

FIRST HOUSING FINANCE (TANZANIA) LIMITED
ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
31 DECEMBER 2025

FIRST HOUSING FINANCE (TANZANIA) LIMITED

**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

TABLE OF CONTENTS	PAGE
Company information	1
The report by those charged with governance	2 - 46
Statement of directors' responsibilities	47
Declaration of the Chief Financial Officer	48
Independent auditor's report	49 - 52
Financial statements:	
Statement of profit or loss and other comprehensive income	53
Statement of Financial Position	54
Statement of changes in equity	55
Statement of cash flows	56
Notes to the financial statements	57 – 115
Memorandum of financial information	116 - 134

FIRST HOUSING FINANCE (TANZANIA) LIMITED

COMPANY INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2025

REGISTERED OFFICE - HEAD OFFICE AND MAIN BRANCH

First Housing Finance (Tanzania) Limited
Plot No. 19, Obama Drive,
P.O. Box 11990,
Dar es Salaam, Tanzania.

EXTERNAL AUDITORS

PricewaterhouseCoopers
369, Toure Drive,
Pemba house, Oysterbay
P.O. Box 45,
Dar es Salaam, Tanzania.
Tel: +255 (22) 2192000
Email: info@pwc.co.tz
Website: www.pwc.com

BANKERS

Azania Bank Limited
Kisutu Branch,
P.O. Box 32089,
Dar es Salaam, Tanzania.

Exim Bank (Tanzania) Limited
Masaki Branch,
P.O. Box 1431,
Dar es Salaam, Tanzania

Standard Chartered Bank Tanzania Limited
International House Property Branch,
P.O. Box 9011,
Dar es Salaam, Tanzania.

CRDB Bank PLC
Tower Branch,
P.O. Box 268,
Dar es Salaam, Tanzania.

NMB Bank Plc
Main Branch,
P.O. Box 9213
Dar es Salaam, Tanzania

NBC Bank (Tanzania) Limited
Corporate Branch,
P.O. Box 1863,
Dar es Salaam, Tanzania

Equity Bank Tanzania Limited
Golden Jubilee - Main Branch,
P.O.Box 110183
Dar es Salaam, Tanzania

TAX ADVISORY

Auditax International
PPF Tower, 7th Floor, Garden Avenue/Ohio Street,
P.O. Box 77949,
Dar es Salaam
+255 22 212 0692 / +255 719 878 490
info@auditaxinternational.co.tz

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

1. INTRODUCTION

Those charged with governance submit their report, together with the audited financial statements for the year ended 31 December 2025, which disclose the financial performance for the year then ended and the state of financial affairs of First Housing Finance (Tanzania) Limited (the Company) as at that date. The Company's financial statements for the year ended 31 December 2025 were authorised for issue by the directors as indicated under the statement of financial position.

2. INCORPORATION

The Company is incorporated and domiciled in Tanzania under the Companies Act, 2002 as a private limited liability company. The Company was incorporated as Mortgage Finance (Tanzania) Limited and changed its name to First Housing Finance (Tanzania) Limited on 17 February 2017.

3. PRINCIPAL ACTIVITY

The principal activity of the Company is mortgage financing. The Company was granted a licence by Bank of Tanzania (BOT) to conduct mortgage finance business in Tanzania from 18 July 2017. The licence was granted under Section 7 of the Banking and Financial Institutions Act, 2006 of Tanzania. The Company commenced full operations on 20 October 2017.

4. OPERATING RESULTS

The Company made a profit before tax of TZS 491 million during the year ended 31 December 2025 (2024: Profit of TZS 504 million). The detailed financial performance of the Company is set out in the statement of profit or loss and other comprehensive income.

5. FUTURE PROSPECTS OF THE COMPANY

The Company will focus on the mortgage lending business and expects to take advantage of the related strength of a business focused on a single core activity.

6. SOLVENCY EVALUATION AND GOING CONCERN

The Company's state of financial affairs as at 31 December 2025 is as set out in the statement of financial position. The Board of Directors (the "Board") confirms that IFRS Accounting Standards have been followed and that the financial statements have been prepared on a going concern basis.

7. ADMINISTRATIVE MATTERS

The Company is capable of handling its administrative matters.

8. DIVIDEND

The directors do not recommend payment of a dividend for the financial year ended 31 December 2025. (2024: Nil).

9. MATERIAL ACCOUNTING POLICIES

The annual financial statements are prepared on the underlying assumption of a going concern. The Company's material accounting policies, which are laid out in Note 6 to the financial statements are subject to annual review to ensure continuing compliance with IFRS Accounting Standards and the requirements of the Companies Act, 2002 and Banking and Financial Institutions Act, 2006 of Tanzania.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

10. RELATED PARTIES

Transactions and balances with related parties are disclosed in Note 29 to the financial statements.

11. SHARE CAPITAL

The authorised share capital of the Company is TZS 110,000,000,000 divided into 1,100,000,000 shares of TZS 100 each.

The issued and paid up share capital of the Company as at year-end was as stated below:

Shareholder	Number of Equity Shares issued and paid up	% Shareholding based on issued and paid up shares
Azania Bank Ltd	87,200,000	40%
Armut Limited	32,700,000	15%
HDFCBank Limited)	32,700,000	15%
International Finance Corporation (IFC), Washington	32,700,000	15%
Sanjay Suchak	32,700,000	15%
Total	218,000,000	100%

12. DIRECTORS

The directors of the Company who served during the year and to the date of this report were:

Name	Position	Shareholder	Nationality	Age	Date of appointment/Resignation
Charles Mugila	Interim Chairman	Azania Bank Ltd	Tanzanian	48	09 April 2019
Sanjay Suchak	Director	Sanjay Suchak	Tanzanian	58	15 November 2016
Vinod Rustagi	Director	Armut Limited	Indian	69	15 November 2016
Mbabazi Annette Rumanyika	Director	International Finance Corporation	Uganda	53	16 December 2024
Jackson Lohay	Director	Azania Bank Ltd	Tanzanian	52	09 April 2019
Rukwaro Senkoro	Director	Azania Bank Ltd	Tanzanian	52	22 September 2023
Margaret Ikongo	Director	Independent	Tanzanian	68	24 March 2023
Ajay Agarwal	Director	HDFC Bank Limited	Indian	53	20 th February 2024
Enna Victor Mwakipesile**	Director	Independent	Tanzanian	43	02 October 2025
Anmol Suchak*	Alternate Director	Alternate Director to Sanjay Suchak	Tanzanian	26	19 th July 2021

** Enna Victor Mwakipesile is an Independent Director effective from 02nd October 2025.

* Anmol Suchak is an Alternate Director to Sanjay Suchak

The Company Secretary is Fredrick Seba Marwa.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

13. DIRECTORS' INTEREST IN THE SHARES OF THE COMPANY

One of the Non-Executive Directors has direct interest in the share capital of the Company to the extent of 32,700,000 shares.

14. DIRECTORS' REMUNERATION

The directors' sitting fees amounted to TZS 132.9 million during the year (2024: TZS 138.5 million).

15. KEY MANAGEMENT PERSONNEL OF THE COMPANY

The management of the Company is headed by the Chief Executive Officer (CEO) with functional units organised into Commercial and Non-commercial groups.

16. ACQUISITIONS AND DISPOSALS

During the year, the Company acquired equipment amounting to TZS 72.5 million and work-in-progress for extension of head office TZS 106.6 million which makes a total of TZS 179 million (2024: TZS 55 million), while acquired intangible assets amounting to TZS 29 million (2024: TZS 55 million).

17. WELFARE OF EMPLOYEES

a. Relationship between management and employees

The relationship between employees and management continued to be good. Complaints are resolved through meetings and discussions. Work morale was good and there were no unresolved complaints from employees. There was good teamwork between management and staff.

b. Training

Training programs are developed and conducted to ensure employees are adequately trained at all levels. Generally, employees will have some form of annual training to upgrade skills and enhance development.

c. Employee benefits

The Company contributes, on a mandatory basis, to a public administered pension scheme for all its employees, which qualifies to be a defined contribution plan. The Company's employment terms are regularly reviewed to ensure they continue to meet statutory and market conditions.

18. POLITICAL AND CHARITABLE DONATIONS

The Company did not make any political or charitable donations during the current and previous year.

19. DISABLED PERSONS

It remains the Company's policy to accept disabled persons for employment for those vacancies that they are able to fill. Opportunities for advancement are provided to each disabled person when a suitable vacancy arises within the Company and all necessary assistance is given with initial training. Where an employee becomes disabled during the course of his or her employment, the Company will seek suitable alternative employment and necessary training thereof. The Company's policy is not discriminatory against people with regard to race, gender, religion or disability.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

20. GENDER PARITY

The Company is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribe, religion and disability which does not impair ability to discharge duties.

The Company had 29 employees at the end of the year, of which 12 were females and 17 were males (2024: 27 employees, 10 females and 17 males).

21. CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Company believes that it is important to engage in CSR and it remains the Company's intention to develop and implement CSR programs.

On the other hand, in accordance with the requirements of the National Board of Accountants and Auditors (NBAA) and the sustainability disclosure standards issued by the International Sustainability Standards Board namely IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures, the company is required to incorporate sustainability reporting within the audited financial statements effective for financial years ending 2025 onwards.

22. CORPORATE GOVERNANCE

Code of Corporate Practice and Conduct

The Company is committed to the principles of effective corporate governance and the Board is of the opinion that the Company currently complies with the principles.

The Board of Directors

As at the close of 2025, the Board of the Company consisted of nine directors, whereas 2 are Independent Directors. All the shareholders have a right to nominate members on the Board. The sponsor, Azania Bank Limited has the right to nominate three directors, while each of the other shareholders has the right to nominate 1 director.

The Board takes overall responsibility for the Company, including responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters and reviewing the performance of management against budgets and business plans. The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative, and for compliance with sound corporate governance principles.

The Board is confident that its members have the knowledge, talent and experience to lead the Company. The chairman is independent of management and exercises independent judgment. With his depth of experience, he adds value to Board deliberations.

The Board met eight times during the year. The Board delegates the day-to-day management of the business to the Chief Executive Officer, who is assisted by senior management.

The Board is committed to ensure accountability and transparency in its dealings and also to remain compliant with laws, regulations and directives issued by regulators and thereby ensuring continuance as a reliable and respectable institution in the best interest of the Company.

The Board had three sub-committees. The sub-committees were set up with the stated objective of ensuring the highest standards of corporate governance in the areas of focus of the respective committees. The committees meet as many times as required according to the business needs.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

22. CORPORATE GOVERNANCE (Continued)

The Board of Directors (Continued)

During the year, the composition of the committees was as follows:

Board Appointments and Compensation Committee (BACC)

Mr. Ajay Agarwal	Chairperson
Mr. Jackson Lohay	Member
Mr. Charles Mugila	Member
Ms. Mbabazi Annette Rumanika	Member

The BACC's objective is to provide necessary oversight over senior management and Board level appointments and to fix broad compensation structures after consideration of the relevant market practices. The committee met four times during the year.

Resolutions which were made by the Committee during the year are as follows:

- i. To recommend to the Board of Directors approval request for salary adjustment to staff due to inflation and performance factor
- ii. The Committee recommended to the Board for approval changes to the Staff Loan policy, Performance and Compensation Policy, Human Resources Policy, Employee Retention plan, and Scheme of service
- iii. The Committee recommended to the Board for approval changes to the BACC charter, and Board Charter

Board Audit and Risk Committee (BARC)

Ms. Margaret Ikongo	Chairperson
Mr. Sanjay Suchak	Member
Mr. Vinod Rustagi	Member
Mr. Rukwaro Senkoro	Member
Ms. Enna Mwakipesile***	Member

***Ms. Enna Mwakipesile has been appointed as BARC member effective from 02nd October 2025.

The BARC assists the Board in fulfilling its supervisory responsibilities by monitoring the Company's financial reporting process, the effectiveness of the internal controls and risk management systems as required by Bank of Tanzania and the Board, management's compliance with the laid down rules and regulations and the effectiveness of the internal audit system within the Company. It also assists the Board in fulfilling its primary responsibilities by establishing and implementing the risk management framework of the Company. The risk management framework focuses on risk management process, which involves risk identification, evaluation, measurement, monitoring and mitigation. The committee met four times during the year.

Resolutions which were made by the Committee during the year are as follows:

- i. To recommend to the Board of Directors approval request for HQ renovation and extension by December 2025.
- ii. The committee recommended to the Board approval of the Internal Capital Adequacy Process (ICAAP) report as at 31st December 2024 for submission to BOT.
- iii. The committee recommended to the Board approval of the Internal Liquidity Adequacy Assessment Process (ILAAP) report as at 31st December 2024 for submission to BOT.
- iv. The Committee recommended to the Board for approval changes to the BARC Charter
- v. To recommend to the Board approval request for Internal Audit Plan for the year 2026
- vi. The committee presented to the Board updates on Corporate Bond Issuance

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

22. CORPORATE GOVERNANCE (Continued)

The Board of Directors (Continued)

Board Credit Committee (BCC)

Mr. Jackson Lohay	Chairperson
Mr. Ajay Agarwal	Member
Ms. Mbabazi Annette Rumanyika	Member

The BCC is involved in the approval of loans and review of sanctioned advances. The committee is responsible for exercising oversight over senior management's identification and management of the credit exposures and the Company's responses to trends affecting those exposures, and oversight of senior management's actions to ensure the adequacy of the allowance for expected credit losses and the Company's credit-related policies. The committee met five times during the year.

Resolutions which were made by the Committee during the year are as follows:

- i. The Committee recommended to the Board for approval changes to the Mortgage policy, Recovery & Foreclosure policy and BCC Charter
- ii. To recommend to the Board approval request to start onboarding mortgage pipeline above TZS 200 million
- iii. To recommend to the Board approval request for renewal of Empanelment of Valuers;

Performance evaluation and reward

The Company utilises the results of market surveys to ensure that salaries that are in line with market rates are paid and that market trends are followed in terms of changes in benefits, while at the same time taking into account the intrinsic value of individual contributions.

Ethical behaviour

The Company's code of conduct governs its activities, internal relations and interactions with stakeholders in accordance with its ethical values. It is expected of all staff to maintain a high level of integrity and honesty in dealing with customers, suppliers, service providers and colleagues. The code is supplemented by the Company's responsibility philosophy as well as its employment practices, occupational health and safety controls.

Risk management and internal control

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

- The effectiveness and efficiency of operations;
- The safeguarding of the Company's assets (including information);
- Compliance with the applicable laws, regulations and supervisory requirements;
- The reliability of the 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. Consequently, even a strict and efficient internal control system can provide no more than a reasonable measure of assurance in respect of the above-mentioned objective.

The Board assessed the internal control systems throughout the financial year and is of the opinion that they met acceptable criteria.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

22. CORPORATE GOVERNANCE (Continued)

Financial reporting and auditing (Continued)

Business ethics and organizational integrity

The Company's code of conduct commits it to the highest standards of integrity, conduct and ethics in its dealings with all parties concerned, including its directors, managers, employees, customers, suppliers, competitors, investors, shareholders and the public in general. The directors and staff are expected to fulfil their ethical obligations in such a way that the business is run according to fair commercial competitive practices.

Financial reporting and auditing

The directors accept final responsibility for the preparation of the annual financial statements which fairly present:

- The financial position of the Company as at the end of the year under review;
- The financial results for the year; and,
- The cash flows for that year.

The responsibility for compiling the annual financial statements was delegated to management. The external auditor reports on whether the annual financial statements are fairly presented, in all material respects.

The directors are satisfied that during the year under review:

- Adequate accounting records were maintained;
- An effective system of internal control and risk management, monitored by management, was maintained;
- Appropriate accounting policies, supported by reasonable and prudent judgments and estimates, were consistently applied; and,
- The financial statements were compiled in accordance with IFRS Accounting Standards and the requirements of the Companies Act, 2002 and Banking and Financial Institutions Act, 2006 of Tanzania.

23. EVENTS AFTER THE REPORTING PERIOD

Following the reporting date, On 22nd January 2026, the company officially launched its Corporate (Makazi) Bond amounting to TZS 5,000,000,000 with a greenshoe option of TZS 3,000,000,000 at an interest rate of 13% for a period of four years. The senior unsecured note program worth TZS 10,000,000,000 (Tanzania Shillings Ten Billion), the bond shall be listed on the Dar es Salaam Stock Exchange (DSE) on 15th April 2026. The notes are exclusively available for distribution within Tanzania and are not intended for distribution outside the country. The net proceeds from the issuance will be incorporated into the issuer's liabilities and will be used to finance an eligible affordable mortgage portfolio in alignment with the FHF business strategy.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

24. KEY PERFORMANCE INDICATORS

Those charged with Governance approve and monitor the implementation of the company's KPIs in line with the strategic objectives, quarterly through the performance report presented by management by highlighting the achievement of key KPIs, challenges if any regarding the internal and external environment and support required to achieve the set objectives. In managing the KPI, the company does the following;

The company's KPIs are proposed by management and approved by those charged with Governance.

- The CEO cascade the KPI developed to senior management.
- The Senior management team cascades to their departments
- A quarterly review is performed for each department to ensure the company's strategic objectives are implemented as per the KPI set and monitored.
- Ensure the availability of resources needed to implement the set KPIs.
- Assess the impact (positive and negative) to our stakeholders on the implementation of the KPIs and ensure their expectations are met.

Below are the financial KPIs as at 31 December 2025.

KPI	Definition and Formula	2025	2024	Purpose
Return on Average Shareholder's Fund	(Profit After Tax/Total Equity) *100%	2.03%	2.20%	Measure the ability of the Bank to generate profit from the shareholders' investment.
Return on Average Total Assets	(Profit After Tax/ Total Assets) *100%	0.82%	0.98%	The ratio shows how efficiently a Bank uses its assets to generate a profit.
Non-Performing Loans to Total Gross Loans	(Non-performing loans/ Gross loans and advances) *100%	4.76%	3.92%	Measure the quality of the loan portfolio
Shareholders Funds to Total Assets	(Total Equity/Total Assets) *100%	40.19%	44.63%	Measures the proportion of a company's assets that are financed by equity. It helps assess the financial strength and solvency of the company.

KPI	Definition and Formula	2025	2024	Purpose
Loans & Advances to Total Assets	(Total Loans/Total Assets) *100%	75.57%	80.59%	It measures the proportion of a company's assets that are invested in loans and advances to customers
Debt to Equity ratio	(Total Debts/Total Equity)	1.46	1.21	Measures the proportion of a company's financing that comes from debt compared to shareholders' equity
Assets Growth	(Increase in assets for the year/Total asset opening balance) *100%	13.35%	114.10%	Measure the growth of assets from the previous year
Tier 1 Capital ratio	(Core capital/Risk-weighted assets including off balance sheet items) *100%	72.44%	83.19%	Measure the company's financial strength.
Total Capital ratio	(Total capital/Risk-weighted assets including off-balance sheet items) *100%	72.44%	83.19%	This is a supplementary capital used to measure the company's financial strength

- The source of the above KPI computed is based on the numbers of the audited financial statements and no adjustment made.
- The computation of the KPIs were based on the actual numbers, with no assumptions made.

During the year there were no changes to either KPIs or the computation method that needed to be disclosed in the underlying accounting policies adopted in the financial statements. The company complied with all the regulatory ratios during the year.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

25. 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). This standard replaces TFRS 1 on Directors report that was issued by NBAA on 1 January 2010. The standard becomes operative for financial statements covering accounting periods beginning on or after 1st January 2022.

26. SUSTAINABILITY REPORTING

TABLE OF CONTENTS

Reference	Description
26.1	BASIS OF PREPARATION
26.2	OVERVIEW OF THE COMPANY AND VALUE CHAIN
26.3	MATERIALITY ASSESSMENT
26.4	GOVERNANCE
26.5	STRATEGY
26.6	RISK MANAGEMENT
26.7	METRICS AND TARGETS

26.1. BASIS OF PREPARATION

26.1.1. Compliance with IFRS Sustainability Disclosure Standards

The sustainability report of First Housing Finance Tanzania Limited has been prepared in accordance with IFRS Sustainability Disclosure Standards as issued by the International Sustainability Standards Board (ISSB). In addition, the report incorporates guidance and recommendations from:

- Bank of Tanzania Sustainability Guidelines
- National Board of Accountants and Auditors (NBAA) made minor amendments to the Tanzania Financial Reporting Standard 1 (TFRS 1).
- Sustainability Accounting Standards Board Standards (SASB)
- The Global Reporting Initiatives (GRI) standards
- UN Sustainability Development Goals (SDGs)
- The Task Force on Climate-related Financial Disclosures (TCFD)

26.1.2 Connectivity with financial statements (reporting period, reporting entity, and presentation currency)

The sustainability report has been prepared for the company and should be read in conjunction with the company's financial statements prepared in accordance with IFRS Accounting Standards. It covers a 12-month period for the year ended 31st December 2025 which is aligned with the reporting period of the financial statements.

The company defines the time horizons based on when the sustainability-related risks and opportunities could reasonably be expected to occur. As of the end of the reporting period the following time horizons were identified, and these align with the timelines used for strategic decision-making:

- short term (0 to 12 months)
- medium term (1 to 5 years) and
- long term (beyond 5 years).

In preparing its sustainability-related financial disclosures, the company has assessed its own operations and its value chain which comprises;

26. SUSTAINABILITY REPORTING (CONTINUED)

26.1.2 Connectivity with financial statements (reporting period, reporting entity, and presentation currency) (Continued)

- **Upstream engagement** who are the parties and activities that support FHF before a loan is created with such as funders, regulators, valuers, insurers, legal and IT service providers.
- **Core operations** which are the main activities where FHF creates value such as mortgage product design, credit appraisal, collateral valuation, loan approval, risk management and compliance
- **Downstream engagement** which are activities related to servicing, monitoring, and recovering value from the loan portfolio including loan servicing, collections, portfolio monitoring, and regulatory and sustainability reporting.

The presentation currency of the sustainability-related financial disclosures is Tanzanian Shillings (TZS), which aligns to the presentation currency used in the consolidated financial statements

26.1.3 First-time adoption of IFRS Sustainability Disclosure Standards and transition reliefs

The company is reporting under IFRS Sustainability Disclosure Standards for the first time for its annual reporting period ending 31st December 2025. It has applied the following standards for its annual reporting period commencing 1 January 2025:

- IFRS S1 'General Requirements for Disclosure of Sustainability-related Financial Information'.
- IFRS S2 'Climate-related Disclosures'.

IFRS Sustainability Disclosure Standards provide transition reliefs for the first annual reporting period in which an entity applies the standards. The company has applied the following transition reliefs:

- Relief from the requirement to disclose comparative information in the first annual reporting period
- Exclude scope 3 emissions from the first annual report, including the additional information on financed emissions from entities participating in asset management, commercial banking, or insurance activities.

26.1.4 Fair Presentation

First Housing Finance Tanzania Ltd has prepared this Sustainability Report in accordance with the principles of fair presentation under IFRS S1 and IFRS S2. The information disclosed is intended to be complete, neutral, and free from material misstatement, and to faithfully represent the company's sustainability-related risks, opportunities, and current level of reporting maturity.

As 2025 represents FHF's first year of sustainability reporting, certain disclosures are qualitative and some quantitative data is still under development. Where applicable, we have applied the transition relief provisions under IFRS S1 Appendix E and IFRS S2 Appendix C and has clearly indicated areas where data and measurement systems will be strengthened in future reporting periods.

The report reflects both progress achieved and areas requiring further development and does not overstate the company's sustainability performance. This ensures that the disclosures provide a balanced, transparent, and decision-useful view of FHF's sustainability position.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

26. SUSTAINABILITY REPORTING (CONTINUED)

26.1.5 Connected Information

The company has prepared this Sustainability Report in a manner that ensures sustainability-related information is connected with its financial statements, risk management disclosures, and strategic objectives. Sustainability risks and opportunities are presented as an integral part of the company's overall business model and risk profile, rather than as standalone or separate matters.

Where relevant, sustainability topics such as own & financed greenhouse gas emissions, climate risk to collateral, ESG integration in risk management, data privacy and cybersecurity, and regulatory compliance are directly linked to financial risks including credit risk, operational risk, compliance risk, and reputational risk. This connection ensures that users of the report can understand how sustainability-related matters may affect the company's financial position, performance, and future prospects.

26.1.6 Timing and Location of Disclosures

First Housing Finance Tanzania Ltd presents its sustainability-related disclosures in this Sustainability Report, which is issued alongside the company's annual reporting cycle. The report is intended to be available at the same time as the annual financial statements to ensure that sustainability information is provided in a timely and decision-useful manner.

In line with IFRS S1 and IFRS S2, sustainability-related disclosures are presented as part of the Company's annual reporting package and are issued together with the financial statements. Certain disclosures are included in this Sustainability Report and are cross-referenced to relevant sections of the financial statements and risk management disclosures where applicable. This enables users to understand the link between sustainability-related risks and opportunities and the Company's financial position, financial performance and future prospects.

As the company's sustainability reporting framework continues to mature, we will consider further integration of sustainability disclosures with its financial reporting to enhance accessibility, connectivity of information, and overall transparency.

26.1.7 Statement of Compliance

This Sustainability Report has been prepared in accordance with IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*. As 2025 represents FHF's first year of sustainability reporting, we have applied the transition relief provisions under Appendix E & C of IFRS S1 and IFRS S2 where applicable, and certain disclosures are therefore qualitative or baseline in nature.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

26. SUSTAINABILITY REPORTING (CONTINUED)

26.2 Overview of the Company and Value Chain

26.2.1 Overview of the company

First Housing Finance Tanzania Limited is a mortgage finance institution operating in Tanzania, providing residential mortgage products to individuals and households. The company plays a critical role in expanding access to housing finance while maintaining prudent credit risk management and regulatory compliance. Our business model is inherently long-term in nature, with loan tenors extending over multiple decades. As a result, the institution is exposed to sustainability-related risks and opportunities that may emerge over short-, medium-, and long-term horizons, particularly those related to climate change, borrower affordability, data integrity, and regulatory compliance.

The company was granted a license by Bank of Tanzania (BOT) to conduct mortgage finance business in Tanzania from 18th July 2027. The license was granted under section 7 of the Banking and Financial Institutions Act, 2006. The Company commenced full operations on 20th October 2017.

Principal Activity

FHF operates as a specialized mortgage finance institution, providing housing finance solutions to individuals and households in Tanzania. Its core business model is centered on mobilizing financial resources and extending mortgage loans secured by residential properties, with income generated primarily from interest and related fees.

Other activities

The Company also engages in bancassurance services, acting as a distribution channel for insurance products that are related to its lending activities, including property insurance and other relevant insurance covers.

26.2.2 What Drives Us

At First Housing, Sustainability is at the heart of everything we do. We are driven by a deep responsibility to protect the planet, support our communities, and deliver value to our stakeholders today and for generations to come. Our commitment to sustainability guides our decisions and actions across environmental, social, and governance dimensions. We strive to reduce our environmental footprint by reducing own greenhouse gas emissions, embracing Responsible Lending Practices & Customer Protection, Non-Discriminatory Lending and compliance on the climate risk assessment in all credit appraisals. At the same time, we empower our employees and partners through inclusive and ethical practices that strengthen workplace culture and community impact.

We also believe in transparency and continuous improvement. Through collaboration with our stakeholders including employees, customers, suppliers, and local communities, we identify what matters most and create measurable progress toward our sustainability goals.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

26. SUSTAINABILITY REPORTING (CONTINUED)

26.2 Overview of the Company and Value Chain (Continued)

26.2.3 Our Value Chain

FHF’s value chain comprises upstream engagement, core operations and downstream activities as summarized in the table below;

Value Chain Stage	Category	Description	Geographical Location
Upstream Value Chain	Funding partners	Providers of funding and capital used to originate mortgage loans and support business operations	Tanzania and International markets
	Regulators and authorities	Oversight bodies setting regulatory, prudential, tax, and compliance requirements (e.g. Bank of Tanzania, tax authorities)	Tanzania
	Property valuers and surveyors	Independent firms providing property valuation and inspection services for collateral assessment	Tanzania
	Insurers	Insurance companies providing property and related insurance products distributed through bancassurance arrangements	Tanzania
	Legal advisors	Law firms supporting title verification, mortgage registration, and recovery processes	Tanzania
	IT and data service providers	Providers of core banking systems, cybersecurity solutions, data hosting, and IT support services	Tanzania and International
Core Operations	Mortgage lending operations	Credit appraisal, affordability assessment, collateral valuation, loan approval, disbursement, and portfolio management	Tanzania (Head Office operations)
	Bancassurance activities	Distribution of insurance products linked to mortgage lending (e.g. property insurance)	Tanzania
	Risk management and compliance	Enterprise risk management, AML/CFT checks, regulatory compliance, ESG and climate risk screening	Tanzania
Downstream Value Chain	Customers (borrowers)	Individuals and households receiving mortgage finance and related insurance products	Tanzania
	Loan servicing and collections	Ongoing servicing of loans, arrears management, restructuring, and recovery processes	Tanzania
	Portfolio monitoring and reporting	Monitoring of credit performance, collateral values, and regulatory and sustainability reporting	Tanzania
	Stakeholder engagement	Engagement with regulators, investors, insurers, and other stakeholders on performance and risk matters	Tanzania and International

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

26. SUSTAINABILITY REPORTING (CONTINUED)

26.2 Overview of the Company and Value Chain (Continued)

26.2.4 Reporting Boundary

The reporting boundary for this Sustainability Report is aligned with the financial reporting boundary of First Housing Finance Tanzania Ltd and covers the Company's operations conducted from its Head Office in Tanzania, including its mortgage lending and bancassurance activities. In addition, the report considers material sustainability-related risks and opportunities arising across the Company's value chain, including relevant upstream and downstream activities, to the extent that these could reasonably be expected to affect the Company's financial position, financial performance, or future prospects.

26.2.5 GHG Emissions Reporting Boundary

The greenhouse gas (GHG) emissions reporting boundary for First Housing Finance Tanzania Ltd covers emissions arising from the Company's operations conducted from its Head Office in Tanzania and is aligned with the financial reporting boundary. For the 2025 reporting period, the Company's disclosures focus on Scope 1 and Scope 2 emissions, including direct emissions from fuel consumption and indirect emissions from purchased electricity used in office operations.

In addition, the Company has assessed its value chain to identify potential Scope 3 emissions, including emissions associated with financed activities, third-party service providers, and business travel. However, given that 2025 represents FHF's first year of climate-related disclosures, and in line with the transition relief provisions under IFRS S2 Appendix C, Scope 3 emissions are not yet fully quantified. The Company plans to progressively expand the scope and coverage of its GHG emissions reporting in future periods as data availability, systems, and methodologies mature.

26.2.6 Judgement and Measurement Uncertainties

In the process of preparing this sustainability report, management has exercised judgement in a number of areas, including the process of identifying sustainability-related risks and opportunities and identifying material information to report. Additionally, the preparation of this report requires the use of estimates for certain amounts which cannot be measured directly. This section outlines the most critical judgements made by management in preparing this sustainability report, as well as the amounts that are subject to a high degree of measurement uncertainty.

26.2.7 Significant Judgements

Area of Judgement	Description
Materiality process	Management applied judgement to identify sustainability-related risks and opportunities that could reasonably be expected to affect company's prospects and to determine which information related to those risks and opportunities is material for disclosure. This included judgement in selecting and refining the final list of material topics based on business impact and stakeholder importance, in line with IFRS S1 and IFRS S2 requirements.
Organizational boundary for GHG emissions	Management applied judgement in determining the organizational boundary for GHG emissions reporting using an operational control approach. The boundary includes company's Head Office operations which are conducted in leased premises. Although the building is leased, the Company has operational control over its office activities, Judgement was also applied in assessing the relevance of Scope 3 emissions and, in line with IFRS S2 Appendix C transition relief, concluding that these are not yet fully quantified for the 2025 reporting period.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

26. SUSTAINABILITY REPORTING (CONTINUED)

26.2 Overview of the Company and Value Chain (Continued)

26.2.8 Judgement and Measurement Uncertainties

26.2.8.1 Measurement Uncertainties

Area of Measurement Uncertainty	Description
GHG-related metrics (Scope 1 and Scope 2)	<p>The company measures its Scope 1 and Scope 2 GHG emissions in accordance with the GHG Protocol, as required by IFRS S2. The disclosed metrics are subject to measurement uncertainty due to reliance on activity data and emission factors obtained from third parties, particularly for purchased electricity and any direct fuel consumption. Where complete or timely data is not available, management uses reasonable estimates.</p> <p>As 2025 is FHF's first year of climate-related disclosures, data systems and methodologies are still being refined, which contributes to a higher degree of estimation uncertainty. Refer to note 7.2 for disclosures on Scope 1 & 2 emissions</p>

26.3. Materiality Assessment

This is the first year that the group has prepared a sustainability report. As such, a robust and detailed materiality assessment was performed to identify sustainability-related risks and opportunities that could reasonably be expected to affect the group's prospects. Although this is the first year of Company's sustainability report, the company has previously considered the sustainability-related risks and opportunities that might affect the company's operations as part of its normal risk management processes.

The materiality process was performed by considering financial impact, stakeholders' expectations, regulatory focus and industry-specific risks and opportunities. A two-step materiality process was followed:

- **Step 1:** identify sustainability-related risks and opportunities that could be reasonably expected to affect the group's prospects over the short-, medium-, and long term.
- **Step 2:** identify material information – determination of the disclosures which are needed in relation to the sustainability-related risks and opportunities identified.

The aim of this process was to identify information about the sustainability-related risks and opportunities that could reasonably be expected to affect the company's prospects and influence decisions made by primary users of general-purpose financial reports. Management focused specifically on existing and potential investors (shareholders or holders of preferred shares), lenders and other creditors in general. The company finalized its materiality assessment, including the identification of risks and opportunities at the end of the 2025 reporting period.

26. SUSTAINABILITY REPORTING (CONTINUED)

26.3. Materiality Assessment (continued)

Step 1: Identification of sustainability-related risks and opportunities

The company followed a systematic approach, and referred to a number of different sources, to identify the sustainability-related risks and opportunities of the company. The company considered its own activities, and activities in the upstream and downstream value chain in the assessment. The process is summarized in the below table;

Step	Description
Understand FHF's operations, resources and relationships	As a first step, the company considered the context in which it operates, including its mortgage lending and bancassurance activities, its operating model (Head Office operations in Tanzania), and the regulatory environment. The Company also considered key resources such as funding, employees, IT systems, and data, as well as its relationships across the value chain, including funders, regulators, valuers, insurers, legal advisors, IT service providers, and customers.
Identify risks and opportunities	The company identified sustainability-related risks and opportunities primarily based on its understanding of its business model and value chain. This was supplemented by existing risk management processes, relevant guidance from IFRS S1 and IFRS S2, consideration of applicable industry disclosure topics, and engagement with internal stakeholders, including management and staff through questionnaires.
Assess whether the risks and opportunities could reasonably be expected to affect FHF's prospects	The company assessed which sustainability-related risks and opportunities could reasonably be expected to affect its cash flows, access to finance, or cost of capital. This assessment considered both the likelihood of occurrence and the potential magnitude of financial impact. The results were summarized and used to prioritize topics through a materiality matrix, focusing on those with higher potential impact and relevance.
Final consolidation and approval of risks and opportunities	The final list of sustainability-related risks and opportunities have been consolidated, reviewed by senior management, presented to the BARC committee and approved by the full Board. The material topics form the basis of the disclosures in this Sustainability Report.

Step 2: Identification of material information

Once the sustainability-related risks and opportunities have been identified, the second step is to identify the material information that should be disclosed related to each risk or opportunity. The company considered whether information is material in the context of the company's sustainability reporting as a whole, and it took into account both stakeholders' concerns and potential financial impacts. The judgements applied around identification of material information for the sustainability-related risks and opportunities will be reassessed at each reporting date.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

26. SUSTAINABILITY REPORTING (CONTINUED)

26.3 Materiality Assessment (continued)

Step 2: Identification of material information: Outcome of the process

11 sustainability-related risks and opportunities (material topics) have been included in sustainability report. The table below includes the sustainability-related risks and opportunities identified as part of the materiality processes described.

The sustainability disclosures in this report have been prepared primarily in accordance with IFRS S1 and IFRS S2, which apply a financial materiality approach, focusing on sustainability-related risks and opportunities that could reasonably be expected to affect the Company's financial position, financial performance, or future prospects.

The inclusion of references to GRI Standards and the UN Sustainable Development Goals (SDGs) does not indicate that the Company has performed a formal double materiality assessment. Rather, these references are provided to demonstrate how the identified financially material topics align with widely recognized global sustainability frameworks and broader stakeholder interests.

Accordingly, GRI and SDG linkages are included for contextual alignment, comparability, and transparency purposes, while the determination of material topics remains grounded in the financial materiality principles of the ISSB standards.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

26. SUSTAINABILITY REPORTING (CONTINUED)

26.3 Materiality Assessment (continued)

Step 2: Identification of material information: Outcome of the process (continued)

Pillar	Material Topic	SASB Link (core topics)	GRI Link	SDG Link
Environmental	Own and Financed GHG Emissions	Environmental Risk to	GRI 305: Emissions	SDG 13 (Climate Action) SDG 7 (Affordable and Clean Energy)
	Climate / Environmental Risk to Mortgaged Properties	Mortgaged Properties	GRI 201: Economic Performance (financial impacts of climate risk) GRI 305: Emissions (climate context)	SDG 11 (Sustainable Cities and Communities) SDG 13 (Climate Action)
Social	Non-Discriminatory Lending	Discriminatory Lending	GRI 406: Non-discrimination	SDG 10 (Reduced Inequalities) SDG 5 (Gender Equality)
	Responsible Lending Practices & Customer Protection	Lending Practices	GRI 417: Marketing and Labeling, GRI 418: Customer Privacy GRI 416: Customer Health and Safety	SDG 8 (Decent Work and Economic Growth) SDG 12 (Responsible Consumption and Production)
	Data Privacy & Cybersecurity		GRI 418: Customer Privacy	SDG 9 (Industry, Innovation and Infrastructure) SDG 16 (Peace, Justice and Strong Institutions)
	Employee Well-being, Diversity & Training		GRI 401: Employment GRI 404: Training and Education GRI 405: Diversity and Equal Opportunity	SDG 8 (Decent Work) SDG 5 (Gender Equality)
	Community Engagement & Financial Literacy		GRI 413: Local Communities GRI 203: Indirect Economic Impacts	SDG 4 (Quality Education) SDG 11 (Sustainable Cities and Communities)
Governance	ESG Governance & Board Oversight		GRI 2: General Disclosures (Governance)	SDG 16 (Peace, Justice and Strong Institutions)
	Integration of ESG in Risk Management		GRI 201: Economic Performance (risk impacts) GRI 2: Governance (risk oversight)	SDG 12 (Responsible Consumption and Production) SDG 13 (Climate Action)
	Ethics, Anti-Corruption & AML/CFT		GRI 205: Anti-corruption GRI 206: Anti-competitive Behavior	SDG 16 (Peace, Justice and Strong Institutions)
	Transparency, Tax & Regulatory Compliance		GRI 207: Tax GRI 419: Socioeconomic Compliance GRI 2: General Disclosures	SDG 16 (Peace, Justice and Strong Institutions) SDG 8 (Decent Work and Economic Growth)

26. SUSTAINABILITY REPORTING (CONTINUED)

26.4 Governance

26.4.1 Overview and Leadership Structure

First Housing Finance Tanzania Ltd has established a governance framework that ensures sustainability-related risks and opportunities are identified, overseen, and managed as part of its overall corporate governance and risk management structure. Sustainability matters are not treated as standalone issues, but are integrated into existing governance arrangements covering credit risk, operational risk, compliance, conduct, and strategic oversight.

The governance framework covers all material sustainability topics identified by the company, including Own & financed GHG emissions, climate risk to mortgaged properties, non-discriminatory and responsible lending, data privacy and cybersecurity, human capital management, community engagement, ESG governance, ethics and compliance, and regulatory transparency. These topics are embedded within the company's risk, compliance, and governance processes to ensure consistency with its financial and operational oversight. Leadership accountability for sustainability matters is shared between the Board of Directors and Senior Management, with clearly defined roles for policy approval, oversight, implementation, and reporting.

26.4.2 The Role of Board of Directors and respective Board Committees

The Board of Directors holds ultimate responsibility for the oversight of sustainability-related risks and opportunities. The Board ensures that all material sustainability topics are appropriately governed, aligned with the company's strategic objectives, and integrated into its risk management and compliance frameworks.

In relation to the material topics, the Board's responsibilities include:

- Overseeing climate risk to mortgaged properties by ensuring environmental and climate considerations are incorporated into credit policies, collateral valuation standards, and portfolio risk reviews.
- Providing oversight of GHG emissions management, including approval of the approach for measuring and monitoring Scope 1 and Scope 2 emissions, and reviewing progress on energy efficiency and emissions reduction initiatives.
- Ensuring non-discriminatory and responsible lending practices are embedded in credit policies and customer treatment standards.
- Providing oversight of data privacy and cybersecurity risks, including adequacy of IT security controls and data protection policies.
- Monitoring ethical conduct, AML/CFT compliance, and regulatory transparency, including approval of relevant policies and review of compliance reports.
- Overseeing ESG governance structures, including approval of the ESG policy and sustainability strategy.
- Ensuring ESG integration into risk management, so sustainability risks are captured in the enterprise risk management framework.
- Providing strategic direction on employee well-being, diversity and training, and community engagement and financial literacy initiatives.

Where applicable, the Board discharges these responsibilities through its committees, particularly the Risk Committee, Audit Committee, and Governance or Compliance Committees, which review sustainability-related risks, internal controls, and regulatory compliance matters and report to the full Board.

26. SUSTAINABILITY REPORTING (CONTINUED)

26.4 Governance (Continued)

26.4.3 The role of Senior Management

Senior Management is responsible for the day-to-day implementation of sustainability governance and for translating Board direction into operational practices, controls, and reporting processes.

In relation to the material topics, Senior Management:

- Implements climate risk screening within credit appraisal and collateral valuation processes.
- Implements and manages the measurement and monitoring of GHG emissions (Scope 1 and Scope 2), including collection of activity data, application of emission factors, and tracking of energy efficiency initiatives.
- Ensures non-discriminatory and responsible lending practices are applied through staff training, credit procedures, and monitoring.
- Manages data privacy and cybersecurity controls, including system security, access controls, and incident response.
- Oversees employee well-being, diversity and training programs, including skills development and workforce planning.
- Designs and executes community engagement and financial literacy initiatives.
- Ensures ESG integration into enterprise risk management, including updating risk registers and credit evaluation tools.
- Implements ethics, anti-corruption and AML/CFT controls, including transaction monitoring and compliance reporting.
- Ensures tax, regulatory and statutory compliance, including accurate and timely submissions.
- Coordinates ESG data collection and reporting for sustainability disclosures.

Senior Management regularly reports to the Board and its committees on sustainability-related risks, implementation progress, and emerging issues to support effective oversight.

26. SUSTAINABILITY REPORTING (CONTINUED)

26.5 Strategy

Our sustainability strategy integrates climate risk and all other material ESG topics into its core business model, risk management systems, and governance structures. By treating sustainability matters as financial risks and strategic opportunities, the company strengthens its resilience, protects asset quality, and positions itself for sustainable growth in Tanzania's mortgage finance sector.

26.5.1 Our Strategy towards climate risk

26.5.1.1 Our Strategy towards Climate Risk

We recognize climate risk as a sustainability-related financial risk that may materially affect the quality of its mortgage portfolio, the value of collateral, operational stability, and long-term profitability. Given the asset-backed nature of mortgage lending, climate risk is strategically relevant to our credit risk profile, capital protection, and business continuity.

Our climate strategy focuses on systematically identifying, assessing, and managing both physical climate risks and transition climate risks, and progressively embedding these considerations into its business model, credit processes, and enterprise risk management framework.

Physical Climate Risks

Physical risks arise from acute and chronic climate-related events such as flooding, extreme rainfall, rising temperatures, and environmental degradation, which may affect the structural integrity, usability, and market value of mortgaged properties. In addition, greenhouse gas (GHG) emissions from FHF's own operations and from financed activities contribute to climate change and therefore represent both a transition consideration and a factor linked to longer-term physical climate risk.

Our strategy for managing physical climate risks and GHG emissions includes:

- Integrating climate-related location and environmental considerations into collateral valuation and property assessment processes. This is an ongoing process. Since January 2026, all internal valuation reports have incorporated ESG assessments as part of the collateral evaluation process
- Enhancing awareness among credit officers and valuers regarding climate vulnerability indicators and basic climate-related risk factors. Continuous on-the-job training is being provided to the Business and Credit departments to strengthen ESG awareness. In addition, since August 2025, all credit appraisals have incorporated a dedicated section for assessing the borrower's ESG performance.
- Monitoring geographic concentration of the mortgage portfolio in climate-sensitive areas
- Strengthening internal guidance on acceptable collateral standards in high-risk locations
- Measuring and monitoring Scope 1 and Scope 2 GHG emissions from the Company's operations and promoting energy-efficient practices

By incorporating physical climate risk considerations into lending decisions and by beginning to measure and manage its own operational emissions, FHF aims to reduce potential future credit losses, protect recovery values, improve operational efficiency, and strengthen the long-term resilience and quality of its mortgage portfolio.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

26. SUSTAINABILITY REPORTING (CONTINUED)

26.5 Strategy (Continued)

26.5.1 Our Strategy towards climate risk (Continued)

26.5.1.1 Our Strategy towards Climate Risk (Continued)

Transition Climate Risks

Transition risks arise from changes in regulations, building standards, market preferences, technology, and stakeholder expectations as Tanzania and the global financial system move toward a lower-carbon and more climate-resilient economy. These developments may influence property construction standards, housing demand, collateral valuation practices, and expectations regarding the measurement and disclosure of greenhouse gas (GHG) emissions.

At present, the company has not yet implemented specific operational measures targeted at managing transition risks or emissions-related considerations. However, the Company continues to monitor developments relating to environmental standards, climate-related financial disclosures, and evolving expectations for sustainable housing finance.

The company remains prepared to incorporate relevant transition considerations into its governance, risk management, and lending practices as regulatory and market requirements evolve. In this regard, transition risks and emissions-related developments are viewed as emerging factors that may influence future lending practices, portfolio management, and sustainability disclosures.

Strategic Integration

FHF's overall climate strategy is therefore based on:

- Treating climate risk as a financial and credit risk, not solely an environmental concern
- Embedding physical and transition risk considerations into existing credit, valuation, and risk management processes;
- Applying a phased implementation approach in line with the company's size, operational structure, and reporting maturity; and
- Leveraging climate risk management to support long-term business stability and sustainable growth.

Through this approach, the company seeks to enhance its ability to withstand climate-related shocks, adapt to regulatory and market changes, and maintain the long-term value of its mortgage portfolio while supporting the development of resilient housing finance in Tanzania.

26.5.1.2 Our Strategy towards all other material ESG topics

In addition to climate-related risks and opportunities, The Company recognizes a range of other sustainability-related topics that are strategically important to the long-term performance, resilience, and credibility of its business. These topics are closely linked to portfolio quality, regulatory compliance, operational continuity, customer trust, and the Company's license to operate.

Non-discriminatory and responsible lending form the foundation of company's sustainable business model. The Company's strategy ensures that lending decisions are fair, objective, and transparent, that customers are assessed based on affordability and repayment capacity, and that products are designed to prevent over-indebtedness. Strong customer protection mechanisms reduce conduct and legal risk, support stable cash flows, and lower the risk of systemic credit deterioration.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

26. SUSTAINABILITY REPORTING (CONTINUED)

26.5 Strategy (Continued)

26.5.1 Our Strategy towards climate risk (Continued)

26.5.1.2 Our Strategy towards all other material ESG topics (Continued)

Data privacy and cybersecurity are treated as strategic enablers of operational continuity and institutional credibility. Company's strategy focuses on protecting sensitive customer and financial data, ensuring system availability and reliability, and reducing exposure to regulatory penalties and reputational damage. As digitalization expands within the mortgage lending process, cyber resilience is increasingly critical to maintaining business continuity and stakeholder confidence.

Human capital sustainability, including employee well-being, diversity, and training, is recognized as a key driver of operational effectiveness and long-term value creation. Company's strategy includes investing in staff training and capacity building, promoting diversity and inclusion, and supporting employee well-being and engagement. These measures strengthen service quality, enhance risk management capability, and improve execution of strategic priorities.

Community engagement and financial literacy are treated as strategic growth opportunities. By improving public understanding of mortgage products and responsible borrowing, the company builds a stronger and more informed customer base, reduces default risk through better borrower behavior, and supports national housing development and financial inclusion objectives.

ESG governance and oversight are viewed as essential to ensuring sustainability matters receive the same level of attention as financial and operational risks. Our strategy is to embed ESG within existing governance structures, strengthen Board and management accountability, and ensure sustainability-related risks are formally recognized, monitored, and reported.

Integration of ESG into risk management is a core strategic objective. Our approach ensures that sustainability risks are not managed separately from traditional risks by integrating ESG screening into credit proposals, including sustainability risks in the enterprise risk register, and aligning ESG considerations with credit, compliance, and operational risk management. This strengthens the completeness and accuracy of risk assessments and supports stronger capital and portfolio protection.

Ethics, anti-corruption, and AML/CFT are fundamental to the company's long-term sustainability and regulatory standing. Strategically, the company applies a zero-tolerance approach to misconduct, strengthens internal controls and compliance culture, and protects its reputation and license to operate. Failure in this area would pose significant risks to funding access, regulatory approval, and stakeholder trust.

Transparency, tax, and regulatory compliance are also treated as strategic imperatives. Timely and accurate regulatory and tax reporting preserves operational continuity, reduces enforcement risk, and enhances institutional credibility with regulators, investors, and other stakeholders.

Together, these strategic priorities ensure that our sustainability approach extends beyond climate risk and is fully embedded in its business model, governance, risk management, and day-to-day operations, supporting resilient performance and sustainable growth in Tanzania's housing finance sector.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

26. SUSTAINABILITY REPORTING (CONTINUED)

26.5 Strategy (Continued)

26.5.2. Impact of Climate Risks on Strategy, Business Model, Value Chain and Decision Making

The mortgage business model of the company is highly dependent on the long-term value, resilience, and marketability of residential properties used as collateral, as well as on the continued affordability and repayment capacity of borrowers. Climate-related risks therefore affect the company not only through direct physical impacts on properties, but also through transition risks arising from changes in regulations, building standards, market expectations, and financing practices linked to climate resilience and environmental sustainability.

Both physical and transition risks have the potential to influence credit quality, collateral values, insurance coverage, portfolio composition, compliance obligations, and strategic decision-making. The tables below summarize the key climate-related physical and transition risks identified by the company, the business operations they affect, and how these risks may translate into operational impacts on our business model.

Table: Climate related physical risk and their impact to our business model

Climate-related physical risk	Business Operation affected	Impact on FHF Business Model
Flooding, heavy rainfall and extreme weather events	Collateral valuation and credit appraisal	Reduces the market value, usability, and durability of mortgaged properties used as collateral
Physical damage to properties and surrounding infrastructure	Mortgage portfolio management	Weakens long-term quality of the loan portfolio and increases exposure to asset deterioration
Climate impacts on borrower livelihoods and affordability	Credit risk and loan servicing	Borrowers affected by climate events may face income disruption and repayment challenges
Increased insurance costs or lack of insurability for properties	Credit risk mitigation and collateral protection	Weakens the effectiveness of insurance as a credit risk mitigant
Geographic concentration in climate-vulnerable areas	Portfolio concentration risk management	Creates systemic exposure to climate events in specific regions

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

26. SUSTAINABILITY REPORTING (CONTINUED)

26.5 Strategy (Continued)

26.5.2. Impact of Climate Risks on Strategy, Business Model, Value Chain and Decision Making (continued)

Table: Climate related transition risk and their impact to our business model

Climate-related Transition Risk	Business operation affected	Impact on FHF Business Model
Changes in building codes and environmental regulations	Credit appraisal and collateral acceptance	Properties that do not meet new standards may become less acceptable as collateral
Increased regulatory expectations on climate risk management and disclosures	Governance, risk management, and reporting	Requires enhancement of systems, controls, and data collection processes
Shift in market preference towards climate-resilient and energy-efficient housing	Product design and portfolio composition	Demand may shift away from older or less resilient properties
Changes in insurance requirements and availability	Credit risk mitigation and collateral protection	Insurers may increase premiums or exclude high-risk properties
Increased funding and investor focus on ESG and climate performance	Funding strategy and capital access	Institutions with weak climate risk management may face higher funding costs or limited access to capital

Value Chain

- **Upstream:**

Engagement with valuers, insurers, regulators, and data providers to obtain information on climate vulnerability of locations, property resilience, insurance coverage requirements, and emerging climate-related regulatory expectations.

- **Core Operations:**

Integration of climate risk considerations into credit appraisal, collateral valuation, loan approval, risk pricing, and portfolio risk assessment, including screening of properties exposed to flooding or other climate-related hazards.

- **Downstream:**

Monitoring of climate exposure within the loan portfolio, assessment of collateral performance over time, management of collections and recoveries where climate events affect borrowers, and reporting of climate-related risks and disclosures to management, the Board, and regulators.

26. SUSTAINABILITY REPORTING (CONTINUED)

26.5 Strategy (Continued)

26.5.2. Impact of Climate Risks on Strategy, Business Model, Value Chain and Decision Making (continued)

Decision Making

Climate-related risks increasingly influence key management and strategic decisions at FHF, particularly in the following areas:

- **Credit approval criteria:**
Climate exposure of properties is progressively considered when approving loans, including the location of the property, vulnerability to flooding or environmental degradation, and adequacy of insurance coverage.
- **Risk appetite settings:**
Our risk appetite is shaped by its tolerance for exposure to climate-vulnerable areas and property types, guiding limits on portfolio concentration in high-risk locations.
- **Capital planning assumptions:**
Climate risks are considered when assessing potential future credit losses and capital adequacy, particularly where climate events may affect collateral values and recovery rates.
- **Investment in IT and data systems:**
Decisions to invest in systems and tools increasingly take into account the need to capture, analyze, and monitor climate-related risk data at portfolio and collateral level.
- **Product development and portfolio strategy:**
Climate considerations influence the design of mortgage products and portfolio composition, including encouraging lending towards climate-resilient and well-insured properties and supporting the development of more sustainable housing finance solutions.

26.5.3. Business Resilience on Climate Risk

Resilience is strengthened by embedding sustainability considerations into existing credit risk, operational risk, and compliance frameworks rather than treating them as separate processes. This ensures that risks such as climate exposure of mortgaged properties, cybersecurity threats, conduct risk, and regulatory compliance are managed using the same discipline as traditional financial risks. By doing so, FHF enhances the stability of its mortgage portfolio, protects collateral quality, and safeguards cash flow sustainability.

From a climate perspective, business resilience is built through the gradual integration of climate risk screening into collateral valuation and credit decision-making. This enables FHF to better understand the vulnerability of its portfolio to environmental factors and to take early action to mitigate potential losses arising from climate-related events. Over time, improved data quality and analytical tools will further enhance our ability to assess and manage these risks.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

26. SUSTAINABILITY REPORTING (CONTINUED)

26.5 Strategy (Continued)

26.5.3. Business Resilience on Climate Risk (continued)

Climate Scenario Analysis

The company has performed a qualitative climate scenario assessment to evaluate the resilience of its mortgage portfolio under different climate-related conditions. The analysis considered both physical and transition risks that may affect property values, borrower repayment capacity, and mortgage demand.

Key Assumptions, Scenario Sources and Time Horizons

The scenario analysis is based on high-level assumptions reflecting the Company’s operating environment and available climate risk information, including increasing frequency of extreme weather events, evolving regulatory requirements, and growing demand for climate-resilient housing.

The scenarios are informed by publicly available climate information and international climate frameworks, including general assumptions broadly consistent with global transition pathways such as those aligned with the Paris Agreement (well below 2°C). The Company has not yet applied fully modelled external scenarios (e.g., NGFS (Network for Greening the Financial System) or IEA (International Energy Agency)).

Climate Scenario	Potential Impact (by Time Horizon)	Management Response
Higher Physical Risk Scenario (increased flooding and extreme weather)	Short term (1–3 years): Limited direct financial impact; increased monitoring of climate-sensitive areas. Medium term (3–5 years): Potential increase in credit risk where borrower repayment capacity is affected in exposed areas. Long term (>5 years): Potential decline in collateral values and higher recovery risk in environmentally vulnerable locations.	Enhancing climate considerations into collateral valuation, strengthen credit assessment, and monitor geographic concentration of the mortgage portfolio.
Transition Risk Scenario (stricter building standards and environmental regulations)	Short term (1–3 years): Minimal direct impact; increasing regulatory and disclosure expectations. Medium term (3–5 years): Potential reduction in demand for non-compliant housing and gradual adjustment in collateral values. Long term (>5 years): Increased transition risk for properties not aligned with evolving environmental standards.	Aligning lending policies with evolving sustainability standards and incorporate environmental considerations into credit risk assessments.
Gradual Market Transition Scenario (growing demand for climate-resilient housing)	Short term (1–3 years): Limited impact; emerging awareness of sustainable housing. Medium term (3–5 years): Increasing demand for energy-efficient housing and potential shifts in lending patterns. Long term (>5 years): Stronger market preference for climate-resilient properties, creating growth opportunities in sustainable mortgage financing.	Monitoring market developments and gradually incorporate sustainability considerations into mortgage product development.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

26. SUSTAINABILITY REPORTING (CONTINUED)

26.5 Strategy (Continued)

26.5.4 Current and Future Anticipated Impact of Climate-related risks and opportunities on financial performance.

Current Financial Effects

The current financial effects of climate-related physical and transition risks on the Company are limited, as 2025 represents company's transition year for climate risk management and reporting. During the reporting period, there were no major climate events that materially affected the Company's financial position, financial performance, or cash flows.

Based on the Company's initial climate risk screening, no portion of the mortgage portfolio is currently classified as having elevated exposure to physical climate risks, such as properties located in areas vulnerable to flooding or extreme rainfall. As a result, climate-related physical risks have not resulted in measurable impacts on credit losses, collateral recoveries, or revenue generation during the reporting period.

However, the Company recognizes that climate risks may affect borrowers' repayment capacity and collateral values in the future as climate conditions evolve. At present, the primary financial effects relate to operational and governance initiatives undertaken to strengthen climate risk management and disclosure capabilities, including investments in ESG governance, risk monitoring processes, and sustainability reporting systems.

Financial Effects of Climate-related Transition Risk Mitigation and Adaptation Actions

The actions identified by the Company to manage climate-related transition risks, including governance enhancement, ESG integration, and product positioning, are also expected to influence financial performance:

The actions implemented by the Company to manage climate-related risks and opportunities including strengthening ESG governance structures, integrating sustainability considerations into risk management processes, and developing climate-related disclosure capabilities have resulted primarily in incremental operational costs during the reporting period.

As at 31 December 2025, the costs amounting to TZS 8.2 million mainly related to:

- Development of internal ESG governance frameworks,
- Enhancement of risk management processes and reporting, and
- Investments in staff training, sustainability data collection, and reporting systems.

While these actions may increase operating costs in the short term, they are expected to strengthen the Company's risk management capabilities and support improved long-term portfolio resilience. In addition, the Company may benefit from emerging opportunities related to sustainable housing finance and potential access to ESG linked funding sources.

26. SUSTAINABILITY REPORTING (CONTINUED)

26.5 Strategy (Continued)

26.5.4 Current and Future Anticipated Impact of Climate-related risks and opportunities on financial performance (continued)

Anticipated Financial Effects

Looking ahead, the financial effects of climate-related risks and opportunities are expected to evolve gradually as climate conditions, regulatory frameworks, and market expectations develop. Although, the Company's current portfolio is not considered highly exposed to physical climate risks, future climate events could affect property values, borrower repayment capacity, or insurance costs in certain locations. As a result, climate-related risks could influence credit losses, collateral recovery values, and mortgage demand in the longer term.

Management expects that the financial impact of such risks will be mitigated through the implementation of adaptation and risk management measures, including:

- integration of climate considerations into credit appraisal and collateral valuation,
- ongoing monitoring of portfolio geographic exposure,
- portfolio diversification strategies, and
- exploration of climate-resilient or energy-efficient housing finance opportunities.

Through these measures, the Company expects to maintain a resilient mortgage portfolio and adapt to evolving climate-related risks while supporting sustainable housing development over the medium to long term.

Disclosure Limitation

In accordance with IFRS S2 paragraph 19, the Company has not quantified the anticipated financial effects of climate-related risks and opportunities, as such quantification would require data, modelling techniques, and scenario analysis capabilities that are not currently available without undue cost or effort.

The current assessment is therefore qualitative in nature, based on available internal data and high-level assumptions regarding climate risk exposure and market developments. The Company is in the process of strengthening its data collection, portfolio analysis, and climate risk modelling capabilities and expects to progressively enhance the quantification of climate-related financial effects in future reporting periods.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

26. SUSTAINABILITY REPORTING (CONTINUED)

26.6 Risk management

26.6.1 Sustainability Risk Management Overview

The Company manages sustainability-related risks and opportunities as an integral part of its overall Enterprise Risk Management (ERM) framework. Sustainability risks are treated as financial and operational risks that may affect the company's credit quality, operational stability, regulatory compliance, reputation, and long-term financial performance. They are therefore managed using the same governance structures, risk assessment methodologies, and monitoring processes applied to traditional financial risks.

Our sustainability risk management will cover all material topics identified in its materiality assessment, including:

- Own & finance GHG emissions
- Climate Risk to Mortgaged Properties
- Non-Discriminatory Lending
- Responsible Lending Practices & Customer Protection
- Data Privacy & Cybersecurity
- Employee Well-being, Diversity & Training
- Community Engagement & Financial Literacy
- ESG Governance & Board Oversight
- Integration of ESG in Risk Management
- Ethics, Anti-Corruption & AML/CFT
- Transparency, Tax & Regulatory Compliance

Incorporating all material topics to the Risk register is an ongoing process, the material topics already included in the risk register includes climate risk to mortgage properties, non-discriminatory lending, Responsible lending practices & Customer protection, and ESG Governance & Board Oversight. The rest are continued to be updated in the Risk register.

The objective of the sustainability risk management framework is to:

- Protect the quality and value of the mortgage portfolio,
- Safeguard customer trust and regulatory standing,
- Strengthen operational resilience and data integrity, and
- Support sustainable business growth.

As 2025 represents the company's first year of sustainability reporting, the risk management approach is largely qualitative and process-driven, with progressive development of quantitative tools, metrics, and data systems planned in subsequent reporting periods.

26.6.2 Identification of Sustainability Risks across our Operations

The company identifies sustainability-related risks across its business model and value chain by embedding ESG considerations into its core operational and risk processes. These risks are identified through:

- Credit appraisal and portfolio reviews,

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

26. SUSTAINABILITY REPORTING (CONTINUED)

26.6 Risk management (Continued)

26.6.2 Identification of Sustainability Risks across our Operations (Continued)

- Risk register updates, to capture sustainability- and climate-related risks, including risks associated with regulatory expectations on GHG emissions and energy efficiency
- Compliance assessments,
- Internal audits and controls testing,
- Stakeholder feedback and incident reporting.

26.6.3 Risk Prioritization and Periodic Monitoring

Once identified, sustainability risks are prioritized using the company risk assessment methodology, which considers:

- The likelihood of occurrence, and
- The potential impact on financial performance, regulatory compliance, and reputation.

High-priority sustainability risks typically include:

- Climate exposure of mortgage collateral
- Sectoral exposure through borrower income sources, where borrowers depend on economic sectors that may be vulnerable to sustainability or climate-related risks, such as agriculture (drought and weather variability), tourism (environmental and climate sensitivity), or energy-intensive industries that may face transition risks.
- Data privacy and cybersecurity incidents
- AML/CFT and ethical breaches
- Conduct risk related to responsible and non-discriminatory lending.

Risk prioritization is documented in the risk register and reviewed periodically by senior management and the Board through established risk governance structures.

Sustainability risks are monitored through:

- Periodic credit portfolio reviews and collateral assessments. Given this was the first year on implementation of ESG reporting. From August 2025, all credit appraisals have incorporated a dedicated section for assessing the borrower's ESG performance. Also, from January 2026, all internal valuation reports have incorporated ESG assessments as part of the collateral evaluation process.
- Monitoring of energy consumption and GHG emissions (Scope 1 and Scope 2)
- Monitoring of customer complaints and conduct risk indicators,
- Cybersecurity incident reporting,
- Compliance reporting on AML/CFT, tax, and regulatory obligations,
- HR reporting on training, diversity, and staff engagement, and
- Progress tracking on ESG implementation and governance actions. We have developed an ESG roadmap that was submitted to the Bank of Tanzania. At the end of each quarter, we are required to report on the progress made against the activities and milestones outlined in the roadmap.

26. SUSTAINABILITY REPORTING (CONTINUED)

26.6 Risk management (Continued)

26.6.2 Identification of Sustainability Risks across our Operations (Continued)

As the company's sustainability reporting matures, the company plans to enhance monitoring by:

- Introducing quantitative ESG risk indicators,
- Developing dashboards for key sustainability risks,
- Integrating sustainability risks into stress testing and scenario analysis, and
- Strengthening internal controls over sustainability data.

This integrated approach ensures that sustainability risks are consistently identified, prioritized, and monitored within our overall risk management framework, supporting stronger portfolio quality, operational resilience, regulatory compliance, and long-term financial sustainability.

26.7. Metrics and targets

26.7.1. Overview

The company has established metrics and targets as a core component of its sustainability management and reporting framework. Metrics are used to measure exposure to sustainability-related risks and opportunities, monitor progress against strategic objectives, and support informed decision-making, while targets provide clear direction for improving performance over time.

The selected metrics and targets cover all material sustainability topics and are designed to reflect issues that are financially relevant to the company's business model, risk profile, and long-term prospects. They focus on areas such as climate risk exposure of mortgaged properties, own and financed GHG emissions, responsible and non-discriminatory lending practices, data privacy and cybersecurity, employee capacity and well-being, ethical conduct and AML/CFT compliance, governance effectiveness, ESG integration into risk management, and regulatory transparency.

In our first year of sustainability reporting, we have adopted a phased approach to metrics and targets. During this transition year, priority is placed on:

- Establishing reliable data collection processes,
- Identifying baseline measurements, and
- Setting realistic and achievable targets aligned with the company's SMART ESG goals.

Approach to Setting and Reviewing Climate-Related Targets

In accordance with IFRS S2 paragraph 34, the company has established climate-related targets to support the management of climate risks and opportunities and to guide progress toward improved environmental performance. These targets are developed through a structured process that considers the Company's operational footprint, regulatory expectations, and emerging sustainability practices within the financial sector.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

26. SUSTAINABILITY REPORTING (CONTINUED)

26.7. Metrics and targets (Continued)

26.7.1. Overview (continued)

Methodology for Setting Targets

ESG targets were developed through a structured internal process that considered:

- The material ESG topics identified through the Company's materiality assessment;
- Baseline performance data, such as operational GHG emissions, workforce indicators, and governance practices;
- Operational relevance and feasibility, ensuring targets focus on areas within the Company's control or influence;
- Regulatory and reporting expectations, including IFRS S1 and IFRS S2 guidance
- Industry practices and stakeholder expectations relevant to financial institutions.

This process ensures that ESG targets are aligned with the Company's business model, risk management framework, and long-term strategic objectives.

Monitoring and Review of Targets

Performance against ESG targets is monitored through defined key performance indicators (KPIs) and internal reporting processes. Progress will be periodically reviewed by Senior Management and reported to the Board as part of the Company's ESG governance framework.

Targets may be reviewed and updated where necessary to reflect changes in operational conditions, improvements in data availability, evolving regulatory requirements, or updates to the Company's sustainability strategy. In line with the transition relief provisions under IFRS S1 and IFRS S2 Appendix E & C, certain metrics are currently qualitative or baseline in nature, and comparative information is not yet available. Quantitative performance tracking will be progressively enhanced from 2026 onwards as systems, controls, and data quality mature.

Disclosure of Climate-related Targets

In accordance with IFRS S2 paragraph 33, the Company discloses the key characteristics of its climate-related targets, including the metrics used, time horizons, and basis for measurement.

i. Climate / Environmental Risk to Mortgaged Properties

The Company has established targets relating to climate risk exposure of mortgaged properties, which represent a key source of financial risk.

- Target: Integration of climate risk considerations into mortgage lending and collateral valuation processes
- Metric: Percentage of new loans subject to climate risk screening and qualitative assessment of portfolio exposure
- Baseline year: 2025 (initial implementation year)

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

26. SUSTAINABILITY REPORTING (CONTINUED)

26.7. Metrics and targets (Continued)

26.7.1. Overview (continued)

i. Climate / Environmental Risk to Mortgaged Properties

- Target level: Climate risk screening applied to all new mortgage loans by 2026
- Time horizon: Short to medium term (2025–2027)
- Type of target: Process-based and risk management target
- Measurement approach: Internal credit appraisal processes and portfolio monitoring using geographic and environmental indicators.

ii. Own and Financed GHG Emissions

FHF's climate-related targets currently focus on operational greenhouse gas (GHG) emissions (Scope 1 and Scope 2) and are defined as follows:

- Target: Reduction in Scope 1 and Scope 2 GHG emissions
- Metric: Tonnes of CO₂ equivalent (tCO₂e) per operational activity (based on fuel and electricity consumption)
- Baseline year: 2025
- Target level: Reduce emissions intensity by 15% relative to the 2025 baseline
- Time horizon: Medium term (by 2027)
- Type of target: Intensity-based target (reflecting expected growth in operations)
- Scope of emissions: Scope 1 (diesel consumption) and Scope 2 (purchased electricity)
- Measurement approach: Emissions are calculated using activity data and standard emission factors in line with the GHG Protocol

Understanding Our Greenhouse Gas Emissions Assessment

As part of our commitment to environmental stewardship and transparent sustainability reporting, the Company has conducted its first assessment of greenhouse gas (GHG) emissions across starting with the Scope 1 & 2 emissions. This initiative marks a baseline in our sustainability journey, laying the groundwork for data driven climate action and long-term emissions reduction strategies.

Scope 1 Emissions

As part of our commitment to environmental sustainability and transparent climate reporting, we have assessed and documented our Scope 1 greenhouse gas (GHG) emissions, which include all direct emissions from sources that are owned or controlled by the Company. This includes emissions resulting from the use of fuel-powered generator located at our Head office. This generator used to ensure uninterrupted power supply during grid outages emit GHGs through the use of diesel.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

26. SUSTAINABILITY REPORTING (CONTINUED)

26.7. Metrics and targets (Continued)

26.7.1. Overview (continued)

Our calculation methodology for Scope 1 emissions

The Company collected data on fuel consumption (in litres) for the year. Greenhouse gas (GHG) emissions were then calculated per the Scope I emission accordance with the GHG Protocol and IPCC guidance.

GHG Emissions (tCO₂e) = Fuel Quantity (Litres) × Emission Factor

Diesel generator emission factor (Scope 1) ≈ 2.68 kg CO₂e per litre of diesel consumed

Scope 2 Emissions

Scope 2 emissions represent the indirect greenhouse gas (GHG) emissions associated with the consumption of purchased electricity from the national grid. Although these emissions do not originate directly from the Company's owned or controlled sources, they are a significant component of our operational carbon footprint, as they result from the energy we consume in our day-to-day operations. The majority of our Scope 2 emissions stem from the electricity used to power our head office.

Our calculation methodology for Scope 2 emissions

Electricity usage (in kilowatt-hours) was gathered from utility bills. Calculations employed the Tanzanian grid emission factor of 0.34 kgCO₂e/kWh to determine associated CO₂ emissions as stipulated by the National Carbon Monitoring Centre (NCMC), which serves as the central hub for carbon data and reporting

GHG Emissions (tCO₂e) = Electricity Consumed × Grid Emission Factor

Applied emission factor: 0.34 kgCO₂e/kWh (Tanzanian grid emission factor)

By identifying these emission sources, we aim to implement targeted strategies such as optimizing fuel consumption and exploring cleaner energy alternatives for backup power. These efforts are integral to our broader sustainability goals and our alignment with national and international climate action frameworks.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

26. SUSTAINABILITY REPORTING (CONTINUED)

26.7. Metrics and targets (Continued)

26.7.2. Climate-related metrics and targets

Material topic	Metric	Definition	2025 Baseline (Actual)	Target
Climate/Environmental Risk to Mortgaged Properties	Number and value of mortgage loans in 100-year flood zones which are land areas subject to a 1% or greater chance of flooding in any given year.	FHF's mortgage loans underwritten on properties located in 100-year flood zones, regardless of the country of their location.	Zero (0)	100% of new mortgage appraisals include climate-risk score by 2026.
	Total expected loss and LGD attributable to weather-related natural catastrophes, by region	Expected loss - calculated as the sum of the values of all the possible losses for the FHF's mortgage loans, each multiplied by the probability of that loss occurring. Loss Given Default - share of an asset lost in the situation of default.	Zero (0)	
	Description of how climate change and environmental risks are incorporated into origination and underwriting	Integrate climate-risk screening into collateral valuation and loan approval processes for all new mortgage products	Prior each loan disbursement, the Sales team has a questionnaire that is filled stating all Climate and environment risks that the client is experiencing. The Credit Appraisal Memo also has a section of ESG. The Quantity Surveyor (QS) report also confirms whether the client is within the required and safe to lend area. The External Valuers have also confirmed to add ESG section in the upcoming valuations from 2026.	

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

26. SUSTAINABILITY REPORTING (CONTINUED)

26.7. Metrics and targets (Continued)

26.7.2. Climate-related metrics and targets (Continued)

Material topic	Metric	• Definition	2025 Baseline (Actual)	• Target
Own & Financed GHG emissions	Scope 1, Scope 2 and Scope 3 GHG emissions	<ul style="list-style-type: none"> • Scope 1 covers direct emissions from sources the organization owns or controls (such as vehicles or generators). • Scope 2 covers indirect emissions from purchased electricity or energy used in operations. • Scope 3 covers all other indirect emissions across the value chain, including staff travel, suppliers, and, for financial institutions, emissions from financed activities. 	<p>Scope 1 emission amounted to approximately 1.17 tCO₂e, based on average generator fuel usage of 436.30 litres.</p> <p>Scope 2 emission was amounted to approximately 14.60 tCO₂e, based on electricity consumption of 42,953.46 kWh</p> <p>Total Scope 1 and Scope 2 emissions for the year were approximately 15.77 tCO₂e.</p>	<ul style="list-style-type: none"> • GHG emissions baseline established by 2025. • Develop a Scope 3 measurement methodology and produce a first indicative Scope 3 emissions assessment by 2027. • Reduce Scope 1 and Scope 2 emissions intensity by 15% by 2027 compared to the 2025 baseline. • At least one energy-efficiency or emissions-reduction initiative implemented by 2027.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

26. SUSTAINABILITY REPORTING (CONTINUED)

26.7. Metrics and targets (Continued)

26.7.2. Climate-related metrics and targets

Climate-related Financial Effects - Additional IFRS S2 Disclosures

In accordance with IFRS S2 paragraph 29(b)–(g), entities are required to disclose certain quantitative information relating to climate-related risks, opportunities, and related financial effects. As 2025 represents our first year of climate-related disclosures, the Company has undertaken an initial qualitative assessment of climate-related risks affecting its operations and mortgage portfolio.

Certain quantitative disclosures have not yet been determined due to current data and methodological limitations. The Company is progressively strengthening its climate risk assessment capabilities and data systems to support more detailed disclosures in future reporting periods.

Requirement	Disclosure Requirement	Current Status (2025)
IFRS S2 para 29(b)	Climate-related transition risks - the amount and percentage of assets or business activities vulnerable to transition risks.	Not yet quantified. Initial qualitative assessment performed; quantitative portfolio exposure analysis will be developed in future reporting periods.
IFRS S2 para 29(b)	Climate-related physical risks - the amount and percentage of assets or business activities vulnerable to physical climate risks.	Not yet quantified. Initial screening indicates no mortgage assets currently classified as highly exposed to physical climate risks.
IFRS S2 para 29(e)	Capital deployment - the amount of capital expenditure, financing, or investment directed toward managing climate-related risks and opportunities.	Not separately tracked in 2025. Climate-related investments were limited to governance, training, and reporting system development.
IFRS S2 para 29(f)	Internal carbon pricing - internal carbon prices used in decision-making and how they influence operations or strategy.	The Company does not currently apply internal carbon pricing.
IFRS S2 para 29(g)	Remuneration linked to climate-related risks and opportunities.	Climate-related metrics are not currently incorporated into executive remuneration frameworks.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

26. SUSTAINABILITY REPORTING (CONTINUED)

26.7. Metrics and targets (Continued)

26.7.2.1 Company Specific Metrics

26.7.2.1.1 Social Metrics

Material topic	Metric	Definition	2025 Baseline (Actual)	Target
Non-Discriminatory Lending	Number and value of mortgages issued to minority/underserved borrowers	Expand access to affordable mortgage products for low- and middle-income households.	13 clients - TZS 651,169,154. This makes 2% of the total loan book	Grow inclusive-loan book share \geq 15% by 2027.
	Monetary losses from legal proceedings associated with discriminatory lending	Total amount of monetary losses incurred during the reporting period resulting from legal proceedings associated with actual or alleged discriminatory mortgage lending.	Zero (0)	
	Policies and procedures to ensure non-discriminatory mortgage origination	Relevant policies and procedures that ensure non-discriminatory mortgage origination resulting in comparable terms and conditions of loans, including the size of the mortgage, interest rates, discount points or fees.	There are policies and procedures to cater for all types of individuals. The credit policy states them and specifies in section 5 from page 12.	
Responsible Lending Practices & Customer Protection	Customer satisfaction score (%)	A percentage that measures a borrower's happiness with specific touchpoints of the loan process.	82.36% score from customer survey report	<ul style="list-style-type: none"> • Zero confirmed cases of predatory lending. • \geq90% customer satisfaction score by 2026
	Confirmed cases of predatory lending.	Instances where regulatory bodies, courts, or law enforcement have formally verified that a lender used deceptive, fraudulent, or abusive tactics to exploit borrowers	One (1) reported customer complaint related to predatory lending (wrong repayment structure captured in loan facility letter). The issue was resolved through mutual agreement to restructure the facility to align with customer's preference	

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

Material topic	Metric	Definition	2025 Baseline (Actual)	Target
	Number and value of mortgage modifications, foreclosures and short sales/deeds in lieu	Modifications are mortgages that change from their original terms. The change could be in the principal amount, payment amount, loan term length, or interest rate. Foreclosures are instances in which a borrower has defaulted on a mortgage and the sale of the underlying property asset is forced through legal or statutory means.	<ul style="list-style-type: none"> • 17 Mortgage Modifications - TZS 2.67 billion • 9 Foreclosures - TZS 1.5 billion 	
	Monetary losses from legal proceedings related to customer communications or loan originator remuneration	Total amount of monetary losses incurred during the reporting period resulting from legal proceedings associated with communications to customers or remuneration of mortgage loan originator.	Zero (0)	
Data Privacy & Cybersecurity	Zero data breach incidents.	No unauthorized access, disclosure, or theft of sensitive customer information occurs over a specific period.	Zero (0)	<ul style="list-style-type: none"> • Zero data breach incidents. • 100% staff trained on cyber-awareness. • Vulnerability and penetration testing at least annually.
	100% staff trained on cyber-awareness.	The proportion of the total workforce that has completed a recognized educational program regarding information security and communication technology risks.	70.4% of staff were trained on security awareness and personal data protection in August 2025.	
	Conduct annual vulnerability and penetration testing.	A comprehensive cybersecurity evaluation that combines two distinct but complementary practices to identify and validate security weaknesses in an organization's IT infrastructure.	VAPT was conducted in September 2025.	
Employee Well-being, Diversity, Training & Development	Women in management (%)	The proportion of females in the total number of persons employed in managerial positions.	33% women in management	<ul style="list-style-type: none"> • ≥40% female representation in management. • ≥20 training hours per employee per year.
	Training hours per employee	The average amount of time an organization's staff spends on developmental activities within a specific period (usually annually).	37 average training hours per employee	

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

Material topic	Metric	Definition	2025 Baseline (Actual)	Target
<p>Community Engagement & Financial Literacy</p>	<p>Housing-finance literacy programs to public in partnership with BOT & Real-estate developers</p>	<p>Deliver national housing-finance literacy programs in partnership with BOT & Real-estate developers (e.g. NHC)</p>	<p>None in 2025. However, we've been preparing a presentation about our products for the AQRB Annual Conference for Architects, where we are a sponsor. In addition to this, we regularly do outreach activities by setting up booths at Mlimani City and Dar es Salaam Free Market. These are very busy areas with high foot traffic, so we use them to raise public awareness about our products and help more people learn about what we offer</p>	<ul style="list-style-type: none"> • ≥5,000 citizens trained. • Publish community impact report at least annually

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

26. SUSTAINABILITY REPORTING (CONTINUED)

26.7. Metrics and targets (Continued)

26.7.2.1 Company Specific Metrics

26.7.2.1.2 Governance Metrics

Material topic	Metric	Definition	2025 Baseline (Actual)	Target
ESG Governance & Oversight	Number of meetings of Board Committee responsible for ESG matters	Formal governance body typically a subset of a corporate board of directors or an executive management team tasked with the oversight and strategic direction of a company's sustainability initiatives	Two (2) meetings	<ul style="list-style-type: none"> • Board committee responsible for ESG matters • First ESG Report issued by 2026. • Annual Board ESG review.
	Issuing the first ESG Report	Document where a company communicates its performance, risks, and impacts across three categories: Environmental, Social, and Governance.	One (1) ESG report has been issued	
	Annual Board ESG review	A systematic, recurring process where a company's governing body evaluates the organization's performance, risks, and strategic alignment regarding Environmental, Social, and Governance (ESG) factors	The Board have discussed, reviewed and approved ESG policy and ESG report issued during the 2025 will be tabled for review in Q1 2026	
Integration of ESG in Risk Management	Approved ESG register	Disclosure document where a company communicates its performance, risks, and impacts across three categories: Environmental, Social, and Governance.	The incorporation of all material topics into the Risk Register is an ongoing process. Several topics have already been included, such as climate risk to mortgage properties, non-discriminatory lending, responsible lending practices and customer protection, and ESG governance and board oversight. The remaining	<ul style="list-style-type: none"> • Risk register with ESG risks will be tabled for approval by Board in Q1 2026. • 100% new credit proposals include ESG screening by 2026.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

Material topic	Metric	Definition	2025 Baseline (Actual)	Target
			material topics are continued to be incorporated in the Risk Register	
	Percentage of new credit proposals including ESG screening	Evaluation done to potential borrowers based on environmental, social, and governance criteria to manage potential risks	53.21% (58 Customers out of 109 Customers of 2025)	
	Annual Models validation	A systematic, recurring process where a company's governing body evaluates the organization's performance, risks, and strategic alignment regarding Environmental, Social, and Governance (ESG) factors	The ECL model is reviewed by Internal and External auditors which considers current collateral assessment (current external valuation report) in computation of LGD to compute ECL for each customer	
Ethics, Anti-Corruption & AML/CFT	AML/CFT non-compliance cases	Failure to implement or maintain the mandatory systems, policies, and controls required to prevent, detect, and report financial crimes	Zero (0)	<ul style="list-style-type: none"> • Zero AML/CFT non-compliance cases. • 100% staff trained on AML/CFT at least annually.
	% staff certified on AML/CFT annually	Proportion of relevant staff who have successfully completed mandatory Anti-Money Laundering and Countering the Financing of Terrorism training within a year	82.14% of attended on AML/CFT training in 2025	
Transparency, Tax & Regulatory Compliance	Timely regulatory submissions (%)	The frequency of compliance documents submitted on or before their official deadlines.	100% submission rate in 2025	<ul style="list-style-type: none"> • 100% timely regulatory filings. • Zero regulatory breaches
	Number of regulatory breaches	The total instances where an organization has failed to comply with laws, government regulations, or industry standards	Zero (0)	

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

26. SUSTAINABILITY REPORTING (CONTINUED)

26.7. Metrics and targets (Continued)

26.7.3. FHF ESG Future Outlook

We view sustainability as a strategic enabler of long-term financial stability, portfolio resilience, and responsible growth in the Tanzanian housing finance sector. Building on the foundational work completed in 2025, the company's ESG future outlook focuses on strengthening governance, enhancing data quality, and progressively embedding sustainability considerations into core business and risk management processes.

In the short term, our priorities include refining ESG governance structures, formalizing ESG integration within enterprise risk management and credit processes, and improving the consistency and reliability of sustainability data. This will enable the Company to move from largely qualitative disclosures towards more robust, quantitative measurement and monitoring of sustainability-related risks and opportunities.

Over the medium term, the Company aims to deepen the integration of climate risk into credit appraisal, collateral valuation, and portfolio monitoring, supported by improved data systems and analytical tools. The company also plans to expand responsible and inclusive lending practices, strengthen customer protection mechanisms, and enhance cybersecurity and data privacy controls to support operational resilience and regulatory compliance.

In the long term, the Company ESG outlook is anchored in developing a resilient and sustainable mortgage portfolio that supports climate-resilient housing, promotes financial inclusion, and maintains high standards of governance and ethical conduct. By aligning ESG performance with its strategic objectives and funding strategy, FHF seeks to enhance access to sustainable finance, strengthen stakeholder confidence, and position itself as a responsible mortgage finance institution within Tanzania's evolving financial landscape.

Overall, the company's ESG future outlook reflects a commitment to continuous improvement, transparency, and alignment with international sustainability standards and local regulatory expectations, while ensuring that sustainability initiatives contribute positively to financial performance and long-term business sustainability.

26.7.4. Conclusion

This Sustainability Report marks an important milestone for First Housing Finance Tanzania Limited as it establishes a structured and transparent approach to identifying, managing, and disclosing sustainability-related risks and opportunities. The report reflects the company's first-year implementation of IFRS S1 and IFRS S2 and demonstrates a commitment to integrating sustainability considerations into governance, strategy, risk management, and performance measurement.

Through a stakeholder-informed materiality assessment, FHF has identified key sustainability topics that are financially relevant to its mortgage finance business. These topics are being progressively embedded into the company's business model, credit processes, and enterprise risk

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

26. SUSTAINABILITY REPORTING (CONTINUED)

26.7. Metrics and targets (Continued)

26.7.4. Conclusion (Continued)

management framework to strengthen portfolio resilience, regulatory compliance, and long-term financial stability.

While certain disclosures remain qualitative and baseline in nature due to the transitional stage of reporting, the foundations laid in 2025 provide a clear pathway for enhancing data quality, metrics, and targets in future reporting periods. The Company remains committed to continuous improvement, transparent communication, and alignment with evolving sustainability and regulatory expectations, with the objective of supporting sustainable growth and contributing positively to Tanzania's housing finance sector.

27. STATEMENT OF COMPLIANCE – SUSTAINABILITY REPORTING

These sustainability disclosures were prepared in accordance with IFRS Sustainability Disclosure Standards. In addition to the ISSB standards, the Company has also referred to and considered relevant disclosure topics outlined in the Sustainability Accounting Standards Board (SASB) standards for Consumer Finance.

28. AUDITOR

PricewaterhouseCoopers was the Company's auditor for the year ended 31 December 2025 and has been appointed through a competitive bidding and approved at the Annual General Meeting. A resolution proposing the appointment of the external auditor of the Company for the financial year 2026 will be tabled at the Annual General Meeting.

29. RESPONSIBILITY BY THOSE CHARGED WITH GOVERNANCE

The members charged with governance accept responsibility for preparing these financial statements which show a true and fair view of the Company to the date of approval of the audited financial statements, in accordance with the applicable standards, rules, regulations and legal provisions. The members also confirm compliance with the provisions of the requirements of TFRS 1 and all other statutory legislations relevant to the Company.

Approved by the Board of Directors on 31ST MARCH 2026 and signed on its behalf by:

Name: CHARLES MUGILA Title: Director Signature: 

Name: MARGARET IKONGO Title: Director Signature: 

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

The Companies Act No. 12 of 2002 and Banking and Financial Institutions Act, 2006 of Tanzania require the directors to prepare financial statements for each financial year that present fairly the state of financial affairs of the Company as at the end of the financial year and of its profit or loss for the year. It also requires the directors to ensure that the Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company. The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud, error and other irregularities.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with IFRS Accounting Standards and in the manner required by the Companies Act, 2002 and Banking and Financial Institutions Act, 2006 of Tanzania. The directors are of the opinion that the financial statements present fairly the state of the financial affairs of the Company 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 of internal financial control.

The directors have reasonable expectation that the Company will have sufficient resources to continue in operational existence for the foreseeable future. The directors have therefore adopted the going concern basis in preparing the financial statements.

The financial statements were approved by the Board of Directors on 31ST MARCH 2026 and were signed on its behalf by:

Name: CHARLES MUGALA Title: Director Signature 

Name: MARGARET IKONGO Title: Director Signature 

FIRST HOUSING FINANCE (TANZANIA) LIMITED

**DECLARATION OF THE CHIEF FINANCIAL OFFICER
FOR THE YEAR ENDED 31 DECEMBER 2025**

The National Board of Accountants and Auditors (NBAA), according to the powers conferred to it under the Auditors and Accountants (Registration) Act No. 33 of 1972, as amended by Act No. 2 of 1995, requires financial statements to be accompanied with a declaration issued by an NBAA registered accountant responsible for the preparation of the financial statements of the entity concerned.

It is the duty of a professional accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing a true and fair view of the entity's financial position and performance in accordance with IFRS Accounting Standards and the requirements of the Companies Act, 2002 and Banking and Financial Institutions Act, 2006 of Tanzania. Full legal responsibility for the preparation of financial statements rests with the Board of Directors as stated under the Statement of Directors' Responsibilities on the previous page.

I ACPA-PP Concordia Calist Seleka, being Chief Financial Officer of First Housing Finance (Tanzania) Limited, hereby acknowledge my responsibility of ensuring that the financial statements for the year ended 31 December 2025 have been prepared in compliance with IFRS Accounting Standards and the requirements of the Companies Act, 2002 and Banking and Financial Institutions Act, 2006 of Tanzania.

I thus confirm that the financial statements give a true and fair view of the financial position and results of First Housing Finance (Tanzania) Limited as of that date and for the year then ended, and that the financial statements have been prepared based on properly maintained financial records.

Signature:  .

Name: Concordia Calist Seleka

Position: Chief Financial Officer

NBAA Membership No.: ACPA-PP7047

Date: 31st March 2026

Independent auditor's report

To the Shareholders of First Housing Finance (Tanzania) Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of First Housing Finance (Tanzania) Limited (the Company) as at 31 December 2025, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards and the requirements of the Companies Act, No. 12 of 2002.

What we have audited

The financial statements of First Housing Finance (Tanzania) Limited as set out on pages 53 to 115 comprise:

- statement of financial position as at 31 December 2025;
- statement of profit or loss and other comprehensive income for the year then ended;
- statement of changes in equity for the year then ended;
- statement of cash flows for the year then ended; and
- the notes to the financial statements, which include material accounting policies and other explanatory information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the National Board of Accountants and Auditors (NBAA) that are relevant to our audit of the financial statements in Tanzania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the NBAA.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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 Company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditor's report (continued)

To the Shareholders of First Housing Finance (Tanzania) Limited

Report on the audit of the financial statements (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p>Impairment of loans and advances to customers</p> <p>Management exercises judgement when determining both when and how much to record as loan impairment provisions. Judgement is applied to determine the appropriate parameters and assumptions used to estimate the provisions in the following areas:</p> <ul style="list-style-type: none">• Quantitative and qualitative criteria for classification of loans and advances based on assessment of factors contributing to significant increase in credit risk and default;• Determination of the probability of defaults (both 12 months and lifetime);• Determination of the forward-looking parameters to be incorporated in the estimation of expected credit losses; and• Estimation of the expected cash flows used in the determination of the loss given default. <p>These judgements together with the value of gross loans and advances to customers TZS 36,994 million (2024: TZS 34,807 million) and impairment provision TZS 395 million (2024: 389 million) make this a key audit matter.</p> <p>Further detail on loans and advances have been disclosed in Note 10, Note 20 and Note 30 of the financial statements</p>	<p>The following procedures were performed:</p> <ul style="list-style-type: none">• We tested the reasonableness of the quantitative and qualitative criteria used in the classification of loans and advances.• As the quantitative basis of classification of loans and advances is reliant on information systems, we understood and tested key information technology general and application controls including the accurate calculation of the number of days past due.• We tested management's application of the qualitative criteria in classification of loans and advances.• We tested the reliability of information used for estimating probability of default and loss given default.• We tested the reasonability of the forward-looking parameters considered by management.• We agreed the collateral values used in the impairment model to valuation reports.• We challenged management assumptions regarding recovery periods used to estimate the recoverable amount of collateral for secured facilities.• We challenged management's basis for establishing the correlation between forward looking parameters and the Company's non-performing loan trends.• We reviewed the historical collection experience and trends in default rates to validate the adequacy of the impairment provision.• We tested the adequacy of financial statements disclosures.

Independent auditor's report (continued)

To the Shareholders of First Housing Finance (Tanzania) Limited

Report on the audit of the financial statements (continued)

Other information

The directors are responsible for the other information. The other information comprises the Company Information, The Report by those Charged with Governance, Statement of Directors' Responsibilities, Declaration of the Chief Financial Officer and memorandum of financial information but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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 on the other information, 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.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Accounting Standards and the requirements of the Companies Act, No. 12 of 2002, 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 Company'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 Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FIRST HOUSING FINANCE TANZANIA LIMITED (continued)

Report on the audit of the financial statements (continued)

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

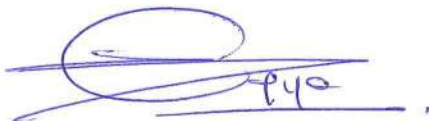
We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

This report, including the opinion, has been prepared for, and only for, the company's members as a body in accordance with the Companies Act, No. 12 of 2002 and for no other purposes. As required by the Companies Act, No. 12 of 2002 we are also required to report to you if, in our opinion, The Report by those charged with governance (Directors' Report) is not consistent with the financial statements, if the company has not kept proper accounting records, if the financial statements are not in agreement with the accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed. In respect of the foregoing requirements, we have no matter to report.



Cedric Mpobusingye, TACPA-PP6923
For and on behalf of PricewaterhouseCoopers
Certified Public Accountants
Dar es Salaam
31 March 2026

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

	Notes	31-Dec-25 TZS '000	31-Dec-24 TZS '000
Interest Income calculated using effective interest method	8	6,930,420	6,076,883
Interest Expense calculated using effective interest method	9	(2,977,922)	(2,192,966)
Net Interest Income		3,952,498	3,883,917
Expected credit losses	10	(224,087)	(134,288)
Fees income	12	163,489	178,061
Foreign exchange Loss		(14,447)	(4,854)
Other Income	13	175,903	97,480
Net Income		4,053,356	4,020,316
Operating expenses	14	(3,417,503)	(3,379,185)
Depreciation of property & equipment	16	(43,084)	(37,362)
Depreciation of right of use assets	22	(80,971)	(80,971)
Amortisation of intangible assets	17	(20,781)	(18,795)
Profit Before Tax		491,017	504,003
Income tax expense	15(i)	(91,325)	(91,948)
Profit for the Year		399,692	412,055
Other Comprehensive Income <i>Other comprehensive income not to be reclassified to profit or loss</i>			
Gain on equity investments at FVOCI	23	-	16,220
Deferred tax charge	15(v)	-	(4,866)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods, net of tax		-	11,354
Total Comprehensive Profit for the Year, Net of Tax		399,692	423,409

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

	Notes	31-Dec-25 TZS '000	31-Dec-24 TZS '000
ASSETS			
Cash and Balances with Bank	18 (i)	956,229	95,300
Fixed deposit placements with Banks	18 (ii)	3,357,412	1,649,382
Investment in Gov't Securities at amortised cost	19	3,600,403	3,601,250
Loans and Advances	20	36,993,592	34,806,941
Equity Investments	23	1,784,200	1,784,200
Current income tax recoverable	15(v)	443,225	430,417
Other Assets	21	1,095,554	597,380
Property and Equipment	16	216,129	80,133
Right-of-use assets	22	441,405	87,718
Intangible Assets	17	64,374	55,919
TOTAL ASSETS		48,952,523	43,188,640
LIABILITIES & EQUITY			
LIABILITIES			
Other liabilities	24	590,614	446,703
Long-term Borrowings	25	26,079,795	20,993,595
Lease liabilities	26	434,658	103,266
Deposits	27	2,125,167	2,322,479
Deferred tax liability	15(iv)	45,936	45,936
TOTAL LIABILITIES		29,276,170	23,911,979
EQUITY			
Share Capital	28 (i)	21,800,000	21,800,000
Accumulated losses		(3,102,412)	(3,088,949)
Fair value reserve	28 (ii)	107,185	107,185
Regulatory Reserve	28 (iii)	871,580	458,425
TOTAL EQUITY		19,676,353	19,276,661
TOTAL LIABILITIES & EQUITY		48,952,523	43,188,640

The financial statements were authorised for issue by the Board of Directors on 31ST MARCH 2026 and signed on its behalf by:

Name: CHARLES MUGILA Title: Chairperson Signature 

Name: MARGARET IKONGO Title: Director Signature 

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

	Share Capital TZS '000	Accumulated Losses TZS '000	Fair Value Reserve* TZS '000	Regulatory Reserve** TZS '000	Total TZS '000
Year Ended 31 December 2025					
At 01 January 2025	21,800,000	(3,088,949)	107,185	458,425	19,276,661
Profit for the Year, Net of Tax	-	399,692	-	-	399,692
Net change in fair value of equity instruments at FVOCI	-	-	-	-	-
Transfer to regulatory reserve	-	(413,155)	-	413,155	-
At 31 December 2025	21,800,000	(3,102,412)	107,185	871,580	19,676,353
Year Ended 31 December 2024					
At 01 January 2024	21,800,000	(3,319,719)	95,831	277,140	18,853,252
Profit for the Year, Net of Tax	-	412,055	-	-	412,055
Net change in fair value of equity instruments at FVOCI	-	-	11,354	-	11,354
Transfer to regulatory reserve	-	(181,285)	-	181,285	-
At 31 December 2024	21,800,000	(3,088,949)	107,185	458,425	19,276,661

* Fair Value reserve relates to the fair value gain on the equity investment to TMRC.

**Regulatory Reserve is created when IFRS provisions for loans and advances is lower than Bank of Tanzania provision. This reserve is non-distributable.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

	Notes	Year Ended 31-Dec-25 TZS '000	Year Ended 31-Dec-24 TZS '000
Operating Activities			
Profit before tax		491,017	504,003
Adjustment for Non-Cash Items			
Interest expense on lease liabilities	9	3,007	11,725
Expected credit losses on loans	10	86,484	140,664
Expected credit losses on banks	10	2,326	4,084
Expected credit losses on government securities	10	-	-
Net gains/(losses) on derecognition of financial assets measured at amortised cost	11	135,278	-
Interest expense on long term borrowings	9	2,928,026	2,136,970
Amortization of Intangible assets	17	20,781	18,795
Depreciation of Right-of-use assets	22	80,971	80,971
Depreciation of property and equipment	16	43,084	37,362
Net foreign exchange difference on lease liabilities	26	(9,052)	4,459
Changes in Operating Assets and Liabilities			
Loans and Advances		(2,408,413)	(7,507,638)
Other Assets		(498,174)	(237,148)
Government securities		847	(688)
Deposits from customers (cash cover)		(197,312)	441,874
Other Liabilities		143,911	(110,736)
Tax Paid	15(v)	(104,133)	(59,038)
Interest Paid on Lease	26	(8,780)	(8,558)
Net cash flow generated from / (used in) operating activities		709,868	(4,542,899)
Investing activities			
Purchase of Property & Equipment	16	(179,080)	(55,194)
Purchase of Intangible Assets	17	(29,236)	(55,264)
Matured deposits with banks	18	(1,710,356)	1,587,493
New shares purchased	23	-	(145,980)
Net cash flow (used in) / generated from Investing Activities		(1,918,672)	1,331,055
Financing activities			
Repayment of principal portion of lease liabilities	26	(88,441)	(86,212)
New loans received	25	7,500,000	5,000,000
Interest Paid on Long-term borrowings	25	(2,930,686)	(2,039,598)
Principal repayments on long term borrowings	25	(2,411,140)	(312,500)
Net cash flow from financing activities		2,069,733	2,561,690
Net (Decrease) / Increase in cash and cash equivalents		860,929	(650,154)
Cash and Cash Equivalents at 1 January		95,300	745,454
Cash and Cash Equivalents at the end of the year		956,229	95,300

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

1. CORPORATE INFORMATION

The financial statements of First Housing Finance (Tanzania) Limited (the "Company") for the year ended 31 December 2025 were authorized for issue in accordance with a resolution of the directors as indicated on the statement of financial position. The Company is incorporated in Tanzania under the Companies Act, 2002 as a private limited liability company and it is domiciled in Dar es Salaam, Tanzania.

The registered office and principal place of business are indicated on page 1. The principal activity of the Company is mortgage financing.

2. BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except where otherwise stated in the accounting policies. The financial statements are prepared in Tanzanian Shillings which is the functional currency, and the amounts are rounded to the nearest thousands (TZS '000')

The Company has prepared its financial statements on the basis that it will continue to operate as a going concern.

3. STATEMENT OF COMPLIANCE

The financial statements of the Company have been prepared in accordance with IFRS Accounting Standards and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

The Company's financial statements, except for cash flow statement, have been prepared using the accrual basis of accounting. The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the Company's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. The directors believe that the underlying assumptions are appropriate and that the Company's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 7.

4. PRESENTATION OF FINANCIAL STATEMENTS

These financial statements comprise the statements of financial position (also referred to as the balance sheet) as at 31 December 2025, the income statement and statement of other comprehensive income, statements of changes in equity and statements of cash flows for the year ended; as well as the notes, which comprise a summary of Material accounting policies and other explanatory notes.

The Company presents its statement of financial position in order of liquidity based on the Company's intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item.

Application of the going concern principle

The Company management has assessed its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

5. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Company has not early adopted any new standards, interpretations or amendments that have been issued but are not yet effective in these financial statements. Other amendments and interpretations apply for the first time in 2025, but do not have an impact on the Company's financial statements.

The principal 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.

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

Number	Executive summary
Amendments to IAS 21 – Lack of Exchangeability. Effective date Annual periods for 31 December 2025 (Published Sept 2025)	<p>The entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.</p> <p><u>Impact to the Company's financial statements:</u> Based on management assessment, the amendment is not expected to have significant impact of the Company's financial statements</p>

IFRS Accounting Standards, interpretations and amendments issued but not effective

Number	Executive summary
Amendment to IFRS 9, "Financial Instruments" and IFRS 7, "Financial Instruments: Disclosures" - Classification and Measurement of Financial Instruments Effective date Annual periods beginning on or after 1 January 2026 (Published May 2024)	<p>These amendments:</p> <ul style="list-style-type: none">● clarify the requirements for the timing of recognition and de-recognition 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). <p><u>Impact to the Company's financial statements:</u> Based on management assessment, the amendment is not expected to have significant impact of the Company's financial statements</p>

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

5. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

IFRS Accounting Standards, interpretations and amendments issued but not effective (continued)

Number	Executive summary
<p>IFRS 18, 'Presentation and Disclosure in Financial Statements'</p> <p>Effective date</p> <p>Annual periods beginning on or after 1 January 2027 (Published April 2024)</p>	<p>The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses. IFRS 18 replaces IAS 1 'Presentation of Financial Statements' and focuses on updates to the statement of profit or loss with a focus on the structure of the statement of profit or loss; required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general. Many of the other existing principles in IAS 1 are retained, with limited changes. IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its 'operating profit or loss'.</p> <p><u>Impact to the Company's financial statements:</u> Based on management assessment, the amendment is not expected to have significant impact of the Company's financial statements</p>

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

6. MATERIAL ACCOUNTING POLICIES

6.1 Recognition of interest income

6.1.1 The effective interest rate method

Under IFRS 9, interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortized cost. Interest income on interest bearing financial assets measured at FVOCI is also recorded by using the EIR method. Interest expense is also calculated using the EIR method for all financial liabilities held at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortized cost of the asset) is calculated by taking into account any discount or premium on acquisition, of the financial asset, as well as fees and costs that are an integral part of the EIR. The Company 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). EIR during the year has been considered as the nominal interest rate.

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.

6.1.2 Interest and similar income/expenses

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 Company only includes interest on those financial instruments that are set out in Note 6.1.1 above. The Company 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 and is therefore regarded as 'Stage 3', the Company 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 Company reverts to calculating interest income on a gross basis.

For purchased or originated credit-impaired (POCI) financial assets, the Company calculates interest income by calculating the credit-adjusted EIR and applying that rate to the amortised cost of the financial asset. The credit-adjusted EIR is the interest rate that, at initial recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI financial asset.

6.2 Fees and commission income

The Company earns fee and commission income from a mortgage lending to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the company expects to be entitled in exchange for mortgage lending.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The company's revenue contracts do not include multiple performance obligations, as explained further in note 6.2.1 and 6.2.2 below.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

6. MATERIAL ACCOUNTING POLICIES (Continued)

6.2 Fees and commission income (Continued)

When the company provides a service to its customers, consideration is determined as per the Company's rates and charges and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

6.2.1 The Company's fees and commission where performance obligations are satisfied over time.

Fees and Commission income relates to the fees and commissions earned for rendering services to customers other than those related to the mortgage operations. This includes fee and commission income earned from providing services on behalf of third-party service providers, in effect acting as an agent. Commissions and brokerage earned on the sale of insurance products to customers of the company on behalf of an insurer (Bancassurance services) are recognized at the point that the significant obligation has been fulfilled.

6.2.2 The Company's fees and commission where performance obligations are satisfied at a point in time.

Transactional fees are service charges from application fees, and legal and technical fees from mortgage lending. These fees are received, and are recognized as income on this basis.

6.3 Contract balances

Fees and Commission receivables are recognized in the statement of financial position under 'Other assets. The receivable is arising from revenue from contracts with customers which represent the company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). These are measured at amortized cost. Revenue recognized from contract with customers are disaggregated based on nature and timing of revenue recognition.

6.4 Net gains/ (losses) on derecognition of financial assets measured at amortised cost or FVOCI

Net gain/(loss) on derecognition of financial assets measured at amortised cost includes income (or loss) recognized on sale or derecognition of financial assets measured at amortised costs calculated as the difference between the book value (including impairment) and the proceeds received. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and presented in the profit or loss statement within 'net gains/ (losses) on derecognition of financial assets measured at fair value through OCI'.

6.5 Financial Instruments – initial recognition

6.5.1 Date of recognition

Financial assets and liabilities, except for loans and advances to customers and balances due to customers, are initially recognized on the date on which the Company becomes a party to the contractual provisions of the instrument. Loans and advances to customers are recognized when funds are transferred to the customers' accounts. The company recognizes balances due to customers when funds are transferred to the company.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

6. MATERIAL ACCOUNTING POLICIES (Continued)

6.5 Financial Instruments – initial recognition (Continued)

6.5.2 Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value. On initial recognition, financial assets and financial liabilities at fair value through profit or loss are initially measured at their fair value. The initial measurement of other financial instruments is based on their fair value, but adjusted in respect of any transaction costs that are incremental and directly attributable to the acquisition or issue of the financial instrument. Receivables are measured at the transaction price.

6.5.3 Measurement categories of financial assets and liabilities

Classification and subsequent measurement of financial assets depends on;

- The Company's business model for managing the asset; and
- The cash flow characteristics of the asset.

Based on these factors, the Company classifies its financial assets into one of the following three measurement categories.

Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Fair value through profit or loss (FVPL): Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in the profit or loss statement within 'net gains/ (losses) on financial assets at fair value through profit or loss' in the period in which it arises. Financial assets designated in this class are held for trading.

Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest and are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in profit or loss. Interest income from these financial assets is included in 'interest income' using the effective interest rate method.

The business model assessment is not performed on an instrument-by-instrument basis, but at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The main consideration in determining the different business models across the group is whether the objectives of the business model are met primarily through holding the financial assets to collect contractual cash flows, through the sale of these financial assets, by managing assets and liabilities on a fair value basis, or through a combination of these activities.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

6. MATERIAL ACCOUNTING POLICIES (Continued)

6.5 Financial Instruments – initial recognition (Continued)

6.5.3 Measurement categories of financial assets and liabilities (Continued)

The Company classifies the financial instruments into classes that reflect the nature of information and consider the characteristics of those financial instruments. The classification made can be seen in the table below:

Category (as defined by IFRS 9)	Class (as determined by the company)	Classification and Measurement
Financial Assets	Loans and Advances	Amortised cost
	Investment in debt securities	Amortised cost
	Balances with other banks and with central bank	Amortised cost
	Equity Investments	Fair value through other comprehensive income
Financial Liabilities	Borrowings, Deposits and Other liabilities	Amortised cost

6.6 Fair value measurement

The company measures financial instruments such as equity investments and debt instruments at FVTPL and FVOCI investment securities at fair value at each reporting date. The fair value of financial instruments 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, if market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 financial instruments: Those financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on market prices or dealer price quotations.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indicators that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

6. MATERIAL ACCOUNTING POLICIES (Continued)

6.6 Fair value measurement (Continued)

Level 2 financial instruments: Those financial instrument where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads.

Where the fair value of financial instruments is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, FX rates, volatilities, and counterparty spreads) existing at the balance sheet date.

The company's equity instruments fall under level 2 financial instruments hierarchy.

In cases when the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at FVOCI. The fair value for loans and advances are determined using a present value model based on contractually agreed cash flows, considering credit quality, liquidity and costs.

In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the company will classify the instruments as Level 3.

Level 3 financial instruments: Those that include one or more unobservable input that is significant to the measurement as whole.

The fair value of financial instruments is generally measured on an individual basis. However, in cases where the Company manages a group of financial assets and liabilities on the basis of its net market or credit risk exposure, the fair value of the Company of financial instruments is measured on a net basis, however the underlying financial assets and liabilities are presented separately in the financial statements, unless they satisfy the offsetting criteria in IFRS accounting standards. The Company periodically reviews its valuation techniques including the adopted methodologies and model calibrations. However, the base models may not fully capture all factors relevant to the valuation of the Company's financial instruments such as credit risk (CVA), own credit (DVA) and/or funding costs (FVA). Therefore, the Company applies various techniques to estimate the credit risk associated with its financial instruments measured at fair value, which include a portfolio-based approach that estimates the expected net exposure per counterparty over the full lifetime of the individual assets, in order to reflect the credit risk of the individual counterparties for non-collateralized financial instruments. The Company estimates the value of its own credit from market observable data, such as secondary prices for its traded debt and the credit spread on credit default swaps and traded debts on itself.

The Company evaluates the levelling at each reporting period on an instrument-by-instrument basis and reclassifies instruments when necessary, based on the facts at the end of the reporting period.

6.7 Financial assets and liabilities per financial statement line

6.7.1 Loans and advances to customers, Debt instruments measured at amortized cost, and Equity instrument measured at FVOCI

The Company measure loans and advances to customers, debt instruments measured at amortized cost, and equity instrument measure at FVOCI only if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

6. MATERIAL ACCOUNTING POLICIES (Continued)

6.7 Financial assets and liabilities per financial statement line (Continued)

6.7.1 Loans and advances to customers, Debt instruments measured at amortized cost, and Equity instrument measured at FVOCI (Continued)

6.7.1.1 Business model assessment

The business model reflects how the Company manages the assets to generate cash flows. That is, whether the Company'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 Company in determining the business model for a Company of assets include 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.

In considering whether the business objective of holding a group of financial assets is achieved primarily through collecting contractual cash flows, among other considerations, management monitors the frequency and significance of sales of financial assets out of these portfolios for purposes other than managing credit risk. For the purposes of performing the business model assessment, the company only considers a transaction a sale if the asset is derecognised for accounting purposes. For example, a repurchase transaction where a financial asset is sold with the commitment to buy back the asset at a fixed price at a future date is not considered a sale transaction because substantially all the risks and rewards relating to the ownership of the asset have not been transferred and the asset is not derecognised from an accounting perspective.

Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified as held for trading business model and measured at FVPL.

6.7.1.2 The SPPI test

As a second step of its classification process the Company assesses the contractual terms of the financial asset to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

The company assesses the contractual terms of the financial asset to identify whether they meet the SPPI test. Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the company assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the company considers whether the contractual cash flows are consistent with a basic lending arrangement.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

6. MATERIAL ACCOUNTING POLICIES (Continued)

6.7 Financial assets and liabilities per financial statement line (Continued)

6.7.1 Loans and advances to customers, Debt instruments measured at amortized cost, and Equity instrument measured at FVOCI (Continued)

6.7.1.2 The SPPI test (continued)

The 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss. The SPPI test is applied on a portfolio basis for all loans and advances as the cash flow characteristics of these assets are standardized. Where the cash flow characteristics of an instrument is not standardized then the SPPI test will be performed at an individual instrument at initial recognition.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

6.7.2 Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities in this category are those that are not held for trading and have been designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria is met.

Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis, Or
- The liabilities are part of a group of financial liabilities, which are managed, and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss except for movements in fair value of liabilities designated at FVPL due to changes in the Company's own credit risk. Such changes in fair value are designated through OCI and do not get recycled to the profit or loss.

Interest earned or incurred on instruments designated at FVPL. Interest earned on assets mandatorily required to be measured at FVPL is recorded using the contractual interest rate.

Dividend income from equity instruments measured at FVOCI is recorded in profit or loss as other income when the right to the payment has been established.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

6. MATERIAL ACCOUNTING POLICIES (Continued)

6.8 Reclassification of financial assets and liabilities

A Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified

6.9 Modification of financial assets and liabilities

6.9.1 Modification of financial assets

When the contractual cash flows of a financial asset are renegotiated or otherwise modified as a result of commercial restructuring activity rather than due to credit risk and impairment considerations, the Company performs an assessment to determine whether the modifications result in the derecognition of that financial asset. For financial assets, this assessment is based on qualitative factors.

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Change in the currency the loan is denominated in.
- Change in counterparty
- Whether the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, then it does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Company records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

6.9.2 Modification of financial liabilities

When the modification of the terms of an existing financial liability is not judged to be substantial and, consequently, 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 Company 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.

6.10 Derecognition of financial assets and liabilities

6.10.1 Derecognition due to substantial modification of terms and conditions

The Company derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it become a new loan, with the difference recognise as a derecognition gains or losses to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as stage 1 for ECL measurement purposes unless the new loan is deemed to be POCI.

In the context of IBOR reforms, the Company's assessment of whether a change to an amortized cost financial instrument is substantial, is made after applying the practical expedient introduced by IBOR reform phase 2. This requires the transitions from an IBOR to an RFR to be treated as a change to a floating interest rate.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

6. MATERIAL ACCOUNTING POLICIES (Continued)

6.10 Derecognition of financial assets and liabilities (Continued)

6.10.2 Derecognition other than substantial modification of terms and conditions

6.10.2.1 Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Company also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition. The Company has transferred the financial asset if, and only if, either:

- The Company has transferred its contractual rights to receive cash flows from the financial asset or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement

Pass-through arrangements are transactions whereby the Company retains the contractual rights to receive the cash flows of a financial asset (the original asset), but assumes a contractual obligation to pay those cash flows to one or more entities (the eventual recipients), when all the following three conditions are met:

- The Company has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates
- The Company cannot sell or pledge the original asset other than as security to the eventual recipients.

The Company must remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Company is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents, including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Company has transferred substantially all the risks and rewards of the asset Or
- The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Company considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Company has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Company's continuing involvement, in which case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Company could be required to pay. If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Company would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

6. MATERIAL ACCOUNTING POLICIES (Continued)

6.10 Derecognition of financial assets and liabilities (Continued)

6.10.2 Derecognition other than substantial modification of terms and conditions (Continued)

6.10.2.2 Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

6.11 Forborne modified loans

The Company sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Company considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Company would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. It is the Company's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur

If modifications are substantial, the loan is derecognised, as explained in Note 6.11. Once the terms have been renegotiated without this resulting in the derecognition of the loan, any impairment is measured using the original EIR as calculated before the modification of terms. The Company also reassesses whether there has been a significant increase in credit risk and whether the assets should be classified as Stage 3. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off. Once an asset has been classified as forborne, it will remain forborne for a minimum 24-month probation period. In order for the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

- All of its facilities have been considered performing
- The probation period of two years has passed from the date the forborne contract was considered performing
- Regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period
- The customer does not have any contracts that are more than 30 days past due

6.12 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously. Financial assets and financial liabilities are generally reported gross in the consolidated statement of financial position except when the netting criteria in IAS 32 are met.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

6. MATERIAL ACCOUNTING POLICIES (Continued)

6.13 Impairment of financial assets

6.13.1 Overview of the ECL principles

The Company records an allowance for expected credit loss for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section, all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit losses or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit losses (12mECL) as outlined in Note 6.14.2. The Company's policies for determining if there has been a significant increase in credit risk.

The 12mECL is the portion of LTECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The Company's policy for grouping financial assets measured on a collective basis.

The Company 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. For the purposes of determining ECL, all facilities whose contractual payments are more than 30 days due but less than or equal to 90 days due are grouped in stage 2 as they are taken to have experienced a significant increase in credit risk.

As part of a qualitative assessment of whether a customer is in default, the Company also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Company carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as stage 3 for ECL calculations or whether stage 2 is appropriate. Based on the above process, the Company groups its loans into Stage 1, Stage 2, and Stage 3 as described below:

- *Stage 1:* When loans are first recognized, the Company recognizes an allowance based on 12-month ECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- *Stage 2:* When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the Lifetime ECL. Stage 2 loans also include facilities, where the credit risk has improved, and the loan has been reclassified from Stage 3.
- *Stage 3:* Loans considered credit-impaired. The Bank records an allowance for the Lifetime ECL.
- *POCI:* Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. 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 Company 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.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

6. MATERIAL ACCOUNTING POLICIES (Continued)

6.13 Impairment of financial assets (Continued)

6.13.2 The Calculation of ECL

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

The Company calculates ECL by projecting the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD) for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e., the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed up. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

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. It is calibrated over up to 12 months from the reporting date (stage 1) or over the lifetime of the product (stage 2) and incorporating the impact of forward-looking economic assumptions that influence credit risk, such as interest rates, unemployment rates and GDP forecasts.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

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. The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

- For amortized loans, this is based on the contractual repayments owed by the borrower over 12 months or lifetime basis. This will also be adjusted for any expected overpayments made by the borrower. Early repayment/refinance assumptions are also incorporated into the calculation.

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, as set out in Note 6.17. It is usually expressed as a percentage of the EAD. These vary by product type.

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.

When estimating the ECL, the Company considers three scenarios (a base case, an upside, and a downside). Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

6. MATERIAL ACCOUNTING POLICIES (Continued)

6.13 Impairment of financial assets (Continued)

6.13.2 The Calculation of ECL (Continued)

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value. The Company measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original effective interest rate, regardless of whether it is measured on an individual basis or a collective basis. The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs and how collateral values change etc. – are monitored and reviewed on an annual basis.

The mechanics of the ECL method are summarised below:

Stage 1: The 12-month ECL is calculated as the portion of Lifetime ECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12-month ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the Lifetime ECL. The mechanics are like those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the Lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3: For loans considered credit-impaired, the Company recognizes the Lifetime expected credit losses for these loans. The method is like that for Stage 2 assets, with the PD set at 100%.

POCI: POCI assets are financial assets that are credit impaired on initial recognition. The Company only recognises the cumulative changes in lifetime ECL since initial recognition, based on a probability-weighting of the three scenarios, discounted by the credit-adjusted EIR.

6.13.3 Debt instrument measured at fair value through OCI

The ECL for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

6.13.4 Purchased or originated credit impaired financial assets (POCI)

For POCI financial assets, the Company only recognises the cumulative changes in Life Time ECL since initial recognition in the loss allowance.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

6. MATERIAL ACCOUNTING POLICIES (Continued)

6.14 Forward Looking Information

In its ECL models, the Company relies on a broad range of forward-looking information as economic inputs, such as, GDP growth, unemployment rates, inflation rates, lending rate, and money supply.

The determination of expected credit loss includes various assumptions and judgements in respect of forward-looking macroeconomic information. As stipulated below for incorporation of forward-looking information, forecast of key macroeconomic variables underlying the expected credit loss calculation and the impact on non-linearity and sensitivity of expected credit loss calculation to macroeconomic variables. Management overlays may also be used to capture risks not identified in the models.

Incorporation of forward-looking information

The evolving economic environment is a key determinant of the ability of a company's clients to meet their obligations as they fall due. It is a fundamental principle of IFRS 9 that the provisions banks hold against potential future credit risk losses should depend not just on the health of the economy today but should also take into account potential changes to the economic environment. For example, if a company were to anticipate a sharp slowdown in the world economy over the coming year, it should hold more provisions today to absorb the credit losses likely to occur in the near future.

To capture the effect of changes to the economic environment, the PDs and LGDs used to calculate ECL incorporate forward-looking information in the form of forecasts of the values of economic variables and asset prices that are likely to have an effect on the repayment ability of the Company's clients.

At the same time, the company has consideration for the below events:

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

It may not be possible to identify a single discrete event but instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Company assesses whether debt instruments that are financial assets measured at amortized cost or FVOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Company considers the external ratings assigned. Where the Company is unable to obtain qualitative information without undue cost or effort, the Company considers that default does not occur later than when a financial asset is 90 days past due.

6.15 Cure of non- performing financial assets including restructured loans

Cure rate is a percentage of credit exposure accounts which were in default category, but as at assessment date have moved to a better category. Cure rates are factored in at the LGD level when assessing recovery rate. The rate reduces the percentage of LGD and is computed at the overall credit portfolio level. Consideration of movement of accounts is done annually. Qualitative criteria applied when checking whether the account has cured or not are those in line with Bank of Tanzania guidelines on IFRS 9 implementation. Accounts in default which are assessed whether they have cured exclude accounts which have been restructured or which have been charged off during the period

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

6. MATERIAL ACCOUNTING POLICIES (Continued)

6.15 Cure of non- performing financial assets including restructured loans (Continued)

An instrument is considered to no longer be SICR or in default (i.e. to have cured) when it has been established that the obligor is able to meet the requirements of the agreed terms and conditions. IFRS 9 allows credit exposures to migrate from higher credit risk categories to lower credit risk categories, that is, from Stage 3 to Stage 2 and from Stage 2 to Stage 1.

Under migration from Stage 3 to Stage 2, the Company considers criteria for upgrade of credit accommodations, whereby the obligor has paid all the overdue installments as per the Mortgage Finance regulation 2015.

These periods have been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions. The Company has not used the low credit risk exemption for any financial instruments in the current year.

On the other hand, credit exposures may migrate from Stage 2 to Stage 1 when there is a significant improvement of the credit exposure. In determining whether an exposure should shift backward from Stage 2 to Stage 1, the Company considers the following:

- All outstanding payments on the credit facility are made on time and there are no payments in arrears.
- Improvement of the quantitative and qualitative factors that caused significant increase of the credit risk.

For credit exposures that have cured, that is, shifted from Stage 2 to Stage 1, interest income is calculated on carrying amount of the asset at the beginning of the period before allowance for ECLs using the effective interest rate. The carrying amount of the exposure is determined as the amortized cost at the end of the period less the allowance for ECL computed.

For credit exposures that have shifted from Stage 3 to Stage 2, objective evidence of impairment still exists and accordingly interest income is computed on the carrying amount of the asset at the beginning of the period after allowance for ECLs using the effective interest rate. The carrying amount of the exposure is determined as the amortized cost at the end of the period less the allowance for ECL computed.

The Company assesses at each reporting date, or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired, whether there is an indication that a non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company 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 (CGU's) fair value less costs of disposal and its value in use. The recoverable amount 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. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in profit or loss in expense categories consistent with the function of the impaired asset. For all assets, an assessment is made at each reporting date to determine whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

A previously recognized 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 recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

6. MATERIAL ACCOUNTING POLICIES (Continued)

6.16 Credit enhancements: collateral valuation and financial guarantees

To mitigate its credit risks on financial assets, the Company seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, real estate, other non-financial assets. Collateral, unless repossessed, is not recorded on the Company's statement of financial position. Cash flows expected from credit enhancements which are not required to be recognised separately by IFRS standards and which are considered integral to the contractual terms of a debt instrument which is subject to ECL, are included in the measurement of those ECL.

On this basis, the fair value of collateral affects the calculation of ECL. Collateral is generally assessed at a minimum, at inception and re-assessed upon issuing an additional loan or restructuring a loan. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the Company uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers or based on housing price indices.

6.17 Collateral repossessed

The Company's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Company's policy.

In its normal course of business, the Company engages external agents to recover funds from the repossessed assets, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the balance sheet.

6.18 Write-offs

Financial assets are written off either partially or in their entirety only when the Company has stopped pursuing the recovery. 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 profit or loss.

The Company has not write off any loans as at reporting date.

6.19 Cash and cash equivalents

Cash and cash equivalents as referred to in the cash flow statement comprises cash on hand, non-restricted current accounts with central banks and amounts due from banks on demand or with an original maturity of three months or less.

6.20 Fees Income

Fees are generally recognised on an accrual basis when the service has been provided.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

6. MATERIAL ACCOUNTING POLICIES (Continued)

6.21 Dividend Income

Dividends are recognised in profit and loss in 'other income' when the entity's right to receive payment is established

6.22 Employees' benefits

The Company makes contributions to the statutory pension funds. These are statutory defined contribution pension schemes. The Company's obligations under the schemes are limited to specific contributions legislated from time to time and are charged to profit or loss in the year to which they relate. Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

6.23 Foreign currency translation

The financial statements are presented in Tanzanian Shillings, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency spot rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in 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 dates when the fair value was determined.

6.24 Property, equipment and right of use assets

Property and equipment is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the property and equipment when that cost is incurred, if the recognition criteria are met. All other repair and maintenance costs are recognised in profit or loss as incurred. Changes in the expected useful life are accounted for by changing the amortisation period or methodology, as appropriate, and treated as changes in accounting estimates.

Depreciation of property and equipment is computed on a straight-line basis over the estimated useful lives of the assets.

The estimated useful lives of significant items of property and equipment are as follows:

Leasehold improvements	4 years
Computers	4 years
Furniture and fittings	5 years
Office equipment	5 years

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset, calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is included in profit or loss in the period the asset is derecognised.

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each financial year-end.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

6. MATERIAL ACCOUNTING POLICIES (Continued)

6.25 Intangible Assets

The Company's intangible assets include the value of computer software licenses. 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 Company. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization 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 amortised over their useful economic lives. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each 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 amortisation period or method, as appropriate, and they are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognized in operating expenses in profit or loss.

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 at the rates of 20% - 33% p.a.

6.26 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The lease liabilities are recognised to make lease payments and right-of-use assets representing the right to use the underlying assets.

Company recognises right-of-use assets at the commencement date of the lease (i.e., the 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 re-measurement 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 lease term. The company depreciate the right of use assets for the period of five (5) years.

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the company and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

6. MATERIAL ACCOUNTING POLICIES (Continued)

6.26 Leases (Continued)

a) Right-of-use asset

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the 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 amortized on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

b) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments

6.27 Taxes

6.27.1 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 Tanzania Revenue Authority. Income tax expense is the aggregate of the charge to the profit or loss in respect of current income tax and deferred income tax. Current income tax is the amount of income tax payable on the taxable profit for the period determined in accordance with the Tanzanian Income Tax Act.

Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income respectively and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

6.27.2 Deferred tax

Deferred tax is measured using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of goodwill or 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.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

6. MATERIAL ACCOUNTING POLICIES (Continued)

6.27 Taxes (Continued)

6.27.2 Deferred tax (Continued)

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. 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 utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits 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. The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority

6.28 Levies and similar charges

The Company recognises the liability arising from levies and similar charges such as City service levy paid quarterly to the local government authority, and excise duty paid monthly to the Tanzania Revenue Authority (TRA). These charges are to be legally enforceable in the reporting period. A revision for levies is recognised when the condition that triggers the payment of the levy is met

6.29 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of past events, 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. When the effect of the time value of money is material, the Company determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The expense relating to any provision is presented in the income statement net of any reimbursement in other operating expenses.

Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed. However, when the Company is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Company does not include detailed, case-specific disclosures in its financial statements

6.30 Equity Instruments

Own equity instruments of the Company which are acquired by it are deducted from equity. Consideration paid or received on the purchase, sale, issue, or cancellation of the Company's own equity instruments is recognised directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue, or cancellation of own equity instruments.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

7. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company'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.

7.1 Significant judgements

In the process of applying the company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements.

7.1.1 Impairment losses on financial assets

In determining the expected credit losses, the company makes the following judgments:

- Significant increase in credit risk (SICR): In assessing whether a significant increase in credit risk (SICR) has occurred for an exposure since initial recognition, the Company considers both quantitative and qualitative information and analysis. In doing so, the Company makes judgements about the appropriate indicators used as SICR triggers. The triggers that the Company has determined as appropriate include the 30-day backstop, movement in PD, and other qualitative factors, such as moving a customer/facility to the watch list, or the account becoming forborne.
- Multiple economic scenarios: The Company in its measurement of ECL makes judgements about the type and number of macroeconomic scenarios to reflect the Company's exposure to credit risk.
- Definition of Default: Significant judgment exists with regards to when an asset is considered to have defaulted, and the resulting definition of default against which parameters of the ECL model such as PD, LGD, and EAD are evaluated.
- Other judgements in the determination of ECL include
 - ✓ Development of ECL models, including the segmentation of products, the various formulas, and the choice of inputs, for example, which inputs are relevant for the particular exposures in particular regions.
 - ✓ The segmentation of financial assets when their ECL is assessed on a collective basis

7.1.2 Fair value

Significant judgement is exercised in the classification of fair value instruments as level 3 as the valuation of such instruments is driven by significant unobservable inputs. The company considers an instrument to be classified as valued using significant unobservable inputs where more than 10% of the instrument's valuation is determined by unobservable inputs.

7.2 Significant estimates and assumptions

The key 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, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

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

7.2 Significant estimates and assumptions (Continued)

7.2.1 Impairment losses on financial assets

The measurement of impairment losses under IFRS 9 across all categories of financial assets in scope requires assumptions, in particular, in the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Company's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the variable inputs and their interdependencies. Elements of the ECL calculation that involve assumptions and estimate uncertainty include:

The weightings assigned to the multiple economic scenarios to reflect the exposure to credit risk

- The value of specific economic inputs included in the assessment, such as unemployment levels and collateral values, and the effect on PDs, EADs, and LGDs.
- In addition to the judgements outlined above with regard to SICR triggers, there is also an assessment of qualitative criteria to determine if there has been a significant increase in credit risk. These supplementary factors (such as sectorial approaches) result in significant assumptions and estimation uncertainty.

It has been the Company's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

7.2.2 Fair value of financial instruments

Fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required to establish fair values. Assumptions and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation, and volatility.

7.3 Other accounting judgements, estimates and assumptions.

7.3.1 Deferred tax asset

Deferred tax assets are recognised in respect of tax losses and tax credits to the extent that it is probable that future taxable profit will be available against which the tax losses and credits can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

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

7.3 Other accounting judgements, estimates and assumptions (Continued)

7.3.2 Determination of the lease term for lease contracts with renewal and termination options (Company as a lessee)

The company determine 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 Company has one lease contract that include extension and termination options. The company 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. After the commencement date, the company reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

7.3.3 Estimating the incremental borrowing rate for a lease

The company 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 company 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 company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The company 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 subsidiary's stand-alone credit rating, or to reflect the terms and conditions of the lease).

7.3.4 Effective Interest Rate (EIR) method.

The company'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). In making this assessment, the company considers the extent of any changes to the contractual cash flows because of the transition and the factors that have given rise to the changes, with consideration of both quantitative and qualitative factors. This estimation, by nature, requires an element of judgement regarding the expected behavior and life cycle of the instruments, as well expected changes to company's base rate and other fee income/expense that are integral parts of the instrument.

IBOR reform Phase 2 requires, as a practical expedient that changes to the basis for determining contractual cash flows that are necessary as a direct consequence of IBOR reform are treated as a change to a floating rate of interest provided that the transition from IBOR to an RFR takes place on a basis that is 'economically equivalent'. To qualify as 'economically equivalent', the terms of the financial instrument must be the same before and after transition except for the changes required by IBOR reform.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

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

7.3 Other accounting judgements, estimates and assumptions (Continued)

7.3.4 Effective Interest Rate (EIR) method (Continued)

For changes that are not required by IBOR reform, the company applies judgement to determine whether they result in the financial instrument being derecognised. Therefore, as financial instruments transition from IBOR to RFRs, the company applies judgment to assess whether the transition has taken place on an economically equivalent basis. In making this assessment, the company considers the extent of any changes to the contractual cash flows as a result of the transition and the factors that have given rise to the changes, with consideration of both quantitative and qualitative factors. Examples of changes that are economically equivalent include changing the reference interest rate from an IBOR to an RFR, changing the reset period for days between coupons to align with the RFR, adding a fallback to automatically transition to an RFR when the IBOR ceases, and adding a fixed credit adjustment spread based on that calculated by ISDA or which is implicit in market forward rates for the RFR.

7.3.5 Provisions and other contingent liabilities

The company operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in various litigation, arbitration and regulatory investigations and proceedings arising in the ordinary course of the company's business.

When the company can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the company records a provision against the case. Where the probability of outflow is remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed. However, when the company is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the company does not include detailed, case-specific disclosures in its financial statements.

Given the subjectivity and uncertainty of determining the probability and amount of losses, the company considers several factors including legal advice, the stage of the matter and historical evidence from similar incidents.

7.3.6 Property, equipment, and intangible assets

Critical estimates are made by those charged with governance in determining the useful lives of property, equipment, and intangible assets as well as their residual values. The company reviews the estimated useful lives of property, equipment, and useful lives at the end of each reporting period.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

	Year Ended 31-Dec-25 TZS '000	Year Ended 31-Dec-24 TZS '000
8 INTEREST INCOME*		
Interest from loans & advances - mortgages	5,866,151	5,002,174
Interest from loans & advances - staff loans	24,526	19,731
Interest from FDR placements	301,242	276,730
Interest fees integral to EIR - processing and facility	200,297	238,508
Interest from government securities	538,204	539,740
	<u>6,930,420</u>	<u>6,076,883</u>
* Interest is calculated using Effect Interest Method		
9 INTEREST EXPENSE*		
Interest on deposits	46,889	44,271
Interest on lease liabilities	3,007	11,725
Interest on long term borrowings	2,928,026	2,136,970
	<u>2,977,922</u>	<u>2,192,966</u>
* Interest is calculated using Effect Interest Method		
10 EXPECTED CREDIT LOSSES		
Allowance for impairment		
ECL - Government securities (decrease)	(1)	-
ECL - loans & advances – increase*	221,762	140,664
ECL - Balances with banks - increase / (decrease)	2,326	(6,376)
	<u>224,087</u>	<u>134,288</u>
<ul style="list-style-type: none"> ECL – Loans and advances comprises additional expected credit losses recognised in the current year amounting to TZS 86.4 million, together with net losses on derecognition of loans and advances measured at amortised cost amounting to TZS 135 million. 		
11 NET LOSSES ON DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTISED COST		
Net losses on derecognition of financial assets measured at amortised cost	135,278	-
12 FEES INCOME		
Application fee	19,600	25,600
Legal & technical fee	53,301	77,213
Banc assurance fee	90,588	75,248
	<u>163,489</u>	<u>178,061</u>
13 OTHER INCOME		
Dividend	20,161	40,100
Miscellaneous income	155,742	57,380
	<u>175,903</u>	<u>97,480</u>

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

14 OPERATING EXPENSES	31-Dec-25 TZS '000	31-Dec-24 TZS '000
Administrative expenses	272,177	132,062
Advertisement, marketing & promotion expenses	70,746	70,276
Auditor's fees	91,258	75,867
Bank charges	12,860	9,446
Cleaning expenses	10,480	11,874
Communication expenses	81,892	94,888
Directors' fees	132,922	138,500
Board travel and sitting expenses	63,107	17,149
License, insurance and subscription expenses	307,124	271,632
Personnel expenses - Note 14(a)	1,684,267	1,846,764
Printing & stationery expenses	33,921	33,652
Professional fees	41,876	43,218
Electricity and water expenses	19,473	21,457
Relieve and travel expenses	98,827	77,112
Repairs, maintenance & fuel expenses	243,446	254,615
Security expenses	11,044	12,261
Training expenses	42,039	40,495
Fees to TMRC & other lenders	84,401	59,168
Excise duty on fees & commissions	41,453	60,709
VAT on fees and commissions	74,190	108,040
	<u>3,417,503</u>	<u>3,379,185</u>
(a) PERSONNEL EXPENSES		
Salaries and wages	1,254,436	1,387,746
House allowances	6,023	4,200
Transport allowances	187,869	205,746
Social security contribution	148,000	162,313
Skills and Development Levy	51,800	56,809
Staff welfare	1,500	2,000
Workers Compensation Fund	7,400	8,116
Acting allowance	10,515	5,250
Incentives	16,724	14,584
	<u>1,684,267</u>	<u>1,846,764</u>
15 TAXATION		
i) Current Tax		
Final tax on dividend	2,016	4,010
Income tax charge - 30%	89,309	87,938
	<u>91,325</u>	<u>91,948</u>
Reconciliation of tax expenses		
Taxable income	297,697	293,125
Income tax charge - 30%	89,309	87,938
Final tax on dividend	2,016	4,010
Total Current Tax	<u>91,325</u>	<u>91,948</u>

The Company had accumulated tax losses of TZS 1,384 million (2024: TZS 1,830 million). The company utilized 60% to reduce the accumulated tax losses. Dividend income received from TMRC equity investments amounted to TZS 20.16 million (2024: TZS 40.10 million).

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

15 TAXATION (Continued)

ii) Deferred Tax

	31-Dec-25	31-Dec-24
	TZS '000	TZS '000
Accelerated Depreciation of Property & Equipment	(30,780)	(213,661)
ECL Impairment – Current Year	(121,797)	(123,525)
Tax Losses Carried Forward	(415,312)	(549,276)
Net Deferred Tax Asset	(567,889)	(886,462)

Movement in Deferred Tax

Opening Balance	(886,462)	(981,436)
Prior year adjustment	179,519	-
Credit for the Year	139,054	94,974
Deferred Tax Asset	(567,889)	(886,462)

The deferred tax asset has not been recognised in the financial statements because of uncertainties as to when the Company will generate sufficient taxable profits against which the deferred tax asset can be utilised. It should be noted that in the event the Company generates sufficient taxable profits, the unrecognized deferred tax assets can be utilised. Tanzania tax laws have no limits for carrying forward tax losses.

iii) Tax reconciliation

	31-Dec-25	31-Dec-24
	TZS '000	TZS '000
Accounting Profit before Tax	491,017	504,003
Tax calculated at the rate of 30%	147,305	151,201
Tax effect of:		
Deferred Tax Credit not recognised	(139,054)	(94,974)
Disallowable items- permanent	75,010	(44,197)
Income tax not subject to tax	6,048	(12,030)
Alternative Minimum Tax	-	87,938
Final withholding tax on dividend income	2,016	4,010
	91,325	91,948

The Company will duly submit its final tax return for the financial year ended 31 December 2025 by the due date for filing tax assessments.

iv) Deferred tax liability

	31-Dec-25	31-Dec-24
	TZS '000	TZS '000
At 1 January	45,936	41,070
Charge during the year	-	4,866.00
At 31 December	45,936	45,936

The deferred tax liability relates to the fair value gain on equity investment. It is considered that the gains on equity investments could be taxed differently from other income, and hence losses.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

15 TAXATION (Continued)

v) Current income tax (recoverable)/payable

	31-Dec-25	31-Dec-24
	TZS '000	TZS '000
As at 01 January	(430,417)	(463,327)
Tax paid - 2024	(44,090)	-
Tax Paid during the year -2025	(40,000)	(59,038)
Tax Paid - WHT credit	(20,043)	
Current tax for the year recognized in P&L-Note 15(i)	91,325	91,948
As at 31 December	(443,225)	(430,417)

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

16 PROPERTY AND EQUIPMENT

	Leasehold Improvements TZS'000	Computer Hardware TZS'000	Furniture & Fittings TZS'000	Other Equipment TZS'000	Work-in- progress TZS'000	Total TZS'000
Cost						
As at 01 January 2025	24,882	370,671	152,164	164,346	-	712,063
Additions	385	47,956	1,700	22,472	106,567	179,080
Write offs	(24,882)	-	-	-	-	(24,882)
As at 31 December 2025	385	418,627	153,864	186,818	106,567	866,261
Depreciation						
As at 01 January 2025	(21,205)	(325,293)	(145,521)	(139,911)	-	(631,930)
Charge for the Year	(3,684)	(28,619)	(2,620)	(8,161)	-	(43,084)
Write offs	24,882	-	-	-	-	24,882
As at 31 December 2025	(7)	(353,912)	(148,141)	(148,072)	-	(650,132)
Net Carrying Value						
As at 31 December 2025	378	64,715	5,723	38,746	106,567	216,129
Cost						
As at 01 January 2024	24,882	339,839	149,524	142,624	-	656,869
Additions	-	30,832	2,640	21,722	-	55,194
Write offs	-	-	-	-	-	-
As at 31 December 2024	24,882	370,671	152,164	164,346	-	712,063
Depreciation						
As at 01 January 2024	(14,972)	(301,885)	(143,419)	(134,292)	-	(594,568)
Charge for the Year	(6,233)	(23,408)	(2,102)	(5,619)	-	(37,362)
Write offs	-	-	-	-	-	-
As at 31 December 2024	(21,205)	(325,293)	(145,521)	(139,911)	-	(631,930)
Net Carrying Value						
As at 31 December 2024	3,677	45,378	6,643	24,435	-	80,133

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

	31-Dec-25 TZS '000	31-Dec-24 TZS '000
17 INTANGIBLE ASSETS - COMPUTER SOFTWARE		
Cost		
As at 01 January	351,045	295,781
Additions	29,236	55,264
As at 31 December	380,281	351,045
Amortisation		
As at 01 January	(295,126)	(276,331)
Charge for the year	(20,781)	(18,795)
As at 31 December	(315,907)	(295,126)
Carrying amount	64,374	55,919
18 CASH AND BALANCES WITH BANKS		
Cash in hand	1,569	5,218
Current account balances	954,660	90,082
Fixed deposit placement with banks	3,363,821	1,653,466
Total	4,320,050	1,748,766
Less: Expected Credit Loss Allowance	(6,409)	(4,084)
Net Cash and Balances with Bank	4,313,641	1,744,682
(i) CASH AND BALANCES WITH BANKS		
Cash in hand	1,569	5,218
Current account balances	954,660	90,082
Total	956,229	95,300
Less: Expected Credit Loss Allowance	-	-
Net Cash and Balances with Bank	956,229	95,300
(ii) FIXED DEPOSIT PLACEMENT WITH BANKS		
01 January	1,653,466	3,240,959
Additions	4,705,129	3,649,129
Interest during the year	296,547	276,730
Matured	(3,291,321)	(5,513,352)
31 December	3,363,821	1,653,466
Less: Expected Credit Loss Allowance	(6,409)	(4,084)
Net Fixed deposit placements with banks	3,357,412	1,649,382
(iii) Movement in ECL allowance		
At 01 January	4,084	10,460
Increase / (decrease) in ECL during year	2,326	(6,376)
At 31 December	6,410	4,084
Current	4,313,641	1,744,682

As at year end, the Bank held a fixed deposit placement with Tanzania Commercial Bank amounting to TZS 1,704,257,738 earning interest at a rate of 13.00% per annum. The deposit has a tenure of one year and is due to mature on 16 April 2026. The fixed deposit receipt has been pledged as security for a long-term borrowing from Tanzania Mortgage Refinance Company, which had an outstanding balance of TZS 2.0 billion at year end. In addition, the Bank maintained a call deposit with Azania Bank PLC amounting to TZS 1,500,000,000 earning interest at a rate of 8.00% per annum. This call deposit is free from any encumbrance.

Total interest receivable as at year end amounted to TZS 159,563,848.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

19 INVESTMENT IN GOVERNMENT SECURITIES AT AMORTISED COST*	31-Dec-25	31-Dec-24
Investment in Treasury Bond	TZS '000	TZS '000
Opening Balance	3,601,292	3,600,604
(Release)/ addition	(848)	688
Closing Balance	<u>3,600,444</u>	<u>3,601,292</u>
Less: Expected Credit Loss Allowance	(41)	(42)
Net carrying amount	<u>3,600,403</u>	<u>3,601,250</u>
Current	88,053	88,900
Non-Current	<u>3,512,350</u>	<u>3,512,350</u>
	<u>3,600,403</u>	<u>3,601,250</u>

*All government securities are in stage 1 for the purpose of Expected Credit Loss (ECL)

Treasury bonds amounting to TZS 2.90 billion have been used as collateral to secure the long term borrowing from NBC Bank Limited, the outstanding balance for which is TZS 3.437 billion as at 31st December 2025. The interest rate on this borrowing is 13.26%pa interest rate and is fixed for 5 years, ending September 2028. The NBC Limited loan is also secured by qualified mortgage loans resulting in a collateral loan ratio of 125%.

20 LOANS AND ADVANCES TO CUSTOMERS

i) Net carrying amount

Mortgages	37,037,170	35,055,732
Staff personal Loans	350,995	140,620
Gross loans and advances	<u>37,388,165</u>	<u>35,196,352</u>
Less: Expected Credit Loss Allowance	(394,573)	(389,411)
Net carrying amount	<u>36,993,592</u>	<u>34,806,941</u>

ii) Loan Maturity Analysis

With Maturity of 3 months or less	9,065	13,392
With Maturity of between 3 months and 1 year	107,808	858,988
With Maturity of more than 1 year	<u>36,876,719</u>	<u>33,934,561</u>
	<u>36,993,592</u>	<u>34,806,941</u>

The portfolio of qualified mortgages amounting to TZS 20.8 billion has been placed as a security against borrowings from Tanzania Mortgage Refinance Company (TZS 18.0 billion), Azania Bank PLC (TZS 1.0 billion), Equity Bank Tanzania Limited (TZS 3.33 billion), and NBC Bank Limited (TZS 3.47 billion) resulting in an overall security coverage of at least 125% of the borrowings.

iii) Movement in allowance for impairment of loans and advances is as follows:

As at 01 January	389,411	248,747
Impairment charge (Note 10)	86,484	140,664
Release on provision	(81,322)	-
As at 31 December	<u>394,573</u>	<u>389,411</u>

**iv) Additional provision as per bank of Tanzania regulations
Regulatory impairment**

As at 01 January	458,425	277,140
Provision increase during the year	<u>413,155</u>	<u>181,285</u>
As at 31 December	<u>871,580</u>	<u>458,425</u>

Regulatory reserve represent additional allowance for losses charged to retained earnings. The reserve is not available for distribution.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

20 LOANS & ADVANCES TO CUSTOMERS

	BOT TZS '000	IFRS 9 TZS '000
Balance as at 31 December 2025		
Current	-	88,039
Especially mentioned	292,855	238,133
Non-performing	885,247	68,401
	1,178,102	394,573

Balance as at 31 December 2024

Current	-	124,329
Especially mentioned	335,745	210,103
Non-performing	512,092	54,979
	847,837	389,412

21 OTHER ASSETS

	31-Dec-25 TZS '000	31-Dec-24 TZS '000
Prepaid expenses	846,410	547,274
Fees Receivable	16,023	4,733
Other Assets	233,121	45,373
	1,095,554	597,380

22 RIGHT OF USE ASSETS

Office Premises

As at 01 January	404,855	404,855
Renewal during the year	434,658	-
As at 31 December	839,513	404,855

Depreciation

As at 01 January	(317,137)	(236,166)
Charge for the Year	(80,971)	(80,971)
As at 31 December	(398,108)	(317,137)

Net Book Value

441,405	87,718
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23 EQUITY INVESTMENTS

At 01 January	1,784,200	1,622,000
New Shares Purchased	-	145,980
Fair Value Gain for the year	-	16,220
At 31 December	1,784,200	1,784,200

The equity investment relates to a 3.87% (2023: 4.34%) shareholding in Tanzania Mortgage Refinance Company Limited (TMRC) comprising of 616,523 ordinary shares acquired at a share price of TZS 1,622 in 2016, 383,477 shares acquired as part of a rights issue at a discounted share price of TZS 1,265 in 2020 and 100,000 shares acquired as part of a rights issue at a discounted share price of TZS 1,459.80 in 2024.

The equity investment has been classified as fair value through other comprehensive income (FVOCI). The directors have determined that the fair value of the equity investment remained as TZS 1,622 per share as at 31 December 2025 and 31 December 2024 basing on share sales transactions done by TMRC at the same price.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

23 EQUITY INVESTMENTS (Continued)

Fair value hierarchy – financial instruments held at fair value

The fair value of the Bank's equity instruments has been determined on the basis of level 2 fair value measurements. Fair valuation of the Banks assets considers three levels of measurement based on the observability of the significant inputs used to determine the fair values. Changes in the observability of significant valuation inputs during the reporting period may result in a transfer of assets and liabilities within the fair value hierarchy. The Company recognizes transfers between levels of the fair value hierarchy when there is a significant change in either its principal market or the level of observability of the inputs to the valuation techniques as at the end of the reporting period.

Level 1: Fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Fair value measurements are those with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

Level 3: Fair value measurements are those where inputs which could have a significant effect on the instrument's valuation are not based on observable market data.

24 OTHER LIABILITIES	31-Dec-25 TZS '000	31-Dec-24 TZS '000
Accrual for Communication Expenses	1,466	5,413
Accrual for Auditor's Fees	88,730	73,750
Accrual for Printing & Stationery Expenses	3,829	6,816
Other Accrued Expenses	8,056	4,843
Statutory Payables	19,684	15,417
Other Payables	468,849	340,464
	590,614	446,703
25 LONG TERM BORROWINGS		
At beginning of the year	20,993,595	16,208,723
Funds received during the year	7,500,000	5,000,000
Principal repayment during the year	(2,411,140)	(312,500)
Interest charge for the year	2,928,026	2,136,970
Interest paid in the year	(2,930,686)	(2,039,598)
At the end of the year	26,079,795	20,993,595
Long-term borrowings summarized by respective banks		
Tanzania Mortgage Refinance Company Limited	18,253,693	15,176,843
Equity Bank (Tanzania) Limited	3,346,543	-
NBC Bank Limited	3,469,970	4,768,653
Azania Bank PLC	1,009,589	1,048,099
	26,079,795	20,993,595
Current	1,714,575	1,556,095
Non-Current	24,365,220	19,437,500
	26,079,795	20,993,595

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

25 LONG TERM BORROWINGS (Continued)

i) TMRC

	31-Dec-25	31-Dec-24
	TZS '000	TZS '000
At beginning of the year	15,176,843	11,166,838
Funds received during the year	3,000,000	4,000,000
Interest charge for the year	1,858,370	1,503,488
Interest paid in the year	(1,781,520)	(1,493,483)
At the end of the year	18,253,693	15,176,843

A summary of long-term borrowings from TMRC as at 31 December 2025

Financial Institution	Reference	Original Contract Start date	Original Contract End date	Interest Rate	Amount TZS'000
TMRC	FHF-1	10-Nov-20	10-Nov-30	7.50%	1,000,000
	FHF-2&3	11-Apr-24	10-Apr-26	12.60%	6,000,000
	FHF-4	23-Jun-25	24-Jun-30	12.60%	2,000,000
	FHF-5	20-Jun-23	19-Jun-26	11.00%	2,000,000
	FHF-6(1)	27-Mar-24	26-Mar-26	12.60%	1,500,000
	FHF-6(2)	30-May-24	26-Mar-26	12.60%	500,000
	FHF-7(2)	30-Aug-24	30-Aug-27	12.60%	1,000,000
	FHF-7(1)	26-Sep-24	30-Aug-27	12.60%	1,000,000
	FHF-8	12-Jul-25	10-Jul-30	12.60%	1,000,000
	FHF-9	22-Dec-25	21-Dec-30	12.60%	2,000,000
Total					18,000,000
Accrued Interest					253,693
Total Outstanding					18,253,693

ii) EQUITY BANK

	31-Dec-25	31-Dec-24
	TZS '000	TZS '000
At beginning of the year	-	-
Funds received during the year	3,500,000	-
Principal repayment during the year	(161,140)	-
Interest charge for the year	366,855	-
Interest paid in the year	(359,172)	-
At the end of the year	3,346,543	-

The long-term borrowing was given on March 2025, with the principal amount of TZS 3,500,000,000 at 14% interest rate per annum which is fixed over 7 years of the facility. The purpose of the loan is to refinance a portfolio of mortgage loans. Repayments of principal and interest are on monthly basis ending March 2032.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

25 LONG TERM BORROWING (Continued)

iii) NBC BANK

	31-Dec-25	31-Dec-24
	TZS '000	TZS '000
At beginning of the year	4,768,653	5,041,885.00
Funds received during the year	-	-
Principal repayment during the year	(1,250,000)	(312,500)
Interest charge for the year	543,576	585,382
Interest paid in the year	(592,259)	(546,114)
At the end of the year	3,469,970	4,768,653

The long-term borrowing was given on October 2023, with principal amount of TZS 5,000,000,000 at 11.76% interest rate which later increased to 13.26% pa. The purpose of the loan is to refinance a portfolio of mortgage loans. Repayments of principal and interest on quarterly basis, while principal repayment grace period is one year ending October 2024. The facility has been secured by Government securities worth TZS 2,900,000,000 plus a portfolio of qualified mortgage loans with an overall security coverage of at least 125% of the loan.

iv) AZANIA BANK PLC

	31-Dec-25	31-Dec-24
	TZS '000	TZS '000
At beginning of the year	1,048,099	-
Funds received during the year	1,000,000	1,000,000
Principal repayment during the year	(1,000,000)	-
Interest charge for the year	159,224	48,099
Interest paid in the year	(197,734)	-
At the end of the year	1,009,589	1,048,099

The twelve months loan was issued on 07th February 2025, with principal amount of TZS 1,000,000,000 at an interest rate of 14%pa. The purpose of the loan is to refinance a portfolio of mortgage loans. Repayment of principal on maturity while interest on monthly basis. The facility has been secured by portfolio of qualified mortgage loans with an overall security coverage of at least 150% of the borrowing amount.

26 LEASE LIABILITIES

	31-Dec-25	31-Dec-24
	TZS '000	TZS '000
At 1 January	103,266	181,852
Renewal during the year	434,658	-
Accretion of interest	3,007	11,725
Payment during the year - interest	(8,780)	(8,558)
Payments during the year - principal	(88,441)	(86,212)
Foreign exchange differences	(9,052)	4,459
At 31 December	434,658	103,266
Current	115,200	45,900
Non-Current	319,458	57,366
	434,658	103,266

The expenses charged to profit or loss in respect to lease arrangements were as follows:

Right of use asset depreciation - note 22	80,971	80,971
Lease liability accretion of interest	3,007	11,725
Foreign exchange differences	(9,052)	4,459
	74,926	97,155

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

27 DEPOSITS	31-Dec-25 TZS '000	31-Dec-24 TZS '000
At beginning of the year	2,322,479	1,880,605
Addition during the year - Cash Cover	398,569	811,749
Matured cash margin/Utilization	(645,936)	(413,270)
Interest payable on Term Deposits and Cash Cover	50,055	43,395
At the end of the year	<u>2,125,167</u>	<u>2,322,479</u>
Current	2,075,157	2,279,084
Non-Current	50,010	43,395
	<u>2,125,167</u>	<u>2,322,479</u>

Deposits represent funds placed as collateral to secure mortgage facilities. Each customer is required to provide a cash margin equal to 20% of the disbursed mortgage amount. These balances cannot be offset against the customer's outstanding loan. The deposits accrue interest at an annual rate of 1.5%, payable once per year.

28 (i) SHARE CAPITAL	31-Dec-25 TZS '000	31-Dec-24 TZS '000
Authorised Share Capital		
1,100,000,000 Ordinary Shares of TZS 100 each	<u>110,000,000</u>	<u>110,000,000</u>
Issued & Paid-up Share Capital		
Opening : 218,000,000 Ordinary Shares of TZS 100 each (2025: 218,000,000 Ordinary Shares of TZS 100 each)	21,800,000	21,800,000
Shares Issued : - Ordinary Shares of TZS 100 each (2025: - Ordinary Shares of TZS 100 each)	-	-
Closing : 218,000,000 Ordinary Shares of TZS 100 each (2025: 218,000,000 Ordinary Shares of TZS 100 each)	<u>21,800,000</u>	<u>21,800,000</u>
(ii) FAIR VALUE RESERVE		
At beginning of the year	107,185	95,831
Net change in fair value of equity instruments at FVOCI	-	11,354
At the end of the year	<u>107,185</u>	<u>107,185</u>
(iii) REGULATORY RESERVE		
At beginning of the year	458,425	277,140
Transfer to Regulatory Reserve	413,155	181,285
At the end of the year	<u>871,580</u>	<u>458,425</u>

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

29 RELATED PARTIES TRANSACTIONS & BALANCE

(a) Transactions with Related Parties

i) Interest Income from Related Parties

- FDR Placement held at Azania Bank
- Staff Loans

	31-Dec-25	31-Dec-24
	TZS '000	TZS '000
	83,025	17,731
	24,526	19,731
	107,551	37,462

ii) Interest Expense paid to Related Parties

- Interest Expense - Azania Bank

	159,224	48,099
	159,224	48,099

iii) Fees paid to Related Parties

- Loan Processing fee - IFC
- Loan Arrangement fee - Azania Bank Plc

	117,519	44,970
	-	8,079
	117,519	53,049

iv) Compensation for Key Management Personnel

- Salaries & Other Short-term benefits
- Post Employment Benefits: Social Security Contributions
- Directors Fees

	775,748	727,781
	77,575	72,778
	132,922	138,500
	986,245	939,059

(b) Balances with Related Parties

i) Amount Due from Related Parties

- Deposits with Azania Bank Ltd

Less: ECL**

	2,197,979	13,235
	(1,537)	(9)
	2,196,442	13,226

- Staff Loans (incl. accrued interest)

Less: ECL

	350,994	140,620
	(25,252)	(7,368)
	325,742	133,252

ii) Amount Due to Related Parties

- Bridge loan - Azania Bank Plc

	1,009,589	1,048,099
	1,009,589	1,048,099

*Azania Bank as the Shareholder of the Company owns 40% of the shares.

The balances due from related parties are interest on Call deposit placed to Azania Bank Plc, plus interest on current account balances.

** During the year there was a provision charge to profit or loss amounting for TZS 1.537 million (2024: Charge TZS 1.5 million) for cash and bank balances deposited to Azania Bank Plc.

*** Amount due to related parties including bridge loan from Azania which has matured on 7th February 2026, and the same has been paid and settled.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

30. FINANCIAL RISK MANAGEMENT

The Company's principal financial liabilities comprise of deposits, long-term borrowings and other liabilities. The main purpose for these financial liabilities is to raise finance for the Company's operations. The Company's financial assets include equity investments, cash and balances with banks, and loans and advances which arise directly from its operations and proceeds from issued capital.

The main risks arising from the Company's financial instruments are market risk, liquidity risk and credit risk. Market risk comprises of interest rate risk, foreign currency risk and price risk. The Company does not have significant exposure to price risk as it holds no financial instruments that are price sensitive.

Excessive risk concentration

Concentration arises when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Concentration indicates the relative sensitivity of the Company's performance to developments affecting a particular counterparty, industry or geographical location. In order to avoid excessive concentration of risk, the directors set up a Board Audit and Risk Committee which ensures that the Company's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio and that identified concentration of credit risk is controlled and managed accordingly.

Management of financial risks

The Board reviews and agrees policies for managing each of the financial risks to which the Company is exposed as summarized below.

Interest rate risk

The Company has interest bearing term deposits, mortgage loans, staff loans and liabilities. These are exposed to the effects of fluctuations in the market interest rates which has a significant impact on the base rate of the Company, which is determined considering the cost of funds and other factors. The movements in the market interest rates are monitored by management on an ongoing basis and such movements having significant effects on the interest margins are taken up for revision of the base rates. As a result, the mortgage loans linked to the base rate are unlikely to affect the interest margins due to reflection of the market rate movements, favorable or unfavorable, in the base rate. The staff loans bear fixed interest rates and hence do not present exposure to the Company in terms of interest rate fluctuations.

The deposit liabilities bear fixed interest rates. The long-term borrowings held in the prior year were agreed at a base interest rate, subject to annual review by the lender.

The table below summarizes the Company's exposure to interest rate risk. It includes the Company's financial instruments at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates. The Company has no interest rate risk on off balance sheet items.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

30. FINANCIAL RISK MANAGEMENT (Continued)

Interest rate risk (Continued)

	Notes	Up to1 month TZS '000	1-3 months TZS '000	3-12 months TZS '000	1-5 years TZS '000	Over 5 years TZS '000	Non-interest bearing TZS '000	Total TZS '000
As at 31 December 2025								
Financial assets								
Cash and balances with banks	18	-	-	-	-	-	954,660	954,660
Fixed deposit placements with Banks	18	-	-	3,357,412	-	-	-	3,357,412
Investment in Gov't Securities at amortised cost	19	-	-	88,053	-	3,512,350	-	3,600,403
Loans and advances	20	548	8,517	107,808	6,481,412	30,395,307	-	36,993,592
Other assets	21	-	-	-	-	-	249,144	249,144
Equity investment	23	-	-	-	-	-	1,784,200	1,784,200
Total financial assets		548	8,517	3,553,273	6,481,412	33,907,657	2,988,004	46,939,411
Financial liabilities								
Other liabilities	24	-	-	-	-	-	570,930	570,930
Lease liabilities	26	-	-	434,658	-	-	-	434,658
Long-term borrowings	25	-	-	1,714,575	24,365,220	-	-	26,079,795
Deposits	27	1,670,791	-	404,366	-	-	50,010	2,125,167
Total financial liabilities		1,670,791	-	2,553,599	24,365,220	-	620,940	29,210,550
Total interest re-pricing gap		(1,670,246)	8,696	1,001,253	(15,062,017)	31,084,111	2,367,064	

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

30. FINANCIAL RISK MANAGEMENT (Continued)

Interest rate risk (Continued)

As at 31 December 2024	Notes	Up to 1 month TZS '000	1-3 months TZS '000	3-12 months TZS '000	1-5 years TZS '000	Over 5 years TZS '000	Non-interest bearing TZS '000	Total TZS '000
Financial assets								
Cash and balances with banks	18	-	-	-	-	-	90,082	90,082
Fixed deposit placements with Banks	18	-	-	1,649,382	-	-	-	1,649,382
Investment in Gov't Securities at amortised cost	19	-	-	88,900	-	3,512,350	-	3,601,250
Loans and advances	20	1,430	11,962	858,988	25,221,818	8,712,743	-	34,806,941
Other assets	21	-	-	-	-	-	50,106	50,106
Equity investment	23	-	-	-	-	-	1,784,200	1,784,200
Total financial assets		1,430	11,962	2,597,270	25,221,818	12,225,093	1,924,388	41,981,961
Financial liabilities								
Other liabilities	24	-	-	-	-	-	431,286	431,286
Lease liabilities	26	-	-	103,266	-	-	-	103,266
Long-term borrowings	25	-	-	1,556,095	19,437,500	-	-	20,993,595
Deposits	27	1,874,718	-	404,366	-	-	43,395	2,322,479
Total financial liabilities		1,874,718	-	2,063,727	19,437,500	-	474,681	23,850,626
Total interest re-pricing gap		(1,873,288)	11,962	533,543	5,784,318	12,225,093	1,449,707	

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

30. FINANCIAL RISK MANAGEMENT (Continued)

Interest rate risk (Continued)

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on all interest-bearing financial assets and liabilities affected. With all other variables held constant, a change in interest rates by +/- 150 basis points on all interest-bearing financial assets and liabilities would have resulted in lower/higher results before tax and equity by TZS 230.4 million (2024: TZS 250.2 million).

	2025	2024
	TZS '000	TZS '000
Total interest-bearing financial assets	43,951,407	40,057,573
Total interest-bearing financial liabilities	28,589,566	23,375,945
Interest rate Gap	15,361,841	16,681,628
Impact of interest rate rise by additional 1.5%	<u>230,427.61</u>	<u>250,224.42</u>

Foreign currency risk

The Company takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The BARC sets limits on the level of exposure by currency which are monitored regularly.

The table below summarizes the Company's exposure to foreign currency exchange rate risk at year-end. Included in the table are the Company's financial instruments at carrying amounts, categorized by currency. All the amounts presented are in TZS '000.

	Notes	Denominated in USD	Denominated in TZS	Total carrying amount
As at 31 December 2025				
Financial assets				
Cash and balances with banks	18	50,626	904,034	954,660
Fixed deposit placements with Banks	18	-	3,357,412	3,357,412
Loans and advances	20	-	36,993,592	36,993,592
Investment in Gov't Securities at amortised cost	19	-	3,600,403	3,600,403
Other assets	21	-	249,144	249,144
Equity investment	23	-	1,784,200	1,784,200
		50,626	46,890,354	46,939,411
Financial liabilities				
Other liabilities	24	-	570,930	570,930
Lease liabilities	26	-	434,658	434,658
Long-term Borrowings	25	-	26,079,795	26,079,795
Deposits	27	-	2,125,167	2,125,167
		-	29,210,550	29,210,550
Net on-balance sheet foreign exchange risk exposure				
		50,626	17,678,235	17,728,861

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

30. FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency risk (Continued)

	Notes	Denominated in USD	Denominated in TZS	Total carrying amount
As at 31 December 2024				
Financial assets				
Cash and balances with banks	18	4,913	85,169	90,082
Fixed deposit placements with Banks	18	-	1,649,382	1,649,382
Loans and advances	20	-	34,806,941	34,806,941
Investment in Gov't Securities at amortised cost	19		3,601,250	3,601,250
Other assets	21	-	50,106	50,106
Equity investment	23	-	1,784,200	1,784,200
		4,913	41,982,266	41,981,961
Financial liabilities				
Other liabilities	24	-	431,286	431,286
Lease Liabilities	26	103,266	-	103,266
Long-term Borrowings	25	-	20,993,595	20,993,595
Deposits	27	-	2,322,479	2,322,479
		103,266	23,747,360	23,850,626
Net on-balance sheet foreign exchange risk exposure				
		(98,353)	18,234,906	18,136,553

The Company manages foreign currency risk related to expenses incurred in foreign currencies by negotiating for favorable foreign exchange rates with bankers.

With all other variables held constant, a change in foreign exchange rate by +/-1.5% on all USD denominated financial assets and liabilities would have resulted in lower/higher results before tax and equity by TZS 759,000 (2024: Higher/lower results before tax and equity by TZS 1.48 million).

Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to pay creditors and fulfil commitments to lend.

The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Funding approach

Sources of liquidity are regularly reviewed by the Company's BARC to maintain a reasonable diversification by currency, provider, product and term.

The table below presents the cash flows payable by the Company under non-derivative financial liabilities by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows, as the Company manages the inherent liquidity risk based on expected cash outflows.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

30. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk (Continued)

	Notes	Up to1 month TZS '000	1-3 months TZS '000	3-12 months TZS '000	1-5 years TZS '000	Over 5 years TZS '000	Total TZS '000
As at 31 December 2025							
Financial Assets							
Cash and balances with banks	18	-	954,660	-	-	-	954,660
Fixed deposit placements with Banks	18	-	-	3,357,412	-	-	3,357,412
Investment in Gov't Securities at amortised cost	19	-	-	88,053	-	3,512,350	3,600,403
Loans and advances	20	548	8,517	107,808	6,481,412	30,395,307	36,993,592
Other assets	21	-	-	249,144	-	-	249,144
Equity investment	23	-	-	-	1,784,200	-	1,784,200
Total Financial Assets		548	963,177	3,802,417	8,265,612	33,907,657	46,939,411
As at 31 December 2025							
Financial liabilities							
Other liabilities	24	13,351	88,730	468,849	-	-	570,930
Long-term Borrowings	25	-	-	1,714,575	24,365,220	-	26,079,795
Lease Liabilities	26	-	-	434,658	-	-	434,658
Deposits	27	1,720,801	-	404,366	-	-	2,125,167
Total Financial liabilities		1,734,152	88,730	3,022,448	24,365,220	-	29,210,550
Net Liquidity gap		(1,733,607)	876,626	781,548	(13,277,817)	31,084,111	

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

30. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk (Continued)

	Notes	Up to1 month TZS '000	1-3 months TZS '000	3-12 months TZS '000	1-5 years TZS '000	Over 5 years TZS '000	Total TZS '000
As at 31 December 2024							
Financial Assets							
Cash and balances with banks	18	-	90,082	-	-	-	90,082
Fixed deposit placements with Banks	18	-	-	1,649,382	-	-	1,649,382
Investment in Gov't Securities at amortised cost	19	-	-	88,900	-	3,512,350	3,601,250
Loans and advances	20	1,430	11,962	858,988	25,221,818	8,712,743	34,806,941
Other assets	21	-	-	50,106	-	-	50,106
Equity investment	23	-	-	-	1,784,200	-	1,784,200
Total Financial Assets		1,430	102,044	2,647,376	27,006,018	12,225,093	41,981,961
As at 31 December 2024							
Financial liabilities							
Other liabilities	24	10,598	73,750	346,938	-	-	431,286
Long-term Borrowings	25	-	-	1,556,095	19,437,500	-	20,993,595
Lease Liabilities	26	-	-	103,266	-	-	103,266
Deposits	27	1,918,113	-	404,366	-	-	2,322,479
Total Financial liabilities		1,928,711	73,750	2,410,665	19,437,500	-	23,850,626
Net Liquidity gap		(1,927,281)	28,294	147,811	7,568,518	12,225,093	

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

30. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk

The Company takes security for funds advanced for mortgage loans to mitigate credit risk. The Company implements guidelines on the acceptability of specific classes of collateral. The principal collateral types for mortgage loans are mortgages over property and cash deposits. There were no significant changes in the quality of collateral held. Staff loans are generally not secured.

The Company manages credit risk by ensuring that counterparties dealt with are creditworthy. The financial assets that were past due or impaired as at year-end are disclosed in note 20 - ECL classification.

The company discloses maximum balance sheet exposure to credit risk as shown below:

		2025		2024	
		TZS'000	%	TZS'000	%
Financial assets					
Balances with Banks	18	4,312,072	9.19%	1,739,464	4.14%
Investment in Gov't Securities at amortised cost	19	3,600,403	7.67%	3,601,250	8.58%
Loans and advances - mortgages	20	36,667,850	78.12%	34,673,688	82.59%
Loans and advances - staff loans	20	325,742	0.69%	133,253	0.32%
Other assets	21	249,144	0.53%	50,106	0.12%
Equity investments	23	1,784,200	3.80%	1,784,200	4.25%
		46,939,411	100%	41,981,961	100%

The Company discloses concentration of credit risk by major counterparty as indicated below :

	At 31 December 2025		At 31 December 2024	
	TZS'000	%	TZS'000	%
Financial institutions				
Azania Bank Ltd	2,197,979	4.68%	13,235	0.03%
Other Banks	2,114,093	4.50%	1,726,229	4.11%
Bank of Tanzania	3,600,403	7.67%	3,601,250	8.58%
TMRC	1,784,200	3.80%	1,784,200	4.25%
Individuals				
Loans and advances - mortgages	36,667,850	78.12%	34,673,688	82.59%
Loans and advances - staff loans	325,742	0.69%	133,253	0.32%
Other assets	249,144	0.53%	50,106	1.12%
	46,939,411	100%	41,981,961	100%

The Company's concentration of credit risk is managed by client/counterparty. The maximum credit exposure to any client or counterparty as of 31 December 2025 was TZS 44.91 billion representing 91.76% (2024: TZS 40.15 billion representing 92.97%) of the Company's total assets. The Company held no collateral or other credit enhancements for this exposure.

Expected credit losses

The Company's policy requires the review of individual financial assets regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the impairment at the reporting date on a case-to-case basis and are applied to all individually significant accounts.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

30. FINANCIAL RISK MANAGEMENT (Continued)

Credit Risk (Continued)

Analysis of risk concentration

The following tables break down the company's main credit exposure as categorised by industry sector, and geographical sectors as of 31 December 2025

(i) Industry sectors

As of 31 December 2025, the industry breakdown shows TZS 9.6 billion for financial institutions and TZS 37 billion for individuals. In comparison, as of 31 December 2024, financial institutions were at TZS 7.1 billion, while individuals were at TZS 34.8 billion.

As at 31 December 2025

	Notes	Financial Institutions TZS `000	Individuals TZS `000	Total TZS `000
Financial assets				
Cash and balances with banks	18 (i)	954,660	-	954,660
Fixed deposit placements with Banks	18 (ii)	3,357,412	-	3,357,412
Investment in Gov't Securities at amortised cost	19	3,600,403	-	3,600,403
Loans and advances	20	-	36,993,592	36,993,592
Other assets*	21	223,003	26,141	249,144
Equity investment	23	1,784,200	-	1,784,200
Total financial assets		9,919,678	37,019,733	46,939,411

*Other assets (excludes prepayments as they are not financial assets).

As at 31 December 2024

	Notes	Financial Institutions TZS `000	Individuals TZS `000	Total TZS `000
Financial assets				
Cash and balances with banks	18 (i)	90,082	-	90,082
Fixed deposit placements with Banks	18 (ii)	1,649,382	-	1,649,382
Investment in Gov't Securities at amortised cost	19	3,601,250	-	3,601,250
Loans and advances	20	-	34,806,941	34,806,941
Other assets*	21	-	50,106	50,106
Equity investment	23	1,784,200	-	1,784,200
Total financial assets		7,124,914	34,857,047	41,981,961

*Other assets (excludes prepayments as they are not financial assets).

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

**30 FINANCIAL RISK MANAGEMENT (Continued)
Credit Risk (Continued)
Analysis of risk concentration (Continued)**

For these tables, the company have allocated exposures based on the country of domicile of its counterparties.

(ii) Geographical sectors

As at 31 December 2025	Notes	Tanzania TZS `000	Total TZS `000
Financial assets			
Cash and balances with banks	18 (i)	954,660	954,660
Fixed deposit placements with Banks	18 (ii)	3,357,412	3,357,412
Investment in Gov't Securities at amortised cost	19	3,600,403	3,600,403
Loans and advances	20	36,993,592	36,993,592
Other assets*	21	249,144	249,144
Equity investment	23	1,784,200	1,784,200
Total financial assets		46,939,411	46,939,411

*Other assets (excludes prepayments as they are not financial assets).

As at 31 December 2024	Notes	Tanzania TZS `000	Total TZS `000
Financial assets			
Cash and balances with banks	18 (i)	90,082	90,082
Fixed deposit placements with Banks	18 (ii)	1,649,382	1,649,382
Investment in Gov't Securities at amortised cost	19	3,601,250	3,601,250
Loans and advances	20	34,806,941	34,806,941
Other assets*	21	50,106	50,106
Equity investment	23	1,784,200	1,784,200
Total financial assets		41,981,961	41,981,961

*Other assets (excludes prepayments as they are not financial assets).

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

FINANCIAL RISK MANAGEMENT

30 (Continued)

Credit Risk (Continued)

Analysis of risk concentration (Continued)

(iii) Credit quality per segments, industry and asset classes

As at 31 December 2025	Notes	Stage 1 TZS '000	Stage 2 TZS '000	Stage 3 TZS '000	Others TZS '000	Total TZS '000
Financial assets						
Cash and balances with banks	18 (i)	954,660	-	-	-	954,660
Fixed deposit placements with Banks	18 (ii)	3,357,412	-	-	-	3,357,412
Investment in Gov't Securities at amortised cost	19	3,600,403	-	-	-	3,600,403
Loans and advances						
Mortgage customers	20	25,618,873	9,562,159	1,486,818	-	36,667,850
Staff	20	325,742	-	-	-	325,742
Other assets*	21	-	-	-	249,144	249,144
Equity investment	23	-	-	-	1,784,200	1,784,200
Total financial assets		33,857,090	9,561,159	1,486,818	2,033,344	46,939,411
Per Industry segment						
Financial Institutions		7,912,475	-	-	1,784,200	9,696,675
Individuals		25,944,615	9,562,159	1,486,818	249,144	37,242,736
		33,857,090	9,562,159	1,486,818	2,033,344	46,939,411

*Other assets (excludes prepayments as they are not financial assets).

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

FINANCIAL RISK MANAGEMENT

30 (Continued)

Credit Risk (Continued)

Analysis of risk concentration (Continued)

(iii) Credit quality per segments, industry and asset classes (Continued)

As at 31 December 2024	Notes	Stage 1 TZS '000	Stage 2 TZS '000	Stage 3 TZS '000	Others TZS '000	Total TZS '000
Financial assets						
Cash and balances with banks	18 (i)	90,082	-	-	-	90,082
Fixed deposit placements with Banks	18 (ii)	1,649,382	-	-	-	1,649,382
Investment in Gov't Securities at amortised cost	19	3,601,250	-	-	-	3,601,250
Loans and advances						-
Mortgage customers	20	22,630,959	10,847,696	1,195,033	-	34,673,688
Staff	20	133,253	-	-	-	133,253
Other assets*	21	-	-	-	50,106	50,106
Equity investment	23	-	-	-	1,784,200	1,784,200
Total financial assets		28,104,926	10,847,696	1,195,033	1,834,306	41,981,961
Per Industry segment						
Financial Institutions		5,340,714	-	-	1,784,200	7,124,914
Individuals		22,764,212	10,847,696	1,195,033	50,106	34,857,047
		28,104,926	10,847,696	1,195,033	1,834,306	41,981,961

*Other assets (excludes prepayments as they are not financial assets).

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

**30 FINANCIAL RISK MANAGEMENT (Continued)
Credit Risk (Continued)
Analysis of loans and advances to customers (Continued)**

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to mortgage lending is, as follows:

Loans and advances to customers at amortised cost

	At 31st December 2025			
	Stage 1 TZS'000	Stage 2 TZS'000	Stage 3 TZS'000	Total TZS'000
Descriptions				
Gross carrying amount as at 1 January	22,888,542	11,057,798	1,250,012	35,196,352
Changes in the gross carrying amount				-
Transfer to stage 1	2,868,716	(2,868,716)	-	-
Transfer to stage 2	(3,985,839)	4,616,030	(630,191)	-
Transfer to stage 3	(607,852)	(947,367)	1,555,219	-
New financial asset originated or purchased	5,061,908	691,237	-	5,753,145
Payments received and financial assets derecognised	(192,645)	(2,748,866)	(619,821)	(3,561,332)
Gross carrying amount as at 31 December 2025	26,032,830	9,800,116	1,555,219	37,388,165
Loss allowance as at 31 December 2025	88,039	238,133	68,401	394,573

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

30 FINANCIAL RISK MANAGEMENT (Continued)
Credit Risk (Continued)
Analysis of loans and advances to customers

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to mortgage lending is, as follows:

Loans and advances to customers at amortised cost

Descriptions	At 31st December 2024			
	Stage 1	Stage 2	Stage 3	Total
	TZS'000	TZS'000	TZS'000	TZS'000
Gross carrying amount as at 1 January	22,522,482	4,319,582	846,650	27,688,714
Changes in the gross carrying amount				-
Transfer to stage 1	504,547	(504,547)		-
Transfer to stage 2	(7,010,981)	7,203,290	(192,309)	-
Transfer to stage 3	(649,161)	(268,477)	917,638	-
New financial asset originated or purchased	7,521,655	797,612		8,319,267
Payments received and financial assets derecognised		(489,662)	(321,967)	(811,629)
Gross carrying amount as at 31 December 2024	22,888,542	11,057,798	1,250,012	35,196,352
Loss allowance as at 31 December 2024	124,329	210,103	54,979	389,411

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

30 FINANCIAL RISK MANAGEMENT (Continued)

Credit Risk (Continued)

Analysis of loans and advances to customers

An analysis of Loans and advances based on internal rating in relation to mortgage lending is as follows:

As at 31 December 2025	Stage 1 TZS `000	Stage 2 TZS `000	Stage 3 TZS `000	Total TZS `000
Internal rating grade				
Stage 1	26,032,830	-	-	26,032,830
Stage 2	-	9,800,116	-	9,800,116
Stage 3	-	-	1,555,219	1,555,219
Gross carrying amount	26,032,830	9,800,116	1,555,219	37,388,165
ECL allowance	(88,051)	(238,121)	(68,401)	(394,573)
Net Loans and advances to customers	25,944,779	9,561,995	1,486,818	36,993,592

As at 31 December 2024	Stage 1 TZS `000	Stage 2 TZS `000	Stage 3 TZS `000	Total TZS `000
Internal rating grade				
Stage 1	22,888,542	-	-	22,888,542
Stage 2	-	11,057,798	-	11,057,798
Stage 3	-	-	1,250,012	1,250,012
Gross carrying amount	22,888,542	11,057,798	1,250,012	35,196,352
ECL allowance	(124,330)	(210,103)	(54,979)	(389,412)
Net Loans and advances to customers	22,764,212	10,847,695	1,195,033	34,806,940

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

30. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)
Expected credit risk

Bank Balance Gross Carrying Amount analysis

Descriptions	At 31st December 2025			
	Stage 1 TZS'000	Stage 2 TZS'000	Stage 3 TZS'000	Total TZS'000
Gross carrying amount as at 1 January	1,743,548	-	-	1,743,548
Increase in ECL	2,574,934	-	-	2,574,934
At 31 December	4,318,482	-	-	4,318,482
ECL				
At 1 January	4,084	-	-	4,084
Increase in ECL	2,325	-	-	2,325
At 31 December	6,409	-	-	6,409
Descriptions	At 31st December 2024			
	Stage 1 TZS'000	Stage 2 TZS'000	Stage 3 TZS'000	Total TZS'000
Gross carrying amount as at 1 January	3,995,224	-	-	3,995,224
Decrease in ECL	(2,251,676)	-	-	(2,251,676)
At 31 December	1,743,548	-	-	1,743,548
ECL				
At 1 January	10,460	-	-	10,460
Decrease in ECL	(6,376)	-	-	(6,376)
At 31 December	4,084	-	-	4,084

30. FAIR VALUE OF ASSETS AND LIABILITIES

As at 31 December 2025 and 31 December 2024, the only asset that was measured at fair value was the equity investment. Refer to Note 23 for disclosures on the fair value of the equity investment.

The directors have assessed that the fair values of the Company's other financial instruments approximate their carrying amounts due to the short-term maturities of the instruments or the fact that long term financial instruments have interest rates that are in line with market rates.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

31. CAPITAL MANAGEMENT

The Company's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- To comply with the capital requirements set by Bank of Tanzania;
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and,
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored regularly by the Company's management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by Bank of Tanzania, for supervisory purposes.

Bank of Tanzania requires each housing finance company to maintain at all times:

- At least a core (Tier 1) capital of TZS 15 billion or such higher amount as Bank of Tanzania may prescribe.
- A ratio of core capital to the risk-weighted assets plus risk-weighted off-statement of financial position assets (the "Basel ratio") plus market risk and operational risk charges at or above the required minimum of 12.50% (2024: 12.50%); and
- A ratio of total capital to the risk-weighted assets plus risk-weighted off-statement of financial position items plus market risk and operational risk charges at or above the required minimum of 14.50% (2024: 14.50%).

Furthermore, every person engaged in mortgage finance operations is required to at all times ensure that the debt to equity ratio does not exceed 15:1. The Company's debt to equity ratio as at year-end was 1.49:1 (2024 – 1.24:1) which was in line with the requirement. Debt and equity considered in determining this ratio comprise the total liabilities and total equity respectively as presented in the statement of financial position.

The Company's regulatory capital as managed by its Finance Department is divided into two tiers:

- Core capital or Tier 1 capital means permanent shareholders' equity in the form of issued and fully paid ordinary shares, and perpetual non-cumulative preference shares, capital grants and disclosed reserves less year to date losses, goodwill, pre-operating expenses, prepaid expenses, deferred tax, deferred charges and leasehold rights assets; and
- Tier 2 capital: qualifying subordinated loan capital.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of, and reflecting an estimate of credit, market and other risks associated with, each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-statement of financial position exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The minimum capital requirements for market risk (foreign exchange risk, interest rate risk and equity positions risk) capital charge is determined by applying the Standardized Measurement Method specified by the Basel Committee on Banking Supervisions or such other methods as Bank of Tanzania may approve.

The minimum capital requirements for operational risk capital charge is determined by applying the Bank Indicator Approach specified by the Basel Committee on Banking Supervisions or such other methods as Bank of Tanzania may approve.

The table below summarizes the composition of regulatory capital and the ratios of the Company for the years ended 31 December 2025 and 31 December 2024. During these two years, the Company complied with the externally imposed capital requirements.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

31. CAPITAL MANAGEMENT (Continued)

	2025	2024
	TZS '000	TZS '000
Tier 1 Capital		
Share Capital	21,800,000	21,800,000
Accumulated Losses	(3,102,412)	(3,088,949)
Less:		
Prepayments	(846,410)	(547,274)
Total Qualifying Tier 1 Capital (Core Capital)	<u>17,851,178</u>	<u>18,163,777</u>
Tier 2 Capital		
Subordinated Debt	-	-
Total Qualifying Tier 2 Capital (Supplementary Capital)	<u>-</u>	<u>-</u>
Total Capital (Tier 1 + Tier 2)	<u>17,851,178</u>	<u>18,163,777</u>
Risk Weighted Assets and Capital Charges		
On-Statement of Financial Position	23,432,349	20,847,120
Operational Risk Capital Charge	1,209,441	987,038
Total Risk Weighted Assets and Capital Charges	<u>24,641,790</u>	<u>21,834,158</u>
Ratios:		
Tier 1 Capital (BOT Required 12.50%)	<u>72.44%</u>	<u>83.19%</u>
Tier 1 + Tier 2 Capital (BOT Required 14.50%)	<u>72.44%</u>	<u>83.19%</u>

There were no changes in the Company's capital management objectives and policies for the year ended 31 December 2025.

32. OFF-STATEMENT OF FINANCIAL POSITION COMMITMENTS

(a) Loan commitments

The Company had a loan commitment for undrawn tranches amounting of TZS 183.2 million as at year-end (2024: TZS 325 million).

The company has signed the finance agreement with USA Based company International finance corporation (IFC) on long-term borrowing amounting to USD 2 million, the funds will be released in a single disbursement, which is expected to happen in April 2026 (2024: Nil)

(b) Financial guarantees and indemnities

The Company had no such facilities at year-end (2024: Nil).

(c) Capital commitments

The Company had no capital commitments at year-end (2024: Nil).

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

33. CONTINGENT LIABILITIES

The Company had no contingent liabilities at year-end (2024: Nil).

Additional Regulatory Disclosures

Certain disclosures required under Market Discipline Guidelines for Banks and Financial Institutions are not included within these financial statements. These disclosures are available at: <https://firsthousing.co.tz/other-disclosure/>

34. EVENTS AFTER THE REPORTING PERIOD

Following the reporting date, On 22nd January 2026, The company officially launched its Corporate (Makazi) Bond at an interest rate of 13% for a period of four years. The 4-year senior unsecured note program worth TZS 10,000,000,000 (Tanzania Shillings Ten Billion), the bond shall be listed on the Dar es Salaam Stock Exchange (DSE) on 15th April 2026. The notes are exclusively available for distribution within Tanzania and are not intended for distribution outside the country. The net proceeds from the issuance will be incorporated into the issuer's liabilities and will be used to finance an eligible affordable mortgage portfolio in alignment with the FHF business strategy.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

**MEMORANDUM FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

TABLE OF CONTENTS	PAGE
Memorandum statement of profit or loss and other comprehensive income	117
Memorandum statement of financial position	118
Memorandum statement of changes in equity	119
Memorandum statement of cash flows	120
Notes to the memorandum financial information	121 - 134

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

	Notes	31-Dec-25 USD	31-Dec-24 USD
Interest Income calculated using effective interest method	2	2,727,479	2,336,643
Interest Expense calculated using effective interest method	3	(1,171,966)	(843,224)
Net Interest Income		1,555,513	1,493,419
Expected credit losses	4	(88,190)	(51,635)
Fees Income	6	64,342	68,467
Foreign Exchange Loss		(5,686)	(1,866)
Other Income	7	69,227	37,482
Net Income		1,595,206	1,545,867
Operating Expenses	8	(1,344,966)	(1,299,344)
Depreciation of property & equipment	9	(16,956)	(14,367)
Depreciation of right of use assets	16	(31,866)	(31,134)
Amortisation of intangible assets	11	(8,178)	(7,227)
Profit Before Tax		193,240	193,795
Income Tax Expense	9(i)	(35,941)	(35,355)
Profit for the Year		157,299	158,440
Other Comprehensive Income <i>Other comprehensive income not to be reclassified to profit or loss</i>			
Gain on equity investments at FVOCI	17	-	6,237
Deferred tax reversal/(charge)	9(v)	-	(1,871)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods, net of tax		-	4,366
Foreign currency translation gain/loss		(152,067)	348,755
Total Comprehensive Profit for the Year, Net of Tax		5,232	511,561

FIRST HOUSING FINANCE (TANZANIA) LIMITED

**MEMORANDUM STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2025**

	Notes	31-Dec-25 USD	31-Dec-24 USD
ASSETS			
Cash and Balances with Bank	12 (i)	390,273	39,795
Fixed deposit placements with Banks	12 (ii)	1,370,288	688,747
Investment in Gov't Securities at amortised cost	13	1,469,462	1,503,804
Loans and Advances	14	15,098,500	14,534,626
Equity Investments	17	728,200	745,043
Current income tax recoverable	9(v)	180,897	165,501
Other Assets	15	447,138	249,453
Property and Equipment	10	88,210	33,462
Right-of-use assets	16	180,154	36,629
Intangible Assets	11	26,273	23,351
TOTAL ASSETS		<u>19,979,395</u>	<u>18,020,411</u>
LIABILITIES & EQUITY			
LIABILITIES			
Other liabilities	18	241,050	186,532
Long-term Borrowings	19	10,644,162	8,766,471
Lease liabilities	20	177,401	43,122
Deposits	21	867,362	969,817
Deferred tax liability	8 (iv)	18,748	17,663
TOTAL LIABILITIES		<u>11,948,723</u>	<u>9,983,605</u>
EQUITY			
Share Capital	22 (i)	8,688,063	8,688,063
Accumulated losses		(1,243,680)	(1,232,355)
Fair value reserve	22 (ii)	42,558	42,558
Regulatory Reserve	22 (iii)	354,775	186,151
Translation reserve		188,956	352,389
TOTAL EQUITY		<u>8,030,672</u>	<u>8,036,806</u>
TOTAL LIABILITIES & EQUITY		<u>19,979,395</u>	<u>18,020,411</u>

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

	Share Capital USD	Accumulated Losses USD	Fair Value Reserve* USD	Regulatory Reserve** USD	Translation reserve ***	Total USD
Year Ended 31 December 2025						
At 01 January 2025	8,688,063	(1,232,355)	42,558	186,151	341,023	8,025,440
Profit for the Year, Net of Tax	-	157,299	-	-	-	157,299
Transfer To Regulatory Reserve	-	(168,624)	-	168,624	-	-
Translation Adjustment Reserve	-	-	-	-	(152,067)	(152,067)
At 31 December 2025	8,688,063	(1,243,680)	42,558	354,775	188,956	8,030,672
Year Ended 31 December 2024						
At 01 January 2024	8,688,063	(1,315,095)	38,192	110,450	(7,732)	7,513,878
Profit for the Year, Net of Tax	-	158,441	4,366	-	-	162,807
Transfer To Regulatory Reserve	-	(75,701)	-	75,701	-	-
Translation Adjustment Reserve	-	-	-	-	348,755	348,755
At 31 December 2024	8,688,063	(1,232,355)	42,558	186,151	341,023	8,025,440

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

	Notes	31-Dec-25 USD	31-Dec-24 USD
Operating Activities			
Profit before tax		193,241	193,796
<i>Adjustment for Non-Cash Items</i>			
Interest expense on lease liabilities	3	1,183	4,508
Expected credit losses on loans	4	34,036	54,087
Expected credit loss on banks	4	915	1,570
Expected credit losses on government securities	4	-	-
Net gains/(losses) on derecognition of financial assets measured at amortised cost	5	53,239	-
Interest expense on long term borrowings	3	1,152,330	821,693
Amortization of Intangible assets	11	8,178	7,227
Depreciation of Right-of-use assets	16	31,866	31,134
Depreciation of property and equipment	10	16,956	14,366
Net foreign exchange difference on lease liabilities	20	(3,562)	1,715
<i>Changes in Operating Assets and Liabilities</i>			
Loans and Advances		(947,836)	(2,886,787)
Other Assets		(196,057)	(91,187)
Government securities		333	(265)
Deposits from customers (cash cover)		(77,653)	169,906
Other Liabilities		56,636	(42,579)
Tax Paid	9(v)	(40,982)	(22,701)
Interest Paid on Lease	20	(3,455)	(3,291)
Net cash flow used in operating activities		<u>279,368</u>	<u>(1,746,808)</u>
Investing activities			
Purchase of Property & Equipment	10	(70,477)	(21,223)
Purchase of Intangible Assets	11	(11,506)	(21,250)
Matured deposits with banks	12	(673,114)	610,412
New shares purchased	17	-	(56,131)
Net cash flow from/ (used in) Investing Activities		<u>(755,097)</u>	<u>511,808</u>
Financing activities			
Repayment of principal portion of lease liabilities	20	(34,806)	(33,150)
New loans received	19	2,951,639	1,922,567
Interest Paid on Long-term borrowings	19	(1,153,377)	(784,253)
Principal repayments on long term borrowings	19	(984,909)	(120,160)
Net cash flow from financing activities		<u>814,547</u>	<u>985,004</u>
Net (Decrease) / Increase in cash and cash equivalents		338,818	(249,996)
Net foreign exchange difference on cash balances		-	-
Translation reserve		11,660	(7,298)
Cash and Cash Equivalents at 1 January		39,795	297,089
Cash and Cash Equivalents at the end of the year		<u>390,273</u>	<u>39,795</u>

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

1 FUNCTIONAL AND PRESENTATION CURRENCY

The Company's general purpose financial statements are prepared and presented in Tanzanian Shillings (TZS) because it is the Company's functional currency. The memorandum financial statement representing the results in United States Dollars (USD) is for presentation purposes only and does not form part of the audited financial statements. The exchange rates used to translate the TZS figures to the USD memorandum were as follows:

- Assets and liabilities were translated at the closing rate on 31 December 2025 of TZS 2450.15 to USD 1 (2024: TZS 2394.76 to USD 1)
- Income and expenses were translated using an average exchange rate for the year of TZS 2540.96 to USD 1 (2024: TZS 2600.69 to USD 1)
- Equity is not translated; and
- All resulting exchange differences are being recognized in other comprehensive income.

	31-Dec-25 USD	31-Dec-24 USD
2 INTEREST INCOME*		
Interest from Loans & Advances - Mortgages	2,308,635	1,923,403
Interest from Loans & Advances - Staff Loans	9,652	7,587
Interest from FDR Placements	118,554	106,406
Interest fees integral to EIR - Processing and facility	78,827	91,710
Interest from Government Securities	211,811	207,537
	<u>2,727,479</u>	<u>2,336,643</u>

* Interest is calculated using Effect Interest Method

3 INTEREST EXPENSE*

Deposits	18,453	17,023
Lease liabilities	1,183	4,508
Long Term Borrowings	1,152,330	821,693
	<u>1,171,966</u>	<u>843,224</u>

* Interest is calculated using Effect Interest Method

4 IMPAIRMENT CHARGES

Allowance for Impairment		
ECL - Government Securities - decrease	-	-
ECL - Loans & Advances - increase	87,275	54,087
ECL - Balances with banks - increase / (decrease)	915	(2,452)
	<u>88,190</u>	<u>51,635</u>

- ECL – Loans and advances comprises additional expected credit losses recognised in the current year amounting to USD 34,951, together with net losses on derecognition of loans and advances measured at amortised cost amounting to USD 53,239.

**5 NET LOSSES ON DERECOGNITION OF
FINANCIAL ASSETS MEASURED AT AMORTISED
COST**

Net losses on derecognition of financial assets measured at amortised cost	53,239	-
	<u>53,239</u>	<u>-</u>

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

	31-Dec-25 USD	31-Dec-24 USD
6 FEES INCOME		
Application Fee	7,714	9,844
Legal & Technical Fee	20,977	29,689
Banc Assurance Fee	35,651	28,934
	64,342	68,467
7 OTHER INCOME		
Dividend	7,934	15,419
Miscellaneous Income	61,293	22,063
	69,227	37,482
8 OPERATING EXPENSES	31-Dec-25 USD	31-Dec-24 USD
Administrative Expenses	107,116	50,780
Advertisement, Marketing & Promotion Expenses	27,842	27,022
Auditor's Fees	35,915	29,172
Bank Charges	5,061	3,632
Cleaning Expenses	4,124	4,566
Communication Expenses	32,229	36,486
Directors' Fees	52,312	53,255
Board travel and sitting expenses	24,836	6,594
License, Insurance and Subscription Expenses	120,869	104,446
Personnel Expenses - Note 8(a)	662,846	710,105
Printing & Stationery Expenses	13,350	12,940
Professional Fees	16,480	16,618
Electricity and Water Expenses	7,664	8,251
Relieve and Travel Expenses	38,894	29,651
Repairs, Maintenance & Fuel Expenses	95,809	97,903
Security Expenses	4,346	4,715
Training Expenses	16,545	15,571
Fees to TMRC & Other Lenders	33,216	22,751
Excise duty on Fees & Commissions	16,314	23,343
VAT on Fees & Commissions	29,198	41,543
	1,344,966	1,299,344
(a) PERSONELL EXPENSES		
Salaries and wages	493,686	533,607
House allowances	2,370	1,615
Transport allowances	73,937	79,110
Social security contribution	58,246	62,412
Skills and Development Levy	20,386	21,844
Staff welfare	590	769
Workers Compensation Fund	2,912	3,121
Acting Allowance	4,138	2,019
Incentives	6,581	5,608
	662,845	710,107

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

	31-Dec-25 USD	31-Dec-24 USD
9 TAXATION		
i) Current Tax		
Final tax on dividend	793	1,542
Income tax charge - 30%	35,148	33,813
	<u>35,941</u>	<u>35,355</u>
Reconciliation of tax expenses		
Taxable Income	117,159	112,710
Income tax charge - 30%	35,148	33,813
Final Tax on Dividend	793	1,542
Total Current Tax	<u>35,941</u>	<u>35,355</u>

The Company had accumulated tax losses of USD 565,015 (2024: USD 764,552). The company utilized 60% to reduce the accumulated tax losses. Dividend income received from TMRC equity investments amounted to USD 7,934 (2024: USD 15,419).

	31-Dec-25 USD	31-Dec-24 USD
ii) Deferred Tax		
Accelerated depreciation of property & equipment	(12,562)	(82,156)
ECL Impairment – current year	(49,710)	(47,497)
Tax losses carried forward	(169,505)	(211,203)
Net Deferred Tax Asset	<u>(231,777)</u>	<u>(340,856)</u>
Movement in Deferred Tax		
Opening Balance	(340,856)	413,241
Prior year adjustment	70,650	-
Credit for the Year	54,725	36,519
Foreign exchange translation adjustment	(16,296)	(790,616)
Deferred Tax Asset	<u>(231,777)</u>	<u>(340,856)</u>

The deferred tax asset has not been recognised in the financial statements because of uncertainties as to when the Company will generate sufficient taxable profits against which the deferred tax asset can be utilised. It should be noted that in the event the Company generates sufficient taxable profits, the unrecognized deferred tax assets can be utilised. Tanzania tax laws have no limits for carrying forward tax losses.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

9 TAXATION (Continued)	31-Dec-25 USD	31-Dec-24 USD
iii) Tax reconciliation		
Accounting Profit before Tax	193,241	193,796
Tax calculated at the rate of 30%	57,972	58,139
Tax effect of:		
Deferred Tax Credit not recognised	(54,725)	(36,519)
Disallowable items- permanent	29,521	(16,994)
Income tax not subject to tax	2,380	(4,626)
Alternative Minimum Tax	-	33,813
Final withholding tax on dividend income	793	1,542
	<u>35,941</u>	<u>35,355</u>

The Company will dully submit its final tax return for the financial year ended 31 December 2025 by the due date for filling tax assessments.

iv) Deferred tax liability

At 1 January	17,663	17,293
Charge during the year	-	1,871
Foreign exchange translation adjustment	1,085	(1,501)
At 31 December	<u>18,748</u>	<u>17,663</u>

The deferred tax liability relates to the fair value gain on equity investment. It is considered that the gains on equity investments could be taxed differently from other income, and hence losses.

v) Current income tax recoverable

As at 01 January	(165,501)	(195,087)
Tax paid - 2024	(17,352)	-
Tax Paid during the year -2025	(15,742)	-
Tax Paid during the year - WHT credit	(7,888)	(24,653)
Current tax for the year recognized in P&L-Note 9(i)	35,941	35,355
Foreign exchange translation adjustment	(10,355)	18,884
As at 31 December	<u>(180,897)</u>	<u>(165,501)</u>

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

10 PROPERTY AND EQUIPMENT

	Leasehold Improvements	Computer Hardware	Furniture & Fittings	Other Equipment	Work-in- progress	Translation adjustment reserve***	Total
	USD	USD	USD	USD	USD	USD	USD
Cost							
As at 01 January 2025	9,917	148,313	60,693	65,911	-	12,508	297,342
Additions	152	18,873	669	8,844	41,940		70,478
Write offs	(9,917)	-	-	-			(9,917)
Translation Adjustment Reserve						(4,111)	(4,111)
As at 31 December 2025	152	167,186	61,362	74,755	41,940	8,397	353,792
Depreciation							
As at 01 January 2025	(8,701)	(136,112)	(57,686)	(62,216)	-	835	(263,880)
Charge for the Year	(1,219)	(11,263)	(1,031)	(3,443)			(16,956)
Write offs	9,917	-	-	-			9,917
Translation Adjustment Reserve						5,337	5,337
As at 31 December 2025	(3)	(147,375)	(58,717)	(65,659)	-	6,172	(265,582)
Net Carrying Value							
As at 31 December 2025	149	19,811	2,645	9,096	41,940	14,569	88,210

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

10 PROPERTY AND EQUIPMENT (Continued)

	Leasehold Improvements	Computer Hardware	Furniture & Fittings	Other Equipment	Work-in- progress	Translation adjustment reserve***	Total
	USD	USD	USD	USD	USD	USD	USD
Cost							
As at 01 January 2024	9,917	135,438	59,591	56,840	-	-	261,786
Additions	-	12,875	1,102	9,071	-	-	23,048
Translation Adjustment Reserve	-	-	-	-	-	12,508	12,508
As at 31 December 2024	9,917	148,313	60,693	65,911	-	12,508	297,342
Depreciation							
As at 01 January 2024	(6,304)	(127,111)	(56,878)	(60,055)	-	-	(250,348)
Charge for the Year	(2,397)	(9,001)	(808)	(2,161)	-	-	(14,367)
Translation Adjustment Reserve	-	-	-	-	-	835	835
As at 31 December 2024	(8,701)	(136,112)	(57,686)	(62,216)	-	835	(263,880)
Net Carrying Value							
As at 31 December 2024	1,216	12,201	3,007	3,695	-	13,343	33,462

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

	Year Ended 31-Dec-25 USD	Year Ended 31-Dec-24 USD
11 INTANGIBLE ASSETS - COMPUTER SOFTWARE		
Cost		
As at 01 January	146,589	117,879
Additions	11,506	23,077
Foreign exchange translation adjustment	(2,888)	5,633
As at 31 December	<u>155,207</u>	<u>146,589</u>
Amortisation		
As at 01 January	(123,238)	(110,128)
Charge for the Year	(8,178)	(7,227)
Foreign exchange translation adjustment	2,482	(5,883)
As at 31 December	<u>(128,934)</u>	<u>(123,238)</u>
Carrying amount	<u>26,273</u>	<u>23,351</u>
12 CASH AND BALANCES WITH BANKS		
- Cash in Hand	640	2,179
- Current account balances	389,633	37,616
- Fixed Deposit Placement with banks	1,372,904	690,452
Total	<u>1,763,177</u>	<u>730,247</u>
Less: Expected Credit Loss Allowance	(2,616)	(1,705)
Net Cash and Balances with Bank	<u>1,760,561</u>	<u>728,542</u>
12 (i) CASH AND BALANCES WITH BANKS		
- Cash in Hand	640	2,179
- Current account balances	389,633	37,616
Total	<u>390,273</u>	<u>39,795</u>
Less: Expected Credit Loss Allowance	-	-
Net Cash and Balances with Bank	<u>390,273</u>	<u>39,795</u>
(ii) FIXED DEPOSIT PLACEMENT WITH BANKS		
1 January	690,452	1,291,636
Additions	1,920,343	1,523,797
Interest during the year	116,707	106,406
Matured	(1,343,314)	(2,302,257)
Foreign exchange translation adjustment	(11,284)	70,870
31 December	<u>1,372,904</u>	<u>690,452</u>
Less: Expected Credit Loss Allowance	(2,616)	(1,705)
Net Fixed deposit placements with Banks	<u>1,370,288</u>	<u>688,747</u>

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

12 CASH AND BALANCES WITH BANKS (Continued)	31-Dec-25 USD	31-Dec-24 USD
Movement in ECL allowance		
At 01 January	1,705	4,169
Increase / (Decrease) in ECL during year	911	(2,662)
Foreign exchange translation adjustment	(4)	198
At 31 December	<u>2,616</u>	<u>1,705</u>
Current	452,782	39,901
Non-Current	1,307,780	688,641
	<u>1,760,562</u>	<u>728,542</u>

As at year end, the Bank held a fixed deposit placement with Tanzania Commercial Bank amounting to USD 695,573 earning interest at a rate of 13.00% per annum. The deposit has a tenure of one year and is due to mature on 16 April 2026. The fixed deposit receipt has been pledged as security for a long-term borrowing from Tanzania Mortgage Refinance Company, which had an outstanding balance of USD 816,277 at year end. In addition, the Bank maintained a call deposit with Azania Bank amounting to USD 612,207 earning interest at a rate of 8.00% per annum. This call deposit is free from any encumbrance.

Total interest receivable as at year end amounted to USD 62,797.

13 INVESTMENT IN GOVERNMENT SECURITIES AT AMORTISED COST*	31-Dec-25 USD	31-Dec-24 USD
Investment in Treasury Bond		
- Opening Balance	1,503,822	1,434,967
- Additions / (Release)	(334)	287
Foreign exchange translation adjustment	(34,009)	68,568
- Closing Balance	1,469,479	1,503,822
Less: Expected Credit Loss Allowance	(17)	(18)
Net carrying amount	<u>1,469,462</u>	<u>1,503,804</u>
Current	35,938	37,123
Non-Current	1,433,524	1,466,681
	<u>1,469,462</u>	<u>1,503,804</u>

*All government securities are in stage 1 for the purpose of Expected Credit Loss (ECL)

Treasury bonds amounting to USD 1.2 million have been used as collateral to secure the long term borrowing from NBC Bank Limited, the outstanding balance for which is USD 1.4 million as at 31st December 2025. The interest rate on this borrowing is 13.26%pa interest rate and is fixed for 5 years, ending September 2028. The NBC Limited loan is also secured by qualified mortgage loans resulting in a collateral loan ratio of 125%.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

14 LOANS & ADVANCES TO CUSTOMERS	31-Dec-25 USD	31-Dec-24 USD
i) Net carrying amount		
- Mortgages	15,116,286	14,638,516
- Staff personal Loans	143,254	58,720
Gross loans and advances	<u>15,259,540</u>	<u>14,697,236</u>
	(161,040)	(162,610)
Less: Expected Credit Loss Allowance		
Net carrying amount	<u>15,098,500</u>	<u>14,534,626</u>
ii) Loan Maturity Analysis		
With Maturity of 3 months or less	3,700	5,592
With Maturity of between 3 months and 1 year	44,001	358,695
With Maturity of more than 1 year	15,050,799	14,170,339
	<u>15,098,500</u>	<u>14,534,626</u>

The portfolio of qualified mortgages amounting to USD 8.5 million has been placed as a security against borrowings from Tanzania Mortgage Refinance Company USD 7.4 million, Azania Bank PLC USD 408,138, Equity Bank Tanzania Limited USD 1.4 million, and NBC Bank Limited USD 1.4 million resulting in an overall security coverage of at least 125% of the borrowings

iii) Movement in allowance for impairment of loans and advances is as follows:

	31-Dec-25 USD	31-Dec-24 USD
As at 01 January	162,610	99,134
Impairment Charge	34,036	54,087
Release on provision	(32,004)	-
Foreign exchange translation adjustment	(3,602)	9,389
As at 31 December	<u>161,040</u>	<u>162,610</u>

**iv) Additional Provision as per Bank of Tanzania Regulations
Regulatory Impairment**

	31-Dec-25 USD	31-Dec-24 USD
As at 01 January	191,428	110,450
Provision increase during the year	168,624	75,701
Foreign exchange translation adjustment	(4,327)	5,277
As at 31 December	<u>355,725</u>	<u>191,428</u>

Regulatory Reserve represent additional allowance for losses charged to retained earnings. The reserve is not available for distribution.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

15 OTHER ASSETS	31-Dec-25	31-Dec-24
	USD	USD
Prepaid expenses	345,452	228,530
Fees Receivable	6,540	1,976
Other Assets	95,146	18,947
	447,138	249,453
16 RIGHT OF USE ASSETS		
Office Premises	31-Dec-25	31-Dec-24
	USD	USD
As at 01 January	169,059	161,349
Renewal	177,401	-
Foreign exchange translation adjustment	(3,823)	7,710
As at 31 December	342,637	169,059
Depreciation		
As at 01 January	(132,430)	(94,120)
Charge for the Year	(31,866)	(31,134)
Write offs	-	-
Foreign exchange translation adjustment	1,813	(7,176)
As at 31 December	(162,483)	(132,430)
Net Book Value	180,154	36,629
17 EQUITY INVESTMENTS	31-Dec-25	31-Dec-24
	USD	USD
At 01 January	745,043	646,424
New Shares Purchased	-	60,958
Fair Value Gain for the year	-	6,237
Foreign exchange translation adjustment	(16,843)	31,424
At 31 December	728,200	745,043

The equity investment relates to a 3.87% (2023: 4.34%) shareholding in Tanzania Mortgage Refinance Company Limited (TMRC) comprising of 616,523 ordinary shares acquired at a share price of TZS 1,622 in 2016, 383,477 shares acquired as part of a rights issue at a discounted share price of TZS 1,265 in 2020 and 100,000 shares acquired as part of a rights issue at a discounted share price of TZS 1,459.80 in 2024.

The equity investment has been classified as fair value through other comprehensive income (FVOCI). The directors have determined that the fair value of the equity investment remained as TZS 1,622 per share as at 31 December 2024 and 31 December 2023 basing on share sales transactions done by TMRC at the same price.

Fair value hierarchy – financial instruments held at fair value

The fair value of the Bank's equity instruments has been determined on the basis of level 2 fair value measurements. Fair valuation of the Banks assets considers three levels of measurement based on the observability of the significant inputs used to determine the fair values. Changes in the observability of significant valuation inputs during the reporting period may result in a transfer of assets and liabilities within the fair value hierarchy. The Company recognizes transfers between levels of the fair value hierarchy when there is a significant change in either its principal market or the level of observability of the inputs to the valuation techniques as at the end of the reporting period.

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

17 EQUITY INVESTMENTS (Continued)

Level 1: Fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities

Level 2: Fair value measurements are those with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable

Level 3: Fair value measurements are those where inputs which could have a significant effect on the instrument's valuation are not based on observable market data.

18 OTHER LIABILITIES	31-Dec-25	31-Dec-24
	USD	USD
Accrual for Communication Expenses	598	2,260
Accrual for Auditor's Fees	36,214	30,796
Accrual for Printing & Stationery Expenses	1,563	2,846
Other Accrued Expenses	3,288	2,022
Statutory Payables	8,034	6,438
Other Payables	191,355	142,170
	241,050	186,532
	31-Dec-25	31-Dec-24
	USD	USD
19 LONG TERM BORROWINGS		
At beginning of the year	8,766,471	6,459,744
Funds received during the year	3,061,037	2,087,892
Principal repayment during the year	(984,078)	(130,493)
Interest charge for the year	1,152,330	821,693
Interest paid in the year	(1,153,377)	(784,253)
Foreign exchange translation adjustment	(198,221)	311,888
At the end of the year	10,644,162	8,766,471
Current	699,784	649,792
Non-Current	9,944,378	8,116,679
	10,644,162	8,766,471
i) TMRC	31-Dec-25	31-Dec-24
	USD	USD
At beginning of the year	6,337,522	4,663,030
Funds received during the year	1,224,415	1,670,314
Interest charge for the year	731,365	578,111
Interest paid in the year	(701,121)	(574,264)
Foreign exchange translation adjustment	(142,151)	331
At the end of the year	7,450,030	6,337,522

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

19 LONG TERM BORROWINGS (Continued)

A summary of long-term borrowings during the year from TMRC

Financial Institution	Reference	Original Contract Start date	Original Contract End date	Interest Rate	Amount in USD
TMRC	FHF-1	10-Nov-20	10-Nov-25	7.50%	408,138.24
	FHF-2&3	11-Apr-24	10-Apr-26	12.60%	2,448,829.46
	FHF-4	23-Jun-25	24-Jun-30	12.60%	816,276.49
	FHF-5	20-Jun-23	19-Jun-26	11.00%	816,276.49
	FHF-6(1)	27-Mar-24	26-Mar-26	12.60%	612,207.37
	FHF-6(2)	30-May-24	26-Mar-26	12.60%	204,069.12
	FHF-7(2)	30-Aug-24	30-Aug-27	12.60%	408,138.24
	FHF-7(1)	26-Sep-24	30-Aug-27	12.60%	408,138.24
	FHF-8	12-Jul-25	10-Jul-30	12.60%	408,138.24
	FHF-9	22-Dec-25	21-Dec-30	12.60%	816,276.49
Total					7,346,488.39

ii) EQUITY BANK

	31-Dec-25 USD	31-Dec-24 USD
At beginning of the year	-	-
Funds received during the year	1,428,484	-
Principal repayment during the year	(65,767)	-
Interest charge for the year	144,376	-
Interest paid in the year	(141,352)	-
Foreign exchange translation adjustment	112	-
At the end of the year	<u>1,365,853</u>	<u>-</u>

The long-term borrowing was given on March 2025, with the principal amount of USD 1.4 million at 14% interest rate per annum which is fixed over 7 years of the facility. The purpose of the loan is to refinance a portfolio of mortgage loans. Repayments of principal and interest are on monthly basis ending March 2032.

iii) NBC BANK

	31-Dec-25 USD	31-Dec-24 USD
At beginning of the year	1,991,286	2,009,368
Funds received during the year	-	-
Principal repayment during the year	(510,173)	(130,493)
Interest charge for the year	213,925	225,087
Interest paid in the year	(233,085)	(209,988)
Foreign exchange translation adjustment	(45,726)	97,312
At the end of the year	<u>1,416,227</u>	<u>1,991,286</u>

The long-term borrowing was given on October 2023, with principal amount of USD 2.04 million at 11.76% interest rate which later increased to 13.26% pa. The purpose of the loan is to refinance a portfolio of mortgage loans. Repayments of principal and interest on quarterly basis, while principal repayment grace period is one year ending October 2024. The facility has been secured by Government securities worth USD 1.18 million plus a portfolio of qualified mortgage loans with an overall security coverage of at least 125% of the loan

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

19 LONG TERM BORROWINGS (Continued)

iv) AZANIA BANK PLC	31-Dec-25	31-Dec-24
	USD	USD
At beginning of the year	437,663	-
Funds received during the year	408,138	417,578
Principal repayment during the year	(408,138)	-
Interest charge for the year	62,663	18,495
Interest paid in the year	(77,819)	-
Foreign exchange translation adjustment	(10,455)	1,590
At the end of the year	412,052	437,663

The twelve months loan was issued on 07th February 2025, with principal amount of USD 408,138 at an interest rate of 14%pa. The purpose of the loan is to refinance a portfolio of mortgage loans. Repayment of principal on maturity while interest on monthly basis. The facility has been secured by portfolio of qualified mortgage loans with an overall security coverage of at least 150% of the borrowing amount.

20 LEASE LIABILITIES	31-Dec-25	31-Dec-24
	USD	USD
At 1 January	43,122	72,475
Renewal during the year	177,401	-
Accretion of interest	1,183	4,896
Payment during the year - interest	(3,455)	-
Payments during the year - principal	(34,806)	(39,574)
Foreign exchange differences	(3,562)	1,862
Foreign exchange translation adjustment	(2,482)	3,463
At 31 December	177,401	43,122
Current	47,018	19,167
Non-Current	130,383	23,955
	177,401	43,122

The expenses charged to profit or loss in respect to lease arrangements were as follows:

Right of use asset depreciation - note 16	31,866	31,134
Lease liability accretion of interest	1,183	4,508
Foreign exchange differences	(3,562)	1,715
	29,487	37,357

FIRST HOUSING FINANCE (TANZANIA) LIMITED

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

	31-Dec-25	31-Dec-24
	USD	USD
21 DEPOSITS		
At beginning of the year	969,817	749,487
Addition during the year - Cash Cover	156,858	338,969
Matured cash margin/Utilization	(254,209)	(158,908)
Interest payable on Term Deposits and Cash Cover	20,429	18,121
Foreign exchange translation adjustment	(25,533)	22,148
At the end of the year	<u>867,362</u>	<u>969,817</u>
Current	846,951	951,696
Non-Current	20,411	18,121
	<u>867,362</u>	<u>969,817</u>

Deposits represent funds placed as collateral to secure mortgage facilities. Each customer is required to provide a cash margin equal to 20% of the disbursed mortgage amount. These balances cannot be offset against the customer's outstanding loan. The deposits accrue interest at an annual rate of 1.5%, payable once per year.

	31-Dec-25	31-Dec-24
	USD	USD
22 (i) SHARE CAPITAL		
Authorised Share Capital		
1,100,000,000 Ordinary Shares of TZS 100 each	<u>43,838,848</u>	<u>43,838,848</u>
Issued & Paid-up Share Capital		
Opening: 218,000,000 Ordinary Shares of TZS 100 each (2024: 218,000,000 Ordinary Shares of TZS 100 each)	8,688,063	8,688,063
Shares Issued: - Ordinary Shares of TZS 100 each (2024: - Ordinary Shares of TZS 100 each)	-	-
Closing : 218,000,000 Ordinary Shares of TZS 100 each (2024: 218,000,000 Ordinary Shares of TZS 100 each)	<u>8,688,063</u>	<u>8,688,063</u>
(ii) FAIR VALUE RESERVE		
At beginning of the year	44,758	38,192
Net change in fair value of equity instruments at FVOCI	-	4,366
Foreign exchange translation adjustment	(1,012)	2,200
At the end of the year	<u>43,746</u>	<u>44,758</u>
(iii) REGULATORY RESERVE		
At beginning of the year	191,428	115,728
Transfer to Regulatory Reserve	168,624	75,701
Foreign exchange translation adjustment	(4,327)	(1)
At the end of the year	<u>355,725</u>	<u>191,428</u>