

KCB BANK TANZANIA LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

**KCB BANK TANZANIA LIMITED
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Contents	Pages
Corporate Information	1
The Report by Those Charged with Governance	2 – 58
Statement of Directors' Responsibilities	59
Declaration of the Head of Finance	60
Independent Auditor's Report	61 – 66
Statement of Profit or Loss and Other Comprehensive Income	67
Statement of Financial Position	68
Statement of Changes in Equity	69
Statement of Cash Flows	70
Notes to the Financial Statements	71 – 155

KCB BANK TANZANIA LIMITED

CORPORATE INFORMATION

PRINCIPAL PLACE OF BUSINESS AND REGISTERED OFFICE

HEAD OFFICE

Harambee Plaza Building
Ali Hassan Mwinyi Road and Kaunda Drive
P. O. Box 804
Dar es Salaam, Tanzania

CORRESPONDENT BANKS

KCB Bank Kenya Ltd
KCB MOI Avenue Branch
P. O. Box 30081
Nairobi

Deutsche Bank Trust Company Americas
P. O. Box 318
Church Street Station
New York, New York 10008-0318
Cable: BANKTRUS
Swift: BKTRUS33

LEGAL ADVISORS

EMS Attorneys
City Plaza – Golden Tulip, Hotel
Office No. 3.2, Third Floor, Jamhuri Street
P. O. Box 7839
Dar es Salaam – Tanzania
Mob: 0764 935 287, 0711 666 700

B&E LAW

Dar es Salaam - Plot No. 30, House No. 7 Ursino Street, P. O. Box 71748
Mwanza - Plot No 7 Isamilo|, P. O. Box 11624
Arusha - NSSF Mafao House, 9th Floor, P. O. Box 45
Mob No. +255 699 016 776 +255 713 384 169 & 768 239 495

BANK'S SECRETARY

Frida Shirima
KCB Bank Tanzania Limited
P. O. Box 804
Dar es Salaam

AUDITORS

KPMG
The Luminary
Plot No.574 Haile Selassie Road
Msasani Peninsula Area
P. O. Box 1160
Dar es Salaam
TIN 101-269-027
VAT REG No. 10-007190R
NBAA Reg. No. PF 020

REGISTERED OFFICE

Harambee Plaza Building
Ali Hassan Mwinyi Road and
Kaunda Drive
P. O. Box 804
Dar es Salaam, Tanzania

Deutsche Bank AG
Head office
60262 Frankfurt
Bank sort code: 500 700 10
Swift: DEUTDEFF

Deutsche Bank
72, London Wall
London
EC2N 2DB
United Kingdom

**KCB BANK TANZANIA LIMITED
THE REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2025**

1. INTRODUCTION

The directors have pleasure to present their report, including sustainability-related financial information, together with the audited financial statements for the year ended 31 December 2025, which disclose the state of affairs of KCB Bank Tanzania Limited (the Bank) as at that date.

2. INCORPORATION

The Bank is incorporated in Tanzania under the Companies Act, 2002, as a private company limited by shares. It's parent company's shares are publicly traded on the Dar es Salaam Stock Exchange through cross listing. The address of the registered office is set out on page 1.

3. FUNCTIONAL AND PRESENTATION CURRENCY

The report together with the sustainability-related financial information is presented in Tanzanian Shillings (TZS). All amounts have been rounded to the nearest thousand, unless otherwise stated.

4. PRINCIPAL ACTIVITIES

The Bank 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 2025, the Bank had 18 branches (2024: 17), (eight of which are in Dar es Salaam, three located in Arusha, one each in Moshi, Mwanza, Morogoro, Kahama, Tunduma, Geita and Zanzibar), 21 ATMs (2024: 21), 631 Agents (2024: 637), and 801 POS (2024: 778) active merchants across the country. There has been no significant change in the principal activities of the Bank during the financial year ended 31 December 2025. KCB Group Plc, the majority shareholder of KCB Bank Tanzania Limited is cross listed at the Dar es Salaam Stock Exchange with TZS 4,010 billion market capitalization (2024: TZS 2,643.6 billion). In the year 2025, KCB shares traded at an average of TZS 1,350 (2024: TZS 890).

5. RESULTS AND DIVIDENDS

The net profit for the year of TZS 64.8 billion (2024: TZS 50.8 billion) has been added to retained earnings. The Directors do not recommend dividend payment for the year (2024- Nil).

6. PERFORMANCE FOR THE YEAR

During the year, the Company recorded a profit before tax of TZS 96.8 billion (2024: TZS 76.0 billion), an increase of 27% (2024: an increase of 45%) as compared to previous year. This increase in profit was mainly attributed to growth in earning assets of loans and improved performance of the digital channels.

Interest income for the year was TZS 174.4 billion (2024: TZS 152.1 billion) translating into 15% (2024: 22%) achievement against budget. Whereas interest expense of TZS 73.1 billion (2024: 61.5 billion) exceeded the budget by 14% (2024: Above by 8%). Overall yield on earning assets decreased slightly to 11.3% (2024: 11.7%) and below budget (12.10%) by 0.8%.

KCB BANK TANZANIA LIMITED
THE REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2025

6. PERFORMANCE FOR THE YEAR (CONTINUED)

Other income for the year was TZS 5.6 billion (2024: TZS 398 million). There was high trading in the secondary market of securities held at fair value through other comprehensive income during the year compared to previous year.

The bank incurred other operating expenses of TZS 21.2 billion (2024: 18.5 billion) translating into a growth of 15%. The significant increase was due to more business activities during the year.

Overall Cost to Income Ratio (CIR) for the bank closed at 36.38% (2024: 43.49%). The decrease in CIR year on year is driven by total revenue growth that exceeds total costs growth.

Net provisions after netting off with recoveries for the year of TZS (2.4) billion (2024: TZS (8.8) billion) was below the budget by 148% (2024: 184%). A total of TZS 4.7 billion (2024: 5.5 billion) was recovered from the risk

Overall, the NPL ratio computed as per BOT regulations as of 31 December 2025 increased to 2.40% (31st December 2024: 1.41%). The marginal increase in the NPL ratio was due to migration of a few names to NPL.

The total assets of the Bank were at TZS 1.86 trillion as of 31st December 2025 (2024: TZS 1.59 trillion) representing a growth of 16.86%.

Gross loans as of 31 December 2025 was TZS 1,211 billion (2024: TZS 1,025 billion) representing a growth of TZS 187 billion (2024: TZS 112 billion) from prior year. However, the gross loans were lower than target by 3% (2024: lower by 1%). The growth from prior year was due to the good pipeline conversion in term loans.

Government securities closed at TZS 200 billion (2024: TZS 204 billion) representing a decrease of TZS 3.38 billion from 31st December 2024 position. During the year, interest income from government securities increased by TZS 4,298 million (2024: TZS 2,628 million). The after-tax gain from mark to market on government securities measured at fair value through other comprehensive was TZS 3.07 billion (2024: TZS 6.8 billion).

Customer deposits increased from TZS 985 billion as of 31st December 2024 to TZS 1,158 billion as at 31st December 2025 representing a growth of 17.6% (2024: a growth of 16.6%). The growth was because of targeted deposits mobilization initiatives focused on specific customers and retention strategy adopted by the Bank.

Bank deposits increased from TZS 241 billion as of 31st December 2024 to TZS 269 billion as of 31st December 2025 representing an increase of 12% (2024: a decline of 17%).

KCB BANK TANZANIA LIMITED

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

6. PERFORMANCE FOR THE YEAR (CONTINUED)

A summary of the key performance indicators (KPIs) which are monitored in measuring the effective delivery of the Bank's strategy and performance are outlined below.

Performance indicator	Definition and calculation method	31-Dec-25	31-Dec-24
Return on Assets	Net income/Average total assets	3.87%	2.95%
Return on Equity	Net income/Average equity	26.07%	23.39%
Non-Interest Expenses to Gross Income	Operating costs/total income	36.38%	45.87%
Net Interest Income to Average Earning Assets	Net interest income/(Government securities + inter-Bank loan receivables + investments in other securities + net loans, advances and overdrafts)	6.76%	7.23%
Non - interest income to Total income	Non - interest income/total income	30.8%	25.4%
Earnings per share	Basic earnings/number of ordinary shares in issue	103.32	59.10
*Non - performing loans to gross loans	Non-performing loans/gross loans and advances	2.40%	1.60%
Earning assets Ratio	Earning assets/Total assets	89.20%	82.15%
Total assets growth	(Current year total assets/ prior year total assets) - 1*100%	13.36%	28.96%
Loans and advances growth	(Current year net loans and advances/prior year net loans and advances) - 1*100%	18.40%	22.85%
Total deposits growth	(Current year total deposits/prior year total deposits) - 1*100%	16.35%	22.85%
*Capital adequacy			
Tier 1 Capital	Risk weighted assets including off-statement of financial position items/Core Capital	18.13%	17.33%
Tier 1+Tier 2 Capital	Risk Weighted assets including off-statement of financial position items/Total Capital	18.39%	17.40%

* Non - performing loans to gross loans has been computed in accordance with Bank Of Tanzania regulations.

7. BUSINESS OBJECTIVES AND STRATEGIES

Bank's vision

KCB Bank Tanzania Limited aspires to be the preferred financial solutions provider in Africa with global reach.

Bank's mission

KCB Bank Tanzania Limited mission is to drive efficiency whilst growing market share in order to be the preferred financial solution provider in Africa with global reach.

Our Strategy

In order to maximize shareholder value, the Bank has set goals and strategies to deliver sustainable profitable growth.

KCB BANK TANZANIA LIMITED

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

7. BUSINESS OBJECTIVES AND STRATEGIES (CONTINUED)

Our Strategy (Continued)

In line with our vision and mission, we have an overarching strategic goal of being ‘Your preferred financial solutions provider in Africa with global reach’.

The Bank develop 4-year Strategic plan that covered 2024-2027. The bank aspires to grow to 250 billion in Revenue, 3,400 billion in Total Assets, 35% NFI, 95% LDR, 47% CIR, 4% NPL, to be ranking No.7 or No.8 bank in Tanzania with 4.2% market share by 2027. The gross loans are expected to grow by 32% p.a. and customer deposits to grow by 40% p.a by 2027. In this endeavour, the following priority areas have been identified: -

- Customer-centered value propositions
 - Improve SME propositions, targeting high-potential segments, and improving loan approval time and service level.
 - Deep client relationship management & engagement models
 - Target large corporate and government deals in priority sectors (Manufacturing, Construction and Trade).
 - Design, test and launch the SAHL retail mass proposition, with a strong focus on digital offerings to become a market leader.
- Execution Excellence: Fostering a culture of innovation and execution
 - Rigorous performance management.
 - Embed “For People for Better” culture transformation program.
- Digital leadership
 - Leveraging telco and fintech partnerships, improving savings product features, and digital offering.
 - Improve liquidity through Mobile Network Operator wallet deposits.
 - Launch the Sopra system for a digital ecosystem.
- Enhance physical network
 - Expand the retail branch footprint through physical branches and transform cash collection centres into branches.
 - Improve agency banking network’ performance with the latest technology.
- Tech Evolution: Building future-ready capabilities
 - Develop local digital capabilities in core systems, integration, and analytics to support digital initiatives and drive efficiency of the bank's operations.

KCB BANK TANZANIA LIMITED

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

7. BUSINESS OBJECTIVES AND STRATEGIES (CONTINUED)

Our Strategy (Continued)

During the year, the bank has been able to achieve the below strategic objectives set out in the 3-year plan.

Strategic Initiative	Key Performance Indicator (KPI)	FY2024 Actual	FY2025 Actual	FY2025 Target	Y-o-Y Growth (%)	% Variance
Customers first with leading value propositions	Number of customers	64,514	65,163	70,488	1%	-8%
	Retail	55,098	55,879	60,277	1%	-7%
	Corporate	455	471	489	4%	-4%
	Sahl	8,961	8,813	9,722	-2%	-9%
	Number of accounts (Current and savings)	74,173	75,946	81,033	2%	-6%
	Retail	62,766	64,613	68,666	3%	-6%
	Corporate	809	845	869	4%	-3%
	Sahl	10,598	10,488	11,498	-1%	-9%
	Total Gross Loans (TZS millions)	1,025,467	1,218,609	1,255,791	19%	-3%
	Retail	471,183	518,197	576,844	10%	-10%
	Corporate	468,166	599,137	577,879	28%	4%
	Sahl	86,118	101,275	101,068	18%	0%
	Total customer deposits (TZS million)	989,648	1,164,704	1,168,043	18%	0%
	Retail	594,329	686,457	684,485	16%	0%
	Corporate	289,239	343,890	364,929	19%	-6%
	Sahl	106,080	134,357	118,629	27%	13%
	Total Non-Funded Income (TZS millions)	26,333	40,490	29,730	54%	36%
	Retail	13,312	25,890	13,876	94%	87%
Corporate	10,882	12,170	13,732	12%	-11%	
Sahl	2,139	2,430	2,122	14%	15%	
	Net Promoter Score (NPS)	47	62	>= 55	32%	13%
	Customer Effort Score (CES)	16%	19%	<=10%	-19%	-9%
Rigorous performance management with enabling culture and organization structure	Staff Cost to income ratio	18%	13%	16%	-27%	-19%
	Revenue per staff (TZS million)	409	497	499	22%	0%
	Staff headcount – Full Time	326	339	360	4%	-6%
	Staff headcount – Part Time	24	39	26	63%	50%
Enhanced end-to-end credit risk management						
	*NPL (%)	1.41%	2.40%	5.00%	70%	-52%

*NPL ratio has been computed in accordance with BOT regulation.

KCB BANK TANZANIA LIMITED

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

7. BUSINESS OBJECTIVES AND STRATEGIES (CONTINUED)

Operating environment

Below are the trends and drivers of Tanzania's macro-economic environment during the year.

The annual average Headline Inflation Rate increased to 3.6% in 2025 from an average of 3.05% in 2024. The shilling appreciated by 6.15 % in the second half of the year 2025, mainly driven by central bank intervention, tighter regulation of domestic US dollar usage, and favourable external sector dynamics.

The interbank borrowing rates increased from an average of 6.10% in the period ending December 2025 from an average of 7.26% in December 2024. The 364 days Treasury bills rates decreased from an average of 10.52% in 2024 to 6.24% in 2025. The overall treasury bond yield has decreased from 16.7857 % in 2024 to 13.187% in 2025 for 25-year paper and 15.7611 percent in 2024 to 12.0794 percent for 20-year paper.

The above growth trends in the economy represents significant opportunities for the Bank to grow and expand. The Bank is committed to increase its scope and quality of its offerings by continuing to invest in digital transformation, enhance alternative banking channels, invest in its people through training and improvement of employee welfare and continued enhancement in its internal control processes and procedures.

8. CAPITAL STRUCTURE AND CASH FLOWS

The total number of shares during the year ended 31 December 2025 is held by two shareholders (2024: 2 shareholders). None of the Directors hold any shares of the Bank.

The shares of the Bank are held as follows:

	2025	2024
Name of shareholders	Number of shares	Number of shares
KCB Group Plc	62,669,936	626,699,360
KCB Nominee Limited	1	1

The Bank's funding mix by the end of 2025 is summarized below:

	2025 TZS'000	2024 TZS '000
Equity		
- Share capital	62,669,936	62,669,936
- Retained Earnings	214,844,966	155,027,545
- Other reserves	11,633,039	3,622,757
	289,147,941	221,320,238
Debt		
- Customer deposits	1,158,070,841	984,784,867
- Bank deposits	268,853,946	240,841,174
- Borrowings	107,258,156	102,705,932
- Debt instrument at amortised cost	-	11,082,814
- Other liabilities	38,208,663	32,230,044
	1,572,391,606	1,371,644,831

KCB BANK TANZANIA LIMITED

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

8. CAPITAL STRUCTURE AND CASH FLOWS (CONTINUED)

The bank's liquidity position remained strong and within approved risk appetite and tolerance limits. During the year Bank's long-term borrowings has increased from TZS 102.7 billion to TZS 107.3 billion following the additional borrowing from TMRC of TZS 10 billion.

By the end of 2025 the amount of assets classified as cash and cash equivalents (high liquid assets which are readily convertible into known amount of cash increased by TZS 74 billion to close at TZS 335 billion. This demonstrates the strength of the Bank's liquidity position.

Deposits and debt funding provides the Bank with the means to lend to its customers. This fulfils the Bank's role in connecting providers of capital with those that require financing. Growing deposits is a priority and an important indicator of the Bank's financial health. Customer deposits grew by 17.6% year-on-year.

The Asset quality continued to be healthy. Loans and advances represent the largest asset class on the Bank's balance sheet. They provide the Bank's largest source of revenue in the form of interest income and create cross-selling opportunities to earn transactional fees and commissions. Growing loans and advances within the Bank's accepted risk levels is therefore essential to growing revenue.

Investment in government securities decreased by 2% to TZS 200 billion.

During the year, gross loans and advances to customers grew by 18% year-on year to TZS 1,211 billion. The growth was due to significant asset pipeline conversion.

The Bank's NPL ratio stood at 2.40% (2024: 1.41%). The marginal increase in the NPL ratio was due to migration of a few names to NPL

Capital management

The Bank maintained strong capital adequacy ratios, with the Tier 1 Capital ratio of 18.13% (2024: 17.33%) and tier 2 capital ratio of 18.39% (2024: 17.40%).

During the year the Bank made a profit after tax of TZS 66.8 billion that was added to the common equity tier. The analysis of the Bank's tier 1 capital position for the past 3 years is provided below:

Capital management

	2025 TZS' 000	2024 TZS' 000	2023 TZS' 000
Core capital (Tier 1)			
Share capital	62,669,936	62,669,936	62,669,936
Retained earnings	<u>214,844,966</u>	<u>155,027,545</u>	<u>107,032,401</u>
	277,514,902	217,697,481	169,702,337
Less: deductions from capital			
Prepaid expenses	(4,336,617)	(2,733,360)	(2,053,823)
Deferred tax assets	<u>(6,119,664)</u>	<u>(12,113,997)</u>	<u>(15,093,188)</u>
Total qualifying Tier 1	<u><u>267,058,621</u></u>	<u><u>202,850,124</u></u>	<u><u>152,555,326</u></u>

Bank's risk-weighted assets grew by 26% to TZS 1,473 billion (2024: 26% to TZS 1,171 billion)

KCB BANK TANZANIA LIMITED

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

9. OUR VALUE-CREATING BUSINESS MODEL

Our success depends on the degree to which we deliver value to society. It is therefore important to understand our role in society because KCB Bank Tanzania is a part of it. Banks play a crucial role in facilitating economic activity and enabling sustainable growth and development by moving capital to where it is required. A deep understanding of one's purpose guides strategy and decision-making in this regard and should result in an optimal balance between long-term value creation and short-term outcomes.

Financial capital

A balanced funding mix and solid equity position to support operations and business activities of taking deposits and lending.

Critical to our strategy is to increase top-line revenue growth (financial capital) in our core businesses and to seek out new opportunities through new markets; new products and services; strategic partnerships; and where necessary, disposing of non-core business lines. In 2024, there was growth across the majority of customer segments (social and relationship capital) and increasing market share in most key product lines. While growth in retail does include less profitable entry-level, youth and student segments, providing financial services to these groups is a transformation imperative (social and relationship capital) and, over time, our ambition is to grow with these customers, where possible, as they migrate to the more profitable middle market segment.

We continue to expand the number and scope of strategic partnerships with mobile operators, retailers/third-party agents, fintechs, and global financial players to extend our products and service offerings, to build and enhance our capabilities, extend our geographic reach and to mobilise additional financial resources (financial and social and relationship capital).

KCB Bank Tanzania holds 2.26% (2024: 2.44%) and 2.65% (2024: 2.81%) of the industry deposits and loans and advances respectively in Tanzania.

Outcomes

- The profit made during the year was added to retained earnings. It was agreed that such profits will be reinvested back into the business, and as a result no dividend declared during the year.
- ROE of 26.07% up from 23.39% in 2024.
- Strong balance sheet with Tier 1 capital at 18.13% (2024: 17.33%) compared to the required 12.5% (2024: 12.5%).

Manufactured capital

Our business structure and operational processes, including our fixed assets such as property and equipment, digital assets, digital products and information technology (IT) systems provide the framework and mechanics of how we do business and create value.

We are keen to ensure that we remain a pace setter for progressive modernization of the infrastructural and manufactured capital which will improve efficiency and enhance our multi-channel customer engagement while creating a scalable and resilient infrastructure.

- Core IT systems are being modernised as part of our technology journey,
- 18 branches (2024: 17), 21 ATMs (2024: 21), 801 point-of-sale devices (2024: 778) and 631 active merchants across the country (2024: 637).

Outcomes

- The Bank has 18 branches as of 31st December 2025. The client satisfaction levels based on assessment performed show positive trend).

KCB BANK TANZANIA LIMITED

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

9. OUR VALUE-CREATING BUSINESS MODEL (CONTINUED)

Human Capital

Our culture and our people, our collective knowledge, skills and experience enables innovative and competitive solutions for our clients and value for all stakeholders.

We have a strong ethical culture that is customer and employee centric with competent and skilled employees engaged within a diverse workforce.

The Bank has continued to deploy digital transformations to further empower our employees requiring financial capital input. These include Oracle HR (internal digital platform designed to facilitate online job applications, leave application and employee static information capturing and record keeping), Perpay System a platform designed to manage and process salary and payroll processing and record keeping, KCB Group Academy an online learning platform, ITSM a platform designed to enable employee request HR Services online with the purpose of monitoring TAT, Biometric system to track employees attendance, KCB Intranet a platform designed for employee to access the KCB Policies, procedures, documentations such as HR forms, and HR System guides etc.

Outcomes

- The employee turnover rate has however increased to 11.8% from 4.9% in 2024. The Bank is taking measures to ensure that staff turnover is kept at minimum level.
- TZS 24.5 billion was paid in salaries and benefits in 2025. (2024: TZS 25.2 billion)

Social and relationship capital

These are collaborative relationships with a range of stakeholders including our customers, strategic service partners, regulators, and communities where we operate and aim to contribute to socioeconomic development and societal wellbeing.

We are mindful of the important role that we must continue to play in addressing the many societal challenges Tanzania faces. We continue to deliver positive impacts through (i) education reform and employability; (ii) strategic initiatives and engagements; (iii) thought leadership and innovation; and (iv) intergenerational sustainability.

- 65,163 total customers (2024: 64,514)
- Embracing sustainable-development financing to meet the responsible ESG practices.
- Good relationships with our stakeholders.

Outcomes

- 1,773 new customers across all business segments (2024: 2,778)
- TZS 22.4 billion in corporate tax paid in 2025 (2024: TZS 31.7 billion)
- Number of client complaints during the year totaled 1,395 with 100% resolution rate. The Bank is taking measures to ensure that this is decreased at minimum level.

Intellectual capital

The provision of financial services continues to shift towards digital interfaces (including end-to-end processes) and is increasingly automated (manufactured and intellectual capitals). This directly impacts on our physical branches (manufactured capital) and headcount (human capital). In turn, has the benefit of improving customer service (social and relationship capital). However, it does reduce our human capital requirements and necessitates the reconfiguration of our branches.

KCB BANK TANZANIA LIMITED

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

9. OUR VALUE-CREATING BUSINESS MODEL (CONTINUED)

Intellectual capital (continued)

The cost efficiencies arising are partly offset by investments in information and technology to encompass regulatory changes, driving innovation and modernisation, as well as cyber resilience (financial, manufactured, and intellectual capitals). To partly offset the negative impacts, we educate our customers on the benefits, convenience, and safe use of digital platforms.

We are also reskilling employees to create a future fit workforce and, when necessary, work with affected employees to place them in alternative roles or provide them with the necessary support to transition out of the Bank.

The Bank intends to upgrade its core-banking system and enhance its digital, financial and technology aspects that will enable it to meet the growing demands of the market and improving its competitive edge. The planned spend will be in the tune of TZS 3.1 billion.

Outcomes

- Scarce skills retained in critical areas.

Natural capital

This involves responsible use of natural resources including energy sources (electricity, solar and gas), air, water, paper, and the management of impacts including carbon emissions and waste.

We impact the natural environment directly in our operations and indirectly through the financing of client activities. The Bank recognizes its responsibility to achieve the global climate goals and is investing in learning and capacity building to ensure systemic change, advancing together so that no one is left behind.

10. STAKEHOLDERS RELATIONSHIP

As a financial services provider we are deeply connected to the environment we operate in and the societies we serve. Our ability to create and protect value is dependent on our relationships, our activities, and the contributions we make to our stakeholders. By providing for their needs and meeting their expectations, we create and protect value for our stakeholders and for KCB Bank Tanzania, while looking to minimize value erosion.

KCB BANK TANZANIA LIMITED

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

10. STAKEHOLDERS RELATIONSHIP (CONTINUED)

STAKEHOLDERS	THEIR NEEDS AND EXPECTATIONS
Employees	<ul style="list-style-type: none"> • A safe and healthy work environment supported by flexible work practices. • Fair remuneration, effective performance management, and recognition. • Challenging work, with opportunities to make a difference. • Career development and advancement opportunities. • An empowering and enabling environment that embraces diversity and inclusivity.
Customers	<ul style="list-style-type: none"> • Innovative solutions and services, including lending, deposit-taking, transactional and advisory services, global markets, wealth management, asset management and insurance. • Safe and convenient access to banking (channel of choice), increasingly through digital channels. • Excellence in client service. • Value-for-money banking that is competitive and transparent in pricing.
Shareholders	<ul style="list-style-type: none"> • Sustainable financial returns. • Attractive and sustainable growth strategy. • Sound balance sheet to protect against downside risk. • Strong and experienced management. • Transparent reporting and disclosure. • Compliance with laws and regulations.
Regulators	<ul style="list-style-type: none"> • Compliance with all legal and regulatory requirements. • Being a responsible taxpayer in the countries where we do business.
Society	<ul style="list-style-type: none"> • Providing access to expert financial advice, products and solutions that help to create positive impacts for individuals, their families, their businesses, and their communities. • Partnering on common social and environmental issues.

How we deliver value to our stakeholders

10.1 Creating value for Investors

We are deeply connected to the environment we operate in and the societies we serve. Our ability to create and protect value is dependent on our relationships, our activities, and the contributions we make to our stakeholders. By providing for their needs and meeting their expectations we create and protect value for our stakeholders.

We create shareholder value by managing risk effectively and delivering sustainable growth and returns. A strong relationship with the market is essential for understanding our performance, strategy, and prospects. We aim to provide investors with enough information to make an informed assessment of the year under review and on our prospects, so that they can value us appropriately.

KCB BANK TANZANIA LIMITED

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

10. STAKEHOLDERS RELATIONSHIP (CONTINUED)

How we deliver value to our stakeholders (Continued)

10.1 Creating value for Investors (Continued)

We continue to engage with shareholders on environmental, social and governance issues.

The Bank continued to focus on its engagement with our key stakeholders, acknowledging that this engagement is core to being a responsible business. Our key stakeholders remain the same as last year. The Board recognises the importance of building strong relationships with our stakeholders to help broaden understanding of their needs and concerns and ultimately to help us deliver our strategy.

10.2 Value creation for Customers

To remain relevant, we offer innovative and cost-effective products and solutions. Customers provide not only revenue but are our main source of deposits that enable our lending activities.

Convenient and innovative financial services

We provide services to our customers through a multi-channel approach, providing a choice of platforms encompassing digital, online, call centres, and face-to-face engagements in branches and customer suites with relationship managers. Our digital, design and data capabilities are essential for responding to our customers' needs, enhancing their experience and reducing their dependency on physical branches. We continue to create focused customer value propositions, enhance key customer processes, ensure system stability, strengthen relationships with customers and sharpen our knowledge of key sectors.

Excellent customer service and advice

We are on a journey to a more holistic approach towards customer experience health by integrating, into a single approach, all the elements of customer complaints management, customer service and experience measurement, and other drivers of customer experience.

We have several customer experiences measures against which we assess our performance:

- Knowledgeable, friendly and helpful staff (approachable, listening, responsive)
- Availability and reliability of relationship manager
- Time taken to complete transactions
- Favorable charges and rates e.g., on loans, savings
- Products and services that meet customer needs
- Accuracy of information provided
- Time taken to resolve/respond to issue raised by customers

Safety and protection against fraud

Fraud is constantly evolving, and customers' awareness is essential to prevent fraud. Employees undertake mandatory annual training, covering a range of topics including anti-money laundering, data privacy protection and anti-bribery and corruption. To safeguard our customers, employees and the Bank, we issue regular communications regarding financial crime, with topics such as how to avoid phishing attacks, how to conduct online shopping, travel tips, and card and app safety. In conjunction with increased fraud awareness messages across multiple platforms and increased security measures, additional attention is being given to customer experience with the implementation of revised fraud-handling processes and improved turnaround times to minimize customer detriment and address this issue directly. Despite improved security, fraudsters are continuously devising new plans to circumvent the latest safety measures.

Privacy is a foundation of our relationships, and our data privacy policy aims to ensure we collect, transfer and store electronic and hard copy personal data appropriately, protecting against the misuse or abuse of information.

KCB BANK TANZANIA LIMITED

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

10. STAKEHOLDERS RELATIONSHIP (CONTINUED)

How we deliver value to our stakeholders (Continued)

10.3 Value delivered to our Employees

Refer to note on employee welfare for detailed information on our value to our employees.

10.4 Value creation for Society

Our success is interlinked with the wellbeing of the societies in which we operate. We aim to amplify the positive impact of the Bank by contributing to solutions that address several socioeconomic challenges.

Responsible procurement and supplier diversity

We support responsible sourcing and supplier diversity. Within our overall procurement approach, our supplier and enterprise development approach help entrepreneurs to grow their businesses and to contribute to job creation. This includes collaboration with multinational corporations to promote the growth of the local economy.

Entrepreneurship

Over and above access to procurement opportunities, we support small and medium enterprises by providing access to financial services, as well as development support in the form of business skills, information, networks and markets. These interventions include training and strategic events; access to corporate customers and their value chains; and partnerships with non-profit organisations, global development organisations and government. Our structured approach to value chain financing blends our commercial funding with more affordable funds and/or guarantees from third parties to provide more affordable financing rates for emerging businesses that would not otherwise qualify for traditional finance.

Financial inclusion and literacy

We contribute to a more inclusive economy and the financial wellness of society by developing affordable, needs-based financial products delivered through innovative and convenient delivery channels. This is supported by consumer education and financial literacy training. We use various communication channels including ATMs, short message services, face-to-face exchanges, and digital platforms to educate customers on managing the costs of everyday banking products.

Focus on affordable housing

In support of home ownership in Tanzania, the Bank has provided TZS 20.1 billion in value for affordable home loans to customers (2024: TZS 30.5 billion). We continue to explore the use of various funding models that fit the requirements of Tanzania to support affordable housing and related opportunities.

10.5 Value preservation for the Planet

We are aware of our role as environmental stewards. Our environmental impacts are indirect via our lending and investment practices, and direct via our environmental footprint.

KCB BANK TANZANIA LIMITED

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

10. STAKEHOLDERS RELATIONSHIP (CONTINUED)

How we deliver value to our stakeholders (Continued)

10.6 Value creation in a regulated environment

Regulators and governments provide the legal and regulatory frameworks that guide the way we do business. We support a sound and ethical operating environment and are committed to proactively engaging with regulators and other stakeholders, while simultaneously integrating ethical behavior and good conduct within our culture. As we operate in a highly regulated environment, we follow a structured approach to ensure that the business processes, policies or system changes necessary for regulatory compliance are implemented. In the normal course of business, regulators conduct reviews of our controls and progress in meeting regulatory requirements. Our communications with regulators are open and transparent and we engage constructively in inspections and investigations.

Market conduct

In terms of market conduct, we continue to monitor, implement, and where required, perform impact assessments on various developments, including:

- Data privacy, the protection of personal information and cyber security in Tanzania
- Responsible lending and insurance and to engage with regulators on mechanisms of providing debt relief.

We continue to respond to the following Tanzania specific conduct-related legislation:

- Banking and Financial Institutions Act, 2006 with circulars and regulations issued thereof
- Foreign Exchange Act, 1992
- Anti-Money Laundering regulations
- Fair Competition Act, 2003
- Income tax Act

Prudential oversight

In terms of prudential oversight, we have complied with key aspects of Bank of Tanzania (BoT) for supervisory purposes. The required information is filed with the BoT periodically as required;

- Exceeded the capital requirements, with a core capital (tier 1) ratio by 5.63% (2024: 4.83%), above the Bank of Tanzania requirement of 12.5%.
- Exceeded the capital requirements, with a total capital (tier 2) ratio by 3.89% (2024: 2.90%), above the Bank of Tanzania requirement of 14.5%.

Delivering value to our shareholders

The financial capital comprising of our equity, debt and our retained earnings enables business continuity and growth as well as strategic investments. Value is created and preserved through

- Increasing our net assets value, returns and dividends
- Maintaining a strong balance sheet to protect against downside risks.
- Investing in and growing our client franchises and our people sustainably; and
- Following good corporate governance practices that ensure a sustainable business for the long term.

KCB BANK TANZANIA LIMITED

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

11. COMMERCIAL AND OPERATIONAL RISKS

The Bank has established and maintains a comprehensive Enterprise Risk Management (ERM) Framework designed to identify, assess, monitor, manage, and report all material risks to which it is exposed. The framework supports the achievement of the Bank's strategic objectives while ensuring sound risk governance, regulatory compliance, and long-term financial sustainability.

The ERM Framework is aligned with the Bank's strategy and risk appetite, and is consistent with applicable regulatory requirements and industrial risk management practices. It provides a structured and disciplined approach to managing key risk categories, including but not limited to credit, market, liquidity, operational, legal, compliance, strategic, and reputational risks.

Oversight of the ERM Framework is vested in the Board of Directors, which approves the risk appetite and ensures that management operates within approved risk limits. The Board is supported by its relevant committees, while day to day implementation and monitoring of risk management activities are the responsibility of Management through clearly defined roles, responsibilities, and delegated authorities.

The Bank applies a combination of quantitative and qualitative tools, policies, and controls to manage risks, supported by regular risk reporting, stress testing, and independent assurance. The ERM Framework is subject to continuous review to ensure its effectiveness, adequacy, and alignment with the Bank's evolving risk profile, regulatory landscape, and business environment

Operational Risk Policies

The bank's Operational Risk Management Policy defines governance and management of operational risk within the bank to maintain a safe and sound organization. The bank endeavors to manage operational risks in a proactive, risk based and disciplined manner through the implementation of operational risk management strategy, governance structures, procedures, processes, and tools that enable the KCB Bank Tanzania to identify, assess, control, monitor and report operational risks.

12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Market Risk Policy

The Market Risk Policy for the bank establishes and defines the principles under which the Bank can be exposed to Market, Liquidity and Country Risk and provides the overall governing policy under which KCB bank Tanzania manages the Market, Liquidity and Country Risk.

This policy outlines the Risk Management processes that result in the identification, assessment, measurement, monitoring and control/mitigation of market, liquidity and country risks in a consistent manner across the Bank and also establishes an analysis and reporting line to the Management, stability in methodologies and transparency of risk. It contributes to the processes to meet the long-term objectives of minimizing expected losses and maximizing return on risk adjusted capital.

Credit Risk Policy

Credit risk Policy for the bank ensures that credit offerings are solicited, assessed, and delivered in efficient convenient methods and that credit risks are only accepted where they are in line with risk appetite, meet required risk adjusted return thresholds, and that credit exposures once accepted are regularly monitored and proactively managed to minimize undue losses.

The policy outlines pillars used to attain the same being; i) Customer Experience (Turnaround time, convenience, and cost of credit). ii. Quality of Assets (NPL, Provisions Level and Portfolio Diversification). iii. Risk-Reward Trade-off (Pricing matrix to deliver the required return on equity and assets). iv. Reputation and Sustainability (Professionalism, Ethics & Values, Compliance and Reporting). people (Continuous Improvement & Learning Organization Culture).

KCB BANK TANZANIA LIMITED

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

12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign Exchange Policy

Foreign exchange policy for the bank establishes monitoring of the foreign exchange risk limits as a key control function from the perspective of ensuring that the bank remains within the overall risk appetite set out by the Board.

Liquidity policies

The liquidity policy for the Bank provides guidance on management of liquidity risk under normal, stress and crisis situations. The policy sets out a liquidity decision making structure in the Bank, approaches to funding and liquidity operations, limits to liquidity risk exposure, procedures and systems for liquidity planning and management and contingency planning.

The Bank strives to develop a diversified funding base with access to funding sources across retail and wholesale channels. Our funding strategy is anchored on the strength of our core deposit franchise and is augmented by our established long term funding capabilities.

Investment Policy

The Investment Policy forms the basis for all investments made in the bank with overall objective of maximizing returns while managing risks within acceptable levels. The focus is to maximize returns while protecting both the principal and income thereon.

ALCO Policy

The purpose of the Asset Liability Management Policy (ALCO Policy) is to set forth the guidelines under which the Bank manages its net interest margin, liquidity and interest rate risks and investment securities portfolio.

Liquidity management approach

Liquidity risk is managed within the Bank's Enterprise Risk Management (ERM) Framework and in accordance with the Board-approved risk appetite, applicable Bank of Tanzania (BOT) regulations, and the Basel III principles for liquidity risk management. The ERM Framework provides a structured and consistent approach for the identification, assessment, monitoring, control, and reporting of liquidity risk, ensuring alignment with the Bank's strategic objectives and overall risk profile.

The primary tool used to manage liquidity risk within approved tolerance levels is cash flow maturity mismatch analysis. This analysis is performed on a regular basis under both normal and stressed conditions to assess the adequacy of the Bank's counter-balancing capacity to meet funding obligations and mitigate potential cash flow shortfalls across defined time bands.

Liquidity risk stress testing is conducted regularly as part of the ERM Framework using cash flow maturity mismatch analysis of interest-earning assets and liabilities. The stress testing program incorporates institution-specific and market-wide scenarios calibrated to mild, moderate, and severe stress conditions, consistent with regulatory expectations and internal risk assessments.

The stress tests evaluate the Bank's vulnerability to increased liability run-offs, higher asset rollover rates, and reductions in liquid asset buffers. The results of the stress testing conducted in December 2025 indicated that the Bank remained compliant with applicable regulatory liquidity ratio requirements.

KCB BANK TANZANIA LIMITED

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

12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

ALCO Policy (Continued)

Liquidity management approach (Continued)

In addition, the Bank applies complementary liquidity risk control measures, including regulatory and internal liquidity ratios, balance sheet and funding structure analysis, and concentration risk metrics. These measures provide enhanced insight and control over the Bank's liquidity risk profile across currencies and operating locations, including monitoring of exposures to large depositors, wholesale funding sources, and swapped funds.

The management of liquidity risk is supported by robust governance arrangements, internal controls, and management information systems embedded within the ERM Framework. These enable effective aggregation, monitoring, reporting, and escalation of liquidity risk on a Bank-wide basis, ensuring timely decision-making and ongoing compliance with regulatory and internal requirements.

13. TECHNOLOGY AND INNOVATION

Increased competition, changing consumer demand, financial disintermediation and disruptive technologies are changing our business. To meet customers' needs, we must focus on delivering innovative products and services, informed by advanced data analytics, which are enabled through an increasingly automated and digitised environment. Critical to this is the customer experience, the stability of systems and ensuring trust and safety of people, assets, and information.

To remain relevant to customers and operationally efficient, financial services providers are required to reshape their IT infrastructure to include cloud solutions, big data and advanced analytics, mobile technologies, biometrics, robotics, machine learning, and artificial intelligence. The adoption of modern tools and techniques is critical for digitisation and innovation, leading to rapid software development and delivery.

By leveraging innovative technology and new ways of working we are continuously improving our agility, flexibility, and responsiveness to our markets. Through digital transformation, we are able to transform our current business into a more cost-efficient and connected operations. Improving our ways of working allows us to become faster and more efficient in delivering a great customer experience.

Developments in technology and changes in regulations are enabling new entrants to the industry. This challenges the Bank to continue to innovate and optimise in order to take advantage of new digital capabilities to best serve our customers and adapt our products to attract and retain customers. To address this challenge, the bank takes the following measures.

- The Bank continues to invest in transforming how software solutions are developed, delivered and maintained.
- The Bank is focused on improving system resilience and service continuity testing. We continue to ensure security is built into our software development life cycle and improve our testing processes and tools.
- The Bank continues to upgrade many of our IT systems, simplify our service provision and replace older IT infrastructure and applications.

14. CORPORATE GOVERNANCE

Our governance framework is anchored on competent leadership, effective internal controls, a strong risk culture and accountability to stakeholders. Our Board plays a key role in setting our governance standards to meet our stakeholders' expectations, and our leadership model ensures an appropriate balance of power, accountability and independence in decision making across our various functional units.

KCB BANK TANZANIA LIMITED

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

14. CORPORATE GOVERNANCE (CONTINUED)

The company has a code of ethics' which all staff are required to abide by.

We believe in adopting the best practices in Corporate Governance. The Board, Management and the Company employees are committed to upholding the core values of transparency, integrity, honesty, and accountability, which are fundamental to the attainment of good governance and excellent performance in any organization.

Members charged with Governance

The Board is responsible and accountable for providing effective corporate governance, direction, and control of the Company. The directors have a duty to exercise leadership, enterprise, integrity, and judgment based on transparency, fairness, accountability, and responsibility.

The Board is responsible for appointing the management, adopting a corporate strategy, policies, procedures and monitoring operational performance including identifying risks impacting the company. It is also responsible for managing good relationships with all the stakeholders.

The Directors are committed to the principles of good corporate governance and recognize the need to conduct the business in accordance with generally accepted best practice. In doing so the Directors therefore confirm that:

- The Board of Directors meet regularly throughout the year in accordance with regulatory and governance requirements.
- They retain full and effective control over the Bank affairs and provide guidance to executive management.
- The positions of Chairman and Managing Director are held by different people.
- The Chairman of the Board of Directors is independent Non-Executive.
- The Board accepts and exercises responsibility for strategic and policy decisions; and
- They bring skills and experience from their own spheres of business to complement the professional experience and skills of the management team.

Our priorities

- Putting our customers centrally in our service.
- Enhancing performance driven culture.
- Proactive risk management processes.
- Embed brand purpose.
- Being the right partner to our stakeholders.

Composition of directors

The board of directors comprised of 7 non-executive directors with a mix of skills, experience, and diversity. The Board meetings are chaired by the Board Chairman. During the financial year the Board convened 4 schedules meetings.

KCB BANK TANZANIA LIMITED

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

14. CORPORATE GOVERNANCE (CONTINUED)

Composition of directors (Continued)

The Directors who were in office from 1 January 2025 to the date of this report are presented below.

Name	Position	Qualifications	Age	Gender	Board meetings attendance %	Date of appointment/resignation	Nationality
Mr. Peter A. Kallaghe	Chairman	Master's degree in International Relations and has specialized in Strategic Communications Studies	67	Male	100%	21st Oct. 2024 (as a member) and 10 th Dec 2024	Tanzanian
Mr. Cosmas Kimario	Managing Director	MBA Finance	58	Male	100%	10 th Oct 2016	Tanzanian
Ms. Santina Majengo Benson	Non-Executive Director	Master of Science in Contemporary Management	49	Female	100%	28 th Nov 2019	Tanzanian
Ms. Anuja Shirish Pandit	Non-Executive Director	Master of International Business Administration	55	Female	100%	26 th Oct 2022	Kenyan
Mr. Fredrick Odongo Ochieng Otieno	Non-Executive Director	Master of Science in Marketing	50	Male	100%	15 th Dec 2022	Kenyan
Mr. Anael Gamaliel Samuel Mshana	Non-Executive Director	Certified Public Accountant (CPA), MBA in Finance from the University of Dar es Salaam (2004-2006), a Bachelor of science in Computer	49	Male	100%	27 th Jan 2024	Tanzanian
Ms. Jacqueline Woiso	Non-Executive Director	Master of Business Administration from Milpark Business School South Africa,	50	Female	100%	27 th Jan 2024	Tanzanian
Rosalind Wanjiru Kimani	Non-Executive Director	Bachelor of Commerce, and master's in business	51	Female	100%	31 st January 2023	Kenyan

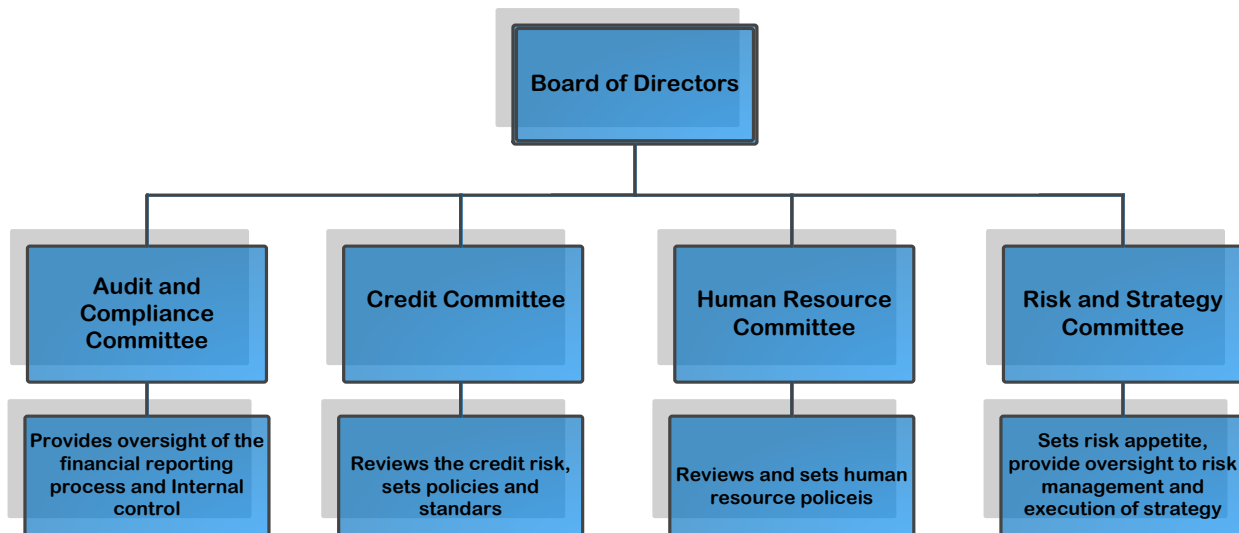
The appointment of the directors is in line with the Memorandum and Articles of Association of the Company, as well as the requirements of the Tanzanian Companies Act, 2002.

KCB BANK TANZANIA LIMITED

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

14. CORPORATE GOVERNANCE (CONTINUED)

The Board is supported by the following Committees:



Board meetings and activities

There are 4 scheduled Board meetings each year. Ad-hoc meetings are also held when necessary. There were no ad-hoc Board meeting held in 2025.

Before each Board meeting, the Chairman oversees the setting of the agenda of Board meetings, in consultation with the managing director and the company secretary, to ensure that there is sufficient information and time to address all agenda items. The agenda also allows for flexibility when needed. Directors are provided with complete information related to agenda items in a timely manner.

Directors have the discretion to engage external advisers. External professionals or in-house subject matter experts may also be invited to present key topics to the Board as well as updates on corporate governance, risk management, capital, tax, accounting, listing and other regulations, which may have an impact on DBS' affairs.

Directors have independent access to the Secretary. The Secretary attends all Board meetings and minutes are prepared to record key deliberations and decisions taken during the meetings. The Secretary facilitates communication between the Board, its committees and management, and generally assists Directors in the discharge of their duties. The Secretary helps with the induction of new Directors. The appointment and removal of the Bank's Secretary require the approval of the Board.

Delegation by the Board to the 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. All our 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.

KCB BANK TANZANIA LIMITED

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

14. CORPORATE GOVERNANCE (CONTINUED)

Board Audit 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.

The members who served in the Committee during the year ended 31 December 2025 are as presented below and the committee held four (4) ordinary meetings:

No	Name	Position	No. of meetings attended
1.	Anael Mshana	Chairperson	4
2.	Ms. Anuja Shirish Pandit	Member	4
3.	Mr. Fredrick Odongo Ochieng Otieno	Member	4

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.

The members who served under the Committee during the year ended 31 December 2025 are presented below and the committee held four (4) ordinary meetings:

No	Name	Position	No. of meetings attended
1.	Ms. Santana Majengo Benson	Chairperson	4
2.	Ms. Jacqueline Woiso	Member	4
3.	Ms. Rosalind Wanjiru Kimani	Member	4

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.

The members who served in the Committee during the year ended 31 December 2025 are presented below and the committee held four (4) ordinary meetings:

No	Name	Position	No. of meetings attended
1.	Ms. Santana Majengo Benson	Chairperson	4
2.	Ms. Jacqueline Woiso	Member	4
3.	Ms. Rosalind Wanjiru Kimani	Member	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.

KCB BANK TANZANIA LIMITED

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

14. CORPORATE GOVERNANCE (CONTINUED)

Credit Committee (Continued)

The members who served in the Committee during the year ended 31 December 2025 are detailed below and the committee held four (4) ordinary meetings:

No	Name	Position	No. of meetings attended
1.	Ms. Jacqueline Woiso	Chairperson	4
2.	Ms. Santina Majengo Benson	Member	4
3.	Ms. Rosalind Wanjiru Kimani	Member	4

Directors' evaluation and training

The Board itself regularly undergoes self-assessment and evaluation in order to improve the internal Governance of the Board. Training is provided in order to ensure the Board keeps abreast with current developments in the market.

15. PRINCIPAL RISK, UNCERTAINTIES AND OPPORTUNITIES/MITIGATIONS

We recognise the importance of a strong culture, which refers to our shared attitudes, values and standards that shape behaviours related to risk awareness, risk taking and risk management. All our people are responsible for the management of risk, with the ultimate accountability residing with the Board.

Our risk management systems are robust with a well-developed risk management framework governed by mandated board and management committees with the relevant expertise. Our risk measures seek to balance regulatory requirements and shareholder expectations for risk-adjusted returns. We carefully manage our capital, liquidity, and funding levels to support business growth, maintain depositor and creditor confidence, and create value for our shareholders and other stakeholders.

The risks taken are measured and monitored against the risk appetite set and risk limits set at bank's level.

The bank manages risk in accordance with the governance framework and guided by our values and code of ethics. We monitor our conduct and culture through a combination of leading and lagging conduct risk indicators. Where deficiencies are identified, we take immediate remedial action. Non-compliance is met with disciplinary processes and appropriate action. Each business line and corporate function is responsible for monitoring of risk relevant to its business activities, and for escalating material concerns to the relevant risk governance committees.

The Board has ultimate responsibility for the effective management of risk and approves our risk appetite. The Board risk and strategy committee holds executive accountability for the ongoing monitoring, assessment and management of the risk environment and the effectiveness of the risk management framework. Day-to-day responsibility for risk management is delegated to senior managers with individual accountability for decision making. All our people have a role to play in risk management.

KCB BANK TANZANIA LIMITED

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

15. PRINCIPAL RISK, UNCERTAINTIES AND OPPORTUNITIES/MITIGATIONS (CONTINUED)

Our current principal risks are as follows

Risk	Mitigating actions
<p>Credit risk</p> <p>The risk of loss arising out of the failure of customers to meet their financial or contractual obligations when due.</p>	<ul style="list-style-type: none"> ▪ Onboarding good customers and increasing exposure to customer with good historic performance. ▪ Monthly monitoring of portfolio performance. ▪ Remedial actions to rehabilitate or recover the facilities in distress are in place. ▪ Robust Early Alert process in place to stem migration from the good to bad book. ▪ Monthly monitoring and tracking recovery actions/progress are in place.
<p>Market risks</p> <p>The risk of a change in the market value, actual or effective earnings, or future cash flows of a portfolio of financial instruments, including commodities, caused by adverse movements in market variables such as equity, bond and commodity prices, currency exchange and interest rates.</p>	<ul style="list-style-type: none"> • Maintain short position on US Dollar limits to avoid revaluation losses. • Reduce exposure on US Dollars to reduce revaluation losses. <p>Source more fund from inter-bank at cheap price and invest in high profit generating assets to generate more profits.</p>
<p>Liquidity and funding risk</p> <p>The risk that an entity, although solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations in full as they fall due, or can only do so at materially disadvantageous terms.</p>	<ul style="list-style-type: none"> • Short-term deposit Mobilization campaign such as: • CASA campaigns for all business units. • Ring-fencing the customer ecosystem. • Long-term funding strategy. On this, the bank has done the following: <p>Grow the customer deposit base in order to reduce inter-bank reliance hence release securities.</p>
<p>Business risks</p> <p>The risk of unexpected earnings variability, as a result of strategic choices and failed strategy execution. This excludes the effects of market risk, credit risk, structural interest rate risk and operational risk.</p>	<ul style="list-style-type: none"> • Continuous tracking of performance through monthly meetings and making the relevant adjustments to close the gaps. Continue tracking performance through monthly performance meetings. • Proactive managing the growth of the balances sheet in of compliance to regulatory requirements. • Continuous monitoring of the ratio as per approved risk appetite in respective governance committees .
<p>Reputation risk</p> <p>The risk of potential or actual damage to our image which may impair the profitability and/or sustainability of our business.</p>	<ul style="list-style-type: none"> • Ensuring that all staff adhere to all laid down policies and procedures. • Adherence to the proper onboarding of employees. Continuous tracking of all customer complaints and ensure timely resolution.
<p>Legal risk</p> <p>The potential adverse consequences arising from non-compliance with legal or statutory responsibilities and/or legal rights not being binding or enforceable.</p>	<ul style="list-style-type: none"> • Monitoring and assessing the implications of regulatory developments. • Compliance and awareness training on a regular basis.

KCB BANK TANZANIA LIMITED

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

15. PRINCIPAL RISK, UNCERTAINTIES AND OPPORTUNITIES/MITIGATIONS (CONTINUED)

Our current principal risks are as follows (Continued)

Risk	Mitigating actions
Environmental and social risk The direct and indirect impact on the environment and society caused by the group that might prevent the group from achieving its strategic objectives.	<ul style="list-style-type: none">• Identification and development of metrics to inform decision-making and reporting.• Climate change risk stress testing and scenario analysis.
Cyber risk The potential destruction, unauthorised or erroneous use of information systems that could result in service disruption, reputation damage and significant financial loss.	<ul style="list-style-type: none">• Monitoring platform health and network anomaly detection.• Awareness and training, particularly for high-risk users.• Simplification of IT landscape • Intelligence-led cyber strategies with a risk approach based on learning from attack trends and incidents.
Technology risk The inability to manage, develop and maintain secure, agile technology capability that enables the bank to operate efficiently and achieve strategic objectives	<ul style="list-style-type: none">• Upgrade of IT systems such as the core banking system that is scheduled for 2025.• Accelerate migration of data to the cloud to drive digital transformation, enhance security and improve system stability.

Key developments in 2025

We continued to enhance our credit risk management controls by:

- Upskilling the team in analysing different business cases in order to have quality asset book.
- Introduction and improvement in the checklist within the credit function to identify non-compliance items at entry level as well as pre-disbursement and post-disbursement level.
- Monitoring covenants on monthly and quarterly basis to ensure compliance is attained as required.
- Communication of Credit policies and manuals to staff.
- Periodic review of internal policies and procedures in line with regulatory requirements.
- Enhanced our monitoring controls.
- Training on credit origination with Business units.
- Effective use of credit bureaus during origination.

We continued to enhance our liquidity and market risk management process by;

- Monitoring deposits trends to enable proper pricing of term deposits.
- Monitoring of key liquidity ratios such as liquidity assets to total deposits. BOT requires this to be maintained at a rate not less than 20% whereas internally the requirement is to maintain this at a rate not less than 25%. The liquidity ratio as at 31st December 2025 was 25.09%.

16. EMPLOYEE WELFARE

At KCB Bank we believe that our success in delivering our strategic priorities and managing the regulatory environment proactively depends on the development and retention of our high-performing employees.

Our people ambition is to create a thriving future-fit organization that attracts, develops, and retains the best people through a differentiated employee experience that brings possibilities to life.

KCB BANK TANZANIA LIMITED

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

16. EMPLOYEE WELFARE (CONTINUED)

Fair and responsible remuneration

The Company's employment terms are reviewed annually to ensure that they meet statutory and market conditions. Our commitment to fair and responsible remuneration includes a review of remuneration differentials based on gender and race, as well as income differentials across the various levels to ensure that these are justifiable. The employee and employer pension contribution are through NSSF.

Medical assistance

The Bank covers medical bills for all its employees and their immediate family members as per the medical scheme rules.

Staff loans and advances

The Bank provides housing, education and car loans to all confirmed employees depending on the assessment of the need and circumstances. Staff loans and advances are based on specific terms and conditions as approved by the Board of Directors. Staff loans outstanding as at end of the year was **TZS 11.56billion** (2024: TZS 11.8 billion).

In addition to the above measures, the bank has ensured the followings are in place to secure employees' welfare:

- We promote a diverse and inclusive workforce and provide active support across a wide range of health and well-being activities.
- We monitor people risks that could arise due to organisational restructuring, helping to ensure we manage redundancies sensitively and support impacted employees. We encourage our people to focus on talent retention at all levels.
- We continue to develop succession plans for key management roles.
- Provision of regular training to our staff to ensure our employees acquire critical skills.

Persons with Disabilities

The Bank has a policy to provide employment to disabled persons wherever practicable. As of 31st December 2025, there was one person with disability.

17. RELATED PARTY TRANSACTIONS

Related party transactions are disclosed in Note 31 to these financial statements. All transactions with related parties were undertaken on an arm's length basis.

18. POLITICAL AND CHARITABLE DONATIONS

Donations amounting to TZS 93 million (2024: TZS 132 million) were given as charitable donations. There were no political donations during the year (2024: Nil).

KCB BANK TANZANIA LIMITED

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

19. SUSTAINABILITY RELATED FINANCIAL INFORMATION

i. GENERAL REQUIREMENTS

(a) CONNECTIVITY

The sustainability-related financial information of the bank should be read in conjunction with the bank's financial statements.

The information makes connections with the financial statements, to present a cohesive view of how relevant sustainability-related risks and opportunities could impact the bank's financial position, performance and cash flows over the short, medium and long term. Where applicable, quantitative sustainability-related metrics are directly connected and cross-referenced to relevant financial statement line items, such as energy costs, provisions and capital expenditure on decarbonisation initiatives.

(b) SOURCES OF GUIDANCE

In preparing its sustainability-related financial information, the bank has referred to, and considered, the applicability of disclosure topics and metrics in the Sustainability Accounting Standards Board Standards (SASB Standards). Specific information about which SASB Standards were considered by the bank is contained in the policies section of this report. In some cases, the bank has also prepared disclosures using other sources of guidance such as Global Reporting Initiative Universal Standards and UN Sustainable Development Goals (SDGs). The source of metrics used by the bank is detailed in the policies section of this report.

(c) ASSUMPTION, JUDGEMENT AND ESTIMATES

JUDGEMENT

The preparation and presentation of the sustainability related financial information involve applying judgement to determine what information is relevant, reliable and useful to disclose. This includes interpreting reporting requirements and making informed decisions in areas where the standards allow flexibility. The table below summarizes key judgements applied.

Topic	Description
Materiality	To identify relevant risks and opportunities and material information, the bank exercised judgement in assessing impacts and dependencies across the value chain that could reasonably influence the bank's strategy, business model or financial position and performance.

KCB BANK TANZANIA LIMITED

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

19. SUSTAINABILITY RELATED FINANCIAL INFORMATION (CONTINUED)

(c) ASSUMPTION, JUDGEMENT AND ESTIMATES (CONTINUED)

JUDGEMENT (CONTINUED)

GHG emissions	<p>The bank exercised judgement when selecting:</p> <ul style="list-style-type: none"> - appropriate emission factors - emissions categories which have the most impact on the Bank's prospects. <p>For more detail on GHG emissions, see Note (19)(v)(a)(iv) in the report by those charged with governance included in page 54.</p>
Scenario selection	<p>The selection of climate-related scenarios required the application of judgement to reflect a range of plausible transition and physical risk pathways relevant to the Bank's operating context. The scenarios were designed to capture key uncertainties that could reasonably be expected to affect the bank's strategy, business model, risk profile and financial performance over the short, medium and long term.</p>

MEASUREMENT UNCERTAINTY

Measurement uncertainty in the sustainability related financial information arises from data gaps, reliance on proxy information, external factors and forward-looking information. The table below summarises the main sources of measurement uncertainty affecting the amounts disclosed in the sustainability report.

Topic	Description
GHG emissions	<p>GHG emissions quantification is unavoidably subject to significant inherent limitations, because of incomplete scientific knowledge and inherent limitations in the nature of, and methods used for, determining emissions factors and data. The selection by management of different but acceptable emission factors or measurement techniques could have resulted in materially different GHG emissions reported.</p>
Resilience assessment	<p>Forward-looking assessments of transition and physical climate-related risks are inherently subject to a high degree of uncertainty, given reliance on assumptions about future policy actions, regulatory developments, market responses and the pace of technological change. The bank's resilience assessment is therefore primarily qualitative at this stage and is sensitive to changes in these underlying assumptions. As the bank continues to enhance its data availability, modelling capabilities and climate risk governance processes, it expects to strengthen the robustness and decision-usefulness of its resilience assessments in future reporting periods. Refer to the Note 19 (iii)(c) in the report by those charged with governance included in page 42 used to determine the potential range.</p>

KCB BANK TANZANIA LIMITED

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

19. SUSTAINABILITY RELATED FINANCIAL INFORMATION (CONTINUED)

(d) TRANSITION RELIEFS

In preparing the sustainability related financial information, the bank has applied the following transition reliefs for the first annual reporting period:

- (i) not to disclose comparative information on Sustainability related risks and opportunities
- (ii) not to disclose Scope 3 emissions.

ii. GOVERNANCE

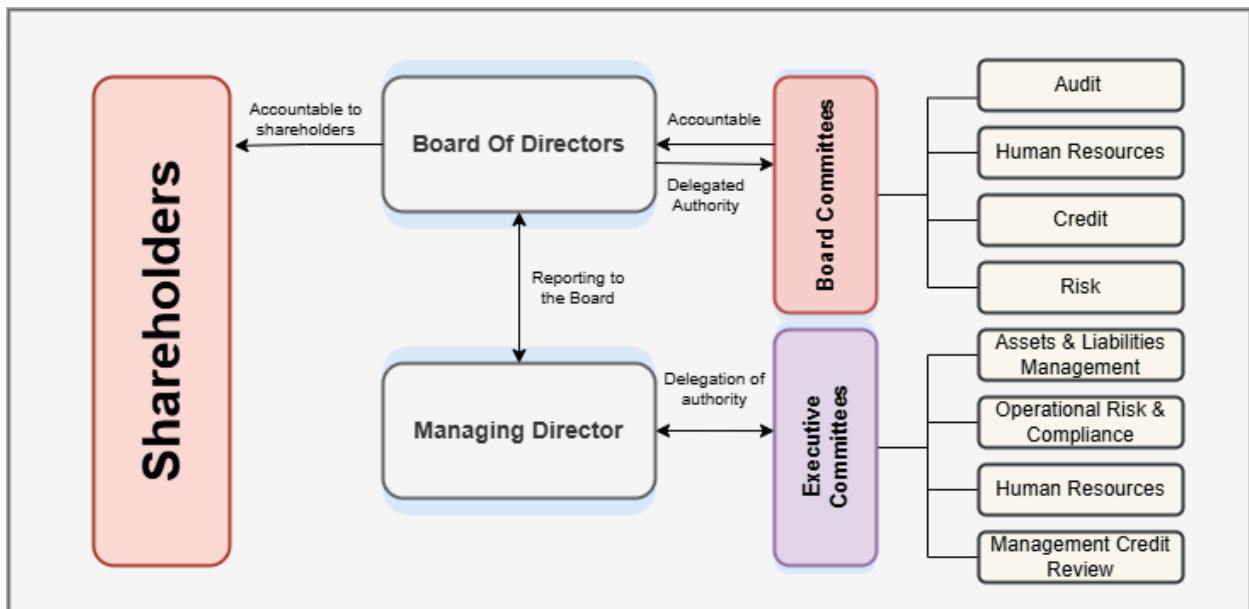
SUSTAINABILITY GOVERNANCE

The bank’s governance processes play a critical role in supporting a sustainability approach that is well-defined, integrated and consistently applied across operations. The bank’s governance and risk management systems enable it to monitor and challenge strategies and plans, while providing oversight on how the bank reports sustainability-related data.

The bank has taken steps to embed sustainability into its governance framework and has established a governance structure to ensure that the Board provides effective oversight of sustainability related risks and opportunities, the terms of reference of the board and risk & strategy committee have been updated to reflect each role and mandate fulfilling their responsibilities of overseeing sustainability matters.

Risk and strategy committee supports the board in fulfilling its responsibility of overseeing sustainability-related matters, having a distinct role and mandate. The risk and strategy committee help prepare the board for decision-making on sustainability-related matters, although the committee plays an important role, the board retains overall responsibility for their activities. The committee reviews and recommends sustainability-related metrics and targets developed by KCB Group or local risk team to the board for approval. Once approved, targets are reviewed and monitored by the risk and strategy committee on a quarterly basis against reports produced by the risk team. During the year the Risk and Strategy Committee discussed key performance highlights relating to strategic ESG and SDGs metrics focusing on responsible lending, gender balance and environmental stewardship for Q1, Q2, Q3 and Q4.

Sustainability-related financial risks are discussed at Board level on a quarterly basis.



KCB BANK TANZANIA LIMITED

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

19. SUSTAINABILITY RELATED FINANCIAL INFORMATION (CONTINUED)

ii. GOVERNANCE (CONTINUED)

SUSTAINABILITY GOVERNANCE (CONTINUED)

Board Oversight of Sustainability-related Risks and Opportunities

The Board has overall responsibility for oversight of the bank’s approach to Sustainability-related risk and opportunities.

To exercise these duties, the Board:

- i. Ensures that sustainability-related risks are embedded into the bank’s Enterprise Risk Management (ERM) framework.
- ii. Establishes governance structures for sustainability risk reporting and risk appetite frameworks.
- iii. Reviews and approves climate risk policies, ensuring alignment with regulatory expectations and best practice.
- iv. Ensures an appropriate collective understanding of sustainability-related financial risks at both Board and senior management level.
- v. Approves and periodically reviews the strategies, policies, procedures and risk management frameworks for climate-related financial risks.
- vi. Clearly sets the roles and responsibilities of senior management and internal organizational structures, as applicable, for the management of sustainability-related financial risks.
- vii. Ensures alignment with sustainable finance regulations and disclosure frameworks.
- viii. Oversees sustainability-related disclosures to investors, regulators, and other stakeholders.
- ix. Ensures that ESG (Environmental, Social, and Governance) factors are incorporated into decision-making.
- x. Engages with industry groups and policymakers on climate risk frameworks and best practice.

The Board Risk and Strategy Committee monitors the overall sustainability agenda and plays a crucial role in ensuring that the bank is resilient to sustainability-related risks. The Committee acts as a bridge between risk management, strategy, and regulatory compliance.

The Committee’s responsibilities include:

- i. Overseeing the bank’s sustainability-related disclosures
- ii. Ensuring compliance with sustainability-related regulatory requirements.

The Board considers Sustainability-related risks and opportunities as part of its oversight of the bank’s strategy, major transactions and risk management processes. This includes reviewing how sustainability-related issues such as climate change and human rights are factored into strategic planning, investment decisions and the design of risk management policies.

In 2025, the focus was on ensuring climate change and human rights considerations were effectively integrated into the Board’s oversight. Looking ahead, the bank plans to expand these processes to fully embed all relevant sustainability-related topics including nature into governance and decision-making.

The table below outlines how Sustainability-related transactions are considered by the Board and its committees:

Strategy	The overall business strategy is reviewed and updated annually under the oversight of the Board so that the bank effectively manages sustainability-related risks and capitalises on opportunities.
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KCB BANK TANZANIA LIMITED

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

19. SUSTAINABILITY RELATED FINANCIAL DISCLOSURES (CONTINUED)

ii. GOVERNANCE (CONTINUED)

SUSTAINABILITY GOVERNANCE (CONTINUED)

Board Oversight of Sustainability-related Risks and Opportunities (Continued)

Major transactions and trade-offs	The Board with the support of the Risk Management and Strategy Committee makes decisions on major transactions after: <ul style="list-style-type: none">- implementing a due diligence process through which assesses the impacts of proposed transactions on the bank’s strategy and financial performance and position- considering trade-offs in approving or declining the proposed transaction, with a focus on the negative and/or positive impact on the bank’s strategy and its financial performance and position. In 2025, no major transactions were approved or declined following the due diligence process in relation to the Transition plan. The bank will continue to monitor major transactions and will provide relevant disclosures in subsequent reporting periods should any such transactions occur.
Risk Management	The Risk Management and Strategy Committee monitors the bank’s risk management policies, ensuring that support teams and business units have the appropriate knowledge and resources to manage Sustainability-related risks and opportunities effectively. The Audit Committee oversees the internal audit function, ensuring it evaluates the effectiveness of processes for identifying and managing Sustainability-related risks and opportunities as part of the broader enterprise risk management framework.

Skills, Competence and Training

The Board maintains a strong focus on the skills, competencies and experience required to support effective oversight, particularly in relation to the bank’s sustainability strategy.

An annual review is conducted to assess the collective competencies of Board members, with a specific emphasis on sustainability-related expertise. When gaps are identified, tailored training and workshops are developed by the Human Resource team to build capability. In addition, sustainability refresher sessions are held periodically to help Board members remain informed on emerging developments.

The bank is committed to ensuring that the Board continues to have the skills necessary to oversee the bank’s sustainability-related risks and opportunities and comply with the Bank of Tanzania’s Guidelines on Climate-related Financial Risk Management and Disclosures. As a result, the bank has provided training to the Board across several areas, such as:

- Corporate Governance, Emerging Issues in Internal Audit, Enterprise Risk Management, ESG & Global Banking trends.
- Governance and Sustainability (Sustainable Success: Mastering governance for a resilient future). This included modules on:

KCB BANK TANZANIA LIMITED

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

19. SUSTAINABILITY RELATED FINANCIAL DISCLOSURES (CONTINUED)

ii. GOVERNANCE (CONTINUED)

SUSTAINABILITY GOVERNANCE (CONTINUED)

Skills, Competence and Training (continued)

- i) The ESG journey, its evolution, and the legislative landscape.
- ii) The Board's role in a greener future: duties, liabilities and leadership.
- iii) Boardroom accountability: meeting stakeholder ESG expectations in a globally shifting political landscape.
- iv) Climate Outlook: Adapting for a Sustainable Future.
- v) Boardroom to greenroom: how can Boards address climate change.
- vi) ESG and beyond: turning climate risks into business opportunities.

The bank plans to deliver more sustainability-related training to the Board, management and staff in subsequent years.

Management role in assessing and managing sustainability-Related Risks and Opportunities

The Managing Director is the "Responsible Executive", responsible for overall oversight of the bank's sustainability policy, its sustainability-related financial risk policy and its management of sustainability-related opportunities. To help achieve this objective a number of management committees and business functions have been established with responsibility for specific aspects of the assessment and management of sustainability-related risks and opportunities. Sustainability risk and opportunities are discussed at management meetings on a monthly basis.

The Executive Committee's responsibilities include:

- i. Developing and implementing sustainability-related financial risks management strategies, policies and frameworks.
- ii. Reviewing the effectiveness of the strategies, policies, frameworks, tools and controls.
- iii. Providing periodic reports to the Board on sustainability-related financial risks.
- iv. Ensuring that the internal structures responsible for managing sustainability-related financial risks are clearly defined and have adequate resource, skills and expertise.
- v. Ensuring that staff have sufficient awareness and understanding to identify potential climate-related financial risks through periodic training and capacity development.
- vi. Ensuring that material sustainability-related financial risk issues are addressed in a timely manner.
- vii. Ensuring that frontline staff undertake sustainability-related financial risk assessments, for instance during client onboarding, credit application and credit review processes.
- viii. Monitoring and reviewing key performance indicators related to climate change.

The Head of Risk's responsibilities include:

- i. Ensuring that the sustainability-related financial risk policy is embedded across the bank.
- ii. Conducting independent sustainability-related financial risk assessments and monitoring.
- iii. Reporting to the Board on any important revisions or exceptions to the sustainability-related financial risk policy.
- iv. Reviewing the sustainability-related financial risk guidelines to ensure they remain relevant and effective.

The Head of Business Units' responsibilities include:

- i. Undertaking sustainability-related financial risks assessment, for instance during client onboarding, credit application and credit review processes.

KCB BANK TANZANIA LIMITED

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

19. SUSTAINABILITY RELATED FINANCIAL DISCLOSURES (CONTINUED)

ii. GOVERNANCE (CONTINUED)

SUSTAINABILITY GOVERNANCE (CONTINUED)

Management role in assessing and managing sustainability-Related Risks and Opportunities (continued)

The Internal Audit Department's responsibilities include:

- i. Performing regular reviews of the adequacy, appropriateness and effectiveness of the risk management and internal control framework for sustainability-related financial risks.
- ii. Holding monthly governance meetings for management to routinely address sustainability-related issues, focusing on both the challenges and strategies for managing sustainability risk.

iii. STRATEGY

(a) Identifying relevant sustainability-related risks and opportunities and material information

The bank conducts materiality assessments to identify sustainability-related risks and opportunities that could reasonably impact the strategy, business model and prospects. Following an initial assessment in 2024, a full refresh was undertaken in 2025 to align with the requirements of IFRS Sustainability Disclosure Standards and to facilitate a thorough evaluation of relevant sustainability-related matters.

The following is a summary of the materiality assessment process.

Identifying relevant sustainability related risks and opportunities

- (i) Map impacts and dependencies across the value chain by engaging with key internal and external stakeholders, benchmarking against industry peers, using climate-related scenario analysis and analysing the activities by region.
- (ii) Identify potentially relevant risks and opportunities by assessing whether they could impact the business model or strategy (considering the Commercial bank SASB Standard).
- (iii) Determine the risks and opportunities that have the potential to affect cash flows, financing access or the cost of capital across short, medium and long-term time horizons. The assessment considered a range of qualitative and quantitative factors - including the nature, magnitude and likelihood of impacts from both management and user perspectives.

Identifying material information

- (i) Identify potentially material information about the risks and opportunities by applying IFRS S1 & S2 and referring to the Commercial bank SASB Standard and the GRI Universal Standards. For more detail, see Note 19 (iv)(a) in the report by those charged with governance included in page 46.
- (ii) Determine material information by assessing whether the information identified could influence users' investing or financing decisions.
- (iii) Consolidate relevant risks and opportunities into a detailed table for validation and approval by the Board and Risk & Strategy Board Committee. Material information on the relevant risks and opportunities is included in the Sustainability Report.

KCB BANK TANZANIA LIMITED

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

19. SUSTAINABILITY RELATED FINANCIAL DISCLOSURES (CONTINUED)

iii. STRATEGY (CONTINUED)

(a) Identifying relevant sustainability-related risks and opportunities and material information (continued)

The table below summarizes the relevant sustainability-related risks and opportunities that could affect the bank over the short, medium and long term:

Sustainability-related risks and opportunities (* See note 3 for further details on time horizon)				
S/N	Topic	Risk/opportunity	Time horizon*	Affected areas
1.	Social	Diversity and inclusion	2 – 3 years	Head office and across all branches in which the bank operates.
2.	Social	Financial inclusion and capacity building	1 – 3 years	- Downstream customers. - Concentrated in other operating expenses and deposit from customer accounts i.e 2jjajiri women account.
3.	Social and governance	Data security	0 – 3 years	- Downstream customers. - Across all branch operations and head office.
4.	Environment	GHG emissions	1 – 3 years	- Downstream customers. - Upstream energy suppliers. - Owned and operated bank property & equipment. - Across all branch operations and head office.
5.	Environment and social	Incorporation of ESG factors in credit analysis	0 – 3 years	- Downstream customers. - Across all branch operations.
6.	Governance	Business ethics	0 – 3 years	- Downstream customers. - Upstream suppliers. - Across all branch operations and head office.
7.	Environment and social	Green lending and sustainable financing	0 – 3 years	- Downstream customers. - Upstream suppliers. - Across all branch operations.

KCB BANK TANZANIA LIMITED

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

19. SUSTAINABILITY RELATED FINANCIAL INFORMATION (CONTINUED)

iii. STRATEGY (CONTINUED)

(b) Business model, value chain, strategy and decision making

i) Diversity and inclusion

Risk description

A lack of robust diversity and inclusion within KCB Bank Tanzania Ltd poses a risk to its human capital and operational resilience. This could reasonably be expected to impair the bank's ability to attract and retain skilled talent from Tanzania's diverse population, stifle innovation in product development tailored for local market needs, and adversely affect the bank's reputation, potentially impacting its access to capital or increasing its cost of capital due to stakeholder concerns regarding social performance. Such risks manifest through non-inclusive workplace cultures and insufficient representation of diverse demographics across management levels.

A founding value of the bank has been to provide equal opportunities and a workplace that is representative of the wider communities in which we operate. Our goal is to make sure we continue to empower the careers, aspirations, and ambitions of our people. We have been committed to treating all people equally and nurturing great talent, regardless of gender. This culture is something that we are incredibly proud of, and we believe that it is this supportive environment that has helped us to recruit and retain our exceptional team. We promote diversity within our business, our markets and beyond.

A diverse workforce broadens perspectives and enhances resilience and performance. We consider diversity to encompass gender, race, age, disability, experience, religion, values and beliefs.

Current and anticipated financial effects

For the reporting period, the bank's total skills development spend was TZS 172 million (2024: TZS 126.180 million). Training programs are continually being developed to ensure employees are adequately trained at all levels. All employees have some form of annual training to upgrade skills and enhance development. 100% of permanent employees participated in non-mandatory training programmes, with employees accessing 99% available learning programmes.

Learnerships, apprenticeships and internships increased to 44 from 34 in 2024. A total of 19 are still on Learnership, and 16 were employed by the Bank on permanent basis. However, the bank had a total of 25 college interns from different Universities in the year 2025.

From a forward-looking perspective, should material disparities in gender representation at different levels emerge or persist in future periods, there could be indirect financial implications. These may include incremental recruitment and talent acquisition costs due to a narrower senior leadership talent pool, potential impacts on employee retention and engagement among underrepresented groups, and associated effects on productivity. Such impacts, if they arise, would primarily be reflected within personnel costs, recruitment and training expenses, and broader other operating expenses.

Strategy

The bank integrates its diversity and inclusion strategy into its overall business model through the adoption of the gender and financial inclusion policy. This strategy focuses on creating an inclusive environment through initiatives like the Women in Leadership Network (WILN) program, designed to promote gender equality and develop a diverse talent pipeline.

Furthermore, the bank actively fosters a culture that values diversity in age, experience, and background to drive innovation and enhance customer service, thereby supporting the bank's long-term strategic objectives and financial performance.

KCB BANK TANZANIA LIMITED

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

19. SUSTAINABILITY RELATED FINANCIAL INFORMATION (CONTINUED)

iii. STRATEGY (CONTINUED)

(b) Business model, value chain, strategy and decision making (Continued)

ii) Financial inclusion and capacity building

Risk description

The prevalent financial exclusion in Tanzania, particularly in rural areas where access to financial services is notably lower presents a risk to the bank's long-term growth and profitability. This affects the bank's ability to grow the customer base, expand loan book and deposit base, and realize potential revenue. Failure to act proactively could also lead to restrict access to impact investors and potentially increase our cost of capital if perceived as not contributing to national development goals.

Current and anticipated financial effects

The prevalence of financial exclusion in Tanzania implies that the bank currently experiences slower growth in tapping into unbanked and underbanked segments. This has resulted in a smaller addressable market for its products and services, particularly in rural regions. While not directly quantified as a loss, this translates into foregone revenue opportunities from a certain portion of the Tanzanian population and limits the optimal utilization of the bank's infrastructure and digital channels

The bank anticipates that its financial inclusion and capacity building initiatives will significantly expand its customer base, particularly among previously unbanked segments, leading to substantial increases in deposits and growth in the loan portfolio. The empowerment of women and youth is expected to stimulate new economic activities, creating a fertile ground for the bank's financial products. This strategy is projected to generate new, sustainable revenue streams, enhance brand loyalty, and strengthen the bank's competitive position, potentially improving its access to concessionary finance for development projects over the medium to long term.

Strategy

The bank's strategy to enhance financial inclusion is deeply embedded in its business model, leveraging digital financial services to reach underserved populations and partnering with the Government of Tanzania to support women-led businesses.

The bank also implements the 2jiajiri program to empower youth through skills training and toolkit loans, directly addressing capacity building. The program focuses to equip women and youth with entrepreneurial skills, access to finance, and opportunities to achieve self-reliance. By strengthening control over income, production, and decision-making, the program supports MSME growth, diversifies the bank's customer base, and drives business volume and revenue.

The bank's vision is to bring about change in society through youth and women in order to create a positive long-term impact on the community. Through the 2jiajiri projects, the bank has increased the skills of young people and women in various areas, including business operations in general and various types of crafts, including construction and entrepreneurship. Young people and women have been trained in keeping and investing money, knowledge of banking systems, services and products, work and business discipline, customer service and laws that protect them.

iii) Data security

Risk description

The bank operates in an increasingly digital banking landscape, where inadequate data security presents a financial risk. A data breach or cyber-attack could reasonably be expected to lead to direct financial losses from fraud, substantial regulatory fines under Tanzania's Personal Data Protection Act (PDPA), and significant reputational damage. This erosion of trust could result in customer attrition, impact the bank's ability to attract deposits, and potentially increase its cost of capital due to heightened risk perception by investors.

KCB BANK TANZANIA LIMITED

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

19. SUSTAINABILITY RELATED FINANCIAL INFORMATION (CONTINUED)

iii. STRATEGY (CONTINUED)

(b) Business model, value chain, strategy and decision making (Continued)

iii) Data security (Continued)

Current and anticipated financial effects

The bank incurs significant and ongoing operational costs to maintain a robust data security posture. These include substantial investments in cybersecurity infrastructure, advanced monitoring systems, and continuous employee training on data protection protocols. Furthermore, the bank allocates resources to ensure compliance with the recently enacted Tanzania PDPA, involving expenses for legal counsel, compliance audits, and system adaptations. While no major breaches have been publicly disclosed, these proactive measures represent a material expenditure to mitigate potential larger financial losses.

The bank incurred an expense of TZS 45M in relation to the red team engagement, which is reflected in the audited financial statements for the year ended 2025, as included in Note 12 in the primary notes under page 137.

The bank anticipates that its robust data security strategy will significantly reduce the likelihood and impact of cyber-attacks and data breaches, thereby minimizing potential financial losses from fraud and avoiding regulatory fines. This is expected to reinforce customer trust in the bank's digital platforms, which are crucial for revenue generation and operational efficiency. Enhanced customer confidence is projected to foster customer retention and attract new digital-savvy clients, contributing positively to sustained revenue growth and safeguarding the bank's access to finance.

Strategy

The Bank integrates data security into its core operational strategy, guided by the broader KCB Group technology and data privacy policies and in compliance with regulatory expectations issued by the Bank of Tanzania. The Bank applies layered security controls, including continuous monitoring through security dashboards, incident alerts and threat intelligence. Its approach includes periodic updates to incident response procedures, business continuity arrangements and regular testing of disaster recovery capabilities. The Bank also maintains compliance with Tanzania's Personal Data Protection Act (PDPA) and implements physical and digital safeguards, including surveillance controls in branches and ATMs, to protect customer information.

In addition to strengthening internal controls, the Bank has identified customer awareness on data-related fraud, identity theft and phishing as a strategic focus area for 2026 and beyond. This will support risk mitigation by enhancing customer resilience to cyber-enabled financial crime and reducing potential downstream impacts on the bank's operational integrity and reputation.

Key cybersecurity initiatives undertaken during the period include:

- **Red team engagements:** the bank engaged external specialists to conduct red team exercises during the year. A red team is a group of ethical security experts who simulate real-world cyberattacks to assess the bank's ability to detect, respond to, and recover from cyber threats. The exercise is designed to:
 - (i) Identify vulnerabilities in systems, applications, and processes.
 - (ii) Test the effectiveness of incident detection and response capabilities.
 - (iii) Strengthen overall cybersecurity defences and resilience.

KCB BANK TANZANIA LIMITED

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

19. SUSTAINABILITY RELATED FINANCIAL INFORMATION (CONTINUED)

iii. STRATEGY (CONTINUED)

(b) Business model, value chain, strategy and decision making (Continued)

iv) GHG emissions

Risk description

The bank faces climate-related transition risks associated with its greenhouse gas (GHG) emissions, both operational and financed. These risks include the potential for increased operational costs due to emerging regulatory changes in Tanzania, reputational damage if the bank is perceived as misaligned with national climate action goals (e.g., Tanzania's GHG emission reduction target), and potential impacts on its access to green finance or increased cost of capital from ESG-sensitive investors.

Current and anticipated financial effects

The Bank actively incurs costs in managing its carbon footprint, including investments in resource efficiency and environmental programmes. During the period, the bank undertook several sustainability initiatives, including a tree-planting programme in Tanzania, under which approximately 6,700 trees were planted during the period. This represents expenditure directed towards environmental mitigation and carbon footprint reduction.

In addition, during the reporting period, the bank's loan portfolio, with an outstanding balance of TZS 580.1 billion, was exposed to climate change risk across the agriculture, fishing, building and construction, manufacturing, mining and quarrying, and transportation sectors. Of this amount, TZS 17.3 billion comprised non-performing loans.

The Bank also implemented energy efficiency initiatives across its branch network, including the transition of 18 branches to LED lighting. This initiative resulted in an approximate 18% reduction in utility expenditure, delivering immediate cost efficiencies while reducing the Bank's operational carbon footprint.

The bank anticipates that once it fully adopts its GHG emissions reduction strategy of transitioning all operational and attributable greenhouse gases (GHG) emissions from its lending and investment portfolio to net zero by 2050 will lead to significant long-term operational cost savings through enhanced energy efficiency and reduced reliance on carbon-intensive energy sources, mitigating exposure to future carbon-related regulations. A strengthened environmental stewardship is expected to improve the bank's brand image, attracting environmentally conscious customers and facilitating access to green financing instruments. This proactive stance is projected to safeguard against future regulatory costs and enhance the bank's appeal to ESG investors, potentially reducing its cost of capital over time.

Strategy

The bank's strategy to manage GHG emissions is integrated into its broader sustainability framework, adopting Net Zero by 2050 in support of SDGs 12 and 13. This involves meticulous monitoring of resource consumption (fuel, water, electricity, waste, paper) across its operations and calculating financed emissions to reduce its carbon footprint by monitoring the bank's loan portfolio on sectors exposed to climate change.

KCB BANK TANZANIA LIMITED

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

19. SUSTAINABILITY RELATED FINANCIAL INFORMATION (CONTINUED)

iii. STRATEGY (CONTINUED)

(b) Business model, value chain, strategy and decision making (Continued)

v) Incorporation of ESG factors in credit analysis

Risk description

Failure to systematically incorporate Environmental, Social, and Governance (ESG) factors into credit analysis poses a risk to the quality and resilience of the bank's loan portfolio. This could reasonably be expected to lead to an underestimation of credit risks from clients with poor sustainability performance, increasing exposure to non-performing loans, particularly in sectors vulnerable to climate and social impacts in Tanzania. Such a lapse could also result in reputational damage and impact the bank's access to sustainable finance lines or increase its cost of capital.

Current and anticipated financial effects

The bank has adopted a proactive approach to integrating environmental and social considerations into its credit risk assessment and lending processes. During the reporting period, the Bank embedded ESG-related considerations into its credit appraisal, portfolio monitoring and risk management frameworks, reflecting ongoing operational efforts and investments in governance, systems, policies and staff capacity to support responsible lending practices.

While the Bank does not separately quantify the current financial effects attributable to ESG-related risks within its loan portfolio, these considerations are integrated within existing credit risk management processes and overall impairment assessments. The bank's investment in ESG risk integration is intended to enhance portfolio resilience, support prudent risk-taking and mitigate potential future financial impacts arising from environmental and social risk factors.

Any financial effects associated with these activities are currently reflected within broader operating expenses (including risk management, systems development and staff training costs) and credit risk management processes, rather than being tracked as standalone ESG-related financial impacts. The bank will continue to enhance its data and measurement capabilities with a view to providing more granular and decision-useful disclosures in future reporting periods where practicable.

Strategy

The bank integrates ESG factors into its core lending strategy through its Environmental and Social Due Diligence (ESDD) process. This involves rigorous screening of customers and projects to ensure responsible capital deployment and alignment with sustainability goals. The bank actively engages with clients to facilitate transition plans based on identified ESG risks and strictly excludes financing for activities contrary to its ethical and sustainability commitments, such as illegal products or labour issues. This proactive approach is fundamental to managing credit risk and ensuring portfolio resilience.

KCB BANK TANZANIA LIMITED

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

19. SUSTAINABILITY RELATED FINANCIAL INFORMATION (CONTINUED)

iii. STRATEGY (CONTINUED)

(b) Business model, value chain, strategy and decision making (Continued)

vi) Business ethics

Risk description

For the bank a failure to uphold stringent business ethics, encompassing issues like corruption, fraud, or non-compliance with banking regulations, presents a risk. Such ethical lapses could reasonably be expected to result in significant regulatory fines from the Bank of Tanzania, legal costs, severe reputational damage, and a profound loss of customer trust. These consequences could negatively impact the bank's deposit base, restrict its ability to attract new business, and potentially increase its cost of capital due to heightened investor scrutiny.

Current and anticipated financial effects

The bank adhering to its Code of ethical conduct, continuously allocates resources to internal audit, compliance functions, and staff training programs to ensure the highest standards of business ethics. These ongoing operational expenditures are material to safeguarding the bank's integrity. While specific fines or losses from ethical breaches have not occurred during the period, the cost of proactive governance and compliance represents an investment aimed at mitigating significant future financial penalties and preserving market confidence.

A steadfast commitment to business ethics is anticipated to protect the bank from regulatory penalties and legal challenges, thereby preserving its financial stability. This is expected to foster strong trust among its customers, regulators, and employees, enhancing the bank's reputation as a reliable and ethical financial partner in Tanzania. Such sustained trust is projected to improve customer loyalty, facilitate customer acquisition, and ensure stable access to finance, contributing positively to the bank's overall financial performance and market standing over the short to long term.

Strategy

The bank's strategy is anchored in code of ethical conduct, which defines the ethical standards for all operations. The bank ensures a robust governance framework that promotes transparency, accountability, and ethical decision-making at all levels. Continuous capacity building on ESG and sustainability practices for the Board and Management is a key component, ensuring that ethical considerations are embedded in strategic planning and daily operations.

vii) Green lending and sustainable financing

Opportunity description

The bank anticipates that Tanzania's accelerating transition towards a low-carbon and climate-resilient economy driven by national climate commitments, increasing renewable energy deployment, climate-smart agriculture, clean transport solutions and growing demand for sustainable infrastructure will increase demand for green lending and sustainable finance products. This presents a strategic opportunity for the bank to expand its sustainable finance offering, support client transition pathways and drive long-term revenue growth.

This opportunity is primarily concentrated in the downstream part of the value chain, where the bank can support client decarbonisation and resilience by increasing access to green and sustainability-linked financing solutions. These include financing for renewable energy projects, energy efficiency improvements, climate-resilient infrastructure and environmentally sustainable SMEs, in line with national development priorities and emerging sustainable finance frameworks in the Tanzanian financial sector.

KCB BANK TANZANIA LIMITED

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

19. SUSTAINABILITY RELATED FINANCIAL INFORMATION (CONTINUED)

iii. STRATEGY (CONTINUED)

(b) Business model, value chain, strategy and decision making (Continued)

vii) Green lending and sustainable financing (Continued)

Current and anticipated financial effects

During the reporting period, the bank continued to allocate resources towards the development and enhancement of green lending and sustainable finance capabilities. This includes investments in governance frameworks, product development, internal policies, systems enhancements and staff capacity building to enable the identification, structuring and monitoring of sustainable finance transactions.

The expansion of green lending and sustainable financing is expected to support medium- to long-term revenue growth through increased demand for financing in renewable energy, energy efficiency, climate-resilient infrastructure and other sustainable sectors. This is anticipated to contribute to portfolio diversification, enhanced client acquisition and retention, and improved resilience of the loan book to climate-related transition risks over time.

In addition, the bank expects that strengthening its sustainable finance capabilities will enhance its access to climate-related funding lines, concessional finance and partnerships with development finance institutions, potentially improving funding diversification and supporting the scaling of green financing activities. The bank also anticipates positive reputational benefits and increased attractiveness to sustainability-focused investors and partners, which may support its competitive positioning in the market over the medium term.

Strategy

To leverage the opportunity presented by green lending and sustainable financing, the bank is implementing a sustainable finance strategy focused on expanding its suite of green lending and sustainability-linked financing solutions. Key elements of this approach include:

- Embedding environmental and climate-related considerations into credit policies and product design to ensure sustainability factors are integrated into core lending decisions
- Developing internal sustainable finance frameworks and guidelines to support consistent origination, classification and monitoring of green and transition-related financing
- Enhancing staff capabilities through targeted training on climate risk, sustainable finance and sector-specific green financing opportunities
- Engaging development finance institutions and multilateral partners to mobilise capital and co-finance projects aligned with Tanzania's climate and development priorities.

During the year, the bank operationalised its green lending and sustainable finance strategy through concrete financing activities, including:

❖ **Water equity facility:**

The bank signed a water equity facility aimed at supporting access to clean water and sanitation in Tanzania. Financing under this facility was directed towards water infrastructure projects in the Lake Zone, supporting the construction and expansion of RUWASA projects.

A total of 18 green and sustainability-linked loan facilities were disbursed during the year. These facilities amounted to approximately TZS 9.6 billion, supporting projects aligned with environmental sustainability and climate resilience objectives. These sustainable finance action:

KCB BANK TANZANIA LIMITED

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

19. SUSTAINABILITY RELATED FINANCIAL INFORMATION (CONTINUED)

iii. STRATEGY (CONTINUED)

vii) Green lending and sustainable financing (Continued)

Strategy (Continued)

❖ Water equity facility: (Continued)

- contribute to the expansion of the bank's lending portfolio in priority development sectors
- enhance the bank's market positioning within Tanzania's sustainable finance landscape
- support national priorities on clean water, sanitation and climate-resilient infrastructure
- strengthen client relationships by supporting projects with positive environmental and social outcomes.

The bank is also strengthening its governance and risk management processes to ensure that sustainable finance activities remain aligned with its overall risk appetite, credit standards and long-term strategic objectives, while supporting clients in their transition towards more sustainable and resilient business models.

(c) Scenario analysis and resilience assessment

During the period, the bank has considered a range of climate-related risk scenarios, informed by internationally recognised pathways developed by the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA), to assess the potential implications of climate change on its business model, strategy and risk profile.

The bank's sustainability-related risks relating to social and governance matters are not included in this scenario analysis and resilience assessment, as the bank is still enhancing staff capacity and analytical capabilities to perform such analyses. Accordingly, for 2025, the scenario analysis and resilience assessment focus on the identified climate-related risks.

The following analysis performed during the period applied three climate related scenarios developed by IPCC and IEA, selected to reflect the bank's business context and to align with the latest international agreement on climate change.

Under an orderly low-carbon transition, early and coordinated policy action is expected to support gradual decarbonisation across key sectors of the Tanzanian economy. In this scenario, while certain carbon-intensive borrowers may experience short-term transition pressures, the bank anticipates growing demand for green lending and sustainable finance solutions in renewable energy, climate-resilient infrastructure and environmentally sustainable SMEs. Operationally, this pathway is expected to increase regulatory and disclosure requirements, resulting in additional investments in ESG governance, data systems and compliance processes.

In a delayed or disorderly transition, the deferral of meaningful climate policy action followed by abrupt regulatory tightening could result in significant transition shocks. These may include increased default risk among carbon-intensive sectors, asset repricing, and funding pressures arising from changes in market and regulatory expectations. In response, the bank is strengthening its sectoral risk management approach, embedding climate-related due diligence into credit processes, and incorporating climate considerations into capital and portfolio planning.

KCB BANK TANZANIA LIMITED

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

19. SUSTAINABILITY RELATED FINANCIAL INFORMATION (CONTINUED)

iii. STRATEGY (CONTINUED)

(c) Scenario analysis and resilience assessment (Continued)

Under a high emissions or limited transition pathway, continued growth in greenhouse gas emissions is expected to amplify physical climate risks, including increased frequency and severity of droughts and flooding. These impacts could adversely affect agricultural, SME and infrastructure portfolios through collateral value erosion and higher non-performing loans. The bank is responding by enhancing its physical climate risk assessment processes, including the integration of climate considerations into collateral valuation and portfolio monitoring, and by progressively strengthening its climate stress testing practices.

The bank acknowledges that its climate scenario analysis capabilities remain at an early stage of maturity. Limitations include constrained availability of borrower-level emissions data, limited localisation of global climate scenarios to the Tanzanian context and developing internal analytical capacity for forward-looking climate risk quantification. Consequently, the bank’s current scenario analysis is primarily qualitative in nature and subject to a higher degree of estimation uncertainty. The bank is investing in systems, governance frameworks and staff capability to progressively enhance the robustness, granularity and decision-usefulness of climate-related scenario analysis and disclosures in future reporting periods.

Climate-related scenarios and their impact

Scenario	Risk area	Impact	Assumption
Orderly low-carbon transition	Credit risk	Short-term transition pressure on carbon-intensive borrowers; medium- to long-term growth in renewable energy, green construction and climate-smart agriculture financing.	Early, coordinated policy action and private sector transition support gradual decarbonisation, enabling manageable transition risks and expanding green lending opportunities.
Orderly low-carbon transition	Operational risk	Increased regulatory, data and disclosure requirements, resulting in higher compliance and systems-related costs.	Strengthening of sustainability reporting standards and supervisory expectations increases operational complexity and the need for enhanced ESG governance, systems and controls.

Scenario	Risk area	Qualitative impact	Assumption
Delayed / disorderly transition	Credit risk	Elevated default risk in carbon-intensive sectors following abrupt carbon pricing, subsidy removal and regulatory tightening.	Delayed climate action followed by sudden policy interventions results in asset repricing shocks and increased borrower stress.
High emissions / limited transition	Physical risk	Increased frequency and severity of floods and droughts affecting collateral values and asset quality, particularly in agriculture and SME portfolios.	Limited climate policy action leads to escalating physical climate risks with adverse impacts on portfolio quality and regional economic stability.

KCB BANK TANZANIA LIMITED

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

19. SUSTAINABILITY RELATED FINANCIAL INFORMATION (CONTINUED)

iii. STRATEGY (CONTINUED)

(c) Scenario analysis and resilience assessment (Continued)

Climate-related scenario alignment and management actions

Scenario	IPCC / IEA alignment	GHG pathway	Recommended management actions
Orderly low-carbon transition	IPCC SSP1-1.9 / SSP1-2.6; IEA Net Zero emissions (NZE)	Rapid and sustained decline in emissions	<ul style="list-style-type: none"> - Develop green lending transition finance products; integrate climate considerations into credit pricing and client transition assessments.
Orderly low-carbon transition	IPCC SSP1-1.9 / SSP1-2.6; IEA NZE	Rapid and sustained decline in emissions	<ul style="list-style-type: none"> - Align sustainability disclosures with IFRS S1 and S2 and Bank of Tanzania guidelines - Invest in ESG data systems and staff capability.
Delayed / disorderly transition	IPCC SSP2-4.5; IEA announced pledges scenario (APS)	Emissions peak late then decline	<ul style="list-style-type: none"> - Set sectoral exposure limits especially on high emitting sectors. - Embed climate-related environmental and social due diligence into credit processes; enhance portfolio monitoring.
High emissions / limited transition	IPCC SSP5-8.5; IEA stated policies scenario (STEPS)	Emissions continue rising	<ul style="list-style-type: none"> - Conduct annual climate stress testing. - Integrate physical climate risk screening into collateral valuation and credit monitoring.

Assessment of resilience

Based on the qualitative climate-related scenario analysis performed across an orderly low-carbon transition, a delayed/disorderly transition and a high-emissions pathway, the bank’s strategy and business model are assessed to be reasonably resilient in the short to medium term, particularly under an orderly transition scenario. In this pathway, the bank is positioned to benefit from increasing demand for green lending and sustainable finance, which supports portfolio diversification and growth while transition risks to carbon-intensive counterparties are expected to be manageable.

Under a delayed or disorderly transition, the bank’s resilience may be moderately constrained due to heightened credit and liquidity risks arising from abrupt policy tightening and asset repricing in carbon-intensive sectors. However, the Bank’s ongoing enhancements to credit risk management, sector exposure limits, climate-related due diligence and capital planning are expected to provide mitigating capacity to absorb transition shocks over time.

In a high-emissions scenario, the bank’s resilience is more exposed to physical climate risks, particularly in portfolios linked to agriculture, SMEs and infrastructure that are sensitive to droughts and flooding. While these risks could adversely affect asset quality and collateral values, the bank’s continued strengthening of physical risk screening, portfolio monitoring and climate stress testing is expected to improve its ability to anticipate and manage these impacts.

KCB BANK TANZANIA LIMITED

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

19. SUSTAINABILITY RELATED FINANCIAL INFORMATION (CONTINUED)

iii. STRATEGY (CONTINUED)

(c) Scenario analysis and resilience assessment (Continued)

Overall, the bank's resilience to climate-related risks is supported by prudent risk management practices and the progressive integration of climate considerations into strategy, governance and credit processes. However, the depth and robustness of resilience assessment are currently constrained by limitations in climate data availability, borrower-level emissions information and internal scenario modelling capabilities. As these capabilities mature, the bank expects to enhance the quantitative assessment of financial impacts and further strengthen its strategic resilience to climate-related transition and physical risks in future reporting periods.

iv. RISK MANAGEMENT

Sustainability risk management is embedded in the bank's operations. The ability to identify, manage and monitor Sustainability-related risks and opportunities directly impacts the bank's capacity to operate effectively. The Enterprise Risk Management Framework (ERMF) which supports 18 branch operations across all regions in which the bank operates aligns with the principles of the Risk Management Guidelines for banks and Financial Institutions 2010 as issued by Bank of Tanzania.

In 2025, the bank has embedded the management of sustainability-related risks into the Enterprise Risk Management Framework (ERMF). It has amended the Enterprise Risk Management policy to define the structure, roles and responsibilities for managing sustainability-related risks across the business. A key outcome of this process was an adjustment to the scope of principal risks covered in risk management framework by adding sustainability-related risk to ensure alignment between sustainability-related and other risks.

Sustainability-related risks are integrated into the bank's risk register and are assessed using the same risk assessment criteria and thresholds applied across the broader Enterprise Risk Management Framework (ERMF). Therefore, the sustainability-related risks are prioritised on the same basis as other material enterprise risks to the bank.

Potential sustainability-related opportunities are identified by leveraging the same framework applied to sustainability-related risks, reflecting the close interconnection between the two. Additionally, potential opportunities are identified by monitoring the market and supply chain and then assessed for viability and commercial potential by the Risk management and Strategy Committee, with consideration given to any new risks they may introduce. Using information collected in the five steps of risk management process, the bank prioritises the sustainability-related risks and opportunities through the process of structured evaluation of time horizons, magnitude and likelihood.

The approach to identifying, assessing, prioritising, managing, monitoring and communicating Sustainability-related risks and opportunities is consistent with the enterprise risk management process which was expanded to fully incorporate sustainability-related risks. The process is led by the Country Operational Risk and Compliance Committee, with oversight from the Risk Management and Strategy Committee.

Relevant risks and opportunities are then incorporated into the bank's sustainability strategy and embedded within the broader three year business plan, aligned to long-term growth strategy, sustainability roadmap, and major infrastructure and investment initiatives.

KCB BANK TANZANIA LIMITED

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

19. SUSTAINABILITY RELATED FINANCIAL INFORMATION (CONTINUED)

iv. RISK MANAGEMENT (CONTINUED)

The bank defines time horizons over which the effects of each of those sustainability-related risks and opportunities could reasonably be expected to occur as follows:

Time horizon	Definition	Link to bank's planning horizons for strategic decision-making
Short term	0 - 1 year	Aligned to annual budgeting, operational plans, and performance targets approved by the bank.
Medium term	1 - 2 years	Aligned to the bank's 1 – 2 year strategic plan, capital planning, and major product and market expansion decisions.
Long term	2 - 3 years	Aligned to long-term growth strategy, sustainability roadmap, and major infrastructure and investment initiatives.

(a) Processes for identifying and assessing sustainability-related risks and opportunities

The bank has developed its sustainability policy and climate-related financial risk and disclosure policy that sets out its approach to identifying and assessing sustainability-related risks and opportunities. The bank's approach includes:

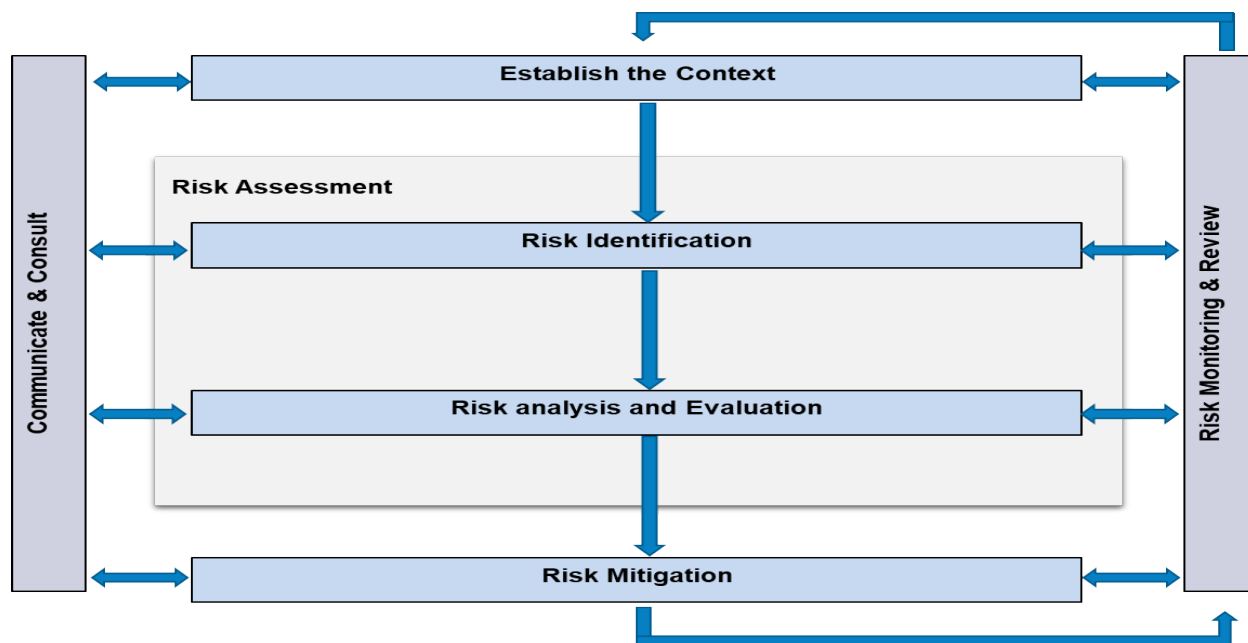
- i. Identifying sustainability-related financial risks at the credit origination process, and subsequent reviews and approvals.
- ii. Identifying sustainability-related financial risks, at the level of counterparty, business lines, industry, economic sectors and geographical locations.
- iii. Considering sustainability-related financial risks in all projects that shall be undertaken and financed by the bank.
- iv. Analysing short term and long-term impact of the sustainability-related financial risks on internal capital and liquidity adequacy for the bank.
- v. Identifying sustainability-related opportunities such as from adaptation and mitigation projects, energy efficiency, renewable energy, smart agriculture and green building.

The risk management process includes five key steps:

19. SUSTAINABILITY RELATED FINANCIAL INFORMATION (CONTINUED)

iv. RISK MANAGEMENT (CONTINUED)

(a) Processes for identifying and assessing sustainability-related risks and opportunities (Continued)



S/N	Process	Steps
1.	Establishing the Context	<ul style="list-style-type: none"> a. Set the scope for the risk assessment by clearly identifying what is being assessed such as product, system, process, new market, project. b. Define broad objectives such as strategic plans, implementing best practice or operational change, or regulatory requirement. c. Identify relevant stakeholders and gather relevant information.
2	Risk Identification	<ul style="list-style-type: none"> a. Identify the sustainability-related risks and opportunities that might have an impact on the bank's prospects. b. Describe the factors that might create, enhance, prevent, degrade, accelerate, or delay the achievement of the set objectives by stating the Event, Cause, and Consequence.
3.	Risk Analysis and Evaluation	<ul style="list-style-type: none"> a. Start by assessing sustainability-related risk, that is the risk that an event would pose if no controls were in place. b. Rate level of sustainability-related risk in terms of impact and likelihood using the Risk Matrix scale (see heat map table under page 49). c. Identify and document the existing controls to mitigate the sustainability-related risks. d. Rate level of residual sustainability-related risk is the risk that remains after controls are considered, using the impact and likelihood scale on Risk Matrix (see heat map table under page 49). Residual risks are rated taking into consideration the risk appetite and risk tolerance which then guides how the risks shall be escalated. e. Residual sustainability-related risk determines the ratings of the controls as to whether they are defective, improving, acceptable or efficient. f. Where the controls are rated to improve or defective, action plans shall be put in place to enhance the control environment and to reduce the exposures to the desired levels. g. Where the controls are rated efficient or acceptable, no further action may be required considering the relevance and cost of implementing additional controls.

KCB BANK TANZANIA LIMITED

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

19. SUSTAINABILITY RELATED FINANCIAL INFORMATION (CONTINUED)

iv. RISK MANAGEMENT (CONTINUED)

(a) Processes for identifying and assessing sustainability-related risks and opportunities (Continued)

S/N	Process	Steps
4	Risk Mitigation and control	<ul style="list-style-type: none">a. Implement effective mitigating controls to minimize the frequency and severity of the identified sustainability-related risk. This shall include approaches such as mitigation (putting in place preventive, corrective, or detective controls), transferring sustainability-related (particularly climate-related risk) risk through insurance or outsourcing, avoidance, or acceptance.b. Develop action plans where controls are weak to ensure the sustainability-related risks are reduced to the desired levels.c. Identify responsibilities for action, and time frames for implementation of the action plans.
5.	Risk Monitoring and review	<ul style="list-style-type: none">a. Monitor changes to the source and context of sustainability-related risks, and the adequacy of controls.b. Identify any new sustainability-related risks and monitor existing risks to ensure that the controls are still effective and appropriate.c. Update the risk register continuously.d. Establish processes to review and report on sustainability-related risks regularly.e. Escalate the sustainability-related risks as per the escalation protocol.

The bank assesses sustainability-related risks by evaluating their potential magnitude, likelihood of occurrence and nature. This process is embedded in the enterprise risk management framework (ERMF) and it is overseen by the Risk Management and Strategy Committee, with input from Country Operational Risk and Compliance Committee.

Potential Magnitude

The bank assesses sustainability-related risks using a defined scale minor, low, moderate, high or critical based on both quantitative modelling (e.g. financial loss, asset impairment) and qualitative factors (e.g. reputational damage, stakeholder trust) across short, medium and long-term time horizons.

Likelihood of occurrence

The bank evaluates likelihood using historical data, scenario analysis and external specialist advice. It is rated on a scale of remote, not likely, likely, high likely or expected.

Nature

The bank assesses the nature of each risk by identifying the relevant topic (e.g. climate, biodiversity, business ethics) and evaluating how (e.g. operational disruptions, asset failure) and where it might impact the business (e.g. certain parts of the value chain, particular branch), considering whether it is acute or chronic and whether it arises from internal activities or external dependencies.

KCB BANK TANZANIA LIMITED

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


19. SUSTAINABILITY RELATED FINANCIAL INFORMATION (CONTINUED)

iv. RISK MANAGEMENT (CONTINUED)

(a) Processes for identifying and assessing sustainability-related risks and opportunities (Continued)

Nature

The following table lists the highest priority sustainability-related risks. The heat map shows how these are assessed.

HEAT MAP								
Probability of event	Expected - Above 61%	↑	5	Medium	Medium	High	High	High
	Highly Likely – 41% to 60%		4	Medium	Medium	Medium	High	High
	Likely – 21% to 40%		3	Low	Medium	Medium	Medium	High
	Not likely – 11% to 20%		2	Low	Medium	Medium	Medium	Medium
	Remote - 0 to 10%		1	Low	Low	Low	Medium	Medium
			1	2	3	4	5	
								
			Impact of event occurring					

Going forward, the bank will conduct quantitative scenario analysis and incorporate the results into its stress testing to assess potential impacts on operations, reputation, and financial performance. The scenario analysis will take a quantitative approach that will consider physical risks. Transition risks will be integrated in future analyses. The analysis will:

- i. Consider a range of outcomes relating to different transition channels.
- ii. Cover short, medium and long-term time horizons related to climate change.
- iii. Consider forward-looking information, in addition to historic data.
- iv. Assess the impact of scenarios on its revenues, assets, significant counterparties, liquidity and capital positions.

Furthermore, the bank has put in place specific guidelines that are referred to as sustainability risk management processes which guide the bank when making environment and impact risk assessments as part of the bank’s lending business, from the point of credit origination through to the business appraisal process.

Inputs and parameters the bank uses.

Environmental and Social Due Diligence (ESDD) tool is used to identify climate risks within the credit application process. The tool evaluates borrowers' vulnerabilities to climate impacts such as extreme weather and regulatory changes, enabling the Bank to make informed lending decisions. The ESDD tool guides the adjustment of loan terms, prompting borrowers to adopt necessary mitigation strategies. This approach helps minimize the risk of climate-related defaults and aligns the bank's lending practices with its sustainability goals.

(b) Processes for managing Sustainability-related risks and opportunities

The sustainability policy and climate-related financial risk policy sets out the bank’s approach to managing their sustainability-related risks and opportunities. This includes:

- Managing sustainability-related risks by integrating sustainability related risk management practices into its business decisions and activities.
- Developing risk indicators that categorise counterparties, industry, economic sectors and geographical locations with high exposure to climate-related risk.
- Setting up risk appetite limits for climate-related risk and incorporating the limits in the risk appetite policy.
- Establishing mechanisms to ensure counterparties provide relevant disclosures on sustainability-related financial risk during the course of a project or credit life.
- Ensuring reporting of the sustainability-related financial risks to the management and the Board.

KCB BANK TANZANIA LIMITED

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

19. SUSTAINABILITY RELATED FINANCIAL INFORMATION (CONTINUED)

iv. RISK MANAGEMENT (CONTINUED)

(b) Processes for managing Sustainability-related risks and opportunities (Continued)

The bank's risk management activities include:

- Sectoral reviews of portfolio for risk and opportunities identification.
- Reviews of capital exposure and concentration risk against the approved sectorial limits as per risk appetite.
- Engaging in Bank of Tanzania regulations to ensure alignment.
- Identifying sustainability-related opportunities through client engagements.

Monitoring of the risks occurs on a monthly and quarterly basis through governance committees, allowing the bank to maintain adherence to risk management standards. Furthermore, the bank's ESDD tool enables the bank to assess the climate risk exposures and mitigation deployed by the client and thus enables the bank to manage these more effectively.

(c) Integrating Sustainability-related risk processes into overall risk management

The bank is in its first year of its sustainability journey. The bank has updated its Enterprise Risk Management (ERM) framework to include sustainability-related risk as a principal risk, underscoring the importance of addressing sustainability matters including climate change within its risk management practices. The sustainability policy and climate-related financial risk policy sets out the bank's approach for integrating and mitigating sustainability-related risks and opportunities. This includes:

- Mitigating sustainability-related financial risk through regular engagement with counterparties representing relevant sustainability-related financial risk to understand and monitor their risk mitigating plans.
- Striving to understand counterparties transition targets, emission intensity, carbon footprint, and sensitivity to sustainability policies in order to develop mitigation plans.
- Establishing disclosure mechanisms for counterparties with exposure to sustainability-related financial risk to ensure that there is no contractual breach.
- Including a clause in the facility agreement that will ensure that customers and counterparties operate within the bank's risk appetite limits.

The bank conducts monthly reviews of non-performing portfolios to identify any sustainability-related risks associated with them. This initiative aims to assess how sustainability-related risk affects portfolio performance. Any distress linked to sustainability-related risk is managed in consultation with the head of risk, ensuring that appropriate measures are in place.

v. METRICS AND TARGETS

The bank reports on metrics and targets that reflect its performance in relation to the identified sustainability-related risks and opportunities, as well as relevant cross-industry metrics. The bank is yet to set and adopt achievable targets, reflecting its commitment to driving measurable progress and delivering positive outcomes. The bank will use 2025 as a base year from which progress of reported metrics will be measured with exception of Scope 3 emissions which the bank applied transition relief.

Industry-based guidance

To identify all relevant Sustainability-related risks and opportunities, along with the relevant disclosure requirements and metrics for the business model, the bank has considered other sources of guidance in addition to IFRS Sustainability Disclosure Standards. The outcomes of these considerations are detailed here. This analysis was conducted as part of the materiality assessment process, so that all relevant aspects were identified, both from a risk and opportunities and disclosure perspective.

KCB BANK TANZANIA LIMITED

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

19. SUSTAINABILITY RELATED FINANCIAL INFORMATION (CONTINUED)

v. METRICS AND TARGETS (CONTINUED)

Industry-based guidance

Guidance	Industry	Impact of Consideration
SASB Standards	Commercial banks	Inclusion of additional material information related to Incorporation of ESG factors in lending, financial inclusion & capacity building, data privacy & cyber risk and business ethics.
GRI Universal Standards	N/A – Topic standards	Inclusion of additional material information related to Diversity and Inclusion.

(a) Metrics used to assess sustainability-related risks and opportunities

As a result of this analysis, the bank identified the following metrics for disclosure during the period:

i) Diversity and inclusion

Diversity and inclusion are critical to the bank’s long-term performance and governance. Human capital drives customer outcomes, risk management, and sustainable growth. Addressing diversity gaps at senior leadership levels strengthens decision-making and talent retention, while fair pay and equal opportunity support employee engagement and overall performance.

Metric	Parameter	Source	Unit	2025
Percentage composition of women on the board	Females	GRI 405 - 1 (a), 405 - 2	Percentage	50%
Diversity of board by age	<30 age	GRI 405 - 1 (a), 405 - 2	Number	-
	30-50 age	GRI 405 - 1 (a), 405 - 2	Number	5
	>50 age	GRI 405 - 1 (a), 405 - 2	Number	3
Diversity of board by nation	Local	GRI 405 - 1 (a), 405 - 2	Number	5
	Non-local	GRI 405 - 1 (a), 405 - 2	Number	3
Incidents of discrimination and corrective actions taken	Total number of reported incidents of discrimination	GRI 406-1	Number	-

KCB BANK TANZANIA LIMITED

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

19. SUSTAINABILITY RELATED FINANCIAL INFORMATION (CONTINUED)

v. METRICS AND TARGETS (CONTINUED)

(a) Metrics used to assess sustainability-related risks and opportunities (Continued)

ii) Financial inclusion and capacity building

Financial inclusion is a core driver of the bank's growth and social impact. Expanding responsible access to financial services for underserved individuals and SMEs, supported by digital channels and financial literacy initiatives, strengthens customer acquisition, revenue diversification, and long-term franchise value.

The metrics below relating to scholarships and training under the 2jijiri Programme are internally developed by KCB Bank Tanzania Limited for purposes of monitoring financial inclusion and capacity-building initiatives. These metrics are not prescribed by the IFRS Sustainability Disclosure Standards but are considered relevant to reflect the Bank's social impact activities.

Definition of the metrics

Number of scholarships awarded (cumulative), represents the total number of beneficiaries awarded scholarships under the 2jijiri Programme from inception of the programme to the reporting date, disaggregated by gender.

Number of individuals trained, represents the total number of participants who completed structured training sessions delivered under the 2jijiri Programme during the reporting period, disaggregated by gender.

These metrics are not derived from or adjusted from any specific external standard. They are internally defined by the bank based on programme design and monitoring frameworks.

Nature of the metrics

All disclosed metrics are absolute quantitative measures, expressed as the number of individuals (unit: number). They are not intensity-based measures and are not expressed relative to another metric.

As at the reporting date, the metrics have not been subject to external third-party assurance. The bank is assessing future enhancement of data governance and validation processes as part of strengthening sustainability reporting controls.

Method of calculation, inputs and limitations

The metrics are calculated using administrative records from the 2jijiri Programme, including:

- Approved scholarship award lists
- Attendance registers for training sessions
- Participant registration records disaggregated by gender.

The cumulative scholarship metric reflects aggregation from programme inception, while the training metric reflects participants trained within the reporting year.

KCB BANK TANZANIA LIMITED

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

19. SUSTAINABILITY RELATED FINANCIAL INFORMATION (CONTINUED)

v. METRICS AND TARGETS (CONTINUED)

(a) Metrics used to assess sustainability-related risks and opportunities (Continued)

ii) Financial inclusion and capacity building (Continued)

Metric	Parameter	Source	Unit	2025
Number of scholarships awarded to female students under the 2jiajiri program (cumulative)	Female students	KCB Bank Tanzania Limited	Number	741
Number of scholarships awarded to male students under the 2jiajiri program (cumulative)	Male students	KCB Bank Tanzania Limited	Number	822
Number of females trained under the 2jiajiri program	Female	KCB Bank Tanzania Limited	Number	688
Number of males trained under the 2jiajiri program	Male	KCB Bank Tanzania Limited	Number	810

iii) Data security

Data security is critical to maintaining customer trust and operational resilience. As digital banking expands, the bank's cybersecurity controls, governance, and staff awareness are essential to protecting customer information, ensuring service continuity, and safeguarding shareholder value.

Metric	Parameter	Source	Unit	2025
Number of total data breaches	Breaches	SASB Standard	Number	-
Percentage of data breaches that are personal data	Personal data	SASB Standard	Percentage	-
Number of account holders affected	Account holders	SASB Standard	Number	-
Description of approach to identifying and assessing data security risks	Discussion and analysis	SASB Standard	N/A – Qualitative*	Refer to description below

* The bank has established a Data protection policy and is registered as both a Data Controller and Data Processor with the PDPC. The bank complies with all applicable requirements for handling personal data. To identify and manage data security risks, the bank uses multiple security tools to protect its systems, including controls for devices, networks, and online access. A dedicated security team monitors and responds to threats on a 24-hour basis. The bank also promotes security awareness among staff and customers through regular messages and simulated phishing exercises. To support business continuity, the bank operates a disaster recovery site to ensure systems remain available in case of disruptions.

KCB BANK TANZANIA LIMITED

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

19. SUSTAINABILITY RELATED FINANCIAL INFORMATION (CONTINUED)

v. METRICS AND TARGETS (CONTINUED)

(a) Metrics used to assess sustainability-related risks and opportunities (Continued)

iv) GHG emissions

Emission from operations

In line with IFRS S2 requirements, the bank measures GHG emissions using the *Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (2004)*, applying the operational control approach.

Operational control approach determines the direct and indirect emissions associated with operations owned or controlled by the bank. This approach was selected because it enables the bank to distinguish between emissions from activities it controls (through the authority to introduce and implement operating policies) and emissions from activities in the value chain, which it does not directly control, but may be able to influence.

This is the first year of reporting under IFRS S1 and IFRS S2. The bank has applied the transition relief to omit comparative information and not to disclose scope 3 emissions, as disclosed under Note 19 (i)(d) in the report by those charged with governance included in page 29.

Emissions are disclosed on a gross basis, without offsets, in metric tonnes of CO₂ equivalent (KgCO₂e).

The bank is committed to conducting monthly assessments of its greenhouse gas (GHG) emissions and publishes annually. This allows the bank to track progress and identify areas for improvement in reducing GHG emissions.

Scope 1 and 2 calculation methodologies

The bank has conducted a carbon footprint analysis to understand its environmental impact. This includes emissions from:

- Scope 1 emissions cover all direct emissions from facilities including branches and owned vehicles. The direct emissions from the facilities and vehicles were calculated using activity data sources, such as consumption of fuel i.e diesel for generators and petrol for vehicles, multiplied by a suitable emission factor. For Scope 1 emission factors, the bank has used IPCC Guidelines for National Greenhouse Gas Inventories, Volume 2: Energy (default emission factors) for fuel combustion activities.

Scope 1: Emission amount (tCO₂e) = \sum Fuel consumption (Litres) x Emission Factors

- Scope 2 emissions were calculated using the location-based method covering indirect emissions from purchased electricity. Emissions were calculated using activity data sources such as supplier invoices multiplied by the respective emission factor from DEFRA GHG Conversion Factors for Company reporting 2025: Electricity (grid-based emission factors). No contractual instruments such as energy attribute certificates or power purchase agreements were used during the reporting period.

Scope 2: Emission amount (tCO₂e) = \sum Electricity consumption (kWh) x Emission Factors

The bank also tracks resource consumption for fuel and electricity, reporting these in “metric tonnes of carbon dioxide equivalent” (tCO₂e), a measure that allows for the comparison of different greenhouse gases relative to CO₂. The bank will use 2025 as a base year from which progress of metrics will be measured.

Total gross GHG emissions

Scope 1		Scope 2	
	2025		2025
Total fuel use (litres)	91,685	Total energy (kWh)	2,246,148
Emissions (tCO ₂ e)	232.518	Emissions (tCO ₂ e)	392.829

KCB BANK TANZANIA LIMITED

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

19. SUSTAINABILITY RELATED FINANCIAL INFORMATION (CONTINUED)

v. METRICS AND TARGETS (CONTINUED)

(a) Metrics used to assess sustainability-related risks and opportunities (Continued)

v) Incorporation of ESG factors in credit analysis (i.e lending)

Integrating ESG factors into credit assessment enhances the bank’s risk management and portfolio quality. This approach supports responsible lending, mitigates climate and social risks, and enables the bank to capture sustainable financing opportunities while protecting long-term shareholder value.

Metric	Parameter	Source	Unit	2025
Description of approach to incorporation of environmental, social and governance (ESG) factors in credit analysis	Value of loans screened through ESDD (new and refinancing)	SASB Standard	Presentation Currency i.e TZS	TZS 804 billion
	Qualitative	SASB Standard	N/A – Qualitative*	Refer to description below

* Environmental and Social Due Diligence (ESDD) is a part of credit checklist, to assess ESG related risks as a part of client onboarding prior to loan disbursement, for more details on ESDD tool refer to note 19 (iii) (b)(v) in the report by those charged with governance included in page 39.

vi) Business ethics

Strong business ethics and regulatory compliance underpin the bank’s reputation and financial sustainability. Robust controls, integrity in conduct, and effective whistleblowing mechanisms reduce legal and conduct risk, protect franchise value, and reinforce stakeholder trust.

Metric	Parameter	Source	Unit	2025
Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-competitive behaviour, market manipulation, malpractice, or other related financial industry laws or regulations.	Quantitative	SASB Standard	Presentation Currency i.e TZS	-
Description of whistleblower policies and procedures	Discussion and analysis	SASB Standard	N/A – Qualitative*	Refer to description below

* KCB Bank Tanzania is committed to maintaining effective communication systems to ensure that all staff, agents, major customers, contractors, and suppliers are adequately informed of the Bank’s Ethical Conduct requirements, including its zero-tolerance approach to bribery and corrupt practices. The Bank shall deploy appropriate communication channels, which may include formal training programmes, internal and external communications, and public disclosure of the management systems established to prevent, detect, and address bribery and corruption.

KCB BANK TANZANIA LIMITED

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

19. SUSTAINABILITY RELATED FINANCIAL INFORMATION (CONTINUED)

v. METRICS AND TARGETS (CONTINUED)

(a) Metrics used to assess sustainability-related risks and opportunities (Continued)

vi) Business ethics (Continued)

The Bank shall also remain open to receiving communications, advice, and information from relevant stakeholders on ethical conduct matters.

To support an effective ethical governance framework, the bank recognizes the importance of early identification and reporting of concerns, violations, or unethical conduct. Accordingly, the bank shall maintain secure, accessible, and confidential whistleblowing mechanisms through which employees and other stakeholders may raise concerns in good faith and without fear of retaliation. These mechanisms shall also provide avenues for employees and other stakeholders to offer guidance or suggestions for improving initiatives undertaken under this policy.

vii) Green lending and sustainable financing

The metrics for green lending and sustainable financing are internally developed by KCB Bank Tanzania Limited to monitor progress in implementing its sustainable finance strategy. These metrics are not prescribed by IFRS Sustainability Disclosure Standards but are considered decision-useful in assessing the Bank's response to climate-related opportunities.

Definition of the metrics

Number of green and sustainability-linked loan facilities disbursed, represents the total number of loan facilities approved and disbursed during the reporting period that meet the bank's internally defined green or sustainability-linked eligibility criteria.

Total value of green and sustainability-linked loan facilities disbursed, represents the aggregate disbursed amount of facilities classified as green or sustainability-linked during the reporting period.

These metrics are defined internally in accordance with the bank's sustainable finance framework and are not adjusted from another external reporting standard.

Nature of the metrics

The number of facilities is an absolute quantitative measure (expressed in number of loans).

The total value disbursed is an absolute monetary measure (expressed in Tanzanian Shillings).

As at the reporting date, these metrics are derived from internal credit and finance systems and have not been subject to external third-party assurance. The bank continues to enhance internal controls and data governance processes to support future assurance readiness.

Method of calculation, inputs and limitations

The metrics are calculated using:

- Loan approval and disbursement records from the bank's core banking system,
- Internal sustainable finance classification criteria

Classification as "green" or "sustainability-linked" is based on the bank's internal sustainable finance guidelines, which consider the intended use of proceeds, sector alignment (e.g., renewable energy, water infrastructure, climate-resilient infrastructure) and environmental or social objectives.

KCB BANK TANZANIA LIMITED

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

19. SUSTAINABILITY RELATED FINANCIAL INFORMATION (CONTINUED)

v. METRICS AND TARGETS (CONTINUED)

(a) Metrics used to assess sustainability-related risks and opportunities (Continued)

vii) Green lending and sustainable financing (Continued)

Metric	Parameter	Source	Unit	2025
Number of green and sustainability-linked loan facilities disbursed	Loan facilities	KCB Bank Tanzania Limited	Number	18
Total value of green and sustainability-linked loan facilities disbursed	Approved and disbursed green/sustainable facilities	KCB Bank Tanzania Limited	Presentation Currency i.e TZS	TZS 9.6 billion

(b) Expected targets to be used to manage Sustainability-related risks and opportunities

Net Zero is the internationally agreed-upon goal to limit global warming to 1.5°C above pre-industrial levels, as outlined in the Paris Agreement. This means balancing the amount of greenhouse gases (GHGs) emitted into the atmosphere with an equivalent amount removed, ultimately halting further warming.

KCB Bank Tanzania operates within the KCB Group’s sustainability framework and is aligned to the Group’s net zero ambition. KCB Group is a signatory to the Net-Zero Banking Alliance and has committed to achieving net zero emissions across its operations and financed emissions by 2050.

In line with this commitment, the Group is developing a Group-wide net zero strategy, which will define sectoral pathways, interim targets, and implementation plans for all subsidiaries. KCB Bank Tanzania will adopt the Group strategy and targets, including setting local interim targets, objective of the target, the base period, any milestones, coverage of the target in relation the bank’s identified sustainability-related risks & opportunities and actions aligned to Tanzania’s sustainability strategy context, and will report progress as part of the Group’s consolidated net zero transition plan.

The bank is working on enhancing the sustainability of its branch operations through specific initiatives, such as:



KCB BANK TANZANIA LIMITED

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

19. SUSTAINABILITY RELATED FINANCIAL INFORMATION (CONTINUED)

v. METRICS AND TARGETS (CONTINUED)

(b) Expected targets to be used to manage Sustainability-related risks and opportunities (Continued)

Managing exposure towards GHG emission

The bank has started measuring the emissions linked to its operations, known as scope 1 and 2 emissions, using the *Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (2004)*. This helps to set a starting point for tracking the bank's carbon footprint.

The bank has the ambition to achieving net-zero GHG emissions by 2050. The GHG emission target will cover all branches and all seven gases from the Kyoto Protocol and will be measured on a gross basis against the selected base year. Progress will be reviewed annually by the Risk and Strategy Board Committee using metrics including total GHG emissions metrics incorporating the short and long-term emission reduction targets and emission reduction activities to be undertaken by the bank.

The following are initiatives done by the bank during the year:

- The installation of LED lighting across its branches.
- Planted 6,700 trees in 2025 in support of climate action in Tanzania.
- Selecting branch locations based on high foot traffic and elevated land to improve accessibility and reduce environmental impact.
- Through its ESDD process, the bank screens its loan portfolio to consider ESG factors.
- Progressing on its Green Climate Fund (GCF) concept notes.

20. AUDITOR

KPMG were appointed to serve as external auditor for the year 2025. Having completed a three-year period of audit engagement, the auditors will be eligible for re-appointment as external auditors for the year ending 31 December 2026 subject to competitive bidding as required by the Banking and Financial Institutions Act (External Auditors) Regulations, 2014. The details of the firm are provided on page 1.


21. RESPONSIBILITY OF THOSE CHARGED WITH GOVERNANCE

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

22. STATEMENT OF COMPLIANCE

The director's report has been prepared in full compliance with Tanzania Financial Reporting Standard No. 1 (The Report by Those Charged with Governance).

Approved by the Board of Directors and authorised for issue on^{20th Feb, 2026}..... and signed on its behalf by:


.....
Amb. Peter A. Kallaghe
Chairman


.....
Cosmas Kimario
Managing Director

KCB BANK TANZANIA LIMITED

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

The Company's directors are responsible for the preparation of financial statements set out on page 66 to 155 that give a true and fair view of KCB Bank Tanzania Limited (the "Company" or the "Bank") comprising the statement of financial position as at 31 December 2025, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, comprising material accounting policies, 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 Directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The Directors have made an assessment of the ability of the Company to continue as going concern and have no reason to believe that the business will not be a going concern at least for the next twelve months from the date of approval of these financial statements.

The auditor is responsible for reporting on whether the financial statements give a true and fair view in accordance with the applicable financial reporting framework.

Approval of financial statements

The financial statements of KCB Bank Tanzania Limited, as identified in the first paragraph, were approved and authorised for issue by the Directors on 20.02.2026.



Amb. Peter A. Kallaghe
Chairman

**KCB BANK TANZANIA LIMITED
DECLARATION OF THE HEAD OF FINANCE**

FOR THE YEAR ENDED 31 DECEMBER 2025

The National Board of Accountants and Auditors (NBAA) according to the power conferred to it under the Auditors and Accountants (Registration) Act. No. 33 of 1972, as amended by Act No. 2 of 1995, requires financial statements to be accompanied with a declaration issued by the Head of Finance responsible for the preparation of financial statements of the entity concerned. It is the duty of a Professional Accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing a true and fair view of the entity position and performance in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and statutory financial reporting requirements. Full legal responsibility for the preparation of financial statements rests with the Board of Directors as mentioned under the statement of Directors' Responsibilities on the previous page.

I, **Willis Mbatia**, being the Head of Finance of KCB Bank Tanzania Limited hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2025 have been prepared in compliance with applicable accounting standards and statutory requirements. I thus confirm that the financial statements give a true and fair view position of KCB Bank Tanzania Limited as on that date and that they have been prepared based on properly maintained financial records.

Signed by: 

Position: Head of Finance

NBAA Membership No.: TACPA 3681

Date: 20/02/2026



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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KCB BANK TANZANIA LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of KCB Bank Tanzania Limited (“the Bank”) set out on pages 67 to 155, which comprise the statement of financial position as at 31 December 2025, and the statement of profit or loss and other comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2025, and its financial performance and its cash flows for the year then ended 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.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), as applicable to audits of the financial statements of public interest entities, together with the ethical requirements that are relevant to audits of the financial statements of public interest entities in Tanzania. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



**INDEPENDENT AUDITOR’S REPORT
TO THE SHAREHOLDERS OF KCB BANK TANZANIA LIMITED (CONTINUED)**

Report on the Audit of the Financial Statements (Continued)

Key audit matters (Continued)

<u>Impairment charge on loans and advances to customers</u>	
Refer to the below:	
<ul style="list-style-type: none"> - Note 3(a) credit risk, - Note 4(a) allowances for credit losses, - Note 8 Loans and advances to customers 	
Key audit matter	How the matter was addressed in our audit
<p>As at 31 December 2025 gross loans and advances to customers amounted to TZS 1.211 trillion and the related total allowances for impairment amounted to TZS 9.2 billion.</p> <p>Measurement of impairment losses on loans and advances to customers is deemed a key audit matter as the determination of expected credit losses (ECL) is highly subjective as it involves significant levels of judgement applied by management.</p> <p>The key areas where we identified significant levels of management judgement and therefore increased levels of audit focus on the Bank’s impairment charge on loans and advances to customers are:</p> <ul style="list-style-type: none"> • Quantitative criteria i.e. use of days past due and qualitative criteria such as delinquency in contractual payments of principal or interest, cash flow difficulties experienced by the borrower; breach of loan covenants or conditions, initiation of bankruptcy proceedings, deterioration of the borrower’s competitive position, and/or deterioration in the value of collateral used in determining criteria for Significant Increase in Credit Risk (SICR) and default which guides classification of loans and advances to customers into stage 1, 2 or 3; 	<p>Our audit procedures in this area, included the below:</p> <ul style="list-style-type: none"> ▪ Obtained an understanding of the credit management processes by evaluating the design and implementation and operating effectiveness of the management review controls over the ECL determination process; ▪ On a sample basis, evaluated the appropriateness of the Bank’s Significant Increase in Credit Risk (“SICR”) determination by assessing the payment history of the loans and qualitative factors such as extension to the terms granted, significant adverse changes in business, financial and/or economic conditions in which the borrower operates and quantitative factors such as days past due used by management in their evaluation of the classification into stages 1, 2 and 3 and how credit risk is monitored; We also assessed the reasonableness and consistency of any management overlays applied in the SICR assessment. We evaluated whether facilities are correctly staged/classified based on the requirements of IFRS 9 Financial Instruments. ▪ Obtained a sample of key data inputs impacting ECL calculations and agreeing them to underlying supporting documents. For data we obtained data used in LGD and confirmed the amounts and nature of collateral to the underlying documents.



**INDEPENDENT AUDITOR’S REPORT
TO THE SHAREHOLDERS OF KCB BANK TANZANIA LIMITED (CONTINUED)**

Report on the Audit of the Financial Statements (Continued)

Key audit matters (Continued)

<u>Impairment charge on loans and advances to customers</u>	
<p>Refer to the below:</p> <ul style="list-style-type: none"> - Note 3(a) credit risk - Note 4(a) allowances for credit losses - Note 8 Loans and advances to customers 	
Key audit matter	How the matter was addressed in our audit
<ul style="list-style-type: none"> • Choosing appropriate data used in the measurement of Expected Credit Losses (“ECL”). • Choosing appropriate models and assumptions for the determination of probabilities of default (PD), exposures at default (EAD) and loss given default (LGD) and ultimately measurement of Expected Credit Losses (“ECL”). • In addition, management adjustments (Overlays) are inherently discretionary and may be applied where models are not fully calibrated or reflect current conditions, increasing subjectivity, and the risk of bias. • Establishment of the various macroeconomic variables as well as weightings applied to the forward-looking scenarios for each type of product/market and the associated impact on ECL thereby requiring special audit consideration. 	<ul style="list-style-type: none"> ▪ For the assumptions we performed retrospective reviews and recalculation to assess reasonableness of such assumptions. For example, for the recovery rate, we obtained historical sales for a specific nature of collateral, calculated recovery rate and compared to the rates management has used in computation of LGD. ▪ Involved our own internal financial risk management specialists in assessing the appropriateness of the Bank’s model for determining expected credit loss by challenging reasonability of management assumptions applied, as well as assessing the appropriateness of the Bank’s methodology for determining the economic scenarios such as the base case or worst case used as well as the overall reasonableness of the economic forecasts by recalculating the macroeconomic factors such as Gross Domestic Product (GDP), Gross Value Added (“GVA), exchange rates and interest rates using the methods applied by management and reviewing the source data. ▪ Assessed the ECL calculations through re-computation, and on sample basis, checking if the correct parameters, namely PDs, LGD and EADs were appropriately determined. ▪ Assessed the adequacy of financial statements disclosures in accordance with the requirements of IFRS 9, Financial Instruments, including disclosures of key assumptions and judgements relating to ECL.



**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF KCB BANK TANZANIA LIMITED (CONTINUED)**

Report on the Audit of the Financial Statements (Continued)

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the *KCB Bank Tanzania Limited, Report and Financial Statements for the year ended 31 December 2025* but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors responsibilities for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS® Accounting Standards and in the manner required by Companies Act, 2002 and Banking and Financial Institutions Act, 2006 , and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF KCB BANK TANZANIA LIMITED (CONTINUED)**

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.



**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF KCB BANK TANZANIA LIMITED (CONTINUED)**

Report on Other Legal and Regulatory Requirements

As required by the Companies Act, 2002 we report to you, solely based on our audit of financial statements, that:

- in our opinion, proper accounting records have been kept by the Bank;
- the individual accounts are in agreement with the accounting records of the Bank;
- we obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit;
- directors' report is consistent with the financial statements; and
- information specified by the law regarding Directors' emoluments and other transactions with the Bank is disclosed.

As required by Banking and Financial Institutions Act, 2006 and its regulations, we report to you solely based on our audit of financial statements that, nothing has come to our attention that causes us to believe that the Bank has not complied with the Banking and Financial Institutions Act, 2006 and its regulations including computation of its capital position.

**KPMG
Certified Public Accountants (T)**

Signed by: CPA Vincent Onjala (TACPA 2722)
Dar es Salaam

Date: 27 March 2026

KCB BANK TANZANIA LIMITED

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

	Note	2025 TZS' 000	2024 TZS' 000
Interest income calculated using the effective interest method	6	174,432,471	152,134,565
Interest expense and similar charges	7	(73,116,066)	(61,452,421)
Net interest income		101,316,405	90,682,144
Fees and commission income	9	40,492,061	26,332,207
Fees and commission expense	9	(20,616,978)	(15,781,957)
Net fees and commission income		19,875,083	10,550,250
Trading income and foreign exchange revaluation	10	19,703,141	14,943,159
Other income	11	5,596,773	398,099
Revenue		146,491,402	116,573,652
Impairment credit on loans and advances	8 (c)	2,401,590	8,800,075
Net income after impairment charge on loans and advances		148,892,992	125,373,727
Employee benefits	13	(24,452,201)	(25,212,466)
Depreciation and amortisation	18,19 & 20	(6,453,263)	(5,693,354)
Other operating expenses	12	(21,199,374)	(18,475,160)
Profit before income tax		96,788,154	75,992,747
Income tax expense	14(a)	(32,036,798)	(25,180,519)
Profit for the year		64,751,356	50,812,228
Items that are or may be reclassified subsequently to profit or loss			
Government securities at Fair Value through Other Comprehensive Income – net change in fair value		4,394,782	(9,730,403)
Related deferred tax		(1,318,435)	2,919,121
Other comprehensive income net of income tax	27	3,076,347	(6,811,282)
Total comprehensive income for the year		67,827,703	44,000,946

The notes set out on pages 71 to 155 from an integral part of these financial statements.

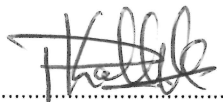
Auditor's report is on pages 61 to 66.

KCB BANK TANZANIA LIMITED


STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2025

	Note	2025 TZS' 000	2024 TZS' 000
ASSETS			
Cash and bank balances with Bank of Tanzania	15(a)	102,490,057	84,645,743
Placements and balances with other banks	16	276,694,467	233,540,764
Derivative financial instrument	30	1,710,694	348,888
Government securities at Fair Value through Other Comprehensive Income	17	45,383,822	89,057,388
Government securities at amortised cost	17	152,266,006	112,485,813
Loans and advances to customers (Net)	8	1,202,077,459	1,015,278,209
Equity Investment	17	500,000	500,000
Investment in other securities at amortised cost	17	2,544,018	2,034,557
Other assets	22	50,375,616	24,254,672
Property and equipment	18	12,055,432	9,564,835
Right-of-use assets	19	8,094,276	7,820,943
Intangible assets	20	1,228,036	1,319,260
Deferred tax asset	21	6,119,664	12,113,997
TOTAL ASSETS		<u>1,861,539,547</u>	<u>1,592,965,069</u>
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits from other banks	23	268,853,946	240,841,174
Deposits from customers	24	1,158,070,841	984,784,867
Other liabilities	25	24,230,278	22,905,127
Borrowings	28	107,258,156	102,705,932
Lease liabilities	19	8,291,262	8,577,701
Current tax payable	14(b)	5,687,123	747,216
Debt instrument at amortised cost	29	-	11,082,814
TOTAL LIABILITIES		<u>1,572,391,606</u>	<u>1,371,644,831</u>
EQUITY			
Share capital	26	62,669,936	62,669,936
Retained earnings		214,844,965	155,027,545
Fair value reserve	27	3,882,020	805,673
Non-Distributable Reserve	27	7,751,020	2,817,084
TOTAL EQUITY		<u>289,147,941</u>	<u>221,320,238</u>
TOTAL LIABILITIES AND EQUITY		<u>1,861,539,547</u>	<u>1,592,965,069</u>

The financial statements on pages 67 to 155 were approved and authorised for issue by the board of directors on ^{20th} Feb, 2026 and signed on its behalf by:



 Amb. Peter A. Kallaghe
 Chairman



 Cosmas Kimario
 Managing Director

The notes set out on pages 71 to 155 form an integral part of these financial statements.

Auditor's report is on pages 61 to 66.

KCB BANK TANZANIA LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2025

	Share capital TZS' 000	Retained earnings TZS' 000	Non distributable reserves TZS' 000	Fair value reserve TZS' 000	Total TZS' 000
At 1 January 2024	62,669,936	107,032,401	-	7,616,955	177,319,292
Profit for the year	-	50,812,228	-	-	50,812,228
Other comprehensive income					
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
Total other comprehensive income	-	-	-	(6,811,282)	(6,811,282)
Total comprehensive income for the year	-	50,812,228	-	(6,811,282)	44,000,946
Transfer to the non-distributable reserve	-	(2,817,084)	2,817,084	-	-
At 31 December 2024	62,669,936	155,027,545	2,817,084	805,673	221,320,238
At 1 January 2025	62,669,936	155,027,545	2,817,084	805,673	221,320,238
Profit for the year	-	64,751,356	-	-	64,751,356
Other comprehensive income					
Change in fair value of government securities at FVOCI	-	-	-	4,394,782	4,394,782
Deferred tax on change in fair value of government securities at FVOCI	-	-	-	(1,318,435)	(1,318,435)
Total other comprehensive income	-	-	-	3,076,347	3,076,347
Total comprehensive income for the year	-	64,751,356	-	3,076,347	67,827,703
Transfer to the non-distributable reserve	-	(4,933,936)	4,933,936	-	-
At 31 December 2025	62,669,936	214,844,965	7,751,020	3,882,020	289,147,941

Details of non-distributable reserve and Fair value reserve have been disclosed under note 27.

The notes set out on pages 71 to 155 form an integral part of these financial statements.

Auditor's report is on pages 61 to 66.

KCB BANK TANZANIA LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2025**

	Notes	2025 TZS'000	2024 TZS'000
Profit before tax		96,788,154	75,992,747
Adjustment for non-cash items			
Depreciation	18	2,970,388	2,544,996
Amortisation	20	714,473	589,703
Net impairment (credit) / charge on loans and advances	8 (c)	(2,401,590)	(8,800,075)
Net interest income (excluding interest expense on lease and borrowings)	6 & 7	(109,772,785)	(97,026,866)
Property and equipment written off	18	-	3,244
Profit on disposal of scrapped items of property and equipment		(99,041)	(8,100)
Foreign exchange rate on revaluation of long-term borrowings	28	(430,468)	(2,007,220)
Interest charge on long term borrowing	28	6,753,621	5,458,523
Foreign exchange on lease contracts	19	(325,139)	291,062
Foreign exchange on cash and cash equivalents		84,162	257,407
Depreciation on right of use assets	19	2,768,402	2,558,655
Interest charge on debt instrument at amortised cost	33	931,805	968,866
Interest charge on lease liability	19	770,954	886,200
		<u>770,954</u>	<u>886,200</u>
Cash flows from operating activities before changes in working capital items		(1,247,064)	(18,290,858)
Changes in working capital items			
Loans and advances to customers		(180,967,064)	(113,328,842)
Derivative financial instrument		(1,361,806)	(348,888)
Other assets	22	(5,205,885)	9,665,512
Deposits from customers		168,526,227	134,013,361
Other liabilities	25	2,874,762	(2,444,526)
Statutory Minimum Reserve account - restricted	15	(6,160,988)	(9,221,964)
Deposits from other banks		29,780,413	(51,749,350)
Government securities at Fair Value through Other Comprehensive Income		48,068,348	(2,107,903)
Government securities at amortised cost		(38,855,908)	(24,615,558)
Investment in other securities at amortised cost		(509,461)	(220,568)
		<u>16,188,638</u>	<u>(60,358,726)</u>
Interest received		170,077,590	151,476,348
Interest paid on debt instrument at amortised cost	33	(972,119)	(966,219)
Interest paid on deposits from banks and customers		(61,667,580)	(46,709,033)
Interest paid on lease liability	19	(770,954)	(886,200)
Interest paid on borrowings	28	(6,908,490)	(5,374,874)
Tax paid during the year	14 (b)	(22,420,993)	(31,745,426)
Net cash generated / (used) in operating activities		93,526,092	5,435,870
Cash flows from investing activities			
Equity investment	17	-	(500,000)
Purchase of property and equipment	18	(5,460,992)	(3,814,667)
Purchase of intangible assets	20	(623,249)	(427,615)
Proceeds from disposal of items of property and equipment		99,048	8,100
Net cash used in investing activities		(5,985,193)	(4,734,182)
Cash flows from financing activities			
Payment of principle portion of lease liabilities	19	(3,003,035)	(2,533,841)
Principal repayment of debt instrument at amortised cost	29	(11,042,500)	-
Proceeds from borrowings	28	10,000,000	39,078,600
Repayment of borrowings principal	28	(4,862,439)	-
Dividend paid	25	(1,549,611)	-
Net cash generated from financing activities		(10,457,585)	36,544,759
Net increase in cash and cash equivalents		75,836,250	18,955,589
Effect of foreign exchange on cash and cash equivalents		(84,162)	(257,407)
Cash and cash equivalents at the beginning of the year		273,665,063	254,966,881
Cash and cash equivalents at the year end	15 (b)	349,417,151	273,665,063

The notes set out on pages 71 to 155 form an integral part of these financial statements.
Auditor's report is on pages 61 to 66.

KCB BANK TANZANIA LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

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 financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

The Bank's financial statements for the year 2025 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.

(b) Changes in accounting policies and disclosures

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

During the current year, 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 2025. 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:

Effective date	New standard or amendment
1 January 2025	<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">• the nature and financial impacts of the currency not being exchangeable.• the spot exchange rate used.• the estimation process; and risks to the company because the currency is not exchangeable.

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

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

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

ii) Forthcoming requirements

This table lists the recent changes to the Accounting Standards that are not yet effective as at 31 December 2025 and that are available for early adoption in annual periods beginning on 1 January 2025; however, the Bank has not early adopted the new and amended standards in preparing these financial statements.

Effective date	Standard
1 January 2026	Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 <i>Financial Instruments</i> and IFRS 7 <i>Financial Instruments: Disclosures</i>
	Annual Improvements to IFRS Accounting Standards – Amendments to: <ul style="list-style-type: none"> • IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i>; • IFRS 7 <i>Financial Instruments: Disclosures</i> and its accompanying <i>Guidance on implementing IFRS 7</i>; • IFRS 9 <i>Financial Instruments</i>; • IFRS 10 <i>Consolidated Financial Statements</i>; and • IAS 7 <i>Statement of Cash flows</i>
	Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7.
1 January 2027	IFRS 18 <i>Presentation and Disclosure in Financial Statements</i> 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.
	IFRS 19 <i>Subsidiaries without Public Accountability: Disclosures</i> 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.
	IFRS for SMEs third edition*
	IAS 21 <i>The Effects of Changes in Foreign Exchange Rates</i> *
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 effective date is for the updated sections only.

** The effective date for these amendments was deferred indefinitely. Early adoption continues to be permitted.

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

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(c) 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;
- The amortised cost of purchased or originated credit impaired financial assets
- The amortised cost of financial assets that are not purchased or originated credit-impaired but subsequently have become credit-impaired; 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 and applied to the amortised cost of the financial asset.

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 position.

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.

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

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(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.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition the entity recognizes the difference as follows:

- (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.

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

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(g) Financial assets (excluding derivatives) (continued)

Recognition and measurement of financial assets (Continued)

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 lending arrangement i.e., interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

(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:

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

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) Purchased or Originated Credit-Impaired (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.

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

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(k) Financial Liabilities (continued)

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.

(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 4 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.

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

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(m) Leases (continued)

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.

2. Extension and termination options

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
Leasehold improvement	11%	9 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.

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

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(p) Property and equipment (continued)

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.

(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.

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

2. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(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 Chief Executive Officer 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 35.

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. 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.

The Bank has exposure to the following risks:

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

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

(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.

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(ii) Management and monitoring(continued)

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 classification
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.

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

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iv) Expected credit loss measurement (continued)

a) Significant increase in credit risk (continued)

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

Qualitative criteria (continued)

Balances due from other banks(continued)

External rating criteria

<u>No</u>	<u>Rating description</u>	<u>Credit risk</u>	<u>Staging</u>
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.
- Significant adverse change in the regulatory, economic, or technological environment of the borrower that results in a significant change in the borrower's ability to meet its debt obligations.
- Significant reductions in financial support from a parent entity that resulted to significant adverse changes of operating results of the counterparty.

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.

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iv) Expected credit loss measurement (continued)

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

b) Definition of default and credit-impaired assets (continued)

Loans and advances to customers (continued)

Quantitative criteria (continued)

- 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.

Balances due from other banks

For balances from other banks below events are considered as default when they occur.

- When repayments of interest and principal are not done on time as per contractual schedules to the extent of 30 days delay.
- When a counterparty is taken under management by Statutory Manager.
- When a counterparty license has been revoked by the Central bank.
- When the counterparty is declared bankrupt by responsible bodies like Registration, Insolvency and Trusteeship Agency (RITA) and Court.

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:

Loans and advances to customers

- 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 obligation.

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iv) Expected credit loss measurement (continued)

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

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

Loans and advances to customers (Continued)

- 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.

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 counter parties.
- 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.

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(iv) Expected credit loss measurement (continued)

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

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

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

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.

Amana	2026	2027	2028	2029	2030
Accommodation & food service nominal GVA, per employee in					
Accommodation & food service	2762148	2798216	2855931	2954459	3074975
Central bank policy rate, %, eop	5.75	5.75	5.75	5.75	5.75
Capital expenditure, % of total fiscal expenditure	35.83	38.57	39.90	40.23	40.56
Business economy sector average annual wages, USD, % chg y-o-y	1.35	-2.46	-3.32	-4.10	-3.95
Corporate	2026	2027	2028	2029	2030
Current expenditure, USD, % chg y-o-y	15.03	-6.82	0.08	4.73	4.91
Goods exports, USD	10,625,000,000	10,837,000,000	11,163,000,000	11,631,000,000	12,120,000,000
Financial and insurance activities and real estate activities sector					
average annual wages, LCU, % chg y-o-y	0.55	0.53	0.51	0.50	0.48
Construction sector total annual wages, LCU	3,313,510,000,000	3,440,030,000,000	3,566,370,000,000	3,693,190,000,000	3,819,440,000,000
Wholesale and retail trade; transport; accommodation and food service					
activities; information and communication sector total annual wages, LCU	19,406,800,000,000	19,617,200,000,000	19,839,900,000,000	20,082,700,000,000	20,332,300,000,000
Mortgage	2026	2027	2028	2029	2030
Utilities nominal GVA, EUR, % chg y-o-y	4.22	5.30	4.65	4.51	5.09
Central bank policy rate, %, eop	5.75	5.75	5.75	5.75	5.75
Construction sector total annual wages, EUR	1,093,567,596	1,107,900,528	1,111,018,682	1,104,093,767	1,097,540,334
Personal	2026	2027	2028	2029	2030
Utilities nominal GVA, EUR	537,381,188	565,848,953	592,153,894	618,864,275	650,377,874
Central bank policy rate, %, eop	5.75	5.75	5.75	5.75	5.75
Capital expenditure, % of total fiscal expenditure	35.83	38.57	39.90	40.22	40.55
SME	2026	2027	2028	2029	2030
Central bank policy rate, %, eop	5.75	5.75	5.75	5.75	5.75
Capital expenditure, % of total fiscal expenditure	35.83	38.56	39.90	40.22	40.55
Goods exports, USD	10,625,000,000	10,837,000,000	11,163,000,000	11,631,000,000	12,120,000,000

(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

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

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 macroeconomic variables for the various portfolios: Amana, Corporate, Mortgage, Personal & SME.

	2026	2027	2028	2029	2030
Amana					
Base Scenario(60%)	70.34%	72.85%	70.90%	69.69%	66.07%
Upside Scenario(20%)	37.75%	39.10%	38.05%	37.40%	35.46%
Downside Scenario(20%)	244.23%	252.94%	246.15%	241.95%	229.38%
Probability weighted	98.60%	102.12%	99.38%	97.68%	92.61%
Corporate					
Base Scenario(60%)	32.34%	44.20%	35.97%	30.04%	27.10%
Upside Scenario(20%)	14.58%	19.93%	16.21%	13.54%	12.22%
Downside Scenario(20%)	353.06%	482.58%	392.69%	327.94%	295.86%
Probability weighted	92.93%	127.02%	103.36%	86.32%	77.87%
Mortgage					
Base Scenario(70%)	27.61%	25.06%	24.91%	25.93%	26.61%
Upside Scenario(15%)	6.13%	5.56%	5.53%	5.75%	5.90%
Downside Scenario(15%)	560.75%	508.97%	505.93%	526.72%	540.57%
Probability weighted	104.36%	94.72%	94.15%	98.02%	100.60%
Personal					
Base Scenario(50%)	73.36%	62.72%	61.07%	60.16%	56.91%
Upside Scenario(25%)	39.83%	34.06%	33.16%	32.66%	30.90%
Downside Scenario(25%)	248.85%	212.76%	207.14%	204.06%	193.06%
Probability weighted	108.85%	93.07%	90.61%	89.26%	84.45%
SME					
Base Scenario(80%)	24.04%	19.67%	16.74%	14.41%	12.33%
Upside Scenario(10%)	7.29%	5.96%	5.07%	4.37%	3.74%
Downside Scenario(10%)	863.49%	706.55%	601.30%	517.68%	442.94%
Probability weighted	106.31%	86.99%	74.03%	63.74%	54.53%

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

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 TZS	Base TZS	Upside TZS	Downside TZS
2025				
Amana	216,140	180,994	140,458	397,263
Corporate	2,625,838	1,884,480	1,727,361	4,721,572
Mortgage	260,046	134,293	99,096	1,007,847
Personal	4,645,180	4,074,435	3,535,208	6,896,642
Personal(ex-staff)	131,906	112,466	94,099	208,595
SME	<u>1,321,651</u>	<u>917,046</u>	<u>834,642</u>	<u>5,045,494</u>
	<u>9,200,761</u>	<u>7,303,714</u>	<u>6,430,864</u>	<u>18,277,413</u>
2024				
Amana	236,672	224,043	160,026	330,156
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	<u>1,563,813</u>	<u>1,357,956</u>	<u>1,199,297</u>	<u>3,575,181</u>
Grand Total	<u>8,372,542</u>	<u>7,431,436</u>	<u>6,632,691</u>	<u>13,047,128</u>

(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).

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

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

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

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

2025	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
Balance as at 1 January	903,326,803	2,147,069	98,244,273	488,910	22,941,733	6,598,625	1,024,512,809	9,234,604
Stage transfer								
Stage 1 to stage 2	(82,812,607)	(252,076)	82,812,607	252,076	-	-	-	-
Stage 1 to stage 3	(935,213)	(55,422)	-	-	935,213	55,422	-	-
Stage 2 to stage 1	11,535,001	17,728	(11,535,001)	(17,728)	-	-	-	-
Stage 2 to stage 3	-	-	(1,085,026)	(103,349)	1,085,026	103,349	-	-
Stage 3 to stage 1	713,555	-	-	-	(713,555)	-	-	-
Stage 3 to stage 2	-	-	93,235	-	(93,235)	-	-	-
New assets originated or purchased	296,096,431	1,437,520	8,338,255	330,718	17,739,122	1,572,080	322,173,808	3,340,318
Payment and assets derecognized	(69,467,079)	(798,970)	(50,849,237)	(398,710)	(10,547,700)	(1,084,717)	(130,864,016)	(2,282,397)
Unwinding of Discount	-	258,057	-	55,880	-	907,639	-	1,221,576
Foreign Exchange Adjustment	(746,989)	(2,448)	(156,113)	(1,066)	(9,013)	(3,277)	(912,115)	(6,791)
Write off	-	-	-	-	(2,306,548)	(2,306,548)	(2,306,548)	(2,306,548)
Balance as at 31 December	1,057,709,902	2,751,458	125,862,993	606,731	29,031,043	5,842,573	1,212,603,938	9,200,762

The total gross carrying amount include suspended interest amounting to TZS 1.3Billion which has been exclude in the gross loan balance in note 8(a).

KCB BANK TANZANIA LIMITED

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

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)

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	697,274,874	3,553,897	172,046,375	1,009,438	42,605,837	14,605,342	911,927,086	19,168,677
Stage transfer								
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	1,942,469	1,862,886	-	-	(1,942,469)	(1,862,886)	-	-
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	-	406,496	-	106,638	-	1,611,230	-	2,124,364
Foreign Exchange 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)
Balance as at 31 December	903,326,803	2,147,069	98,244,273	488,910	22,941,737	6,598,625	1,024,512,813	9,234,604

KCB BANK TANZANIA LIMITED

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(viii) Loss allowance (continued)

Changes in gross carrying amount and Loss allowance (continued)

Corporate Loans

2025	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
Balance as at 1 January	372,756,159	483,623	87,880,824	248,261	12,147,391	2,194,073	472,784,374	2,925,957
Stage transfer								
Stage 1 to stage 2	(33,445,598)	(70,658)	33,445,598	70,658	-	-	-	-
Stage 1 to stage 3	-	-	-	-	-	-	-	-
Stage 2 to stage 1	11,247,964	17,634	(11,247,964)	(17,634)	-	-	-	-
Stage 2 to stage 3	-	-	(401,993)	(3,646)	401,993	3,646	-	-
Stage 3 to stage 1	-	-	-	-	-	-	-	-
Stage 3 to stage 2	-	-	-	-	-	-	-	-
New assets originated or purchased	155,516,735	641,401	188,126	-	16,193,080	19,651	171,897,941	661,052
Payment and assets derecognized	(1,178,706)	(380,059)	(38,871,744)	(249,084)	(7,772,525)	(440,063)	(47,822,975)	(1,069,206)
Unwinding of Discount	-	54,703	-	23,436	-	342,726	-	420,865
Foreign Exchange Adjustment	(493,108)	(815)	(138,587)	(759)	(4,315)	(2,001)	(636,010)	(3,575)
Write off	-	-	-	-	(314,262)	(314,262)	(314,262)	(314,262)
Balance as at 31 December	504,403,446	745,829	70,854,260	71,232	20,651,362	1,803,770	595,909,068	2,620,831

KCB BANK TANZANIA LIMITED

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

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)

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
Balance as at 1 January	240,859,077	585,508	144,036,738	367,399	25,844,029.0	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

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(viii) Loss allowance (continued)

Changes in gross carrying amount and Loss allowance (continued)

SME Loans

2025	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	308,698,763	398,696	5,985,267	12,895	4,640,518	1,131,068	319,324,548	1,542,659
Stage transfer								
Stage 1 to stage 2	(22,091,328)	(7,994)	22,091,328	7,994	-	-	-	-
Stage 1 to stage 3	(66,997)	(820)	-	-	66,997	820	-	-
Stage 2 to stage 1	34,063	-	(34,063)	-	-	-	-	-
Stage 2 to stage 3	-	-	(134,028)	(609)	134,028	609	-	-
Stage 3 to stage 1	713,555	-	-	-	(713,555)	-	-	-
Stage 3 to stage 2	-	-	93,235	-	(93,235)	-	-	-
New assets originated or purchased	78,640,141	107,495	7,091,225	23,054	239,014	446,977	85,970,380	577,526
Payment and assets derecognized	(23,519,214)	(88,256)	(4,886,255)	(4,840)	(1,575,692)	(120,662)	(29,981,161)	(213,758)
Unwinding of Discount	-	56,682	-	2,400	-	198,973	-	258,055
Foreign Exchange Adjustment	(3,215)	(25)	(7,706)	-	(1,267)	(858,348)	(12,188)	(858,373)
Write off	-	-	-	-	(858,348)	(362)	(858,348)	(362)
Balance as at 31 December	342,405,768	465,778	30,199,003	40,894	1,838,460	799,075	374,443,231	1,305,747

KCB BANK TANZANIA LIMITED

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(viii) Loss allowance (continued)

Changes in gross carrying amount and loss allowance (continued)

SME Loans (continued)

2024	Stage I		Stage II		Stage III		Total	
	Gross Carrying Amount	12 - Month ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	ECL
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Balance as at 1 January	249,769,286	1,508,203	10,360,593	127,651	8,117,787	2,485,637	268,247,666	4,121,491
Stage transfer								
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)	3,943	74	-	-
Stage 3 to stage 1	-	-	-	-	-	-	-	-
Stage 3 to stage 2	-	-	-	-	-	-	-	-
New assets originated or purchased	58,259,377	(30,541)	437,259	1,926	-	502,791	58,696,636	474,176
Payment and assets derecognized	-	(1,383,169)	(3,487,476)	(96,476)	(1,672,422)	(310,769)	(5,159,898)	(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)
Balance as at 31 December	308,698,763	337,614	5,985,267	12,895	4,640,518	1,131,068	319,324,548	1,481,577

KCB BANK TANZANIA LIMITED

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(viii) Loss allowance (continued)

Changes in gross carrying amount and loss allowance (continued)

Amana Loans

2025	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	82,156,590	171,859	573,128	2,135	2,997,326	322,976	85,727,044	496,970
Stage transfer								
Stage 1 to stage 2	(4,477,686)	-	4,477,686	-	-	-	-	-
Stage 1 to stage 3	-	-	-	-	-	-	-	-
Stage 2 to stage 1	244,411	-	(244,411)	-	-	-	-	-
Stage 2 to stage 3	-	-	(71,980)	-	71,980	-	-	-
Stage 3 to stage 1	-	2,066	-	(2,066)	-	-	-	-
Stage 3 to stage 2	-	-	-	-	-	-	-	-
New assets originated or purchased	27,089,883	52,715	-	-	40	3	27,089,923	52,718
Payment and assets derecognized	(9,982,204)	(124,528)	(928,121)	(425)	(487,416)	187,557	(11,397,741)	62,604
Unwinding of Discount	-	22,715	-	357	-	21,536	-	44,608
Foreign Exchange Adjustment	(87,807)	(31)	(633)	(1)	(212)	-	(88,652)	(32)
Write off	-	-	-	-	(438,567)	(438,567)	(438,567)	(438,567)
Balance as at 31 December	94,943,187	124,796	3,805,669	-	2,143,151	93,505	100,892,007	218,301

KCB BANK TANZANIA LIMITED

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(viii) Loss allowance (continued)

Loss allowance (continued)

Changes in gross carrying amount and loss allowance (continued)

Amana Loans (Continued)

2024	Stage I		Stage II		Stage III		Total	
	Gross Carrying Amount	12 - Month ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	ECL
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
ECL allowance reconciliation								
Balance as at 1 January	69,494,556	144,744	10,454,626	60,094	7,236,145	4,567,335	87,185,327	4,772,173
Stage transfer								
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)
Balance as at 31 December	82,156,590	171,859	573,128	2,135	2,997,326	322,976	85,727,044	496,970

KCB BANK TANZANIA LIMITED

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(viii) Loss allowance (continued)

Changes in gross carrying amount and loss allowance (continued)

Mortgage Loans

2025	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
Balance as at 1 January	36,877,285	301,072	3,427,959	195,171	1,085,717	188,049	41,390,961	684,292
Stage transfer								
Stage 1 to stage 2	(8,221,206)	(14,179)	8,221,206	14,179	-	-	-	-
Stage 1 to stage 3	-	-	-	-	-	-	-	-
Stage 2 to stage 1	-	-	-	-	-	-	-	-
Stage 2 to stage 3	-	-	(120,399)	(66,972)	120,399	66,972	-	-
Stage 3 to stage 1	-	-	-	-	-	-	-	-
Stage 3 to stage 2	-	-	-	-	-	-	-	-
New assets originated or purchased	3,815,954	15,323	668,881	10,482	207,132	-	4,691,967	25,805
Payment and assets derecognized	(2,155,216)	(195,617)	(3,814,644)	(142,495)	(141,803)	(219,226)	(6,111,663)	(557,338)
Unwinding of Discount	-	41,728	-	25,972	-	25,367	-	93,067
Foreign Exchange Adjustment	(20,469)	(186)	(8,831)	(242)	(2,567)	(265)	(31,867)	(693)
Balance as at 31 December	30,296,348	148,141	8,374,172	36,095	1,268,878	60,897	39,939,398	245,133

KCB BANK TANZANIA LIMITED

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(viii) Loss allowance (continued)

Changes in gross carrying amount and loss allowance (continued)

Mortgage Loans (continued)

2024	Stage I		Stage II		Stage III		Total	
	Gross Carrying Amount	12 - Month ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	ECL
	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)
Balance as at 31 December	36,877,285	301,072	3,427,959	195,171	1,085,717	188,049	41,390,961	684,292

KCB BANK TANZANIA LIMITED

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(viii) Loss allowance (continued)

Changes in gross carrying amount and loss allowance (continued)

Personal Loans

2025	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	91,436,770	860,375	370,951	29,344	2,494,592	2,475,397	94,302,313	3,365,116
Stage transfer								
Stage 1 to stage 2	(14,575,705)	(161,311)	14,575,705	161,311	-	-	-	-
Stage 1 to stage 3	(827,859)	(10,120)	-	-	827,859	10,120	-	-
Stage 2 to stage 1	8,563	94	(8,563)	(94)	-	-	-	-
Stage 2 to stage 3	-	-	(356,626)	(32,122)	356,626	32,122	-	-
Stage 3 to stage 1	-	-	-	-	-	-	-	-
Stage 3 to stage 2	-	-	-	-	-	-	-	-
New assets originated or purchased	26,913,534	514,059	390,023	297,182	24,073	1,052,872	27,327,630	1,864,113
Payment and assets derecognized	(28,827,669)	-	(2,342,329)	(44)	(50,287)	(391,144)	(31,220,285)	(391,188)
Unwinding of Discount	-	81,349	-	2,996	-	318,951	-	403,296
Foreign Exchange Adjustment	(142,390)	(1,391)	(356)	(64)	(652)	(649)	(143,398)	(2,104)
Write off	-	-	-	-	(597,440)	(597,440)	(597,440)	(597,440)
Balance as at 31 December	73,985,244	1,283,055	12,628,805	458,509	3,054,771	2,900,229	89,668,820	4,641,793

KCB BANK TANZANIA LIMITED

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(viii) Loss allowance (continued)

Changes in gross carrying amount and loss allowance (continued)

Personal Loans (continued)

2024	Stage I		Stage II		Stage III		Total	
	Gross Carrying Amount	12 - Month ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	ECL
	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	-	87,276	-	2,155	-	74,902	-	164,333
Foreign Exchange Adjustment	(303,146)	(3,061)	-	-	-	(5)	(303,146)	(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	2,494,592	2,475,397	94,302,313	3,365,116

KCB BANK TANZANIA LIMITED

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(viii) Loss allowance (continued)

Changes in gross carrying amount and loss allowance (continued)

Staff Loans

2025	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	11,282,239	9,791	6,144	1,104	59,620	35,523	11,348,003	46,418
Stage transfer								
Stage 1 to stage 2	(1,084)	-	1,084	-	-	-	-	-
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	3,432,490	-	10,981,921	-	-	-	14,414,411	-
Payment and assets derecognized	(3,804,070)	(10,510)	(10,988,065)	(1,823)	(59,620)	(35,523)	(14,851,755)	(47,856)
Unwinding of Discount	-	719	-	719	-	-	-	1,438
Foreign Exchange Adjustment	-	-	-	-	-	-	-	-
Write off	-	-	-	-	-	-	-	-
Balance as at 31 December	10,909,575	-	1,084	-	-	-	10,910,659	-

KCB BANK TANZANIA LIMITED

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(viii) Loss allowance (continued)

Changes in gross carrying amount and loss allowance (continued)

Staff Loans (continued)

2024	Stage I		Stage II		Stage III		Total	
	Gross Carrying Amount	12 - Month ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	Lifetime ECL	Gross Carrying Amount	ECL
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
ECL allowance reconciliation								
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

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

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

2025	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	39,414	1,236	-	-	535,625	171,956	575,039	173,192
Stage transfer								
Stage 1 to stage 2	-	-	-	-	-	-	-	-
Stage 1 to stage 3	(40,357)	(44,482)	-	-	40,357	44,482	-	-
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	687,694	106,527	-	-	82,063	52,576	769,757	159,103
Payment and assets derecognized	-	-	-	-	(406,106)	(65,656)	(406,106)	(65,656)
Unwinding of Discount	-	161	-	-	-	88	-	249
Foreign Exchange Adjustment	-	-	-	-	-	-	-	-
Write off	-	-	-	-	(97,931)	(97,931)	(97,931)	(97,931)
Balance as at 31 December	686,751	63,442	-	-	154,008	105,515	840,759	168,957

KCB BANK TANZANIA LIMITED

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

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)

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	213,807	65,559	13,149	4,497	513,478	262,992	740,434	333,048
Stage transfer								
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)
Balance as at 31 December	39,414	1,236	-	-	535,625	171,956	575,039	173,192

KCB BANK TANZANIA LIMITED

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

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):

	2025		2024	
	<u>TZS'000</u>	<u>% of total exposure</u>	<u>TZS'000</u>	<u>% of total exposure</u>
Balances with Bank of Tanzania	73,855,968	4.10%	63,134,590	4.11%
Balances due from other banks	276,694,467	15.37%	233,540,764	15.19%
Derivative financial instrument	1,710,694	0.10%	348,888	0.02%
Government securities at FVOCI	45,383,822	2.52%	89,057,388	5.79%
Government securities at amortised cost	152,266,006	8.46%	112,485,813	7.32%
Investment in other securities at amortised cost	2,544,018	0.14%	2,034,557	0.13%
Loans and advances to customers	1,202,077,459	66.76%	1,015,278,209	66.04%
Other assets (excluding prepayments)	46,038,999	2.56%	21,521,312	1.40%
	<u>1,800,571,433</u>	<u>100%</u>	<u>1,537,401,521</u>	<u>100%</u>

Credit quality analysis

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

	IFRS 9 12 -month PD ranges	Stage I	Stage II	Stage III	Total TZS'000
		12 - Month ECL TZS'000	Lifetime ECL TZS'000	Lifetime ECL TZS'000	
2025					
Current	0-100	1,078,194,454	20,357,403	-	1,098,551,857
Especially mentioned	0.10 - 23.38	-	86,592,321	-	86,592,321
Substandard	0.10 - 100	-	-	16,522,570	16,522,570
Doubtful	100	-	-	1,403,689	1,403,689
Loss	100	-	-	8,207,783	8,207,783
Gross carrying amount		<u>1,078,194,454</u>	<u>106,949,724</u>	<u>26,134,042</u>	<u>1,211,278,220</u>
ECL allowance		<u>(3,201,357)</u>	<u>(316,933)</u>	<u>(5,682,471)</u>	<u>(9,200,761)</u>
Net loans & advances		<u>1,074,993,097</u>	<u>106,632,791</u>	<u>20,451,571</u>	<u>1,202,077,459</u>
2024					
Current	0 - 100	903,247,220	4,488,526	1,907,698	909,643,444
Especially mentioned	0.09 - 100	-	93,755,747	8,508,825	102,264,572
Substandard	0.09 - 100	-	-	3,778,139	3,778,139
Doubtful	100	-	-	3,310,279	3,310,279
Loss	100	-	-	5,516,379	5,516,379
Gross carrying amount		<u>903,247,220</u>	<u>98,244,273</u>	<u>23,021,320</u>	<u>1,024,512,813</u>
ECL allowance		<u>(2,226,652)</u>	<u>(488,910)</u>	<u>(6,519,042)</u>	<u>(9,234,604)</u>
Net loans & advances		<u>901,020,568</u>	<u>97,755,363</u>	<u>16,502,278</u>	<u>1,015,278,209</u>

KCB BANK TANZANIA LIMITED

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(viii) Loss allowance (continued)

Credit quality analysis (continued)

	2025			2024		
	Stage I 12 - Month ECL TZS'000	Stage II Lifetime ECL TZS'000	Total TZS'000	Stage I 12 - Month ECL TZS'000	Stage II Lifetime ECL TZS'000	Total TZS'000
Off balance sheet *	258,535,849	-	258,535,849	131,340,452	-	131,340,452
ECL allowance	(280,897)	-	(280,897)	(647,779)	-	(647,779)
Net Carry Amount	258,254,952	-	258,254,952	130,692,673	-	130,692,673

*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

	2025 (%)		2024 (%)	
	Gross loans & advances	Impairment provisions	Gross loans & advances	Impairment provisions
Stage I	89%	35%	88%	24%
Stage II	9%	3%	10%	5%
Stage III	2%	62%	2%	71%
	100%	100%	100%	100%

Profile of financial assets subject to credit risk

	2025 (TZS'000)		2024 (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
Stage I	1,078,194,454	598,440,705	903,247,220	521,822,430
Stage II	106,949,724	-	98,244,273	-
Stage III	26,134,042	-	23,021,320	-
Gross	1,211,278,220	598,440,705	1,024,512,813	521,822,430
Less impairment allowances:	(9,200,761)	(48,006)	(9,234,604)	(48,006)
Carrying Amount	1,202,077,459	598,392,699	1,015,278,209	521,774,424

KCB BANK TANZANIA LIMITED

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

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:

	Stage I	Stage II	Stage III	ECL	Net
2025 (TZS'000)					
Balances with Bank of Tanzania	73,855,968	-	-	-	73,855,968
Balances due from other banks	276,697,411	-	-	(2,944)	276,694,467
Government securities at FVOCI	45,398,882	-	-	(15,060)	45,383,822
Government securities at amortised cost	152,295,608	-	-	(29,602)	152,266,006
Investment in other securities at amortised cost	2,544,418	-	-	(400)	2,544,018
Other assets (excluding prepayments)	45,937,724	-	-	-	45,937,724
	596,730,011	-	-	(48,006)	596,682,005

	Stage I	Stage II	Stage III	ECL	Net
2024 (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
	521,726,418	-	-	(48,006)	521,774,424

KCB BANK TANZANIA LIMITED

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

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 (2024: TZS 16,260 million).

(a) Stage I

The portfolio of loans and advances that were classified as stage I in 2025 and 2024. can be analysed as follows: (Amounts are in TZS'000).

	Amana	Corporate	Mortgage	Personal	Ex-staff	SME	Staff	Total
31-Dec-2025								
Stage I	94,943,187	504,403,446	30,296,348	73,985,244	686,751	342,405,768	10,909,575	1,057,630,319
ECL	(124,796)	(745,829)	(148,141)	(1,283,055)	(63,442)	(465,778)	-	(2,831,041)
Net	94,818,391	503,657,617	30,148,207	72,702,189	623,309	341,939,990	10,909,575	1,054,799,278
31-Dec-2024								
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	81,984,731	372,272,536	36,576,213	90,576,395	38,178	308,300,067	11,272,448	901,020,568

(b) Stage II

Loans and advances that were classified as stage II in 2025 and 2024 is analysed as follows: (Amounts are in TZS'000)

	Amana	Corporate	Mortgage	Personal	Ex-staff	SME	Staff	Total
31-Dec-2025								
Stage II	3,805,669	70,854,260	8,374,172	12,628,805	-	30,200,087	-	125,862,993
ECL	-	(71,232)	(36,095)	(458,509)	-	(40,894)	-	(606,730)
Net	3,805,669	70,783,028	8,338,077	12,170,296	-	30,159,193	-	125,256,263
31-Dec-2024								
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	570,993	87,632,563	3,232,788	341,607	-	5,972,372	5,040	97,755,363

KCB BANK TANZANIA LIMITED

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(viii) Loss allowance (continued)

Profile of financial assets subject to credit risk (continued)

(c) Stage III

The breakdown of the gross amount of loans and advances in stage III in 2025 and 2024 are as follows: (Amounts are in TZS'000).

	Amana	Corporate	Mortgage	Personal	Ex-staff	SME	Staff	Total
31-Dec-2025								
Stage III	2,143,151	20,651,362	1,268,878	3,054,771	154,008	1,838,460	-	29,110,630
ECL	(93,505)	(1,803,770)	(60,897)	(2,900,229)	(105,515)	(799,075)	-	(5,762,991)
Net	2,049,646	18,847,592	1,207,981	154,542	48,493	1,039,385	-	23,347,639
31-Dec-2024								
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	2,674,350	9,953,318	897,668	19,190	363,669	2,569,986	24,097	16,502,278

Other financial assets stage I

	<u>2025</u> TZS'000	<u>2024</u> TZS'000
Balances with Bank of Tanzania	73,855,968	63,134,590
Balances due from other banks	276,697,411	233,543,708
Government securities at amortised cost	45,398,882	112,515,415
Government securities at FVOCI	152,295,608	89,072,448
Investment in other securities at amortised cost	2,544,418	2,034,957
Other assets (excluding prepayments)	45,937,724	21,521,312
Total	596,730,011	521,822,430
ECL*	(48,006)	(48,006)
Net	596,682,005	521,774,424

*The movement of the expected credit loss during the year was insignificant.

KCB BANK TANZANIA LIMITED

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(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:

	2025	2024
	TZS '000	TZS '000
Concentration by sectors		
Business services	366,010,627	287,664,368
Manufacturing	225,575,633	167,253,793
Wholesale and retail trade	193,900,903	190,114,946
Transport and communication	186,912,113	154,842,965
Real estate	132,228,986	109,299,144
Others	106,649,958	115,337,597
Total loans and advances (including staff advances)	<u>1,211,278,220</u>	<u>1,024,512,813</u>
Commercial loans	1,199,688,776	1,012,724,182
Staff loans	11,589,444	11,788,631
	<u>1,211,278,220</u>	<u>1,024,512,813</u>

Credit risk exposures relating to off-balance sheet items are as follows:

	2025	2024
	TZS' 000	TZS' 000
Business services	140,280,382	64,069,603
Manufacturing	11,348,935	16,611,703
Wholesale and retail trade	79,837,633	44,333,636
Transport and communication	27,239,732	6,325,510
	<u>258,706,682</u>	<u>131,340,452</u>

KCB BANK TANZANIA LIMITED

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(ix) Concentration of credit risk (continued)

Other financial assets

2025	Financial Institution	Government	Other	Total
Balances with Bank of Tanzania	73,855,968	-	-	73,855,968
Balances due from other banks	276,694,467	-	-	276,694,467
Government securities at FVOCI	-	45,383,822	-	45,383,822
Government securities at amortised cost	-	152,266,006	-	152,266,006
Investment in other securities at amortised cost	-	-	2,544,418	2,544,418
Other assets (excluding prepayments)	-	-	45,937,724	45,937,724
	<u>350,550,435</u>	<u>197,649,828</u>	<u>48,482,142</u>	<u>596,682,405</u>

2024

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>

(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 2025 and 31 December 2024.

KCB BANK TANZANIA LIMITED

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(x) Fair value of collateral held (continued)

An estimate of fair values of collaterals held against loans and advances to customers subject to collateral requirements at the end of the year was as follows:

31-Dec-2025

	Gross collateralized exposure	Impairment Allowance	Carrying amount	Fair value of collateral held	Percentage of exposure that is subject to collateral requirements
	TZS'000	TZS'000	TZS'000	TZS'000	
Stage I	996,324,829	883,818	995,441,011	1,493,814,349	100%
Stage II	101,774,479	169,528	101,604,951	173,722,427	100%
Stage III	23,821,562	1,885,193	21,936,369	32,613,194	100%
	<u>1,121,920,870</u>	<u>2,938,539</u>	<u>1,118,982,331</u>	<u>1,700,149,970</u>	
31-Dec-2024					
Stage I	902,344,060	2,204,760	900,139,300	1,130,281,242	100%
Stage II	98,244,272	488,909	97,755,363	131,754,150	100%
Stage III	23,924,482	6,540,936	17,383,546	35,274,775	100%
	<u>1,024,512,814</u>	<u>9,234,605</u>	<u>1,015,278,209</u>	<u>1,297,310,167</u>	

KCB BANK TANZANIA LIMITED

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) 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 2025 and 2024 were as follows:

	2025 TZS '000	2024 TZS '000
Loans and advances to customers	<u>1,202,077,459</u>	<u>1,015,278,209</u>
Deposits from customers	<u>1,158,070,841</u>	<u>984,784,867</u>
Advances to deposits ratio (%)	1.04	1.03

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

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

Management of liquidity risk (continued)

The table below summarises the Bank's liquidity risk as at 31 December 2025, 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 liquidity gap in the next one year and the strategy in place is to reduce the gap through overnight lending with other banks.

	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
At 31 December 2025	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000
Cash and balances with Bank of Tanzania	40,890,137	48,549,939	12,547,622	502,359	-	102,490,057
Due from banks	276,694,467	-	-	-	-	276,694,467
Government securities at FVOCI	-	-	-	-	45,383,822	45,383,822
Government securities at amortised cost	-	-	31,869,115	90,945,406	213,887,287	336,701,808
Investment in other securities at amortised cost	-	-	40,908	2,778,702	-	2,819,610
Equity Investment.	-	-	-	-	500,000	500,000
Loans and advances to customers	95,182,831	120,148,367	223,770,060	507,927,838	255,048,363	1,202,077,459
Derivative financial instruments	1,710,694	-	-	-	-	1,710,694
Other assets (excluding Prepayments)	-	46,038,999	-	-	-	46,038,999
Total financial assets	414,478,129	214,737,305	268,227,705	602,154,305	514,819,472	2,014,416,916
Deposits from banks	199,019,740	9,144,841	628,046	19,034	-	208,811,661
Deposits from customers	148,886,392	795,388,096	205,566,256	881,805	1,480	1,150,724,029
Lease liability	432,795	421,717	2,590,966	6,127,307	-	9,572,785
Other liabilities (excluding statutory deductions)	-	24,104,736	-	-	-	24,104,736
Borrowings	-	-	6,919,722	108,885,415	-	115,805,137
Total financial liabilities	348,338,927	829,059,390	215,704,990	115,913,561	1,480	1,509,018,348
Liquidity Gap	66,139,202	(614,322,085)	52,522,715	486,240,744	514,817,992	505,398,568
Off Balance						
Letter of credit	15,473,318	9,638,618	42,982,252	993,860	-	69,088,048
Guarantee and indemnities	9,825,188	15,860,219	149,518,314	14,414,913	-	189,618,634
Undrawn overdraft lines	17,125,923	10,526,686	38,675,618	-	-	66,328,227
Total	42,424,429	36,025,523	231,176,184	15,408,773	-	325,034,909

KCB BANK TANZANIA LIMITED

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (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
At 31 December 2024*Restated						
Cash and balances with Bank of Tanzania	84,023,654	32,738,834	10,592,593	155,073	-	127,510,154
Due from banks	162,649,818	-	-	-	-	162,649,818
Government securities at FVOCI	-	-	-	-	274,324,477	274,324,477
Government securities at amortised cost *Restated	-	-	38,039,599	56,770,406	112,703,095	207,513,100
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
Derivative financial instruments	-	-	-	-	-	-
Other assets (excluding Prepayments)	-	31,972,751	-	-	-	31,972,751
Total financial assets	334,322,423	147,036,043	261,025,235	586,836,440	635,428,203	1,964,648,344
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)	-	22,387,601	-	-	-	22,387,601
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	-	-	240,630	-	-	240,630
Total financial liabilities	268,751,306	669,223,357	209,016,386	130,153,772	-	1,277,144,821
Liquidity Gap	65,571,117	(522,187,314)	52,008,849	456,682,668	635,428,203	687,503,523
Off Balance						
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
Total	46,144,243	52,870,248	109,807,123	1,685,135	-	210,506,749

*Restated -The amounts have been amended to align with IFRS 7 requirement which is that the figures presented in this liquidity risk note to be undiscounted.

KCB BANK TANZANIA LIMITED**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2025****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	Up to 1-3	Up to 3-12	Total
	TZS' 000	Months	Months	TZS' 000
At 31 December 2025				
Foreign currency derivatives:				
Purchase	-	5,204,072	25,894,622	31,098,694
Sale	-	(4,960,000)	(24,428,000)	(29,388,000)
Net	-	244,072	1,466,622	1,710,694
At 31 December 2024				
Foreign currency derivatives:				
Purchase	-	-	3,583,288	3,583,288
Sale	-	-	(3,234,400)	(3,234,400)
Net	-	-	348,888	348,888

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

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

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 as of the reporting period 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. The bank has a liquidity gap in the next one year and the strategy in place is to reduce the gap through overnight lending with other banks.

	Weighted interest rates	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	Non-interest bearing TZS' 000	Total TZS' 000
At 31 December 2025								
Cash and balances with Bank of Tanzania	0%	-	-	-	-	-	102,490,057	102,490,057
Cheques in the course of collection	0%	-	-	-	-	-	-	-
Placements with other banks	5%	208,563,639	-	-	-	-	68,130,828	276,694,467
Loans and advances to customers	13%	95,182,831	120,148,367	223,770,060	507,927,838	255,048,363	-	1,202,077,459
Financial Assets Available for sale	15%	-	-	-	-	45,383,822	-	45,383,822
Government securities at amortised cost	14%	7,920,458	14,784,608	-	-	129,560,940	-	152,266,006
Investment in other securities at amortised cost	10%	-	-	-	2,544,018	-	-	2,544,018
Equity Investment.	0%	-	-	-	-	-	500,000	500,000
Derivative financial instruments	-	-	-	-	-	-	1,710,694	1,710,694
Other assets (Excluding Prepayments)	-	-	-	-	-	-	46,038,999	46,038,999
Total assets		311,666,928	134,932,975	223,770,060	510,471,856	429,993,125	218,870,578	1,829,705,522
Deposits from banks	5%	216,211,369	52,424,135	218,442	-	-	-	268,853,946
Deposits from customers	6%	148,886,392	235,253,758	205,566,256	8,230,098	-	560,134,337	1,158,070,841
Lease liability	0%	-	-	274,538	8,016,724	-	-	8,291,262
Other liabilities (excluding statutory deductions)	-	-	-	-	-	-	24,104,736	24,104,736
Borrowings	8%	-	5,116,095	3,975,780	98,166,281	-	-	107,258,156
Total liabilities		365,097,761	292,793,988	210,035,016	114,413,103	-	584,239,073	1,566,578,941
Interest rate sensitivity gap		(53,430,833)	(157,861,013)	13,735,044	396,058,753	429,993,125	(365,368,495)	263,126,581

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

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Management of market risk (continued)

(i) Interest rate risk (continued)

The sensitivity to a change of interest rates by +/-1%, with all other variables held constant, the profit before tax and equity will be as below;

Year	Risk category	Impact on statement of profit or loss and other comprehensive income	Impact on Equity
2025	1% Decrease	TZS (6.2billion)	(TZS 4.3billion)
2024	1% Decrease	TZS (5.5billion)	(TZS 3.8billion)

Should the interest rate increase by 1%, the impact would be the opposite.

	Weighted interest rates	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	Non-interest bearing TZS' 000	Total TZS' 000
At 31 December 2024								
Cash and balances with Bank of Tanzania	0%	-	-	-	-	-	84,645,743	84,645,743
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
Other assets (Excluding Prepayments)	-	-	-	-	-	-	21,521,312	21,521,312
Total assets		317,433,890	113,298,370	208,877,422	402,021,048	368,559,303	149,222,641	1,559,412,674
Deposits from banks	5%	166,638,467	46,985,145	27,217,562	-	-	-	240,841,174
Deposits from customers	5%	135,957,672	146,317,482	205,325,686	5,178,306	-	492,005,721	984,784,867
Lease liability	8.5%	-	-	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
Total liabilities		302,596,139	193,410,396	235,937,422	124,042,810	-	514,730,920	1,370,717,687
Interest rate sensitivity gap		14,837,751	(80,112,026)	(27,060,000)	277,978,238	368,559,303	(365,508,279)	188,694,987

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

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

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. (2024: 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 2025 and 31 December 2024 was as follows:

At 31 December 2025	USD “000	GBP “000	Euro “000	Other “000	Total “000
Cash and balances with Bank of Tanzania	7,597,941	58,908	6,319,482	139,408	14,115,739
Placements with other banks	210,604,862	845,767	24,729,262	154,505	236,334,396
Loans and advances to customers	430,235,986	187	1,360,051	310	431,596,534
Other assets	5,035,178	-	-	18,539	5,053,717
Total On Balance sheet Assets	653,473,967	904,862	32,408,795	312,762	687,100,386
Off Balance sheet					
Derivative-Purchases	-	-	-	25,483,815	25,483,815
Total off-balance sheet assets	-	-	-	25,483,815	25,483,815
Total financial assets	653,473,967	904,862	32,408,795	25,796,577	712,584,201
LIABILITIES					
Deposits from banks	111,125,402	-	367,313	17,007,022	128,499,737
Deposits from customers	427,109,155	772,569	29,920,496	1,705,622	459,507,842
Lease liability	5,669,261	-	-	-	5,669,261
Other liabilities	87,299,547	101,743	-	1,497,439	88,898,729
Total On Balance sheet Liabilities	631,203,365	874,312	30,287,809	20,210,083	682,575,569
Off Balance sheet					
Derivative-Sales	29,388,000	-	-	-	29,388,000
Total Off Balance sheet Liabilities	29,388,000	-	-	-	29,388,000
Total financial liabilities	660,591,365	874,312	30,287,809	20,210,083	711,963,569
Net statement of financial position exposure	(7,117,398)	30,550	2,120,986	5,586,494	620,632
Exchange rates during the year were as follows:			USD	GBP	Euro
Opening			2,488	3,119	2,587
Average			2,566	3,394	2,903
Closing			2,480	3,332	2,910

KCB BANK TANZANIA LIMITED

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Management of market risk (continued)

(ii) Currency risk (continued)

At 31 December 2024	USD “000	GBP “000	Euro “000	Other “000	Total “000
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
Total On Balance sheet Assets	576,420,387	906,233	16,575,777	4,329,016	598,231,413
Off Balance sheet					
Derivative-Purchases	-	-	-	3,583,288	3,583,288
Total off-balance sheet assets	-	-	-	3,583,288	3,583,288
Total financial assets	576,420,387	906,233	16,575,777	7,912,304	601,814,701
LIABILITIES					
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
Total On Balance sheet Liabilities	571,062,386	742,863	16,208,830	3,351,789	591,365,868
Off Balance sheet					
Derivative-Sales	3,234,400	-	-	-	3,234,400
Total Off Balance sheet Liabilities	3,234,400	-	-	-	3,234,400
Total financial liabilities	574,296,786	742,863	16,208,830	3,351,789	594,600,268
Net statement of financial position exposure	2,123,601	163,370	366,947	4,560,515	7,214,433
Exchange rates during the year were as follows:			USD	GBP	Euro
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

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Management of market risk (continued)

(iii) Analysis of the Bank's sensitivity to changes in exchange rates Sensitivity analysis

A 10% increase in the rate of the local currency against the following currencies as at 31 December 2025 would have increased/ (decreased) profit or loss for revaluation by the amounts as shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2024.

	2025	10%	10%
	Currency		
	Carrying Amount	Depreciation	Appreciation
Assets			
USD	653,473,966	(65,347,397)	65,347,397
GBP	904,862	(90,486)	90,486
Euro	32,408,796	(3,240,880)	3,240,880
Other	25,796,576	(2,579,658)	2,579,658
	<u>712,584,200</u>	<u>(71,258,421)</u>	<u>71,258,421</u>
Liabilities			
USD	660,591,364	66,059,136	(66,059,136)
GBP	874,312	87,431	(87,431)
Euro	30,287,809	3,028,781	(3,028,781)
Others	20,210,084	2,021,008	(2,021,008)
	<u>711,963,569</u>	<u>71,196,356</u>	<u>(71,196,356)</u>
Impact on equity and profit before tax			
Effect on profit before tax		(62,065)	62,065
Tax charge at 30%		<u>18,620</u>	<u>(18,620)</u>
Effect on equity		<u>(43,445)</u>	<u>43,445</u>
	2024	10%	10%
	Currency		
	Carrying Amount	Depreciation	Appreciation
Assets			
USD	576,420,386	(57,642,039)	57,642,039
GBP	906,233	(90,623)	90,623
Euro	16,575,778	(1,657,578)	1,657,578
Other	7,912,304	(791,230)	791,230
	<u>601,814,701</u>	<u>(60,181,470)</u>	<u>60,181,470</u>
Liabilities			
USD	575,701,637	57,570,164	(57,570,164)
GBP	742,863	74,286	(74,286)
Euro	16,208,830	1,620,883	(1,620,883)
Others	3,351,789	335,179	(335,179)
	<u>596,005,119</u>	<u>59,600,512</u>	<u>(59,600,512)</u>
Impact on equity and profit before tax			
Effect on profit before tax		(580,958)	580,958
Tax charge at 30%		<u>174,287</u>	<u>(174,287)</u>
Effect on equity		<u>(406,671)</u>	<u>406,671</u>

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Operational risk management

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank operations and are faced by all business units.

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.

KCB BANK TANZANIA LIMITED

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Capital management (continued)

Regulatory capital (continued)

- 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.

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 2025 was as follows:

	2025	2024
	TZS' 000	TZS' 000
Core capital (Tier 1)		
Share capital	62,669,936	62,669,936
Retained earnings	<u>214,844,965</u>	<u>155,027,545</u>
	277,514,901	217,697,481
Less: deductions from capital		
Prepaid expenses	(4,336,617)	(2,733,360)
Deferred tax assets	<u>(6,119,664)</u>	<u>(12,113,997)</u>
Total qualifying Tier 1	<u><u>267,058,620</u></u>	<u><u>202,850,124</u></u>
Supplementary capital (Tier 2)		
Available for sale reserve	<u>3,882,020</u>	<u>805,673</u>
Total capital	<u><u>270,940,640</u></u>	<u><u>203,655,797</u></u>
Risk weighted assets		
On-balance sheet	1,077,758,583	931,465,692
Off-balance sheet	324,441,362	155,941,267
Market Risk	9,285,635	13,470,779
Operational Risk	<u>61,536,229</u>	<u>69,746,933</u>
Total risk weighted assets	<u><u>1,473,021,809</u></u>	<u><u>1,170,624,671</u></u>
Capital ratios		
Core capital /total risk weighted assets (BoT minimum: 12.5%)	18.13%	17.33%
Total capital /total risk weighted assets (BoT minimum: 14.5%)	18.39%	17.40%

KCB BANK TANZANIA LIMITED

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

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Climate - related risk

Sustainability and Climate risk disclosures

KCB Bank Tanzania has integrated sustainability into its strategy, acknowledging climate risk as a key factor influencing financial institutions. To balance risk and opportunity, the organization has launched several initiatives, emphasizing the importance of sustainable growth for both business operations and long-term organizational resilience.

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 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

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy.

The Bank reviews its loan portfolio to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recognized in profit or loss, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio.

4. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

(a) Allowances for credit losses (continued)

This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers, or national or local economic conditions that correlate with defaults on assets.

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.

The management adjusts the Expected Credit Loss (ECL) results from the models by applying a management overlay. This is done when the models do not fully capture current or emerging risks, or when there are gaps in the available data. Management uses its judgment to make these adjustments, considering factors such as changes in the economy or credit conditions. All management overlays are reviewed regularly and approved through the Bank's governance process to ensure they remain reasonable and in line with IFRS 9

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 and subsequently carried 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

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

4. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

(b) Leases (continued)

The Bank reviews its loan portfolio to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recognized in profit or loss, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio.

This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers, or national or local economic conditions that correlate with defaults on assets.

(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.

KCB BANK TANZANIA LIMITED

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

5. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Fair value of financial instruments (continued)

a) Valuation models (continued)

- **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.

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 2025 and 2024:

	Level 1	Level 2	Level 3	Total
	TZS' 000	TZS' 000	TZS' 000	TZS' 000
At 31 December 2025				
Government securities at FVOCI	-	45,383,822		45,383,822
Derivative financial instruments	-	1,710,694		1,710,694
Equity investment in Tanzania Mortgage Refinancing Company (TMRC)	-	-	500,000	500,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
		47,094,516	500,000	47,594,516
At 31 December 2024				
Financial assets				
Government securities at FVOCI	-	89,057,388	-	89,057,388
Derivative financial instruments	-	348,888		348,888
Equity investment in Tanzania Mortgage Refinancing Company (TMRC)	-	-	500,000	500,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
		89,406,276	500,000	89,906,276

c) Level 3 Fair value measurements

Level 3 instruments relate to investment in Tanzania Mortgage Refinancing Company (TMRC), a non-listed entity.

KCB BANK TANZANIA LIMITED

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

5. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Fair value of financial instruments (continued)

c) Level 3 Fair value measurements (continued)

(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. Management made an assessment of the fair value of the investment as at the reporting dated. There were no significant changes in the fair value of the investment from the last reporting period.

(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:

<u>Category of asset/liability</u>	<u>Valuation technique applied</u>	<u>Significant observable inputs</u>
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 2025

	Level 1	Level 2	Level 3	Total fair values	Carrying amount
	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000
Assets					
Cash and bank balances with Bank of Tanzania*	-	102,490,056	-	102,490,056	102,490,056
Placements and balances with other banks*	-	276,694,467	-	276,694,467	276,694,467
Government securities at amortised cost	-	116,198,539	-	116,198,539	152,266,006
Derivative Financial Instrument	-	1,710,694	-	1,710,694	1,710,694
Loans and advances to customers	-	1,190,939,727	-	1,190,939,727	1,202,077,459
Investment in other securities at amortized cost	-	2,544,018	-	2,544,018	2,544,018
Other assets*	-	50,375,616	-	50,375,616	50,375,616
	<u>-</u>	<u>1,740,953,117</u>	<u>-</u>	<u>1,740,953,117</u>	<u>1,788,158,316</u>
Liabilities					
Deposits from other banks*	-	208,811,661	-	208,811,661	268,853,946
Deposits from customers	-	1,158,125,163	-	1,158,125,163	1,158,070,841
Borrowings	-	115,805,137	-	115,805,137	107,258,156
Debt instrument at amortized cost	-	-	-	-	-
	<u>-</u>	<u>1,482,741,961</u>	<u>-</u>	<u>1,482,741,961</u>	<u>1,534,182,943</u>

KCB BANK TANZANIA LIMITED

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

5. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Fair value of financial instruments (continued)

d) Financial instruments not measured at fair value (continued)

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
Assets					
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
Derivative Financial Instrument	-	348,888	-	348,888	348,888
Loans and advances to customers	-	995,533,459	-	995,533,459	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
	<u>-</u>	<u>1,440,273,253</u>	<u>-</u>	<u>1,440,273,253</u>	<u>1,472,588,646</u>
Liabilities					
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	-	106,934,538	-	106,934,538	102,705,932
Debt instrument at amortized cost	-	11,738,143	-	11,738,143	11,082,814
	<u>-</u>	<u>1,343,425,348</u>	<u>-</u>	<u>1,343,425,348</u>	<u>1,339,414,787</u>

*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.

KCB BANK TANZANIA LIMITED

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

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 TZS' 000	Level 1 TZS' 000	Level 2 TZS' 000	Level 3 TZS' 000	Total fair value TZS' 000
At 31 December 2025					
Financial assets					
Cash and balances with Bank of Tanzania	102,490,056	-	102,490,056	-	102,490,056
Placements and balances with other banks		-	-	-	
Derivative financial instrument		-	-	-	
Due from other banks	276,694,467	-	276,694,467	-	276,694,467
Government securities at amortised cost	152,266,006	-	154,736,178	-	154,736,178
Equity Investment		-	-	500,000	500,000
Loans and advances to customers	1,202,077,459	-	1,202,077,459	-	1,202,077,459
Other assets (excluding prepayments)	46,038,999	-	46,038,999	-	46,038,999
Total financial assets	1,779,566,987	-	1,782,037,159	500,000	1,782,537,159
Liabilities					
Due to other banks	268,853,946	-	268,853,946	-	268,853,946
Deposits from customers	1,158,070,841	-	1,158,070,841	-	1,158,070,841
Other liabilities (excluding statutory deductions)	24,104,736	-	24,104,736	-	24,104,736
Borrowings	107,258,156	-	107,258,156	-	107,258,156
Lease Liability	8,291,262	-	8,291,262	-	8,291,262
Total financial liabilities	1,566,578,941	-	1,566,578,941	-	1,566,578,941

KCB BANK TANZANIA LIMITED

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

5. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

e) Accounting classifications and fair values (continued)

	At amortised cost TZS' 000	Level 1 TZS' 000	Level 2 TZS' 000	Level 3 TZS' 000	Total fair value TZS' 000
At 31 December 2024					
Financial assets					
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
Total financial assets	1,701,361,493	-	1,701,361,493	500,000	1,701,861,493
Liabilities					
Due to other banks	240,841,174	-	240,841,174	-	240,841,174
Deposits from customers	984,784,867	-	984,784,867	-	984,784,867
Other liabilities (excluding statutory deductions)	22,725,199	-	22,725,199	-	22,725,199
Borrowings	102,705,932	-	102,705,932	-	102,705,932
Debt instrument at amortised cost	11,082,814	-	11,082,814	-	11,082,814
Total financial liabilities	1,362,139,986	-	1,362,139,986	-	1,362,139,986

KCB BANK TANZANIA LIMITED

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

6 INTEREST AND SIMILAR INCOME	2025	2024
	TZS' 000	TZS' 000
Government securities	30,327,565	26,029,294
Placements with other banks	7,202,977	9,227,476
Interest on loans and advances	<u>136,901,929</u>	<u>116,877,795</u>
	<u><u>174,432,471</u></u>	<u><u>152,134,565</u></u>
7 INTEREST EXPENSE AND SIMILAR CHARGES		
Interest on customer deposits	49,852,492	41,439,625
Interest on bank deposits	14,807,193	12,699,500
Interest on borrowed funds	6,753,622	5,458,522
Interest Expenses on debt instrument at amortised cost	931,805	968,574
Interest on lease liability	<u>770,954</u>	<u>886,200</u>
	<u><u>73,116,066</u></u>	<u><u>61,452,421</u></u>
8 LOANS AND ADVANCES TO CUSTOMERS		
(a) Loans and advances to customers		
Gross loans and advances to customers	1,211,278,220	1,024,512,813
Allowances for impairment (Note 8b)	<u>(9,200,761)</u>	<u>(9,234,604)</u>
	<u><u>1,202,077,459</u></u>	<u><u>1,015,278,209</u></u>
(b) Specific allowance for impairment loss		
At 1 January	9,234,604	19,168,677
Allowance made / (release) during the year	2,272,707	(3,276,747)
Write offs during the year	<u>(2,306,550)</u>	<u>(6,657,326)</u>
At 31 December	<u><u>9,200,761</u></u>	<u><u>9,234,604</u></u>
(c) Net Impairment (credit) / charge on loans and advances		
Allowance made / (release) during the year (Note 8 (b))	2,272,707	(3,276,747)
Recoveries from written off loans	<u>(4,674,297)</u>	<u>(5,523,328)</u>
	<u><u>(2,401,590)</u></u>	<u><u>(8,800,075)</u></u>
(d) Maturity analysis of gross loans and advances to customers		
Maturing within 1 month	95,182,831	118,200,419
Maturing after 1 month but before 3 months	120,148,367	99,499,575
Maturing after 3 months, but within 1 year	223,770,060	198,978,913
Maturing after 1 year, but within 5 years	507,927,838	399,986,491
Maturing after 5 years	<u>264,249,124</u>	<u>207,847,415</u>
	<u><u>1,211,278,220</u></u>	<u><u>1,024,512,813</u></u>

KCB BANK TANZANIA LIMITED

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

9 FEES AND COMMISSIONS INCOME

Ledger fees and fees for services rendered*	39,835,632	25,785,933
Bancassurance Commission	656,429	546,274
	<u>40,492,061</u>	<u>26,332,207</u>

Fee and commission income includes ledger fees, money transfer charges, standing order charges, statement fees, unpaid cheques charges, ATM commissions, letters of credit and guarantees fees, telegraphic transfer fees, internet banking charges, cash withdraw charges, among others.

FEES AND COMMISSIONS EXPENSE

Commission expense	(20,616,978)	(15,781,957)
Net fees and commission	<u>19,875,083</u>	<u>10,550,250</u>

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.

Fee and commission income is transactional based and is recognised at the point in time when the transaction takes place and when the performance obligation has been satisfied.

For the accounting policy for fees and commissions in the scope of IFRS 9, see Note 2.1.

10 FOREIGN EXCHANGE INCOME

	2025	2024
	TZS' 000	TZS' 000
Foreign exchange income	<u>19,703,141</u>	<u>14,943,159</u>

11 OTHER INCOME

Gain on disposal of items of property and equipment	99,048	8,100
Net gains on derecognition of government securities measured through FVOCI – Reclassified from fair value reserves	5,492,640	108,898
Dividend from other Investments	5,085	-
Recovery from items previous provided for	-	281,101
	<u>5,596,773</u>	<u>398,099</u>

12 OTHER OPERATING EXPENSES

Occupancy and maintenance	1,579,627	1,177,386
Audit fees*	284,089	246,386
Directors' emoluments and related expenses– non-executive directors**	758,588	753,981
Telephone and connectivity	1,970,536	1,596,719
Marketing and advertising	1,126,586	1,321,626
Travelling and related expenses	3,042,404	2,916,522
Depositor's protection fund premiums	1,797,763	1,495,836
Professional and outsourced service costs	2,643,798	2,754,292
Software related costs	3,339,187	2,659,606
Insurance and Cash in transit Costs	2,259,437	2,157,522
Other expenses***	2,397,359	1,395,284
	<u>21,199,374</u>	<u>18,475,160</u>

*Audit fees include other non-audit services from KPMG relating to regulatory mandated ICT systems audit for the year ended 31 December 2025 amounting to TZS 71.9 million and review of Bancassurance return for the same year ended amounting to TZS 7.4 million.

**Directors' emoluments amount to TZS 359.7 million (note 31 (g)) and other expenses amounting to TZS 398.8 million .

*** Other expenses include utility expense and repair and maintenance on equipments, printing and postage expenses

KCB BANK TANZANIA LIMITED

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

13 EMPLOYEE BENEFITS	2025	2024
	TZS' 000	TZS' 000
Salaries and wages	18,202,340	17,937,515
Defined contributions	1,920,702	1,736,517
Other employment costs (including benefits)*	4,329,159	5,538,434
	<u>24,452,201</u>	<u>25,212,466</u>

* Other employment costs mainly comprise of medical expenses, staff bonuses, and training expenses.

14 INCOME TAX EXPENSE	2025	2024
	TZS' 000	TZS' 000
Income tax -Current year	25,487,831	16,250,802
Income tax –prior year under provision	1,873,069	3,031,405
Deferred income tax credit relating to prior years under provision	191	29,006
Deferred income tax credit relating to current year	4,675,707	5,869,306
	<u>32,036,798</u>	<u>25,180,519</u>

(a) Tax rate reconciliation:

	2025	2024
	TZS' 000	TZS' 000
Profit before tax:	<u>96,788,154</u>	<u>75,992,747</u>
Tax calculated at a rate of 30%	29,036,446	22,797,824
Income tax - Prior year	1,873,069	3,031,405
Deferred income tax – prior year (credit)	191	29,006
Income not subject to tax*	-	(1,567,053)
Permanently disallowable items**	1,127,092	889,337
	<u>32,036,798</u>	<u>25,180,519</u>

*These relate to recoveries from loans that were written offs.

**These include entertainment expenses, TRA charges/penalties and executive pay which are disallowed expenses as per Income Tax Act of (Cap. 332).

(b) Current income tax payable

At 1 January	747,216	13,210,435
Tax charge for the year	25,487,831	16,250,802
Tax expense for previous years	1,873,069	3,031,405
Tax paid during the year	<u>(22,420,993)</u>	<u>(31,745,426)</u>
At 31 December	<u>5,687,123</u>	<u>747,216</u>

15 (a) CASH AND BALANCES WITH BANK OF TANZANIA

Cash on hand	28,634,089	21,511,153
Statutory Minimum Reserve deposits with Bank of Tanzania - restricted	56,550,274	50,389,286
Statutory Minimum Reserve deposits with Bank of Tanzania - unrestricted	14,137,569	12,597,322
Other current accounts with Bank of Tanzania	3,168,125	147,982
	<u>102,490,057</u>	<u>84,645,743</u>

KCB BANK TANZANIA LIMITED

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

	2025	2024
	TZS' 000	TZS' 000
15 (b) CASH AND CASH EQUIVALENTS		
Cash on hand (Note 15(a))	28,634,089	21,511,153
Balances with Bank of Tanzania (including unrestricted Statutory Minimum Reserve deposit) (Note 15(a))	17,305,694	12,745,304
Placements and balance with other banks maturing within 3 months (Note 16)	276,694,467	233,540,764
Balances with mobile network operators (Note 22)	26,782,901	5,867,842
	<u>349,417,151</u>	<u>273,665,063</u>
16 PLACEMENTS AND BALANCES WITH OTHER BANKS		
Balances in nostro accounts	68,130,828	42,206,698
Placement with Bank	208,563,639	191,334,066
	<u>276,694,467</u>	<u>233,540,764</u>
Placement Maturity		
Maturing within 3 months	208,563,639	191,334,066
	<u>208,563,639</u>	<u>191,334,066</u>
17 INVESTMENT SECURITIES		
(a) Government securities at amortised cost		
Maturing within 3 months	7,920,458	7,899,405
Maturing after 12 months	144,345,548	104,586,408
	<u>152,266,006</u>	<u>112,485,813</u>
(b) Government securities at FVOCI		
Maturing after 12 months	45,383,822	89,057,388
	<u>45,383,822</u>	<u>89,057,388</u>
(c) *Investment in other securities at amortised cost		
Maturing within 3- 12 months	-	-
Maturing after 12 months	2,544,018	2,034,557
	<u>2,544,018</u>	<u>2,034,557</u>
(d) Equity Investment		
Investment in Tanzania Mortgage Refinance Company (TMRC) shares (See Note 5 (b))	500,000	500,000

The Bank holds various fixed income securities issued by the Government of Tanzania. As at 31 December 2025, the bank had pledged treasury bonds of TZS 129,561 million and treasury bills of TZS 22,705 (31 Dec 2024: 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 2025 include balance from other group companies (Note 31 (b) ii) TZS 15,305 million (31 Dec 2024: 19,106 million).

KCB BANK TANZANIA LIMITED

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

18. PROPERTY AND EQUIPMENT

At 31 December 2025:	Leasehold improvements TZS' 000	Motor vehicles TZS' 000	Office equipment furniture and fittings TZS' 000	Computer equipment TZS' 000	Total TZS' 000
COST					
At 1 January 2025	11,151,072	1,299,082	21,011,664	3,095,352	36,557,170
Additions	1,499,863	1,009,028	2,062,127	889,974	5,460,992
Disposals	<u>(2,558)</u>	<u>(398,627)</u>	<u>(32,729)</u>	<u>(3,560)</u>	<u>(437,474)</u>
At 31 December 2025	<u>12,648,377</u>	<u>1,909,483</u>	<u>23,041,062</u>	<u>3,981,766</u>	<u>41,580,688</u>
DEPRECIATION					
At 1 January 2025	8,903,751	1,102,938	14,810,871	2,174,775	26,992,335
Charge for the year	407,364	272,236	2,050,541	240,247	2,970,388
Disposal	<u>(2,559)</u>	<u>(398,627)</u>	<u>(32,729)</u>	<u>(3,552)</u>	<u>(437,467)</u>
At 31 December 2025	<u>9,308,556</u>	<u>976,547</u>	<u>16,828,683</u>	<u>2,411,470</u>	<u>29,525,256</u>
CARRYING AMOUNT	<u>3,339,821</u>	<u>932,936</u>	<u>6,212,379</u>	<u>1,570,296</u>	<u>12,055,432</u>

KCB BANK TANZANIA LIMITED

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

18. PROPERTY AND EQUIPMENT (CONTINUED)

At 31 December 2024:	Leasehold improvements TZS' 000	Motor vehicles TZS' 000	Office equipment furniture and fittings TZS' 000	Computer equipment TZS' 000	Total TZS' 000
COST					
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)
At 31 December 2024	<u>11,151,072</u>	<u>1,299,082</u>	<u>21,011,664</u>	<u>3,095,352</u>	<u>36,557,170</u>
DEPRECIATION					
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
At 31 December 2024	<u>8,903,751</u>	<u>1,102,938</u>	<u>14,810,871</u>	<u>2,174,775</u>	<u>26,992,335</u>
CARRYING AMOUNT	<u>2,247,321</u>	<u>196,144</u>	<u>6,200,793</u>	<u>920,577</u>	<u>9,564,835</u>

KCB BANK TANZANIA LIMITED

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

19. LEASES	2025	2024
	TZS' 000	TZS' 000
(i) Right-of-use assets		
At start of the year	22,248,930	20,311,518
Additions	3,041,735	1,937,412
At the end of year	<u>25,290,665</u>	<u>22,248,930</u>
Accumulated Depreciation		
At start of the year	14,427,987	11,869,332
Depreciation Charge for the Year	2,768,402	2,558,655
	<u>17,196,389</u>	<u>14,427,987</u>
NBV at the end of year	<u>8,094,276</u>	<u>7,820,943</u>
(ii) Lease liabilities		
At start of the year	8,577,701	8,883,068
Additions	3,041,735	1,937,412
Finance cost	770,954	886,200
Foreign exchange adjustment	(325,139)	291,062
Payment during the year	<u>(3,773,989)</u>	<u>(3,420,041)</u>
At the end of year	<u>8,291,262</u>	<u>8,577,701</u>
Current	274,538	119,511
Non-current	8,016,724	8,458,190
	<u>8,291,262</u>	<u>8,577,701</u>
(a) Amounts recognised in profit or loss		
Interest on lease liabilities	770,954	886,200
b) Amounts recognised in statement of cash flows		
Lease payments (principal)	3,003,035	2,533,841
Lease payments (interest)	770,954	886,200
Total cash outflow for leases	<u>3,773,989</u>	<u>3,420,041</u>

(c) Extension and termination options

Some leases of office premises contain extension and termination options, exercisable by the bank up to one year and three months respectively, before the end of the non-cancellable contract period. Where practicable, the bank seeks to include extension and/or termination options in new leases to provide operational flexibility. The extension options held are exercisable only by the bank and not by the lessors. Termination options held are exercisable by both the bank and the lessors. The bank assesses at lease commencement date whether it is reasonably certain to exercise the 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.

The bank has estimated that the potential future lease payments, should it exercise the extension options, would result in an increase in lease liability of TZS 11.9 billion.

KCB BANK TANZANIA LIMITED

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

20 INTANGIBLE ASSETS	Capitalized	Total
COST		
At 1 January 2025	6,220,708	6,220,708
Additions	<u>623,249</u>	<u>623,250</u>
At 31 December 2025	<u><u>6,843,957</u></u>	<u><u>6,843,958</u></u>
ACCUMULATED DEPRECIATION		
At 1 January 2025	4,901,448	4,901,449
Amortization for the year	<u>714,473</u>	<u>714,473</u>
At 31 December 2025	<u><u>5,615,921</u></u>	<u><u>5,615,922</u></u>
Net book value	<u><u>1,228,036</u></u>	<u><u>1,228,036</u></u>

Intangible assets relate to computer software.

	Capitalized	Total
COST		
At 1 January 2024	5,793,093	5,793,093
Additions	<u>427,615</u>	<u>427,615</u>
At 31 December 2024	<u><u>6,220,708</u></u>	<u><u>6,220,708</u></u>
ACCUMULATED DEPRECIATION		
At 1 January 2024	4,311,745	4,311,745
Amortization for the year	<u>589,703</u>	<u>589,703</u>
At 31 December 2024	<u><u>4,901,448</u></u>	<u><u>4,901,448</u></u>
Net book value	<u><u>1,319,260</u></u>	<u><u>1,319,260</u></u>

KCB BANK TANZANIA LIMITED

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

21. DEFERRED TAX ASSET

Deferred tax assets and liabilities are attributable to the following:

	Balance at 1 January TZS '000	(Over)/under provision relating to prior years recognised in profit or loss TZS '000	Recognised in profit or loss (current year) TZS '000	Recognised in other comprehensive income (current year) TZS '000	Balance at 31 December TZS '000
2025					
Property and equipment	571,923	(191)	31,090	-	602,822
Provisions	11,585,811	-	(4,636,407)	-	6,949,404
Other items	301,551	-	(70,390)	-	231,161
Fair value*	(345,288)	-	-	(1,318,435)	(1,663,723)
Total deferred tax	12,113,997	(191)	(4,675,707)	(1,318,435)	6,119,664

*The balance related to the fair value on the government security measured under OCI.

2024

Property and equipment	506,965	-	64,958	-	571,923
Provisions	17,556,525	(36,450)	(5,934,264)	-	11,585,811
Other items	294,108	-	7,443	-	301,551
Fair value	(3,264,409)	-	-	2,919,121	(345,288)
Total deferred tax	15,093,189	(36,450)	(5,861,863)	2,919,121	12,113,997

	2025 TZS' 000	2024 TZS' 000
22. OTHER ASSETS		
Prepayments	4,336,617	2,733,360
Other receivables*	9,063,399	6,632,306
Staff loan fair Valuation	5,702,290	5,921,106
Intercompany receivable	4,490,409	3,100,058
Balances with mobile network operators	26,782,901	5,867,842
	50,375,616	24,254,672

* Other receivable mainly comprise of mastercard settlement accounts and point of sale machine float balances.

	2025 TZS' 000	2024 TZS' 000
23. DEPOSITS FROM OTHER BANKS		
Deposits and balances from other banks	262,314,449	231,922,375
Vostro accounts	6,539,497	8,918,799
	268,853,946	240,841,174
Current	268,853,946	240,841,174
Non current	-	-
	268,853,946	240,841,174

KCB BANK TANZANIA LIMITED

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

24. DEPOSITS FROM CUSTOMERS	2025	2024
	TZS' 000	TZS' 000
Current accounts	602,020,679	519,954,501
Term deposits	441,703,111	353,658,072
Savings deposits	113,753,503	110,602,280
Cash margin deposits	593,548	570,014
	<u>1,158,070,841</u>	<u>984,784,867</u>
From private sector and individuals:		
Payable within 1 month	148,886,392	135,957,672
Payable after 1 month, but within 3 months	795,388,096	638,323,203
Payable after 3 months, but within 1 year	205,566,256	205,325,686
Payable after 1 year, but within 5 years	8,230,097	5,178,306
	<u>1,158,070,841</u>	<u>984,784,867</u>

The weighted average effective interest rates on interest bearing customer deposits as at 31 December 2025 was 3.91% (31 December 2024 – 4.05%).

Current	1,149,840,744	979,606,561
Non current	8,230,097	5,178,306
	<u>1,158,070,841</u>	<u>984,784,867</u>

25. OTHER LIABILITIES	2025	2024
	TZS' 000	TZS' 000
Accruals	5,340,477	7,325,986
Intercompany payable (Note 31)	7,411,126	5,009,631
Dividend Payable	-	1,549,611
Other payables*	10,830,896	8,372,120
Impairment for Off balance sheet items	647,779	647,779
	<u>24,230,278</u>	<u>22,905,127</u>

* Other payables include suspense accounts and indirect taxes.

26. SHARE CAPITAL

Authorised:

750 million ordinary shares of TZS 100 each	<u>75,000,000</u>	<u>75,000,000</u>
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Called up and fully paid: 1 January and 31 December

	<u>62,669,936</u>	<u>62,669,936</u>
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The total number of authorised and fully paid ordinary shares 62,669,936 (2024: 62,669,936) with a par value of TZS 100 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

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

27. NON-DISTRIBUTABLE AND FAIR VALUE RESERVES	2025	2024
	TZS' 000	TZS' 000
Non distributable reserve		
As at 1 January	2,817,084	-
(Release)/Additional for the year	<u>4,933,936</u>	<u>2,817,084</u>
As at 31 December	<u>7,751,020</u>	<u>2,817,084</u>
Fair Value Reserve		
As at 1 January	805,673	7,616,955
(Release)/additional for the year	<u>3,076,347</u>	<u>(6,811,282)</u>
As at 31 December	<u>3,882,020</u>	<u>805,673</u>

The non-distributable reserve relates to excess provisions computed in line with Bank of Tanzania regulations over the IFRS 9 provision. The fair value reserve represents a gain or loss in the government securities fair value through other comprehensive income due to change in market value.

28. BORROWINGS	2025	2024
	TZS' 000	TZS' 000
Maturing within one year	9,091,875	3,348,019
Maturing after one year, but within five years	<u>98,166,281</u>	<u>99,357,913</u>
	<u>107,258,156</u>	<u>102,705,932</u>
Reconciliation		
At 1 January	102,705,932	65,550,903
Fund Received from Water Equity/European Investment Bank/TMRC	10,000,000	39,078,600
Exchange Rate Revaluation	(430,468)	(2,007,220)
Payments of interest	(6,908,490)	(5,374,874)
Interest charged	6,753,621	5,458,523
Principal Repayment	<u>(4,862,439)</u>	<u>-</u>
At 31 December	<u>107,258,156</u>	<u>102,705,932</u>

The Borrowings include a 4-year loan of TZS 5 billion obtained from TMRC booked in 9-Aug -2022 at interest rate of 8.5% and another 5-year loan of TZS 5 billion obtained from TMRC booked in 22-March -2021 at interest rate of 8.5%. The borrowing is secured by Treasury bond worth TZS 12,109.7 million

In July 2023 Borrowing from EIB a 7 year loan amount to USD 21.876 million at interest rate of 5.814%. Borrowing from Water Equity a 4 year loan amount to USD 10 million at interest rate of 5.59 % in February 2024 and a 3 year loan amount to USD 5 million at interest rate of 4.75 %% in November 2024.

In June 2025 Borrowing from TMRC a 10 year loan amount to TZS 9 billion at interest rate of 12.43%. and Dec 2025 Borrowing from TMRC a 10 year loan amount to TZS 1 billion at interest rate of 12.43%.

29. DEBT INSTRUMENT AT AMORTISED COST	2025	2024
	TZS' 000	TZS' 000
Accrued interest	-	40,314
Maturing after one year, but within five years	<u>-</u>	<u>11,042,500</u>
	<u>-</u>	<u>11,082,814</u>

The debt instrument is a 3-year Sukuk bond that was issued on 16th December 2022 at profit rate of 8.75% payable on quarterly basis. The funds were being used to finance KCB Sahl Banking sharia-compliant asset portfolio within the Islamic Banking Window. The instrument matured on 19th December 2025.

KCB BANK TANZANIA LIMITED

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

	2025 TZS' 000	2024 TZS' 000
30. DERIVATIVE FINANCIAL INSTRUMENTS		
Derivative financial assets - Currency Swaps	<u>1,710,694</u>	<u>348,888</u>

The notional amount of the derivative financial asset is TZS 6.94billion (2024: TZS 186.29million).

31. RELATED PARTY TRANSACTIONS

The immediate and ultimate parent company for the Bank is KCB Group Plc.

(a) Balances due from KCB Bank Kenya Limited

KCB Bank Kenya Limited – Sister company (Note 22)	<u>4,490,409</u>	<u>3,100,058</u>
Includes expenses paid by KCB Tanzania on behalf of KCB Kenya, no interest is charged, not secured and the payment are flexible.		

(b) Nostro balances from other group companies (Note 16)

(i) Balances due from group companies*

KCB Bank Kenya Limited – Sister company	14,624,388	6,633,942
KCB Bank Uganda Limited – Sister company	146,046	208,606
KCB Bank Rwanda Limited – Sister company	425,609	2,200,103
KCB Bank South Sudan Limited – Sister company	17,245	14,286
National Bank of Kenya Ltd-Sister company	-	4,979,110
KCB Bank Burundi Limited – Sister company	<u>91,425</u>	<u>5,070,380</u>
	15,304,713	19,106,427

* Comprises of bank balances that KCB Tanzania holds with sister companies, no interest is charged and they are not secured.

(c) Balances due to group

(i) Intercompany payable (Note 25)

KCB Bank Kenya Limited	7,411,126	5,009,631
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Expenses comprise of rechargeable centralized costs for Group-level services, including software and management personnel costs, incurred and paid by the Group on behalf of its subsidiaries, KCB Tanzania included. . No interest is charged on the transactions, they are not secured and the payment is flexible.

(d) Vostro balances from other group companies (Note 23)

(i) Balances due to group companies*

KCB Bank Kenya Limited – Sister Company	18,482,749	5,310,871
KCB Bank Uganda Limited – Sister company	23,327,032	3,698,756
KCB Bank Rwanda Limited – Sister company	1,100,997	542
KCB Bank South Sudan Limited – Sister company	128,980	125,404
Trust Merchant Bank (TMB) – Sister company	81,535,230	68,809,815
KCB Bank Burundi Limited – Sister company	<u>724,877</u>	<u>318,910</u>
	<u>125,299,865</u>	<u>78,264,298</u>

*These include overnight borrowings between the sister companies at the rate of 9.75% for KES, 6.5% /3.5% for USD; the rate varies based on the amount borrowed and currency, payments are agreed per contract and are not secured. Other balances are vostro accounts which have zero interest are not secured.

KCB BANK TANZANIA LIMITED

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

31 RELATED PARTY TRANSACTIONS (CONTINUED)	2025	2024
	TZS' 000	TZS' 000
(e) Deposits and loans and advances with related parties		
Loans (Note 8)		
Directors	278,640	444,671
Senior management	1,842,899	1,381,765
	<u>2,121,539</u>	<u>1,826,436</u>

Movement in loans to key management personnel during the year is as follows:

At 1 January	1,826,436	1,558,185
Loans issued during the year	1,521,004	1,547,091
Loans repayments during the year	(1,225,901)	(1,278,840)
At 31 December	<u>2,121,539</u>	<u>1,826,436</u>
Interest income earned on the loans	<u>128,309</u>	<u>110,000</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.

	2025	2024
	TZS' 000	TZS' 000
Deposits (Note 24)		
Directors	68,218	30,374
Senior management	593,638	467,106
	<u>661,856</u>	<u>497,480</u>

Movement in deposit by key management personnel during the year is as follows:

	2025	2024
	TZS' 000	TZS' 000
At 1 January	497,481	421,476
Deposit received during the year	10,711,301	10,031,979
Deposit withdrawn during the year	(10,546,926)	(9,955,974)
At 31 December	<u>661,856</u>	<u>497,481</u>
Interest expense paid on the deposits	<u>17,390</u>	<u>13,784</u>

(f) Senior management compensation (Note 13)

Short term benefits	5,901,899	5,578,839
Pension contribution	650,533	539,579
Medical benefits	53,870	46,465
	<u>6,606,302</u>	<u>6,164,883</u>

KCB BANK TANZANIA LIMITED

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

31 RELATED PARTY TRANSACTIONS (CONTINUED)	2025	2024
	TZS' 000	TZS' 000
(g) Directors' fees		
Name of the Director		
Khamis Mataka	2,800	15,300
Yassir Salim Masoud	2,300	15,300
Omar Mahmoud Sharif	2,300	15,300
Santina Majengo Benson	60,525	60,425
Anuja Shirish Pandit	59,480	43,515
Fredrick Odongo Ochieng Otieno	56,991	46,365
Jacqueline Woiso	56,525	56,150
Anael Mshana	46,930	49,975
Peter Kallaghe	71,871	21,965
Amb. John Ulanga	-	42,810
Dr Alexander Thomas Nguluma	-	33,635
Fatuma Bwedo Chillo	-	33,730
	<u>359,722</u>	<u>434,470</u>

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 2025, there were pending legal claims against the bank for which a contingency of TZS 1.7billion and a provision of TZS 898 million (2024: TZS 898 million) is recorded. A significant portion of the claims are recovery related proceedings. In addition there are open tax position result from cases with TRA reported as of December 2025 amounting TZS 7.5 billion (2024: TZS 10.3 billion) out of which provision amounting to TZS 3.15billion (2024: TZS 2.4 billion); contingent amounting TZS 5.4 billion (2024: TZS 5.5billion) and remaining high chance of winning cases amounting to TZS 1.4 billion (2024: TZS 2.3 billion).

Commitments

The contractual amounts of the Banks' off-balance sheet financial instruments that commit it to extend credit to customers are as follows;

	2025	2024
	TZS' 000	TZS' 000
Outstanding import letters of credit	69,088,048	32,204,566
Outstanding guarantees and indemnities	189,618,634	99,135,886
Undrawn balances of unexpired overdraft lines	66,328,228	50,674,861
	<u>325,034,910</u>	<u>182,015,313</u>

KCB BANK TANZANIA LIMITED

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

33. RECONCILIATION OF MOVEMENTS OF LIABILITIES AND EQUITY TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

		Debt instrument at		
	Note	Borrowings TZS' 000	amortised cost TZS'000	Lease liability TZS'000
Balance at 1 January 2025		102,705,932	11,082,814	8,577,701
Changes from financing cash flows				
Proceeds from borrowings	28	10,000,000	-	-
Payment of lease liabilities		-	-	(3,773,989)
Total changes from financing cash flows		10,000,000	-	(3,773,989)
The effect of changes in foreign exchange rates		(430,468)	-	(325,139)
<i>Liability-related</i>				
New leases	19	-	-	3,041,735
Principal Repayment		(4,862,439)	(11,042,500)	-
Interest expense		6,753,621	931,805	770,954
Interest paid		(6,908,490)	(972,119)	-
Total liability-related other changes		(5,017,308)	(11,082,814)	3,812,689
Total equity-related other changes		-	-	-
Balance at 31 December 2025		107,258,156	-	8,291,262
	Note	Borrowings TZS' 000	Debt instrument at amortised cost TZS'000	Lease liability TZS'000
Balance at 1 January 2024		65,550,903	11,080,167	8,883,068
Changes from financing cash flows				
Proceeds from borrowings	28	39,078,600	-	-
Payment of lease liabilities		-	-	(3,420,041)
Total changes from financing cash flows		39,078,600	-	(3,420,041)
The effect of changes in foreign exchange rates		(2,007,220)	-	291,062
Other changes – lease modifications				
<i>Liability-related</i>				
New leases		-	-	1,937,412
Interest expense		5,458,523	968,866	886,200
Interest paid		(5,374,874)	(966,219)	-
Total liability-related other changes		83,649	2,647	2,823,612
Total equity-related other changes		-	-	-
Balance at 31 December 2024		102,705,932	11,082,814	8,577,701

KCB BANK TANZANIA LIMITED

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

34. 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.

<i>i. Profit attributable to ordinary shareholders (basic)</i>	2025	2024
	TZS '000	TZS'000
Profit for the year attributable to equity holders of the Bank	64,751,356	50,812,228
<i>ii. Weighted-average number of ordinary shares (basic)</i>		
Issued ordinary shares at 1 January	626,699	626,699
	<u>103.32</u>	<u>81.08</u>
Basic earnings per share – TZS		

Diluted earnings per share

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.

<i>iii. Profit attributable to ordinary shareholders (diluted)</i>		
Profit for the period attributable to holders of ordinary shares (diluted)	64,751,356	50,812,228
<i>iv. Weighted-average number of ordinary shares (diluted)</i>		
The bank does not have share options in issue; therefore the Weighted-average number of ordinary shares (626,699,360) is not diluted.		
Diluted earnings per share	<u>103.32</u>	<u>81.08</u>

35. 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.

KCB BANK TANZANIA LIMITED

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

35. SEGMENT REPORTING (CONTINUED)

a) Sharia compliant income (Continued)

(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.

(iii) Amana Deposit

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.

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.

(b) 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.

(c) 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

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

35. SEGMENT REPORTING (CONTINUED)

Statement of comprehensive income

	Corporate banking TZS'000	Retail banking TZS'000	Treasury TZS'000	Islamic banking TZS'000	Total TZS'000
For the year ended 31 December 2025					
Interest and similar income	60,590,431	64,956,697	37,425,542	11,459,801	174,432,471
Interest expenses and similar charges	(21,588,551)	(25,690,985)	(21,790,580)	(4,045,950)	(73,116,066)
Net interest income/Profit Margin	39,001,880	39,265,712	15,634,962	7,413,851	101,316,405
Fees and commission income	12,170,158	25,891,778	-	2,430,125	40,492,061
Fees and commission expense	(6,196,570)	(13,183,083)	-	(1,237,325)	(20,616,978)
Net fee and commission income	5,973,588	12,708,695	-	1,192,800	19,875,083
Net trading income and foreign exchange revaluation	-	-	19,703,141	-	19,703,141
Other income	-	-	5,596,773	-	5,596,773
Total Income	44,975,468	51,974,407	40,934,876	8,606,651	146,491,402
Employee benefits	(7,507,261)	(8,675,517)	(6,832,809)	(1,436,614)	(24,452,201)
Depreciation and amortisation	(1,981,267)	(2,289,585)	(1,803,270)	(379,142)	(6,453,264)
Impairment provision	1,180,757	1,021,243	-	199,590	2,401,590
Other operating expenses	(6,508,585)	(7,521,431)	(5,923,854)	(1,245,504)	(21,199,374)
Operating expenses	(14,816,356)	(17,465,290)	(14,559,933)	(2,861,670)	(49,703,249)
Segment profit before tax	30,159,112	34,509,117	26,374,943	5,744,981	96,788,153

KCB BANK TANZANIA LIMITED

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

35. SEGMENT REPORTING (CONTINUED)

Statement of comprehensive income (continued)

	Corporate banking TZS'000	Retail banking TZS'000	Treasury TZS'000	Islamic banking TZS'000	Total TZS'000
For the year ended 31 December 2024					
Interest and similar income	50,812,246	55,859,211	35,119,796	10,343,312	152,134,565
Interest expenses and similar charges	<u>(18,026,453)</u>	<u>(20,352,436)</u>	<u>(18,322,519)</u>	<u>(4,751,013)</u>	<u>(61,452,421)</u>
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
Total Income	<u>37,145,529</u>	<u>41,238,461</u>	<u>31,740,436</u>	<u>6,449,226</u>	<u>116,573,652</u>
Employee benefits	(8,033,808)	(8,919,025)	(6,864,799)	(1,394,834)	(25,212,466)
Depreciation and amortisation	(1,814,155)	(2,014,050)	(1,550,175)	(314,974)	(5,693,354)
Impairment provision	4,017,582	4,043,468	-	739,025	8,800,075
Other operating expenses	(5,887,004)	(6,535,672)	(5,030,379)	(1,022,105)	(18,475,160)
Operating expenses	<u>(11,717,385)</u>	<u>(13,425,279)</u>	<u>(13,445,353)</u>	<u>(1,992,888)</u>	<u>(40,580,905)</u>
Segment profit before tax	<u><u>25,428,144</u></u>	<u><u>27,813,182</u></u>	<u><u>18,295,083</u></u>	<u><u>4,456,338</u></u>	<u><u>75,992,747</u></u>

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

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

35. SEGMENT REPORTING (CONTINUED)

Statement of financial position

	Corporate banking TZS'000	Retail banking TZS'000	Treasury TZS'000	Islamic banking TZS'000	Total TZS'000
At 31 December 2025					
Total assets	<u>599,136,651</u>	<u>518,196,700</u>	<u>642,930,871</u>	<u>101,275,325</u>	<u>1,861,539,547</u>
Total liabilities	<u>343,889,964</u>	<u>686,457,375</u>	<u>407,687,249</u>	<u>134,357,018</u>	<u>1,572,391,606</u>
Shareholders' funds & long-term debts	<u>-</u>	<u>-</u>	<u>289,147,941</u>	<u>-</u>	<u>289,147,941</u>
	<u>343,889,964</u>	<u>686,457,375</u>	<u>696,835,190</u>	<u>134,357,018</u>	<u>1,861,539,547</u>
At 31 December 2024					
Total assets	<u>468,166,072</u>	<u>471,182,534</u>	<u>567,498,435</u>	<u>86,118,028</u>	<u>1,592,965,069</u>
Total liabilities	<u>288,687,124</u>	<u>594,329,018</u>	<u>371,466,293</u>	<u>117,162,396</u>	<u>1,371,644,831</u>
Shareholders' funds & long-term debts	<u>-</u>	<u>-</u>	<u>221,320,238</u>	<u>-</u>	<u>221,320,238</u>
	<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>

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

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

36. 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.

37. COMPARATIVES

Where deemed appropriate, classification for the comparative numbers has been adjusted to align with current year's presentation.

38. SUBSEQUENT EVENTS

Significant escalation in geopolitical tensions in the Middle East have contributed to heightened global market volatility. The situation remains fluid and the potential impact of these evolving circumstances including the possibility of higher fuel and logistics-related cost pressures, increased inflation uncertainty impacting rates, and periods of foreign exchange and market volatility associated with shifts in global risk sentiment, will be monitored and assessed into the year ahead. While the impacts to the company are yet to materialise, these developments arose after year-end and are considered non-adjusting events under IAS 10 Events after the Reporting Period. Accordingly, no adjustments have been made to the amounts recognised in the financial statements for the reporting period ended 31 December 2025. Other than the aforementioned, the directors are not aware of any events (as defined per IAS 10 Events after the Reporting Period) that occurred after the reporting date of 31 December 2025 and the date of authorisation of these annual financial statements.