755,818
Statutory Minimum Reserve deposits with Bank of Tanzania	62,986,608	51,459,152	41,051,746
Other current accounts with Bank of Tanzania	147,982	52,552,633	46,472,480
	<u>84,645,743</u>	<u>127,510,153</u>	<u>106,280,044</u>
<b>(b) CASH AND CASH EQUIVALENTS*</b>			
<b>For purpose of statement of cash flow, cash and cash equivalents comprise of.</b>			
Cash on hand	21,511,153	23,498,368	18,755,818
Balances with Bank of Tanzania (including unrestricted Statutory Minimum Reserve deposit) (Restated*)	12,745,304	62,844,463	46,472,480
Placements and balance with other banks maturing within 3 months	233,540,764	162,649,818	109,607,956
Balances with mobile network operators	5,867,842	5,974,232	4,031,370
	<u>273,665,063</u>	<u>254,966,881</u>	<u>178,867,624</u>

\*Restatement of unrestricted cash balances with Central Bank. Refer to Note 34.

**KCB BANK TANZANIA LIMITED**

	<b>2024</b>	<b>2023</b>	<b>2022</b>
	<b>TZS' 000</b>	<b>TZS' 000</b>	<b>TZS' 000</b>
<b>16 PLACEMENTS AND BALANCES WITH OTHER BANKS</b>			
** Balances in nostro accounts	42,206,698	61,441,654	15,043,838
Placement with Bank	191,334,066	101,208,164	68,733,020
Placement with other Institutions	-	-	25,831,098
	<u>233,540,764</u>	<u>162,649,818</u>	<u>109,607,956</u>
<b>Placement Maturity</b>			
Maturing within 3 months	<u>191,334,066</u>	<u>101,208,164</u>	<u>94,564,118</u>
	<u>191,334,066</u>	<u>101,208,164</u>	<u>94,564,118</u>
<b>17 INVESTMENT SECURITIES</b>			
(a) <b>Government securities at amortised cost</b>			
Maturing within 3 months	7,899,405	-	28,061,148
Maturing after 12 months	<u>104,586,408</u>	<u>87,602,921</u>	<u>67,511,772</u>
	<u>112,485,813</u>	<u>87,602,921</u>	<u>95,572,920</u>
(b) <b>Government securities at FVOCI</b>			
Maturing after 12 months	<u>89,057,388</u>	<u>96,679,888</u>	<u>100,573,925</u>
	<u>89,057,388</u>	<u>96,679,888</u>	<u>100,573,925</u>
(c) <b>*Investment in other securities at amortised cost</b>			
Maturing within 3- 12 months	-	504,327	1,028,118
Maturing after 12 months	<u>2,034,557</u>	<u>1,525,446</u>	<u>-</u>
	<u>2,034,557</u>	<u>2,029,773</u>	<u>1,028,118</u>
(d) <b>Equity Investment</b>			
Investment in Tanzania Mortgage Refinance Company (TMRC) shares (See Note 5 (b))	500,000	-	-

The Bank holds various fixed income securities issued by the Government of Tanzania. As at 31 December 2024, the bank had pledged treasury bonds of TZS 164,062 million and no treasury bills were pledged (31 Dec 2023: treasury bond of TZS 143,114 million and no treasury bills were pledged).

\*Investment in other securities at amortised cost include investment in corporate bonds of Iman Finance Limited.

\*\* Balance in Nostro Account 31 Dec 2024 include balance from other group companies (Note 31 (b) ii) TZS 19,106 million (31 Dec 2023: 33,986 million).

**KCB BANK TANZANIA LIMITED**
**18 PROPERTY AND EQUIPMENT**

	Leasehold improvements TZS' 000	Motor vehicles TZS' 000	Office equipment furniture and fittings TZS' 000	Computer equipment TZS' 000	Total TZS' 000
<b>At 31 December 2024:</b>					
<b>COST</b>					
At 1 January 2024	10,674,595	1,230,390	18,002,998	2,837,764	32,745,747
Additions	476,477	68,692	3,008,666	260,832	3,814,667
Write off	-	-	-	(3,244)	(3,244)
<b>At 31 December 2024</b>	<b>11,151,072</b>	<b>1,299,082</b>	<b>21,011,664</b>	<b>3,095,352</b>	<b>36,557,170</b>
<b>DEPRECIATION</b>					
At 1 January 2024	8,531,505	977,858	12,984,468	1,953,508	24,447,339
Charge for the year	372,246	125,080	1,826,403	221,267	2,544,996
Disposal	-	-	-	-	-
<b>At 31 December 2024</b>	<b>8,903,751</b>	<b>1,102,938</b>	<b>14,810,871</b>	<b>2,174,775</b>	<b>26,992,335</b>
<b>CARRYING AMOUNT</b>	<b>2,247,321</b>	<b>196,144</b>	<b>6,200,793</b>	<b>920,577</b>	<b>9,564,835</b>
<b>At 31 December 2023:</b>					
<b>COST</b>					
At 1 January 2023	9,771,048	1,213,233	16,499,824	2,382,759	29,866,864
Additions	903,547	17,157	1,503,174	457,953	2,881,831
Disposal	-	-	-	(2,949)	(2,949)
Adjustment	-	-	-	1	1
<b>At 31 December 2023</b>	<b>10,674,595</b>	<b>1,230,390</b>	<b>18,002,998</b>	<b>2,837,764</b>	<b>32,745,747</b>
<b>DEPRECIATION</b>					
At 1 January 2023	8,193,799	825,378	11,332,586	1,732,181	22,083,944
Charge for the year	337,706	152,480	1,651,882	224,276	2,366,344
Disposals	-	-	-	(2,949)	(2,949)
<b>At 31 December 2023</b>	<b>8,531,505</b>	<b>977,858</b>	<b>12,984,468</b>	<b>1,953,508</b>	<b>24,447,339</b>
<b>CARRYING AMOUNT</b>	<b>2,143,090</b>	<b>252,532</b>	<b>5,018,530</b>	<b>884,256</b>	<b>8,298,408</b>

KCB BANK TANZANIA LIMITED

18 PROPERTY AND EQUIPMENT (CONTINUED)

	Leasehold improvements	Motor vehicles	Office equipment furniture and fittings	Computer equipment	Total
	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000
<b>At 31 December 2022:</b>					
<b>COST</b>					
At 1 January 2022	9,429,185	1,167,065	15,327,401	2,135,814	28,059,465
Additions	24,427	421,507	1,706,258	173,128	2,325,320
Disposals	-	(375,338)	(135,082)	(7,501)	(517,921)
Write off	-	-	-	-	-
Capitalization	-	-	-	-	-
<b>At 31 December 2022</b>	<b>9,453,612</b>	<b>1,213,234</b>	<b>16,898,577</b>	<b>2,301,441</b>	<b>29,866,864</b>
<b>DEPRECIATION</b>					
At 1 January 2022	7,883,148	922,478	9,871,751	1,528,960	20,206,337
Charge for the year	310,650	278,238	1,595,223	210,723	2,394,834
Disposals	-	(375,338)	(134,387)	(7,502)	(517,227)
At 31 December 2022	<b>8,193,798</b>	<b>825,378</b>	<b>11,332,587</b>	<b>1,732,181</b>	<b>22,083,944</b>
<b>CARRYING AMOUNT</b>	<b>1,259,814</b>	<b>387,856</b>	<b>5,565,990</b>	<b>569,260</b>	<b>7,782,920</b>

## KCB BANK TANZANIA LIMITED

19 LEASES	2024	2023	2022
	TZS' 000	TZS' 000	TZS' 000
<b>(i) Right-of-use assets</b>			
At start of the year	20,311,518	17,084,627	14,653,864
Additions	1,937,412	2,814,599	2,037,804
Modification adjustment	-	412,292	392,959
<b>At the end of year</b>	<b>22,248,930</b>	<b>20,311,518</b>	<b>17,084,627</b>
<b>Accumulated Depreciation</b>			
At start of the year	11,869,332	9,317,108	7,043,036
Depreciation Charge for the Year	2,558,655	2,552,224	2,274,072
	<u>14,427,987</u>	<u>11,869,332</u>	<u>9,317,108</u>
<b>NBV at the end of year</b>	<b>7,820,943</b>	<b>8,442,186</b>	<b>7,767,519</b>
<b>(ii) Lease liabilities</b>			
At start of the year	8,883,068	8,875,279	8,780,778
Additions	1,937,412	2,814,599	2,037,804
Finance cost	886,200	749,283	718,647
Modification adjustment	-	607,920	371,486
Foreign exchange adjustment	291,062	(950,247)	98,876
Payment during the year	(3,420,041)	(3,213,766)	(3,132,312)
<b>At the end of year</b>	<b>8,577,701</b>	<b>8,883,068</b>	<b>8,875,279</b>
Current	119,511	367,004	2,624,612
Non-current	8,458,190	8,516,064	6,250,667
	<u>8,577,701</u>	<u>8,883,068</u>	<u>8,875,279</u>
<b>(a) Amounts recognised in profit or loss</b>			
Interest on lease liabilities	886,200	749,283	718,647
<b>(b) Amounts recognised in statement of cash flows</b>			
Lease payments (principal)	2,533,841	2,464,483	2,413,665
Lease payments (interest)	886,200	749,283	718,647
<b>Total cash outflow for leases</b>	<b>3,420,041</b>	<b>3,213,766</b>	<b>3,132,312</b>

**(c) Extension options**

Some leases of office premises contain extension options exercisable by the bank up to one year before the end of the non-cancellable contract period. Where practicable, the bank seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the bank and not by the lessors. The bank assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The bank reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

20 INTANGIBLE ASSETS	2024	2023	2022
<b>COST</b>			
At 1 January 2024	5,793,093	5,737,340	5,610,578
Additions	427,615	55,753	126,762
<b>At 31 December 2024</b>	<b>6,220,708</b>	<b>5,793,093</b>	<b>5,737,340</b>
<b>ACCUMULATED DEPRECIATION</b>			
At 1 January 2024	4,311,745	3,738,196	2,997,102
Amortization for the year	589,703	573,549	741,095
<b>At 31 December 2024</b>	<b>4,901,448</b>	<b>4,311,745</b>	<b>3,738,197</b>
<b>Net book value</b>	<b>1,319,260</b>	<b>1,481,348</b>	<b>1,999,144</b>

**KCB BANK TANZANIA LIMITED**
**21. DEFERRED INCOME TAX ASSET**

	Balance at 1 January	(Over)/under provision relating to prior years recognised in profit or loss	Recognised in profit or loss (current year)	Recognised in other comprehensive income (current year)	Balance at 31 December
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
<b>2024</b>					
Property and equipment	239,876	-	64,958	-	304,834
Provisions	10,793,386	(29,006)	(5,934,264)	-	4,830,116
Other items	1,762,337	-	-	-	1,762,337
Fair value	2,297,589	-	-	2,919,121	5,216,710
<b>Total deferred tax</b>	<b>15,093,188</b>	<b>(29,006)</b>	<b>(5,869,306)</b>	<b>2,919,121</b>	<b>12,113,997</b>
<b>2023</b>					
Property and equipment	550,935	-	(311,059)	-	239,876
Provisions	914,166	1,396,041	8,483,179	-	10,793,386
Other items	-	-	1,762,337	-	1,762,337
Fair value	1,105,494	-	-	1,192,095	2,297,589
<b>Total deferred tax</b>	<b>2,570,595</b>	<b>1,396,041</b>	<b>9,934,457</b>	<b>1,192,095</b>	<b>15,093,188</b>
<b>2022</b>					
Property and equipment	651,270	-	(100,335)	-	550,935
Provisions	(1,543,551)	25,310	2,432,407	-	914,166
Other items	-	-	-	-	-
Fair value reserves	4,018,447	-	-	(2,912,953)	1,105,494
<b>Total deferred tax</b>	<b>3,126,166</b>	<b>25,310</b>	<b>2,332,072</b>	<b>(2,912,953)</b>	<b>2,570,595</b>

**22. OTHER ASSETS**

	2024 TZS' 000	2023 TZS' 000	2022 TZS' 000
Prepayments	2,733,360	2,053,823	1,486,182
Other receivables	6,632,306	19,140,144	3,904,298
Staff loan fair Valuation	5,921,106	5,301,157	4,613,821
Intercompany receivable	3,100,058	1,557,218	3,733,674
Balances with mobile network operators	5,867,842	5,974,232	4,031,370
	<b>24,254,672</b>	<b>34,026,574</b>	<b>17,769,345</b>

**23. DEPOSITS FROM OTHER BANKS**

	2024 TZS' 000	2023 TZS' 000	2022 TZS' 000
Deposits and balances from other banks	231,922,375	285,589,225	240,572,898
Vostro accounts	8,918,799	4,283,205	2,081,276
	<b>240,841,174</b>	<b>289,872,430</b>	<b>242,654,174</b>

**KCB BANK TANZANIA LIMITED**

24. DEPOSITS FROM CUSTOMERS	2024	2023	2022
	TZS' 000	TZS' 000	TZS' 000
Current accounts	519,954,501	465,223,979	273,374,724
Term deposits	353,658,072	276,116,817	310,741,384
Savings deposits	110,602,280	103,642,762	96,702,730
Cash margin deposits	570,014	323,160	584,423
	<u>984,784,867</u>	<u>845,306,718</u>	<u>681,403,260</u>
<b>From private sector and individuals:</b>			
Payable within 1 month	135,957,672	130,964,792	119,678,228
Payable after 1 month, but within 3 months	638,323,203	537,792,694	398,677,946
Payable after 3 months, but within 1 year	205,325,686	174,001,890	156,722,078
Payable after 1 year, but within 5 years	5,178,306	2,547,342	6,325,008
<b>Total other customer deposits</b>	<u>984,784,867</u>	<u>845,306,718</u>	<u>681,403,261</u>

The weighted average effective interest rates on interest bearing customer deposits as at 31 December 2024 was (31 December 2023 – 3.91% and 31 December 2022 – 4.05% ).

25. OTHER LIABILITIES	2024	2023	2022
	TZS' 000	TZS' 000	TZS' 000
Accruals	7,325,986	8,272,424	3,848,616
Intercompany payable (Note 31)	5,009,631	3,441,120	2,070,297
Dividend Payable	1,549,611	1,549,611	1,549,611
Other payables	8,192,192	10,948,572	8,614,466
Impairment for Off balance sheet items	647,779	647,779	92,379
	<u>22,725,199</u>	<u>24,859,506</u>	<u>16,175,369</u>
<b>26. SHARE CAPITAL</b>			
<b>Authorised:</b>			
750 million ordinary shares of TZS 100 each	75,000,000	75,000,000	75,000,000
<b>Called up and fully paid: 1 January and 31 December</b>	<u>62,669,936</u>	<u>62,669,936</u>	<u>62,669,936</u>

The total number of authorised and fully paid ordinary shares 62,669,936 with a par value of TZS 1000 each.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Bank. All ordinary shares rank equally with regards to the Bank's residual assets.

**KCB BANK TANZANIA LIMITED**
**21. DEFERRED INCOME TAX ASSET**

	Balance at 1 January	(Over)/under provision relating to prior years recognised in profit or loss	Recognised in profit or loss (current year)	Recognised in other comprehensive income (current year)	Balance at 31 December
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
<b>2024</b>					
Property and equipment	239,876	-	64,958	-	304,834
Provisions	10,793,386	(29,006)	(5,934,264)	-	4,830,116
Other items	1,762,337	-	-	-	1,762,337
Fair value	2,297,589	-	-	2,919,121	5,216,710
<b>Total deferred tax</b>	<b>15,093,188</b>	<b>(29,006)</b>	<b>(5,869,306)</b>	<b>2,919,121</b>	<b>12,113,997</b>
<b>2023</b>					
Property and equipment	550,935	-	(311,059)	-	239,876
Provisions	914,166	1,396,041	8,483,179	-	10,793,386
Other items	-	-	1,762,337	-	1,762,337
Fair value	1,105,494	-	-	1,192,095	2,297,589
<b>Total deferred tax</b>	<b>2,570,595</b>	<b>1,396,041</b>	<b>9,934,457</b>	<b>1,192,095</b>	<b>15,093,188</b>
<b>2022</b>					
Property and equipment	651,270	-	(100,335)	-	550,935
Provisions	(1,543,551)	25,310	2,432,407	-	914,166
Other items	-	-	-	-	-
Fair value reserves	4,018,447	-	-	(2,912,953)	1,105,494
<b>Total deferred tax</b>	<b>3,126,166</b>	<b>25,310</b>	<b>2,332,072</b>	<b>(2,912,953)</b>	<b>2,570,595</b>

**22. OTHER ASSETS**

	2024 TZS' 000	2023 TZS' 000	2022 TZS' 000
Prepayments	2,733,360	2,053,823	1,486,182
Other receivables	6,632,306	19,140,144	3,904,298
Staff loan fair Valuation	5,921,106	5,301,157	4,613,821
Intercompany receivable	3,100,058	1,557,218	3,733,674
Balances with mobile network operators	5,867,842	5,974,232	4,031,370
	<b>24,254,672</b>	<b>34,026,574</b>	<b>17,769,345</b>

**23. DEPOSITS FROM OTHER BANKS**

	2024 TZS' 000	2023 TZS' 000	2022 TZS' 000
Deposits and balances from other banks	231,922,375	285,589,225	240,572,898
Vostro accounts	8,918,799	4,283,205	2,081,276
	<b>240,841,174</b>	<b>289,872,430</b>	<b>242,654,174</b>

**KCB BANK TANZANIA LIMITED**

	2024	2023	2022
	TZS' 000	TZS' 000	TZS' 000
<b>30 DERIVATIVE FINANCIAL INSTRUMENTS</b>			
Derivative financial assets - Currency Swaps	348,888	-	1,207,934
Derivative financial liabilities - Currency Swaps	-	367,187	-
<b>31 RELATED PARTY TRANSACTIONS</b>			
The immediate and ultimate parent company for the Bank is KCB Group Plc.			
<b>(a) Balances due from KCB Bank Kenya Limited</b>			
KCB Bank Kenya Limited – Sister company	29,486	1,557,218	523,648
<b>(b) Nostro balances from other group companies</b>			
<b>(i) Balances due from group companies</b>			
KCB Bank Kenya Limited – Sister company	6,633,942	18,086,686	7,745,115
KCB Bank Uganda Limited – Sister company	208,606	185,318	1,608,568
KCB Bank Rwanda Limited – Sister company	2,200,103	3,001,261	2,244,486
KCB Bank South Sudan Limited – Sister company	14,286	8,062	89,128
National Bank of Kenya Ltd-Sister company	4,979,110	-	-
KCB Bank Burundi Limited – Sister company	5,070,380	12,705,148	664,444
	<u>19,106,427</u>	<u>33,986,475</u>	<u>12,351,741</u>
<b>(c) Balances due to group</b>			
<b>(i) Expenses payable to Group</b>			
KCB Bank Kenya Limited	5,009,631	3,441,120	2,070,297
<b>(d) Vostro balances from other group companies</b>			
<b>(i) Balances due to group companies</b>			
KCB Bank Kenya Limited – Sister Company	5,310,871	22,508,860	9,883,567
KCB Bank Uganda Limited – Sister company	3,698,756	4,961,081	654,323
KCB Bank Rwanda Limited – Sister company	542	301,733	260,054
KCB Bank South Sudan Limited – Sister company	125,404	260,308	178,111
Trust Merchant Bank (TMB) – Sister company	68,809,815	67,631,190	23,576,961
KCB Bank Burundi Limited – Sister company	318,910	12,884,608	272,856
National Bank of Kenya Ltd – Sister company	-	20,560,259	-
	<u>78,264,298</u>	<u>129,108,039</u>	<u>34,825,871</u>

## KCB BANK TANZANIA LIMITED

## 31 RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Deposits and loans and advances with related parties	2024 TZS' 000	2023 TZS' 000	2022 TZS' 000
<b>Loans</b>			
Directors	444,671	-	-
Senior management	1,381,765	1,558,185	1,933,468
	<u>1,826,436</u>	<u>1,558,185</u>	<u>1,933,468</u>

**Movement in loans to key management personnel during the year is as follows:**

<b>At 1 January</b>	1,558,185	1,933,468	1,818,667
Loans issued during the year	1,547,091	802,663	1,000,367
Loans repayments during the year	(1,278,840)	(1,177,946)	(885,566)
<b>At 31 December</b>	<u>1,826,436</u>	<u>1,558,185</u>	<u>1,933,468</u>
Interest income earned on the loans	<u>110,000</u>	<u>113,479</u>	<u>121,944</u>

Interest rates charged in respect of staff loans are at a concessionary rate when compared to what would be charged in an arm's length transaction. However, adjustment to reflect the value of the loans if they were issued at market interest rates is recorded as a prepaid expense and amortised over the duration of the loans. The secured loans granted are secured over property of the respective borrowers.

**Deposits**

Directors	30,374	28,871	65,894
Senior management	467,106	392,604	188,734
	<u>497,480</u>	<u>421,475</u>	<u>254,628</u>

**Movement in deposit by key management personnel during the year is as follows:**

<b>At 1 January</b>	421,476	254,628	207,498
Deposit received during the year	10,031,979	6,333,527	2,375,300
Deposit withdrawn during the year	(9,955,974)	(6,166,679)	(2,328,170)
	<u>497,481</u>	<u>421,476</u>	<u>254,628</u>
<b>At 31 December</b>			
Interest expense paid on the deposits	<u>13,784</u>	<u>10,142</u>	<u>6,932</u>

**(f) Senior management compensation**

	2024 TZS' 000	2023 TZS' 000	2022 TZS' 000
Short term benefits	5,578,839	4,231,485	3,400,922
Pension contribution	539,579	387,401	293,639
Medical benefits	46,465	46,912	48,577
	<u>6,164,883</u>	<u>4,665,798</u>	<u>3,743,138</u>

**(g) Directors' fees**

	<u>753,981</u>	<u>424,166</u>	<u>378,794</u>
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**KCB BANK TANZANIA LIMITED**
**32. CONTINGENT LIABILITIES AND COMMITMENTS**
**Legal contingencies**

KCB Bank Tanzania Limited is defending several legal suits primarily based on breach of contract, mandate and defamation as filed by customers, ex-employees and third parties. Whilst liability is not admitted, it may incur claims if defense against the actions is unsuccessful. Based on legal advice, the directors do not expect the outcome of the actions to have a material effect on the Bank's financial position. As at 31 December 2024, there were pending legal claims against the bank amounting to TZS 51.3 billion (2023: TZS 84 billion) for which a provision of TZS 898 million (2023: TZS 2.4 billion) is recorded. A significant portion of the claims are labour related proceedings.

**Commitments**

The contractual amounts of the Banks' off-balance sheet financial instruments that commit it to extend credit to customers are as follows;

	2024	2023	2022
	TZS' 000	TZS' 000	TZS' 000
Outstanding import letters of credit	32,204,566	109,864,559	39,994,590
Outstanding guarantees and indemnities	99,135,886	73,889,590	72,115,469
Undrawn balances of unexpired overdraft lines	50,674,861	26,752,601	41,559,902
	<u>182,015,313</u>	<u>210,506,750</u>	<u>153,669,961</u>

**33. RECONCILIATION OF MOVEMENTS OF LIABILITIES AND EQUITY TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES**

	Note	Borrowings TZS' 000	Debt Instrument At amortised cost	Lease liability TZS'000
<b>Balance at 1 January 2024</b>		65,550,903	11,080,167	8,883,068
<b>Changes from financing cash flows</b>				
Proceeds from borrowings	28	39,078,600	-	-
Payment of lease liabilities		-	-	(3,420,041)
<b>Total changes from financing cash flows</b>		<u>39,078,600</u>	<u>-</u>	<u>(3,420,041)</u>
<b>The effect of changes in foreign exchange rates</b>		<u>(2,007,220)</u>	<u>-</u>	<u>291,062</u>
<b>Liability-related</b>				
New leases	19	-	-	1,937,412
Interest expense		5,458,523	968,866	886,200
Interest paid		(5,374,874)	(966,219)	-
<b>Total liability-related other changes</b>		<u>83,649</u>	<u>2,647</u>	<u>2,823,612</u>
<b>Total equity-related other changes</b>		<u>-</u>	<u>-</u>	<u>-</u>
<b>Balance at 31 December 2024</b>		<u>102,705,932</u>	<u>11,082,814</u>	<u>8,577,701</u>

**KCB BANK TANZANIA LIMITED**
**33.RECONCILIATION OF MOVEMENTS OF LIABILITIES AND EQUITY TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES (CONTINUED)**

		<b>Borrowings</b>	<b>Debt instrument at amortised cost</b>	<b>Lease liability</b>
	<b>Note</b>	<b>TZS' 000</b>	<b>TZS'000</b>	<b>TZS'000</b>
<b>Balance at 1 January 2023</b>		10,074,521	11,074,266	8,875,279
<b>Changes from financing cash flows</b>				
Proceeds from borrowings	28	52,524,276	-	-
Payment of lease liabilities		-	-	(3,213,766)
<b>Total changes from financing cash flows</b>		<b>52,524,276</b>	<b>-</b>	<b>(3,213,766)</b>
<b>The effect of changes in foreign exchange rates</b>		<b>2,250,206</b>	<b>-</b>	<b>(950,247)</b>
<b>Other changes – lease modifications</b>				<b>607,920</b>
<b>Liability-related</b>				
New leases		-	-	2,814,599
Interest expense		2,389,303	1,696,325	749,283
Interest paid		(1,687,403)	(1,690,424)	-
<b>Total liability-related other changes</b>		<b>701,900</b>	<b>5,901</b>	<b>3,563,882</b>
<b>Total equity-related other changes</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance at 31 December 2023</b>		<b><u>65,550,903</u></b>	<b><u>11,080,167</u></b>	<b><u>8,883,068</u></b>

**34.CHANGE OF PRESENTATION**
*Cash and cash equivalents*

The Bank of Tanzania issued Circular No. 1, on 29 May 2019, which introduced new requirements for the Statutory Minimum Reserve (SMR).

Under the updated regulations, banks must maintain at least 80% of the required SMR balance in their clearing account at the Bank of Tanzania on a daily basis, while ensuring that the average balance over the maintenance period meets 100% of the required SMR amount. This adjustment allows banks daily access to up to 20% of their SMR balance while still complying with the regulatory requirements.

In 2024, the bank corrected its accounting policy to classify 20% of the SMR balance as part of cash and cash equivalents in its financial statements, aligning with the increased liquidity provided by the regulatory change.

The revised policy has been adopted for the financial statements as at 31 December 2024, impacting the opening balance of cash and cash equivalents.

*Interest paid on borrowings*

In 2023, the bank erroneously classified interest paid on borrowing as financing activities while the bank's policy choice is to classify interest paid as operating activities. A restatement has been made to correct this.

The following tables summarizes the impacts of the correction of errors on the Bank's statement of cash flows.

There was no impact on investing activities.

**KCB BANK TANZANIA LIMITED**
**34.CHANGE OF PRESENTATION (CONTINUED)**

<b>Statement of cash flows</b>	<b>As previously reported 2023 TZS'000</b>	<b>Restatement adjustment 2023 TZS'000</b>	<b>As restated 2023 TZS'000</b>
Change in Statutory Minimum Reserve	(10,407,406)	2,081,481	(8,325,925)
Interest paid on borrowings	-	(1,687,403)	(1,687,403)
Other operating activities	30,551,228	-	30,551,228
<b>Net Cash generated from operating activities</b>	<b>20,143,822</b>	<b>394,078</b>	<b>20,537,900</b>
Interest paid on borrowings	(1,687,403)	1,687,403	-
<b>Net cash generated from financing activities</b>	<b>48,601,183</b>	<b>1,687,403</b>	<b>50,288,586</b>
Net increase/ (decrease) in cash and cash equivalent	65,807,427	2,081,481	67,888,908
Cash and cash equivalent at start of the year	178,867,624	8,210,349	187,077,973
<b>Cash and cash equivalents at end of the year</b>	<b>244,675,051</b>	<b>10,291,830</b>	<b>254,966,881</b>

**35. EARNINGS PER SHARE**
**Basic earnings per share**

The calculation of basic EPS has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

	<b>2024</b>	<b>2023</b>
<i>i.Profit attributable to ordinary shareholders (basic)</i>	50,812,228	37,623,866
Profit for the year attributable to equity holders of the Bank		
<i>ii. Weighted-average number of ordinary shares (basic)</i>		
Issued ordinary shares at 1 January	626,699	626,699
Basic earnings per share – TZS '000	<u>0.81</u>	<u>0.60</u>
<b>Diluted earnings per share</b>		

The calculation of diluted EPS has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

**KCB BANK TANZANIA LIMITED**

**35.EARNINGS PER SHARE (CONTINUED)**

*iii. Profit attributable to ordinary shareholders (diluted)*

	2024	2023
	TZS '000	TZS'000
Profit for the period attributable to holders of ordinary shares (diluted)	50,812,228	37,623,866

*iv. Weighted-average number of ordinary shares (diluted)*

The bank does not have share options in issue; therefore the Weighted-average number of ordinary shares (626,699,360) is not diluted.

	2024	2023
	TZS '000	TZS'000
<b>Diluted earnings per share</b>	<u><u>81.07</u></u>	<u><u>60.03</u></u>

**36.SEGMENT REPORTING**

The bank has four strategic divisions which are reportable segments. These divisions offer different products and services and are managed separately based on the bank's management and internal reporting structure. The segments are Corporate Banking, Retail Banking, Treasury and Islamic Banking which are located in Tanzania.

Corporate banking includes loans, deposits and other transactions, balances with corporate customers and balances with central treasury.

Retail banking includes loans, deposits and other transactions and balances with retail customers.

Islamic banking includes shariah compliant loans, deposits and other transactions and balances with customers.

Treasury includes borrowings, issues of debt securities, use of derivatives for risk management purposes and investing in liquid assets such as short term placements and corporate and government debt securities.

**a) Sharia compliant income**

The following terms are used in the financial statements with the meaning specified:

**(i) Murabaha**

An Islamic financing transaction which represents an agreement whereby the Bank buys a commodity/good and sells it to a counterparty based on a promise received from that counterparty to buy the commodity according to specific terms and conditions. The selling price comprises of the cost of the commodity/good and a pre-agreed upon profit margin.

**(ii) Diminishing Musharaka**

An Islamic financing transaction whereby the bank will enter into agreement to jointly purchase an asset with another party and income will be received by the bank relating to that proportion of the asset owned by the bank at any point in time. The other party to the agreement will make separate payments to purchase additional proportion of the asset from the bank thereby reducing the bank's effective share.

An Islamic financing transaction as classified under the following categories:-

- Amana Savings Account- It is an Islamic financing transaction whereby a customer can put money aside for future use in Sharia compliant manner.
- Amana Current Account- It is an Islamic financing transaction operating under a non-interest bearing account with a cheque writing facility that enables the customer to carry out day to day transaction.

**(b) Income from Islamic financing and investing activities**

- Murabaha income is recognised on a time-apportioned basis over the period of the contract based on the principal amounts outstanding;
- Diminishing Musharaka income is accounted for on the basis of the reducing balance on a time apportioned basis that reflects the effective yield on the asset.

**(c) Service Ijarah**

Ijarah refer to "the lease of an asset or service for an agreed consideration" charged in terms of fees or rentals. The Ijarah contract is applicable to "usufructs" as well as "services". Currently the bank offers Ijarah on services only and not usufructs.

**KCB BANK TANZANIA LIMITED**

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**36.SEGMENT REPORTING (CONTINUED)****(d) Deposit: Qardh Contract**

Qardh refers to a contract of lending money by a lender to a borrower where the latter is bound to repay an equivalent replacement amount to the lender. This contract is used to receive deposits whereby the Depositor (Customer) places cash money in the bank under Qardh and the bank as a borrower guarantees that the money is available to be withdrawn by the Depositor at any time.

Deposit under Qardh Contract are classified under the following categories:-

- Savings Account - It is an Islamic financing transaction whereby a customer can put money aside for future use in Sharia compliant manner.
- Current Account - It is an Islamic financing transaction operating under a non-interest-bearing account with a cheque writing facility that enables the customer to carry out day to day transaction.
- Community Account - It is an Islamic financing transaction operating under a non-interest bearing account to cater for groups within the community that enables the group to carry out day to day transactions.

The Islamic window does not, as a policy, engage in any activities that involve usury. However, any non-Sharia compliant income earned by the Islamic window, due to circumstances beyond its control, is transferred to the welfare and charitable fund to be used for charitable activities.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Bank management committee. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

**KCB BANK TANZANIA LIMITED**
**36.SEGMENT REPORTING (CONTINUED)**
**Statement of comprehensive income**

	Corporate banking	Retail banking	Treasury	Islamic banking	Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
<b>For the year ended 31 December 2024</b>					
Interest and similar income	50,812,246	55,859,211	35,119,796	10,343,312	152,134,565
Interest expenses and similar charges	(18,026,453)	(20,352,436)	(18,322,519)	(4,751,013)	(61,452,421)
Net interest income/Profit Margin	32,785,793	35,506,775	16,797,277	5,592,299	90,682,144
Fees and commission income	10,881,186	13,312,200	-	2,138,821	26,332,207
Fees and commission expense	(6,521,450)	(7,978,613)	-	(1,281,894)	(15,781,957)
Net fee and commission income	4,359,736	5,333,587	-	856,927	10,550,250
Net trading income and foreign exchange revaluation	-	-	14,943,159	-	14,943,159
Other income	-	398,099	-	-	398,099
Operating expenses	(12,930,874)	(14,355,680)	(11,049,286)	(2,245,065)	(40,580,905)
<b>Segment profit before tax</b>	<b>24,214,655</b>	<b>26,882,781</b>	<b>20,691,150</b>	<b>4,204,161</b>	<b>75,992,747</b>
<b>For the year ended 31 December 2023</b>					
Interest and similar income	43,147,488	41,405,080	29,309,164	10,399,132	124,260,864
Interest expenses and similar charges	(12,464,549)	(14,403,373)	(15,993,359)	(4,215,843)	(47,077,124)
Net interest income/Profit Margin	30,682,939	27,001,707	13,315,805	6,183,289	77,183,740
Fees and commission income	10,110,417	8,256,513	-	2,288,364	20,655,294
Fees and commission expense	(2,801,043)	(2,287,428)	-	(633,980)	(5,722,451)
Net fee and commission income	7,309,374	5,969,085	-	1,654,384	14,932,843
Net trading income and foreign exchange revaluation	-	-	11,320,746	-	11,320,746
Other income	-	6	-	-	6
Operating expenses	(18,678,395)	(16,209,636)	(12,112,219)	(3,853,283)	(50,853,533)
<b>Segment profit before tax</b>	<b>19,313,918</b>	<b>16,761,162</b>	<b>12,524,332</b>	<b>3,984,390</b>	<b>52,583,802</b>
<b>For the year ended 31 December 2022</b>					
Net interest income/Profit Margin	23,955,667	12,807,445	16,396,555	4,486,356	57,646,023
Net fee and commission income	4,460,542	5,595,840	-	1,513,371	11,569,753
Other income	-	639,442	9,233,706	-	9,873,148
Operating expenses	(18,917,768)	(12,756,344)	(13,445,338)	(3,032,606)	(48,152,056)
<b>Segment profit before tax</b>	<b>9,498,441</b>	<b>6,286,383</b>	<b>12,184,923</b>	<b>2,967,121</b>	<b>30,936,868</b>

The bank has disclosed amounts for each reportable segment because they included in the segment measure of profit or loss reviewed by the Bank management committee.

**KCB BANK TANZANIA LIMITED**
**36. SEGMENT REPORTING (CONTINUED)**
**b) Non-Shariah compliant income (continued)**
**Statement of financial position**

	<b>Corporate banking</b>	<b>Retail banking</b>	<b>Treasury</b>	<b>Islamic banking</b>	<b>Total</b>
	<b>TZS'000</b>	<b>TZS'000</b>	<b>TZS'000</b>	<b>TZS'000</b>	<b>TZS'000</b>
<b>At 31 December 2024</b>					
Total assets	468,166,072	471,182,534	567,498,435	86,118,028	1,592,965,069
Total liabilities	288,687,124	594,329,018	371,466,293	117,162,396	1,371,644,831
Shareholders' funds & long-term			221,320,238		221,320,238
	<u>288,687,124</u>	<u>594,329,018</u>	<u>592,786,531</u>	<u>117,162,396</u>	<u>1,592,965,069</u>
<b>At 31 December 2023</b>					
Total assets	413,441,978	413,981,600	521,644,148	87,504,940	1,436,572,666
Total liabilities	228,738,920	521,196,505	384,013,103	125,304,846	1,259,253,374
Shareholders' funds & long-term			177,319,292		177,319,292
	<u>228,738,920</u>	<u>521,196,505</u>	<u>561,332,395</u>	<u>125,304,846</u>	<u>1,436,572,666</u>
<b>At 31 December 2022</b>					
Total assets	351,120,933	249,787,492	430,892,869	81,227,414	1,113,028,708
Total liabilities	208,023,943	390,054,733	272,138,611	100,334,441	970,551,728
Shareholders' funds & long-term			142,476,980		142,476,980
debt					
	<u>208,023,943</u>	<u>390,054,733</u>	<u>414,615,591</u>	<u>100,334,441</u>	<u>1,113,028,708</u>

The bank has disclosed amounts for each reportable segment because they included in the segment measure of profit or loss

**37. COMPARATIVES**

Where deemed appropriate, classification for the comparative numbers has been adjusted to align with current year's

**38. HOLDING COMPANY**

The immediate and ultimate parent company of the bank is KCB Group Plc, a company incorporated in Kenya under the Kenyan Companies Act, 2015.

**38. SUBSEQUENT EVENTS**

At the date of signing the financial statements, the Directors are not aware of any other matter or circumstance arising since the date of the end of the reporting period, not otherwise dealt in these financial statements, which significantly affected the financial position of the Bank and results of its operations.



**INDEPENDENT LIMITED ASSURANCE REPORT TO THE DIRECTORS OF KCB BANK TANZANIA ON FINANCIAL RATIOS PREPARED BASED ON GUIDELINES FOR THE ISSUE OF CORPORATE BONDS, MUNICIPAL BONDS AND COMMERCIAL PAPERS ISSUED BY THE CAPITAL MARKETS AND SECURITIES AUTHORITY - TANZANIA (CMSA), 2019**

We have examined the of KCB Bank Tanzania (“the Bank”) historical financial ratios as at and for the years ended 31 December 2024, 31 December 2023 and 31 December 2022 set out on pages 181 to 184 prepared for inclusion in the Information Memorandum in connection with the proposed issuance of The proposed Bank’s Mapato Sukuk offering.

**Responsibilities of the Directors**

The Directors are responsible for the preparation and presentation of the historical financial ratios in accordance with the guidance provided under Annex 1: Financial ratios, included in the Guidelines for the issuance of corporate bonds, municipal bonds and commercial papers issued by the CMSA, 2019.

**Practitioner’s Responsibilities**

Our responsibility is to examine the historical financial ratios and to report thereon in the form of an independent limited assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the International Auditing and Assurance Standards Board. The standard requires that we plan and perform our procedures to obtain a meaningful level of assurance about whether the historical financial ratios are prepared per the requirements of Annex 1: Financial ratios, in the Guidelines for the issuance of corporate bonds, municipal bonds and commercial papers issued by the CMSA, 2019 in all material respects, as the basis for our limited assurance conclusion.

The procedures selected depend on our understanding of the historical financial ratios and other engagement circumstances, and our consideration of areas where material misstatements are likely to arise.

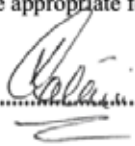
The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

**Conclusion**

Based on our review, the historical financial ratios have been accurately extracted from the audited financial statements of the Bank for the 31 December 2024, 31 December 2023 and 31 December 2022 and presented fairly, in all material respects, based on the requirements of Annex 1: Financial ratios, included in the Guidelines for the issuance of corporate bonds, municipal bonds and commercial papers issued by the CMSA, 2019

The historical financial ratios have been prepared for inclusion in a prospectus for the purpose of listing of the Sukuk and may therefore, not be appropriate for another purpose.

.....  
  
 Lina  
 Ratansi  
 FCPA No. 644  
 For and on behalf of RSM Tanzania  
 Certified Public Accountants (T)

.....  
 6 February.....2026  
 Dar Es Salaam

**KCB BANK TANZANIA LIMITED**
**KEY FINANCIAL RATIOS FOR THE THREE YEARS ENDED 31 DECEMBER 2022, 31 DECEMBER 2023 AND 31 DECEMBER 2024**

PARTICULARS	NOTE	2024	2023	2022
		TZS	TZS	TZS
EBIT Interest Cover (times)	D	14.92	23.01	35.51
Operating Cash Flow to Total Debt (%)	E	-15%	66%	350%
Free Cash Flow to Total Debt (%)	F	-8%	31%	178%
Total Free Cash Flow to Short Term Debt (%)	G	-270%	2888%	50437%
Net Profit Margin (%)	H	28%	26%	20%
Post-tax Return on Capital Employed (%)	I	20%	20%	16%
Long-term Debt to Capital Employed	J	62%	53%	13%
Total Debt to Equity Ratio (times)	K	0.42	0.24	0.08
Funds from Operations to Total Debt (%)	L	-15%	54%	350%
Free Cash Flow to Debt Repayment Cover (times)	M	0.78	1.23	2.73

**NOTES TO KEY FINANCIAL RATIOS FOR THE YEARS ENDED 30 JUNE 2022, 2023 AND 2024**
**A. SOURCE OF FINANCIAL INFORMATION USED FOR COMPUTATION OF RATIOS**

The financial information used for computing the historical ratios has been extracted from annual audited financial statements of the Bank

**B. BASIS FOR COMPUTATION OF RATIOS BASED ON CMSA REQUIREMENTS**
**1. Earnings before interest and taxes (EBIT)**

EBIT interest cover = EBIT for the period / (interest payable for the period + any preference dividend payable for the period)

**2. Operating cash flow to total debt percentage**

Operating cash flow to total debt ratio = (funds generated from operations in the period/average total debt during the period) x 100%

**3. Free Cash flow to total debt percentage**

Free cash flow to total debt = (free cash flows for the period/average total debt during the period) x 100%

**4. Total free cash flow to total short term debt obligations**

Total free cash flow to total short-term debt obligation = (total uncommitted cash flows for the period/ total short-term debt obligations at the end of the period) x 100%

**5. Net profit margin**

Net profit margin = (net profit for the period/total sales for the period) x 100%

**6. Post-tax return (before financing costs) on capital employed**

Post-tax return (before financing costs) = (profit after tax but before financing costs for the period/ average capital employed for the period) x 100%

**7. Long-term debt to capital employed ratio**

Long-term debt to capital employed ratio = (average long-term debt outstanding during the period/ average equity + average long-term debt for the period)

**8. Total debt to equity ratio**

Total debt to equity ratio = (average short-term debt outstanding + average long-term debt outstanding during the period)/average equity for the period

**9. Funds from operations to debt percentage**

Funds from operations to debt = (funds generated from operations in the period/average total debt during the period) x 100%

**10. Free cash flow to debt repayment cover**

Free cash flow to debt repayment cover = (free cash flow for the period)/(interest payable + preference dividend+ principal repaid during the period)

## KCB BANK TANZANIA LIMITED

## KEY FINANCIAL RATIOS FOR THE YEARS ENDED 31 DECEMBER, 2022, 2023 &amp; 2024 NOTES

## C. EXPLANATION OF COMPONENTS OF THE RATIOS BASED ON CMSA REQUIREMENTS

1. Average over the period is defined as the average of the opening and closing balances for that period.
2. Earnings Before Interest and Tax (EBIT) is after interest earned and income from investments during the period.
3. Interest payable for the period is defined as interest payable on all long-term and short-term debts for the period (i.e. interest paid and accrued).
4. Free cash flow is defined as operating cash flow for the period less income tax paid and net capital investment.
5. Total uncommitted cash flow is defined as free cash flow for the period plus any cash and cash equivalents at the end of the period.
6. Cash equivalents are defined as highly liquid assets, convertible into known amounts of cash without notice and have insignificant risk of changes in value owing to changes in interest rates. A reasonable cut-off for cash equivalents is represented by a three-month (or less) maturity from date of acquisition.
7. Profit (surplus) after tax for the period is stated after exceptional items but before extraordinary items and interest payable.

<b>D: Earnings Before Interest And Taxes (Ebit)To Interest</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>
	<b>TZS'000</b>	<b>TZS'000</b>	<b>TZS'000</b>
Profit before income tax	75,992,747	52,583,802	30,936,868
Interest expense on borrowings	5,458,523	2,389,303	896,576
Earnings before interest and tax	81,451,270	54,973,105	31,833,444
Interest expense. (Interest on borrowing)	5,458,523	2,389,303	896,576
EBIT Interest Cover	14.92	23.01	35.51
<b>E: Operating Cash Flow To Total Debt Percentage</b>			
Net cash generated from operations	(12,857,635)	20,537,900	35,260,618
<b>Average total debt:</b>			
Borrowing at start	65,550,903	10,074,521	10,086,986
Borrowing at end	102,705,932	52,524,276	10,074,521
Simple average total debt	84,128,418	31,299,399	10,080,754
Operating cash flow to total debt percentage	-15%	66%	350%
<b>F: Free Cash Flow To Total Debt Percentage</b>			
Net cash from operating activities	(12,857,635)	20,537,900	35,260,618
Less: Capital Expenditures	(3,814,667)	(2,881,831)	(2,325,321)
<b>Free Cash Flow</b>	(9,042,968)	23,419,731	37,585,939
Total Debt (Short Term + Long Term Borrowings)	113,788,746	76,631,070	21,148,787
Free Cash Flow to Total Debt (%)	-8%	31%	178%

**KCB BANK TANZANIA LIMITED**
**KEY FINANCIAL RATIOS FOR THE YEARS ENDED 31 DECEMBER, 2022, 2023 & 2024 NOTES**

<b>G: Total Free Cash Flow To Total Short Term Debt</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>
<b>Obligations</b>	<b>TZS'000</b>	<b>TZS'000</b>	<b>TZS'000</b>
Net Cash from operating activities	(12,857,635)	20,537,900	35,260,618
Less: Capital Expenditures	(3,814,667)	(2,881,831)	(2,325,321)
<b>Free Cash Flow</b>	<b>(9,042,968)</b>	<b>23,419,731</b>	<b>37,585,939</b>
Short term borrowings	3,348,019	811,066	74,521
<b>Free Cash Flow to Short Term Debt (%)</b>	<b>-270%</b>	<b>2888%</b>	<b>50437%</b>
<b>H: Net Profit Margin</b>			
Profit for the year	50,812,228	37,623,866	21,431,278
<b>Revenue</b>			
Interest Income	152,134,565	124,260,864	93,639,150
Fees and commission income	26,332,207	20,655,294	12,945,647
<b>Total Revenue</b>	<b>178,466,772</b>	<b>144,916,158</b>	<b>105,584,797</b>
<b>Net profit margin</b>	<b>28%</b>	<b>26%</b>	<b>20%</b>
<b>I: Post Return (Before Financing Costs) On Capital Employed</b>			
<b>Profit for the year</b>	<b>50,812,228</b>	<b>37,623,866</b>	<b>21,431,278</b>
Interest expense on borrowings	5,458,523	2,389,303	896,576
<b>Profit for the year before financing costs</b>	<b>56,270,751</b>	<b>40,013,169</b>	<b>22,327,854</b>
<b>Capital employed</b>			
<i>At start of the year:</i>			
Total Equity	177,319,292	142,476,980	114,248,812
Borrowings	65,550,903	10,074,521	10,086,986
<b>Total Capital employed at start of the year</b>	<b>242,870,195</b>	<b>152,551,501</b>	<b>124,335,798</b>
<i>At the end of the year:</i>			
Total Equity	221,320,238	177,319,292	142,476,980
Borrowings	102,705,932	65,550,903	10,074,521
<b>Total Capital employed at the end of the year</b>	<b>324,026,170</b>	<b>242,870,195</b>	<b>152,551,501</b>
Simple average capital employed during the year	283,448,183	197,710,848	138,443,650
Post tax return before financing costs	<b>20%</b>	<b>20%</b>	<b>16%</b>
<b>J: Long-Term Debt To Capital Employed Ratio</b>			
Long term borrowing	99,357,913	64,739,837	10,000,000
Total Equity	221,320,238	177,319,292	142,476,980
<b>Capital Employed</b>	<b>160,339,076</b>	<b>121,029,565</b>	<b>76,238,490</b>
Long term debt to capital employed	<b>62%</b>	<b>53%</b>	<b>13%</b>

**KCB BANK TANZANIA LIMITED**
**KEY FINANCIAL RATIOS FOR THE YEARS ENDED 31 DECEMBER, 2022, 2023 & 2024 NOTES**

<b>K TOTAL DEBT TO EQUITY RATIO</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>
	<b>TZS'000</b>	<b>TZS'000</b>	<b>TZS'000</b>
<b>Average total debt</b>			
Borrowings at the start of the year	65,550,903	10,074,521	10,086,986
Borrowings at the end of the year	102,705,932	65,550,903	10,074,521
<b>Simple average total debt</b>	<b>84,128,418</b>	<b>37,812,712</b>	<b>10,080,754</b>
<b>Average Equity</b>			
Total Equity at start of the year:	177,319,292	142,476,980	114,248,812
Total Equity at the end of the year:	221,320,238	177,319,292	142,476,980
Simple average total equity during the year	199,319,765	159,898,136	128,362,896
<b>Total debt to equity ratio</b>	<b>0.42</b>	<b>0.24</b>	<b>0.08</b>
<b>L FUNDS FROM OPERATIONS TO TOTAL DEBT PERCENTAGE</b>			
Net cash generated from operations	(12,857,635)	20,537,900	35,260,618
<b>Average total debt</b>			
Borrowings at the start of the year	65,550,903	10,074,521	10,086,986
Borrowings at the end of the year	102,705,932	65,550,903	10,074,521
<b>Simple average total debt</b>	<b>84,128,418</b>	<b>37,812,712</b>	<b>10,080,754</b>
<b>Total debt to equity ratio</b>	<b>-15%</b>	<b>54%</b>	<b>350%</b>
<b>M FREE CASH FLOWS TO DEBT PAYMENT COVER</b>			
<i>Free cashflows</i>			
Cash generated from(used in)operations	(12,857,635)	20,537,900	35,260,618
Cash used in purchase of property and equipment	3,814,667	2,881,831	2,325,320
Cash used in purchase of intangible assets	427,615	55,753	126,762
<b>Simple average total debt</b>	<b>4,242,282</b>	<b>2,937,584</b>	<b>2,452,082</b>
<b>Debt Repayment</b>			
Interest expense on borrowings	5,458,523	2,389,303	896,576
<b>Total debt to equity ratio</b>	<b>0.78</b>	<b>1.23</b>	<b>2.73</b>

The Board of Directors  
KCB Bank Tanzania Limited  
P.o Box 804  
Dar es Salaam  
Tanzania

Dear Sirs,

**INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE KCB BANK TANZANIA LTD (SAHL SEGMENT)  
PROSPECTIVE FINANCIAL INFORMATION**

We have examined the accompanying prospective financial information of the KCB Bank Tanzania's (KCB or Bank) Sahl segment, as set out on page 186 of the Information Memorandum, which comprises the condensed projected statements of financial position as at 31 December 2026, 2027, and 2028 and condensed statement of financial performance for the year ended 31 December 2026, 2027, and 2028, and the underlying assumptions (together the prospective financial information). The prospective financial information (PFI) has been prepared by management for the inclusion in the Information Memorandum in connection with the proposed issuance of Mapato Sukuk.

**Management Responsibility**

Management is responsible for the preparation and presentation of the PFI in accordance with the requirements of the Capital Markets and Securities Authority (CMSA) and the Guidelines for the issue of corporate bonds, municipal bonds and commercial papers issued by the Capital Markets and Security Authority - Tanzania, 2019. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Forecasted Financial Information on the basis of those

**Reporting Accountant Responsibility**

Our responsibility is to express a limited assurance conclusion on whether anything has come to our attention that causes us to believe that the assumptions do not provide a reasonable basis for the preparation and presentation of the PFI in accordance with the requirements of the Capital Markets and Securities, Cap 79 of the Laws of Tanzania and subject to the laws of Tanzania and the Guidelines for issue of corporate bonds and commercial paper from Capital Markets and Securities, 2019. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3400, The Examination of Prospective Financial Information. That standard requires that we plan and perform this engagement to obtain limited assurance about whether the Directors' assumptions provide a reasonable basis

A limited assurance engagement consists primarily of making inquiries of management and applying analytical and other review procedures. It is substantially less in scope than a reasonable assurance engagement or an audit conducted in accordance with International Standards on Auditing. Our work included evaluating the assumptions used by management, considering whether the PFI is consistent with the stated assumptions, and examining the compilation of the PFI. We also considered the historical information and the consistency of the PFI with current plans and strategies.

Because the PFI relates to the future, actual results are likely to be different from the forecast since anticipated events frequently do not occur as expected, and the variation may be material. Accordingly, we do not express a reasonable assurance

**Conclusion**

Based on our examination of the evidence supporting the assumptions, nothing has come to our attention which causes us to believe that these assumptions do not provide a reasonable basis for the preparation of the prospective financial information. Further, in our opinion the projection is properly prepared on the basis of the assumptions and is presented in accordance with the Capital Markets and Securities, Cap 79 of the Laws of Tanzania and the Guidelines for issue of corporate bonds and commercial paper from Capital Markets and Securities,

**Restriction of use**

This report is intended solely for inclusion in the Information Memorandum to be issued by the Bank in connection with the proposed Mapato Sukuk offering and should not be used for any other purpose.

The engagement partner responsible for the engagement resulting in this Reporting Accountants report is Lina Ratansi

.....  
Lina Ratansi  
FCPA No. 644  
For and on behalf of RSM Tanzania  
Certified Public Accountants (T)

6 February .....2026  
Dar Es Salaam

**KCB BANK TANZANIA LIMITED**

Projected Condensed Financials for Islamic Banking Segment

**CONDENSED STATEMENT OF FINANCIAL PERFORMANCE**

	2025 (Actual)	2026	2027	2028
	TZS ( Millions)	TZS ( Millions)	TZS ( Millions)	TZS ( Millions)
Profit Income	11,460	13,022	14,585	16,335
Profit Sharing Cost	3,071	4,827	5,105	5,717
Sukuk Expense	932	1,500	3,300	3,300
<b>Net Profit Income</b>	<b>7,457</b>	<b>6,695</b>	<b>6,180</b>	<b>7,318</b>
Net Fees & Comm &Fx	5,793	6,083	6,387	6,706
<b>Total Income</b>	<b>13,250</b>	<b>12,778</b>	<b>12,567</b>	<b>14,024</b>
Impairment Recoveries	(182)	(225)	(225)	(225)
Taxes for the period	(3,920)	(3,766)	(3,703)	(4,140)
<b>Net Profit for the period</b>	<b>9,148</b>	<b>8,787</b>	<b>8,640</b>	<b>9,659</b>

**CONDENSED STATEMENT OF FINANCIAL POSITION**

Sukuk Deposits	-	20,000	30,000	30,000
Customer Deposits	134,357	153,183	168,501	185,351
<b>Total Deposits</b>	<b>134,357</b>	<b>173,183</b>	<b>198,501</b>	<b>215,351</b>
<b>Total Financing</b>	<b>101,275</b>	<b>115,294</b>	<b>130,282</b>	<b>147,219</b>
<b>Sukuk Investment</b>	<b>1,122</b>	<b>1,000</b>	<b>1,000</b>	<b>1,000</b>
<b>Total assets</b>	<b>102,397</b>	<b>116,294</b>	<b>131,282</b>	<b>148,219</b>

**Assumptions on which the forecast condensed Sahl banking financial information for the three years is based on:**
**1. Income from Financing**

It is assumed that the average yield on the financing portfolio will remain stable at 11% per annum over the forecast period (2026–2028), reflecting consistent pricing and portfolio composition.

**2. Profit Sharing Expenses**

Total expenses (including distribution to Sukuk holders and other profit-sharing arrangements) directly associated with profit generation, are projected to be contained within 40% of total income annually, in line with historical trends and ongoing cost management initiatives.

**3. Sukuk Funding Expense**

The Salaam Sukuk is expected to be issued in April 2026, with a minimum of TZS 20 billion to be raised under Tranche 1, followed by a further TZS 10 billion to be raised under Tranche 2 in 2027. All tranches are assumed to carry an average annual cost of 11%; however, due to the April 2026 issuance of Tranche 1, the effective the average annual cost for 2026 is estimated at approximately 8%.

**4. Net Fees and Commission**

Net fees and commission income is projected to grow at an average annual rate of 5% over the forecast period, driven by minimal increase noted in transaction.

**5. Customer deposits**

Customer deposits are projected to grow at 14% in 2026 and 10% in 2027 and 2028, representing a conservative outlook compared to the historical average growth rate of approximately 18% over the past three years.

**6. Total Financing**

Total financing is projected to grow at a conservative annual rate of 13% over the forecast period; however, growth in 2026 is expected to be 14%, supported by strong performance observed in Q1 2026.

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185



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## 11. Legal Opinion

# TWELFTH

## LAW & ADVISORY

6 February 2026

Ref: SAB/KCB/SUKUK/12

To: KCB Bank Tanzania Limited  
Harambee Plaza  
Ali Hassan Mwinyi Road / Kaunda Street  
P.O Box 804  
Dar es Salaam  
Tanzania

in its capacity as Issuer under the Information Memorandum and the Terms & Conditions (each as defined below) as at the date of this letter

Dear Sirs,

**Legal opinion in respect of Mapato Mudharabah Sukuk Master Programme established by KCB Bank Tanzania Limited for the issuance of unsecured, subordinated and dematerialised sukuk certificate(s) in an aggregate principal amount of up to TSh. 30,000,000,000**

### 1. Background

1.1 This legal opinion (**Opinion**) is issued at the request of KCB Bank Tanzania Limited (**Issuer**) in connection with the establishment of Mapato Mudharabah Sukuk Master Programme (the **Programme**), pursuant to which the Issuer may issue unsecured, subordinated, dematerialised investment certificate(s) (**Sukuk**) in one or more tranches over a three-year period, for an aggregate principal amount of TSh. 30,000,000,000 (Tanzanian Shillings Thirty Billion).

1.2 The Programme is structured in accordance with the principles of Shari'ah and is based on an unrestricted Mudharabah arrangement governed by the Master Programme Sukuk Al Mudharabah Terms & Conditions (the **Terms & Conditions**). The Terms & Conditions are set out in, and deemed incorporated by reference into, the Information Memorandum (as defined below) and each relevant Pricing Supplement (as defined below) issued in respect of a tranche of Sukuk.

1.3 This Opinion is issued for the purpose of confirming certain matters of Tanzanian law in connection with the Issuer, the Programme, the Terms & Conditions and the issuance of Sukuk thereunder.

### 2. Documents examined

2.1 For the purpose of issuing this Opinion, we have examined and relied on scanned (PDF) copies of the following documents, each as provided to us in final form:

- (a) the Information Memorandum for the Programme dated on or around the date of this Opinion (the **Information Memorandum**), including the Terms & Conditions incorporated therein;
- (b) a sample form of pricing supplement proposed to be used in connection with each tranche of Sukuk under the Programme (the **Pricing Supplement**);

- (c) the certificate of incorporation, memorandum and articles of association, and certificate of change of name (if any) of the Issuer (collectively, the **Constitutional Documents**);
- (d) the board resolution of the Issuer passed on 25 October 2024 approving the establishment of the Programme and the issuance of Sukuk thereunder;
- (e) a report of the public file of the Issuer issued by the Business Registration and Licensing Agency (**BRELA**) dated 22 September 2025 (the **Company Search**);
- (f) the letter of approval issued by the Capital Markets and Securities Authority (**CMSA**) dated 10 February 2026 approving the Information Memorandum and the issuance of Sukuk under the Programme;
- (g) the letter from the Dar es Salaam Stock Exchange (**DSE**) dated 26 March 2026 confirming that it has no objection to the listing of the Sukuk on the DSE;
- (h) the letter from the Bank of Tanzania (**BoT**) dated 30 September 2025 confirming its no objection to the classification and issuance of the Sukuk;
- (i) a summary of ongoing litigation and disputes involving the Issuer, as provided by the Issuer's in-house legal team on 28 May 2025 and annexed hereto as Schedule 3; and
- (j) such other documents, correspondence, and information as we have deemed necessary or appropriate solely for the purposes of giving this Opinion.

2.2 For the purposes of this Opinion and except as stated above, we have not reviewed any other agreements, instruments, licences, or authorisations entered into or obtained by the Issuer in connection with the Programme or the Sukuk, nor have we undertaken any due diligence investigations, searches (other than as noted above), or enquiries in relation to any regulatory, tax, Shari'ah or accounting matters.

### 3. Assumptions and reservations

This Opinion is given on the basis of the assumptions set out in Schedule 1 and is subject to the reservations set out in Schedule 2, as well as any matters not disclosed to us. This Opinion is strictly limited to the matters stated in paragraph 4 and does not extend to any other matters.

### 4. Opinions

Based upon the assumptions set out in Schedule 1, and subject to the reservations set out in Schedule 2 and any matters not disclosed to us, it is our opinion that:

#### 4.1 Corporate status and capacity of the Issuer

- (a) the Issuer is a company duly incorporated with limited liability under the Companies Act, Cap. 212 of the laws of the United Republic of Tanzania and is validly existing as at the date of this Opinion;
- (b) the Issuer has the requisite corporate power and capacity to establish the Programme and to issue Sukuk thereunder in accordance with the Terms & Conditions;

- (c) the establishment of the Programme and the issuance of the Sukuk thereunder have been duly authorised by the requisite corporate approvals of the Issuer;
- (d) the establishment and implementation of the Programme and the issuance of Sukuk do not contravene the Constitutional Documents of the Issuer or any provision of Tanzanian law applicable to companies generally; and
- (e) the Company Search does not indicate that any insolvency proceedings have been instigated against the Issuer.

#### 4.2 The Programme and the Terms & Conditions

- (a) the Terms & Conditions, as incorporated by reference into the Information Memorandum and the relevant Pricing Supplement, constitute a valid and binding contractual framework for the issuance of Sukuk under the Programme; and
- (b) the unrestricted Mudarabah structure contemplated under the Programme does not, on its face, contravene any mandatory provisions of Tanzanian law applicable to corporate issuers.

#### 4.3 Regulatory matters

- (a) the Programme and the issuance of Sukuk are subject to the regulatory oversight of CMSA pursuant to the Capital Markets and Securities Act, Cap. 79 of the Laws of Tanzania and the Guidelines for the Issue of Corporate Bonds, Municipal Bonds and Commercial Papers, 2019 and the Capital Markets and Securities (Corporate and Subnational Sukuk Bond) Guidelines, 2023.
- (b) as at the date of this Opinion, the Information Memorandum (including the Terms & Conditions) has been approved by CMSA in accordance with the CMSA Guidelines and the DSE has issued a no-objection letter in respect of the listing of the Sukuk on the Dar es Salaam Stock Exchange;
- (c) to the best of our knowledge and based on our review of applicable laws, no additional regulatory approvals, consents or filings are required under Tanzanian law for the establishment of the Programme or the issuance of Sukuk save for any continuing or periodic disclosures required by CMSA, DSE or as specified in the Information Memorandum; and
- (d) the Mudarabah structure contemplated under the Programme, as described in the Terms & Conditions, would not, in our view, constitute deposit-taking or banking business requiring a license under the Banking and Financial Institutions Act, Cap. 342 of the Laws of Tanzania, provided that the Programme is operated strictly in accordance with its stated terms.

#### 4.4 Enforceability and choice of law

- (a) the obligations of the Issuer under the Terms & Conditions are legal, valid, binding and enforceable under Tanzanian law subject to applicable laws relating to insolvency, creditor rights, and equitable remedies;
- (b) the choice of Tanzanian law as the governing law of the Terms & Conditions would be recognised and upheld by a Tanzanian court, subject to overriding principles of public policy and any applicable mandatory statutory provisions; and

- (c) provisions in the Terms & Conditions that provide for the referral of questions of Shari'ah compliance to a Shari'ah Advisory Board would not, of themselves, be unenforceable under Tanzanian law, but would be treated as a contractual mechanism, and are not binding on Tanzanian courts for the purposes of legal interpretation.

#### 4.5 Subordination and Sukukholder status

- (a) the provisions of the Terms & Conditions establishing that the Sukuk constitute subordinated obligations of the Issuer, ranking junior to all senior indebtedness and *pari passu* among themselves, are, in our view, enforceable under Tanzanian law; and
- (b) under the Companies Act, Cap. 212 and the Bankruptcy Act, Cap. 25 of the Laws of Tanzania, in the event of liquidation of the Issuer, Sukukholders would be treated as unsecured creditors and subordinated with the contractual ranking set out in the Terms & Conditions subject in each case to the payment of any statutory preferential debts ranking senior under applicable law.

#### 4.6 Material Litigation

- (a) we have reviewed a list of ongoing litigation and disputes involving the Issuer as provided to us by the Issuer's in-house legal team, a summary of which is annexed hereto as Schedule 3; and
- (b) based on that information, and subject to the assumptions and reservations herein, we do not believe that any such matters would, as at the date of this Opinion, materially impair the Issuer's ability to perform its obligations under the Terms & Conditions or the Programme.

#### 4.7 Sukukholder remedies

- (a) the Terms & Conditions validly limit the remedies available to Sukukholders to those expressly set out therein. In particular, the absence of acceleration rights and the contractual subordination provisions are enforceable under Tanzanian law, subject to equitable principles and general creditor protections;
- (b) a Tanzanian court would give effect to provisions that restrict Sukukholders from bringing enforcement action except in accordance with the Terms & Conditions, provided that such provisions are clearly worded and do not contravene public policy; and
- (c) in the event of the insolvency of the Issuer, Sukukholders would have no recourse to the Issuer other than as expressly provided in the Terms & Conditions, and any claims would be limited to the subordinated and unsecured interest in the Issuer's assets as contemplated under the Programme. Such limitation would, in our view, be upheld by a Tanzanian court, subject to applicable insolvency laws and general principles of equity.

#### 4.8 Material Contracts

- (a) we have not been provided with a list or copies of any material contracts entered into by the Issuer. Accordingly, we express no opinion as to the existence, content, enforceability or impact of any such contracts on the Issuer's ability to perform its obligations under the Terms and Conditions or the Programme.

## 5. Scope of opinion

5.1 This Opinion is limited to matters of the law of the United Republic of Tanzania as currently in force and interpreted by the Tanzanian courts at the date hereof. We express no opinion on the laws of any other jurisdiction.

5.2 We express no opinion on matters of fact, or on the commercial, accounting, taxation, or regulatory implications (save as specifically addressed in paragraph 4 above) of the Programme, the Sukuk, or the Terms & Conditions.

5.3 We have not been involved in the negotiation or structuring of the Programme and have relied exclusively on the documents identified in Section 2 above. Accordingly, we express no opinion as to whether the Programme or the Sukuk structure achieves any particular legal, regulatory, commercial, or Shari'ah outcome beyond what is expressly stated in this Opinion.

5.4 We assume no obligation to update or supplement this Opinion for legal developments or changes in interpretation occurring after the date hereof.

5.5 This Opinion is strictly limited to the matters stated herein and may not be construed as extending, whether by implication or otherwise, to any matters not specifically addressed.

5.6 We have not reviewed the Issuer's accounts and give no opinion as to its solvency as at the date of this Opinion.

5.7 This Opinion (and any non-contractual obligation arising out of or in connection with it) is governed by and shall be construed in accordance with Tanzanian law and any dispute arising in connection with it shall be subject to the exclusive jurisdiction of the Tanzanian courts.

## 6. Confidentiality and reliance

6.1 This Opinion is issued at the request of the Issuer for its sole benefit in connection with the establishment of the Programme and the issuance of Sukuk thereunder. It may not be relied upon by any other person or used for any other purpose.

6.2 This Opinion may be disclosed on a non-reliance basis:

- (a) to CMSA, the Dar es Salaam Stock Exchange and any other applicable regulatory authority in the United Republic of Tanzania, solely for the purpose of obtaining any approval or regulatory clearance in connection with the Programme;
- (b) to the auditors and professional advisers of the Issuer; and
- (c) to investors or potential investors in the Sukuk, solely for their information in connection with the Programme.

6.3 This Opinion may not be quoted, referred to, or filed with any court, tribunal or public authority without our prior written consent.

Yours faithfully,

A handwritten signature in blue ink, appearing to be "A. B." followed by a long horizontal stroke.

For and on behalf of  
**Twelfth Law & Advisory**

## Schedule 1

### Assumptions

For the purposes of this Opinion, we have assumed (without making any independent investigation or verification) that:

1. All documents reviewed by us as originals are genuine and complete, all signatures are authentic, and all copies conform to the originals.
2. Each party to the Programme documents (other than the Issuer) has the capacity, power and authority to enter into and perform its obligations under the relevant documents and has duly authorised, executed and delivered the same in accordance with applicable law.
3. The Constitutional Documents provided to us in respect of the Issuer are true, complete and up-to-date as at the date of this Opinion and reflect the current corporate status of the Issuer.
4. The board resolutions of the Issuer approving the establishment of the Programme and the issuance of Sukuk were duly passed at a properly convened meeting, remain in full force and effect, and were not subsequently amended, revoked or superseded.
5. No liquidation, winding-up, administration or similar insolvency proceedings have been commenced or are pending or threatened in respect of the Issuer in any jurisdiction (other than as would have been disclosed by the Company Search reviewed by us).
6. At the time of entering into the Programme, the Issuer was not unable to pay its debts within the meaning of section 280 of the Companies Act, Cap. 212 of the Laws of Tanzania.
7. There are no facts or circumstances (including undisclosed side agreements or arrangements) that would affect the opinions expressed in this Opinion.
8. The summary of ongoing litigation provided by the Issuer's in-house legal team and annexed hereto as Schedules 3 is accurate and complete in all material respects.
9. We have not been provided with any list of material contracts. Instead, we have received a statement from the Company Secretary of the Issuer dated 30 May 2025 indicating that the Issuer's contracts are primarily standard business-operations contracts with suppliers and vendors, and that such contracts are not expected to materially affect the Issuer's ability to meet its obligations under the Programme. We express no opinion on the accuracy or legal effect of that statement.
10. The establishment of the Programme and the issuance of Sukuk thereunder do not contravene, or result in a breach of, any other binding agreement, court order, or regulatory obligation of the Issuer not disclosed to us.
11. There is an absence of fraud, duress, coercion, misrepresentation, mistake, or other impropriety on the part of any person involved in connection with the Programme or the execution of the Programme documents.

## Schedule 2

### Reservations

This Opinion is subject to the following reservations:

1. The expressions "legal, valid, binding and enforceable" mean that the obligations are of a type the Tanzanian courts generally enforce. They do not guarantee that a Tanzanian court will enforce such obligations in all circumstances or without qualification.
2. The enforcement of contractual rights (including specific performance, injunctive relief or other equitable remedies) is subject to the discretion of the Tanzanian courts. A court may decline to grant relief where damages are considered an adequate remedy or where such relief is otherwise deemed inequitable or contrary to public interest.
3. Rights and remedies under the Programme may be limited by the applicable laws of insolvency, bankruptcy, reorganisation, moratorium and other laws relating to or affecting the rights of creditors generally, including under the Companies Act, Cap. 212 and the Bankruptcy Act, Cap. 25.
4. Tanzanian courts may refuse to give effect to any provision that is contrary to public policy or mandatory statutory provisions, including any provisions that purport to exclude liability for fraud, misrepresentation, or breach of statutory duty.
5. Claims under the Programme may be subject to statutes of limitation, including the Law of Limitation Act, Cap. 89, or equitable principles of laches or acquiescence.
6. A Tanzanian court may interpret or imply terms into the Programme documents, including terms relating to good faith, reasonableness or fair dealing, notwithstanding express provisions to the contrary.
7. Provisions stating that any certificate, calculation, determination or decision is conclusive or binding may not be effective if such determination is shown to be manifestly incorrect, made in bad faith, or otherwise unreasonable.
8. We express no opinion as to the commercial soundness of the Programme or the value or adequacy of any consideration under the Programme documents, nor do we express any opinion on Shari'ah compliance, which remains a matter for the Shari'ah Advisory Board.
9. Any reference in the Terms & Conditions to Shari'ah principles or Shari'ah compliance will be treated as contractual matters. Tanzanian courts are not bound to apply or interpret Shari'ah principles and may disregard any such references in the event of dispute.
10. We express no opinion on the accuracy, completeness or fairness of the Information Memorandum or any other disclosure made in connection with the Programme or the Sukuk.
11. Failure to comply with the Stamp Duty Act, Cap. 189 or registration formalities (including under the Registration of Documents Act, Cap. 117) may affect the admissibility of documents in evidence or their enforceability in Tanzania.
12. We have relied on representations and factual confirmations provided to us by the Issuer without independent investigation. We express no opinion on any matters of fact or intention.

## Schedule 3

## Ongoing litigation matters of the Issuer

No.	CASE NUMBER	PARTIES	DESCRIPTION	ESTIMATED VALUE OF CLAIM/LOSS (TZS)	RISK FACTOR (%)	PROBABLE
1	High Court of Tanzania, Land Division at Dar es Salaam, Land Case No. 320/2017.	Mariam Omary Zahoro Vs KCB Bank and Huduma Ginners Limited and others	The Applicant alleges that she is an administratrix of the estate of the late Zahoro Omary. She filed this case on the allegation that the title deed was stolen from their custody and the same was subsequently mortgaged to the Bank without the knowledge and or consent of the beneficiaries to the estate she therefore prays for the court to nullify the mortgage (issued sometime in 2009) and the subsequent transactions. The Bank had sold the property in 2016 following default by the Borrower (Huduma Ginners). The Judgment was issued in favour of plaintiff. The Bank has appealed against the decision an appeal is still pending for hearing.	241,990,599	80%	193,592,479
2	High Court of Tanzania Land Division, at Dar es Salaam, Land Case No. 5 of 2019	Nichoderm Bethlehem v/s KCB Bank Tanzania Limited.	The Bank had issued a loan in 2014 to Maimuna Mpanda whereby the property issued as security for loan was in the name of the Plaintiff (Nichoderm Bethlehem). The Plaintiff upon receipt of the default notice, alleged that the Bank's intended Auction was unlawful as he never consented for his property to be used as collateral Plaintiff prays for nullification of the mortgage. Judgment has been entered against the Bank, we have lodged the appeal and the same is pending for hearing.	224,222,313	50%	112,111,156
3	High Court of Tanzania Commercial division Commercial case no. 130 of 2013	Nasra Said Vs. KCB Bank Tanzania Limited	The Plaintiff prays for a declaration against the defendants that the sale of matrimonial property was illegal, also an order to restrain the 1 <sup>st</sup> and 2 <sup>nd</sup> defendants from evicting the plaintiff and his family from the Matrimonial Property. Judgment was delivered in favour of Nasra Said, the Bank has filed the Notice of Appeal, though the Bank is yet to be supplied with the proceedings, judgment for appeal purpose.	79,476,439	50%	39,738,219

4	High Court of Tanzania, DSM District Registry, Misc Land Application No. 391/2021 arising from Land case No. 44 of 2015	KCB Bank Tanzania Ltd vs Rosemary Homanje, Philemon Homanje and Remmy Augustino Kwayu	The Plaintiffs claimed among others that Certificate of title mortgaged to the Bank in favour of the 1 <sup>st</sup> , (Humphrec Insurance Brokers) was fraudulently created, and that the Mortgagor had no right to dispose the same in any manner whatsoever. Judgment was delivered on 22/12/2020 in favour of the Plaintiff and against the Bank. The Bank has filed an appeal to the Court of Appeal which is pending for hearing	371,862,358	75%	278,896,768
5	High Court of Tanzania Commercial Division, at Dar es salaam, Com Case No. 61 of 2017	Exim Bank Tanzania Limited Versus KCB Bank (T) Ltd and M & R Spedag	On 11th May 2017 the Plaintiff filed the present case claiming the sum of TZS 1,747,277,254.21 on the grounds that the Bank was negligent during account opening as sufficient reference was not sought. The Bank filed the defence against the case in caption and further filed the notice to produce the TT forms, on 15 <sup>th</sup> May 2018 when the case came for hearing, the trial Judge struck out the notice to produce and the Bank's defence and further ordered the case to proceed in absence of the Bank. We filed application No331/16 of 2018 and on 25 <sup>th</sup> July 2022 when the Application came for hearing, the Court of Appeal quashed the order of the High Court, restored the Bank's defence and the notice to produce and further ordered afresh trial of the case before a separate Judge.	1,747,277,254.2	50%	500,000,000

## APPENDIX I: APPLICATION FORM

### KCB BANK TANZANIA LIMITED MAPATO SUKUK APPLICATION FORM

This Application Form relates to the Sukuk issuance amounting to TZS 10 billion. Prospective applicants should read the Information Memorandum before completing this form.

Offer for subscription of Sukuk for the minimum of TZS 500,000.

**OFFER OPENS:** 15th April 2026

**OFFER CLOSSES:** 14th May 2026

1. Please refer to the instructions on Page 3 before completing this Application Form.
2. This form, once duly completed should be submitted, together with TZS Banker's cheque, TZS Direct Debit slip or Deposit Cash in favour of "KCB Bank "KCB",  
**Branch:** Lumumba Branch,  
**Account Name:** MAPATO SUKUK COLLECTION ACCOUNT,  
**Account Number:** 3390977090
3. Please complete in capital / block letters using black/blue ink.

#### FOR OFFICIAL USE ONLY

Branch / Agent Name:	
Branch / Agent Stamp:	
Applicant CDS Account No	

Batch Header No:	
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#### I. APPLICATION DETAILS

<b>*Applicant Type:</b>	Individual <input type="checkbox"/>	Joint <input type="checkbox"/>	Minor <input type="checkbox"/>	Company <input type="checkbox"/>
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KCB Mapato Sukuk Applied: Minimum application amount is TZS 500,000 and thereafter in multiples of TZS 100,000.	
Amount applied for (TZS):	
Amount Applied for in Words:	

#### II. PAYMENT DETAILS

Mode of Payment:	Direct debit <input type="checkbox"/>	Cash Deposit <input type="checkbox"/>	TISS Transfer <input type="checkbox"/>	Banker's Cheque <input type="checkbox"/>
Banker's cheque details:	Issuer:	Banker's Cheque Number:		
<b>*Applicant Bank Details (For Refunds - if any, and / or Coupon and Principal Repayment)</b>				
Bank Name:		Branch Name:		
Account Name:		Account Number:		

### III. APPLICANT DETAILS

#### (i) First Applicant (Primary)

Title: Mr. / Mrs. / Ms:		
Surname:		
First Name:		
Middle Name:		
Date of Birth:		
Nationality:		
Citizen Identity Card Number / Passport Number:		
Residential Address:		
Ward:	District:	Region:
Contact Details	Tel No:	
Alt. Tel No:		
Postal Address:		
Email:		
Do you maintain an Account with KCB? If yes, specify account number		Yes / No

#### (ii) Second Applicant

Title: Mr. / Mrs. / Ms:		
Surname:		
First Name:		
Middle Name:		
Date of Birth:		
Nationality:		
Citizen Identity Card / Passport Number:		
Residential Address:		
Ward:	District:	Region:
Contact Details	Tel No:	
Postal Address:		
Email:		
Do you maintain an Account with KCB? If yes, specify account number		Yes / No

#### \*Next of Kin information:

Full Name:		
Contact Details:	Tel No:	
Email:		
Parent or Legal Guardian		
Surname or Name of Entity		
First name (Individuals ONLY)		
Middle name (Individuals ONLY)		
Citizen Identity Card / Passport Number		
Do you maintain an Account with KCB? If yes, specify account number		Yes / No

#### (iii) Corporate Applicants

Name of Entity		
Registration Number		
Tax Identification Number		
Entity Physical Address		
Contact Details	Tel No:	
Postal Address		
Email		
Do you maintain an Account with KCB? If yes, specify account number		Yes / No


**IV. ACKNOWLEDGEMENT SLIP (Retain for your records)**

Names of Applicant or Institution	
CDS Account Number	
Total Investment Amount	
Amount in words	

**Mode of Payment**

Cash	
TISS Transfer	
Banker Cheque	
Direct debit - Ref No (From Customer KCB A/C)	

Branch / Agent Stamp:	
-----------------------	--

This form is not proof of payment. Payments should be made through approved modes of payment as stipulated above.

Received by: \_\_\_\_\_

Signature: \_\_\_\_\_

Date Received & Stamp: \_\_\_\_\_

## APPLICANTS' DECLARATION

By signing the Application Form overleaf I/We the applicant(s) therein state that:-

- I/We the undersigned, confirm that, I/We have read the terms and conditions as set out in the Information Memorandum and agree to be bound by its contents.
- I/We authorize KCB BANK TANZANIA LIMITED to enter my/ our name in the register of members of Sukukholders and to credit my CDS account with the Sukuk allocated to me/us and remit any refunds due to me/us via Electronic Funds Transfer or Cheque in accordance with the Terms and Conditions contained in the Information Memorandum.
- I/We declare that the source of funds does not originate from interest, alcohol, gambling or pork related businesses.
- In consideration of your agreeing to accept this Application Form, I/we agree that, this application shall be irrevocable and shall constitute a contract which shall become binding to me/us upon dispatch by post or hand delivery.

### GENERAL INSTRUCTIONS ON COMPLETION OF THE APPLICATION FORM

1. Please complete the Application Form in capital letters using black/blue ink. Ensure each letter is written clearly within each of the boxes provided. Incorrectly completed Application Forms will be rejected.
2. When completing this Application Form please bear in mind that Sukuk may not be applied for in the name(s) of a trust that has not been incorporated or a deceased's estate.
3. Trustees of unincorporated trusts, individual partners or executors may apply for Sukuk in their own name(s).
4. Registered or incorporated trusts may apply in the registered or incorporated name. Limited liability partnerships may apply in their registered names.
5. Any alteration to the Application Form (other than deletion of alternatives) must be authenticated by the full signature of the Applicant(s) or Authorised Collecting Agent.
6. The Authorised Collecting Agent must sign against the company's official stamp.
7. Banker's cheque payments must be made payable in favour of " KCB BANK TANZANIA MAPATO SUKUK" and crossed "Account Payee Only".
8. Your Application Form must be received in its entirety, duly signed and accompanied with the necessary evidence of payment.
9. The completed Application Form may be mailed or hand delivered to the Authorised Collecting Agents.
10. Applications can only be made through the Issuer, Authorised Collecting Agents, the Lead Arranger, the Sponsoring Broker, the Receiving Bank and the Registrar as listed in the Information Memorandum.
11. The allocation process has been outlined in the Information Memorandum. No person can make any promises contrary to the allocation criteria.

Signature: \_\_\_\_\_

Signature: \_\_\_\_\_

Company Stamp/Seal: \_\_\_\_\_

Date: \_\_\_\_\_

**Appendix 2: Pricing Supplement**  
**UNSECURED, SUBORDINATED AND NON-CUMULATIVE MUDHARABAH SUKUK (“MAPATO SUKUK”) OF UP TO TANZANIAN SHILLINGS TEN BILLION (TZS 10,000,000,000)**

This Pricing Supplement is issued to provide details of the issuance of the Sukuk by KCB Bank Tanzania Limited (KCB Tanzania) (“Issuer”) pursuant to a Three (3) years Sukuk issuance of up to Tanzanian Shillings Ten Billion (TZS 10,000,000,000) with a greenshoe option to issue up to an additional Tanzanian Shillings Ten Billion (TZS 10,000,000,000). In this Pricing Supplement, unless the context otherwise requires and save as specifically defined in this Pricing Supplement, words and expressions defined in the Information Memorandum dated 15th April 2026 (“IM”) shall have the same meanings when used in this Pricing Supplement.

This Applicable Pricing Supplement is to be read in conjunction with the terms and conditions of the Sukuk (the “Conditions”) set out in the Information Memorandum 15th April 2026. Unless otherwise defined in this Pricing Supplement, capitalised terms used herein have the same meaning as in the Conditions. Full information on the Issuer and the offer of the Sukuk is only available on the basis of a combination of this Pricing Supplement and the IM (as may be supplemented from time to time).

### 1. Description of the Sukuk

1.1. Issuer	KCB Bank Tanzania Limited
1.2. Investment Manager	KCB Sahl Banking
1.3. Status of the Sukuk	Unrated, unsecured, subordinated and non-cumulative Mudharabah Sukuk
1.4. Issue	
1.4.1. Series Number*	KCB/2026/15/04
1.4.2. Tranche Number	01
1.5. Issuance Amount	TZS 10,000,000,000 with a greenshoe option of up to TZS 10,000,000,000 in case of oversubscription.
1.6. Use of Proceeds	The funds so raised will be utilized in KCB Sahl Banking financing and investment activities in line with its business strategy and Investment Plan under section 5.6 of the IM.  The proceeds of the Issue shall be commingled with other Shari'ah compliant funds and shall be invested in the General Pool of KCB Sahl banking under Mudharabah contract with Sukuk Holders who will be owners of Sukuk funds (Rabbul Maal) and KCB Sahl banking who will be the Investment Manager.
1.7. Form & Denomination	Issued in denominations and multiples of TZS 100,000
1.8. Minimum Investment Amount	TZS 500,000
1.9. Currency	Tanzanian Shillings
1.10. Tenure	Three years
1.11. Face Value	TZS 100
1.12. Issue Price	At par value
1.13. Issue Date	28th May 2026
1.14. Maturity Date	28th May 2029
1.15. Registrar and Transfer Agent	KCB Bank Tanzania Limited
1.16. Issuer Rating	Not Rated
1.17. Instrument Rating	Not Rated

118. Seniority of Claim / Subordination	In case of liquidation, the claim of the Sukuk Holders shall be: (i) Superior to the claims of ordinary shareholders; (ii) Pari-passu without preference amongst Sukuk holders; and subordinate to and rank inferior to all other debts of the Issuer including deposits and any Tier 2 Capital instruments;	
119. Business Centre	Dar es Salaam	
120. Applicable Business Day Convention	Following Business Day	
<b>2. Profit Distribution</b>		
2.1. Expected Profit Rate	11.00 % per annum.	
2.2. Profit Sharing Ratio	Issuer	5.00%
	Sukuk holders	95.00%
2.3. Profit Payment Basis	Actual/365 days	
2.4. Basis of Profit Calculation	Capital Contribution Method: $I \text{ (Total Sukuk Funds/Total KCB Sahl Banking Asset Book)} \times \text{(Total Profit Income for the period)} \times \text{Profit Sharing Ratio}$	
2.5. Profit Payment Frequency	Profit will be payable on a quarterly basis (365/4 in a year) in arrears on the outstanding investment amount.  The profit payment to the Sukuk Holders will be non-cumulative in nature. Accordingly, the profit payment made to the Sukuk Holders based on their respective monthly profit weightages will be considered as full and final payment for that period.	
2.6. Event of Loss	In the event of a loss in the Mudharabah Pool, any shortfall in distributable profit may be supplemented by the Profit Equalization Reserve as provided in Section 8.6.2 in the Information Memorandum.	
2.7. Profit Payment Date	August, November, February and May in each year up to and including the Maturity date (28th May 2029)	
<b>3. Redemption</b>		
3.1. Maturity Date	28th May 2029	
3.2. Principal Redemption	Applicable at Sukuk maturity	
3.3. Call Option	Not Applicable	
3.4. Early Redemption	Not Applicable	
<b>4. Offer Timetable</b>		
4.1. Application Lists Open	15th April 2026	
4.2. Application Lists Closes	14th May 2026	
4.3. Date of Allocation	21st May 2026	
4.4. Announcement Date	28th May 2026	
4.5. Register submission date to CSDR	28th May 2026	
4.6. CDS Account upload date recast	03rd June 2026	
4.7. Listing Date	24th June 2026	
<b>5. General Information</b>		



5.1. Board approval of the issuance of Sukuk	25th October 2024
5.2. Allotment Policy	<p>All retail applications shall be considered equally for purposes of allotment. In the event of oversubscription, retail allotment will be on a pro rata basis. Allotment for institutional investors will be on a case-by-case basis.</p> <p>The basis of allotment shall be approved by the Capital Markets and Securities Authority and notified to subscribers. Applicants will be informed of the reasons for rejection of an application;</p>
5.3. Details of bank accounts) to which payments are to be made in respect of the Sukuk	<p>BANK NAME           KCB BANK TANZANIA LIMITED          Account Name       Mapato Sukuk Collection Account          Account Number     3390977090</p>
5.4. Taxation	Profit paid to Sukuk Holders will not be subjected to withholding tax.
5.5. Tradability	Sale of the Sukuk certificates will be subject to rules for sale of debt under the "AAOIFI Shari' ah Standard No. 59: Sale of Debt" Sukuk Holders can only sell their certificates at par value in the secondary market.
5.6. Material Change	Save as disclosed in the Information Memorandum as read together with this applicable Pricing Supplement, there has been no significant change in the Issuer's financial position since the date of the Issuer's last audited financial statements.
5.7. Responsibility Statement	The Issuer and the Board of Directors accepts responsibility for the information contained in this Pricing Supplement which, when read together with the Information Memorandum referred to above, contains all information that is material in the context of the issue of the Sukuk.

**Appendix 3: Licensed Dealing Members of the Dar es Salaam Stock Exchange**

<p><b>FIMCO Limited</b> Suite 205 - Alfa Plaza, 2nd Floor Plot No. G6, Chaburuma Road Ali Hassan Mwinyi Road Dar es Salaam, Tanzania Tel: +255 22 292 627/+255 767 211 690 E-mail: <a href="mailto:info@fimco.co.tz">info@fimco.co.tz</a> Website : <a href="http://www.fimco.co.tz">www.fimco.co.tz</a></p>	<p><b>Vertex International Securities Limited</b> Zambian High Commission Building Ohio St./Sokoine Drive Tel: 255 22 2116382 Fax: 255 222110387 E-mail: <a href="mailto:vertex@vertex.co.tz">vertex@vertex.co.tz</a>, <a href="mailto:operations@vertex.co.tz">operations@vertex.co.tz</a> Website: <a href="http://www.vertex.co.tz">www.vertex.co.tz</a></p>
<p><b>Orbit Securities Company Limited</b> P.O Box 70254, Dar es Salaam 4th Floor, Golden Jubilee Towers, Ohio Street, Tel: 255 22 2111758, Fax: 255 22 2113067 E-mail: <a href="mailto:orbit@orbit.co.tz">orbit@orbit.co.tz</a></p>	<p><b>Core Securities Ltd</b> P.O Box 76800, Dar es Salaam First Floor - Karimjee Jivanjee Building, Sokoine Drive, Tel: +255 22 2123103, Fax: +255 22 2122562 E-mail: <a href="mailto:info@coresecurities.co.tz">info@coresecurities.co.tz</a> Website: <a href="http://www.coresecurities.co.tz">www.coresecurities.co.tz</a></p>
<p><b>Tanzania Securities Limited</b> P.O Box 9821, Dar es Salaam 2nd Floor, Alfa Building, Ally Hassan Mwinyi Road Tel: 255 (22) 2112807, Fax: 255 (22) 2112809 Mob: +255 718 799997 / +255 713244758 E-mail: <a href="mailto:info@tanzaniasecurities.co.tz">info@tanzaniasecurities.co.tz</a> Website: <a href="http://www.tanzaniasecurities.co.tz">www.tanzaniasecurities.co.tz</a></p>	<p><b>TIB Rasilimali Limited</b> P.O Box 9154, Dar es Salaam Ghana Avenue Tel: 255 22 2111711, Fax: 255 22 2122883 Mob: +255 713 777818 / +255 784 777818 / +255 754283185 E-mail: <a href="mailto:invest@rasilimali.tib.co.tz">invest@rasilimali.tib.co.tz</a></p>
<p><b>SOLOMON Stockbrokers Limited</b> P.O Box 77049, Dar es Salaam Ground Floor - PPF House, Tel: 255 22 2124495/2112874, Fax: 255 22 2131969 Mob: +255 714 269090/+255 764 269090 E-mail: <a href="mailto:solomon@simbanet.net">solomon@simbanet.net</a>, <a href="mailto:Solomonstockbrokersltd@gmail.com">Solomonstockbrokersltd@gmail.com</a> Website: <a href="http://www.solomon.co.tz">www.solomon.co.tz</a></p>	<p><b>SMART Stockbrokers (T) Ltd</b> P. O Box 1056878, Dar es Salaam, 1st Floor, Masdo House, Samora Avenue, Tel: +255 22 2133607 E-mail: <a href="mailto:info@smartstockbrokers.co.tz">info@smartstockbrokers.co.tz</a></p>
<p><b>E. A. Capital Ltd</b> 3rd Floor, Accacia Building, Kinondoni Road P.O Box 20650, Dar es Salaam Tel +255 779740818 / +2557844461759 E-mail: <a href="mailto:ec@eacapital-tz.com">ec@eacapital-tz.com</a></p>	<p><b>Optima Corporate Finance Limited</b> P.O Box 4441, Dar es Salaam 1st Floor, Togo Tower, Kinondoni Tel: +255 684856648 E-mail: <a href="mailto:gichohi@optimacorporate.co.tz">gichohi@optimacorporate.co.tz</a></p>
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