

Bank of India (Tanzania) Ltd.

Relationship beyond banking

Fully owned subsidiary of Bank of India (Public Sector Bank)

PUBLICATION OF MARKET DISCIPLINE DISCLOSURES

Issued pursuant to market discipline Guidelines to Banks and Financial Institutions 2023

PRUDENTIAL REGULATORY METRICS

A bank or financial institution is required to disclose each metric value using the corresponding standard's specifications for the reporting period -end (designated by T in the Template below) as well as the four previous quarter-end figures (T-1 to T-4).

S/N	Metric	a	b	c	d	e
		Dec-25	Sep-25	Jun - 25	Mar-25	Dec-24
Available Capital (Amounts)						
1	Common Equity Tier 1 (CET1)	46,234	43,279	43,452	43,578	42,972
2	Tier 1	46,234	43,279	43,452	43,578	42,972
3	Total Capital	46,234	43,279	43,452	43,578	42,972
Risk-weighted assets (Amounts)						
4	Total risk-weighted assets (RWA)	147,244	153,233	157,781	158,180	129,407.59
Risk based capital ratios as a percentage of RWA						
5	Common Equity Tier 1 ratio (%)	31.40%	28.24%	27.54%	27.55%	33.21%
6	Tier 1 ratio (%)	31.40%	28.24%	27.54%	27.55%	33.21%
7	Total capital ratio (%)	31.40%	28.24%	27.54%	27.55%	33.21%
Additional CET1 buffer requirements as a percentage of RWA						
8	Capital conservation buffer requirement (2.5%)	-	-	-	-	-
9	Total of bank CET1 specific buffer requirements (%)	-	-	-	-	-
10	CET1 available after meeting the bank's minimum capital	-	-	-	-	-
Basel III Leverage ratio						
11	Tier 1 Capital Exposure Measure	239,524	251,440	241,588	252,330	202,512
12	Basel III Leverage ratio (%) (Tier 1 Capital/Exposure Measure)	19.30%	17.21%	17.99%	17.27%	21.22%
Liquidity Coverage Ratio						
13	Total high-quality liquid assets (HOLA)	61,546	71,420	63,908	75,067	61,439
14	Total net cash outflow (HOLA)	14,441	6,865	5,033	7,936	5,433
15	LCR (%)	428%	1040%	1270%	946%	1131%
Net Stable Funding Ratio						
16	Total available stable funding	191,935	197,592	198,079	204,862	184,573
17	Total required stable funding	32,391	39,894	35,550	35,401	30,172
18	NSFR (%)	593%	495%	557%	579%	545%

STATEMENT OF COMPOSITION OF REGULATORY CAPITAL AS 31 DECEMBER 2025

S/No	Particulars	31-Dec-25 Audited	31-Dec-24 Audited
Common Equity Tier 1 Capital (CET1): Instruments and reserves			
1	Fully Paid-up Ordinary Shares Capital	21,500.00	21,500.00
2	Share Premium arising from Ordinary shares	19,808.73	15,795.87
3	Retained earnings less foreseeable dividends	1,723.41	2,994.44
4	Other disclosed reserves	-	-
5	Year to date profits of:		
6	Fifty per cent of the year to date profits less foreseeable dividends where accounts are unaudited or:	3,995.99	3,631.98
7	One hundred per cent of the year to date profits, less foreseeable dividends, where accounts have been audited subject to submission of the signed accounts to the Bank:	-	-
8	CET1 before Regulatory Adjustments	47,020.13	43,922.27
9	Regulatory adjustments applied to CET1:	786.76	950.62
10	Year to date losses:	-	-
11	Goodwill:	-	-
12	Other intangible assets:	-	-
13	Deferred tax assets that rely on future profitability:	434.68	660.81
14	The amount of items where entities with which the bank has reciprocal cross holdings of Common Equity Tier 1 instrument that the Central Bank considers to have been designed to inflate artificially the own funds of the bank:	-	-
15	The amount of items required to be deducted from Additional Tier 1 items that exceed the Additional Tier 1 capital of the bank:	-	-
16	Pre-paid expenses:	351.09	289.91
17	Pre-operating expenses:	-	-
18	Available Common Equity Tier 1	46,234.36	42,971.65
19	Additional Tier 1 Capital	-	-
20	Non-cumulative Irredeemable Preference Shares	-	-
21	Share Premium arising from Non-cumulative Irredeemable Preference Shares	-	-
22	Other Qualifying Additional Tier 1 Capital instruments plus any related share premium	-	-
23	Additional Tier 1 Capital before regulatory adjustments	-	-
24	Regulatory adjustment applied to Additional Tier 1 Capital	-	-
25	The amount of items required to be deducted from Tier 2 items that exceed the Tier 2 capital of the bank:	-	-
26	Other Tier 2 items required to be deducted from Additional Tier 1 Capital:	-	-
27	Available Additional Tier 1 Capital	-	-
28	Available Tier 1 Capital	46,234.36	42,971.65
29	Tier 2 Capital	-	-
30	Qualifying Tier 2 capital instruments and subordinated loans that meet the conditions stipulated by the Bank:	-	-
31	Share premium arising from capital instruments and subordinated loans qualifying as Tier 2 Capital:	-	-
32	Instruments issued by consolidate subsidiaries and held by third parties that met the criteria stipulated by the Bank:	-	-
33	General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	-	-
34	Available Tier 2 Capital	-	-
35	TOTAL CAPITAL (Tier Capital plus Tier 2 Capital)	46,234.36	42,971.65
36	Total Risk Weighted Assets (RWA) as per BOT FORM 16-1 Schedule 16 (SUMMARY)	147,243.98	129,407.59
37	Capital Ratios and buffers (in percentage of risk weighted assets)		
38	CET1 to total RWA	31%	33%
39	Tier 1 capital to total RWA	31%	33%
40	Total capital to total RWA	31%	33%
41	Capital conservation buffer	19.40%	21.21%
42	Minimum capital requirements prescribed by the Bank of Tanzania	8.50%	8.50%
43	CET1 to total RWA	10.00%	10.00%
44	Tier 1 capital to total RWA	10.00%	10.00%
45	Total capital to total RWA	12.00%	12.00%
46	Capital conservation buffer (Made of Instrument Qualifying to be included in CET1)	2.50%	2.50%

COMPUTATION OF LIQUIDITY COVERAGE RATIO (LCR) AS 31 DECEMBER 2025

S/NO	PARTICULARS	Outstanding Amount	Factor	Net Amount
a	b	c	d	e
Stock of High Quality Liquid Assets (HOLA)				
1	Cash (notes and coins)	1,672	100%	1,672
2	Balances with Bank of Tanzania to the extent that these balances can be drawn down in times of stress ¹	20,323	100%	20,323
3	Balances with Other banks and Interbank Loan Receivable callable on demand or with a maturity of less than 30 days	4,000	100%	4,000
4	Unencumbered Government securities maturing within 1 year	13,604	95%	12,924
5	Unencumbered Government securities maturing after 1 year	28,283	80%	22,627
6	Total high quality liquid assets	67,882		61,546
Cash Outflows				
7	Demand deposits	16,767	10%	1,677
8	Savings deposits	14,354	10%	1,435
9	Time deposits (maturing in 30 days)	24,699	100%	24,699
10	Deposits from banks and financial institutions (maturing in 30 days)	3,915	100%	3,915
11	Derivatives cash outflows (sum of all net cash outflows due within 30 days)	-	100%	-
12	All other contractual cash outflows (maturing in 30 days)	-	100%	-
13	Undrawn and unexpired overdrafts	24,242	30%	7,273
14	Undrawn balances of loans	0	10%	-
15	Other contingent funding liabilities (such as guarantees and letters of credit)	1,629	5%	81
16	Total cash outflows	85,607		39,081
Cash Inflows				
17	Loans and advances (maturing within 30 days)	49,280	50%	24,640
18	Due from banks and financial institutions (maturing in 30 days)	-	100%	-
19	All other contractual cash inflows (maturing in 30 days)	-	100%	-
20	Net derivatives cash inflows	-	100%	-
21	Total cash inflows	49,280		24,640
22	Total net cash outflows = Total cash outflows minus the lower of total cash inflows and 75% of gross outflows			14,441
23	Liquidity Coverage Ratio = (Total high quality liquid assets)/(Total net cash outflows)			426%

COMPUTATION OF LEVERAGE RATIO (LR) AS AT 31 DECEMBER 2025

S/No	Particulars	Amount
a	b	c
1	Total Assets	214,214.87
2	Total Off Balance Sheet Exposures	25,309.03
3	Total Exposure Measure (Item 1 plus 2)	239,523.90
4	Tier 1 Capital	46,234.36
5	Leverage Ratio	19.30%

Credit Quality of Assets

	a	b	c	d
	Gross carrying values of:		Allowances/ impairments	Net values (a+b-c)
	Defaulted exposures	Non-defaulted exposures		
Loans	4,035,000	134,296.00	1,531.00	136,800.00
Debt securities	NIL	45,887	27	45,859
Off balance sheet items	NIL	1,628	0.019	1,628
Total		181,812.00	1,559.00	184,288.00

COMPUTATION OF NET STABLE FUNDING RATIO (NSFR) AS AT 31 DECEMBER 2025

(Amounts in million shillings)

S/NO	PARTICULARS	Carrying Amount	Factor	Weighted Amount (B*C)
a	b	c	d	e
Available Stable Funding (ASF)				
1	Common Equity Tier 1	47,020	100%	47,020
2	Additional Tier 1	-	100%	-
3	Tier 2 Capital (excluding Tier 2 instruments with residual maturity of less than one year)	-	100%	-
4	Borrowings and liabilities with maturities of one year or more	2,685	100%	2,685
5	Stable demand and/or term deposits from retail and small business customers with residual maturity of less than one year	133,831	95%	127,140
6	Less stable demand and/or term deposits from retail and small business customers with residual maturity of less than one year	16,767	90%	15,091
7	Funding with residual maturity of less than one year provided by non-financial corporate customers	-	50%	-
8	Operational Deposits	-	50%	-
9	Funding with residual maturity of less than one year from sovereigns, public sector entities (PSEs), and multilateral and national development banks	-	50%	-
10	Other funding maturing within a period of six months to one year and not included in the line items above, including funding provided by central banks and financial institutions, including banks within the same cooperative network	-	50%	-
11	Deferred tax liabilities (if the effective maturity of the liability greater than one year)	-	100%	-
12	Deferred tax liabilities maturing within a period of six months to one year	-	50%	-
13	Deferred tax liabilities maturing within six months	-	50%	-
14	Minority Interest - If perpetual or with effective maturity of greater than or equal to one year	-	100%	-
15	Minority Interest with residual maturity between six months and less than one year	-	50%	-
16	Minority Interest with effective maturity of less than six months	-	0%	-
17	All other liabilities and equity not included in the above categories, including liabilities without a stated maturity	-	0%	-
18	NSFR derivative liabilities net of NSFR derivative assets if NSFR derivative liabilities are greater than NSFR derivative assets	-	0%	-
19	NSFR derivative liabilities (derivative liabilities less total collateral posted as variation margin on derivative liabilities)	-	0%	-
20	"Trade date" payables arising from purchases of financial instruments, foreign currencies	-	0%	-
21	Total Available Stable Funding (ASF) [sum (1)-(21)]			191,935
On-balance sheet				
22	Cash	1,672	0%	-
23	Balances with Bank of Tanzania (All balances including Statutory Minimum Reserve)	20,323	0%	-
24	Claims on Bank of Tanzania with residual maturities of less than six months	-	0%	-
25	Receivables arising from sales of financial instruments and foreign currencies	-	0%	-
26	Unencumbered HOLA excluding cash and balance with the Bank of Tanzania	-	5%	-
27	Unencumbered loans to banks and financial institutions with residual maturities of less than six months, where the loan is secured against Level 1 assets, where a bank or financial institution has the ability to freely rehypothecate the received collateral	-	10%	-
28	All other unencumbered loans to banks and financial institutions with residual maturities of less than six months not included in the above categories	-	15%	-
29	HOLA encumbered for a period of six months or more and less than one year	-	50%	-
30	Loans to Bank of Tanzania, banks and financial institutions with residual maturities between six months and less than one year	-	50%	-
31	Deposits held at other banks and financial institutions for operational purposes	-	50%	-
32	All other assets not included in the above categories, including liabilities with residual maturity of less than one year	-	50%	-
33	Unencumbered residential mortgages with a residual maturity of one year or more and with a risk weight of less than or equal to 75%	-	65%	-
34	Other unencumbered loans not included in the above categories, excluding loans to banks and financial institutions, with a residual maturity of one year or more and with a risk weight of less than or equal to 50%	-	65%	-
35	Cash, securities or other assets posted as initial margin for derivative contracts and cash or other assets provided to contribute to the default fund of a Central Counter Party	-	85%	-
36	Other unencumbered performing loans with risk weights greater than 50% and residual maturities of one year or more, excluding loans to banks and financial institutions	-	85%	-
37	Unencumbered securities that are not in default and do not qualify as HOLA with a remaining maturity of one year or more and exchange-traded equities	-	85%	-
38	Physical traded commodities, including gold	-	85%	-
39	All other assets that are encumbered for a period of one year or more	-	100%	-
40	Derivative assets net of derivative liabilities if derivative assets are greater than derivative liabilities	-	100%	-
41	All other assets not included in the above categories, including non-performing loans, loans to banks and financial institutions with a residual maturity of one year or more, non-exchange-traded equities, fixed assets, items deducted from regulatory capital, retained interest, insurance assets, subsidiary interests and defaulted securities	32,391	100%	32,391
42	Off-balance sheet			
43	Irrevocable and conditionally revocable credit and liquidity facilities to any client	-	5%	-
44	Unconditionally revocable credit and liquidity facilities	-	5%	-
45	Trade finance-related obligations (including guarantees and letters of credit)	-	1%	-
46	Guarantees and letters of credit unrelated to trade finance obligations	-	1%	-
47	Other non-contractual obligations	-	1%	-
48	All other off-balance-sheet obligations not included in the above categories	-	5%	-
49	Total Required Stable Funding (RSF) [sum (22)-(47)]			32,391
50	Net Stable Funding Ratio = (Total available stable funding)/(Total required stable funding) [B/D]			593%

COMPUTATION OF CAPITAL CHARGE FOR OPERATIONAL RISK AS AT 31 DECEMBER 2025

S/No	Particulars	2023	2024	2025	Average of BI elements	Total BI
a	b	c	d	e	f	g
I. "Interest, Lease and Dividend": (A)-(C)-(D)						
1	The Minimum of Net Interest Income and 2.25% of Interest bearing Assets	3,918.84	3,643.21	4,156.00	3,908.35	3,908.35
2	Net Interest Income (A)	6,208.82	9,410.34	10,358.94		
3	Interest income	16,299.97	17,972.88	19,118.81		
4	Interest expense	8,091.14	8,562.54	8,758.67		
5	Interest bearing assets (B)	174,215.24	161,920.57	184,711.22		
6	2.25% of interest bearing assets	3,918.84	3,643.21	4,156.00		
7	Net Financial and operating lease (C)	-	-	-		
8	Financial and operating lease income, profits from leased assets	-	-	-		
9	Financial and operating lease expenses, losses from leased assets, depreciation and impairment of operating leased assets	-	-	-		
10	Dividend income (D)	-	-	-		
11	II. "Services": (E)+(F)					6,169.69
12	Net Fee and Commission Income (E)	1,313.82	1,733.32	1,862.10	1,449.75	
13	Fee and commission income	1,313.82	1,733.32	1,862.10		
14	Fee and commission expenses	-	-	-		
15	Net Other Operating Income (F)	6,085.74	6,778.67	7,295.42	6,719.94	
16	Other operating income	2,264.57	922.87	192.30		
17	Other operating expenses	6,085.74	6,778.67	7,295.42		
18	III. "Financial": (I)+(J)	343.21	698.59	95		

Qualitative Information about Credit Risk

Bank of India (Tanzania) Limited maintains a comprehensive framework for managing credit risk, aligned with regulatory requirements and best banking practices. The bank's credit risk management objectives and policies are structured as follows:

(a) Business Model and Credit Risk Profile

The Bank's business model is centered on corporate, SME, and retail lending activities, which inherently expose it to varying degrees of credit risk. The credit risk profile is shaped by the nature of its loan portfolio, sectoral distribution, customer segments, and geographic concentration. The Bank ensures diversification to minimize concentration risk while maintaining a balanced and sustainable credit portfolio. Credit risk also arises mainly from lending, trade finance, and treasury-related exposures.

The Bank's credit risk profile is determined in line with its Risk Appetite Statement, taking into account:

- Target market segments and product mix
- Sectoral exposure limits
- Single obligor and group exposure norms
- Geographic concentration within approved jurisdictions

Portfolio diversification is maintained as per internal policy guidelines to mitigate concentration risk.

(b) Criteria and Approach for Credit Risk Management Policy and Limits

The Bank has established well-defined credit risk management policies together with NPA Management Policy that guide the appraisal, approval, and monitoring and recovery of credit facilities. Credit limits are set based on:

- Customer creditworthiness and repayment capacity
- Regulatory guidelines and internal risk appetite
- Collateral adequacy and enforceability
- Internal credit rating/scorecard models approved by the Bank
- Borrower's financial strength, cash flow analysis, and repayment capacity
- Industry risk classification as per internal risk assessment framework
- Collateral valuation in accordance with approved valuation norms
- Regulatory exposure limits and prudential guidelines

Risk rating models and credit scoring systems are applied to ensure objective decision-making and consistency in credit approvals. All credit proposals are processed in line with delegated lending authority and are subject to multi-level approval mechanisms.

(c) Structure and Organization of Credit Risk Management Function

The credit risk management function is structured to ensure independence and effective oversight. Key components include:

- Credit Origination Units at branch and business levels

- Independent Credit Risk Department responsible for risk assessment and monitoring
- Credit Committees Head including Head Office Level Credit Committee (HOLCC), Managing Director Level Credit Committee (MDLCC) and Board Credit Committee (BCC) responsible for approval of facilities within delegated authority levels
- Board-level oversight through relevant committees including Credit Risk Management Committee (CRMC) and Credit Risk Evaluation Committee (CREC).

This structure ensures segregation of duties and minimizes conflict of interest.

(d) Relationships Between Risk Management, Risk Control, Compliance, and Internal Audit

The Bank maintains a strong governance framework with clear roles and collaboration among functions:

- **Credit Risk Management** is responsible for identifying, measuring, and monitoring credit risk
- **Risk Control and Compliance Function** ensures adherence to risk limits and policies in line with all activities meet regulatory and legal requirements
- **Internal Audit** provides independent assurance on the effectiveness of internal controls and risk management processes

These functions operate independently but coordinate closely to ensure robust risk management.

(e) Scope and Content of Credit Risk Reporting

The Bank has established comprehensive reporting mechanisms on credit risk exposure, which include:

- Portfolio quality analysis (performing and non-performing loans)
- Sectoral and obligor concentration reports
- Limit utilization and breaches
- Provisioning and impairment analysis

Reports are prepared on a regular basis and submitted to:

- Credit Risk Management Committee (CRMC)
- Board Credit Committee (BCC) for strategic oversight

This ensures timely identification of risks and informed decision-making at all levels.

Credit quality of assets

(Amounts in million of Shillings)

	a	b	C	d
	Gross carrying values of:		Allowances/ impairments	Net values (a+b-c)
	Defaulted exposures	Non-defaulted exposures		
Loans	4,035.000	134,296.00	1,531.00	136,800.00
Debt securities	NIL	45,887	27	45,859
Off balance sheet items	NIL	1,628	0.019	1,628
Total		181,812.00	1,559.00	184,288.00

Definitions

- Gross carrying values: on- and off-balance sheet items that give rise to a credit risk exposure. On-balance sheet items include loans and debt securities. Off-balance sheet items must be measured according to the following criteria: (a) guarantees given – the maximum amount that the bank or financial institution would have to pay if the guarantee were called. The amount must be gross of any credit conversion factor (CCF) or credit risk mitigation (CRM) techniques. (b) Irrevocable loan commitments – total amount that the bank has committed to lend. The amount must be gross of any CCF or CRM techniques. Revocable loan commitments must not be included. The gross value is the accounting value before any allowance/impairments but after considering write-offs. Banks and financial institutions shall not take into account any credit risk mitigation technique.
- Write-offs for the purpose of this template are related to a direct reduction of the carrying amount when a bank or financial institution has no reasonable expectations of recovery.
- Defaulted exposures: is a non-performing exposure as determined using criteria prescribed in the Banking and Financial Institutions (Management of Risk Assets), Regulations.
- Non-defaulted exposures: any exposure not meeting the above definition of defaulted exposures.
- Allowances/impairments: total amount of impairments, made via an allowance against impaired and not impaired exposures according to the applicable accounting framework and regulatory requirement.
- Net values: Total gross value less allowances/impairments.

Additional Disclosure Related to the Credit Quality of Assets

Bank of India (Tanzania) Limited

The Bank provides disclosures on credit quality of assets in accordance with its Board-approved Credit Risk Management Policy, Impairment Policy, and applicable guidelines issued by the **Bank of Tanzania** and relevant accounting standards.

1. Qualitative Disclosures

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

The Bank defines:

- **Past Due Exposures** as credit facilities where principal and/or interest obligations remain unpaid beyond the due date as per contractual terms.
- **Impaired Exposures** as credit facilities classified as non-performing in line with regulatory guidelines and/or where there is objective evidence of impairment as per applicable accounting standards (e.g., IFRS 9).

For regulatory purposes, default is generally aligned with exposures overdue for more than 90 days, whereas for accounting purposes, impairment is determined based on Expected Credit Loss (ECL) models, which may incorporate forward-looking information. Any differences between regulatory and accounting definitions are addressed through reconciliation in internal reporting.

(b) Past Due Exposures Not Considered Impaired

Exposures overdue for more than 90 days but not classified as impaired may arise under exceptional circumstances, including:

- Temporary cash flow mismatches with strong underlying repayment capacity
- Adequately secured facilities with realizable collateral value
- Ongoing restructuring or recovery processes with reasonable expectation of full recovery

Such exposures are closely monitored under the Bank’s Early Warning Signal (EWS) framework and are subject to enhanced supervision.

(c) Methods Used for Determining Impairments

The Bank applies an **Expected Credit Loss (ECL)** methodology in accordance with IFRS 9, which includes:

- **Stage 1:** Performing assets with 12-month ECL
- **Stage 2:** Underperforming assets with significant increase in credit risk (lifetime ECL)
- **Stage 3:** Credit-impaired assets (lifetime ECL with objective evidence of impairment)

The impairment calculation incorporates:

- Probability of Default (PD)

- Loss Given Default (LGD)
- Exposure at Default (EAD)
- Forward-looking macroeconomic factors.

(d) Definition of Restructured Exposures

Restructured exposures are defined as credit facilities for which the original terms and conditions have been modified due to deterioration in the borrower's financial condition.

Restructuring measures may include:

- Extension of repayment tenure
- Reduction in interest rates
- Moratorium on principal or interest
- Conversion of overdue interest into funded facilities

Such accounts are classified and monitored in accordance with regulatory guidelines and internal restructuring policy.

2. Quantitative Disclosures

(d) Breakdown of Exposures

The Bank provides detailed breakdown of credit exposures by:

- Geographical location
- Industry/sector classification
- Residual maturity profile

These disclosures are prepared through the Bank's Management Information System (MIS) and are reviewed periodically.

(e) Impaired Exposures and Allowances

The Bank discloses:

- Total impaired (non-performing) exposures
- Specific and collective impairment allowances
- Write-offs during the reporting period

These are further analyzed by geographical areas and industry sectors in line with internal and regulatory reporting formats.

(f) Ageing Analysis of Past Due Exposures

Past due exposures are categorized based on ageing buckets, typically:

- 1–30 days
- 31–60 days
- 61–90 days

- Over 90 days

This analysis supports monitoring of asset quality trends and early identification of potential defaults.

(h) Breakdown of Restructured Exposures

The Bank provides a breakdown of restructured facilities distinguishing between:

- Restructured but performing exposures
- Restructured and impaired exposures

All of the above are provided in Board Credit Committee (BCC) report which enables transparent assessment of the impact of restructuring on asset quality.

Qualitative Disclosure Requirements Related to Credit Risk Mitigation Techniques

Bank of India (Tanzania) Limited

The Bank manages credit risk mitigation in accordance with its Board-approved Credit Risk Management Policy, NPA Management Policy, and Prudential Guidelines issued by the **Bank of Tanzania**.

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

The Bank applies netting arrangements in accordance with approved internal policies and applicable legal frameworks.

Key features include:

- **On-balance sheet netting** is applied where legally enforceable right of set-off exists between mutual obligations of the Bank and the counterparty.
- **Off-balance sheet netting** is considered primarily for derivative and trade-related exposures, subject to existence of legally enforceable agreements (e.g., master netting agreements).
- Netting is recognized only where:
 - There is a legally enforceable right to offset
 - The Bank intends to settle on a net basis or realize the asset and settle the liability simultaneously

The extent of netting applied by the Bank is limited and conservative, in line with regulatory guidance, and primarily used for risk measurement rather than capital relief unless fully compliant with regulatory requirements.

(b) Policies and Processes for Collateral Evaluation and Management

The Bank maintains a robust collateral management framework governed by its internal policies.

Collateral Acceptance

The Bank accepts a range of eligible collateral, not limited to single collateral. collateral acceptance including:

- Cash deposits and fixed deposits
- Real estate (land and buildings)
- Plant, machinery, and equipment
- Motor Vehicles
- Inventory and receivables
- Personal Guarantee
- Corporate Guarantee
- Government securities and guarantees

Valuation and Monitoring

- Collateral is valued by approved independent valuers in accordance with internal valuation policy
- Periodic revaluation is conducted based on asset type and risk profile
- Appropriate haircuts are applied to reflect market volatility and liquidity risks

Legal Enforceability

- All collateral is supported by properly executed legal documentation
- Charges are registered with relevant authorities to ensure enforceability

Collateral Management

- Collateral is monitored regularly through the Bank's MIS
- Insurance coverage is maintained for applicable assets
- Any shortfall in collateral coverage triggers corrective actions

(c) Credit Risk Concentration under Risk Mitigation Instruments

The Bank monitors concentration risk arising from credit risk mitigation techniques such as collateral and guarantees.

By Collateral Type

The Bank ensures diversification across collateral types to avoid over-reliance on a single asset class, particularly real estate.

By Guarantor Type

Guarantees are categorized and monitored as follows:

- Government guarantees

- Bank guarantees
- Corporate guarantees
- Personal guarantees

Risk Management Approach

- Concentration limits are defined within the Bank's Risk Appetite Statement
- Regular reporting is made to Credit Risk Management Committee (CRMC) and the Board Credit Committee (BCC) on collateral concentration and guarantor exposure
- Stress testing is conducted to assess the impact of adverse movements in collateral values

The Bank adopts a prudent and policy-driven approach to credit risk mitigation, ensuring that all techniques applied are legally enforceable, properly valued, and aligned with regulatory expectations. This strengthens the overall credit risk framework and enhances asset quality.

Quantitative Disclosure on Credit Risk Mitigation Techniques

Credit risk mitigation (CRM) techniques – overview

(Amounts in million of Shillings)

	a	b	C
	Exposures carrying amount	Exposures secured by eligible collateral	Exposures not secured by eligible collateral ((a)-(b))
Loans	138,851	128,625	10,225
Debt securities	45,887	NIL	NIL
Total	184,738	174,512	10,225
Of which defaulted	4,035	4,035	0

Definitions

- Exposures carrying amount: is the amount of outstanding exposures net of allowances/impairments.
- The following collateral instruments shall be eligible for recognition:
 - (a) Guarantee of the Government of the United Republic;
 - (b) Guarantee of the Revolutionary Government of Zanzibar;
 - (c) Guarantee of the Bank of Tanzania;
 - (d) Cash, fixed deposit, treasury bills, notes or bonds, or other instruments as the Bank may approve;

- (e) Unconditional and irrevocable guarantee of a first class international bank or a first class international financial institution.