



**Standard Chartered Bank Tanzania
Market Discipline Disclosure for the Year ended 31 December
2025**

Standard Chartered Bank Tanzania

Market Discipline Disclosure for the Year ended 31 December 2025

Introduction

Market Discipline Guidelines for Banks and Financial Institutions 2023 was issued by the Bank of Tanzania under Section 71 of the Banking and Financial Institutions Act, 2006.

Purpose and Rationale

Market discipline is defined as the monitoring and influence exercised by external stakeholders over a bank's or financial institution's management to ensure actions are taken in the stakeholders' best interests.

Effective market discipline depends on stakeholders' ability to access, assess, and respond to relevant information about an institution's activities and risk profile.

Role of Disclosure

The document emphasises that market discipline is most effective when stakeholders receive frequent, relevant, and meaningful disclosures on:

- Risk management strategies
- Risk exposures
- Risk assessment processes

Capital adequacy

Disclosures must be consistent with how risks are viewed and managed internally by the board of directors and senior management.

Overall Objective

The Guidelines aim to strengthen transparency and accountability by encouraging disclosures that enable market participants to independently assess the capital position and risk profile of banks and financial institutions.

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1. QUALITATIVE INFORMATION ABOUT CREDIT RISK

A bank or financial institutions shall describe its risk management objectives and policies for credit risk, focusing in particular on:

(a) How the business model translates into the components of the Bank's credit risk profile

Standard Chartered Bank Tanzania Limited operates primarily as a Corporate and Investment Banking (CIB) institution following the exit from the Wealth and Retail Banking business. The Bank's business model is therefore focused on providing lending, trade finance, transaction banking, and financial markets solutions to corporates, financial institutions, public sector entities and multinational subsidiaries.

This business model shapes the Bank's credit risk profile in the following ways:

Concentration in corporate counterparties: Credit risk is predominantly driven by exposures to a relatively smaller number of large corporate and institutional obligors, resulting in higher single-name and sector concentration risk compared to a retail bank.

Sector and country exposure: The portfolio is influenced by sectoral developments (e.g. infrastructure, trade-related sectors, energy, manufacturing) and sovereign/macroeconomic conditions in Tanzania and key trading corridors.

Product mix: Credit risk arises mainly from funded lending (loans and advances), contingent liabilities (guarantees and letters of credit), and counterparty risk from financial markets transactions.

Risk appetite alignment: Portfolio growth is selective and aligned to the Group and local risk appetite, emphasising high-quality counterparties, strong cash flows, appropriate collateral, and sustainable business models.

Forward-looking risk profile: The Bank's credit risk is also influenced by macroeconomic conditions, geopolitical developments and climate-related risks, which are incorporated into credit assessments and expected credit loss (ECL) modelling.

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

The Bank's credit risk management framework is guided by Standard Chartered Group policies, local regulatory requirements, and the Bank's Board-approved Risk Appetite Statement.

Key elements include:

Credit risk policies: Credit risk is governed by comprehensive Group credit policies adapted for local regulatory and market conditions. These policies define eligible counterparties, products, approval authorities, documentation standards and collateral requirements.

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Risk appetite and limits: Credit risk limits are established within the Board-approved risk appetite and include:

- Counterparty and group exposure limits
- Sector and industry concentration limits
- Country and sovereign limits
- Product-specific and tenor limits

Credit assessment criteria: Credit decisions are based on a structured assessment of:

- Financial strength and cash-flow sustainability
- Business model resilience and sector outlook
- Management quality and governance
- Environmental, social and governance (ESG) considerations
- Collateral quality and enforceability

Approval and escalation: All credit proposals are reviewed and approved in line with delegated authority matrices. Exposures outside standard parameters or with elevated risk are escalated to higher management committees or the Board Credit Committee as required.

Ongoing monitoring: Credit limits are reviewed regularly and adjusted in response to changes in client risk profiles, macroeconomic conditions, or strategic priorities.

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

The Bank operates a three-lines-of-defence model for credit risk management:

I. First line of defence – Business units

Originate and manage credit exposures.

Responsible for initial credit assessment, client due diligence, and ongoing relationship management within approved limits.

II. Second line of defence – Risk function

Led by the Head of Risk, independent of the business.

Responsible for oversight, challenge and approval of credit risk decisions.

Develops and maintains credit risk policies, risk appetite metrics, portfolio analytics and stress testing.

Monitors asset quality, concentration risk, early warning indicators and ECL outcomes.

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III. Third line of defence – Internal Audit

Provides independent assurance on the effectiveness of credit risk governance, controls, and policy compliance.

Credit risk governance is supported by structured management and Board committees, including the Executive Risk Committee, Board Risk Committee, and Board Credit Committee.

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

The Bank maintains clearly defined and independent relationships among control functions:

Credit Risk Management (Risk function):

Provides independent oversight and challenge to business decisions.

Works closely with Compliance on regulatory requirements and conduct considerations.

Compliance (Conduct, Financial Crime and Compliance):

Ensures credit activities comply with laws, regulations, sanctions, AML/CFT and conduct standards.

Advises on regulatory and reputational risks associated with clients and transactions.

Internal Audit:

Independently reviews the design and operating effectiveness of credit risk controls, governance structures and adherence to policies.

Reports directly to the Board Audit Committee, preserving independence from management.

Coordination and escalation:

Regular information sharing occurs through management committees.

Significant issues are escalated to Executive Management and the relevant Board Committees.

This structure ensures robust checks and balances while supporting timely and well-informed credit decision-making.

(e) Scope and main content of reporting on credit risk exposure and on the credit risk management function to executive management and the Board of Directors

Credit risk reporting is comprehensive, regular, and tailored to the needs of Executive Management and the Board.

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Key aspects include:

Frequency: Credit risk reports are provided quarterly to the Board and its Committees, and more frequently to Executive Management as required.

Scope of reporting:

- Portfolio composition and trends (by sector, counterparty, product and stage)
- Asset quality indicators, including Stage 1, Stage 2 and Stage 3 exposures
- Credit impairment charges and expected credit loss movements
- Concentration risks and utilisation against approved limits
- Watch-list accounts and early warning signals
- Stress testing outcomes and scenario analysis
- Climate-related and ESG-related credit risks

Governance reporting:

- Compliance with risk appetite and credit policies
- Key credit approvals, exceptions and limit breaches
- Emerging risks and proposed mitigating actions

Decision support:

- Reports support strategic decisions on portfolio rebalancing, capital allocation, and risk appetite calibration.
- This reporting framework enables the Board and Executive Management to exercise effective oversight of credit risk and ensures alignment between the Bank's strategy, risk appetite and financial performance.

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2. PRUDENTIAL REGULATORY METRICS

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

S/n	Metric	a	b	c	d	e
		Dec-25	Sept-25	Jun-25	Mar-25	Dec-24
Available capital (amounts)						
	Common Equity Tier 1 (CET1)	335,010,068,129	281,515,197,175	279,619,233,483	348,235,128,206	288,730,704,536
	Tier 1	390,010,068,129	336,515,197,175	334,619,233,483	403,235,128,206	343,730,704,536
	Total capital	725,020,136,257	618,030,394,349	614,238,466,966	751,470,256,412	632,461,409,072
Risk-weighted assets						
	Total risk-weighted assets (RWA)	1,384,592,977,755	1,407,215,600,947	1,353,733,694,709	1,536,730,882,529	1,472,288,259,191
Risk-based capital ratios as a percentage of RWA						
	Common Equity Tier 1 ratio (%)	24%	20%	21%	23%	20%
	Tier 1 ratio (%)	28%	24%	25%	26%	23%
	Total capital ratio (%)	30%	26%	26%	28%	25%
Additional CET1 buffer requirements as a percentage of RWA						
	Capital conservation buffer requirement (2.5%)	-	-	-	-	-
	Total of bank CET1 specific buffer requirements (%)	24%	20%	21%	23%	20%
10	CET1 available after meeting the	16%	12%	12%	14%	11%
Basel III leverage ratio						
11	Tier 1 Capital	390,010,068,129	336,515,197,175	334,619,233,483	403,235,128,206	343,730,704,536
	Exposure measure	4,345,304,769,543	4,401,599,040,184	4,020,892,962,971	4,606,254,088,418	4,166,419,138,242
12	Basel III leverage ratio (%) (Tier 1 Capital / Exposure Measure)	9%	8%	8%	9%	8%
Liquidity Coverage Ratio						
13	Total high-quality liquid assets (HQLA)	15,199,461,454	13,326,164,665	14,636,613,094	19,864,592,597	25,289,592,811
14	Total net cash outflow	843,985,254,387	461,149,658,860	395,244,255,627	159,830,385,150	328,973,353,514
15	LCR (%)	154%	291%	222%	432%	155%
Net Stable Funding Ratio						
16	Total available stable funding	927,456,969,144	1,176,991,144,410	1,114,050,752,492	1,374,998,266,918	1,103,235,210,807
17	Total required stable funding	560,845,220,772	384,357,078,729	322,548,471,867	1,212,697,951,752	1,051,631,238,939
18	NSFR (%)	165%	306%	345%	113%	105%

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3. CAPITAL ADEQUACY RETURN AS OF:31-DEC 2025

S/No	Particulars	2025	2024
		Amount (TZS)	Amount (TZS)
a	b	c	c
1	Common Equity Tier 1 capital (CET1): Instruments and reserves		
2	Fully Paid-up Ordinary shares Capital	46,092,003,000	46,092,003,000
3	Share Premium arising from Ordinary shares	-	-
4	Retained earnings less foreseeable dividends	219,527,552,830	200,579,475,394
5	Other disclosed reserves;	798,578,000.00	798,578,000.00
6	Year to date profits of:		
7	Fifty per cent of the year to date profits less foreseeable dividends where accounts are unaudited or;	79,071,835,168.37	101,635,580,605.46
8	One hundred percent of the year to date profits, less foreseeable dividends, where accounts have been audited subject to submission of the signed accounts to the Bank;	-	-
9	CET 1 before Regulatory Adjustments	345,489,968,997.98	349,105,636,999.11
10	Regulatory adjustments applied to CET1:	10,479,900,869.34	9,557,142,160.53
11	Year to date losses;	-	-
12	Goodwill;	-	-
13	Other intangible assets;	-	-
14	Deferred tax assets that rely on future profitability;	8,479,352,200.00	7,070,256,831.65
15	The amount of items where entities with which the bank has reciprocal cross holdings of Common Equity Tier 1 instrument that the Central Bank considers to have been designed to inflate artificially the own funds of the bank;	-	-
16	The amount of items required to be deducted from Additional Tier 1 items that exceed the Additional Tier 1 capital of the bank.	-	-
17	Pre-paid expenses;	2,000,548,669	2,486,885,329
18	Pre-operating expenses.	-	-
19	Available Common Equity Tier 1	335,010,068,129	339,548,494,839
20	Additional Tier 1 Capital		
21	Non-cumulative Irredeemable Preference Shares	55,000,000,000	55,000,000,000
22	Share Premium arising from Non-cumulative Irredeemable Preference Shares	-	-
23	Other Qualifying Additional Tier-1 capital instruments plus any related share premium	-	-
24	Additional Tier 1 Capital before regulatory adjustments	55,000,000,000	55,000,000,000
25	Regulatory adjustment applied to Additional Tier 1 capital	-	-
26	The amount of items required to be deducted from Tier 2 items that exceed the Tier 2 capital of the bank;	-	-
27	Other Items Qualifying to be deducted from Additional Tier-1 Capital.	-	-
28	Available Additional Tier 1 Capital	55,000,000,000	55,000,000,000
29	Available Tier 1 Capital	390,010,068,129	394,548,494,839
30	Tier 2 Capital		
31	Qualifying Tier 2 capital instruments and subordinated loans that meet the conditions stipulated by the Bank.	22,840,000,009	22,840,000,009
32	Share premium arising from capital instruments and subordinated loans qualifying as Tier 2 Capital	-	-
33	Instruments issued by consolidate subsidiaries and held by third parties that met the criteria stipulated by the Bank.	-	-
34	General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	-	-
35	Available Tier 2 Capital	22,840,000,009.00	22,840,000,009.00
36	TOTAL CAPITAL (Tier Capital plus Tier 2 Capital).	412,850,068,137.64	417,388,494,847.57
37	Total Risk Weighted Assets (RWA) as BOT FORM 16-1 Schedule 15 (SUMMARY)	1,384,592,977,754.85	1,472,288,259,191.32
38	Capital Ratios and buffers (in percentage of risk weighted assets)		
39	CET1 to total RWA	24.20%	23.06%
40	Tier-1 capital to total RWA	28.17%	26.80%
41	Total capital to total RWA	29.82%	28.35%
42	Capital conservation buffer		
43	Minimum capital requirements prescribed by the Bank of Tanzania		
44	CET1 to total RWA	8.50%	8.50%
45	Tier-1 capital to total RWA	10.00%	10.00%
46	Total capital to total RWA	12.00%	12.00%
47	Capital conservation buffer (Made of Instrument Qualifying to be included in CET1)	2.50%	2.50%

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4. CREDIT QUALITY OF ASSETS

	a	b	c	d
	Gross Carrying Values of:			
	Defaulted Exposures	Non-Defaulted Exposure	Allowances/ Impairment	Net Values (a+b+c)
Loans	7,596,332,000.00	508,980,139,000.00	(9,087,756,132.21)	507,488,714,867.79
Debt Securities	-	201,604,107,130.33	(1,144,333,864.37)	200,459,773,265.96
Off Balance Sheet Items	-	2,264,164,010,000.00	(241,332,000.00)	2,263,922,678,000.00
Total	7,596,332,000.00	2,974,748,256,130.33	(10,473,421,996.58)	2,971,871,166,133.75

5. STANDARDIZED APPROACH-CREDIT RISK EXPOSURE AND CREDIT RISK MITIGATION EFFECTS

Asset Classes	a		b		c		d		e		f
	Exposures before CCF and CRM		Exposures post- CCF and post-CRM		RWA and RWA density						
	On- balance sheet	Off- balance sheet	On- balance sheet	Off- balance sheet	On- balance sheet	Off- balance sheet	RWA		RWA		RWA density
1 Sovereigns and their central banks	-	-	-	-	-	-	-	-	-	-	0%
2 Non-central government public sector entities	-	-	-	-	-	-	-	-	-	-	0%
3 Multilateral development banks	-	-	-	-	-	-	-	-	-	-	0%
4 Banks and financial institutions	205,469,012,000	-	205,468,750,000	-	205,468,750,000	-	41,093,750,000	-	41,093,750,000	-	20%
5 Corporates and securities firms	516,576,471,000	2,264,164,010,000	507,488,716,000	2,263,922,678,000	507,488,716,000	2,263,922,678,000	1,302,644,850,720	-	1,302,644,850,720	-	47%
6 Retail	-	-	-	-	-	-	-	-	-	-	0%
7 Real estate	-	-	-	-	-	-	-	-	-	-	0%
8 Defaulted exposures	-	-	7,596,332,409	-	7,596,332,409	-	7,596,332,409	-	7,596,332,409	-	100%
9 Other assets	-	-	-	-	-	-	-	-	-	-	0%
10 Total	-	-	-	-	-	-	-	-	-	-	-

6. STANDARDIZED APPROACH – EXPOSURES BY ASSET CLASSES AND RISK WEIGHTS

	20%	30%	40%	50%	75%	Total credit exposure amount (post-CCF and post-CRM)
Bank and Financial	205,468,750,000.00					41,093,750,000.00

	20%	50%	75%	100%	150%	Total credit exposure amount (post-CCF and post-CRM)
Corporates and securities firms		2,771,411,394,000.00				1,302,644,850,720.30

	100%	150%	Total credit exposure amount (post-CCF and post-CRM)
Defaulted exposures	7,596,332,408.77		7,596,332,408.77

7. ADDITIONAL DISCLOSURE RELATED TO THE CREDIT QUALITY OF ASSETS

A bank or financial institution shall provide the following disclosures:

Qualitative Disclosures

(a) Scope and definitions of “past due” and “impaired” exposures and differences between accounting and regulatory definitions

For accounting purposes, Standard Chartered Bank Tanzania Limited (“the Bank”) classifies an exposure as past due when a counterparty fails to make a contractual payment of principal, interest or fees by the agreed due date and such amount remains unpaid beyond any applicable contractual grace period. Past-due status is assessed at the individual facility level and measured based on the number of days in arrears.

An exposure is considered impaired when it is classified as Stage 3 under the IFRS 9 Expected Credit Loss (ECL) framework. Stage 3 classification occurs when there is objective evidence of credit impairment, including but not limited to significant financial difficulty of the borrower, breach of contract such as persistent arrears, or the likelihood that the Bank will not receive all contractual cash flows without recourse to collateral realisation or other credit enhancements.

For regulatory purposes, default is defined in line with the Bank of Tanzania prudential guidelines and Basel standards, and generally includes exposures that are more than 90 days past due on a material obligation and/or where the Bank considers the obligor to be unlikely to pay its credit obligations in full.

While there is strong alignment between accounting and regulatory concepts, differences may arise due to the forward-looking nature of IFRS 9. As a result, an exposure may be classified as credit-impaired for accounting purposes prior to meeting the regulatory default threshold, or may meet the regulatory past-due criterion without being classified as impaired if expected cash flows remain recoverable.

(b) Past-due exposures (more than 90 days) not considered impaired

The Bank may have exposures that are more than 90 days past due but are not classified as impaired (Stage 3). This reflects management judgement applied within the IFRS 9 framework and the Bank’s credit risk policies.

Such cases typically arise where:

The delay in payment is assessed as temporary and not indicative of a significant deterioration in the borrower’s underlying creditworthiness.

The exposure is well collateralised, and the estimated recoverable amount, including collateral realisation, is sufficient to cover contractual cash flows.

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The borrower has demonstrated continued capacity and willingness to meet obligations, including through resumed payments or confirmed near-term cash inflows.

These exposures remain subject to heightened monitoring, enhanced credit review, and regular reassessment to ensure timely identification of any further deterioration.

(c) Methods used for determining impairments

The Bank determines credit impairments in accordance with IFRS 9 Expected Credit Loss (ECL) requirements, as adopted by the National Board of Accountants and Auditors (NBAA) and applied consistently with Group policies.

Key features of the impairment methodology include:

Classification of financial assets into Stage 1, Stage 2, or Stage 3 based on changes in credit risk since initial recognition.

Use of probability-weighted ECL models, incorporating Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD).

Incorporation of forward-looking macroeconomic information, including multiple economic scenarios and management overlays where necessary.

Individual assessment of credit-impaired (Stage 3) exposures and collective assessment of performing portfolios with shared risk characteristics.

Consideration of the timing and recoverability of collateral and other credit enhancements in estimating expected cash shortfalls.

Impairment outcomes are subject to governance through the Executive Risk Committee, Board Risk Committee, and Board Credit Committee in line with the Bank's Enterprise Risk Management Framework.

(d) Definition of a restructured exposure

A restructured exposure is an exposure for which the Bank has granted a concession to a borrower experiencing actual or anticipated financial difficulty by modifying the original contractual terms in order to support recovery and maximise long-term recoverability.

Restructuring measures may include:

- Extension of repayment tenor;
- Temporary or permanent reduction in interest rates or margins;
- Deferral of principal or interest payments;
- Capitalisation of arrears or revised repayment profiles.

Restructured exposures are closely monitored and assessed to determine whether they constitute a significant increase in credit risk or credit impairment under IFRS 9. Where

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restructuring does not result in sustainable improvement in the borrower's financial position, the exposure may be classified as Stage 3 and subject to individual impairment assessment.

7. ADDITIONAL DISCLOSURE RELATED TO THE CREDIT QUALITY OF ASSETS
Continued

Economic Sector	1da - 1 Year days	2 - 3 Years	3 - 5 Years	Gross Impaired Loan	Gross Loans	Imparement	Net loans
Gas	34,053,101,229.45				34,053,101,229.45		34,053,101,229.45
Other Services	7,387,170,149.80				7,387,170,149.80		7,387,170,149.80
Agriculture	30,894,265,382.68		27,272,727,272.73		58,166,992,655.41		58,166,992,655.41
Building & construction	629,246,657.43				629,246,657.43		629,246,657.43
Financial Intermediaries	1,704,997,902.12				1,704,997,902.12		1,704,997,902.12
Manufacturing	313,121,417,287.54	5,137,500,000.00	14,935,868,576.66		333,194,785,864.20		333,194,785,864.20
Mining and quarrying	17,850,868,830.41	9,840,000,000.00			27,690,868,830.41		27,690,868,830.41
Trade	2,838,679,502.74				2,838,679,502.74		2,838,679,502.74
Transport and commun	37,152,258,624.10	4,466,540,574.00		7,596,332,000.00	49,215,131,198.10	(9,087,756,132.21)	40,127,375,065.89
Warehousing and Storag	1,695,497,010.34				1,695,497,010.34		1,695,497,010.34
Grand Total	447,327,502,576.61	19,444,040,574.00	42,208,595,849.39	7,596,332,000.00	516,576,471,000.00	(9,087,756,132.21)	507,488,714,867.79

8. QUALITATIVE DISCLOSURE REQUIREMENTS RELATED TO CREDIT RISK MITIGATION TECHNIQUES

A bank or financial institution shall disclose:

(a) Core features of policies and processes for on- and off-balance sheet netting

The Bank applies on- and off-balance sheet netting as a credit risk mitigation technique only where there is a legally enforceable right of set-off under applicable law. Netting arrangements are primarily relevant to derivative and similar financial instruments and are recognised only after confirmation that the agreements are valid, binding, and enforceable in all relevant jurisdictions, including in the event of counterparty default or insolvency.

Netting is treated as a secondary risk mitigant, with the primary focus remaining on the counterparty's underlying ability to meet its contractual obligations. Legal enforceability is subject to periodic review, particularly for cross-border transactions, and netting benefits are recognised in exposure measurement only where these conditions are satisfied.

(b) Core features of policies and processes for collateral evaluation and management

Collateral is accepted to mitigate credit risk at the individual counterparty, facility, and portfolio levels, subject to strict eligibility, valuation, and legal enforceability criteria.

Key features include:

Eligible collateral: Cash, property, plant and machinery, stock, financial guarantees, insurance, and other acceptable security types in line with internal credit policies.

Valuation: Collateral is valued at inception and re-valued periodically thereafter, taking into account market conditions, expected recoverability, and time to realisation. Non-cash

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collateral is subject to conservative valuation haircuts; for example, property collateral is typically recognised at approximately 50% of current market value.

Legal certainty: Collateral is recognised only where the Bank has perfected security and confirmed enforceability through appropriate legal documentation.

Coverage assessment: The effectiveness of collateral is assessed against both drawn and undrawn exposures, with adjustments for over-collateralisation to ensure prudent exposure measurement.

Ongoing monitoring: Collateral values are back-tested against historical recovery experience and reviewed regularly to ensure continued relevance as a risk mitigant.

Credit insurance and derivatives used for risk mitigation are assessed using the same standards, including evaluation of counterparty risk associated with the protection provider.

(c) Market or credit risk concentrations under credit risk mitigation instruments

The Bank monitors concentrations arising from credit risk mitigation instruments by collateral type, guarantor, and sector, and incorporates these assessments into portfolio-level credit reviews and stress testing.

Key observations include:

Collateral composition: Tangible collateral (primarily real estate) represents approximately one quarter of total collateral held, with the remainder mainly comprising plant, machinery, and stock. This composition is monitored to avoid excessive reliance on any single collateral category.

Sectoral concentration: The Bank closely monitors exposures in sectors considered cyclical or higher risk, including metals and mining, construction, manufacturing, and commodity trading. Collateral-adjusted exposures to these sectors are actively managed and reviewed.

Guarantors and guarantees: Financial guarantees and insurance arrangements are evaluated for concentration risk and counterparty quality. Guarantee exposures are generally diversified but subject to enhanced monitoring where linked to large corporate or sector-specific risks.

Portfolio oversight: Concentration risks are mitigated through diversification limits, periodic portfolio reviews, and stress testing, ensuring that reliance on credit risk mitigation instruments does not introduce undue market or credit risk.

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9. CREDIT RISK MITIGATION (CRM) TECHNIQUES-OVERVIEW

	a	b	c
	Exposures carrying amount	Exposures secured by eligible collateral	Exposures not secured by eligible collateral ((a)-(b))
Loans	507,488,714,867.79	59,699,025,175.91	447,789,689,691.88
Debt Securities	200,459,773,265.96	-	200,459,773,265.96
Total	707,948,488,133.75	59,699,025,175.91	648,249,462,957.84
of which defaulted	7,596,332,000.00	-	7,596,332,000.00

10. OPERATIONAL RISK QUALITATIVE DISCLOSURES

(a) Policies, frameworks and guidelines for the management of operational risk

Standard Chartered Bank Tanzania Limited (“the Bank”) manages operational risk in accordance with the Group Operational Risk Policy and Standard, which are established under the Operational & Technology Risk Type Framework (O&T RTF). Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, systems, or from external events, including legal risk.

The Bank’s operational risk management framework is designed to ensure a consistent, structured and forward-looking approach to identifying, assessing, monitoring and mitigating operational risks, while remaining aligned with local regulatory requirements and the Bank’s risk profile. The framework is embedded across the Bank’s activities and is supported by policies and standards covering key areas such as third-party risk management, change governance, product governance, transaction processing, technology and cyber risk, and business resilience.

Core operational risk management tools include:

- Risk and Control Self-Assessments (RCSAs),
- Internal operational risk event and near-miss reporting,
- Key Risk Indicators (KRIs),
- Scenario analysis and stress considerations, and
- Issue identification, tracking and remediation.

These tools support proactive risk management and continuous strengthening of the Bank’s control environment.

(b) Structure and organization of the operational risk management and control function

The Bank operates a Three Lines of Defence model for operational risk management.

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First Line of Defence: Business units and functions are responsible for identifying, assessing, managing and reporting operational risks arising from their activities, and for maintaining effective controls on an ongoing basis.

Second Line of Defence: Independent oversight is provided by the Operational, Technology and Cyber Risk (OTCR) function, which is part of the Group-wide OTCR organisation. OTCR is responsible for setting the operational risk framework, issuing policies and standards, providing challenge and guidance to the first line, monitoring adherence, and reporting on the Bank's operational risk profile.

Third Line of Defence: Internal Audit provides independent assurance to the Board Audit Committee on the effectiveness of the Bank's governance, risk management and internal control framework, including operational risk management.

This structure ensures clear accountability, appropriate segregation of duties, and effective challenge across the Bank.

(c) Operational risk measurement system

The Bank measures and monitors operational risk using Group-approved systems, data and methodologies, in line with the Group Operational Risk Policy and Standard.

Operational risk measurement is supported by:

Systematic collection and analysis of internal operational risk events, including losses and near-misses;

Qualitative assessments of inherent risk and control effectiveness through RCSAs;

Use of KRIs to monitor risk trends and emerging issues; and

Scenario analysis to assess potential exposure to low-frequency, high-severity events.

The outputs of these processes are used to assess the Bank's operational risk profile, inform management actions, and support the estimation of the operational risk capital charge in accordance with applicable regulatory requirements. Operational risk considerations are integrated into the Bank's broader risk management and capital assessment processes.

(d) Reporting framework to executive management and the Board

Operational risk reporting forms an integral part of the Bank's risk governance framework. Regular operational risk reports are prepared for executive management and relevant management risk committees, covering:

- The Bank's operational risk profile and trends,
- Material operational risk events and control issues,
- Key Risk Indicators and emerging risks, and
- Progress on remediation of identified weaknesses.

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At Board level, operational risk matters are reported through established governance forums, enabling the Board and its committees to exercise effective oversight of operational risk exposures and the effectiveness of the operational risk management framework. The reporting framework supports timely escalation, informed decision-making, and appropriate management action where risks approach or exceed the Bank's risk appetite.

11. MINIMUM REQUIRED OPERATIONAL RISK CAPITAL

BI and its subcomponents	T	T-1	T-2
1 Interest, lease and dividend component	33,208,742,901.92	33,208,742,901.92	31,710,394,485.00
1a Interest and lease income	91,148,687,448.30	91,148,687,448.30	139,183,678,000.00
1b Interest and lease expense	33,464,727,534.59	33,464,727,534.59	23,145,849,000.00
1c Interest earning assets	1,475,944,128,974.12	1,475,944,128,974.12	1,409,350,866,000.00
1d Dividend income			
2 Services component	129,111,617,007.43	198,215,815,575.00	64,588,207,886.52
2a Fee and commission income	27,017,983,000.00	27,017,983,000.00	26,404,060,000.00
2b Fee and commission expense	1,026,564,000.00	1,026,564,000.00	2,545,910,000.00
2c Other operating income	102,093,634,007.43	171,197,832,575.00	38,184,147,886.52
2d Other operating expense	-	-	-
3 Financial component	5,761,044,806.48	1,685,619,843.46	1,685,619,000.00
3a Net P&L on the trading book	5,761,044,806.48	(1,685,619,843.46)	(1,685,619,000.00)
3b Net P&L on the banking book	-	-	-
4 BI	168,081,404,715.83	233,110,178,320.38	97,984,221,371.52
5 Marginal Coefficient (B)	12%	12%	0.12
6 Business indicator component (BIC)	20,169,768,565.90	27,973,221,398.45	11,758,106,564.58
7 Conversion Factor (Reciprocal of Total Capital Ratio)	8.33	8.33	8.33
8 Risk Weighted Assets for Operational Risk	168,014,172,153.94	233,016,934,249.05	97,945,027,682.97

12. MARKET RISK

(a) Strategies and Processes

Strategic objectives in undertaking trading activities

Standard Chartered Bank Tanzania Limited undertakes trading activities primarily to support client-driven transactions and facilitate access to financial markets, rather than for proprietary trading. Market risk-taking is therefore incidental to client facilitation and balance sheet management. The bank's strategic objective is to manage trading and banking book market risk exposures prudently so that potential losses arising from adverse movements in interest rates, foreign exchange rates, credit spreads and other market variables do not result in material financial or reputational harm, while optimising returns within the Board-approved risk appetite.

Identification, measurement, monitoring and control of market risk

Market risk is identified, measured and monitored through a combination of quantitative risk metrics, limits and independent oversight. The primary quantitative tool used is Value at Risk (VaR), which estimates potential losses from adverse market movements over a one-day holding period at a 97.5% confidence level. VaR is calculated daily using recognised modelling techniques, including historical and Monte Carlo simulation approaches. In

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In addition to VaR, the bank applies stress testing and scenario analysis to assess vulnerability to extreme but plausible market events. Risk exposures and limit utilisations are monitored daily, and breaches are escalated in accordance with established governance procedures.

Hedging policies and monitoring of hedge effectiveness

The bank uses derivative instruments, such as interest rate swaps and foreign exchange contracts, primarily for hedging purposes and to manage client-related exposures. Hedging strategies are designed to reduce the sensitivity of earnings and capital to market movements. The ongoing effectiveness of hedges is monitored through analysis of offsetting positions, VaR impacts and portfolio sensitivities to ensure that hedge relationships remain aligned with the underlying risk being mitigated.

Trading desk structure

Trading activities are conducted within the Financial Markets function, which is organised to support client facilitation activities across foreign exchange, interest rate and related markets. Treasury-related activities, including liquidity and securities portfolio management, are managed separately but are subject to the same overarching market risk governance and control framework. The Bank does not operate separate proprietary trading desks.

Policies for designation of trading positions and stale positions

Positions are designated as trading where they are acquired principally for short-term resale, client facilitation, or to benefit from short-term price movements. The designation of positions to the trading or banking book is governed by formal policies and is subject to independent review by the risk control function.

Stale positions are defined as trading positions that have remained open for an extended period without a clear client or risk management rationale. Such positions are subject to enhanced monitoring and management actions to ensure that residual risks are appropriately controlled. Transfers between the trading book and banking book are permitted only in exceptional circumstances, supported by documented justification and governance approval. Any such transfers, including their gross fair value and rationale, are recorded and disclosed as required.

Structure and organisation of the market risk management function

Market risk oversight is performed by a dedicated Traded Risk Management (TRM) function operating as part of the second line of defence and reporting ultimately to the Chief Risk Officer. TRM provides independent measurement, monitoring and challenge of market risk exposures across both trading and banking books, and ensures compliance with approved limits, policies and risk appetite.

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(b) Governance Structure

The governance framework for market risk is designed to ensure effective oversight and accountability:

The Board of Directors, supported by the Board Risk Committee, has ultimate responsibility for approving the market risk appetite, policies and frameworks, and for overseeing the adequacy of market risk management.

Senior management committees, including the Asset and Liability Committee (ALCO) and executive risk forums, are responsible for monitoring market risk exposures, reviewing stress test results and ensuring timely management actions where required.

The Bank operates three lines of defence model, under which front-office functions manage risk within delegated authority, risk functions provide independent oversight and challenge, and Internal Audit provides independent assurance over the effectiveness of controls and governance.

(c) Scope and Nature of Risk Reporting and Measurement Systems

Market risk exposures are reported through comprehensive and regular risk reporting processes:

Daily reporting of VaR, sensitivities, limit utilisations and breaches to senior management and the risk function.

Stress testing and scenario analysis reports highlighting the potential impact of severe market shocks on earnings and capital.

Periodic risk dashboards summarising key market risk metrics, trends and emerging risks for senior management and the Board Risk Committee.

Market risk measurement models and data sources are subject to ongoing review and independent validation to ensure reliability, accuracy and consistency with regulatory expectations.

MARKET QUANTITATIVE DISCLOSURES

	Capital charge in simplified standardized method
Interest rate risk	1,622,566,079.96
Equity risk	-
Foreign exchange risk	42,366,381.34

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13. INTEREST RATE IN THE BANKING BOOK

The bank defines Interest Rate Risk in the Banking Book ('IRRBB') as the potential for loss of future earnings or economic value following adverse movements in interest rates, which arises from a mismatch in the re-pricing profile of assets, liabilities, and off-balance sheet items in the banking book.

A key metric for the measurement of IRRBB is the Net Interest Income ('NII') Sensitivity, an income measure which quantifies the potential change in projected net interest income over a one-year horizon from defined movements in interest rates.

The bank's NII Sensitivity is assessed monthly as the estimated impact to a hypothetical base case projection of the bank's earnings under a parallel interest rate shock scenario (up and down) to the current market-implied path of rates, across all yield curves. These interest rate shock scenarios assume all other economic variables remain constant.

The assessment assumes that the size and mix of the balance sheet remain constant and that there are no specific management actions in response to the change in rates. No assumptions are made in relation to the impact on credit spreads in a changing rate environment.

Modelling and behavioural assumptions are made regarding scenario simplification, market competition, pass-through rates, asset and liability re-pricing tenors, and price flooring. In particular, the assumption that interest rates of all currencies and maturities shift by the same amount concurrently, and that no actions are taken to mitigate the impacts arising from this are considered unlikely. Reported sensitivities will vary over time due to a number of factors including changes in balance sheet composition, market conditions, customer behaviour and risk management strategy. Therefore, while the NII sensitivities are a relevant measure of the bank's interest rate exposure, they should not be considered an income or profit forecast.

Interest Rate Sensitivity

As at 31 December 2025, a sensitivity analysis indicates that a parallel movement of ± 100 basis points in interest rates on functional currency-denominated assets and liabilities, in line with the Bank of Tanzania-prescribed interest rate risk stress testing parameters, would have resulted in a decrease or increase in profit before tax of TZS 826 million. This impact assumes that year-end balances remained outstanding throughout the year and that all other variables remained constant and primarily reflects changes in interest income and interest expense. The corresponding impact on capital would have been TZS 578 million.

The sensitivity analysis above has been considered for the only financial instruments that are sensitive to changes in interest rates. All other financial instruments with fixed interest rates (deposits from customers, cash and balances from central bank and lease liability) are not considered sensitive to changes in interest rates.

The table below presents the sensitivity analysis of interest-bearing assets and liabilities

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	Amount in	WAR	Incr/Decr	Amount in	Impact
	TZS'000		%	TZS'000	TZS'000
Interest Expense					
Interest and similar expenses: Deposits from banks	11,764,392	3%	4%	11,882,036	117,644
Interest and similar expenses: Deposits from customers	19,408,561	2%	3%	19,602,646	194,086
	31,172,953			31,484,682	311,730
Interest Income					
Interest and similar income: Investment securities:	15,263,600	8%	9%	15,416,236	152,636
Interest and similar income: Loans and advances to banks	13,542,875	7%	8%	13,678,304	135,429
Interest and similar income: Loans and advances to customers	84,978,392	17%	18%	85,828,176	849,784
Impact to the Profit Before tax (Increase or Decrease)	82,611,915			83,438,034	826,119
Impact to the Capital/PAT (Increase or Decrease)					578,283

The table below summarises the Bank's exposure to interest rate risk by contractual maturity, reflecting the alignment of asset and liability repricing profiles. The concentration of assets and liabilities within the shorter maturity buckets supports effective balance sheet management and helps mitigate adverse movements in interest rates, consistent with the Bank's prudent risk appetite and focus on balance sheet resilience.

31 December 2025	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Non-interest bearing	Total
ASSETS							
Cash and balances with the Central Bank	-	-	-	-	-	240,849,036	240,849,036
Debt securities, alternative tier one and other eligible bills - FVPL	-	-	-	-	10,795,933	-	10,795,933
Derivative financial instruments	-	-	-	-	-	12,382,552	12,382,552
Loans and advances to banks	204,095,953	1,372,797	-	-	-	-	205,468,750
Loans and advances to customers	173,276,381	149,694,474	21,663,246	162,854,615	-	-	507,488,716
Investment securities	49,811,500	69,407,500	72,733,508	-	-	-	191,952,508
Other assets	-	-	-	-	-	1,867,413	1,867,413
Total assets	427,183,833	220,474,771	94,396,754	162,854,615	10,795,933	255,099,001	1,170,804,908
LIABILITIES							
Deposits from banks	10,959,969	-	-	-	-	-	10,959,969
Deposits from customers	960,068,161	17,375,695	24,024,100	4,538,392	-	-	1,006,006,347
Derivative financial instruments	1,721,374	-	-	-	-	-	1,721,374
Subordinated Loan	-	-	-	22,840,000	-	-	22,840,000
Other liabilities	66,926,044	2,885,383	-	-	-	-	69,811,427
Lease Liability	-	-	-	-	-	5,036,224	5,036,224
Total liabilities	1,039,675,548	20,261,078	24,024,100	27,378,392	-	5,036,224	1,116,375,341
Total Interest repricing gap	(612,491,715)	200,213,693	70,372,654	135,476,223	10,795,933	250,062,778	54,429,567

14. LEVERAGE RATIO

S/No	Particulars	Amount
a	b	c
1	Total Assets as calculated under BOT FORM 16-1 to be submitted Monthly (Line item 77)	2,095,880,138,068
2	Total Off Balance Sheet Exposures as calculated under BOT FORM 16-1 Schedule 15(ii) To be submitted Monthly (Line item 52)	2,249,424,631,475
3	Total Exposure Measure (Item 1 plus 2)	4,345,304,769,543
4	Tier 1 Capital as calculated under BOT Form 16-1 (Schedule 10(i)) to be submitted Monthly (Line 27)	390,010,068,129
5	Leverage Ratio	8.98%

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LIQUIDITY COVERAGE RATIO

S/NO	PARTICULARS	Outstanding Amount	Factor	Net Amount
a	b	c	d	e
1	Stock of High Quality Liquid Assets (HQLA)			
2	Cash (notes and coins)	15,199,461,454	100%	15,199,461,454
3	Balances with Bank of Tanzania to the extent that these balances can be drawn down in times of stress ¹	150,420,075,139	100%	150,420,075,139
4	Balances with Other banks and Interbank Loan Receivable callable on demand or with a maturity of less than 30 days	964,000,284,811	100%	964,000,284,811
5	Government securities maturing within 1 year	50,148,067,083	95%	47,640,663,728
6	Government securities maturing after 1 year	152,600,373,912	80%	122,080,299,130
7	Total high quality liquid assets	1,332,368,262,399		1,299,340,784,262
8	Cash Outflows	0		0
10	Demand deposits	940,932,247,375	15%	141,139,837,106
11	Savings deposits	0	15%	0
12	Time deposits (maturing in 30 days)	24,050,000,000	100%	24,050,000,000
13	Deposits from banks and financial institutions (maturing in 30 days)	515,785,909,426	100%	515,785,909,426
14	Derivatives cash outflows (sum of all net cash outflows due within 30 days)	0	100%	0
16	All other contractual cash outflows (maturing in 30 days)	55,053,595,927	100%	55,053,595,927
18	Undrawn and unexpired overdrafts	138,743,793,924	30%	41,623,138,177
19	Undrawn balances of loans	0	10%	0
20	Other contingent funding liabilities (such as guarantees and letters of credit)	4,170,624,330,805	5%	208,531,216,540
21	Total cash outflows	5,845,189,877,457		986,183,697,177
22	Cash Inflows			
18	Loans and advances (maturing within 30 days)	281,650,765,870	50%	140,825,382,935
14	Due from banks and financial institutions (maturing in 30 days)	0	100%	0
20	All other contractual cash inflows (maturing in 30 days)	1,373,059,855	100%	1,373,059,855
16	Net derivatives cash inflows	0	100%	0
21	Total cash inflows	283,023,825,725		142,198,442,790
22	Total net cash outflows = Total cash outflows minus the lower of total cash inflows and 75% of gross outflows			843,985,254,387
23	Liquidity Coverage Ratio =(Total high quality liquid assets)/(Total net cash outflows)			154%

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15. NET STABLE FUNDING RATIO (NSFR)

S/NO	PARTICULARS	Carrying Amount	Factor	Weighted Amount(B*C)
a	b	c	d	e
1	Available Stable Funding (ASF)			
2	Common equity Tier 1	345,489,968,998	100%	345,489,968,998
3	Additional Tier 1	55,000,000,000	100%	55,000,000,000
4	Tier 2 Capital (excluding Tier 2 instruments with residual maturity of less than one year)	22,840,000,009	100%	22,840,000,009
5	Borrowings and liabilities with maturities of one year or more	-	100%	-
6	Stable demand and/or term deposits from retail and small business customers with residual maturity of less than one year.	-	95%	-
7	Less stable demand and/or term deposits from retail and small business customers with residual maturity of less than one year.	-	90%	-
8	Funding with residual maturity of less than one year provided by non-financial corporate customers	1,004,186,347,375	50%	502,093,173,688
9	Operational Deposits		50%	-
10	Funding with residual maturity of less than one year from sovereigns, public sector entities (PSEs), and multilateral and national development banks	4,067,652,898	50%	2,033,826,449
11	Other funding maturing within a period of six months to one year and not included in the line items above, including funding provided by central banks and financial institutions, including banks within the same cooperative network	-	50%	-
12	Deferred tax liabilities (if the effective maturity of the liability greater than one year).	0	100%	-
13	Deferred tax liabilities maturing within a period of six months to one year.	0	50%	-
14	Deferred tax liabilities maturing within six months.	0	50%	-
15	Minority Interest – If perpetual or with effective maturity of greater than or equal to one year	0	100%	-
16	Minority Interest with residual maturity between six months and less than one year.	0	50%	-
17	Minority Interest with effective maturity of less than six months.	0	0%	-
18	All other liabilities and equity not included in the above categories, including liabilities without a stated maturity.	664,296,168,788	0%	-
19	NSFR derivative liabilities net of NSFR derivative assets if NSFR derivative liabilities are greater than NSFR derivative assets	0	0%	-
20	NSFR derivative liabilities (derivative liabilities less total collateral posted as variation margin on derivative liabilities).	0	0%	-
21	"Trade date" payables arising from purchases of financial instruments, foreign currencies	0	0%	-
22	Total Available Stable Funding (ASF) [sum (1)-(21)]	0		927,456,969,144
23	Required Stable Funding (RSF)			
24	On-balance sheet			
25	Cash	15,199,461,454	0%	-
26	Balances with Bank of Tanzania (All balances including Statutory Minimum Reserve).	225,649,574,934	0%	-
27	Claims on Bank of Tanzania with residual maturities of less than six months.	0	0%	-
28	Receivables arising from sales of financial instruments and foreign currencies.	0	0%	-
29	Unencumbered HQLA excluding cash and balance with the Bank of Tanzania.	1,166,748,725,805	5%	58,337,436,290
30	Unencumbered loans to banks and financial institutions with residual maturities of less than six months, where the loan is secured against Level 1 assets, where a bank or financial institution has the ability to freely rehypothecate the received collateral	-	10%	-
31	All other unencumbered loans to banks and financial institutions with residual maturities of less than six months not included in the above categories.	-	15%	-
32	HQLA encumbered for a period of six months or more and less than one year.	0	50%	-
33	Loans to Bank of Tanzania, banks and financial institutions with residual maturities between six months and less than one year.	-	50%	-
34	Deposits held at other banks and financial institutions for operational purposes	521,200,284,811	50%	260,600,142,405
35	All other assets not included in the above categories with residual maturity of less than one year.	-	50%	-
36	Unencumbered residential mortgages with a residual maturity of one year or more and with a risk weight of less than or equal to 75%.	-	65%	-
37	Other unencumbered loans not included in the above categories, excluding loans to banks and financial institutions, with a residual maturity of one year or more and with a risk weight of less than or equal to 50%.	0	65%	-
38	Cash, securities or other assets posted as initial margin for derivative contracts and cash or other assets provided to contribute to the default fund of a Central Counter Party.	18,363,423,219	85%	15,608,909,736
39	Other unencumbered performing loans with risk weights greater than 50% and residual maturities of one year or more, excluding loans to banks and financial institutions.	168,378,176,432	85%	143,121,449,967
40	Unencumbered securities that are not in default and do not qualify as HQLA with a remaining maturity of one year or more and exchange-traded equities	0	85%	-
41	Physical traded commodities, including gold	0	85%	-
42	All other assets that are encumbered for a period of one year or more	0	100%	-
43	Derivative assets net of derivative liabilities if derivative assets are greater than derivative liabilities.	0	100%	-
44	All other assets not included in the above categories, including non-performing loans, loans to banks and financial institutions with a residual maturity of one year or more, non-exchange-traded equities, fixed assets, items deducted from regulatory capital, retained interest, insurance assets, subsidiary interests and defaulted securities.	41,471,039,065	100%	41,471,039,065
45	Off-balance sheet			
46	Irrevocable and conditionally revocable credit and liquidity facilities to any client	0	5%	-
47	Unconditionally revocable credit and liquidity facilities	0	5%	-
48	Trade finance-related obligations (including guarantees and letters of credit)	4,170,624,330,805	1%	41,706,243,308
49	Guarantees and letters of credit unrelated to trade finance obligations	0	1%	-
50	Other non-contractual obligations	0	1%	-
51	All other off balance-sheet obligations not included in the above categories.	0	5%	-
52	Total Required Stable Funding (RSF) [sum (22)-(47)]			560,845,220,772
53	Net Stable Funding Ratio = (Total available stable funding)/(Total required stable funding) [B/D]			165%