

Publication of Market Discipline Disclosures

Issued pursuant to market discipline guidelines to banks and Financial institutions, 2023.

Annual Publication as at 31st December, 2025

Qualitative information about credit risk

The bank's credit exposures arise principally in its lending activities to the agriculture sector leading to loans and advances, and investment activities that bring debt securities and other bills into the bank's asset portfolio. There is also credit risk in off-balance sheet financial instruments, such as loans commitments. The credit risk management and control are centralized in the Directorate of Credit of the bank and reported to the Management and the Board of Directors and regularly.

(b) Criteria and approach for defining credit risk management policy and setting credit risk limits.

- Credit risk is the risk of loss arising out of failure of counterparties to meet their financial or contractual obligations when due. It is composed of counterparty risk, concentration risk, and cross-border transfer risk. Credit concentration risk is the risk of loss to TADB arising from an excessive concentration of exposure, inter alia, to a single counterparty or counterparty segment, an industry, a market, a product, a financial instrument or type of security, a country or geography, or a maturity.
- Country Risk, in summary, is the uncertainty that obligors may not be able to fulfil their obligations to TADB because of political or economic conditions.

TADB maintains a portfolio of credit risk that is adequately diversified across all the agricultural value chain (i.e. crop, geographical, counterparty, industrial concentration etc.) and avoids unnecessarily excessive concentration risks. Concentration risk should either be priced for or be mitigated.

The Board determines the framework to define and measure the consumption of TADB risk appetite by credit risk. Credit risk appetite and strategy are reviewed as part of the business planning and budgeting process and inconsistencies resolved before the approval of a business plan.

(c) Structure and organization of the credit risk management and control function.

Ultimate responsibility for credit risk rests with the TADB Board of Directors. The Board has delegated credit risk responsibility to the Board Business committee.

Board Business Committee delegates functional credit approval authority to the Credit Committee members within its approval limits entitled to management. Credit approval authority has been granted with proper limits to committees in accordance with defined policies and rules relating to sub-delegation.

(d) Relationships between the credit risk management, risk control, compliance and internal audit functions.

The TADB directorate of Credit and Business Development owns the credit risk assumed by TADB and as the first line of defense are primarily responsible for its management, control and optimization in the course of business generation.

The Risk and Compliance unit, acts as the second line of defense, and is responsible for providing independent in compliance with Policies and regulatory requirements, to ensure the process of procuring revenue, while assuming optimal risk, is undertaken with integrity.

The third line of defense is provided by Internal Audit, under its mandate from Board Audit Risk and Compliance Committee. Internal Audit verify the continuing adequacy and applicability of credit risk management policies and procedures, provide an independent assessment of the credit portfolio's existence, quality and value, the integrity of the credit process, and promote detection of problems relating thereto.

(e) Scope and main content of the reporting on credit risk exposure and on the credit risk management function.

Credit limits will be approved on the basis of credit reports. Form and content of these reports have been designed in the Credit Risk Management system and are in line with TADB credit policy & manuals. The Credit report provides the basis for the credit decision. It summarizes and assesses all relevant information for the credit decision and serves to document the credit decision for internal and audit purposes. Credit reports are required for all initial credit approvals and the subsequent internal reviews. The report will contain at a minimum an overview over the total limits, and exposure, rating, rating history, overview of the facilities, key financial data, a short description for the reason for submission and a summary credit risk assessment. Credit reports have to be submitted in a timely manner.

Composition of Regulatory Capital

S/N	Description	31-DEC-25	31-DEC-24
01	Common Equity Tier 1 capital (CET1): Instruments and reserves		
02	Fully Paid-up Ordinary shares Capital	452,365	442,365
03	Share Premium arising from Ordinary shares	-	-
04	Retained earnings less foreseeable dividends	78,521	44,228
05	Other disclosed reserves;	-	-
06	Year to date profits of:		
07	Fifty per cent of the year to date profits less foreseeable dividends where accounts are unaudited or;	-	-
08	One hundred percent of the year to date profits, less foreseeable dividends, where accounts have been audited subject to submission of the signed accounts to the Bank;	-	18,334
09	CET 1 before Regulatory Adjustments	530,886	504,927
10	Regulatory adjustments applied to CET 1:	4,231	9,104
11	Year to date losses;	-	-
12	Goodwill;	-	-
13	Other intangible assets;	-	-
14	Deferred tax assets that rely on future profitability;	2,827	2,273
15	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;	-	-
16	The amount of items required to be deducted from Additional Tier 1 items that exceed the Additional Tier 1 capital of the bank.	-	-
17	Pre-paid expenses.	1,403	9,104
18	Pre-operating expenses.	-	-
19	Available Common Equity Tier 1	526,656	495,823
20	Additional Tier 1 Capital	-	-
21	Non-cumulative Irredeemable Preference Shares	-	-
22	Share Premium arising from Non-cumulative Irredeemable Preference Shares	-	-
23	Other Qualifying Additional Tier-1 capital instruments plus any related share premium	-	-
24	Additional Tier 1 Capital before regulatory adjustments	-	-
25	Regulatory adjustment applied to Additional Tier 1 capital	-	-
26	The amount of items required to be deducted from Tier 2 items that exceed the Tier 2 capital of the bank.	-	-
27	Other Items Qualifying to be deducted from Additional Tier-1 Capital.	-	-
28	Available Additional Tier 1 Capital	-	-
29	Available Tier 1 Capital	526,656	495,823
30	Tier 2 Capital	-	-
31	Qualifying Tier 2 capital instruments and subordinated loans that meet the conditions stipulated by the Bank.	-	-
32	Share premium arising from capital instruments and subordinated loans qualifying as Tier 2 Capital	-	-
33	Instruments issued by consolidate subsidiaries and held by third parties that met the criteria stipulated by the Bank.	-	-
34	General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	-	-
35	Available Tier 2 Capital	-	-
36	TOTAL CAPITAL (Tier Capital plus Tier 2 Capital).	526,656	495,823
37	Total Risk Weighted Assets (RWA) as BOT FORM 16-1 Schedule 15 (SUMMARY)	1,145,318	748,974
38	Capital Ratios and buffers (in percentage of risk weighted assets)	0	0
39	CET 1 to total RWA	46.0%	66%
40	Tier-1 capital to total RWA	46.0%	66%
41	Total capital to total RWA	46.0%	66%
42	Capital conservation buffer	34.0%	54.2%
43	Minimum capital requirements prescribed by the Bank of Tanzania	0	0
44	CET 1 to total RWA	8.50%	8.50%
45	Tier-1 capital to total RWA	10.00%	10.00%
46	Total capital to total RWA	12.00%	12.00%
47	Capital conservation buffer (Made of Instrument Qualifying to be included in CET 1)	2.50%	2.50%

Prudential Regulatory Metrics

S/n	Metric	a	b	c	d	e
		T	T-1	T-2	T-3	T-4
Available Capital (Amount)						
1	Common Equity Tier 1 (CET1)	526,656	503,802	495,932	502,247	495,823
2	Tier 1	526,656	503,802	495,932	502,247	495,823
3	Total capital	526,656	503,802	495,932	502,247	495,823
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	1,145,318	1,115,048	1,001,558	780,127	748,974
Risk-based capital ratios as a percentage of RWA						
5	Common Equity Tier 1 ratio (%)	46.0%	45.2%	49.5%	64.4%	66.2%
6	Tier 1 ratio (%)	46.0%	45.2%	49.5%	64.4%	66.2%
7	Total capital ratio (%)	46.0%	45.2%	49.5%	64.4%	66.2%
Additional CET1 buffer requirements as a percentage of RWA						
8	Capital conservation buffer requirement (2.5%)	34.0%	33.2%	37.5%	52.4%	54.2%
9	Total of bank CET1 specific buffer requirements (%)	2.5%	2.5%	2.5%	2.5%	2.5%
10	CET1 available after meeting the bank's minimum capital	37.5%	36.7%	41.0%	55.9%	57.7%
Basel III leverage ratio						
11	Total Basel III leverage ratio exposure measure	1,452,605	1,438,452	1,326,109	1,041,158	900,750
12	Basel III leverage ratio (%) (Tier 1 Capital / Exposure Measure)	36.3%	35.0%	37.4%	48.2%	55.0%
Liquidity Coverage Ratio						
13	Total high-quality liquid assets (HQLA)	258,079	294,283	322,087	286,228	181,313
14	Total net cash outflow	2,898	3,291	3,988	2,337	2,375
15	LCR (%)	8906%	8941%	8076%	12249%	7635%
Net Stable Funding Ratio						
16	Total available stable funding	983,674	974,531	966,041	735,870	660,899
17	Total required stable funding	354,083	363,253	366,943	287,531	175,932
18	NSFR (%)	278%	268%	263%	256%	376%

Credit Quality of Assets

	a	b	c	d
	Gross Carrying Value of:		Allowances/Impairments	Net Value (a+b-c)
	Defaulted Exposure	Non - Defaulted Exposure		
Loan	20,552	796,743	10,541	806,754
Debt Security	-	105,340	169.32	105,171
Off Balance sheet items	-	158,910	-	158,910
Total	20,552	1,061,163	10,710	1,071,004

Standardized Approach - Credit Risk Exposure and Credit Risk Mitigation Effects

	a	b	c	d	e		f
	Exposure before CCF and CRM		Exposure post CCF and CRM		RWA and RWA Destiny		
	On balance sheet amount	Off balance sheet amount	On balance sheet amount	Off balance sheet amount	RWA	RWA Density	
01	Sovereign and their central banks	-	-	-	-	0%	
02	Non central government public sector entities	-	-	-	-	0%	
03	Multilateral development banks	-	-	-	-	0%	
04	Banks and financial institution	354,720	-	354,720	70,944	20%	
05	Corporates and securities firms	767,638	158,910	767,638	767,638	83%	
06	Retails	18,565	-	18,565	9,282	50%	
07	Real estate	-	-	-	-	0%	
08	Defaulted Exposure	20,552	-	20,552	30,827	150%	
09	Other Assets	18,162	-	18,162	12,788	70%	
10	Total	1,179,636	158,910	1,179,636	891,480	-	



Standardized Approach – Exposures by Asset classes and Risk weights							
	0%	20%	50%	100%	150%	Total credit exposure amount (post-CCF and post-CRM)	
Sovereigns and their central banks	0	0	0	0	0	0	
	20%	50%	100%	150%	Total credit exposure amount (post-CCF and post-CRM)		
Public sector entities	0	0	0	0	0		
	0%	20%	50%	100%	150%	Total credit exposure amount (post-CCF and post-CRM)	
Multilateral development banks	0	0	0	0	0	0	
	20%	30%	40%	50%	75%	100%	150%
Banks and financial institution	354,720	0	0	0	0	0	70,944
	20%	50%	75%	100%	150%	Total credit exposure amount (post-CCF and post-CRM)	
Corporates and securities firms	0	0	0	767,638	0	767,638	
	75%	Total credit exposure amount (post-CCF and post-CRM)					
Retail	0	0					
	20%	25%	30%	40%	50%	70%	Total credit exposure amount (post-CCF and post-CRM)
Residential real estate	-	-	-	-	-	-	-
Commercial real estate	0	0	0	0	0	0	0
	100%	150%	Total credit exposure amount (post-CCF and post-CRM)				
Defaulted exposures	0	20,552	30,827				
	0%	20%	100%	1250%	Total credit exposure amount (post-CCF and post-CRM)		
Other Assets	2,546	-	12,788	-	12,788		

Additional disclosure related to the credit quality of assets

(a) The scope and definitions of "past due" and "impaired" exposures used for accounting purposes and regulatory purposes.
The definition of default is used by the bank for accounting and internal credit risk management purposes is broadly aligned to the regulatory definition of default for development financial institutions. The definition of default is appropriately tailored to reflect different characteristics of different types of assets.

The bank considers the following as constituting an event of default:

- The borrower is past due more than 181 days on any material credit obligation to the bank for regulatory purposes.
- The borrower is unlikely to pay its credit obligations to the bank in full.

When assessing if the borrower is unlikely to pay its credit obligation, the bank takes into account both qualitative and quantitative indicators.

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- Significant financial difficulty of the borrower or issuer
- A breach of contract such as a default or past due event
- The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider
- The disappearance of an active market for a security because of financial difficulties
- The purchase of a financial asset at a deep discount that reflects the incurred credit losses.

(b) The extent of past-due exposures (more than 90 days) that are not considered to be impaired.
As noted in the definition of credit-impaired financial assets, default is evidence that an asset is credit-impaired. Therefore, credit-impaired assets will include defaulted assets, but will also include other non-defaulted assets given the definition of credit-impaired is broader than the definition of default.

Exposures that are more than 90 days past due but not classified as impaired are limited and arise mainly from temporary administrative delays, timing mismatches in payment processing, or cases where adequate collateral coverage exists and full recovery is considered highly probable. Such facilities are closely monitored under enhanced credit supervision and are promptly regularized or reclassified where necessary. The Bank applies conservative judgement and ensures that any exposure demonstrating objective evidence of credit deterioration is immediately moved to Stage 3 and provided for accordingly.

(c) Description of methods used for determining impairments.
IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

- 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 Expected Credit Losses (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.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous. In performing this grouping, there must be sufficient information for the group to be statistically credible. Where sufficient information is not available internally, the bank has considered benchmarking internal/external supplementary data to use for modelling purposes.

(d) The bank's own definition of a restructured exposure.
Restructured Credit Facility means any credit facility whose terms and conditions have been modified in terms of repayment period, repayable amount, instalments or rate of interest due to economic or other reasons relating to the borrower's financial difficulty.
Restructuring of Credit Facilities is approved by CREDCO or Board Business Committee or the Board depending on the exposure amount. Restructuring of NPLs are handled and initiated by Loan Recovery & Special Assets Management unit.

The restructured non performing credit accommodations are not upgraded into better classification unless new repayment schedule has been fully complied with for at least;
(a) Four consecutive instalments for credit accommodations whose repayment schedules are equal or less than two months, or
(b) Two consecutive instalments for credit accommodations whose repayment plan is scheduled on quarterly, semi-annually or annually basis.

Qualitative disclosure requirements related to credit risk mitigation techniques

(a) Core features of policies and processes for on- and off-balance sheet netting.
The bank credit risk management processes including credit limit and concentration guideline is embedded within the bank's enterprise-wide risk management process. Within the bank's overall risk appetite disciplines, the credit metrics and concentrations framework includes key credit ratios and counterparty, and it is currently being updated to include the sub-sectors (value chains) limits. These in turn are cascaded to various directorates where they are monitored against approved appetite thresholds.

Wherever warranted, the bank attempt to mitigate credit risk, including counterparty credit risk (CCR), to any counterparty, transaction, sub-sector/value chain, or geographic region, so as to achieve the optimal balance between risks, cost, capital utilization and reward. Risk mitigation may include the use of collateral, the imposition of financial or behavioral covenants, the acceptance of guarantees from parents or third parties, the recognition of parental support, and the distribution of risk.

(b) Core features of policies and processes for collateral evaluation and management.
Collateral and guarantees are widely used to mitigate credit risk. Credit risk management policies and procedures ensure that risk mitigation techniques are acceptable, used consistently, valued appropriately and regularly, and meet the risk requirements of operational management for legal, practical and timely enforcement. Detailed processes and procedures are in place to guide each type of mitigation used.

The bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential and commercial properties;
- Charges over business assets such as premises;
- Inventory and accounts receivable;
- Government and other Development Financial Institutions Guarantees; and
- Charges over financial instruments such as debt securities and equities

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

(c) Information about market or credit risk concentrations under the credit risk mitigation instruments.
The bank actively monitors concentration risk arising from credit risk mitigation instruments to avoid over-reliance on specific collateral types, guarantors or sectors. Concentration analyses are conducted by:

- Collateral type (property, guarantees, inventory, financial securities),
- Guarantor category (government, development finance institutions, corporates and individuals), and
- Geographic and sector exposure.

Portfolio limits are established to manage excessive concentrations and periodic stress testing is undertaken to assess the effectiveness of collateral under adverse market conditions. Government and DFI guarantees represent the largest share of mitigants, consistent with the bank's development finance mandate, while property-based collateral remains the dominant form of security for commercial lending.

Credit Risk Mitigation (CRM) Techniques – Overview

	a Exposures carrying amount	b Exposures secured by eligible collateral	c Exposures not secured by eligible collateral
Loans	806,754	778,046	28,708
Debt Securities	105,340	-	105,340
Total	912,263	778,046	134,217
Of Which defaulted	20,552	19,942	610



Operational risk – Qualitative disclosures

(a) Their policies, frameworks and guidelines for the management of operational risk.

TADB has established a Risk Management Framework and an Operational Risk Management Policy that provide guidance on the identification, assessment, monitoring, measurement, and mitigation of operational risks faced by the bank. These documents are reviewed annually to ensure alignment with changes in the regulatory environment and evolving banking industry best practices in operational risk management.

(b) The structure and organization of their operational risk management and control function.

The Board has the ultimate responsibility for establishing, approving and periodically reviewing the operational risk framework. The Board oversees Senior Management to ensure that the strategies, policies, processes and systems are implemented effectively at all decision levels.

The bank employs three lines of defense as part of the operational risk governance and risk management structure:

- The first line is provided by the Business Units (Bs) and those parts of Operational Risk Unit which provide operational support to the BUs. This includes the control functions embedded within the BUs or support areas.
- The second line is provided by the bank Governance, Risk and Compliance unit (being bank Risk Management; elements of compliance and Assurance; and Legal and Compliance), both central functions and those dedicated to the BUs.
- The third line is provided by bank Internal Audit.

Operational risk management responsibilities are delegated to the bank's Risk and Compliance unit, with support from other key functions such as Risk Champions in each department. These individuals are responsible for identifying risks, proposing mitigations, and fostering a risk-aware culture across the bank recorded in Risk Registrar. Additionally, ICT-related operational risks are overseen by the ICT Steering Committee. The bank also has a structured Incident Management process in place, ensuring that any disruptions are promptly addressed and managed to minimize operational impact, with incidents categorized according to best practice standards.

(c) The operational risk measurement system.

The bank's economic capital figure for operational risk shall be determined by aggregating the respective BU computations. The process used to determine economic capital for operational risk and other risks that the bank is exposed to must be reviewed regularly to ensure that risks are covered adequately and that capital coverage is reflective of the operational risk profile.

TADB maintains a level of capital, which is adequate to protect itself against the risk of loss that may arise out of its business activities. Regarding the capital adequacy ratio, bank will always make sure it maintains its Capital adequacy position at fifteen percent (15%). TADB measures and apply capital charges in respect of market risk and operational risk as directed by applicable guiding regulations. The minimum capital requirements for operational risk to be determined Basic Indicator.

(d) The scope and main context of the reporting framework on operational risk.

Operational risk reporting is conducted through a structured framework to Management, Risk Committees and the Board on a monthly and quarterly basis. Reports include:

- Operational loss events and root cause analysis,
- Key risk indicators (KRIs),
- Risk and control self-assessment (RCSA) results,
- Business continuity and disaster recovery readiness,
- ICT and cyber risk incidents,
- Compliance breaches and remediation status, and
- Capital adequacy impact assessments.

Significant operational incidents are escalated immediately to Senior Management and the Board. The reporting framework supports proactive decision-making, continuous improvement of internal controls and alignment with the bank's risk appetite.

Operational risk – Quantitative Disclosures

SN	GEOGRAPHICAL LOCATION	31/12/2026	INDUSTRY	RESIDUAL MATURITY	AMOUNT OF IMPAIRED EXPOSURE
01	Arusha	15,953,658,462.20	Agriculture	28/09/2037	167,556,358
02	Coastal	171,410,428,760.03	Agriculture	04/05/2039	1,216,307,831
03	Dar es Salaam	83,379,739,478.51	Agriculture	30/08/2034	1,518,614,571
04	Dodoma	33,521,472,287.50	Agriculture	25/12/2033	147,457,636
05	Geita	8,713,110,886.26	Agriculture	20/11/2030	156,026,276
06	Iringa	16,242,760,291.22	Agriculture	28/12/2029	396,035,659
07	Kagera	114,410,935,643.12	Agriculture	15/09/2030	1,382,460,586
08	Katavi	3,479,639,575.42	Agriculture	24/01/2029	810,699,251
09	Kigoma	6,218,526,710.52	Agriculture	07/01/2030	1,368,865,377
10	Kilimanjaro	4,650,329,865.86	Agriculture	07/10/2030	0
11	Lindi	6,353,175,370.78	Agriculture	21/03/2029	0
12	Manyara	1,602,915,013.73	Agriculture	12/11/2029	309,018,374
13	Mara	12,555,701,068.83	Agriculture	26/07/2031	3,233,093,874
14	Mbeya	41,057,157,206.53	Agriculture	25/01/2033	583,764,984
15	Morogoro	18,789,809,274.39	Agriculture	23/09/2030	686,244,421
16	Mtwara	9,709,600,462.17	Agriculture	25/10/2033	0
17	Mwanza	46,170,689,284.94	Agriculture	02/10/2034	530,796,811
18	Njombe	5,979,166,081.74	Agriculture	31/08/2033	325,787,905
19	Rukwa	1,492,327,014.79	Agriculture	28/02/2030	422,549,465
20	Ruvuma	7,272,389,184.07	Agriculture	22/08/2030	212,581,647
21	Shinyanga	105,577,442,206.70	Agriculture	30/09/2035	2,268,344,051
22	Simiyu	7,086,553,349.05	Agriculture	01/08/2028	27,751,752
23	Singida	5,575,163,157.17	Agriculture	05/08/2033	3,167,859,065
24	Songwe	36,287,446,746.58	Agriculture	23/10/2035	823,234,484
25	Tabora	25,841,837,205.97	Agriculture	25/11/2033	67,946,493
26	Tanga	22,827,962,432.11	Agriculture	30/04/2035	622,116,484
27	Pemba	1,192,019,338.04	Agriculture	22/11/2030	0
28	Unguja	4,170,569,186.34	Agriculture	25/11/2031	106,495,299
	Total	817,522,525,545			

Market Risk

(a) Strategies and processes of the bank

The bank undertakes limited trading activities primarily to support liquidity management, customer facilitation and balance sheet optimization rather than proprietary trading. Market risk exposures arise mainly from interest rate risk, foreign exchange risk and liquidity risk associated with treasury operations.

The bank employs a combination of limits, sensitivity analysis, gap analysis, Value-at-Risk (VaR) where applicable, stress testing and scenario analysis to identify, measure and monitor market risk. Hedging strategies include asset-liability matching, natural hedges and selective use of approved financial instruments to reduce undesired exposures. The effectiveness of hedging arrangements is reviewed periodically.

Treasury or trading activities are centralized within the Directorate of Treasury, which manages liquidity, funding, investments and foreign exchange operations. Segregation of duties exists to ensure independent control and oversight.

The bank maintains the ALCO policy which classifies positions of the banking book based on the intention of holding the instrument and frequency of trading. Assets held to maturity or for long-term funding and lending activities are classified under the banking book. Positions are periodically reviewed to prevent stale exposures.

The structure and organisation of the market risk management function

Market risk refers to the potential for fluctuations in the fair value or future cash flows of financial instruments due to changes in market prices. For TADB, this risk primarily arises from movements in key market variables such as interest rates, foreign exchange rates, and commodity or equity prices.

The Directorate of Treasury and Business Development together with other Business Functions own the market risk assumed by TADB and as the first line of defense are primarily responsible for its management, control and optimization in the course of business generation.

The Market Risk function acts as the second line of defense, and is responsible for providing independent and objective approval for the market risk taking activities of Business, to ensure the process of procuring revenue, while assuming optimal risk, is undertaken with integrity. The market risk function reports directly to the Head of Risk and Compliance.

The third line of defense is provided by Internal Audit, under its mandate from Board Audit Risk and Compliance Committee.

(b) Governance structure established to implement the strategies and processes of the bank.

The ultimate responsibility for market risk rests with the Board Audit Risk and Compliance Committee (BARC) and has been delegated by the TADB board for banking activities. In turn, BARC has delegated the functional market risk responsibility to ALCO (Assets and Liabilities Management Committee).

The ALCO committee delegates market risk approval authority to specially mandated forums, and individuals employed within the market risk function. Such authority must be granted within defined scope and limits commensurate with both the relevant portfolio(s), and the seniority, skill and experience levels of the incumbents.

(c) The scope and nature of risk reporting and/or measurement systems.

Market risk exposures are reported daily to Treasury Management and monthly to ALCO and the Board. Reports include limit utilization, interest rate gap analysis, foreign exchange exposure, liquidity metrics, stress test outcomes and capital adequacy implications. Independent risk monitoring systems provide automated alerts for limit breaches and ensure timely corrective action.

Interest Rate Risk in the Banking Book Qualitative Disclosures

The nature of IRRBB and key assumptions

IRRBB is measured at least monthly and more frequently during periods of heightened market volatility. The bank uses Earnings-at-Risk (EaR) and Economic Value of Equity (EVE) metrics under multiple rate shock scenarios in accordance with regulatory guidance. Behavioral assumptions regarding prepayments are periodically validated using historical data and reviewed annually by ALCO.

Measurement of banking Book exposures under normal market conditions is based on interest rate scenario analyses, for example, bullish, expected and bearish scenarios. In addition, measurement of banking Book exposures that are held at fair-value accounting may be based on the same scenario analyses as for the Trading Book under normal and stress market conditions.

Normal market conditions: The interest rate scenario is currency specific and based on possible short-term interest rate changes (due to, for example, rate hikes or cuts by the Central Bank (MPCs). Rate shocks are reviewed when interest rate forecasts change, for example, post MPC or rate forecast meetings.

Stress market conditions: The guiding principle is that the interest rate shock reflects a fairly uncommon and stressful rate environment and be sufficiently significant to capture, in addition to delta, the effect of embedded options and convexity within the bank's assets and liabilities. Rate shocks are reviewed at least annually or based on 12-month rate forecasts.

Net Interest Income ("NII") Forecasting is a dynamic, forward-looking NII forecast which is used to quantify the bank's anticipated interest rate exposure. The approach involves the forecasting of both changing the balance sheet structures and interest rate scenarios, to determine the effect these changes may have on future earnings. Balance sheet projections and the impact on NII due to rate changes cover a minimum of 12 months forecasting and, any pertinent projections assumptions are documented. The analysis allows for the dynamic interaction of payments, new business and interest rates, and captures the effects of embedded or explicit options.

Leverage Ratio

SN	PARTICULARS	AMOUNT
a	b	c
01	Total Assets as calculated under BOT FORM 16-1 to be submitted Monthly (Line item 77)	1,293,694,159,015
02	Total Off Balance Sheet Exposures as calculated under BOT FORM 16-1 Schedule 15(ii) NEW (Line item 53)	158,910,412,217
03	Total Exposure Measure (Item 1 plus 2)	1,452,604,571,232
04	Tier 1 Capital as calculated under BOT Form 16-1 (Schedule 10(i)) NEW (Line item 28)	526,655,937,941
05	Leverage Ratio	36.26%



Liquidity Coverage Ratio

SN	Particulars	Outstanding Amount	Factor	Net Amount
a	b	c	d	e
1	Stock of High Quality Liquid Assets (HQLA)			
2	Cash (notes and coins)	0	100%	0
3	Balances with Bank of Tanzania to the extent that these balances can be drawn down in times of stress	3,901	100%	3,901
4	Balances with Other banks and Interbank Loan Receivable callable on demand or with a maturity of less than 30 days	236,202	100%	236,202
5	Unencumbered Government securities maturing within 1 year	0	95%	0
6	Unencumbered Government securities maturing after 1 year	22,470	80%	17,976
7	Total high quality liquid assets	262,573	0%	258,079
8	Cash Outflows	0	0%	0
9	Demand deposits	0	10%	0
10	Savings deposits	0	10%	0
11	Time deposits (maturing in 30 days)	0	100%	0
12	Deposits from banks and financial institutions (maturing in 30 days)	0	100%	0
13	Derivatives cash outflows (sum of all net cash outflows due within 30 days)	1	100%	1
14	All other contractual cash outflows (maturing in 30 days)	0	100%	0
15	Undrawn and unexpired overdrafts	0	30%	0
16	Undrawn balances of loans	72,924	10%	7,292
17	Other contingent funding liabilities (such as guarantees and letters of credit)	85,987	5%	4,299
18	Total cash outflows	158,911	0%	11,593
19	Cash Inflows	0%	0%	0%
20	Loans and advances (maturing within 30 days)	27,244	50%	13,622
21	Due from banks and financial institutions (maturing in 30 days)	0	100%	0
22	All other contractual cash inflows (maturing in 30 days)	0	100%	0
23	Net derivatives cash inflows	0	100%	0
24	Total cash inflows	27,244	0	13,622
25	Total net cash outflows = Total cash outflows minus the lower of total cash inflows and 75% of gross outflows	0	0	2,898
26	Liquidity Coverage Ratio = (Total high quality liquid assets)/(Total net cash outflows)	0	0	8906%

Net Stable Funding Ratio

SN	Particulars	Carrying Amount	Factor	Weighted Amount
a	b	c	d	e
1	Available Stable Funding (ASF)			
2	Common equity Tier 1	526,656	100%	526,656
3	Additional Tier 1	-	100%	-
4	Tier 2 Capital (excluding Tier 2 instruments with residual maturity of less than one year)	-	100%	-
5	Borrowings and liabilities with maturities of one year or more	457,018	100%	457,018
6	Stable demand and/or term deposits from retail and small business customers with residual maturity of less than one year.	-	95%	-
7	Less stable demand and/or term deposits from retail and small business customers with residual maturity of less than one year.	-	90%	-
8	Funding with residual maturity of less than one year provided by non-financial corporate customers	-	50%	-
9	Operational Deposits	-	50%	-
10	Funding with residual maturity of less than one year from sovereigns, public sector entities (PSEs), and multilateral and national development banks	-	50%	-
11	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%	-
12	Deferred tax liabilities (if the effective maturity of the liability greater than one year).	-	100%	-
13	Deferred tax liabilities maturing within a period of six months to one year.	-	50%	-
14	Deferred tax liabilities maturing within six months.	-	50%	-
15	Minority Interest - If perpetual or with effective maturity of greater than or equal to one year	-	100%	-
16	Minority Interest with residual maturity between six months and less than one year.	-	50%	-
17	Minority Interest with effective maturity of less than six months.	-	0%	-
18	All other liabilities and equity not included in the above categories, including liabilities without a stated maturity.	122,599	0%	-
19	NSFR derivative liabilities net of NSFR derivative assets if NSFR derivative liabilities are greater than NSFR derivative assets	-	0%	-
20	NSFR derivative liabilities (derivative liabilities less total collateral posted as variation margin on derivative liabilities).	-	0%	-
21	Trade date payables arising from purchases of financial instruments, foreign currencies	-	-	-
22	Total Available Stable Funding (ASF) [sum (1)-(21)]	-	-	983,674
23	Required Stable Funding (RSF)			
24	On-balance sheet			
25	Cash	-	0%	-
26	Balances with Bank of Tanzania (All balances including Statutory Minimum Reserve).	3,901	0%	-
27	Claims on Bank of Tanzania with residual maturities of less than six months.	-	0%	-
28	Receivables arising from sales of financial instruments and foreign currencies.	-	0%	-
29	Unencumbered HQLA excluding cash and balance with the Bank of Tanzania.	258,672	5%	12,934
30	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%	-
31	All other unencumbered loans to banks and financial institutions with residual maturities of less than six months not included in the above categories.	-	15%	-
32	HQLA encumbered for a period of six months or more and less than one year.	-	50%	-
33	Loans to Bank of Tanzania, banks and financial institutions with residual maturities between six months and less than one year.	-	50%	-
34	Deposits held at other banks and financial institutions for operational purposes	-	50%	-
35	All other assets not included in the above categories with residual maturity of less than one year.	339,583	50%	169,792
36	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%	-
37	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%	-
38	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%	-
39	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%	-
40	Unencumbered securities that are not in default and do not qualify as HQLA with a remaining maturity of one year or more and exchange-traded equities	-	85%	-
41	Physical traded commodities, including gold	-	85%	-
42	All other assets that are encumbered for a period of one year or more	1.00	100%	1.00
43	Derivative assets net of derivative liabilities if derivative assets are greater than derivative liabilities.	-	100%	-
44	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.	166,851	100%	166,851
45	Off-balance sheet			
46	Irrevocable and conditionally revocable credit and liquidity facilities to any client	-	5%	-
47	Unconditionally revocable credit and liquidity facilities	-	5%	-
48	Trade finance-related obligations (including guarantees and letters of credit)	-	1%	-
49	Guarantees and letters of credit unrelated to trade finance obligations	85,987	1%	860
50	Other non-contractual obligations	-	1%	-
51	All other off balance-sheet obligations not included in the above categories.	72,924	5%	3,646
52	Total Required Stable Funding (RSF) [sum (22)-(47)]	-	0	354,083
53	Net Stable Funding Ratio = (Total available stable funding)/(Total required stable funding) [B/D]	-	0	278%

