

LETSHEGO FAIDIKA BANK LIMITED
ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025

LETSHEGO FAIDIKA BANK LIMITED

**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
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**LETSHEGO FAIDIKA BANK LIMITED
CORPORATE INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2025**

PRINCIPAL PLACE OF BUSINESS AND REGISTERED OFFICE

Letshego Faidika Bank Limited
Vodacom Towers
Paloma Park, 3rd Floor
P. O. Box 34459
Dar es Salaam
Tanzania

PRINCIPAL REGULATOR

Bank of Tanzania
2 Mirambo Street
P.O. Box 2939
Dar es Salaam
Tanzania

BANKERS

Absa Bank (T) Limited
Ohio street
P. O. Box 5137
Dar es Salaam
Tanzania

Bank of Africa (T) Ltd
Ohio Street/ Kivukoni Front
P. O. Box 3054
Dar es Salaam
Tanzania

Diamond Trust Bank (T) Ltd
Main branch, Samora Street
P. O Box 115
Dar es Salaam
Tanzania

NMB Bank PLC
Ohio Street/ Ali Hassan Mwinyi Road
P. O. Box 9213
Dar es Salaam
Tanzania

Tanzania Commercial Bank
PSSSF Millenium Tower
P. O. Box 9300
Dar es Salaam
Tanzania

Standard Chartered Bank (T) Limited
Shaaban Robert and Garden Avenue
P. O. Box 9011
Dar es Salaam
Tanzania

**LETSHEGO FAIDIKA BANK LIMITED
CORPORATE INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2025**

BANK SECRETARY

Ladislau Ragwe Muhagachi
Letshego Faidika Bank Limited
Vodacom Tower
Paloma Park, 3rd Floor
P. O. Box 34459
Dar es Salaam
Tanzania

ULTIMATE PARENT

Letshego Africa Holdings Limited
Letshego Place, plot 22
P. O. Box 381
Gaborone
Botswana

INDEPENDENT AUDITOR

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

LETSHEGO FAIDIKA BANK LIMITED

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

1. INTRODUCTION

The Directors of Letshego Faidika Bank Limited (“the Bank”) submit this report and the audited financial statements for the year ended 31 December 2025 which disclose the state financial affairs of the Bank.

2. INCORPORATION

The Bank was incorporated in the United Republic of Tanzania under the Companies Act, No.12 of 2002 and is domiciled in Tanzania as a private company limited by shares.

Letshego Faidika Bank Limited (LFB) was incorporated as Private Limited Liability Company under as result of merging two entities of Letshego Bank (T) Limited and Letshego Tanzania Limited on 01 July 2023.

3. BANK'S VISION

To be a world-class retail financial services organisation meeting the needs of mass and middle-income individuals and small and medium enterprises.

4. BANK'S MISSION

To improve lives.

5. COMPOSITION OF THE BOARD OF DIRECTORS

As of 31 December 2025, the Board was comprised of 8 directors. The directors who held office during the year and to the date of this report are:

S/n	Name	Age	Position	Qualification	Nationality	Remarks
1.	Julius Beda Mukoji	67	Independent Non-executive Director	MSc Economics and Finance for Development	Tanzanian	Joined 05-July-2023
2.	Adam Mayingu	62	Independent Non-executive Director	Master of Business Administration Majoring in IT	Tanzanian	Joined 28 August 2023
3.	*CPA Bengi' Issa Mazana	58	Chair of the Board, Independent Non-executive Director	Master of Financial Management	Tanzanian	Joined 04 th March 2025
4.	Baraka Munisi	48	Executive Director	Master of Science, Real Estate	Tanzanian	Joined 26 October 2023
5.	Armando Sirrolla	54	Independent Non-Executive Director	MSc / Laurea Magistrale (102/110) in International Politics & Economics, University of Padua, Italy.	Italian	Joined 23 March 2024
6.	Kgotso Bannallothe	47	Non-executive Director	Executive Master in Positive Leadership and Strategies (IE University Madrid Spain), Bcom in Specialization in Finance with Quantitative Component Melbourne Australia	Motswana	Joined 23 February 2024
7.	Monica Joseph	50	Independent Non-Executive Director	Master of Science, Financial Management	Tanzanian	Joined 04 th March 2025
8.	Ethel Kuuya	48	Independent Non-executive Director	MSc Innovation & Entrepreneurship - HEC Paris, Franc	Zimbabwean	Joined 25 March 2024

* In February 2026, Director CPA Bengi' Issa Mazana resigned from both the Chairmanship and the Board.

LETSHEGO FAIDIKA BANK LIMITED

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

5. COMPOSITION OF THE BOARD OF DIRECTORS (*Continued*)

The Bank secretary during the year ended 31 December 2025 was Mr. Ladislaus Ragwe Muhagachi (Tanzanian).

The Bank secretary's role includes providing support and guidance to the Board in matters relating to governance and ethical practices. He is also responsible for induction programs for new directors, keeping board members abreast of relevant changes in legislation and governance principles.

6. NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES

The Bank is licensed in Tanzania under the Banking and Financial Institutions Act, 2006. The Bank is engaged in taking deposits on-demand, providing short-term and medium-term credit facilities and other related banking services.

7. CORPORATE GOVERNANCE

The Board of Directors ('the Board') of Letshego Faidika Bank Limited consists of 8 directors of whom 7 are Non-Executive Directors and 1 is an Executive Director. The Board takes overall responsibility for the Bank, including responsibility for defining the strategy, identifying key risk areas, monitoring the performance of management, business plans and budgets. The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative and in compliance with sound corporate governance principles. The bank is committed to the principles of effective corporate governance. The Directors also recognize the importance of integrity, transparency, and accountability. In so doing the Directors, therefore, confirm that.

- The Board met regularly throughout the year.
- They retain full and effective control over the bank and monitor executive management.
- The positions of Chairperson and Chief Executive Officer are held by different people.
- The Chairperson of the Board is Independent non-executive.
- The Board accepts and exercises responsibility for strategic and policy decisions, the approval of budgets and the monitoring of performance; and
- The directors bring skills and experience from their spheres of business to complement the professional experience and skills of the management team.

The Board is required to meet at least four times a year. The Board delegates the day-to-day management of the business to the Chief Executive Officer (CEO), assisted by the Country Executive Committee. The CEO is invited to attend Board meetings and facilitates the effective control of all the Bank's operational activities, acting as a medium of communication and coordination between all the stakeholders. During the year 2025, the Board met 9 times (6 of which were ordinary meetings).

The Board has established a policy and a set of procedures relating to the Directors' conflicts of interest. None of the Directors had, during the year, a material interest, directly or indirectly, in any contract of significance with the Bank.

Appointments to the Board are made on merit, and candidates are considered against objective criteria, having due regard to the benefits of the diversity of the Board. A rigorous selection process is followed in relation to the appointment of Directors and certain specified senior appointments. Non-executive Directors are appointed for an initial 3 years' term and are subject to re-election by shareholders at each AGM.

Formal induction programs are arranged for newly appointed Directors based on the individual's needs, skills, and experience. They receive comprehensive guidance from the Bank Secretary on the Bank's corporate governance framework and associated policies, as well as their duties as Directors on the Board

Following a period of induction, training and development are provided for each Director with the support of the Bank Secretary. Non-executive Directors develop and refresh their skills and knowledge through periodic interactions and briefings with senior management of the Bank's businesses and functions.

LETSHEGO FAIDIKA BANK LIMITED

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

7. CORPORATE GOVERNANCE (*Continued*)

All non-executive directors may seek independent professional advice in connection with their role as a director and may have access to the advice and services of the Bank Secretary. The Board maintains regular dialogue with analysts and investors and considers it very important to inform shareholders and investors about the Bank's financial performance. The Bank strives to continuously publish all relevant information to the market in a timely, effective, and non-discriminatory manner.

The Bank is committed to maintaining a high standard of corporate governance. The directors also recognize the importance of integrity, transparency, and accountability. During the year 2025, the Board had 3 sub-committees for improving corporate governance by delegating specific tasks from the mainboard to a smaller group and harnessing the contribution of non-executive directors. These sub-committees are the Audit and Risk Committee, Remuneration Committee (REMCO) and Credit Committee and are constituted and chaired by non-executive directors.

The table below shows the number of Board meetings held during the year and the attendance by directors: The Board is required to meet at least four times a year. The Board delegates the day-to-day management of the business to the Chief Executive Officer (CEO), assisted by the Country Management Committee. The CEO is Executive Director and attends Board meetings and facilitates the effective control of all the Bank's operational activities, acting as a medium of communication and coordination between all the stakeholders. During the year 2025, the Board met 9 times (6 of which were ordinary meetings).

No.	Name of Director	Main Board
1	Ethel Kuuya	9/9
2	Julius Beda Mukoji	9/9
3	Armando Massimiliano Sirolla	9/9
4	Baraka Munisi	9/9
5	CPA Bengi' Issa Mazana	9/9
6	Adam Mayingu	9/9
7	Kgotso Bannallothe	9/9
8.	Monica Joseph	9/9

Audit and Risk Committee

The Audit and Risk Committee is responsible for.

- Overseeing the financial reporting process, safeguards asset and ensure operation of adequate systems, control process.
- Ensure corporate accountability and management of associated risks combined assurance and integrated reporting.
- Review and assesses the integrity of the risk control systems and ensure the risk policies and strategies are effectively managed.
- Advise on current and potential risk exposures of the Bank; the Bank's risk management framework; the future risk strategy of the Bank, including strategy for capital and liquidity management and promoting a risk awareness culture in the Bank, alongside established policies and procedures.
- Review compliance with applicable laws.
- Recommends to the board for the appointments of external auditors and oversight of the external auditor's process and results thereof.
- Approves annual internal and external audit plans.
- Monitor the ethical conduct of the Bank.

LETSHEGO FAIDIKA BANK LIMITED

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

7. CORPORATE GOVERNANCE (Continued)

Audit and Risk Committee (Continued)

This committee met 3 times during the year all with full attendance. The Board Audit and Risk Committee is comprised of the following members:

No.	Name	Nationality	Qualification	Meeting Attendance
1	Julius Beda Mukoji	Tanzanian	MSc Economics and Finance for Development	3/3
2	Monica Joseph	Tanzanian	Master of Science, Financial Management	3/3
3.	Armando Massimiliano Sirolla	Italian	MSc / Laurea Magistrale (102/110) in International Politics & Economics, University of Padua, Italy.	3/3

Performance evaluation and reward

The Bank’s performance and reward approach ensure remuneration structures are balanced and is designed to drive sustainable performance, by ensuring that reward programs support our business strategy and are both supportive of, and aligned to, sound remuneration practices. Individual rewards and incentives are linked directly to the performance and behavior of the employees, the performance of their respective business units, and the interests of shareholders. Details on the remuneration of the key management personnel are disclosed in Note 31 (c) to the financial statements.

Ethical behavior

We are committed to high standards of ethical behavior and operate a zero-tolerance approach to bribery and corruption, which we consider unethical and contrary to good corporate governance. The Bank has strong whistleblowing policies and procedures in the place which staff is periodically trained on as part of induction and ongoing development. It is the utmost responsibility of all staff within the Bank to comply with the Bank’s Code of Conduct.

Business ethics and organizational integrity

The Bank’s code of conduct embodies its values and reflects its commitment to operating responsibly and ethically with high standards of integrity. It provides a comprehensive description of the employees’ responsibilities towards customers, other employees, businesses, and society. The code of conduct is designed to empower employees and enable effective decision-making at all levels of our business according to defined ethical principles.

Risk management and internal control

The Board ensures that the Bank has sound risk management and an internal control system that is appropriate to its activities. The risk management and internal control systems are based on the Bank’s corporate values, ethics guidelines, and principles for sustainability and corporate social responsibility (“CSR”). It is the responsibility of the management to ensure that adequate internal control systems are developed and maintained on an ongoing basis to provide reasonable assurance regarding:

- Operational effectiveness and efficiency;
- Safeguarding of the Bank’s assets;
- Reliability of accounting records;
- Responsible behaviors towards all stakeholders
- Compliance with applicable laws and regulations; and
- Business continuity.

LETSHEGO FAIDIKA BANK LIMITED

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

7. CORPORATE GOVERNANCE (Continued)

In order to ensure the internal controls, remain adequate, the Bank has a fully-fledged Risk and Compliance function that coordinates and oversees the implementation of enterprise-wide risk management framework within the Bank. The audit committee, on behalf of the Board, assesses issues related to financial review and internal control, and the external audit of Bank's accounts.

The Board ensures that the Bank is capable of producing reliable annual reports and that the external auditor's recommendations are given thorough consideration. During the year 2024, internal control systems were assessed by the Board and were found to be at an acceptable level.

Financial reporting and auditing

The Bank publishes its quarterly financial statements within thirty days after the end of the quarter and publishes the annual audited financial statements within fifteen days after approval of the Board but not later than one hundred and five days after the end of the financial year as required by the "Banking and Financial Institutions (Disclosures) Regulations, 2014".

The Directors are responsible for preparing the Annual Report, including the Financial Statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, the Companies Act, 2002, and Bank of Tanzania laws and regulations. In preparing these financial statements, the directors are required to:

- Adopt the going concern basis unless it is inappropriate to do so.
- Select suitable accounting policies and then apply them consistently; and
- Make judgments and accounting estimates that are reasonable and prudent.

The external auditor presented the result of the audit to the audit committee and the Board in the meeting dealing with the annual financial statements, including presenting any material changes in the Bank's accounting principles and significant accounting estimates and reported on whether the financial statements give a true and fair view of the state of affairs of the Bank.

8. DIRECTOR'S REMUNERATION

The remuneration for services rendered by the Directors of the Bank for the year ended 31 December 2025 was TZS 223.09 million (2024: TZS 211.19 million). Refer to Note 34 (c) for further details.

9. OPERATING STRUCTURE

The Bank provides a wide range of products which suit the needs of different segments of the market, through our business divisions. We are transforming our digital presence, providing simpler, seamless interactions through digital platforms while sustaining extensive customer reach through our leading branch network and alternative channels.

Products and services offered

The Bank has grown to become an innovative and preferred financial services partner, supported by uniquely designed and continuously updated services such as agency banking, mobile banking, and ATM solutions. The key services provided by Letshego Faidika Bank Limited include loans to Government employees (DAS), small and medium enterprise loans, deposit-taking (retail, corporate, and informal savings – Timiza), as well as insurance brokerage services delivered through a network of 5 deposit-taking branches, 17 Service Centers, and more than 120 satellite sales points. Additionally, Letshego Faidika Bank Limited provides VISA services, including card acceptance and payments.

To further expand financial inclusion, the Bank partners with various Mobile Network Operators (MNOs) to leverage their extensive market penetration in offering mobile instant loans, complementing the savings products already available through digital channels. Bancassurance also remains a key

LETSHEGO FAIDIKA BANK LIMITED

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

9. OPERATING STRUCTURE (*Continued*)

Products and services offered (*continued*)

strategic focus area, aimed at improving the penetration of insurance services while providing customers with a convenient one-stop shop for comprehensive financial solutions.

The main goal of the Bank is to improve people's lives. This is why it continues expanding its presence within communities to ensure that as many individuals as possible gain access to the full range of products and services offered by the Bank.

10. OUR BUSINESS/OPERATING MODEL

The Bank plays a key role in connecting providers and users of capital. We recognize the importance of our position in society, and our success has always been closely tied to the progress of the people, communities, and businesses we serve. We aspire to grow and deliver value for all our stakeholders, where value is reflected not only in financial outcomes but also in the improved quality of life of our shareholders, our people, and the communities around us. In delivering this value, we remain firmly anchored in our strong and clearly defined values.

Our mission is to provide competitive and innovative financial solutions through digital transformation, enabling a distinctive customer experience while caring for our people and contributing sustainably to society. Our purpose is to transform lives through financial sector innovation, intuitive action, and sustainable business practices.

We continue to invest in people, technology, and processes to ensure that we deliver value responsibly and sustainably. Through innovation and strategic investments, we are expanding our delivery channels to deepen access to financial services. With a robust plan to drive financial inclusion, we remain committed to serving underserved communities and integrating lower-income segments into the broader financial ecosystem.

In addition, the Bank is leading the charge in forging strategic partnerships with other financial institutions to extend service convenience to our customers—especially in areas where we do not have a physical presence. These partnerships include VISA BIN sponsorship arrangements with the largest bank in Tanzania in terms of physical footprint, ensuring that our customers can access services through their extensive ATM network and agent banking channels. Through such collaborations, we strengthen our ability to deliver seamless access to financial services nationwide, reinforcing our commitment to convenience, reach, and customer empowerment.

Resources and input employed to provide service to customers:

Financial resources

We deploy our financial resources to help our customers and clients achieve their goals. Our good financial position and growth are a result of our disciplined approach towards raising, lending and managing our financial resources. It includes customer deposits, shareholder equity, retained earnings and external borrowings among others. Our shareholder and debt funding give us a strong financial capital base that supports our operations and fund growth. Financial capital includes the funds our customers/ stakeholders invest with us.

Our financial capital supports our operations and fund growth. Our investors, both debt and equity, played a big part in the makeup of our financial capital to execute the Bank's strategy. In 2025, the bank maintained to leverage on our balanced mix of customer deposits, debt, and equity to run our operations and execute our strategy. The Bank maintained a solid capital base and diversified funding sources that enabled us to provide banking solutions competitively across the markets we operate in. Bank accessed fund at the competitive rates, so as to efficiently create and maximize shareholder value.

LETSHEGO FAIDIKA BANK LIMITED

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

10. OUR BUSINESS/OPERATING MODEL (Continued)

In 2025, our total equity remained stable and way above regulatory requirement as we maintained a total capital of TZS 91,853.28 million (TZS 80,444.12 million in 2024). Through our wide distribution networks and strong financial base, we managed to attract and mobilize a balanced mix of deposits to further support our lending activities. Our customer deposits increased by 126% to TZS 22,853.79 million (2024: increase of 2.3% from TZS 10,133.69 million).

Our retained earnings form part of the Bank's financial capital used in the execution and growth of strategic investments. Accumulated losses stood at TZS 26,088.26 million at the end of December 2025 (2024; TZS 37,497.42 million).

Human resources

We deliver success through a purpose-driven and inclusive culture. Our people are at the heart of our success. Their diverse skill sets, expertise and industry knowledge constitute our human capital. We further enhance our human capital through continuous training and development programmes. Our focus on developing a skilled and motivated workforce enables us to acquire, serve and retain our customers. We have an engaged and motivated workforce that is guided by a clear vision and anchored in strong values. We are focused on embedding a culture of continuous development, which increases competitiveness and investment in the development of skills required by employees to serve the digital customer of the future.

Intellectual resources

The adoption of data analytics and emergent technologies enables us to increase operational efficiencies. The knowledge and expertise incorporated within our systems, processes and procedures and the equity built in the Bank's brand constitute our intellectual capital. We have invested in strong brand and subsidiary businesses, strategic partnerships and innovative products and solutions that we offer to our customers. We have made commendable progress in digital adoption with a focus on automation, which is a key driver of delivering our digital strategy.

Social and relationship resources

In our engagements with key stakeholders, we continuously strive to deliver a meaningful value exchange and manage their expectations. We value the views of our stakeholders because they play a significant role in shaping our response to business and societal issues. Be it with our customers, trade partners and merchants or communities, we take a holistic approach to sustainable value creation by nurturing our long-standing relationships and building new ones.

Our business activities

We offer a comprehensive range of financial services to individuals, Small and Medium-sized Enterprises (SMEs) and corporations. Our integrated business model is designed to address the widespread needs covering all market segments by responding to the rapidly changing world.

Our delivery channels

- We have a 6 deposit taking branches, 16 Service Centers, and more than 82 satellite sales points.
- Mobile Banking a Digital loans Services
- VISA cards
- Banking Agents – 36 agents spread across the country to complement our service points.
- ATM – Our customers can access over 650+ ATMs through our Visa bin sponsorship.

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

10. OUR BUSINESS/OPERATING MODEL (Continued)

Resources and inputs employed to provide service to customers (Continued)

What we offer/Output

- Lending – We have variant of loan products available to customers and clients to support their needs, loans to Government employees (DAS), Mtaji Afya, Mtaji elimu, Mtaji nyumba, Insurance premium financing (IPF), digital loans through MNO partnerships, and SMES loans specifically designed to address the need of small and medium enterprise.
- Deposit savings – We provide deposit savings solutions i.e. current account, saving accounts and term deposit.
- Mobile deposit – We enable customers to conveniently deposit money electronically by transferring from all major mobile money operators (MNOs), moreover, in partnership with Airtel Money we are enabling customers to save money digitally while earning attractive interest.
- Payments and transactions – Through our Payment cards (Visa) and our Mobile Banking Solution, our customers can make payments to domestic and international merchants.
- Banc assurance – We provide brokerage service to insurance companies offering a wide range of covers including life, general and medical insurance.

Outcomes

We deliver value to all our stakeholders and fulfill a vital role in the economies in which we operate.

Stakeholders	Outcome
Employees	<ul style="list-style-type: none"> - A workplace where employees can be productive and achieve their potential. - Performance underpins the rationale for recognition and reward. - Self-led development and an opportunity for career progression.
Customers and clients	<ul style="list-style-type: none"> - Innovative, efficient cost-effective banking solutions that meet their needs. - Improved access to markets and financial services including access to information and advice. - 6 branches, 16 remotes sales centers, 82 satellite offices, 36 agencies banking and 1 call center for customer engagement. - Supporting financial goals for our customers and clients with products and services delivered through a superior offering.
Regulators	<ul style="list-style-type: none"> - Continuous streamlining with all required regulations - A stable financial services sector through engagements with regulators.
Society	<ul style="list-style-type: none"> - Providing support to our communities, and access to social and environmental financing to address societal needs. - Increase access to, and funding for education, health and housing solutions
Investors/ shareholders	<ul style="list-style-type: none"> - Delivering attractive and sustainable shareholder returns on their investment

11. FACTORS THAT IMPACTED OUR ABILITY TO CREATE VALUE

Our operating environment is characterized by increased competition, disruptive technologies, changing consumer behavior and regulatory and policy changes. Within the context of our current strategic, cultural and digital journey, we manage the following material matters.

ISSUE	RISK/IMPACT ON VALUE CREATION	OUR RESPONSE
Increasing competition	Loss of market share coupled with pressure on revenues and possible loss of revenue if our offerings don't remain competitive.	Delivering innovative products and services through an increasingly automated and digitized environment.
Technologies and digital adoption	Digital transformation is changing the way we do business, from client onboarding and products sales to servicing.	Improving our partnerships to drive greater alignment between our business and technology partners to ensure we remain agile in the face of change.
Rising stakeholder expectations	Stakeholders' sentiments can impact our reputation and affect the cost and availability of funding that is required to drive long-term performance.	Increased engagements with stakeholders to best understand their expectations to incorporate into our strategic planning. Adopting integrated reporting to increase transparency on our value creation process.
Ongoing regulatory and policy changes	Growing compliance costs which may have to be passed on to customers and ultimately impact shareholder returns.	Allocating a material proportion of our investment to regulatory compliance and risk prevention initiatives. Engagement with policy makers and communities to advocate for appropriate regulatory reform. Maintaining constructive and proactive relationships with key regulators.

Main trends and factors likely to affect future prospects

The banking industry is experiencing a fundamental shift, driven by new competition from FinTech and Telco companies, a cultural shift, continuous change in regulations and compliance, and disruptive technologies. The coming out of FinTech/non-bank start-ups is changing the competitive landscape in financial services, driving traditional institutions to rethink the way they do business. These and other banking industry challenges can be resolved by new technology which has caused disruptions. However, the transition from the old systems to the innovative solutions has not always been an easy one. That said, banks need to embrace digital transformation as the only way to survive in the current landscape.

Increasing competition

The competition posed by FinTechs, which mainly targets some of the most profitable areas in financial services, is substantial. It is expected that these Fintech and start-ups would divert revenue from traditional banks and financial Institutions. These new industry entrants are forcing many financial institutions to strive for partnerships and/or acquisition opportunities as a measure to survive. For the traditional bank to continue and maintain a competitive advantage, it has to learn from FinTechs, by providing simplified and intuitive customer experience.

11. FACTORS THAT IMPACTED OUR ABILITY TO CREATE VALUE (Continued)

Main trends and factors likely to affect prospects (Continued)

Cultural shift

In the digital world, there is no opportunity for manual processes and procedures. Banks need to think of technology-based resolutions to banking industry challenges. As a result, it is important that banks and financial institutions institute a culture of innovation, in which technology is leveraged to optimize existing processes and procedures for maximum efficiency. The cultural shift towards new technologies is reflective acceptance of digital transformation.

Regulatory compliance

Regulatory compliance has become one of the most significant banking industry challenges as a direct result of the growing number of regulations that banks must comply with; compliance can significantly strain resources and is often dependent on the ability to correlate data from disparate sources. Faced with severe consequences for non-compliance, banks have incurred additional cost and risk in order to stay up to date on the latest regulatory changes and to implement the controls necessary to satisfy those requirements. Overcoming regulatory compliance challenges requires banks to foster a culture of compliance within the organization, as well as implement formal compliance structures and systems.

Rising expectations

Customers of today's world are very smart and more informed than ever before and expect a high degree of personalized services and convenience out of their banking experience and as a result, an increased expectation of digitized experiences. Millennials have led the charge to digitization whereby they prefer to interact with brands via social media and found that they make up the larger percentage of mobile and internet banking users. As a result of this trend, banks can expect future generations to be more users of mobile banking rather than visiting physical branches. The challenge for banks is to maintain a hybrid banking model which can serve both the older and younger generations.

Continuous innovation

For the banks to sustain themselves in the current world, they require continuous innovation which helps them to stay competitive and address market demands while improving customer experience. Innovation stems from insight, and insight tends to be discovered through customer interactions and continuous analysis. Banks need to build advanced analytics capability to maximize the utilisation of the data asset in revenue growth, risk/fraud control and efficiency (financial control and operational cost). The banks should also continuously promote and drive agile culture throughout the organisation in order to manage the speed, scale and value of digital transformation.

12. OUR STRENGTH

For more than eight years, we have been serving our customers with strong conviction and diligence, understanding that our survival as a business is tied to their individual growth and collective prosperity.

Brand

Our brand helps foster a strong relationship of trust with our customers and clients. Our story of progress is centered around supporting economic transformation and building sustainable livelihoods for our customers. Our long-term vision is to drive impact across all our markets through financial sector innovation while improving lives.

12. OUR STRENGTH (Continued)

Technology and infrastructure

Our technology and infrastructure capabilities drive seamless customer experiences and support strong resiliency. We have invested in technology which enables competitive product development, the implementation of reliable techniques for control of risks and enhancement of digital channels which help the bank to reach geographically faraway and diversified markets. It is projected that during the year 2026 the bank will continue to invest massively in terms of strengthening the digital platform.

Operations and governance

Our risk management, governance and controls help ensure customer and client outcomes are delivered in the right way. The Bank Risk Management Framework forms the Bank's integral part of corporate governance. It defines the Bank's high-level governance structure; it documents the key responsibilities and accountabilities that are in place to manage risks inherent in the Bank's business and operations. The framework also outlines controls, processes, and structures to support proper implementation of Risk Management Strategies. This control framework is intended for use in dissemination of risk management objectives and strategies to all stakeholders in the group.

Effective risk management equips the Bank to respond actively to market volatilities and uncertainties using well analyzed risk-based information to enable more effective decision-making. In turn, increased capacity and demonstrated ability to assess, communicate and manage risk builds trust and confidence in customers and the general public.

Employee engagement

The bank ensures employees are committed and connected, which addresses the needs of our stakeholders. Employee engagement has appeared as a critical instrument of our business success in today's competitive banking environment. The human resource department ensures high levels of engagement of staff which promotes retention of talent, nurture customer loyalty and improve bank performance and stakeholders value. Our employee engagement is a key link to customer satisfaction, protects bank reputation and overall stakeholder value.

Customer focus

The Bank maintains a customer centric focus, innovating business models that meet the customer demands and leverage cutting edge technology to find solutions for customer needs. We have enhanced the capabilities of our core banking system and alternative channels and ensure our footprint presence across the country. The banking sector has embraced technology to serve customers more efficiently.

13. OPERATING ENVIRONMENT

The operating environment remained stable amidst the turbulent dynamics of the year. The banking sector remained stable, profitable, adequately capitalized, with a sufficient level of liquidity and improved asset quality. The sector remained resilient to internal and external shocks and continued to grow in terms of deposits and assets, supported by a favorable macroeconomic environment, regulatory and supervisory measures. The government embarked on some measures to stabilize the economy and record a good performance in 2025, all things considered. Digital banking services continue to expand driven by increasing financial inclusion and mobile penetration rate while the banks slowed down significantly the branch network expansion.

13. OPERATING ENVIRONMENT (Continued)

Macro and micro economic overview

Tanzania's economy demonstrated strong resilience in 2025, maintaining robust growth momentum despite external uncertainties. Real GDP growth accelerated to 6.3% in Q2 2025 and 6.4% in Q3 2025, supported primarily by agriculture, mining, construction, and financial services. These outcomes align with projections from the African Development Bank and World Bank, which both forecast overall GDP growth of approximately 6% for 2025, driven by improved business conditions, infrastructure investment, tourism recovery, and stable domestic demand.

Inflation remained contained throughout the year. Headline inflation averaged 3.4% in Q3 and closed at 3.6% in December 2025, well within the national target and regional convergence bands. While food-related pressures emerged late in the year, stability was supported by prudent monetary policy under the new interest-rate-based framework adopted by the Bank of Tanzania, which continued to strengthen policy transmission and help anchor expectations.

External sector performance improved markedly. Exports of goods and services rose by 10.2%, with gold exports surging 37.4% to USD 4.7 billion, while international tourist arrivals reached 2.29 million, reinforcing foreign exchange earnings and supporting domestic liquidity. Private-sector credit expanded by 23.5%, reflecting improved investment sentiment and healthier financial sector conditions.

Despite the positive outlook, several downside risks warrant close monitoring. These include global geopolitical tensions, climate-related shocks, and potential volatility in commodity market factors highlighted consistently in regional and global economic assessments. Nevertheless, Tanzania's continued macroeconomic stability, infrastructure roll-out, and ongoing reforms provide a strong foundation for sustained growth in 2025 and beyond.

Environmental, Social and Governance Reports

The Bank recognizes Environmental, Social and Governance variables that affect its financial position and operating performance. The Bank refers to these variables as ESG related risks. The Bank is committed to driving a distinct ESG program that is consistent with its overall business strategy and Enterprise Risk Management Framework. We understand that ESG may affect stakeholders including our clients, teammates, communities and shareholders, we also understand how we manage ESG issues, and we have better insight into how we are living our values and delivering on our purpose to drive responsible growth.

Regulatory environment

The banking sector remained sound, well-capitalized, and resilient throughout 2025, supported by steady economic fundamentals and enhanced supervisory oversight by the Bank of Tanzania (BOT). The BOT continued to implement measures to strengthen financial stability, including directing institutions with capital inadequacies to execute capital restoration plans in alignment with regulatory requirements. These efforts form part of BOT's broader mandate to reinforce financial sector stability as outlined in its 2025–2030 Strategic Plan.

A major regulatory milestone in 2025 was the issuance of the Financial Consumer Protection (Amendment) Regulations, 2025 (Government Notice No. 298), which introduced wide-ranging reforms to enhance consumer rights and strengthen market conduct standards.

Enhancing disclosure obligations, requiring fees, charges, and interest terms to be clearly communicated in either English or Kiswahili based on customer preference.

These provisions were formalized through BOT's regulatory publications and further detailed in legal commentaries reviewing the 2025 amendments.

13. OPERATING ENVIRONMENT (Continued)

Regulatory environment (Continued)

Additionally, transparency in fees and charges was emphasized, with mandatory quarterly publication of all fees, rates, and related costs in national newspapers and institutional websites. The BOT also retained authority to prohibit fees where necessary to ensure fairness and protect consumers.

To enhance credit discipline and risk management, the BOT reinforced mandatory use of the Credit Reference Bureau (CRB) across the banking sector. This regulation aims to strengthen credit assessments, reduce non-performing loans (NPLs), and improve the functioning of the credit market, aligning with BOT's strategic objective to deepen financial sector stability and integrity under its 2025–2030 roadmap.

Political environment

The Bank is operating under a stable political environment in which it operates to safeguard the interests of shareholders and meet stakeholders' needs. Overall stabilization and growth of the bank and economy at large. Also, a stable political environment has promoted the increase in foreign investment and the domestic investments and operations through fair and stable tax regime and policies induced by the government leading to the increase of production capacity.

Competitive position

The banking landscape continues to face competition from other players, mainly Mobile Network Operators (MNOs) and FinTech with technology disruptions becoming a norm. Similarly, the mergers and acquisitions being witnessed in the banking industry will likely create entities that will increase competition in the sector.

The Bank will continue to leverage its competitive advantage through customer centricity, improved technology and network committed workforce to deliver value to all stakeholders.

Market forces

The Bank serves a diverse customer base with changing needs and ever-increasing demand for more value and convenience. Technology is highly impacting the banking landscape; clients expect 24/7 banking wherever they are in the world- the same access offered by other service providers. They also expect constant innovation.

The Bank maintains a customer centric focus, innovating business models that meet the customer demands and leverage cutting edge technology to find solutions for customer needs. We have enhanced the capabilities of our core banking system and alternative channels and ensure our footprint presence across the country and in our cross-border operations to foster excellent customer experience.

Human rights

The Bank complies with all regional and international human rights instruments. We also promote human rights through our employment policies and practices, through our supply chain and through the responsible use of our products and service in accordance with the requirements of the Constitution of Tanzania.

Health

The Bank is committed to conducting our business in compliance with all applicable health and safety laws and regulations (the Occupational Safety Human Resources Policy and Health Act.No.5 of 2003. The Bank strive to provide a safe and healthy work environment to avoid adverse impact and injury to its employees and customers by taking responsibilities towards the safety of everyone on our premises, including employees, contractors, customers, visitors and members of the public, and ensures that they are not exposed to risks that may compromise their Health and Safety.

14. STAKEHOLDERS NEEDS AND INTERESTS

As a financial services provider we are deeply connected and committed to the environment we operate in and the societies we serve. Our ability to deliver value is dependent on our relationships and the contributions and activities of our stakeholders. We engage in dialogue with our stakeholders to understand their needs and seek to meet their expectations to create value for them and for the Bank.

Stakeholders	Stakeholders' needs and expectations
Employees	<ul style="list-style-type: none"> - Career development and advancement opportunities - Challenging work, with opportunities to make a difference - An empowering and enabling environment that embraces diversity and inclusivity. - Fair remuneration, effective performance management, and recognition - A safe and healthy work environment
Customers	<ul style="list-style-type: none"> - Innovative financial solutions and services - Convenient access to banking services through digital channels. - Excellence in client service. - Value-for-money banking that is competitive and transparent in pricing.
Suppliers	<ul style="list-style-type: none"> - Fair bidding and timely payments
Shareholders/ investors	<ul style="list-style-type: none"> - Continuous engagement to inform their investment decisions.
Regulators and policy makers	<ul style="list-style-type: none"> - Compliance with all legal and regulatory requirements - Being a responsible taxpayer in all jurisdictions where we conduct business. - Active participation and contribution to industry and regulatory working groups.
Society	<ul style="list-style-type: none"> - Providing access to relevant financial solutions that help to achieve desired outcomes for individuals, their families, their businesses and their communities. - Influencing its stakeholders to act responsibly in environmental, social and governance matters - Letshego partnering with the community to address common social and environmental issues to build a thriving society.

15. OUR OBJECTIVES AND STRATEGY

Letshego Faidika Bank Limited objective has been prepared with the view of achieving more revenue, growing the business in terms of lending activities and ultimately improving shareholders value and life of the people, the objectives have been developed out of transformational strategy. Letshego Faidika Bank Limited turn-around agenda is driven by transformational strategic conversations namely product diversification, digitalization, enterprise agility, geographical rebalancing, and sustainable stakeholder value. The bank will continue to maintain its core objectives of improving the lives of ordinary Tanzanians through the provision of financial services and products; improving our IT system's performance and security and improve the quality of customer service while being an agile provider of financial services in the country.

In perspective, the bank continued to be resilient, Letshego Faidika bank Limited continue to strengthen our customer services, stakeholder engagement, portfolio quality management, ICT infrastructure, resource optimization, capacity building, we aspire to deploy bold strategies to address productivity and cost levers.

Letshego Faidika Bank Limited Strategic Business objective is therefore to be a systemic bank in Tanzania and move to mid-tier bank within the next three years i.e., Top 20 in ranking by profitability, total assets and deposit market share. Letshego Faidika bank Limited to become among Top 20 financial institution serving over 50,000 customers.

LETSHEGO FAIDIKA BANK LIMITED

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

16. SHARE CAPITAL AND SHAREHOLDING

The bank's capital structure for the year under review is shown below:

Authorised share capital

During the year, the authorised share capital of the bank was TZS 67,408,974,219 divided into 100,000 consisting of 588,891 ordinary shares (2024: TZS 588,891) and non-cumulative preference shares 85,199 (2024: TZS 85,199).

Called up and fully paid share capital

588,891 (2024: TZS 588,891) ordinary shares of TZS 100,000 each amounting to TZS 58,889,074,219 (2024: TZS 588,891) as at end of year 2025 and 85,199 (2024: 85,199) preferences share of TZS 100,000 amount to TZS 8,519,900,000 (2024: TZS 8,519,900,000) giving the total of TZS 67,408,974,219 (2024 TZS 53,488,892,180).

Non-cumulative preference shareholders are given priority on receiving dividend over ordinary share. Holders of non-cumulative preference shares are not entitled to carry over the dividend for the year the Bank has not declared to issue dividend.

17. MANAGEMENT

The structure of the bank is comprised of the below departments:

- Finance department
- Distribution and Business development department
- Operations department
- People and Culture department
- Internal Audit department
- Risk department

18. RESULTS AND DIVIDEND

The results of the Bank are set out on page 57. During the year ended 31 December 2025, the Bank reported a Profit Before Tax of TZS 13,131.81 million (2024: 9,089.74 million). The Directors have recommended the payment of a dividend for the year. The final amount of dividend to be paid will be determined upon completion of the statutory solvency assessment as required by applicable regulations and is subject to obtaining the necessary approvals from the Central Bank. Accordingly, no liability for dividends has been recognized in these financial statements as at the reporting date. During the year bank paid dividends amounting to TZS 6,350 billion for the year ended 31 December 2024.

19. SHAREHOLDERS OF THE BANK

Letshego Africa Holdings Limited is a shareholder of the bank holding over 99% of the shares.

Name	Country of Incorporation	Number of shares	Value of Shares TZS'000
Letshego Africa Holdings Limited - Ordinary shares	Botswana	591,689	59,168,900
Letshego Africa Holdings Limited - Preference Shares	Botswana	85,199	8,519,900
Andrew Okai	Botswana	<u>1</u>	<u>100</u>
Total share capital		<u>676,889</u>	<u>67,688,900</u>

LETSHEGO FAIDIKA BANK LIMITED

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

20. PERFORMANCE REVIEW

Financial performance

The Bank's financial results for the year are set out on page 57 of the financial statements. During the year ending 31 December 2025, the bank recorded a profit before tax of TZS 13,131.81 million compared to a profit before tax of TZS 9,089.74 million for the year ended 31 December 2024. The main drivers of the results for the year are highlighted below:

Net interest income

Net interest income (interest income less interest expenses) increased by 24% from TZS 29,374.77 million in 2024 to TZS 36,425.05 million for the current resulting from significant increase in the bank loan book and overall businesses volume during the year due to lowered interest rate for DAS Loan from 36% to 24% in June 2025, and instant loan growth.

Non-interest income

Non-interest income includes the following: fees and commission income. Net non-interest income increased to TZS 1,119.14 million compared to TZS 889.01 million earned in 2024. The increase was contributed to by an increase in volume of top up loans during the period and the increase in the fee charged on top-up loans.

Impairment losses

In 2025 impairment expense decreased to TZS 5,233.85 million from TZS 5,786.51 million in 2024. The decrease of provision during the year was due to recoveries from written off portfolio.

Bank operating expenses

Total operating expenses include personnel costs, depreciation of property and equipment, amortization of intangible assets and general administrative expenses. During the year bank operating expenses increased by TZS 3,791 million from TZS 15,387.53 million in 2024. The increase in operating expenses was significantly contributed by increase in operations that led to the growth that our bank attained during the year, nevertheless our cost-to-income ratio remained at 51%.

Key performance ratios

The key performance ratios of the bank are indicated below:

No.	Particulars	2025	2024
1.	Return on total assets	10%	8%
2.	Return on equity	19%	12%
3.	Non-interest expense to interest income	51%	53%

Financial position

The bank's financial position is set out on page 58 of the financial statements, with comparative figures for the current and previous year.

Cash and bank balances with Bank of Tanzania

Cash and bank balances with Bank of Tanzania increased to TZS 2,420.14 million from TZS 1,414.45 million in 2024. The increase is due to increase in operations and activities at Bank of Tanzania account.

LETSHEGO FAIDIKA BANK LIMITED

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

20. PERFORMANCE REVIEW (Continued)

Other bank balances

Other bank balances decreased to TZS 10,190.30 million from TZS 24,891.04 million in 2024, due to payment of dividend and loan funding.

Loans and advances

The gross loans and advances increased to TZS 112,103.82 million in 2025, up from TZS 87,823.26 million in 2024, while net loans and advances grew by 35% (compared to a 3% increase in 2024). The rise in loans and advances is primarily attributed to the issuance of new loans, following the introduction of instant loans in partnership with Mobile Network Operators (MNOs).

Property and equipment

The carrying value of property and equipment increased by TZS 442.95 million (137% increase) from TZS 322.36 million in 2024 to TZS 765.32 million mainly due to purchase of assets. The Increase in assets was, however, offset by depreciation during the year amounting TZS 469.53 as disclosed in Note 17.

Other assets

Other assets increased by TZS 5,873.80 million from TZS 2,824.48 million in 2024 to TZS 8,698.28 million in 2025. The increase is due to increase in other receivables due to various transactions done with third parties.

Customer deposits

The increase in customer deposits to TZS 20,852.79 million from TZS 10,133.69 million (by 106%) was mainly driven by the mobile deposit, different mass market campaigns and increase of number of customers term deposit.

Other liabilities

Other liabilities have increased to TZS 12,407.66 million from TZS 7,278.87 million in 2024 mainly attributed by operational expansion.

Key efficiency ratios

The key efficiency ratios of the bank during the year are indicated below:

No.	Particulars	2025	2024
1.	Total capital to total assets	67%	71%
2.	Non-performing loans to total advances	7%	8%
4.	Loans to total assets	76%	71%
5.	Deposit growth	106%	2%

How we delivered KPI set

- Aligned branch operations to the new operating model to fit service demands, increase productivity and improve controls.
- Embarked on Culture transformation program to align peoples mind delivering required output.
- Conducted HQ and branch processes alignment to optimize resource utilization.

LETSHEGO FAIDIKA BANK LIMITED

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

21. FUTURE DEVELOPMENT PLANS

Shareholders of Letshego Faidika Bank Tanzania Limited (“the Bank”) are advised that the Bank’s ultimate shareholder, Letshego Africa Holdings Limited (“LAHL”), has issued a series of cautionary announcements regarding ongoing engagements with potential counterparties in relation to a possible corporate transaction at Group level.

LAHL has publicly communicated that:

- The Group is engaging with potential counterparties as part of a process that may result in a corporate transaction. The most recent updates confirm that the Group has received binding offers and is actively reviewing them; however, no preferred counterparty has been selected, and no agreements have been executed to date.
- The Board of LAHL has emphasized that there is no guarantee that any transaction will materialize, and therefore shareholders are advised to continue exercising caution when dealing in the Company’s securities until further announcements are made.
- LAHL has further confirmed that all Group and subsidiary operations—including Letshego Faidika Bank Tanzania—remain uninterrupted and continue to operate as usual, notwithstanding the ongoing strategic evaluation process.

The Bank plans to continue to increase its portfolio of clients, both for deposit and loan, and will conduct a selective expansion of its branches, focusing on value-added customer services, while carefully managing both costs and risks. Deposit mobilization remained key in 2025 as the bank continued to strengthen the strategic partnership with Mobile Network operators. The bank is planning to conduct deposit mobilization, collection and recovery campaign during the year 2026 which is projected to raise deposit and improve on Nonperforming ratio and bank liquidity. During the year 2026 the bank is planning to introduce digital loans with multiple partners, we will also target retail deposits, institutional deposits. We will also focus on the improvement of alternative channels to retain and attract cheap deposits.

During 2025 Letshego Faidika Bank Limited plans to push aggressively for digitalization and open up for alternative channels in order to increase its portfolio of clients, both for deposit and loan, priority will be given to digitization of services and partnership with other big players and MNO’s focusing on value-added customer services, Other key strategic initiatives will be to drive to increase Instant Loan Penetration in the MNO Sector, increase the base and scope of the Instant loans Subscribers.

The Bank’s aspiration is centered on addressing productivity and cost levers. In 2026, we will put the customer at the center of what we do by addressing their evolved needs. In addition, we will remain relevant in the business by responding to the market dynamics. We will create a robust support system to match the business aspirations and key drivers of growth. We will increase efforts on business diversification by growing more on Retail banking while focusing on optimization and retention on the corporate side.

On Retail, we will leverage customer segmentation and profiling to offer solutions relevant to the needs. In addition, we will adopt volume and risk-based pricing to drive growth through the affordability context. We will leverage technology and partnerships to drive channel optimization and accessibility.

Our service experience aspiration is to enhance the entire operations value chain through process simplification and automation. Thus, we will prioritize the delivery of critical technology projects as enablers and accelerate process reengineering programs. Most paramount, we are committed to implementing a holistic transformation leading to the bank of the future. Adapting to a new culture will drive performance, productivity and profitability. Create technological capabilities to transform how we operate and offer services, enhancing cyber maturity posture and data protection. Specifically, for 2026, our strategic direction will strike the right balance between business growth and compliance.

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

21. FUTURE DEVELOPMENT PLANS (Continued)

In 2026, the Bank aspirations shall be:

- Increase overall lending volumes through growth in Short-Term Digital Loans, DAS (Government & Private), and MSE segments.
- Strengthen credit underwriting and maintain NPL ratios within acceptable thresholds across all portfolios.
- Improve DSA productivity and expand rural market penetration to grow formal sector lending.
- Scale digital loan payouts supported by stronger partnerships with MNOs and fintechs.
- Enhance digital lending systems to support real-time decisioning, analytics, and improved customer journeys.
- Improve digital collections to maintain collection rates above 95%.
- Enhance DAS customer experience and reduce early settlements through targeted retention measures.
- Expand MSE product offerings (asset finance, overdrafts, invoice discounting, trade finance).
- Improve end-to-end credit processes through digitisation and capacity building for RMs/Ros
- Aggressively grow deposits through improved value propositions, stronger digital channels, and targeted institutional deposit products.
- Increase CASA portfolios to reduce cost of funds and improve liquidity ratios.
- Enhance digital savings solutions and drive customer adoption.
- Improve system interoperability with key stakeholders (NIDA, VISA, MNOs, Government platforms).
- Grow bancassurance income by embedding insurance across lending products.
- Improve digital insurance processes and enhance customer uptake through DSA and branch channels.
- Strengthen cost optimisation initiatives, including procurement efficiency and reduction of non-essential expenses
- Target improvement in the Bank's cost-to-income ratio through disciplined cost control.
- Diversify funding sources through retail deposits, SME deposits, and interbank lines.
- Improve asset quality to support capital adequacy and overall balance sheet strength.
- Enhance workforce productivity through training, performance management, and improved sales capability.
- Strengthen DSA capability to cross-sell across loans, deposits, and insurance products.
- Improve customer-centric culture across the bank.

The Bank's expectations from the investment made will result in an increase in operational efficiencies, costs reduction and consequently increase profitability. The transformation targets to build a superior banking experience and generate value for all stakeholders. To achieve a more prolific performance, the Bank will harness the opportunities brought about by the transformation initiatives being implemented.

In 2025, the Bank strategy is to develop new products and services that will fit the recent needs of our customers to catch-up with the technology to help and support our customers in a sustainable way. The 2025 strategy also aims to unlock the full potential of the Bank by entrenching the efficiency of service and transforming our sales force.

We plan to leverage technology, talent and opportunities to build a robust proposition for our customers. Key considerations for us in the new year include sustained expansion of our agency banking business, seeing that it is a cost-effective avenue through which the Bank can expand its reach to provide access to financial services for underserved communities in rural areas.

We will also continue to accelerate automation with a view to reducing manual interventions. We believe that this will enhance efficiency in our delivery service and, in turn, deliver superior experience for our customers. We are resolving to get closer to our customers more so that we can understand their pain points and help them achieve their financial goals.

22. 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 is connected to 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.

(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 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.
GHG emissions	The Bank exercised judgement when selecting: - appropriate emission factors - emissions categories which have the most impact on the Banks prospects. For more detail on GHG emissions, see Note (24)(V)(b)(viii) in the report by those charged with governance included in page 41.

22. SUSTAINABILITY RELATED FINANCIAL INFORMATION (Continued)

I. General requirements (Continued)

(c) Assumption, judgement and estimates (continued)

Topic	Description
GHG emissions	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.
Resilience assessment	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.

(d) Transition reliefs

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

- not to disclose comparative information on Sustainability related risks and opportunities
- 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.

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

The Board has the ultimate responsibility for oversight of the bank's approach to sustainability-related risk and opportunities. The Board considers sustainability-related risk and opportunities as part of its oversight of the Bank's strategy, major transactions and risk management processes. This includes quarterly reviewing how sustainability and climate related issues are factored in strategic planning, investment decisions and the design of enterprise risk management policies.

22. SUSTAINABILITY RELATED FINANCIAL INFORMATION (CONTINUED)

II. Governance (Continued)

Sustainability governance (Continued)

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

The Board's responsibilities include:

- The Board is ultimately responsible for the effective management of all risks faced by the Bank.
- The Board must approve and review annually the ERM framework, primary risk type frameworks, policies and strategies that cover sustainability and climate-related financial risks. The approval of procedures is delegated to the Country Management Committee for approval.
- The Board must ensure an appropriate collective understanding of sustainability and climate-related financial risks at both Board and senior management levels.
- It is the responsibility of the Board to ensure adequate and timely reporting to the Board on sustainability and climate-related financial risks.
- The Board must ensure relevant capacity development and training programs on sustainability and climate-related financial risks.

The Board Audit and Risk Committee supports the Board in fulfilling its responsibility of overseeing all sustainability related risks and opportunities including climate risk, each with a distinct role and mandate. It reviews climate related strategies, approves risk appetite thresholds for environmental risk, and monitors exposure to high emitting sectors.

The Board Audit and Risk Committee help prepare the Board for decision-making on sustainability-related matters through quarterly review of sustainability-related risk metrics, exposures, effectiveness of the sustainability-related strategy & mitigation actions and providing recommendation to the Board

To exercise these duties, the Board Audit and Risk Committee:

- The Committee is responsible for overseeing the implementation and embedding of the ERM framework, primary risk type frameworks, policies and strategies that cover sustainability and climate-related financial risks.
- The Committee must review annually the ERM framework, primary risk type frameworks, policies, standards, strategies, procedures, and processes that contain sustainability and climate-related Financial Risks before recommending them to the Board for approval.
- The Committee must review every quarter management risk report and make appropriate decisions before recommending any approvals to the Board.

During the year, the focus was on ensuring sustainability and climate 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 into governance and decision-making.

Skills, Competence and Training

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

Head of Operation is responsible for developing a training road map for Reputational and Sustainability Risks including ESG across the Bank and on need basis, across our critical third parties. Head of Operation liaises with risk framework owners to deliver training to employees on other areas of risk that may carry consequential reputational & sustainability-related risks and opportunities to Bank.

The Bank's Board members contribute a wide range set of skills and experience that enhance decision-making and oversight. The table below highlights the type and breadth of skills represented on the Board.

22. SUSTAINABILITY RELATED FINANCIAL INFORMATION (CONTINUED)

II. Governance (Continued)

Sustainability governance (Continued)

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

Board member	Gender	Audit & Accounting	Climate / Sustainability	Human rights	Digital//FinTech/ eCommerce	Enterprise Risk Management	Stakeholder relations	Management / Strategy
Julius Beda Mukoji	M	•	•	•		•	•	•
Adam Mayingu	M	•	•	•	•	•	•	•
CPA Bengi' Issa Mazana	F	•		•	•	•	•	•
Baraka Munisi	M	•		•	•	•	•	•
Armando Sirrolla	M	•	•	•	•	•	•	•
Kgotso Bannallothe	M	•		•	•	•	•	•
Monica Joseph	F	•		•	•	•	•	•
Ethel Kuuya	F	•		•		•	•	•

Remuneration linked to sustainability performance metrics

During the reporting period, sustainability and climate-related performance metrics were not embedded within executive remuneration or incentive frameworks. However, the Bank continues to actively track emerging industry practices and regulatory developments over time.

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

Country Management Committee includes the management risk & compliance committee, asset & liability committee, management portfolio review committee and combined risk assurance forum, whereas they oversee the sustainability strategy, risk management framework, effective execution or internal controls and sustainability reporting. Country Management Committee liaises with business functions such as risk, business, credit and operations functions to receive sustainability-related risk and opportunities updates monthly.

Head of Operation, Head of Risk and Compliance and the Chief Executive are responsible for effective implementation and embedment of the bank ESG program. The Head of Finance coordinates the preparation of the sustainability and climate-related financial risk disclosure report. The final disclosure report is reviewed by Board Audit and Risk Committee and approved by the Board for inclusion in the bank's annual report.

The Country Management Committee's responsibilities include:

- The Committee is responsible for developing and implementing the ERM Framework, primary risk Type frameworks, policies, and strategies that include sustainability and climate-related financial risks as a cross-cutting risk type.
- The Committee must review every year the effectiveness of the ERM Framework, its Primary Risk Type Frameworks, policies, standards, procedures, processes, risk tools, and controls. Frameworks and Policies must be recommended to the Board for approval whilst Standards, Procedures, and Processes must be approved by the Management Committee.

22. SUSTAINABILITY RELATED FINANCIAL INFORMATION (CONTINUED)

II. Governance (Continued)

Sustainability governance

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

- The Committee must provide quarterly risk reports to the Board that include sustainability and Climate-Related Financial Risks.
- The Committee must ensure that the internal structures are clearly defined and have adequate resources, skills and expertise to support the effective management of all risks including sustainability and Climate-Related Financial Risks.
- The Committee must ensure that staff have sufficient awareness and understanding to identify potential risks on a day-to-day basis and attend planned mandatory training for the year.
- The Committee is responsible for ensuring that all risks including related outstanding audit issues that include sustainability and climate-related financial risks are addressed in a timely manner.

III. Strategy

The Bank is committed to operating a profitable business on a sustainable basis, contributing to growth and prosperity, as well as to improving the lives of our customers.

The Bank conducts materiality assessments to identify sustainability-related risks and opportunities that could reasonably impact the strategy, business model and prospects. In 2025, the Bank conducted an initial assessment to align with the requirements of the IFRS Sustainability Disclosure Standards and to support evaluation of

sustainability-related matters.

The following is a summary of the materiality assessment process.

Materiality process	
Identifying relevant risks and opportunities	Identifying material information
(i) Map impacts and dependencies across the value chain by engaging with key internal and external stakeholder 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).	(i) Identify potentially material information about the risks and opportunities by applying IFRS S1 & S2 and referring to the Commercial Bank SASB Standard. For more detail, see source of guidance used under Note 24 (l) (b) in the report by those charged with governance included in page 1. (ii) Determine material information by assessing whether the information identified could influence users' investing or financing decisions.

22. SUSTAINABILITY RELATED FINANCIAL INFORMATION (CONTINUED)

III. Strategy (Continued)

Materiality process	
Identifying relevant risks and opportunities	Identifying material information
ii) 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 magnitude and likelihood of impacts from both management and user perspectives.	(iii) Consolidate relevant risks and opportunities into a detailed table for validation and approval by the Board of directors. Material information on the relevant risks and opportunities is included in the Sustainability-related financial information.

(a) Financial Inclusion & Capacity Building

Risk description

Financial Inclusion & Capacity Building is a core part of Letshego Faidika Bank Limited’s business model. As a bank serving salaried and underserved customer segments, any inability to maintain accessible, responsible, and customer-friendly financial services could affect loan growth, portfolio quality, customer retention, and overall cash flows over the short, medium, and long term. Increased competition, changing customer needs, and reduced customer access to digital or physical service channels could also weaken the Bank’s ability to sustain its market position and affect future growth and the attractiveness of its funding.

In the short term: weak financial inclusion practices or inadequate customer capacity building may lead to poor product understanding, over-indebtedness, inappropriate product usage, and higher early-stage delinquencies, thereby affecting cash collections and increasing credit losses. This may also weaken customer trust and reduce loan uptake in key target segments.

In the medium term: inadequate support for underserved customers may constrain Letshego’s ability to grow sustainably in its core market, leading to lower business volumes, weaker customer retention, and reduced competitiveness relative to peers offering more inclusive and customer-centric solutions. This could affect the Bank’s revenue growth, portfolio diversification, and operating leverage.

In the long term: persistent gaps in inclusion and customer capability building could affect the Bank’s reputation, regulatory standing, and attractiveness to impact-oriented funders, development finance institutions, and other stakeholders who increasingly consider inclusion outcomes in funding and partnership decisions. This may impair access to concessional or sustainability-linked funding and potentially increase the Bank’s cost of capital over time.

Concentration of risk within the bank’s business model and value chain

This risk is concentrated mainly in Letshego’s Government Deduction at Source (DAS) business, which has been the Bank’s core product. The product is primarily offered to central and local government employees, with particular focus on teachers, nurses, police, and municipal employees. The risk is also concentrated in the Bank’s customer access and distribution model, which relies heavily on its wide Direct Sales Agent (DSA) network, service centres, and branches across the country. In addition, the risk is more pronounced in customer segments that may require support to access digital channels, such as the ESS platform.

22. SUSTAINABILITY RELATED FINANCIAL INFORMATION (CONTINUED)

III. Strategy (Continued)

(a) Financial Inclusion & Capacity Building (Continued)

Current and anticipated financial effects on the bank's business model and value chain

The Bank continues to promote Financial Inclusion and Capacity Building as part of its commitment to expanding access to affordable financial solutions, strengthening customer knowledge, and supporting socio economic development within its markets. These activities form part of the Bank's broader sustainability strategy and are considered material to long term value creation, although they do not generate direct short term financial impacts on the current financial statements.

During the reporting period, the Bank incurred TZS 35 million to support financial education programmes, digital literacy campaigns, and community capability building initiatives, with no direct monetary recoveries attributable to these interventions.

Financial Inclusion and Capacity Building generated qualitative benefits such as improved borrower behaviour, enhanced repayment discipline, increased product uptake in newly reached segments, and strengthened customer trust. These initiatives also support long term portfolio growth opportunities and may contribute to reduced credit losses over time due to improved financial capability among customers. While no measurable impact has been recognized in current financial results, the Bank anticipates that these sustainability initiatives will enhance resilience across the business model and value chain by expanding accessible markets, supporting regulatory alignment with national inclusion objectives, and reinforcing the Bank's strategic positioning as a responsible financial-services provider.

Strategy

Letshego has responded to this risk by building an extensive national distribution footprint and customer support model to bring financial services closer to customers. The Bank currently operates through over 82 satellite offices, 16 regional offices, 6 full-fledged branches, and circa 200 active DSAs across Tanzania. This broad network supports customer reach, service delivery, and responsible access to finance.

The Bank has also strengthened customer accessibility by equipping DSAs with tablets to assist customers and borrowers in logging into the ESS platform and completing loan applications where they do not have suitable personal devices. This helps reduce barriers to access and improve service inclusion, particularly in underserved areas.

Letshego's strategy is further supported by:

- a loan size range of TZS 200,000 to TZS 150 million, allowing it to serve a broad spectrum of customer needs
- an existing customer base of more than 30,000 customers, which provides opportunities for deeper inclusion and cross-selling of complementary products of the bank
- a seasoned and diverse leadership team supporting execution and market responsiveness.

Going forward, the Bank intends to continue leveraging its branch, service centre, and DSA network, while enhancing digital access and customer support to sustain financial inclusion and improve customer experience.

22. SUSTAINABILITY RELATED FINANCIAL INFORMATION (CONTINUED)

III. Strategy (Continued)

(a) Financial Inclusion & Capacity Building (Continued)

Strategy (Continued)

Resilience

Letshego's strategy and business model are considered reasonably resilient in relation to Financial Inclusion & Capacity Building risk. This resilience is supported by its established DAS customer base, strong national distribution network, and experience serving government employees nationwide. The use of DSAs, service centres, and digital support tools enhances the Bank's ability to reach customers and maintain service continuity.

The Bank's resilience is also supported by its broad market presence, strong stakeholder relationships, and product experience in a segment where it has operated for many years, even as competition from larger commercial banks has increased. However, continued resilience will depend on the Bank's ability to maintain strong customer support, adapt to evolving competitive dynamics, and continue to improve access, convenience, and responsible lending practices.

(b) Incorporation of Environmental, Social, and Governance factors in credit analysis

Risk description

If ESG factors are not adequately considered in credit analysis, Letshego may be exposed to higher credit losses, collateral realization challenges, regulatory or reputational issues, and weaker portfolio resilience. Over the short to long term, this could affect asset quality, cash flows, funding attractiveness, and cost of capital.

In the short term: weak ESG integration may lead to poor borrower selection, weak identification of sector-specific risks, lending against assets or activities with hidden legal or environmental concerns, and underestimation of borrower vulnerability to operational disruption. This may increase delinquencies, exceptions, collateral realization risk, and credit losses.

In the medium term: insufficient ESG consideration may result in portfolio concentrations in sectors or customers that are more exposed to regulatory change, environmental disruption, social controversy, or governance weakness. This could lead to higher impairment charges, greater portfolio volatility, and reduced confidence in the quality of the Bank's risk management.

In the long term: failure to strengthen ESG integration may affect Letshego's reputation, limit access to investors or funders who increasingly expect evidence of ESG-aware credit practices and expose the Bank to higher compliance costs or a higher cost of capital. It may also reduce the Bank's ability to align with evolving regulatory and stakeholder expectations in sustainable finance.

Concentration of risk within the bank's business model and value chain

This risk is concentrated mainly in credit origination, appraisal, approval, collateral assessment, and periodic credit review, particularly for business lending and collateral-backed facilities where borrower operations, sector, location, and asset quality may heighten ESG risk exposure.

22. SUSTAINABILITY RELATED FINANCIAL INFORMATION (CONTINUED)

IV. Strategy

(b) Financial Inclusion & Capacity Building (Continued)

Current and anticipated financial effects on the bank's business model and value chain

The incorporation of ESG assessments enables more robust borrower profiling, early identification of emerging environmental and social risks, and improved pricing of credit exposures based on sustainability performance. While the adoption of ESG screening and assessment tools has not resulted in a direct financial impact on the current credit portfolio, the initiative is expected to improve the Bank's risk management capability by enhancing borrower due diligence, supporting early identification of emerging environmental and social risks, and enabling better-informed credit decisions in future lending.

The incorporation of ESG considerations contributes to a more forward-looking risk profile, particularly in sectors sensitive to environmental and social changes, even though no material quantitative impacts have been recognized in the current financial statements.

During the year, the Bank incurred about TZS 20 million in system enhancements, training, and process improvements to embed ESG factors into credit assessment processes; however, no recoveries or direct credit loss reductions have been attributed to ESG factors at this stage. Looking ahead, the Bank anticipates qualitative benefits such as improved credit quality, enhanced compliance with emerging regulatory expectations, reduced long term risk exposure in high vulnerability sectors, and strengthened sustainability positioning across the value chain, thereby supporting more resilient and responsible portfolio growth.

Strategy

Letshego has strengthened its credit processes by upgrading the credit appraisal template to include ESG classification, enabling each borrower or project to be assessed as high, medium, or low ESG risk.

This is supported by climate-risk questionnaires, enhanced appraisal checklists, and procedures requiring consideration of environmental, social, governance, insurance, and climate-related risk factors during credit assessment and monitoring. The Bank will continue to strengthen ESG integration in credit analysis, monitoring, and reporting over time.

Resilience

Letshego's strategy is currently reasonably resilient, supported by the enhanced credit appraisal framework, strengthened risk management processes, and governance oversight. While the Bank's ESG framework is still evolving, the measures introduced improve risk identification and support more informed lending decisions.

(c) Data security

Risk description

Letshego Faidika Bank is exposed to Data Security risk arising from unauthorized access, data breaches, system vulnerabilities, and inadequate data governance. This risk may impact cashflows through financial losses, regulatory penalties, and operational disruptions; constrain access to finance due to reduced stakeholder and regulatory confidence; and increase the cost of capital over time if not effectively managed.

A material data security breach could result in:

- Short term: direct financial losses due to system downtime, incident remediation, and potential fraud.
- Medium term: reduced transaction volumes, customer attrition, or increased insurance and compliance costs.
- Long term: diminished stakeholder trust and adverse regulatory action.

22. SUSTAINABILITY RELATED FINANCIAL INFORMATION (CONTINUED)

IV. Strategy (continued)

(c) Data security (continued)

Concentration of risk within the bank's business model and value chain

Data security risk is primarily concentrated in, Digital banking platforms and data processing systems, Core banking systems and customer data management processes, Branch-level data capture and system input controls Third-party service providers and outsourced IT/data services and High-volume digital and agency banking channels.

Current and anticipated financial effects on the bank's business model and value chain

Data security risk is primarily concentrated in, Digital banking platforms and data processing systems, Core banking systems and customer data management processes, Branch-level data capture and system input controls Third-party service providers and outsourced IT/data services and High-volume digital and agency banking channels.

Current and anticipated financial effects on the bank's business model and value chain

During the reporting period:

- The Bank experienced no material data breach, and therefore no significant direct financial losses were incurred.
- Operational expenditure increased by TZS 150 million due to ongoing cybersecurity strengthening across the Bank.
- No adverse impact was recorded on credit quality, liquidity, or funding costs.

Based on current data security risk assessments, the Bank anticipates the following financial effects over the short, medium and long-term:

Short-term:

- Continued investment in system upgrades and cyber monitoring tools including adopting ICT costs previously covered by Group may increase operating costs by TZS 500 million – TZS 2 billion .

Current and anticipated financial effects on the bank's business model and value chain (Continued)

Medium-term:

- Implementation of enhanced security frameworks and compliance with evolving regulatory requirements may lead to modest increases in technology and risk management spending.
- Failure to strengthen controls could result in increased customer churn, reduced digital transaction uptake, or elevated insurance costs.

Long-term:

- A major breach could impact capital adequacy, funding access, and cost of capital due to reputational harm and regulatory action.
- Conversely, strong data security resilience supports Bank positioning on ethics, governance, and stakeholder trust, improving long term value creation.

22. SUSTAINABILITY RELATED FINANCIAL INFORMATION (CONTINUED)

IV. Strategy (continued)

(c) Data security (continued)

Resilience

The Bank maintains moderate resilience to data security risk, supported by strong governance frameworks, ongoing system enhancements, and staff awareness initiatives. Capital and liquidity buffers remain strong and sufficient to absorb operational risk shocks; however, increasing digitalization and reliance on third-party systems elevate exposure, requiring continued investment in cybersecurity, data governance, and system resilience to sustain long-term operational integrity and stakeholder trust.

(d) Business ethics

Risk description

Letshego Faidika Bank is exposed to Business Ethics risk arising from legal disputes and fraud-related events, which may impact cashflows through financial losses and recovery delays, constrain access to finance due to reduced stakeholder confidence, and increase the cost of capital over time if not effectively managed.

Concentration of risk within the bank's business model and value chain

Concentration of the risk in Loan recovery and collections processes (majority of disputes), Customer-facing operations and branch-level activities, Third-party service providers (legal firms, debt collectors) High-volume DAS and digital lending segments.

Current and anticipated financial effects on the bank's business model and value chain

The Bank continues to integrate strong ethical standards into its business model and value chain through strengthened AML/KYC controls, enhanced fraud-monitoring systems, improved legal recovery processes, increased staff training on the Code of Conduct, and reinforced third-party governance frameworks.

The anticipated financial effects include further reductions in operational and compliance-related costs, stronger recovery performance, and sustained improvements in profitability and business resilience as ethical safeguards continue to strengthen across the value chain.

The quantitative impact of these measures is reflected in the current financial statements through changes in impairment charges, fraud-related losses, and operational risk provisions. During the year, the Bank recovered a total of TZS 2.4 billion (included in Note 8 of the financial statement) through enhanced recovery strategies, while incurring 380 million in implementing and maintaining strengthened ethical and control frameworks.

Strategy

The Bank has implemented the following controls and actions, Strengthened AML/KYC and fraud monitoring controls, enhanced legal recovery processes and dispute management, including out-of-court settlements, Increased staff training (Code of Conduct training) and awareness on ethical practices, improved third-party oversight and governance frameworks, Ongoing automation of controls and monitoring systems and Strengthened recovery strategies to minimize financial exposure.

22. SUSTAINABILITY RELATED FINANCIAL INFORMATION (CONTINUED)

IV. Strategy (continued)

(d) Business ethics (Continued)

Current and anticipated financial effects on the bank's business model and value chain (continued)

Resilience

The Bank maintains moderate resilience, supported by strong capital (CAR ~77%) and liquidity buffers (LCR 944%, NSFR 121%), which remain above regulatory thresholds even under severe stress scenarios. However, profitability remains sensitive to legal and fraud-related events, necessitating continued investment in control strengthening, governance, and ethical risk management to sustain long-term financial stability.

(e) Systematic risk management

Risk description

Letshego Faidika Bank is exposed to systemic risk arising from macroeconomic shocks, funding pressures, market disruptions, and concentration risks within its business model. This risk may impact cashflows through reduced repayments and increased funding costs, constrain access to finance due to market-wide liquidity tightening, and increase the cost of capital over time if stress conditions persist.

Concentration of risk within the bank's business model and value chain

Systemic risk is primarily concentrated in, High reliance on retail lending to government employees (DAS portfolio), Funding structure, including low deposit base and concentration risk, Exposure to macroeconomic and regulatory changes, High dependence on interest income and lending activities and Digital and retail segments sensitive to economic shocks.

Bank continues to strengthen its systematic risk management framework to ensure the timely identification, assessment, and mitigation of material sustainability related risks across the business. The Bank's systematic risk management approach integrates data driven monitoring tools, enhanced control frameworks, scenario analysis capabilities, and structured escalation processes that support informed decision making at both operational and governance levels. These enhancements are aligned with the Bank's broader sustainability strategy and risk management objectives, although they have not resulted in direct short term financial impacts on the current financial statements.

While no direct monetary recoveries or financial gains are attributable to this initiative at present, the Bank anticipates potential future financial benefits such as lower operational risk losses, reduced regulatory compliance costs, and enhanced portfolio stability as risk detection and mitigation become increasingly proactive and automated. Collectively, these improvements are expected to support stronger governance, reinforce enterprise-wide risk culture, and enhance long term value creation across the Bank's business model.

Strategy

The Bank has implemented the following measures: Strengthened stress testing frameworks across credit, liquidity, and market risks, Enhanced deposit mobilization and funding diversification strategies, Active ALCO oversight on liquidity, funding, and interest rate risks Tightened credit underwriting and strengthened collections, Implemented liquidity contingency plans and capital buffer management and Ongoing monitoring of macroeconomic and regulatory developments.

22. SUSTAINABILITY RELATED FINANCIAL INFORMATION (CONTINUED)

IV. Strategy (continued)

(e) Systematic risk management

Current and anticipated financial effects on the bank’s business model and value chain (continued)

Resilience

The Bank demonstrates strong resilience to systemic risk, supported by high capital adequacy (CAR ~77%) and strong liquidity buffers, which remain above regulatory thresholds even under severe stress scenarios. While systemic vulnerabilities remain in funding structure and portfolio concentration, ongoing strategic actions are improving balance sheet resilience and positioning the Bank to withstand adverse economic conditions while sustaining long-term growth.

IV. Risk management

Sustainability-related risks and opportunities, including those associated with climate change, are managed within the Bank’s Enterprise Risk Management (ERM) Framework. This framework is split into the ERM Framework master document and the Primary Risk Type Frameworks with more emphasis being placed on risk framework owners and control owners supported by the Three Lines of Defence.

The bank recognises Environmental, Social and Governance variables that affect its financial position and operating performance. The bank refers to these variables as ESG related risks. The bank is committed to driving a distinct ESG program that is consistent with its overall business strategy and Enterprise Risk Management (ERM) Framework.

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 the bank’s strategic plan
Medium term	2 - 5 years	Aligned to the bank’s strategic plan
Long term	Over 5 years	Aligned to bank’s strategic plan

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

The Bank adopts a structured and integrated approach to the management of sustainability and climate-related financial risks, recognising these as cross-cutting risks with potential implications across its operations, portfolios, and strategic objectives. The Bank embeds sustainability and climate risk considerations within its broader Enterprise Risk Management Framework to ensure consistent identification, assessment, monitoring, and mitigation of such risks. This approach is aligned with evolving regulatory expectations and supports informed decision-making, resilience, and sustainable growth.

22. SUSTAINABILITY RELATED FINANCIAL INFORMATION (CONTINUED)

III. Risk management (Continued)

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

Step	Risk stage	Process
1.	Risk identification & assessment	<ul style="list-style-type: none"> Sustainability and climate-related financial risks are integrated across all risk categories, including credit, strategic, reputational, and concentration risks, and embedded within Internal Capital Adequacy Assessment Process (ICAAP), Scenario analysis and Risk & Control Self-Assessment (RCSA) processes. Customer-level assessments are conducted during onboarding, credit evaluation, and review stages, while portfolio-level risks are evaluated by the Risk and Compliance function. High-risk sectors are identified using defined environmental criteria (e.g., emissions, exposure to climate events), supported by sector-specific guidelines and portfolio exposure considerations.
2.	Risk Monitoring	<ul style="list-style-type: none"> Ongoing monitoring of customer activities and large exposures is undertaken to identify emerging environmental risks and regulatory non-compliance. Portfolio-level reviews are conducted collaboratively by first and second lines of defense, with oversight from the Risk function to ensure independence and robust governance. Use of internal and external data, including environmental and ecosystem indicators, supports enhanced risk insights and tracking of sustainability and climate-related exposures.
3.	Risk prioritization	<ul style="list-style-type: none"> Risk-based approach: Risks are assessed using a combination of impact and likelihood metrics, with priority given to those rated moderate to critical using the approved Risk Assessment Matrix, and the Impact and Probability Rating Scale as defined in the Operational Risk Framework Alignment with Risk Appetite: Risk Appetite Metrics are tracked and monitored monthly, and any exposures are escalated to senior management and the Board Risk Committee before they breach (amber) and when they breach (red) the threshold with key drivers and management actions. Forward-looking assessment: The prioritization process incorporates emerging risks, macroeconomic trends, and stress testing scenarios covering both prudential requirements (e.g., credit risk shocks, interest rate shocks) and IFRS 9 related stress testing that includes the ECL models.

22. SUSTAINABILITY RELATED FINANCIAL INFORMATION (CONTINUED)

III. Risk management (continued)

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

Step	Risk stage	Process
3.	Risk prioritization	<ul style="list-style-type: none"> Consistency and comparability: A standardized risk scoring methodology is applied across all risk categories (credit, market, operational, data, digital, IT, treasury, and compliance risks). This enables consistent ranking and comparison of risks across business units and supports objective decision-making. Regulatory alignment – The ERM Framework is aligned with guidelines issued by the Bank of Tanzania, including requirements on risk management frameworks, capital adequacy, and internal controls.
4.	Risk Control & Mitigation	<ul style="list-style-type: none"> Risk appetite is defined through sectoral exposure limits and integrated into planning processes, with emphasis on managing concentration risk and supporting sustainable financing. Enhanced credit measures are applied to higher-risk exposures, including stricter lending terms, tailored scorecards, and strengthened collateral requirements. Risk transfer mechanisms, such as comprehensive insurance (including sustainability and climate-related events), are implemented to mitigate potential financial impacts.

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

The Bank is at an early but deliberate stage in its sustainability journey, laying the foundations for the systematic integration of environmental, social and governance (ESG) considerations into its core business strategy and risk management practices. During the reporting period, the Bank enhanced its Enterprise Risk Management (ERM) Framework to explicitly recognise sustainability and climate-related risks as cross-cutting risks within the primary risk types, reflecting their potential impact on long-term value creation and resilience.

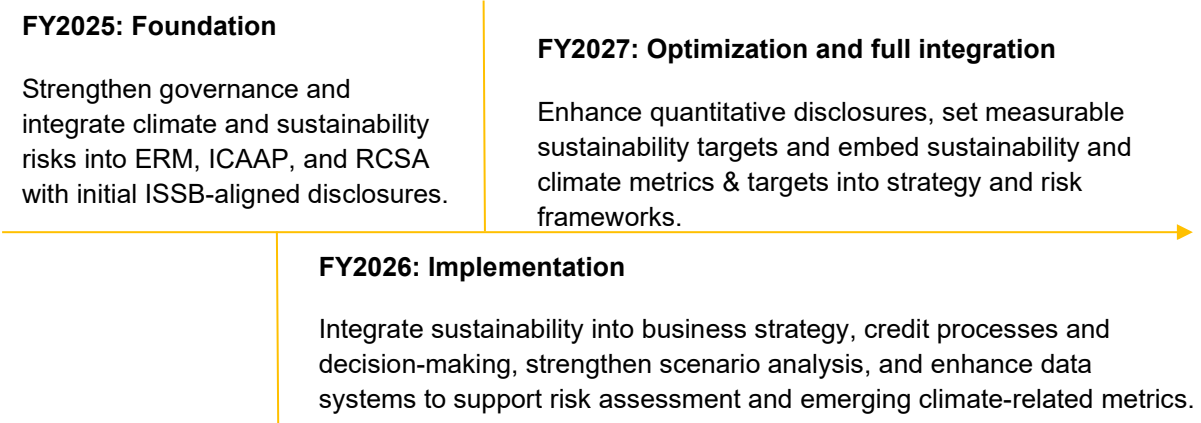
In alignment with evolving disclosure expectations under the International Sustainability Standards Board (ISSB), the Bank has established sustainability policy and frameworks related to sustainability governance and risk management, which include Climate-Related Financial Risk Policy, Reputational and Sustainability Risk Policy and Reputational and Sustainability Risk Framework.

These frameworks articulate a structured approach to the identification, assessment, management and monitoring of sustainability-related risks and opportunities. They further support the progressive integration of sustainability and climate considerations into strategic planning, risk governance, and decision-making processes, positioning the Bank to respond effectively to emerging regulatory requirements and stakeholder expectations while advancing sustainable finance objectives. The timeline below marks the journey towards full integration of SRROs into the ERM.

22. SUSTAINABILITY RELATED FINANCIAL INFORMATION (CONTINUED)

IV. Risk management (Continued)

(b) Integrating Sustainability-related risk processes into overall risk management (continued)



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.

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 security & Systematic risk management and business ethics.

(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) Financial Inclusion & Capacity Building metrics

The Bank is committed to advancing financial inclusion by providing accessible and affordable financial services to underserved and unbanked populations. Through tailored products, digital solutions, and strategic outreach, the bank strives to empower individuals and small businesses. In parallel, the institution invests in capacity-building initiatives, including financial literacy programs and skills development, to enhance customers’ ability to manage finances effectively and improve their economic resilience.

22. SUSTAINABILITY RELATED FINANCIAL INFORMATION (CONTINUED)

V. Metrics and targets (Continued)

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

i) Financial Inclusion & Capacity Building metrics (continued)

Metrics	Source	Unit	2025 performance
Number and amount of loans outstanding that qualify for programmes designed to promote small business and community development	Commercial Bank SASB Standards	Absolute number and Presentation Currency i.e TZS	<ul style="list-style-type: none"> 61 active MSE loans gross outstanding balance of TZS 2.8 billion *
Financial literacy initiatives for unbanked, underbanked, or underserved customers. E.g - Financial literacy campaigns linked to digital lending	Commercial Bank SASB Standards	Discussion and analysis	Customer education was delivered through product onboarding, digital lending awareness, branch-based customer engagement, and support provided through the Bank's service channels and DSA network.

* This is considered the most appropriate proxy for Letshego's contribution to small business finance.

ii) Incorporation of Environmental, Social, and Governance factors in credit analysis metrics

The Bank embeds ESG considerations within its broader credit risk framework across origination, collateral assessment, monitoring, and provisioning.

At origination, the Bank applies KYC, compliance checks, business activity screening, and assessment of borrower legality, reputation, conduct, and source of repayment. The Bank has also upgraded its credit appraisal template to include ESG risk classification, enabling each borrower or project to be assessed as High, Medium, or Low ESG risk.

In collateral assessment, the Bank considers ownership, enforceability, valuation, insurance, condition, and any environmental or operational factors that may affect realizable value. ESG-related concerns are reflected through the Bank's existing monitoring, risk rating, and impairment processes, where they affect repayment capacity or collateral quality. These considerations are supported by appraisal tools, due diligence checklists, collateral reports, insurance tracking, and portfolio review processes, and will continue to be enhanced over time.

Metrics	Source	Unit	2025 performance
Description of approach to incorporation of environmental, social and governance (ESG) factors in credit analysis	Commercial Bank SASB Standards	Discussion and analysis	Refer to narrative below *

* Letshego incorporates ESG considerations into credit analysis through customer due diligence, business activity screening, compliance with applicable laws and regulations, assessment of customer reputation and conduct, review of the source of repayment, and evaluation of risks associated with customer operations and collateral.

LETSHEGO FAIDIKA BANK LIMITED

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

22. SUSTAINABILITY RELATED FINANCIAL INFORMATION (CONTINUED)

V. Metrics and targets (Continued)

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

ii) Incorporation of Environmental, Social, and Governance factors in credit analysis metrics (continued)

The Bank has also enhanced its credit appraisal framework to include ESG risk classification, enabling borrowers or projects to be assessed as high, medium, or low ESG risk during appraisal. For business lending, the Bank considers the legality of the activity, licensing status, environmental and social compliance where relevant, and any reputational or operational concerns that may impair repayment capacity. ESG review is embedded within the broader credit risk assessment process and will continue to be strengthened over time, in line with the Bank’s size and complexity.

iii) Data security metrics

Ensuring the security of customer data is a core priority for the Bank. Through ongoing monitoring, staff awareness, and technology upgrades, the Bank aims to protect against data breaches and maintain the confidentiality, integrity, and availability of information, thereby strengthening customer trust and regulatory compliance.

Metrics	Source	Unit	2025 performance
Number of confirmed material data breaches	Commercial SASB Standards	Bank Absolute number	0
Percentage that are personal material confirmed data breaches	Commercial SASB Standards	Bank Percentage	0%
Number of account holders affected by material confirmed data breach	Commercial SASB Standards	Bank Absolute number	0
Description of approach to identifying and addressing data security risks	Commercial SASB Standards	Bank Discussion and analysis	Refer to narrative below *

* The Bank employs a comprehensive, multilayered, and governance-driven approach to identifying and addressing data security risks (preventative, detective, and corrective controls). It integrates robust risk assessment processes, strong cybersecurity and data governance controls, mandatory reporting obligations, and continuous monitoring mechanisms to ensure the confidentiality, integrity, and availability of all data assets.

iv) Business ethics metrics

The Bank upholds high standards of business ethics as a foundation of its operations. The Bank is committed to integrity, transparency, and accountability in all its dealings with customers, employees, regulators, and partners. By fostering an ethical culture supported by clear policies and governance structures, the bank aims to prevent misconduct, promote fair practices, and build long-term trust with its stakeholders.

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

22. SUSTAINABILITY RELATED FINANCIAL INFORMATION (CONTINUED)

V. Metrics and targets (Continued)

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

v) Business ethics metrics

The Bank upholds high standards of business ethics as a foundation of its operations. The Bank is committed to integrity, transparency, and accountability in all its dealings with customers, employees, regulators, and partners. By fostering an ethical culture supported by clear policies and governance structures, the bank aims to prevent misconduct, promote fair practices, and build long-term trust with its stakeholders.

Metrics	Source	Unit	2025 performance
Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, antitrust, anti-competitive behaviour, market manipulation, malpractice, or other related financial industry laws or regulations	Commercial Bank SASB Standards	Absolute number i.e TZS	0
Description of whistleblower policies and procedures	Commercial Bank SASB Standards	Discussion and analysis	Refer to narrative below *

* The policy provides employees and contractors with a safe, confidential, and retaliation-free way to report suspected unethical behaviour, including fraud and corruption. It applies across the bank, supports both confidential and anonymous reporting, protects whistleblower identities unless legally required, and reinforces the bank’s zero-tolerance stance on misconduct.

vi) Systematic risk management metrics

The Bank implements comprehensive risk management systems designed to identify, assess, monitoring, prioritizing and mitigate financial, operational, and systemic risks. By embedding risk management into its strategic and operational processes, the Bank enhances its resilience to internal and external shocks. This structured approach supports business continuity, informed decision-making, and long-term institutional stability.

Metrics	Source	Unit	2025 performance
Description of approach to integrate results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities	Commercial Bank SASB Standards	Discussion and analysis	Refer to narrative below *

* The Bank integrates both mandatory and voluntary stress-testing results(Credit Risk, Operational Risk, Liquidity Risk, Market Risk) into its capital planning, strategic decision-making, and business operations by embedding stress insights into ICAAP, risk appetite, strategic planning, product and portfolio decisions, liquidity management, contingency planning, and day-to-day risk management ensuring resilience, compliance, and long-term sustainability.

22. SUSTAINABILITY RELATED FINANCIAL INFORMATION (CONTINUED)

V. Metrics and targets (Continued)

(a) Consideration of cross-industry metric categories in line with IFRS S2

In addition to metrics related to identified sustainability-related risks and opportunities, the Bank has assessed the applicability of the IFRS S2 cross-industry metrics and reports on the following metrics for the reporting period:

vii) Climate-related physical risks metrics

This metric represents the amount and percentage of assets or business activities vulnerable to climate-related physical risks for the Bank at the reporting period.

Metric	Description of the bank's activity/ asset	Amount and percentage in 2025
The amount and percentage of assets or business activities vulnerable to climate-related physical risks	<ul style="list-style-type: none"> Collateral Damage / Asset Impairment – e.g - Value of mortgaged properties in high-risk climate zones and impairment losses due to physical damage. Credit Risk Transmission – e.g - Increase in Non-Performing Loans (NPLs) and loan loss provisions linked to climate-affected borrowers. 	Assets in physical risk zones amounts to TZS 4 million.

viii) Climate-related transition risks metrics

This metric represents the amount and percentage of assets or business activities vulnerable to transition-related physical risks for the Bank at the reporting period.

Metric	Description of the bank's activity/ asset	Amount and percentage in 2025
The amount and percentage of assets or business activities vulnerable to climate-related transition risks	<ul style="list-style-type: none"> Loan portfolio 	Portfolio in high transition risk sectors amounts to TZS 159.97 million Equivalent to 0.19% of the loan book.

ix) GHG emissions metrics

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 23 (i)(d) in the report by those charged with governance included in page 22.

22. SUSTAINABILITY RELATED FINANCIAL INFORMATION (CONTINUED)

V. Metrics and targets (Continued)

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

ix) GHG emissions metrics (continued)

Emission from operations (continued)

Emissions are disclosed on a gross basis, without offsets, in metric tonnes of CO₂ equivalent (tCO₂e). 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) = ∑ 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) = ∑ 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.

Total gross GHG emissions

Scope 1		Scope 2	
2025		2025	
Total fuel use (liters)	42,267	Total energy (kWh)	377,600
Emissions (tCO ₂ e)	113	Emissions (tCO ₂ e)	66

LETSHEGO FAIDIKA BANK LIMITED

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

23. BORROWING

As of 31 December 2025, the Bank had no outstanding exposure (2024: Nil).

24. FUNDING MIX

The Bank's primary source of funding during the year was deposits from customers (Demand deposits, Savings deposits and Time/ Fixed deposit) which commands 18% (2024: 11%) of the total funding, and equity 82% (2024: 89%). There was no major change in the funding mix in 2025 compared to the year 2024. The Current/ Savings Account (CASAs) represented 56% of total customer deposits in 2024 (2024: 80%). This means a lower cost of funds for the Bank. The balance between debt and equity was as follows.

Debt:

	2025	2024
	TZS'000	TZS'000
Customer deposits	<u>20,852,792</u>	<u>10,133,692</u>
	<u>20,852,792</u>	<u>10,133,692</u>
Equity		
Issued and paid-up ordinary share capital	58,889,074	58,889,074
Preference shares capital	8,519,900	8,519,900
Capital reserve	50,532,564	50,532,564
Accumulated losses	<u>(26,088,255)</u>	<u>(37,497,423)</u>
	<u>91,853,283</u>	<u>80,444,115</u>

25. RISK MANAGEMENT AND INTERNAL CONTROL

The Board takes final responsibility for the risk management and internal control systems of the bank. It is the task of management to ensure that adequate internal financial and operational control systems are developed and maintained on an ongoing basis to provide reasonable assurance regarding:

- The effectiveness and efficiency of operations.
- Compliance with applicable laws and regulations.
- The reliability of accounting records.
- Business sustainability under normal as well as adverse conditions; and
- Responsible behaviour towards all stakeholders.

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance with such measures by staff. Whilst no system of internal control can provide absolute assurance against misstatement or losses, the Bank's system is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively.

The Board carries out risk and internal control assessment through the Board Audit, Risk and Compliance Committee. The Board assessed the internal control systems throughout the financial year ending 31 December 2025 and is of the opinion that they met the accepted criteria.

26. SOLVENCY

As at 31 December 2025, the Bank had a 'core capital of TZS 73,864 million which was above TZS 15,000 million threshold set by BOT regulations. The Bank's core capital ratio was 63% which is above the threshold of 14.5% set by the BOT.

27. EMPLOYEE WELFARE

The Bank is committed to achieving its business objectives through its people. We believe that our employees are the most valuable assets, and we make effort to develop their abilities and productivity. We encourage a work culture, foster relationship with them at every level in the Bank, make them express their views and share their ideas to bring about improvements towards the achievement of our vision.

This is based on the conviction that a pleasant and safe working climate, with an emphasis on the enduring availability of satisfactorily trained, active and motivated workforce, is critical success factor for the Bank. The Bank strives to create an environment responsive to different cultures and groups in all our interactions with employees, customers, visitors, suppliers, contractors, shareholders, investors and in the communities in which we operate.

Management and employees' relationship

The Bank's management focuses on building the right culture as a strategic human resource priority by ensuring that Bank's culture is embedded across all levels and the same is driven across the entire workforce. Having the right culture is an essential element for the Bank's future development as we transform towards creating the digital era banking. Amongst the key components in this development is ensuring that our leaders are charged by the major roles of fostering strong leadership capabilities, talent management, enhancing employee relationship and development.

Employees performance management

The Bank uses Objective & Key results (OKR) System to evaluate employee's performance against set and agreed objectives. The system forms the basis for providing employees with performance feedback, recognition, development and corrective action plan to promote effective performance.

The OKR is an integrated process with full participation of managers and staff in both setting and reviewing of performance objectives. The objective & key results review is conducted semi-annually where the Line Manager and the subordinate meet to review the performance of that ending period and as a session for giving feedback. The Performance assessment results form a valuable component on one's reward.

Training and development

The Bank regards its employees as the most asset and is committed to the learning, development and growth of its employees. The Bank realizes that in discharging its objectives it needs to have trained and skilled personnel so as to maintain a well-balanced organization and a management team capable of performing the duties of the bank properly.

To meet its present and future human capital demands, the Bank train and develop its employees through various development programs platform to train the staff through Udemy Business online learning platform which has more than 4000 optional courses. The Bank encourages its employees to train and develop themselves in order to acquire skills, knowledge and competencies which is necessary for their productivity, efficiency and career development plan.

Employee grievance and complaints management mechanism

The Bank recognize the value and importance of having harmonious environment at the workplace. Efforts are made by the Bank to ensure any reported complaints and grievances are expeditiously handled.

LETSHEGO FAIDIKA BANK LIMITED

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

27. EMPLOYEE WELFARE (Continued)

Financial Assistance to staff/ Staff loan scheme

The Bank offers staff loans to enable its employees acquire capital goods, property, to effect improvements to their properties, to meet educational expenses for themselves or dependents and to meet unforeseen financial commitments. Staff loans are guided by the Bank's staff loan policy. Loans are available to all confirmed employees depending on the assessment of the need and circumstances, as long as it is in line with the human resources policies.

Medical Insurance

All members of staff with a maximum number of four beneficiaries (dependents) for each employee were availed with medical insurance. The amount paid for medical insurance was TZS 494 million (2024: TZS 497 million). The individual benefits depend on the insurance policy and keep revised as the policy changes.

Health and safety

The Bank ensures that a strong culture of safety prevails at all times. A safe working environment is ensured for all employees by providing adequate proper working tools, proper personal protective equipment, hygiene, training and supervision where necessary.

Persons with disabilities

Letshego Faidika Bank Limited has not recruited any disabled person so far. However, it is the bank's policy to consider applications for employment by disabled persons bearing in mind the aptitudes of the applicant concerned, for any positions that are appropriate.

Staff leave

All employees are entitled to twenty-eight (28) days leave every year. This is inclusive of traveling time and any public holidays or work free days that occur during an employee's leave.

Employees benefit plan

All eligible employees (72 in number) are members of the approved pension fund. The Bank makes mandatory statutory pension contributions to a publicly administered pension plan (NSSF) which qualifies to be defined contribution plans with the Bank having no further pension obligations. Bank's own contribution portion to NSSF during the year was TZS 730.7 million (2024: TZS 483.29 million). Rates of contributions are set by the Government, with the employees also required to contribute a certain portion.

28. Share-based payment transactions

The Company operates an equity-settled conditional Long Term Incentive Plan (LTIP). Conditional share awards are granted to management and key employees. The number of vesting share awards is subject to achievements of certain non-market conditions. The grant date fair value of share awards granted to employees is recognized as an employee expense, with a corresponding increase in liability, over the period in which the employees become conditionally entitled to the share awards. The amount recognized as an expense is adjusted to reflect the actual number of shares awards that vest on vesting date.

29. GENDER PARITY

We believe it to be important to business success and integral to achieving our strategic objective of being the best bank to work for. The Bank has a strong commitment to diversity and the fundamental principle that it is not a barrier to participation in our workforce, management and on the senior executive. As of 31 December 2025, the Bank had 72 (2024:74) employees. The following is the distribution of employees by gender:

LETSHEGO FAIDIKA BANK LIMITED

THE REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2025

29. GENDER PARITY (Continued)

Gender	2025	2024
Female	34	42
Male	38	32
Total	72	74

30. STAKEHOLDER ENGAGEMENT

Effective engagement through consistent dialogue with key stakeholders is central to business sustainability, both in terms of understanding opinions and concerns, and in delivering the Bank’s commitments. Set out below are the key stakeholders with whom the Bank engages on a regular basis and the means of engagement.

Stakeholder group	Means of engagement
Employees	<ul style="list-style-type: none"> • Routine and specifically scheduled functional and cross-functional meetings as required. • Formal and informal face-to-face meetings as well as video conference meetings are regularly held with and between; and • Emails are sent to employees regarding policies, procedures and/or employment related information.
Customers	<ul style="list-style-type: none"> • A series of branch/office visits and customer events for retail, corporate and insurance customers. • A Call Centre is there to ensure constant engagement with the customers; and • Interaction with customers via social media platforms.
Suppliers	<ul style="list-style-type: none"> • Formalized procurement policies and procedures have been established; and • Competitive procurement of goods and supplies is always exercised, and fairness is of utmost importance while awarding supply contracts to selected service providers.
Shareholders/ Investors	<ul style="list-style-type: none"> • Annual General Meeting (AGM) is held on a yearly basis, • The annual report is presented at the AGM to shareholders; and • Shareholders’ seminar is held on a yearly basis.
Regulatory authorities	<ul style="list-style-type: none"> • Regular communication with the central bank (Bank of Tanzania), and other regulatory authorities and • Interaction with Tanzania Revenue Authority in respect of tax matters as appropriate.
Government	<ul style="list-style-type: none"> • Regular interactions through Government Relations and Regulatory Affairs teams.
Community	<ul style="list-style-type: none"> • Collaboration with related entities concerning CSR to foster responsible initiatives and disseminate best practices; and • Financial literacy and inclusion initiatives.
Media	<ul style="list-style-type: none"> • Interactions via press release, local TV, radio, magazines; and blogs and articles to create brand awareness and reach our target audience.

31. SERIOUS PREJUDICIAL ISSUES/MATTERS

During the year 2025, there were no serious legal matters which could affect the Bank (2024: None).

LETSHEGO FAIDIKA BANK LIMITED

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

32. STATEMENT OF COMPLIANCE

The Report by those charged with governance has been prepared in compliance with the Tanzania Financial Reporting Standard No. 1 (The Report by those charged with governance) issued by The National Board of Accountants and Auditors (NBAA).

33. RELATED PARTY TRANSACTIONS

All related party transactions and balances are disclosed in note 31 to the financial statements.

34. POLITICAL AND CHARITABLE DONATIONS

The Bank did not make any donations to political parties during the year (2024: Nil).

35. ENVIRONMENTAL CONTROL PROGRAMME

Health and safety

The Bank has in place an Environmental and Social Policy (ESP) defining key commitments that should be respected by the Bank and its employees when conducting operations.

The fundamental principles of Bank's on environmental and social policy are as follows:

- (i) Comply with local regulations and identify relevant social and environmental issues prevailing in Tanzania.
- (ii) Respect fundamental human and social principles based on International Conventions.
- (iii) Increase awareness of environmental issues among employees and clients.
- (iv) Constantly seek to refine the bank's social and environmental practices.

36. APPOINTMENT OF AUDITOR

Bank's Independent Auditor:

KPMG
The Luminary
Plot No. 574, Haile Selassie Road
Msasani Peninsula Area
P. O. Box 1160
Dar es Salaam, Tanzania
Website: <http://www.kpmg.com/ke>
TIN 101-269-027, VAT REG No. 10-007190R
NBAA Reg. No. PF 020

37. RESPONSIBILITY OF THE AUDITOR

Auditor is responsible for providing assurance of the correctness and consistency of information contained in the report by those charged with governance with those provided in the financial statements.

LETSHEGO FAIDIKA BANK LIMITED

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

38. STATEMENT OF RESPONSIBILITY BY THE DIRECTORS

It is the responsibility of those charged with governance to prepare financial statements of the entity which show a true and fair view in accordance with applicable standards, rules, regulations and legal provisions.

This responsibility covers the period from the beginning of the financial year to the date those charged with governance approve the audited financial statements and it covers all those charged with governance who acted in this capacity during any part of the period covered by the financial statements.

Approved by the Board of directors and signed on its behalf by:



Adam Mayingu
Chairman

02/04/2026

Date



Julius Beda Mukoji
Director

02/04/2026

Date

LETSHEGO FAIDIKA BANK LIMITED

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

The Tanzanian Companies Act, 2002 requires the Directors to prepare financial statements for each financial year that present fairly the state of affairs of the Bank as at the end of the financial year and of the operating results of the Bank for that year. It also requires the Directors to ensure that the Bank keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Bank. They are also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud, error or other irregularities.

The Directors are responsible for the preparation of financial statements 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 the Banking and Financial Institutions Act, 2006. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.


The Directors accept responsibility for annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards, the requirements of the Companies Act, 2002 and Banking and Financial Institutions Act, 2006. The Directors are of the opinion that the financial statements present fairly the state of the financial affairs of the Bank and of its operating results.

The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems internal financial control.

The Directors have reasonable expectations that the Bank will have sufficient resources to continue in operational existence for the foreseeable future. The directors have therefore adopted the going concern basis in preparation of financial statements.


The Directors are also responsible for other information in this report.

The financial statements were approved by board of directors for issue on 02/04 2026 and signed on its behalf by:



Adam Mayingu
Chairman

02/04/2026
Date



Julius Beda Mukoji
Director

02/04/2026
Date

LETSHEGO FAIDIKA BANK LIMITED

**DECLARATION OF THE HEAD OF FINANCE
FOR THE YEAR ENDED 31 DECEMBER 2025**

The National Board of Accountant and Auditors (NBAA) according to the power conferred under the Auditor and Accountants (Registration) Act No. 33 of 1972, as amended by Act No. 2 of 1995, requires financial statement to be accompanied with a declaration issued by the Chief Financial Officer 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 true and fair view position of the entity in accordance with international financial reporting standards and statutory reporting requirements. Full legal responsibility for financial statements rests with the Board of Directors as under Directors Responsibility statement on an earlier page.

I, **Livini Sikitu**, being the Finance Manager of Letshego Faidika Bank Limited hereby acknowledge my responsibility of ensuring that financial statements for the year ended 2025 have been prepared in compliance with IFRS Accounting Standards as issued by the International Accounting Standards Board and requirements of the Companies Act, No 12 of 2002 and Banking and Financial Institutions Act, 2006.

I thus confirm that the financial statements of Letshego Faidika Bank Limited comply with applicable accounting standards and statutory requirement as on that date and that they have been prepared based on properly maintained financial records.



Signed by: Livini Sikitu

Position: Finance Manager

NBAA Membership No: ACPA 5350

Date: 02/04/2026



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REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF LETSHEGO FAIDIKA BANK LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Letshego Faidika Bank Limited (“the Bank”) set out on pages 57 to 119, 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 the 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 matter

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, we do not provide a separate opinion on these matters.



**REPORT OF THE INDEPENDENT AUDITOR
TO THE SHAREHOLDERS OF LETSHEGO FAIDIKA BANK LIMITED (CONTINUED)**

Report on the audit of the financial statements (Continued)

Key audit matter (continued)

Expected credit losses on loans and advances to customers	
Refer to the following notes to the financial statements:	
<ul style="list-style-type: none"> • Summary of material accounting policies: note 3(k)(iii) – Financial assets- impairment • Significant accounting judgements, estimates and assumptions: noted 4(a) – Impairment losses on financial assets • Note 15 – Loans and advances to customers • Note 28(a)(iii) – Expected credit loss measurement 	
Key audit matter	How the matter was addressed in our audit
<p>The gross loans and advances to customers amounted to TZS 112.1 billion (rounded) and the total expected credit loss amounted to TZS 9.04 billion (rounded) as at 31 December 2025.</p> <p>The measurement of expected credit losses (ECL) on loans and advances to customers is a key audit matter because it involves significant management judgement and a high level of estimation uncertainty.</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"> • Assumptions and judgements used in determining the criteria for Significant Increase in Credit Risk (SICR), incorporating both quantitative considerations such as days past due and qualitative considerations such as borrower specific financial difficulties, which together affect the staging decisions; • Choosing appropriate models and consideration for significant judgements and assumptions, for the determination of probability of default (PD), exposures at default (EAD) and loss given default (LGD) and ultimately measurement of Expected Credit Losses; 	<p>Our audit procedures in this area, included:</p> <ul style="list-style-type: none"> • We obtained an understanding of the credit management processes and performing end-to-end process assessments to identify the key controls used in the determination of ECL. • We evaluated the design and implementation as well as test of operating effectiveness of controls over: <ul style="list-style-type: none"> - Review and approval of ECL results. - Approval of external collateral valuation vendors; and • We involved our internal financial risk management specialists to evaluate the probability of default (PD), exposure at default (EAD), loss given default (LGD) and forward-looking information (FLI) models. This included assessing the integrity of the models and assessing appropriateness of the Bank's methodology for determining the economic scenarios against the requirements of IFRS 9 Financial Instruments (IFRS 9). We additionally assessed the overall reasonableness of the macroeconomic forecasts by recalculating the impact of the macroeconomic variables such as the inflation rate and Gross Domestic Product using the methods applied by management and compared the macroeconomic variables against independent sources.



**REPORT OF THE INDEPENDENT AUDITOR
TO THE SHAREHOLDERS OF LETSHEGO FAIDIKA BANK LIMITED (CONTINUED)**

Report on the audit of the financial statements (Continued)

Key audit matter (continued)

Key audit matter (continued)	How the matter was addressed in our audit (continued)
<ul style="list-style-type: none"> • Establishing 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. The key macro-economic drivers include inflation rate and Gross Domestic Product (GDP); • Estimation of collateral realisation period for the purpose of estimating cash flows for secured facilities which are used in the determination of loss given default; • Determination of collateral values which are used in the ECL calculation; and • IFRS 7 Financial Instruments: Disclosures (IFRS 7) disclosures are significant as it relies on material data inputs and include management judgements, estimates and assumptions used in determining the ECL on loans and advances to customers. 	<ul style="list-style-type: none"> • We evaluated management's models for establishing stage 3 impairments. For a sample of collateral values, we challenged the reasonability of management assumptions such as the realization period, by obtaining the list of collaterals sold and assessed the time taken to realize the collateral, from when the Bank first initiated recovery measures. • On sample basis, we assessed the reasonability of the valuation of the collateral used in the ECL models. This included inspection of the current loan book valuation reports and comparing it to supporting documents for historically sold collaterals. • On a sample basis we challenged management assumptions and judgements to evaluate the appropriateness of the SICR criteria used by the Bank by comparing it against the requirements of IFRS 9. In addition, we assessed whether the stage classification as at the reporting date is appropriate. This included assessing quantitative factors such as days past due by re-aging the loans and assessing qualitative factors such as payment history of loans, extension terms granted for customers and other default triggers through inspecting customer credit performance on a sample basis. • We evaluated whether the disclosures are consistent with the ECL information tested, which included the ECL data, models, estimates, management adjustments and macroeconomic forecasts, and in compliance with the requirements of IFRS 7.

Other matter

The financial statements of the Bank for the year ended 31 December 2024, were audited by another auditor who expressed an unmodified opinion on those financial statements on 15 April 2025.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Letshego Faidika Bank Limited Annual Report and Audited 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.



**REPORT OF THE INDEPENDENT AUDITOR
TO THE SHAREHOLDERS OF LETSHEGO FAIDIKA BANK LIMITED (CONTINUED)**

Report on the audit of the financial statements (Continued)

Other information (Continued)

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 as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in the manner required by the Companies Act No. 12 of 2002 and the 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.
- 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.



**REPORT OF THE INDEPENDENT AUDITOR
TO THE SHAREHOLDERS OF LETSHEGO FAIDIKA BANK LIMITED (CONTINUED)**

Report on the audit of the financial statements (Continued)

Auditor's responsibilities for the audit of the financial statements (continued)

- 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.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

- in our opinion, proper accounting records have been kept by Letshego Faidika Bank Limited;
- 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.



**REPORT OF THE INDEPENDENT AUDITOR
TO THE SHAREHOLDERS OF LETSHEGO FAIDIKA BANK LIMITED (CONTINUED)**

Report on other legal and regulatory requirements (Continued)

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 02/04/ 2026

LETSHEGO FAIDIKA BANK LIMITED

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

	Notes	2025 TZS'000	2024 TZS'000
Income			
Interest revenue calculated using the effective interest method	5	37,842,200	29,842,590
Interest expense calculated using the effective interest method	6	<u>(1,417,152)</u>	<u>(467,821)</u>
Net interest income		36,425,048	29,374,769
Fees and commission income	7	1,119,142	889,014
Total operating income		37,544,190	30,263,783
Impairment losses	8	<u>(5,233,852)</u>	<u>(5,786,510)</u>
Net Operating Income		32,310,338	24,477,273
Employee benefit expenses	9	(8,141,464)	(5,711,753)
Operating expenses	10	(9,499,119)	(7,976,120)
Other expenses	11	(24,542)	(104,819)
Depreciation of property and equipment	17	(469,534)	(804,346)
Amortisation of leasehold improvement	18	(392,093)	(197,225)
Depreciation of right to use assets	19	<u>(651,776)</u>	<u>(593,268)</u>
		(19,178,528)	(15,387,531)
Profit before tax		13,131,810	9,089,742
Income tax credit/(expense)	20(a)	<u>4,627,734</u>	<u>(497,863)</u>
Profit for the year		17,759,544	8,591,879
Other comprehensive income		-	-
Total comprehensive income for the year		17,759,544	8,591,879

The notes on pages 61 to 119 are an integral part of these financial statements

Auditor's report is on page 51 to 56.

LETSHEGO FAIDIKA BANK LIMITED

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2025**


		2025	2024
Assets	Notes	TZS'000	TZS'000
Cash and balances with Bank of Tanzania	12	2,420,139	1,414,458
Balance with other banks	13	10,190,298	24,891,042
Loans and advances to customer	15	103,067,933	76,490,429
Other assets	16	8,698,305	2,824,482
Right of use assets	19	3,890,241	1,694,902
Property and equipment	17	765,315	322,364
Leasehold improvements	18	751,007	565,899
Deferred tax asset	20(d)	6,451,135	-
Total assets		<u>136,234,373</u>	<u>108,203,576</u>
 Liabilities and equity			
Liabilities			
Customer deposits	21	20,852,792	10,133,692
Corporate tax payable	20(c)	338,417	31,299
Other liabilities	22	12,443,824	7,278,865
Amount due to related parties	31(a)	6,543,310	8,699,170
Lease liability	23	4,202,747	1,616,435
Total liabilities		<u>44,381,090</u>	<u>27,759,461</u>
 Equity			
Ordinary share capital	24	58,889,074	58,889,074
Preference share capital	24	8,519,900	8,519,900
Capital reserve	25	50,532,564	50,532,564
Accumulated losses		(26,088,255)	(37,497,423)
Total equity		<u>91,853,283</u>	<u>80,444,115</u>
 Total liabilities and equity		 <u>136,234,373</u>	 <u>108,203,576</u>

The financial statements set out on pages 57 to 119 were approved and authorised for issue by the Board of Directors on 02/04/2026 2026 and signed on its behalf by:



Adam Mayingu
Chairman

02/04/2026
Date



Julius Beda Mukoji
Director

02/04/2026
Date

The notes on pages 61 to 119 are an integral part of these financial statements

Auditor's report is on page 51 to 56.

LETSHEGO FAIDIKA BANK LIMITED

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

	Ordinary share capital	Preference share capital	Capital Reserve	Accumulated Loss	Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
At 1 January 2025	58,889,074	8,519,900	50,532,564	(37,497,423)	80,444,115
Profit for the year	-	-	-	17,759,544	17,759,544
<i>Transactions with owners</i>					
Dividend Paid	-	-	-	(6,350,376)	(6,350,376)
At 31 December 2025	58,889,074	8,519,900	50,532,564	(26,088,255)	91,853,283
At 1 January 2024	58,889,074	8,519,900	-	(46,089,302)	21,319,672
Profit for the year	-	-	-	8,591,879	8,591,879
Transfer to specific regulatory reserve	-	-	50,532,564	-	50,532,564
At 31 December 2024	58,889,074	8,519,900	50,532,564	(37,497,423)	80,444,115

The notes on pages 61 to 119 are an integral part of these financial statements.

Auditor's report is on page 51 to 56.

LETSHEGO FAIDIKA BANK LIMITED

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

	Notes	2025 TZS'000	2024 TZS'000
OPERATING ACTIVITIES			
Profit before tax		13,131,810	9,089,742
Adjustment for non-cash Items:			
Impairment losses on loans and advances and bank balances	8	7,707,159	7,640,988
Depreciation of property and equipment	17	469,534	804,346
Amortisation of leasehold improvements	18	392,093	197,225
Depreciation of right of use assets	19	651,776	593,268
Unrealised foreign exchange loss		89,981	109,937
Effective interest income	5	(37,842,200)	(29,842,590)
Interest expense on lease	6	558,368	143,998
Effective interest expenses on customer deposits	6	858,784	323,393
		(13,982,695)	(10,939,693)
Changes in operating assets and liabilities:			
Increase in loans and advances to customers		(34,350,414)	(14,534,063)
Increase in other assets		934,361	3,884,369
Increase in customer deposits		10,411,532	230,375
Decrease in staff bonus provisions		-	123,431
Decrease in other liabilities		(4,170,241)	4,607,273
Increase in amount due to related parties		-	(1,100,067)
Decrease of Statutory Minimum Reserve (SMR)		(83,289)	(21,351)
		(41,240,746)	(17,749,726)
Interest received from loans and advances from customer and balances with other banks		37,897,792	28,098,534
Interest paid on customer deposits		(551,218)	(325,141)
Interest paid on lease liabilities		(558,368)	(143,998)
Tax paid	20	(1,350,948)	(460,749)
Net cash (used in)/from operating activities		(5,803,488)	9,418,920
INVESTING ACTIVITIES			
Purchase of property and equipment	17	(912,485)	(150,207)
Payments for leasehold improvements	18	(577,201)	(297,673)
Net cash flow used in investing activities		(1,489,686)	(447,880)
FINANCING ACTIVITIES			
Dividend Paid		(6,350,376)	-
Lease liabilities repayment - principal	24	(272,233)	(636,457)
Net cash flow used in financing activities		(6,622,609)	(636,457)
(Decrease)/ increase in cash and cash equivalents		(13,915,783)	8,334,583
Cash and cash equivalents at 1 January		25,706,557	17,481,912
Net Foreign Exchange Difference		(89,979)	(109,938)
Cash and cash equivalents at 31 December	14	11,700,795	25,706,557

The notes on pages 61 to 119 are an integral part of these financial statements.

Auditor's report is on page 51 to 56.

LETSHEGO FAIDIKA BANK LIMITED

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

GENERAL INFORMATION

Letshego Faidika Bank Limited (“the bank”) is a limited liability company incorporated in Tanzania under the Companies Act No. 12 of 2002 and is domiciled in Tanzania. The Bank is regulated by the Bank of Tanzania. The Bank’s registered office is disclosed in page 1.

The Bank is primarily involved in providing retail, commercial, and corporate banking services.

The Bank financial statements for the year ended 31 December 2025 were approved and authorised for issue in accordance with a resolution of the Board of Directors.

1. BASIS OF ACCOUNTING

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

1.1 Basis of preparation

The financial statements have been prepared on a historical cost basis except where otherwise stated or as required by IFRS Accounting Standards and interpretations to those standards for assets and liabilities to be stated at their fair value as disclosed in the accounting policies hereafter. The financial statements are presented in Tanzania Shillings (TZS) except where explicitly stated.

1.2 Statement of compliance

The financial statements of Letshego Faidika Bank Limited have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and interpretations to those standards and comply with the Companies Act, 2002 and the Banking and Financial Institutions Act, 2006.

1.3 Presentation of financial statements

The Bank presents its statement of financial position in order of liquidity based on the Bank’s intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item. Unless stated otherwise, all figures are in thousands of Tanzania Shillings (TZS ‘000).

Financial assets and financial liabilities are generally reported as gross in the statement of financial position except when IFRS netting criteria are met.

1.4 Going Concern considerations.

The Directors confirm that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. The Bank’s Directors has assessed its ability to continue as a going concern and is satisfied that the bank can maximize potential commercial and operational efficiencies thus Directors can confirm that the bank has the adequate resources to continue in business for the foreseeable future.

The Bank’s business fundamentals remain solid and have substantial cash and bank balances with other banks amounting to TZS 10,190 million (2024: TZS 24,891 million) available to finance its operations.

The financial statements have therefore been prepared on the basis of accounting policies applicable to a going concern. The directors have therefore presumed that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(i) New and amended standards adopted by the Bank

The following standards have been adopted by the Bank for the first time for the financial year beginning on 1 January 2025.

Amendment	Effective date	Executive summary
Lack of Exchangeability – Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates	Annual periods beginning on or after 1 January 2025	Under the amendments, companies are required to provide new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements. These disclosures include: <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.

(ii) New and amended standards not yet effective

Amendment	Effective date	Executive summary
Amendment to IFRS 9, 'Financial Instruments' and IFRS 7, 'Financial Instruments: Disclosures' – Classification and Measurement of Financial Instruments (Published May 2024)	Annual periods beginning on or after 1 January 2026	These amendments: <ul style="list-style-type: none"> • clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system; • clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion; • add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and • make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).
Annual Improvements to IFRS Accounting Standards – Amendments to; IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7	Annual periods beginning on or after 1 January 2026	The annual improvements process aims to improve the clarity and internal consistency of IFRS Accounting Standards. In this volume of improvements, the International Accounting Standards Board (IASB) makes minor amendments to IFRS 9 Financial Instruments and to a further four accounting standards ¹ . The amendments to IFRS 9 address: <ul style="list-style-type: none"> • a conflict between IFRS 9 and IFRS 15 Revenue from Contracts with Customers over the initial measurement of trade receivables; and • how a lessee accounts for the derecognition of a lease liability under paragraph 23 of IFRS 9.

LETSHEGO FAIDIKA BANK LIMITED

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURE (Continued)

These amendments had no impact on the Bank’s financial statements.

(ii) *New and amended standards not yet effective (Continued)*

Amendment	Effective date	Executive summary
Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7	Annual periods beginning on or after 1 January 2026	<p>To allow companies to better reflect these contracts in the financial statements, the IASB has made targeted amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures. The amendments include:</p> <ul style="list-style-type: none"> • clarifying the application of the ‘own-use’ requirements; • permitting hedge accounting if these contracts are used as hedging instruments; and • adding new disclosure requirements to enable investors to understand the effect of these contracts on a company’s financial performance and cash flows.
IFRS 18 Presentation and Disclosure in Financial Statements	Annual periods beginning on or after 1 January 2027	<p>Presentation and disclosure of financial statements – IFRS 18</p> <p>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 analyze their operating expenses directly on the face of the income statement – either by nature, by function or on a mixed basis. In addition, the standard defines “management-defined performance measures” (MPMs) and requires that an entity provide disclosures regarding its MPMs in order to enhance transparency. The standard further provides enhanced guidance on aggregation and disaggregation of information, which will apply to both the primary financial statements and the notes. IFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027 and applies retrospectively with early adoption permitted. The impact of this standard on the Bank is currently being assessed.</p>

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURE (Continued)

Amendment	Effective date	Executive summary
IFRS 19, 'Subsidiaries without Public Accountability' (Published May 2024)	Annual periods beginning on or after 1 January 2027	The objective of IFRS 19 is to provide reduced disclosure requirements for subsidiaries, with a parent that applies the Accounting Standards in its consolidated financial statements. IFRS 19 is a voluntary Accounting Standard that eligible subsidiaries can apply when preparing their own consolidated, separate or individual financial statements.
IAS 21 The Effects of Changes in Foreign Exchange Rates	Annual periods beginning on or after 1 January 2027	<p>Under the current translation requirements, net assets or net liabilities are translated using the closing rate at the reporting date, reflecting the decline in economic value of the hyperinflationary presentation currency. In contrast, income and expenses and other components of equity are translated using historical exchange rates. The resulting exchange differences are recognised in the foreign currency translation reserve (in other comprehensive income), which could grow significantly in a hyperinflationary economic environment. Under the amendments, a company may no longer see its foreign currency translation reserve growing more than other components of equity. This is because the company would use the same closing rate to translate all amounts, including components of equity, into its presentation currency.</p> <p>Additionally, the amendments introduce the use of the general price index to restate the comparatives of certain foreign operations. This change may simplify companies' procedures by eliminating the need to reperform the consolidation procedures for comparatives.</p>
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures	The effective date for these amendments was deferred indefinitely. Early adoption continues to be permitted	The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

Management is still assessing the impact of IFR 18 to the financial statements of the bank. The rest of the amendments are not expected to have a material impact on the Bank's financial statements.

All new standards and interpretations not yet adopted by the Bank, will be adopted on the respective effective dates.

3. MATERIAL ACCOUNTING POLICIES

The material accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

(a) Recognition of income and expenses

Revenue is derived from banking business and related activities and comprises net interest income and fee and commission income.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured.

(i) Net interest income

Interest income and expense are recognised in profit or loss using the effective interest (EIR) method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

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

The EIR (and therefore, the amortised cost of the financial assets and liabilities) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Bank recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations of fixed rate financial assets or liabilities' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset or liability on the balance sheet with a corresponding increase or decrease in interest revenue/expense calculated using the effective interest method. For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest also alters the effective interest rate, but when instruments were initially recognised at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.

Net interest income comprises interest income and interest expense calculated using both the effective interest method and other methods. These are disclosed separately on the face of the income statement for both interest income and interest expense to provide symmetrical and comparable information.

In its Interest income/expense calculated using the effective interest method, the Bank only includes interest on those financial instruments.

The Bank calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial asset.

When a financial asset becomes credit-impaired is therefore regarded as 'Stage 3', the Bank calculates interest income by applying the EIR to the net amortised cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis"

LETSHEGO FAIDIKA BANK LIMITED

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

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

(ii) Fees and commission income and expenses

Fee and commission in income

Revenue from contracts with customers is presented in fee and commission income.

Fee and commission income and expenses that are integral to the effective interest rate of a financial asset or liability are included in the measurement of the effective interest rate.

Other fee and commission income fall within the scope of IFRS 15 – Revenue from Contracts with Customers are recognized to depict the transfer of promised services to customers in an amount that reflects the consideration to which the Bank expects to be entitled in exchange for those services. Revenue is recognised when (or as) control of services is transferred to the customer, based on the nature of the underlying performance obligation.

These include loan related fees non integral to the EIR, early repayment fees, account maintenance fees, withdrawal fees, account reactivation fees, other fees charged on customer deposits related transactions and bancassurance commission and the revenue recognized at a point in time.

Loan commitment fees for loans that are likely to be drawn down, and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the EIR on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on a straight-line basis.

Fee and commission expenses

Other fee and commission expenses relate mainly to transaction and service fees, which are expenses as the services are received.

(iii) Other income

Relates to gains from disposal of assets like Office equipment, furniture and fixtures.

(b) Employees' benefits including post-employment benefits

(i) Post retirement benefits

The Bank operates a defined contribution plan whereby each of its employees and the bank contributes 10% and 10%, respectively of the employees' monthly salaries to the state owned and managed (statutory) Funds namely the National Social Security Fund (NSSF). Apart from these monthly contributions, the bank has no further commitments or obligations to the Funds, and it has no other post-retirement benefit scheme. The contributions are charged to profit or loss in the year to which they relate.

(ii) Short-term benefits

Short-term employee benefits include salaries, paid annual leave, medical insurance cover and bonuses. A medical insurance is contracted to any existing staff and his/her family, after probation period. The cost for short-term employee benefits is charged to the profit or loss in the year they relate to. The estimated monetary liability for employees' accrued leave and bonus entitlement at the reporting date is recognized as an expense accrual.

LETSHEGO FAIDIKA BANK LIMITED

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

3. MATERIAL ACCOUNTING POLICIES (Continued)

(c) Provisions

Provisions are recognized when the bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the Statement of income profit or loss and other comprehensive income net of any reimbursement.

(d) Property and equipment and right-of-use assets

Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any excluding the costs of day-to-day servicing. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term projects if the recognition criteria as per IAS 16 Property, Plant and Equipment, are met.

Subsequent expenditure is capitalised only when it is probable that future economic benefits of the expenditure will flow to the Bank. Ongoing repairs and maintenance expenditure are expensed as incurred.

Depreciation is charged on a straight-line basis to allocate the cost of each asset to its residual value over its estimated useful life as follows:

Description	Depreciation rate	Number of years
Motor vehicles	20%	5 years
Office furniture and fixture	20%	5 years
Office equipment	20%	5 years
Computer equipment	33%	3 years

Depreciation is recognised in profit or loss. The asset's residual values and useful lives are reviewed and adjusted as appropriate, at each reporting date.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year the asset is derecognized and presented as other income. The asset's residual values, useful lives and methods are reviewed at each financial year end and adjusted prospectively if appropriate. The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

LETSHEGO FAIDIKA BANK LIMITED

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

3. MATERIAL ACCOUNTING POLICIES (Continued)

(e) Intangible assets

The bank's intangible assets include the value of banking software and accounting software. An intangible asset is recognised only when its cost can be measured reliably, and it is probable that the expected future economic benefits that are attributable to it will flow to the bank. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite lives is recognised in the profit or loss in the expense category consistent with the function of the intangible asset. Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows.

Amortisation	Number of years
Banking software	4 years
Accounting software	4 years

(f) Leases

At inception of a contract, the Bank assesses whether a contract is, or contains a lease. The determination of whether an arrangement is a lease, or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets, and the arrangement conveys a right to use the asset.

Right-of-use asset

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the short of the useful life of the right of use and the lease term. The right-of-use assets are presented within Note 19 and are subject to impairment in line with the Bank's policy as impairment of non-financial assets.

(g) Bank as a lessee

Determining the lease term of contracts with renewal and termination options – Bank as lessee

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Bank has some lease contracts that include extension and termination options. The Bank applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination.

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

3. MATERIAL ACCOUNTING POLICIES (Continued)

(g) Bank as a lessee (Continued)

Determining the lease term of contracts with renewal and termination options – Bank as lessee (continued)

At commencement or on modification of a contract that contains a lease component, the Bank allocates consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of branches and office premises the Bank has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability. The right of use asset is amortised over the lease tenure.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate. The Bank determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Where the basis for determining future lease payments changes as required by interest rate benchmark reform, the Bank re-measures the lease liability by discounting the revised lease payments using the revised discount rate that reflects the change to an alternative benchmark interest rate.

(h) Bank as lessor

Leases where the bank does not transfer substantially all the risk and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(i) Leasehold improvements

Leases of leasehold improvements include improvements made on leased bank buildings for its head office and branches.

Leasehold improvements are stated at cost, less accumulated amortisation and accumulated impairment in value. Leasehold improvements amortisation is calculated on straight-line basis at annual rates estimated to write down the carrying values of the assets to their residual value over their expected useful lives. The useful life of operating leasehold in use are:

Description	Useful life
Leasehold improvements	Lease tenure or 10 years

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

3. MATERIAL ACCOUNTING POLICIES (Continued)

(j) Impairment of non-financial assets

The bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the bank makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit or loss in the statement of comprehensive income.

After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(k) Financial assets

(i) 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 statement of profit or loss and other comprehensive income, 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 statement of profit or loss and other comprehensive income. 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 fair value through Other Comprehensive Income (FVOCI), which results in an accounting loss being recognised in and other comprehensive income 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.

LETSHEGO FAIDIKA BANK LIMITED

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

3. MATERIAL ACCOUNTING POLICIES (Continued)

(k) Financial assets (Continued)

(ii) Classification and subsequent measurement

The Bank classifies its financial assets into the following category:

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, financial assets held to collect, cash and balances with Bank of Tanzania (BOT), placement with other banks and other assets (excluding prepayments for rent and insurance and advance for goods and services) fall under this classification.

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 statement of profit or loss and other comprehensive income.

Classes of financial assets	Business model consideration	Cash flow characteristics
Loans and advances	The business models focus on growing advances within acceptable credit appetite limits and maintaining strong collection practices. The products included under this business models include: <ul style="list-style-type: none">• Micro Loans• Housing/SME Loans• The key risk in this business model is credit risk. This is influenced by the macro environment within which the business operates.	The cash flows on retail advances are solely payments of principal and interest. Interest charged to customers compensates the bank for the time value of money, credit risk and administrative costs (including a profit margin).

LETSHEGO FAIDIKA BANK LIMITED

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

3. MATERIAL ACCOUNTING POLICIES (Continued)

(k) Financial assets (Continued)

(ii) Classification and subsequent measurement (Continued)

Amortised cost (Continued)

Classes of financial assets	Business model consideration	Cash flow characteristics
Cash and cash equivalents	Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash. These assets are held to collect contractual cash flows.	The cash flows on these assets are solely payments of principal and interest.
Other assets (excluding prepayments for rent and insurance and advance for goods and services)	Financial accounts receivable are short-term financial assets that are held to collect contractual cash flows.	The cash flows on these assets are solely payments of principal and interest.

The Bank reclassifies financial assets when it changes its business model for managing financial assets. Reclassifications are expected to be very infrequent. Such changes are determined by the Bank's senior management as a result of external or internal changes and must be significant to the Bank's operations and demonstrable to external parties. Accordingly, a change in Bank's business model will occur only when the Bank either begins or ceases to perform an activity that is significant to its operations; for example, when the Bank has acquired, disposed of or terminated a business line.

The following are not considered to be changes in the Bank's business model:

1. A change in intention related to financial assets (even in circumstances of significant changes in market conditions).
2. A temporary disappearance of a particular market for financial assets; or
3. A transfer of financial assets between parts of the Bank with different business models.

When the Bank's financial asset converts into a different financial asset during the instrument's life, the Bank considers whether the original asset should continue to be recognized or whether, on conversion, the old instrument is derecognized, and a new one is recognized.

If the Bank reclassifies its financial assets, it applies the reclassification prospectively from the reclassification date, defined as the first day of the first reporting period following the change in business model that results in the Bank reclassifying financial assets. The reclassification applies prospectively from the reclassification date and therefore previous recognized gains, losses (including impairment gains or losses) or interest are not restated. Changes in the objective of the Bank's business model are usually affected before the reclassification date.

Measurement at the date of reclassification

When the Bank's financial asset is reclassified from amortized cost to FVOCI (or vice versa) the measurement of expected credit losses will not change as both classification categories apply the same impairment approach. However, the presentation and disclosure of the impairment allowance will differ. If the Bank's financial asset is reclassified out of FVOCI to amortized cost measurement, for presentation purposes, a loss allowance would be recognized as an adjustment to the gross carrying amount of the financial asset from the reclassification date.

If the Bank's financial asset is reclassified out of amortized cost to FVOCI measurement, for presentation purposes, a loss allowance would be derecognized (and thus would no longer be recognized as an adjustment to the gross carrying amount) but instead would be recognized as an accumulated impairment amount (of an equal amount) in other comprehensive income and would be disclosed from the reclassification date.

LETSHEGO FAIDIKA BANK LIMITED

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

3. MATERIAL ACCOUNTING POLICIES (Continued)

(k) Financial assets (Continued)

(ii) Classification and subsequent measurement (Continued)

Amortised cost (Continued)

Measurement at the date of reclassification (Continued)

If the Bank reclassifies a financial asset from amortized cost to FVTPL, it discloses as a separate line item in its statement of comprehensive income any gain or loss arising from a difference between the previous carrying amount and its fair value on reclassification.

Similarly, if the Bank reclassifies a financial asset from FVOCI to FVTPL, it discloses as a separate line in its statement of comprehensive income any gain or loss arising from reclassifying the previously recognized amount in other comprehensive income to profit or loss.

(iii) Impairment

The ECL model applies to financial assets measured at amortised cost and debt instruments at Fair Value through Other Comprehensive Income (FVOCI), lease receivables and certain loan commitments as well as financial guaranteed contracts.

Under IFRS 9, loss allowances are measured on either of the following bases:

12-month ECLs: these are a portion of the lifetime expected credit losses and represent the amount of expected credit losses that result from default events that are possible within 12 months after the reporting date.

Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The Bank recognises an allowance for either 12-month or lifetime ECLs, depending on whether there has been a significant increase in credit risk (SICR) since initial recognition. Indicators of a SICR include any of the following:

• 30 days past due rebuttable presumption
• Considering historical delinquency behaviour of accounts that are currently up to date and bucket 1 (1-30 days).
• Technical/operational arrears with proof that an account remains in arrears after the technical/operational error is fixed.
• Significant adverse changes in business, financial and/or economic conditions in which the client operates.

Measurement of ECLs

The measurement of ECLs reflects a probability-weighted outcome, the time value of money and the entity's best available forward-looking information. The above-mentioned probability-weighted outcome considers the possibility of a credit loss occurring and the possibility of no credit loss occurring, even if the possibility of a credit loss occurring is low. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Bank groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

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

3. MATERIAL ACCOUNTING POLICIES (Continued)

(k) Financial assets (Continued)

(iii) Impairment (Continued)

Measurement of ECLs (Continued)

Stage 1: When loans are first recognised, the Bank recognises an allowance based on ECL. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2 records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved, and the loan has been reclassified from Stage 3.

Stage 2: Financial instruments which have had a significant increase in credit risk since initial recognition but do not have objective evidence of a credit loss event. Lifetime expected credit losses are recognised. Interest revenue is calculated on the gross carrying amount of the asset.

Stage 3: Financial assets that have objective evidence of impairment at the reporting date. Lifetime expected credit losses are recognized. Interest revenue is calculated based on the amortized cost net of the loss provision, (net carrying amount).

POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit adjusted EIR. The ECL allowance is only recognised or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

The calculation of ECL

The Bank calculates ECL based on four probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- EAD The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise expected drawdowns on committed facilities and accrued interest from missed payments.
- LGD The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral or credit enhancements that are integral to the loan and not required to be recognised separately.

The assessment of the ECL of a financial asset or portfolio of financial assets entails estimations of the likelihood of defaults occurring and of default correlations between counterparties. The bank measures.

LETSHEGO FAIDIKA BANK LIMITED

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

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

(k) Financial assets *(Continued)*

(iii) Impairment (Continued)

The calculation of ECL *(Continued)*

ECL using probability of default (PD), exposure at default (EAD) and loss given default (LGD). These three components are multiplied together and adjusted for the likelihood of default.

The calculation of ECL incorporates forward-looking information. The bank has performed historical analyses and identified the key economic variables impacting credit risk and ECL for each portfolio at subsidiary level. These economic variables and their associated impact on the PD, EAD and LGD do not vary by financial instrument. The bank uses BMI Research/Fitch Solutions to assist in the forecast of economic variables and an overview of the economy quarterly or more often if necessary.

Financial assets are written off either partially or in their entirety only when the Bank has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. 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. Any subsequent recoveries are credited to credit loss expense.

Modification of financial liabilities

When the modification of the terms of an existing financial liability is not judged to be substantial and, consequently, it does not result in derecognition, the amortised cost of the financial liability is recalculated by computing the present value of estimated future contractual cash flows that are discounted at the financial liability's original EIR. Any resulting difference is recognised immediately in profit or loss.

For financial liabilities, the Bank considers a modification to be substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent.

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 derecognises 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 recognised 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 recognises a modification gain or loss in profit or loss.

Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Bank transfers substantially all the risks and rewards of ownership, or (ii) the Bank neither transfers nor retains substantially all the risks and rewards of ownership and the Bank has not retained control.

LETSHEGO FAIDIKA BANK LIMITED

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

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

(k) Financial assets *(Continued)*

Derecognition other than on a modification *(Continued)*

The Bank enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Bank:

- (i) Has no obligation to make payments unless it collects equivalent amounts from the assets;
- (ii) Is prohibited from selling or pledging the assets; and
- (iii) Has an obligation to remit any cash it collects from the assets without material delay

Collateral (shares and bonds) furnished by the Bank under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Bank retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Bank retains a subordinated residual interest.

(l) Financial liabilities

The financial liabilities on the statement of financial position comprise of; deposits from banks, deposits from customers, borrowings and other liabilities (excluding Tax payable and statutory deductions).

(i) Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Bank recognises any expense incurred on the financial liability; and
- Financial guarantees and loan commitments.

(ii) Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Bank and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

LETSHEGO FAIDIKA BANK LIMITED

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

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

(m) Cash and cash equivalents

Cash and cash equivalents referred in the cash flow comprise cash on hand, non-restricted current accounts, deposits held at call with banks with an original maturity of three months or less, due from banks on demand and investments with maturity periods of three months or less in money market instruments.

(n) Foreign currency translation

Items included in the Bank's financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency). The financial statements are presented in Tanzanian Shillings ("the functional currency) and figures are in thousands of Tanzania Shillings.

Transactions in foreign currencies are initially recorded at the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the reporting date. All differences arising on non-trading activities are taken to 'Other operating income' in the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(o) Acceptances, Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specific 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 debts instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdraft and other banking facilities.

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 recognised in accordance with the principles of IFRS 15.

Loan commitments provided by the Bank are measured as the amount of the loss allowance. The Bank has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Bank cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as provision.

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

3. MATERIAL ACCOUNTING POLICIES (Continued)

(p) Taxation

(i) Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted on the reporting date.

The income tax expenses or credit for the period is the tax payable or receivable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributed to temporary difference and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax return with the respect to situations in which applicable tax regulations is subject to interpretation. It establishes tax liabilities where appropriate on the basis of amounts expected to be paid to the tax authorities. If uncertain tax positions arise, they are recognized as part of the income tax liability measured in terms of IFRIC 23.

IAS 12 requires tax to be recognised and measured according to a relatively tightly defined accounting model. IAS 37 requires a provision to be recognised only where it is more likely than not that an outflow of resources will occur as a result of a past obligating event and measured at the best estimate of the amount expected to be paid. In the case of uncertain tax treatments an approach distinct from that in IAS 37 is required when IFRIC 23 is applied.

Deferred income tax is provided in full, using the liability method, on temporary difference arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from the initial recognition of an asset or liability in transactions other than a business combination that at the time of the transactions affects neither accounting nor taxable profit or loss.

Deferred income is determined using tax rates (and laws) that have been enacted or substantially enacted the end of the reporting period and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

(ii) Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled, and it is probable that the temporary differences will not reverse in the foreseeable future.
- Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:
- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

LETSHEGO FAIDIKA BANK LIMITED

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

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

(p) Taxation *(Continued)*

(ii) Deferred tax (continued)

- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax relating to items recognised directly in equity or other comprehensive income are also recognised in equity or other comprehensive income and not in profit or loss. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(iii) Value added tax

Revenues, expenses and assets are recognised inclusive of the amount of value added tax except where the value added tax incurred on a purchase of assets or services is recoverable from the taxation authority, in which case the value added tax is recognised as an asset.

(q) Dividends

Ordinary shares.

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the bank's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the bank. Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

Preference shares;

The Bank has only irredeemable preference shares, such shares that entity don't have to retrieve, and, in this case, they are like ordinary shares. Therefore, they are recorded as part of equity in the statement of financial position.

As irredeemable preference shares are part of equity therefore, any return paid on such shares is treated as distribution of profit and reported in statement of changes in equity.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Bank's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Bank's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Existing circumstances and assumptions about future developments may change due to circumstances beyond the Bank's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

(a) Impairment losses on financial assets

The bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The bank regularly reviews its loan portfolio and makes judgments in determining whether an impairment loss should be recognized in respect of observable data that may impact on future estimated cash flows.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce the differences between loss estimates and loss experience.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for a significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

LETSHEGO FAIDIKA BANK LIMITED

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

(a) Impairment losses on financial assets (Continued)

Sensitivity analysis

The below summarizes the sensitivity analysis on impairment losses as of 31 December 2025 for changes in LGD and PD:

	Existing impairment provision TZS'000	Impact of changes in LGD		Impact of changes in PD	
		(+) 5%	(-) 5%	(+) 5%	(-) 5%
		TZS'000	TZS'000	TZS'000	TZS'000
Stage 1: 12-month ECL allowance	1,543,420	1,529,226	1,383,585	1,544,518	1,397,421
Stage 2: Lifetime ECL allowance – not credit-impaired	538,215	656,491	593,968	663,056	599,908
Stage 3: Lifetime ECL allowance – credit-impaired	6,954,248	7,308,692	6,612,626	7,381,779	6,678,753
Total	9,035,883	9,494,409	8,590,180	9,589,353	8,676,081

The below summarizes the sensitivity analysis on impairment losses as at 31 December 2024 for changes in LGD and PD:

	Existing impairment provision TZS'000	Impact of changes in LGD		Impact of changes in PD	
		(+) 5%	(-) 5%	(+) 5%	(-) 5%
		TZS'000	TZS'000	TZS'000	TZS'000
Stage 1: 12-month ECL allowance	891,563	620,534	534,457	1,001,644	273,349
Stage 2: Lifetime ECL allowance – not credit-impaired	293,963	470,258	238,570.25	520,453	428,377
Stage 3: Lifetime ECL allowance – credit-impaired	13,685,148	16,592,728	10,892,350	17,249,668	11,915,416
Total	14,870,674	17,683,520	11,665,377	18,771,764	12,617,142

Therefore, based on the above an increase in LGD or PD would have an adverse impact to Letshego Faidika Bank Limited's profits.

Detailed information about the judgements and estimates made by the Bank in the above areas is set out in Note 28.

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS *(Continued)*

(b) Effective Interest Rate (EIR) method

The Bank's EIR method recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioral life of loans and deposits and recognises the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges). This estimation, by nature, requires an element of judgement regarding the expected behavior and life cycle of the instruments, as well expected changes to Tanzania's base rate and other fee income/expense that are integral parts of the instrument.

(c) Estimating the incremental borrowing rate

The Bank cannot readily determine the interest rate implicit in the lease; therefore, it uses its incremental borrowing rate (IBR') to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Bank 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Bank estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments (such as the bank's stand-alone credit rating, or to reflect the terms and conditions of the lease).

	2025 TZS'000	2024 TZS'000
5 INTEREST INCOME CALCULATED USING THE EFFECTIVE INTEREST METHOD		
Loans and advances	35,114,505	28,971,968
Interest from balances with other banks	<u>2,727,695</u>	<u>870,622</u>
	<u>37,842,200</u>	<u>29,842,590</u>
6 INTEREST EXPENSE CALCULATED USING THE EFFECTIVE INTEREST METHOD		
Interest on customers deposits	858,784	323,823
Interest expenses-lease	<u>558,368</u>	<u>143,998</u>
	<u>1,417,152</u>	<u>467,821</u>

LETSHEGO FAIDIKA BANK LIMITED

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

	2025	2025
	TZS'000	TZS'000
7 FEES AND COMMISSION INCOME		
Commitment fees	627,764	643,107
Withdrawal fees on savings account	47,534	6,533
Other fees and commissions*	285,958	118,399
Bancassurance commission	<u>157,886</u>	<u>120,975</u>
	<u>1,119,142</u>	<u>889,014</u>

* This includes ATMs commissions, account opening fees, dormant account reactivation fees, account maintenance fees, mobile money commission revenue and other fees charged on customer deposits related transactions.

All fee and commission income is recognised at a point in time except for commitment fees (not integral to the loan) that are deferred and recognised as the customers utilise the loan facility.

Contract balances

The following table provides information about receivables and contract liabilities from contracts with customers. The balance relates to deferred loan related fees.

Contract liabilities, which are included in other liabilities - Note 22	916,039	173,055
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8 IMPAIRMENT LOSSES

Loan impairment	7,878,413	7,640,988
Recoveries from loans written off	<u>(2,644,561)</u>	<u>(1,854,478)</u>
	<u>5,233,852</u>	<u>5,786,510</u>

9 EMPLOYEE BENEFIT EXPENSES

Wages and salaries	4,682,099	4,410,918
National Social Security Fund (NSSF)	730,791	483,299
Skill Development Levy (SDL)	197,535	169,125
Medical	494,490	497,770
Terminal benefits	177,887	450
Other benefits*	<u>1,858,662</u>	<u>150,191</u>
	<u>8,141,464</u>	<u>5,711,753</u>

*Other benefits include leave allowance, staff training, overtime allowance, long-term incentive plan and transport allowances.

LETSHEGO FAIDIKA BANK LIMITED

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

	2025	2024
	TZS'000	TZS'000
10 OPERATING EXPENSES		
Auditor's remuneration*	138,558	120,000
Utilities	106,630	95,317
Communication cost	1,272,530	966,729
Transport cost	554,888	295,319
Professional fees	629,412	689,444
Marketing and promotions	874,817	870,357
Service charges	230,089	255,300
Maintenance and repair	197,743	169,256
Directors' fees and expenses	197,086	211,815
Regulatory levies and duties****	1,548,036	165,951
Other operating expenses***	1,109,300	1,737,826
Other expenses**	2,640,030	2,398,806
	<u>9,499,119</u>	<u>7,976,120</u>

*Auditor's remuneration represents the fees that have been charged for the financial statements audit amounting to TZS 114 million for the current year (2024: TZS 100 million) and IT system's audit TZS 24 million for the current year (2024: TZS 20 million).

**Other expenses consist of numerous amounts among them being printing costs, generator running expenses, ATM cards costs, Office, and security expenses.

***Other operating expenses consists of expenses relating to licences, subscriptions, membership, and inspection fees.

****Regulatory levies and duties relate to indirect taxes incurred by the bank including VAT, excise duty, service levies and others for the current year and prior years.

11 OTHER EXPENSES

Bank charges	<u>24,542</u>	<u>104,819</u>
	<u>24,542</u>	<u>104,819</u>

12 CASH AND BALANCE WITH BANK OF TANZANIA

Cash at hand		
Local Currency	399,888	463,611
Foreign Currency	<u>1,443</u>	<u>1,443</u>
	<u>401,331</u>	<u>465,054</u>
Balance with Bank of Tanzania		
Statutory Minimum Reserve (SMR)	1,137,052	598,943
BoT clearing TZS	256,569	65,087
BoT clearing USD	<u>625,187</u>	<u>285,374</u>
	<u>2,018,808</u>	<u>949,404</u>
	<u>2,420,139</u>	<u>1,414,458</u>

The bank has not reported any impairment on balances with Bank of Tanzania as at 31 December 2025 as the amount is not significant (2024: Nil). The assumptions applied have been disclosed under note 28(a)(iii).

LETSHEGO FAIDIKA BANK LIMITED

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

	2025	2024
	TZS'000	TZS'000
13 BALANCE WITH OTHER BANKS		
Interest bearing fixed deposit account	4,000,000	11,246,732
Non-interest-bearing current account	6,095,420	13,522,968
Accrued Interest on Other bank deposits	<u>94,878</u>	<u>121,342</u>
	<u>10,190,298</u>	<u>24,891,042</u>

The bank has not reported any impairment on balances with other banks as of 31 December 2025 as the amount is not significant (2024: Nil). The assumptions applied have been disclosed under note 28(a)(iii).

Maturity analysis

Interest bearing fixed deposit account maturing less than 90 days	<u>4,000,000</u>	<u>11,246,732</u>
	<u>4,000,000</u>	<u>11,246,732</u>

14 CASH AND CASH EQUIVALENTS

Cash at hand (Note 12)	401,331	465,054
Balance with Bank of Tanzania (Note 12)	2,018,808	949,404
Balance with other banks (Note 13)	<u>10,190,298</u>	<u>24,891,042</u>
	<u>12,610,437</u>	<u>26,305,500</u>
Less: Statutory Minimum Reserve*	<u>(909,642)</u>	<u>(598,943)</u>
	<u>11,700,795</u>	<u>25,706,557</u>

*In the current year, the bank has included 20% of the Statutory Minimum Reserve as part of its cash and cash equivalents. Based on the regulations, banks are able to access upto 20% of the reserve on a daily basis with the remaining 80% restricted. In 2024, the entire SMR balance was not reported as cash and cash equivalents.

LETSHEGO FAIDIKA BANK LIMITED

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

	2025	2024
	TZS'000	TZS'000
15 LOANS AND ADVANCES TO CUSTOMERS		
Small and Medium Enterprises loans	241,648	10,223,521
Personal loans	111,281,284	76,955,942
Accrued Interest receivables	<u>580,884</u>	<u>643,801</u>
Gross loans and advances	112,103,816	87,823,264
Expected credit losses	<u>(9,035,883)</u>	<u>(11,332,835)</u>
Net loan and advances	<u>103,067,933</u>	<u>76,490,429</u>
Maturity analysis		
Maturity up to 3 Months	28,219,463	14,749,848
Maturity between 3 and 12 months	1,762,378	1,082,871
Maturity between 12 and 24 months	3,403,314	2,220,055
Maturity between 24 and 36 months	2,466	2,082,486
Maturity over 36 months	<u>78,716,196</u>	<u>67,688,004</u>
	<u>112,103,817</u>	<u>87,823,264</u>
	2025	2024
	TZS'000	TZS'000
Movement in provision for expected credit losses		
At 1 January	11,332,835	15,264,298
Allowance on new loan and advance (Note 8)	7,878,413	3,931,465
Write offs	(10,175,365)	(11,572,452)
De-recognized during the year	<u>-</u>	<u>3,709,524</u>
At 31 December	<u>9,035,883</u>	<u>11,332,835</u>
16 OTHER ASSETS		
Prepayment and advance payments	1,341,109	604,341
Other receivables	<u>7,357,196</u>	<u>2,220,141</u>
	<u>8,698,305</u>	<u>2,824,482</u>

Other assets are receivable within 12 months and significantly include deferred commission expenses, Timiza Akiba receivables and other clearing and settlement accounts.

LETSHEGO FAIDIKA BANK LIMITED

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

17 PROPERTY AND EQUIPMENT

	Office Equipment	Office furniture & Fixture	Computer equipment	Motor vehicles	Total
Cost	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
At 1 January 2024	1,067,044	520,342	1,852,022	198,172	3,637,580
Additions	82,972	22,476	44,759	-	150,207
At 31 December 2024	1,150,016	542,818	1,896,781	198,172	3,787,787
At 1 January 2025	1,150,016	542,818	1,896,781	198,172	3,787,787
Additions	71,177	68,027	435,754	337,527	912,485
Transfers	(107,628)	107,628	-	-	-
At 31 December 2025	1,113,565	718,473	2,332,535	535,699	4,700,272
Accumulated depreciation					
At 1 January 2024	823,657	543,295	1,179,135	114,990	2,661,077
Charge for the year	134,501	54,602	548,183	67,060	804,346
At 31 December 2024	958,158	597,897	1,727,318	182,050	3,465,423
At 1 January 2025	958,158	597,897	1,727,318	182,050	3,465,423
Charge for the year	124,410	32,425	190,101	122,598	469,534
Transfer	(60,922)	60,922	-	-	-
At 31 December 2025	1,021,646	691,244	1,917,419	304,648	3,934,957
Net book value					
At 31 December 2025	91,919	27,229	415,116	231,051	765,315
At 31 December 2024	191,858	(55,079)	169,463	16,122	322,364

LETSHEGO FAIDIKA BANK LIMITED

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

18 LEASEHOLD IMPROVEMENTS	2025	2024
	TZS'000	TZS'000
Cost		
At 1 January	1,871,549	1,573,875
Additions	<u>577,201</u>	<u>297,674</u>
At 31 December	<u>2,448,750</u>	<u>1,871,549</u>
Accumulated amortisation		
At 01 January	1,305,650	1,108,425
Amortization for the year	<u>392,093</u>	<u>197,225</u>
At 31 December	<u>1,697,743</u>	<u>1,305,650</u>
Net carrying value	<u><u>751,007</u></u>	<u><u>565,899</u></u>
19 RIGHT OF USE ASSET		
Cost		
At 1 January	2,094,802	1,620,342
Additions	687,955	1,862,784
Derecognition during the year	-	(1,453,360)
Modification	<u>2,159,159</u>	<u>65,036</u>
At 31 December	<u>4,941,916</u>	<u>2,094,802</u>
Accumulated depreciation		
At 1 January	399,899	1,259,992
Derecognition during the year	-	(1,453,360)
Amortisation during the year	<u>651,776</u>	<u>593,268</u>
At 31 December	<u>1,051,675</u>	<u>399,900</u>
Net carrying value	<u><u>3,890,241</u></u>	<u><u>1,694,902</u></u>

The Bank has lease contracts for office buildings (i.e., head office and branches).

* This relates to transfer of right of use balances from - LTL – Letshego Tanzania Limited t/a Faidika to the Bank as a result of the merger between the two entities. The transfer was at book value.

LETSHEGO FAIDIKA BANK LIMITED

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

	2025 TZS'000	2024 TZS'000
20 TAXATION		
(a) Income tax (credit)/charge		
Income tax charge during the year	1,679,984	497,864
Prior year under provision	143,417	-
Deferred tax credit during the year	(6,451,135)	-
	<u>(4,627,734)</u>	<u>497,864</u>
(b) Reconciliation of tax (credit)/charge		
Accounting profit before Taxation	13,131,810	9,089,742
Tax at domestic rate (30%)	3,939,543	2,726,923
Deferred tax credit during the year	(6,451,135)	-
Deferred tax movement not recognised	-	(2,999,596)
Prior year current tax under provision	143,417	-
Permanently disallowed items	140,524	770,537
Effect of unrecognised deferred tax from prior year	(2,400,083)	-
	<u>(4,627,734)</u>	<u>497,864</u>
(c) Corporate tax payable		
At 1 January	31,299	(5,815)
Prior year over provision	(21,918)	-
Tax paid	(1,350,948)	(460,749)
Current tax charge for the year	1,679,984	497,863
At 31 December	<u>338,417</u>	<u>31,299</u>
(d) Deferred Tax		
At 1 January	-	7,465,106
Movement during the year	-	(483,296)
Deferred tax not recognised	-	(6,981,810)
Deferred tax credit to profit or loss	6,451,135	-
At 31 December	<u>6,451,135</u>	<u>-</u>
The deferred tax asset is made up of the following temporary differences		
Accelerated depreciation for tax purpose	1,592,047	-
Tax losses carried forward	7,525,946	15,655,147
Provisions	12,385,790	7,617,552
	<u>21,503,783</u>	<u>23,272,699</u>
Deferred tax asset thereon at the domestic rate (30%)	6,451,135	6,981,810
Deferred tax as at 31 December	<u>6,451,135</u>	<u>6,981,810</u>

As at 31 December 2024, the bank had an unrecognised deferred tax asset amounting to TZS 6.98 billion which was not recognised due to uncertainties around ability to generate sufficient taxable profits to utilise the asset given the history of losses. However, the bank has made taxable profits for the last two years and has significantly utilised the carried forward tax losses. Directors and management believe that the bank will continue to generate taxable profits hence the deferred tax from brought forward tax losses will be fully utilised in the foreseeable future. As such in the current year, the deferred tax asset has been recognised.

LETSHEGO FAIDIKA BANK LIMITED

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

	2025	2024
	TZS'000	TZS'000
21 CUSTOMER DEPOSITS		
Interest bearing deposits		
Savings account	12,760,505	9,446,183
Term deposit	7,763,510	666,300
Accrued interest on Term deposit	<u>328,777</u>	<u>21,209</u>
	<u>20,852,792</u>	<u>10,133,692</u>
Current	20,110,453	10,133,692
Non-current	<u>742,339</u>	<u>-</u>
	<u>20,852,792</u>	<u>10,133,692</u>
22 OTHER LIABILITIES		
Tax payable and statutory deductions	1,316,861	119,650
Accruals	1,624,471	1,054,572
Sundry creditors*	8,924,219	5,862,932
Accrual for bonus and long-term incentive	<u>578,273</u>	<u>241,711</u>
	<u>12,443,824</u>	<u>7,278,865</u>
Other liabilities are payable within 12 months.		
*Sundry creditors include amounts payable to mobile network partner's as their share of income from digital loans, loan insurance premium payable and deferred loan commitment fees.		
23 LEASE LIABILITIES		
At 1 January	1,616,435	360,409
Modification	2,159,159	58,414
Additions	687,955	1,862,784
Lease repayments (principal and interest)	(830,601)	(780,455)
Translation difference	11,431	(28,715)
Interest expenses lease	<u>558,368</u>	<u>143,998</u>
At 31 December	<u>4,202,747</u>	<u>1,616,435</u>
Maturity analysis – based on contractual undiscounted cashflows		
Within one year	992,171	830,601
After one year but not more than five years	<u>5,675,320</u>	<u>1,212,987</u>
	<u>6,667,491</u>	<u>2,043,588</u>

LETSHEGO FAIDIKA BANK LIMITED

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

24 SHARE CAPITAL	2025	2024
	TZS'000	TZS'000
Ordinary share capital		
Authorized share capital	44,969,000	44,969,000
Issued and fully paid		
At 1 January	58,889,074	58,889,074
At 31 December	<u><u>58,889,074</u></u>	<u><u>58,889,074</u></u>
Non- cumulative preference share		
Authorized share capital		
Issued and fully paid	8,519,900	8,519,900
At 1 January	8,519,900	8,519,900
At 31 December	<u><u>8,519,900</u></u>	<u><u>8,519,900</u></u>

During the year the Letshego Africa Holdings Limited did not inject capital through ordinary share (2024: Nil).

During the year, the authorised share capital of the bank was TZS 58,889,074,219 (2024: TZS 58,889,074,219) Ordinary Shares of TZS 100,000 (2024:100,000) each and 8,519,000,000 (2024: 8,519,000,000) Perpetual Non-Cumulative Preference share, with quantity of TZS 100,000 (2024:100,000) each.

Called up and fully paid share capital.

588,891 (2024: 588,891) ordinary shares of TZS 100,000 each amounting to TZS 58,889,074,219 (2024: TZS 58,889,074,219) as at end of year 2025 and 85,199 (2024: 85,199) preferences share of TZS 100,000 amount to TZS 8,519,900,000 (2024: 8,519,900,000) giving the total of TZS 67,409,974,219 (2024: TZS 67,409,974,219).

Non-cumulative preference shareholders are given priority on receiving dividend over ordinary share. Holders of non-cumulative preference shares are not entitled to carry over the dividend for the year the Bank has not declared to issue dividend.

25. CAPITAL RESERVE

	2025	2024
	TZS'000	TZS'000
At 1 January		
Appropriation from /(to) retained earnings	50,532,564	50,532,564
At 31 December	<u><u>50,532,564</u></u>	<u><u>50,532,564</u></u>

Capital reserve represents net assets recognised arising from the merger between Faidika and Letshego Bank. As part of the merger arrangement, the Group acquired identifiable assets and liabilities from the merging entities.

LETSHEGO FAIDIKA BANK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2025**

	2025	2024
	TZS'000	TZS'000
26. FINANCIAL INSTRUMENTS BY CATEGORY		
Financial assets categorised at amortised cost		
Cash and balance with Bank of Tanzania	2,420,139	1,414,458
Balances with other banks	10,190,298	24,891,042
Loans and advances to customers	103,067,933	76,490,429
Other assets (excluding prepayment)	7,357,196	2,220,141
Total	<u>123,035,566</u>	<u>105,016,070</u>
Financial liabilities at amortised cost		
Customer deposits	20,852,792	10,133,692
Other liabilities (excluding statutory liabilities)	10,388,618	6,537,895
Lease liabilities	4,202,747	1,616,435
Total	<u>35,444,157</u>	<u>18,288,022</u>

27. REGULATORY CAPITAL

The Bank aims to manage its capital not only to be in compliant with BOT capital regulations but able to grow its business. Therefore, its main objectives are broader concept than the 'equity' on the statement of financial position.

BOT set Regulatory capital consists of:

Tier 1 Capital, which comprises share capital, share premium, retained earnings including current year loss, after deduction for goodwill and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

Tier 2 Capital, which includes subordinated long-term debt, preference shares and available-for-sale reserves and general provision as determined by Bank of Tanzania regulation.

LETSHEGO FAIDIKA BANK LIMITED

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

27. REGULATORY CAPITAL (Continued)

	Nominal Statement of financial position amounts	Risk weighted amounts	Nominal Statement of financial position amounts	Risk weighted amounts
	2025 TZS'000	2025 TZS'000	2024 TZS'000	2024 TZS'000
Cash and balances with Bank of Tanzania	3,155,860	-	1,414,458	-
Balances with other banks	10,095,420	-	24,891,042	-
Cheque and Item for Clearing	-	-	-	-
Loans and advances	100,197,124	100,470,343	76,490,429	76,490,429
Other assets	15,352,298	15,352,298	2,824,481	2,810,876
Leasehold improvements	710,666	-	565,899	565,899
Amount due from related parties	-	-	-	-
Prepayment expenses	1,336,142	-	-	-
Deferred income tax asset	6,451,135	-	-	-
Deferred Commission Charges	-	-	-	-
Property and equipment	966,722	966,722	2,017,267	2,017,267
	<u>138,265,366</u>	<u>116,789,364</u>	<u>108,203,576</u>	<u>81,884,471</u>

LETSHEGO FAIDIKA BANK LIMITED

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

27. REGULATORY CAPITAL (Continued)

	2025	2024
	TZS'000	TZS'000
Tier 1 capital		
Ordinary share capital	58,889,074	58,889,075
Preference share capital	8,519,900	8,519,900
Capital Reserve	50,532,564	50,532,564
Less: Accumulated losses	<u>(26,088,254)</u>	<u>(36,966,866)</u>
	91,853,284	80,974,673
Less:		
Prepaid expenses	(1,336,142)	(604,340)
Deferred charges	<u>(6,488,657)</u>	<u>(1,707,551)</u>
Total qualifying Tier 1 capital	<u>84,066,008</u>	<u>78,662,782</u>
Tier 2 capital		
Specific provision	-	-
General provision*	<u>-</u>	<u>-</u>
Total supplementary capital	<u>84,066,008</u>	<u>78,662,782</u>

*The minimum core capital requirement set by the Bank of Tanzania is TZS 15 billion. As of 31 December 2025, the Bank recorded a core capital of TZS 73. billion (2024: TZS 27 billion) which is above the regulatory threshold.

Risk - weighted assets

On balance sheet	105,705,959	94,439,543
Market risk	792,052	346,286
Operational risk	<u>1,225,011</u>	<u>3,041,871</u>
Total risk - weighted assets	<u>107,723,022</u>	<u>97,827,700</u>

Bank Ratios

Tier 1 (BoT Minimum required is 12.5%)	78.02%	80%
Tier 1 + Tier 2 (BoT Minimum required is 14.5%)	78.02%	80%

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

28. FINANCIAL RISK MANAGEMENT

The bank's activities expose it to a variety of financial risks, and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risks is core to the bank's business, and the operational risks are an inevitable consequence of being in business. The bank's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on its financial performance.

Risk management is carried out by the individual departments concerned under policies approved by the Board of directors. These written policies cover all types of risks for the bank. The most important types of risk are credit risk, liquidity risk, market risk and other operational risk. Market risk includes foreign currency risk, interest rate and other price risks.

a) Credit risk

The bank takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the bank by failing to pay amounts in full when due.

Credit risk is the most important risk for the bank's business: management therefore carefully manages the exposure to credit risk. Credit exposure arises principally in lending and investment activities. The bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers. Such risks are monitored on a revolving basis and subject to regular reviews.

(i) Credit risk measurement

Exposure to credit risk is managed through systematic analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees, but a significant portion is personal lending where no such facilities can be obtained.

The Board of directors has delegated responsibility for the management of credit risk to the CEO who is responsible for implementing appropriate policies and procedures for credit risk monitoring. In particular, the Financial Inclusion department which is under Head of financial inclusion is responsible for:

- i. Formulating credit policies, covering credit assessment, risk grading, documentary and legal procedures, collateral requirements.
- ii. Establishing the authorization structure for the approval and renewal of credit facilities. Authorization limits are allocated to various officers at different levels; credit committees, aiming to analyse and appraise the loan request, based on the financial analysis.
- iii. Performed by the client relationship officer in charge of the loan request, are organized on a daily basis. Lending decisions can only be taken through Credit committee.
- iv. Reviewing and assessing credit risk. Financial inclusion department assesses all credit exposures prior to facilities being committed to customers concerned.
- v. Assessing portfolio quality according to type of customer/sector; regular reports are provided to Board of directors in respect of the quality of loan portfolio.
- vi. Promoting best practices in management of credit risk.

28. FINANCIAL RISK MANAGEMENT (Continued)

a) Credit risk (Continued)

(i) Credit risk measurement (Continued)

Regular audits of the Bank's department processes are undertaken by the Internal audit and Risk department.

In measuring credit risk of loans and advances to customers and to banks and government securities at a counterparty level and other, the Bank reflects three components (i) the 'probability of default' by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development, from which the Bank derives the 'exposure at default'; and (iii) the likely recovery ratio on the defaulted obligations (the 'loss given default').

These credit risk measurements, which reflect expected loss (the 'expected loss model'), are embedded in the Bank's daily operational management. The operational measurements on impairment allowances required under IFRS 9 which is based on the expected credit losses than incurred losses at the balance sheet date.

(i) The Bank assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. These have been developed internally and combine statistical analysis with credit officer judgement. Clients of the Bank are segmented into five rating classes. The Bank's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating tools are kept under review and upgraded as necessary. The Bank regularly validates the performance of the rating and their predictive power with regard to default events.

Qualitative criteria are also considered in grading credit risk exposures.

(ii) Exposure at default is based on the amounts the Bank expects to be owed at the time of default. For example, for a loan this is the face value. For a commitment, the Bank includes any amount already drawn plus the further amount that may have been drawn by the time of default, should it occur.

The Bank manages limits and controls concentrations of credit risk wherever they are identified and in particular, to individual counterparties and groups, and to industries. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, sector segments, and to industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, sector and industry are tabled to the Board of Directors for review when considered necessary.

The exposure to any one borrower, including further restricted banks is by limits stipulated in Central Bank regulations covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items. Actual exposures against limits are monitored daily. Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

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

28. FINANCIAL RISK MANAGEMENT (*Continued*)

a) Credit risk (*Continued*)

(ii) Impairment and provisioning policies

The internal rating systems focus more on credit-quality mapping from the inception of the lending. In contrast, impairment provisions are recognized for financial reporting purposes for expected credit losses at the balance sheet date based on objective evidence available to the bank. Due to the different methodologies applied, the amount of expected credit losses provided for in the financial statements using internal credit ratings are usually higher than the amount determined from the incurred credit model that is used for banking regulation purposes.

The impairment provision shown in the statement of financial position at year-end is derived from each of the five internal rating grades. However, the majority of the impairment provision comes from the loss, doubtful, and substandard grades.

(iii) Expected credit loss measurement

The Banks 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.

Significant increase in credit risk

(i) Loans and advances to customers

The Bank considers both qualitative and quantitative criteria to determine whether a loan to customers 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: expectations of forbearance, covenant breaches, affordability scores, death, unemployment, bankruptcy, divorce, drop of interest rate in mortgages and restructuring. Backstop indicator referred to instrument which are more than 30 days past due. There may be other backstop indicators.

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

28. FINANCIAL RISK MANAGEMENT (*Continued*)

a) Credit risk (*Continued*)

(iii) Expected credit loss measurement (*Continued*)

(ii) 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.

Quantitative criteria

A balance with other banks 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.

Qualitative factors

In estimating the qualitative factors, our assessment considered various components useful to support the assessment.

- Financial Stability of the banking Sector; Sector is stable given comprehensive guidelines and strict oversight of the Bank of Tanzania.
- Recoverability: Banks that experienced liquidity and other regulatory challenges opted for merger and acquisition strategy to safeguard interest of depositors.

Definition of default and credit-impaired assets

Loans and advances to banks

Quantitative factors

The default in this case is considered when a counterparty bank fails to honor contractual obligation and official instructions to repay or transfer cash and cash equivalent, on behalf of Letshego for more than 30 days.

Definition of default and credit-impaired assets

Letshego's default definition across all products is set at more than 90 days past due. "Default" is not defined under IFRS 9. Careful consideration was taken when defining default as this will be used for the calculation of PDs, LGDs and EADs, hence impacting Letshego's ECL results. Indications of inability to pay include;

- The credit obligation is placed on non-accrued status;
- Letshego makes a specific provision or charge-off due to a determination that the obligor's credit quality has declined (subsequent to taking on the exposure);
- Letshego sells the credit obligation or receivable at a material credit related economic loss;
- Letshego agrees to a distressed restructuring resulting in a material credit related diminished asset stemming from such actions as material forgiveness or postponement of payments or repayments of amount owing;
- Letshego has filed for the obligor's bankruptcy in connection with the credit obligation
- The obligor has sought or been placed in bankruptcy resulting in the delay or avoidance of the credit obligation's repayment.
- There is a rebuttable presumption within the standard that default does occur once a loan is more than 90 days past due.

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

28. FINANCIAL RISK MANAGEMENT *(Continued)*

a) Credit risk *(Continued)*

(iii) Expected credit loss measurement *(Continued)*

Definition of default and credit-impaired assets *(Continued)*

Backstop criteria

Accounts that are 30 calendar days or more past due. The 30 days past due criteria should be treated as a backstop rather than a primary driver of moving exposures into stage 2.

Exposures will move back to stage 1 once they no longer meet the criteria for a significant increase in credit risk and when any cure criteria used for credit risk management are met. This is subject to all payments being up to date and the customer evidencing ability and willingness to maintain future payments.

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:

Definition of default, impaired and cure

The Bank considers a financial instrument defaulted for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. The Bank considers treasury and interbank balances defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

It is the Bank's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

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.
- Loss Given Default (LGD) represents the Bank'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.
- EAD is calculated by considering outstanding balance of loan plus interest receivable excluding upfront fee recovered initially in disbursement. Interest from all defaulted loans (over 90 days) is suspended from accrued interest income.

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

28. FINANCIAL RISK MANAGEMENT *(Continued)*

a) Credit risk *(Continued)*

(iii) Expected credit loss measurement *(Continued)*

Balances due from other banks

- The ECL model for interbank placements is built on key variables Exposure at Default (EAD), Loss Given Default (LGD) and Probability of default (PD)
- The PD refers to the likelihood of a default over a time horizon. It provides an estimate of the likelihood that a borrower will be unable to meet its debt obligations. PD for counterparties are 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.

Forward-looking information

The estimates of expected credit losses to reflect reasonable and supportable information that is available without undue cost or effort – including information about: past events, current conditions, and forecasts of future economic conditions.

- Information that is available for financial reporting purposes is considered to be available without undue cost or effort. The information should include factors that are specific to the borrower and general economic conditions, including assessment of both the current conditions and the forecast direction of the change of conditions.
- The policy stipulates how the macro-economic factors were engraved in relation to impairment for the past 2 years through regression analysis to establish the degree of correlation to the following potential data sources: internal historical credit loss experience, internal and external ratings, credit loss experience of other entities, or external reports and statistics.
- As the forecast horizon increases the availability of detailed information decreases, and the judgement required to estimate expected credit losses increases. For periods far in the future, projections could be extrapolated from the information that is available for earlier periods.
- Macro-economic factors incorporated before statistical test include, exchange rate, inflation rate, TB bills, fuel prices, total credit to GDP, non-government sector to GDP, GDP per capital current price (TZS), Money supply, (M3) and food price.
- The predictive model considers macro-economic factors which have correlation of more than 40% in trend of 5 years.
- The predictive model considers economic significance factor which have correction of more than 1 T statistic.
- Management using regression analysis for establishing the relationship between macro-economic factors and monthly impairment. The statistical relationship test establishes the economic significant, statistically significant, R square, Adjusted R square, T statistics and P value
- Macro-economic adjustment to be adjusted is only when proved there is a factor which is going to change based on the proved facts presented either from economist, government budget and policy changes, continued trade deficit and tumour economic war which might adversely disrupt the current conditions.
- If the change in macroeconomic factors will remain below the 20% of the move all the PD's will be adjusted to align to the Macroeconomic factors in context of the provision at the reporting date. If the change remained below the predetermined provision, management adopt the existing provisions without adjustments.

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

28. FINANCIAL RISK MANAGEMENT *(Continued)*

a) Credit risk *(Continued)*

(iii) Expected credit loss measurement *(Continued)*

Forward-looking information *(Continued)*

Forward-looking information is reviewed by the credit committee and submitted quarterly to the central bank for review as part of the credit returns to be made to the bank. The model is back tested against actual outcomes. Within its risk management framework, the Bank has introduced various measures to limit its economic losses arising from prepayment risk.

Renegotiated loans treatment

Both performing and non-performing restructured assets are classified as stage 3 except where it is established that the concession granted has not resulted in diminished financial obligation and that no other regulatory definitions of default criteria have been triggered, in which case the asset is classified as stage 2. The minimum probationary period is 6 months to move to cure state.

Write-off policy

Loans are written off when the bank does not expect to recover any cashflows from borrower. 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.

Expected credit loss

The loss allowance recognized 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;
- Discounts 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.

Cash and Balance with Bank of Tanzania and Balances with Other Banks

As at 31 December 2025, the balances with Bank of Tanzania and balances with other banks were classified as stage 1. In estimating the ECL, the bank used a PD of 1.86% based on Moody's sovereign rating for Tanzania of B+ as a proxy rating and LGD of 50% due to the lack of default history making it challenging to estimate the LGD. Based on these assumptions the resulting ECL was insignificant, hence not recognised.

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

28. FINANCIAL RISK MANAGEMENT (Continued)

a) Credit risk (Continued)

(iii) Expected credit loss measurement (Continued)

ECL allowance reconciliation:

	Stage I 12 - Month ECL TZS'000	Stage II Lifetime ECL TZS'000	Stage III Lifetime ECL TZS '000	Total TZS'000
At 1 January 2025	1,260,235	1,136,876	8,935,724	11,332,835
Stage transfer				
Stage 1 to stage 2	(27,098)	27,098		-
Stage 1 to stage 3	(250,660)		250,660	-
Stage 2 to stage 1	86,896	(86,896)	-	-
Stage 2 to stage 3		(376,804)	376,804	-
Stage 3 to stage 1	112		(112)	-
Stage 3 to stage 2		10,935	(10,935)	-
Allowance on new loan and advance	1,122,810	393,599	3,630,174	5,146,583
Write off	-	-	(10,004,110)	(10,004,110)
Change in credit risk	(648,875)	(566,593)	3,776,043	2,560,575
At 31 December 2025	1,543,420	538,215	6,954,248	9,035,883

The Bank did not have off-balance sheet exposure as of 31 December 2025.

	Stage I 12 - Month ECL TZS'000	Stage II Lifetime ECL TZS'000	Stage III Lifetime ECL TZS '000	Total TZS'000
At 1 January 2024	737,871	296,299	14,230,129	15,264,299
Stage transfer				
Stage 1 to stage 2	(309,749)	309,749		-
Stage 1 to stage 3		(412,693)	412,693	-
Stage 2 to stage 1	1,462	(1,462)		-
Stage 3 to stage 1	2,288		(2,288)	-
Stage 3 to stage 2		5,880	(5,880)	-
Allowance on new loan and advance	828,363	939,103	2,163,998	3,931,464
Write off	-	-	(11,572,452)	(11,572,452)
Change in credit risk	-	-	3,709,524	3,709,524
At 31 December 2024	1,260,235	1,136,876	8,935,724	11,332,835

The Bank did not have off-balance sheet exposure as of 31 December 2024.

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

28. FINANCIAL RISK MANAGEMENT (Continued)

a) Credit risk (Continued)

(iii) Expected credit loss measurement (Continued)

Financial instruments whose carrying amounts represent the maximum exposure to credit risk without taking account of any collateral held or other credit enhancements are shown below:

	2025		2024	
	<u>TZS'000</u>	<u>%</u>	<u>TZS'000</u>	<u>%</u>
Balances with Bank of Tanzania	2,420,139	2%	1,414,458	1%
Balances due from other banks	10,190,298	8%	24,891,042	24%
Loans and advances to customers	103,067,933	84%	76,490,429	73%
Other assets (Excluding prepayments)	7,357,196	6%	2,220,141	2%
	123,035,566	100%	105,016,070	100%

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

	Stage I	Stage II	Stage III	Total
	12 - Month ECL	Lifetime ECL	Lifetime ECL	
31 December 2025				
Current	87,117,576	-	-	87,117,576
Especially mentioned	-	17,554,087	-	17,554,087
Substandard	-	-	4,775,909	4,775,909
Doubtful	-	-	1,571,066	1,571,066
Loss	-	-	1,085,178	1,085,178
Gross carrying amount	87,117,576	17,554,087	7,432,153	112,099,856
ECL allowance	(1,543,420)	(538,215)	(6,954,248)	(9,035,883)
Net loans and advances	85,570,196	17,015,872	477,904	103,063,972
31 December 2024:				
	Stage I	Stage II	Stage III	Total
	12 - Month ECL	Lifetime ECL	Lifetime ECL	
	TZS'000	TZS'000	TZS'000	TZS'000
Current	76,369,143	-	-	76,369,143
Especially mentioned	-	1,415,721	-	1,415,721
Substandard	-	-	1,134,493	1,134,493
Doubtful	-	-	1,914,706	1,914,706
Loss	-	-	6,989,200	6,989,200
Gross carrying amount	76,369,143	1,415,721	10,038,399	87,823,263
ECL allowance	(1,260,235)	(1,136,877)	(8,935,722)	(11,332,834)
Net loans and advances	75,108,908	278,844	1,102,677	76,490,429

The bank performs quarterly stress tests to consider various market scenarios for the credit loss impairment.

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

28. FINANCIAL RISK MANAGEMENT (Continued)

a) Credit risk (Continued)

(iii) Expected credit loss measurement (Continued)

The meaning of the classifications has been explained below

Number of days Past Due	Classification
0-30	Current
31-90	Especially Mentioned
91-180	Substandard
180-360	Doubtful
361 or more	Loss

Loans and advances that are past due but not impaired.

Loans and advances that are 'past due but not impaired' are those for which contractual interest or principal payments are past due, but the Bank believes that no objective evidence of impairment both qualitatively and quantitatively exists. The table below shows the ageing of assets that are past due at the reporting date but not impaired, per class of financial assets, the financial assets excluded here are not past due nor impaired. The amounts represented are gross amounts:

Ageing analysis	Less than 30	31 to	61 to 90 days	Total
	days	60 days		
31 December 2025	TZS '000	TZS '000	TZS '000	TZS '000
Loans and advances to customers	87,113,616	17,322,628	231,460	104,667,703
31 December 2024				
Loans and advances to customers	75,737,010	1,397,950	1,134,493	78,269,453

Collateral held

The bank closely monitors collateral held for financial assets considered to be credit impaired, as it becomes likely that the bank will take possession of collateral to mitigate potential credit losses.

31 December 2025	Collateral values	Gross exposure	Impairment allowance	Carrying amount
	TZS'000'	TZS'000'	TZS'000'	TZS'000'
Substandard	636,000	4,775,909	3,035,055	477,904
Doubtful	18,000	1,571,066	2,314,098	-
Loss	541,000	1,085,178	1,605,095	-
Total	1,195,000	7,432,153	6,954,248	477,904

LETSHEGO FAIDIKA BANK LIMITED

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

28. FINANCIAL RISK MANAGEMENT (Continued)

a) Credit risk (Continued)

(iii) Expected credit loss measurement (Continued)

Collateral held (Continued)

31 December 2024	Collateral values TZS'000	Gross exposure TZS'000'	Impairment allowance TZS'000'	Carrying amount TZS'000'
Substandard	636,000	1,134,493	289,140	845,353
Doubtful	18,000	1,914,706	1,914,706	-
Loss	541,000	6,989,200	6,731,876	257,324
Total	1,195,000	10,038,399	8,935,722	1,102,677

The bank maintains banking relationships with local banks which are of good reputation and regulated by the Bank of Tanzania, hence none of the balances are past due nor impaired.

While collateral is an important mitigant to credit risk, the Bank's underwriting policy ensures that loans are strictly granted on a going concern basis with adequate demonstration of repayment capacity. Other than exposures that are unsecured, all other facilities are secured by collateral in the form of charges over cash, land and buildings, marketable securities, plant and machinery, amongst others.

Concentration of risks of financial assets with credit risk exposure (By Geography):

	Tanzania TZS'000	Total TZS'000
31 December 2025:		
Financial Assets		
Balances with Bank of Tanzania	2,420,139	2,420,139
Balances with other banks	10,190,298	10,190,298
Loans and advances to customers	103,067,933	103,067,933
Other asset (excluding non-financial assets)	7,357,196	7,357,196
Total financial assets	123,035,566	123,035,566

	Tanzania TZS'000	Total TZS'000
31 December 2024:		
Financial Assets		
Balances with Bank of Tanzania	1,414,458	1,414,458
Balances with other banks	24,891,042	24,891,042
Loans and advances to customers	76,490,429	76,490,429
Other asset (excluding non-financial assets)	2,220,141	2,220,141
Total financial assets	105,016,070	105,016,070

LETSHEGO FAIDIKA BANK LIMITED

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

28. FINANCIAL RISK MANAGEMENT *(Continued)*

a) Credit risk *(Continued)*

(iii) Expected credit loss measurement *(Continued)*

Concentration of risks of financial assets with credit risk exposure (By economic sector):

Industry Analysis	Financial Service TZS'000	Agricultural and Fishing TZS'000	Retails and Wholesale TZS'000	Manufacturing TZS'000	Building and Construction TZS'000	Others* TZS'000	Total TZS'000
31 December 2025:							
Financial assets							
Balances with Bank of Tanzania	2,420,139	-	-	-	-	-	2,420,139
Balances with other banks	10,190,298	-	-	-	-	-	10,190,298
Loans and advances to customers	-	-	333,064	-	21,666	102,713,203	103,067,933
Other assets (excluding prepayments)	-	-	-	-	-	7,357,196	7,357,196
Total financial assets	12,610,437	-	333,064	-	21,666	110,070,399	123,035,566

Industry Analysis	Financial Service TZS'000	Agricultural and Fishing TZS'000	Retails and Wholesale TZS'000	Manufacturing TZS'000	Building and Construction TZS'000	Others* TZS'000	Total TZS'000
31 December 2024:							
Financial assets							
Balances with Bank of Tanzania	1,414,458	-	-	-	-	-	1,414,458
Balances with other banks	24,891,042	-	-	-	-	-	24,891,042
Loans and advances to customers	-	-	9,821,677	-	1,169,416	65,499,336	76,490,429
Other assets	-	-	-	-	-	2,220,141	2,220,141
Total financial assets	26,305,501	-	9,821,677	-	1,169,416	67,719,477	105,016,070

Others*: comprises of personal loans and advances granted to local and central government employees.

LETSHEGO FAIDIKA BANK LIMITED

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

28. FINANCIAL RISK MANAGEMENT *(Continued)*

a) Credit risk *(Continued)*

(iii) Expected credit loss measurement *(Continued)*

Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount	Stage 1 ECL	Gross carrying amount	Stage 2 ECL	Gross carrying amount	Stage 3 ECL	Gross carrying amount	Total ECL
	TZS '000'	TZS '000'	TZS '000'	TZS '000'	TZS '000'	TZS '000'	TZS '000'	TZS '000'
ECL allowance Reconciliation								
1 January 2025	76,386,914	(90,492)	4,447,149	(642,806)	6,989,200	12,066,133	87,823,264	11,332,835
New Loans booked	58,024,897	-	14,519,224	-	3,648,795	-	76,192,916	-
Transfers to Stage 1	144,905	59,798	(144,900)	(59,798)	(5)	-	-	-
Transfers to Stage 2	(265,643)	-	290,334	(365,869)	(24,691)	365,869	-	-
Transfers to Stage 3	(1,512,059)	(250,548)	(389,571)	-	1,901,631	250,548	-	-
At 31 December 2025	132,779,014	(281,242)	18,722,236	(1,068,473)	12,514,930	12,682,550	164,016,179	11,332,835
ECL allowance change for the year	-	1,824,662	-	1,606,688	-	4,275,808	-	7,707,159
Payments and assets derecognized	(45,665,398)	-	(1,168,148)	-	4,921,333	-	(41,912,214)	-
Write offs	-	-	-	-	(10,004,110)	(10,004,110)	(10,004,110)	(10,004,110)
Total ECL income statement charges for the year	87,113,616	1,543,420	17,554,087	538,215	7,432,153	6,954,248	112,099,856	9,035,883

LETSHEGO FAIDIKA BANK LIMITED

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

28. FINANCIAL RISK MANAGEMENT *(Continued)*

a) Credit risk *(Continued)*

(iii) Expected credit loss measurement *(Continued)*

	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount	Stage 1 ECL	Gross carrying amount	Stage 2 ECL	Gross carrying amount	Stage 3 ECL	Gross carrying amount	Total ECL
	TZS '000'	TZS '000'	TZS '000'	TZS '000'	TZS '000'	TZS '000'	TZS '000'	TZS '000'
1 January 2024	66,477,052	737,871	1,945,443	296,298	16,459,103	14,230,129	84,881,598	15,264,299
New assets originated	9,909,862	-	-	-	-	-	9,909,862	-
Transfers to Stage 1	-	(308,287)	-	308,287	-	-	-	-
Transfers to Stage 2	-	-	2,501,706	(412,693)	-	412,693	2,501,706	-
Transfers to Stage 3	-	2,288	-	5,880	-	(8,168)	-	-
Impact on ECL of transfers	-	-	-	-	(9,469,903)	-	(9,469,903)	-
At 31 December 2024	76,386,914	431,872	4,447,149	197,773	6,989,200	14,634,654	87,823,264	15,264,299
ECL allowance change for the year	-	(522,364)	-	(840,579)	-	5,294,407	-	3,931,464
Write offs	-	-	-	-	-	3,709,524	-	3,709,524
Payments and assets derecognized	-	-	-	-	-	(11,572,452)	-	(11,572,452)
Total ECL income statement Charge for the year	76,386,914	(90,492)	4,447,149	(642,806)	6,989,200	12,066,133	87,823,264	11,332,835

28. FINANCIAL RISK MANAGEMENT (Continued)

b) Liquidity risk

Liquidity risk is the risk that the bank is unable to meet its payment obligations associated with its financial liabilities as they fall due and to replace funds when they are withdrawn.

The bank sets up a liquidity management framework likely to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses. The bank enforces proper liquidity management to be in the capacity to address daily liquidity requirements and resist a period of liquidity stress. For Letshego Faidika Bank Ltd to maintain at any time a sufficient cushion of liquid assets, the bank defines and implements a strong liquidity policy to address its obligations and support the development of the bank activities and the possible changes in the mix of assets or the funding structure.

The bank defines the prudential framework to comply at any time with the Bank of Tanzania regulations and set up the internal limits necessary to always being in the capacity to meet its obligations and resist to crisis situations.

The finance department monitors on a regular basis a set of indicators and ratio likely to detect any downward of the liquidity level and anticipate any exceeding of the limits. The bank's management reports quarterly to the Board on Asset Liability Management (ALM).

Non-derivative cash flows

The table below presents the cash flows payable by the Bank under non-derivative financial liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, as the Bank manages the inherent liquidity risk based on undiscounted cash inflows according to how the bank monitors liquidity.

Assets held for managing liquidity risk

The bank holds a diversified portfolio of cash and high-quality liquid securities to support payment obligations and contingent funding in a stressed market environment. The Bank's assets held for managing liquidity risk comprise:

- Cash and balances with the Bank of Tanzania (excluding SMR);
- Balances with other banks and
- Loans and advances to customers;

In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended. The bank would also be able to meet unexpected net cash outflows and accessing additional funding sources from the parent company and other lenders.

LETSHEGO FAIDIKA BANK LIMITED

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

28. FINANCIAL RISK MANAGEMENT *(Continued)*

b) Liquid risk *(Continued)*

Non-derivative contractual cash flows:

	Up to 1 month TZS'000	1 to 3 months TZS'000	3 to 12 months TZS'000	1 to 5 years TZS'000	Total TZS'000
As at 31 December 2025					
Financial liabilities:					
Customer deposits	-	16,002,556	4,472,177	892,322	21,367,055
Other liabilities*	10,388,618	-	-	-	10,388,618
Lease liability	171,604	114,722	705,845	5,675,320	6,667,491
Total financial liabilities	10,560,222	16,117,278	5,178,022	6,567,642	38,423,164

	Up to 1 month TZS'000	1 to 3 months TZS'000	3 to 12 months TZS'000	1 to 5 years TZS'000	Total TZS'000
At 31 December 2024					
Customer deposits	-	9,446,183	687,509	-	10,133,692
Other liabilities*	2,095,845	4,442,050	-	-	6,537,895
Amounts due to related parties	-	-	13,095,656	-	13,095,656
Lease liability	-	-	1,190,592	425,843	1,616,435
Total financial liabilities	2,095,845	13,888,233	14,973,757	425,843	31,383,678

*Other liabilities exclude non-financial liabilities.

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

28. FINANCIAL RISK MANAGEMENT *(Continued)*

c) Market risk

Market risk is the risk that changes in market prices, which include foreign currency exchange rates and interest rates, will affect the fair value or future cash flows of a financial instrument. Market risk arises from open positions in interest rates and foreign currencies, both of which are exposed to general and specific market movements and changes in the level of volatility. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while optimising the return on risk. Management is responsible for the development of detailed risk management policies (subject to review and approval by Board) and for the day-to-day implementation of those policies.

Market risk measurement techniques

The objective of market risk measurement is to manage and control market risk exposures within acceptable limits while optimising the return on risk. The principal measurement technique used to measure and control market risk is the stress tests as outlined below.

Stress tests

Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. Below are the results of stress test in relation to interest rate and foreign exchange risk as at 31 December 2025.

Interest rate risk - stress test

An increase in interest rates will have a negative impact on net interest income and vice versa is true, in total a decrease in interest rates by 1%,2% and 5% respectively will leads to a decrease in Net Interest Income (NII) by TZS 71 million,142.16 million and 355 million respectively over the 12-month time horizon. CAR will decrease by 0.08%,0.17%, and 0.42% respectively. and the increase in interest rate by 1% will have the opposite direction respectively.

Foreign exchange risk - stress test

The Bank takes on exposure to the 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 aggregate for both overnight and intra-day positions, which are monitored daily. The Bank's assets are typically funded in the same currency as that of the business transacted to eliminate foreign exchange exposure. However, the Bank maintains an open position within the tolerance limits approved by the Board within the Bank of Tanzania prescriptions.

The Bank has considered the annual official rates published by the Bank of Tanzania for the last five years including and up-to November 2024 which ranged between 2.5% to 8.5% with an average of 6.5%. The Bank has therefore considered to use 5% appreciation/depreciation in deriving the sensitivity analysis to foreign exchange rate changes. The same rate has used in the sensitivity analysis of the prior year.

Below is the estimated impact of 5% increase or decrease in value of the Tanzania Shilling against the major currency which is US Dollar and Euro with all other variables held constant, to the profit before tax.

LETSHEGO FAIDIKA BANK LIMITED

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

28. FINANCIAL RISK MANAGEMENT (Continued)

c) Market risk (Continued)

	2025	2025
	TZS'000	TZS'000
Impact on Financial statements - USD		
Profit before tax +/-	28,806	28,806
Equity before tax +/-	20,164	20,164
Impact on Financial statements - EUR		
Profit before tax +/-	107	107
Equity before tax +/-	75	75

Currency risk

The establishment of foreign currency positions for speculative purposes is not permitted. As a result, currency risk is very limited.

The table below summarises the bank's exposure to foreign currency exchange rate risk at 31 December 2025 and 2024. Included in the table are the bank's financial instruments, categorised by currency (all amounts expressed in Tanzanian Shillings):

	USD	Euro	Total
Foreign currency exchange risk exposure	TZS'000	TZS'000	TZS'000
At 31 December 2025			
Financial assets			
Cash and balances from Bank of Tanzania	253,080	-	253,080
Balance due from other banks	15,446	747	16,193
	<u>268,526</u>	<u>747</u>	<u>269,273</u>
Net financial position	<u>268,526</u>	<u>747</u>	<u>269,273</u>
At 31 December 2024			
Financial assets			
Cash and balances from Bank of Tanzania	285,374	-	285,374
Balance due from other banks	290,754	2,131	292,885
	<u>576,128</u>	<u>2,131</u>	<u>578,259</u>
Net financial position	<u>576,128</u>	<u>2,131</u>	<u>578,259</u>

28. FINANCIAL RISK MANAGEMENT (Continued)

c) Market risk (Continued)

Interest rate risk

The position regarding interest rate risk is monitored by the bank's Finance department. In addition, the bank reports its positions to the holding bank on a quarterly basis.

Nevertheless, the Bank considers the risk to be limited. The interest rate margin still serves as a reasonable buffer, to absorb some degree of shock in interest rates.

Potential losses based on extraordinary or rare changes in the yield curve are considered in the overall process of guiding the bank's operations. At the same time, we are aware that the Euro or US Dollar interest rates frequently used as benchmarks (Euroibor, Libor, Swap or US Treasury interest rate curves) have a limited impact on our business with customers.

The Bank has considered the annual official rates published by the Bank of Tanzania for the last two years including and up to November 2024 which ranged between 5% to 8.5% with an average of 7.5%. The Bank has therefore considered to use 5% appreciation/depreciation in deriving the sensitivity analysis to the interest rate changes. The same rate has used in the sensitivity analysis of the prior year.

The table below summarizes the bank's exposure to interest rate risks. Included in the table are the bank's assets and liabilities at carrying amounts, categorized by the earlier of contractual repricing or maturity dates. The bank does not bear an interest rate risk on off balance sheet items. All figures are in Tanzanian Shillings.

LETSHEGO FAIDIKA BANK LIMITED

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

28. FINANCIAL RISK MANAGEMENT (Continued)

c) Market risk (Continued)

Interest rate risk (Continued)

	Up to 1 month TZS'000	1 to 3 months TZS'000	3 to 6 months TZS'000	6 to 12 months TZS'000	Over 12 months TZS'000	Total TZS'000
At 31 December 2025						
Financial assets						
Balances with other banks	238,247	10,207,965				10,446,212
Loans and advances	25,355,428	1,615,791	3,120,238	1,433,420	72,168,847	103,693,724
Total financial assets	25,593,675	11,823,756	3,120,238	1,433,420	72,168,847	114,139,936
Financial liabilities						
Customer deposits	6,082,096	9,920,460	-	4,850,236	-	20,852,792
Total financial liabilities	6,082,096	9,920,460	-	4,850,236	-	20,852,792
Interest sensitivity gap	19,511,579	1,903,296	3,120,238	3,416,816	72,168,846	93,287,144
At 31 December 2024						
Financial assets						
Balances with other banks	990,513	13,376,169				24,891,042
Loans and advances	8,359,606	3,409,291	2,952,736	9,272,512	52,496,284	76,490,429
Total financial assets	9,350,119	16,785,460	2,952,736	9,272,512	52,496,284	101,381,47'
Financial liabilities						
Customer deposits	8,584,489	494,383	342,909	711,911	-	10,133,692
Total financial liabilities	8,584,489	494,383	342,909	711,911	-	10,133,692
Interest sensitivity gap	765,630	16,291,077	2,609,827	8,560,601	52,496,284	91,247,779

The sensitivity to a change of interest rate by +/-5%, with all other variables held constant, the profit before tax and equity before tax will be higher or lower by TZS 4.3 million and TZS 3 million respectively.

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

28. FINANCIAL RISK MANAGEMENT (Continued)

d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the bank's 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 the bank's operations and are faced by all departments.

The bank's objective is to manage operational risk to balance the avoidance of financial losses and damage to the bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to head of each department and overseen by the board of directors. In particular, standards for the management of operational risk are developed in the following areas:

Requirements for appropriate segregation of duties, including the independent authorization of transactions.

- 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 policies, procedures and controls.
- Development of contingency plans.
- Training and professional development.
- Ethical and business standards; and
- Risk mitigation, including insurance where this is effective.

29. FAIR VALUE OF FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those sourced them. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received.

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

29. FAIR VALUE OF FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE (Continued)

If the Bank determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the difference, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

Measurement of fair values

Valuation techniques and significant unobservable inputs

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 prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Valuation techniques include net present value of discounted cash flow models, comparison with similar instruments for which observable market prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates.

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Bank recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. The table below shows the carrying amounts and fair values of financial assets and financial liabilities measured at amortised costs, including their levels in the fair value hierarchy.

31 December 2025	Financial assets at				Fair values
	amortized cost TZS '000	Leve 1 TZS '000	Level 2 TZS '000	Level 3 TZS '000	Total TZS '000
Financial assets					
Cash and balances with Bank of Tanzania	2,420,139	-	2,420,139	-	2,420,139
Balances with other banks	10,190,298	-	10,190,298	-	10,190,298
Loans and advances to customers	103,067,933	-	108,541,425	-	108,541,425
Other assets (excluding non-financial assets)	7,357,196	-	7,357,196	-	7,357,196
	123,035,566	-	128,509,058	-	128,509,058
Financial liabilities					
Customer deposits	20,852,792	-	20,928,519	-	20,928,519
Other liabilities	10,388,618	-	10,388,618	-	10,388,618
	31,241,410	-	31,317,137	-	31,317,137

LETSHEGO FAIDIKA BANK LIMITED

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

29. FAIR VALUE OF FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE (Continued)

31 December 2024	Financial assets at amortized cost			Fair values	
	TZS '000	Leve 1 TZS '000	Level 2 TZS '000	Level 3 TZS '000	Total TZS '000
Financial assets					
Cash and balances with Bank of Tanzania	1,414,458	-	1,414,458	-	1,414,458
Balances with other banks	24,891,042	-	24,891,042	-	24,891,042
Loans and advances to customers	76,490,429	-	80,625,254	-	80,625,254
Other assets (excluding non-financial assets)	2,220,141	-	2,220,141	-	2,220,141
	105,016,070	-	109,150,895	-	109,150,895
Financial liabilities					
Customer deposits	10,133,692	-	10,183,864	-	10,183,864
Other liabilities	6,537,895		6,537,895		6,537,895
	16,671,587	-	16,721,759	-	16,721,759

30. COMMITMENTS AND CONTINGENCIES

Legal claims

Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. The bank has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the bank adjusts (provisions) to account for any adverse effects which the claims may have on its financial standing. There are no contingent liabilities or assets that arise from legal claims during the period.

31. RELATED PARTY TRANSACTIONS AND BALANCES

Parties are related if one party can control the other party or exercise significant influence over the other party in making either financial or operational decisions. The controlling and ultimate holding company is Letshego Holding Company.

In the normal course of business, several banking transactions are entered into with related parties' i.e. key management staff, Directors, their associates and companies associated with Directors. These include loans and deposits. Loans and advances to customers as at 31 December include loans and advances to Directors and other key management personnel.

Loans to key management personnel were issued at an off-market interest rate as per the Bank's policy and repayable on demand. They are treated as employee benefits like other staff loans. The following transactions were carried out with related parties:

LETSHEGO FAIDIKA BANK LIMITED

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

31. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(a) Balances with related parties

	2025	2024
	TZS'000	TZS'000
Balances with Group Companies		
<i>Balances due to group companies</i>		
Letshego Holding Limited	6,543,310	8,699,170
	<u>6,543,310</u>	<u>8,699,170</u>

b) Deposits and loans and advances with related parties

Loans		
Directors	-	144,917
Key management personnel	846,926	940,435
	<u>846,926</u>	<u>1,085,352</u>

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

At 1 January	940,435	741,853
Loans issued during the year	410,786	483,053
Loans repayments during the year	(138,098)	(238,547)
At 31 December	<u>1,213,122</u>	<u>940,435</u>

Deposits

Directors	18,606	48,171
Senior management	50,702	59,075
	<u>69,308</u>	<u>107,246</u>

(c) Senior management compensation

Short term benefits to senior management	2,585,116	-
Directors' emoluments	223,100	211,815
	<u>3,008,216</u>	<u>211,815</u>

32. EVENTS AFTER THE REPORTING DATE

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 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 Bank are yet to materialize, management continues to monitor the effects on our borrower's cash flows, cost structures, and foreign exchange liquidity.

At the date of signing the financial statements, the Directors are not aware of any other matter or circumstance arising since the end of the financial year, not otherwise dealt with in these financial statements, which significantly affect the financial position of the Bank and results of its operations.

33. ULTIMATE HOLDING COMPANY

Letshego Africa Holdings Limited is the ultimate holding Company, a company incorporated in Botswana.

LETSHEGO FAIDIKA BANK LIMITED

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

34. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled. Trading assets and liabilities including derivatives have been classified to mature and/or be repaid within 12 months, regardless of the actual contractual maturities of the products. Regarding loans and advances to customers, the Bank uses the same basis of expected repayment behaviour that was used for estimating the EIR. Issued debt reflects the contractual coupon amortization.

At 31 December 2025	Within	After	Total
In TZS Thousands	12 months	12 months	
Cash and balances with Bank of Tanzania	2,420,139	-	2,420,139
Balance with other Banks	10,190,298		10,190,298
Loans and advances to customers	30,899,087	72,168,846	103,067,933
Other assets	7,357,196		7,357,196
Right-of-use asset	-	686,153	686,153
Property and equipment	-	966,722	966,722
Leasehold improvements	-	710,666	710,666
Amount due from related parties	-	-	-
Total assets	50,866,720	74,532,387	125,399,107
Customer Deposits	20,852,792		20,852,792
Provision	578,273		578,273
Other liabilities	11,878,525		11,878,525
Lease liability		825,509	825,509
Amount due to related parties		6,496,378	6,496,378
Total liabilities	33,309,590	7,321,887	40,631,477
Net position	17,557,130	67,210,500	84,767,630

At 31 December 2024	Within	After	Total
In TZS Thousands	12 months	12 months	
Cash and balances with Bank of Tanzania	1,414,458		1,414,458
Balance with other Banks	24,891,042		24,891,042
Loans and advances to customers	23,994,145	52,496,284	76,490,429
Other assets	2,810,876		2,810,876
Right-of-use asset		1,694,902	1,694,902
Property and equipment		322,364	322,364
Leasehold improvements		565,899	565,899
Amount due from related parties		-	-
Total assets	53,110,521	55,079,449	108,189,970
Customer Deposits	10,133,692	-	10,133,692
Provision	241,711	-	241,711
Other liabilities	6,537,895	-	6,115,547
Lease liability	-	1,616,435	1,616,435
Amount due to related parties	-	13,095,656	13,095,656
Total liabilities	16,913,298	14,712,091	31,203,041
Net position	36,197,223	40,367,358	76,986,929