REPORT OF THE CONTROLLER AND AUDITOR GENERAL

THE UNITED REPUBLIC OF TANZANIA

NATIONAL AUDIT OFFICE

ISO 9001:2015 Certified

AZANIA BANK PLC

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL AND COMPLIANCE AUDIT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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March 2024

AR/PA/ABPLC/2023

About the National Audit Office

Mandate

The statutory mandate and responsibilities of the Controller and Auditor-General are provided for under Article 143 of the Constitution of the United Republic of Tanzania of 1977 and in Section 10 (1) of the Public Audit Act, [Cap 418 R.E 2020].

NAOT mission, vision & Motto

01 Mission

To provide high-quality audit services through the modernisation of functions that enhance accountability and transparency in the management of public resources.

02 Vision

To be a credible and modern Supreme Audit Institution with high-quality audit services for enhancing public confidence.

03 Motto

Modernising External Audit for Stronger Public Confidence

Independence and objectivity

We are an impartial public institution, independently offering high-quality audit services to our clients in an unbiased manner.

Teamwork Spirit

We value and work together with internal and external stakeholders.

Results-Oriented

We focus on achievements of reliable, timely, accurate, useful, and clear performance targets.

Professional competence

We deliver high-quality audit services based on appropriate professional knowledge, skills, and best practices

Integrity

We observe and maintain high ethical standards and rules of law in the delivery of audit services.

Creativity and Innovation

We encourage, create, and innovate value-adding ideas for the improvement of audit services.

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Abbreviations

AI	Artificial Intelligence
BOT	Bank of Tanzania
CAG	Controller and Auditor General
CSI	Corporate Social Investment
ECL	Expected Credit Loss
EIR	Effective Interest Rate
ESG	Environmental, Social and Governance
ICT	Information and Communication Technology
IFRS	International Financial Reporting Standards
ISSAIs	International Standards of Supreme Audit Institutions
LGD	Loss Given Default
MNOs	Mobile Network Operators
NBAA	National Board of Accountants and Auditors
NDP	National Development Program
NPL	Non-Performing Loans
OCI	Other Comprehensive Income
PAC	Public Accounts Committee
PD	Probability of Default
SDGs	Sustainable Development Goals
TIN	Tax Identification Number
TRA	Tanzania Revenue Authority
UAT	User Acceptance Test

1.0 INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL

Chairman of the Board of Directors,
Azania Bank Plc,
P.O. Box 32089,
Dar Es Salaam

1.1 REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

Unqualified Opinion

I have audited the financial statements of Azania Bank Plc, which comprise the statement of financial position as at 31 December 2023, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly in all material respects, the financial position of Azania Bank Plc as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS). Accrual basis of accounting and the manner required by the Public Finance Act, Cap. 348.

Basis for Opinion

I conducted my audit in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the section below entitled "Responsibilities of the Controller and Auditor General for the Audit of the Financial Statements". I am independent of Azania Bank Plc in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the National Board of Accountants and Auditors (NBAA) Code of Ethics, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of financial statements as a whole and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

No.	Key audit matter	How the audit addressed the key audit matter
1.	**Credit risk and Expected Credit Losses on the financial instruments**	
	The IFRS 9 Expected Credit Losses (ECL) approach is applicable to all financial assets at amortized cost and debt financial assets at fair value through other comprehensive income, lease receivables, contract assets, loan commitments and financial guarantee contracts. ECL represents management's best estimate of the losses as at the reporting date. The ECL allowances are significant in the context of the financial statements due to their magnitude as well as the estimation uncertainty and significant level of judgement inherent in determining the value of the allowances. The models used to determine the ECL estimate are complex and include inputs from multiple sources. Management applies adjustments to the model outputs to cater for factors not included in the model assessment, which can be highly subjective. As at 31 December 2023, the provision for impairment on financial assets was TZS 53.2 billion. This represents the estimation of expected losses at the year end There is a risk that the provision for impairment of financial assets does not represent a complete and accurate estimate of expected losses and that the carrying value of these items is misstated. This includes the risk that the ECL model is not in compliance with IFRS 9. The accounting policy and key sources of estimation uncertainty in relation to financial asset impairment provisions are disclosed in Note 6.7 and Note 42 to the financial statements.	The following procedures were performed: I undertook an assessment of the bank's new provisioning methodology and compared it with the requirements of IFRS 9. I reviewed the application of the business model to existing portfolios and reviewed the results of the Solely Payments of Principal and Interest test for relevant financial instruments. I evaluated the design and operating effectiveness of the bank's key controls and IT controls around credit management, ECL model and provision assessment. I tested key controls over completeness and accuracy of data inputs to loan loss provisioning. I assessed management's assumptions in relation to 'significant increase in credit risk' assessment as required by IFRS 9. I tested a sample of loans to test whether the Bank has appropriately considered and assessed increase in credit risk and that loans have been classified in the correct categories in accordance with the bank's methodology and IFRS 9. I reviewed the IFRS 7 disclosures for compliance with the amendments relating to IFRS 9.

Other Information

Management is responsible for the other information. The other information comprises the Board of Directors' Report and the Declaration by the Head of Finance but does not include

Other Information (Continued)

the financial statements and my audit report thereon which I obtained prior to the date of this auditor's report.

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

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed on the other information that I obtained prior to the date of this audit report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and for such internal control as management determines 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, management is responsible for assessing the entity'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 management either intends to liquidate the entity or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the entity's financial reporting process.

Responsibilities of the Controller and Auditor General for the Audit of the Financial Statements

My 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 audit report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs 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 ISSAIs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

Responsibilities of the Controller and Auditor General for the Audit of the Financial Statements (Continued)

- 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 my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the entity to cease to continue as a going concern; and
- 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.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I 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 my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I 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. I describe these matters in my audit report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest of such communication.

Responsibilities of the Controller and Auditor General for the Audit of the Financial Statements (Continued)

In addition, Section 10 (2) of the Public Audit Act, Cap 418 [R.E 2021] requires me to satisfy myself that the accounts have been prepared in accordance with the appropriate accounting standards.

Further, Section 48(3) of the Public Procurement Act, Cap 410 [R.E 2022] requires me to state in my annual audit report whether or not the audited entity has complied with the procedures prescribed in the Procurement Act and its Regulations.

1.2 REPORT ON COMPLIANCE WITH LEGISLATIONS

1.2.1 Compliance with the Public Procurement laws

Subject matter: Compliance audit on procurement of works, goods, and services

I performed a compliance audit on the procurement of works, goods, and services in the Azania Bank Plc for the financial year ended 31 December 2023 as per the Public Procurement laws.

Conclusion

Based on the audit work performed, I state that procurement of goods, works and services of Azania Bank Plc is not compliant with the requirements of the Public Procurement laws in Tanzania. However, the Azania Bank Plc has in place its own procurement policy which governs the bank's procurement activities.

1.2.2 Compliance with the Budget Act and other Budget Guidelines

Subject matter: Budget formulation and execution

I performed a compliance audit on budget formulation and execution in the Azania Bank Plc for the financial year ended 31 December 2023 as per the Budget Act and other Budget Guidelines.

Conclusion

Based on the audit work performed, I state that Budget formulation and execution of Azania Bank Plc is generally in compliance with the requirements of the Budget Act and other Budget Guidelines.

1.2.3 Compliance with Banking and Financial Institutions Regulations

As required by the Banking and Financial Institutions (External Auditors) Regulations, 2014 of Tanzania, I report to you, based on my audit, that;

Conclusion

In my opinion, the capital adequacy ratios as presented in Note 39 to the financial statements have been computed in accordance with the Banking and Financial Institutions Act, 2006, and the Banking and Financial Institutions (Capital Adequacy) Regulations, 2015 of Tanzania.

1.2.4 Compliance with the Companies Act, 2002

I report to you based on our audit of the Azania Bank Plc for the financial year ended 31 December 2023 as per the Companies Act, 2002.

Conclusion

As required by the Companies Act, 2002, I report to you, based on my audit, that:

i) I have obtained all the information and explanations, which to the best of my knowledge and belief, were necessary for the purpose of the audit.
ii) In my opinion, proper books of account have been kept by the Bank, so far as appears from my examination of those books; and
iii) The Bank's statement of financial position; and statement of profit or loss and other comprehensive income are in agreement with the books of account.

Charles E. Kichere
Controller and Auditor General,
Dodoma, United Republic of Tanzania.
March 2024

CONTROLLER AND
AUDITOR GENERAL

AZANIA BANK PLC CORPORATE INFORMATION

BANK'S OFFICE

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CORRESPONDENT BANKS
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COMPANY SECRETARY AND AUDITOR

COMPANY SECRETARY
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AUDITOR
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41101 Tambukareli,
Dodoma, Tanzania.

2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2023

Those charged with governance of Azania Bank Governing Board have pleasure to present this report together with the audited financial statements for year ended 31 December 2023, which disclose the state of financial affairs of Azania Bank Plc ("the Bank"). This report has been presented in conformity with the Tanzania Financial Reporting Standard No. 1. These financial statements for the year ended 31 December 2023 were authorized for issue in accordance with a resolution of the Board of Directors on 21 February 2024.

2.1 INCORPORATION

The Bank is incorporated in Tanzania under the Tanzanian Companies Act, 2002 as a public limited company whose shares are not publicly traded. The Bank is licensed to operate as a commercial bank by Bank of Tanzania under the Banking and Financial Institutions Act, 2006. Our operations are both in Tanzania Mainland and Tanzania Zanzibar.

2.2 VISION

The vision of Azania Bank Plc is 'To be a One Stop Financial Centre.'

2.3 MISSION

The mission of Azania Bank Plc is: "A customer centered bank of choice providing quality financial products and services using dedicated staff and appropriate technology while enhancing shareholders value."

2.4 BRAND SLOGAN

The 2023 financial performance achievement was attained through the realization of the bank's culture built on "Banking Beyond Ordinary" which is a roadmap to the realization of the bank's vision and mission. The achievement is geared by the themes; Technology Driven Efficiency and growth, Empowering Employees, Stakeholders Relationship Management, Stakeholders' value creation of which are communicated through our slogan, "Banking Beyond Ordinary." It is the bank's culture that, all products and services offered to customers create a commemoration to the bank.

2.5 CORE VALUES

To ensure that the vision of the bank is achieved while enhancing shareholders' value, employees of the bank are set to behave in accordance with the six bank core values.

i. Professionalism
ii. Integrity
iii. Teamwork
iv. Innovation

2.5 CORE VALUES (CONTINUED)

v. Efficiency
vi. Passion

2.6 PRINCIPAL ACTIVITIES

The principal activity of Azania Bank Plc is the provision of banking and related services stipulated by the Banking and Financial Institutions Act, 2006. There has been no change in the principal activities of the Bank during the financial year ended 31 December 2023. The bank offers financial and related services to a range of customers clustered from corporate to individual/retail customers.

2.7 PRODUCTS WE OFFER

i. Retail banking whereby the bank offers a wide range of products designed to provide solutions to society. The products range from individual/personal to business savings, operational deposit accounts and loans products.
ii. Corporate banking comprises a range of tailored business products to meet institutional, and companies needs timely and affordably.
iii. Business advisory and facilitation tailored to building the economy, through enabling businesses for the future. We are building the future
iv. with you through our strategic approach to offering advisory to businesses on the strategic direction to attain sustainability.
v. The Treasury and capital market department is designed to extend the trust customers have invested in the bank by ensuring that we offer world-class treasury services to make it money's worth for investors/customers. Our broad spectrum of services ranges from trading currencies to investment products and services for your hard-earned money. This extends to funds management and custodian services.
vi. Insurance Brokerage Services whereby the bank facilitated the customers to obtain their insurance covers from qualified and reputable insurance companies which we work closely to safeguards interests of our customers/clients.
vii. Individuals, businesses, and Statutory payments offered in a convenient way executed in a way that provides satisfaction to our customers.
viii. Credit facilities we offer to our clients are aligned to meet customer needs in the process of creating sustainable values.
ix. Trade financing for contracts performance and on international trading through letters of credit.
x. Microfinancing to groups and individuals through partnership with MNO. This is a contribution to financial inclusion and improving the life of our clients.
xi. Diaspora Products-Asili Smart Saving Account facilitates Tanzanian living abroad to save and invest in real estates in the country.

2.7 PRODUCTS WE OFFER (CONTINUED)

xii. Bullion business which deals with Metal Gold Loan. Under this scheme, the Bank is involved in providing Banking services for mining companies, gold distribution, among others.

xiii. Digital micro-consumer loans to support our customers to complete their transactions even if they have insufficient fund.

2.8 OUTCOMES-OUR DEVELOPMENT IMPACT

The capital invested which is processed by well-designed products and delivered through multiple delivery channels provides shared returns to the bank shareholders, customers, clients, employees, and government economy through "Banking beyond ordinary" service delivery.

Gender equality to the society through MWANAMKE HODARI product Financing [TZS 6.0 billion (2022: Nil)]	Protection of Environmental pollution through financing electricity & gas projects [TZS 62.5 billion (2022: TZS 62 billion)]	Increasing and easing access to hospital and health service by financing and donating to Hospitals construction [TZS 19.2(2022: TZS 16) billion]	Direct Employments [632(2022: 571) Employees]	Better living of the society through Mortgage loans [TZS 48.5 (2022:40)billion]	Financing education sectors [TZS 92.0 (2022:18) billion]	Family Stabilities through facilitation of life insurance [663(2022: 303) life insurance policies]	Promoting food security through Agriculture & Fishing loans [TZS 180.9 (2022: TZS 43) billion]

Changing traditional agriculture to commercial agriculture[32,000 farmers have been ensured against natural calamities]	Empowering our customers' prosperity through funding their business activities -TZS 1.709 (2022: TZS 1.08) trillion loans to customers	Banking the un-bankable groups through JIKWAMUE Product [TZS 3.4 billion (2022: TZS 1.3 trillion)]	Enabling pensioners' economic activities [WASTAAFU LOANS [TZS 59.7 (2022: TZS 45) billion	Corporate Social Responsibility [TZS 968(2022: TZS 576) billion	Responsible resources utilization	Contribution to National Development through adherence to tax regulations and remittances [(TZS 23.2 (2022:17) billions remitted]	Enhancing shareholders value through divided payments and profit generation [TZS 4.1 billion was paid to ordinary shareholders (2022: Nil)]

2.9 STRATEGIC OBJECTIVES

The annual performance of 2023 marked the first year of implementation of the Bank's five years strategic plan that ending in 2027 which is driven by four strategic themes: Technology

2.9 STRATEGIC OBJECTIVES (CONTINUED)

Driven Efficiency and growth, Empowering Employees, Stakeholders Relationship Management, Stakeholders' value creation. This five-year plan will be achieved by implementing the below strategic objectives:

S/N	Objectives	Key Strategies
1	To increase customer base.	Grow network expansion
		Effective use of Corporate Social Investment (CSI) largely on millennial as potential clients
		Supporting the government agenda of financial inclusion by turning non-bankable population to bankable.
2	To increase market share.	Providing banking services beyond ordinary to stakeholders
		Providing integrated financial services to reduce customer mobilities
		Providing tailored products and services to different customer' segmentation
		Establish Business support services
		Grow retail segment through alternative channel services
		Expanding the relationship to recruit more stakeholders
3	Enhance comprehensive and secured ICT platforms to achieve cost-effective and efficiency operations and improved delivery capability.	Deployment of Artificial Intelligence (AI) Effective use of big data for analytics and personalized customer services.
		Customers' need driven system customization
		Retaining and enhancing internal capability
		Improve bank's network systems and security
		Embrace partnerships and collaborations with Mobile Network Operators (MNO's) and Fintechs
		Automation of manual processes
4	Human capital development and management.	Enhance business continuity plan and Disaster recovery
		Upskill, Retain, Recruit and Culture transformation.
		Introduction of technology hub for research and innovation
		Enhance best practice for corporate governance
5	To enhance Bank capital.	Management of market and operation risk to reduce capital charge
		Operating profitably
		Growth and quality of balance sheet.
		Supporting the Sustainable Development Goals (SDGs) for 2030 National Development Plan (NDP) 2022/2025
		Adherence to Environmental, Social and Governance requirements
		To go for Public Offering

2.10 CHALLENGES FACED DURING IMPLEMENTATION OF ANNUAL STRATEGIES

This annual performance comes after the Management unlocked several challenges that emerged during the year. The year ended while the internal financial market was facing scarcity of United States Dollars which affected the foreign income generation as well as investment.

2.10 CHALLENGES FACED DURING IMPLEMENTATION OF ANNUAL STRATEGIES(CONTINUED)

The situation was due to the ongoing Russia-Ukraine conflict as well as the Israel-Gaza war. Other challenges were explained in table below:

ISSUE	RISK	BANK'S RESPONSE
Competition from banks and non-financial intuitions.	Loss of business and forces to reduce revenues through reduced interest rates and tariffs	The Bank Concentrates in areas/segments that the bank has competitive advantages, Business relationships with shareholders, introduce more products and services to attract more customers, Leverage on digital products and services and continue with partnerships and collaborations with Fintechs.
Technology advancement and interruptions	Increased costs of technology which may impact returns.	Consider partnerships and collaborations with technological partners while leveraging on internal software developers to customize products while optimizing costs.
Uncertainty in commodity prices	Complete loss of harvests due to reliance on weather hence increase in non-performing loan.	Cautiously invest/Finance in products which are price sensitive such as Energy commodities and some agricultural commodities while leveraging on available insurance to reduce risks.
Cybercrimes risks.	Cyber-attacks on customers may limit adoption of digital products. This as well increases costs hence reduced revenue.	The Bank continued to invest in Cyber Security systems and building system users awareness on Cyber Security.
Regulatory changes	Growing compliance costs	Maintaining good and proactive relationships with key regulators. Investing in automated compliance risk management.
High costs of Funding	Reduction of profit margins which may hinder achievement of shareholders' return.	The Bank continues to leverage on retail segment and improved services to increase savings and current accounts deposits.
High return on Risk Free Investment creates liquidity pressure.	Liquidity stress	The government bond yield of 25 years and 20 years are at 12.56% and 12.10% (2022: 12.50% and 12.30%) and 12.30% respectively. The Bank increased its investments in Bond and the establishment of Bond trading desk. At the same time the Bank continues to leverage on retail segment and improved services to increase savings and current accounts deposits.
Delays in Legal Proceedings	Delays in closure of court cases relating to borrowers has delayed loan repayments and increase in non-performing loans.	Engagement with policy makers and communities to advocate for appropriate regulatory reform.
Russia-Ukraine conflict	Restriction on Dollar payments with Russians reduced business relationship and lowered trading income	Continued monitoring and adhering to national and international payment procedures. Management introduces other currency settlement in its portfolio.
Shortage of foreign currency in the domestic market	FX business and income shrinkage	Strengthened relationships with our customers that have sources of FX, especially those involved with exportation of minerals, Cash crops and manufactured goods.

2.11 OUR STRENGTH

The continued bank growth and expansion is mainly due to the following strengths.

i. Available dedicated, experienced, and competent workforce driving business on automation, digitalization and customized customer service delivery identified through data analysis.
ii. Strong partnership with shareholders on business while driving financial inclusion agenda.
iii. Wider coverage and reliable services through Umoja Switch Consortium more than 250 ATMs, 27 branches network, 6 bureau de change, 12 service centers, 3 collection centers, 10 service desks, 2,653 agents for agent banking, mobile and internet banking.
iv. Good corporate brand achieved through effective and efficient services delivery to customers.

2.12 STAKEHOLDERS

The sustainable performance of the bank relies on the utmost corporation with stakeholders on daily activities. The bank's relationship with its stakeholders is built under the provision of banking services beyond ordinary. These include shareholders, existing and prospective customers, regulatory authorities, service providers and business partners and employees.

2.12.1 Shareholders

Shareholders of the bank provide capital which is used by the bank to create value in the financials market in the country and enhance their values through dividend and retained earnings. The year ended with the shareholders' fund being enhanced due to retained earnings as well as injection of fresh capital by Minority shareholders. The fresh capital injected by the minority slightly diluted major shareholders shareholdings as shown in section 2.23. During the year, the bank paid a dividend to shareholders at TZS 30 per share from profit generate in 2019. Also, the bank continued the relationship with shareholders by maintaining the 10 services desks in the shareholders premises that were opened in 2022. It is our determination to maximize the return to shareholders through available owned and shared resources.

2.12.2 Customers

The customers of the bank range from those holds their accounts with the bank to walking in customers those access financial facilities and services. The bank provides its products to corporate and retail customers with general features of products and services as well as customised products and services depending on the customer need. We provide banking products and services to Our customers beyond ordinary that gives the wide range for the bank to become one stop financial center. The bank continued to expand its delivery channels physically and technologically to ensure that all financial products and services to our customers are serviced conveniently and efficiently that adhering to Environmental, Social and governance to ensure sustainability of the business.

2.12.3 Regulatory authority

Azania bank operations are under the license and regulations issued by the Bank of Tanzania responsible for regulating the financial market in the country. Furthermore, other authorities like Tanzania Revenue Authority also have effects to the bank operations through tax matters. During the year, BoT issued a guideline on the limits of fees and charges that are transacted through Tanzania Instant Payment System (TIPS). The charges have been lowered to allow convenient and affordable financial transactions in the country.

2.12.4 Service providers and business partners

Service providers and suppliers of the bank are awarded through a competitive tendering process. Among other things, the bank continues to monitor the quality of services received. To ensure smooth business operations and good services to our customers, the bank contracts all major suppliers and service providers at the beginning of the year.

2.12.5 Employees

Recruitment of professional employees with higher integrity through competitive announcements process, avails the bank with highly qualified and innovate workforce with equal employment opportunities to all social groups. Motivation and employee retention is the key focus for the bank to remain competitive in the market. To ensure business continuity, the bank has in place succession plan to all managerial positions and to those charged with governance.

2.13 BUSINESS PERFORMANCE

2.13.1 Business Environment

While the world strives on the climatic change agenda, during the year, the global economy continued to experience a negative spillover of the war in Ukraine which caused soring of food and energy prices in the world. Inflation increased while economic growth decelerated.

Environmental and social effects were another impact during the year. Climatic change that resulted in inadequate rainfall during the first half of the year, caused electricity rationing, limited pastures for live stocks farming and low produce in agriculture which negatively impacted most businesses.

Tanzania continue to excel its economic and social growth following her political stability that allows smooth change of government regime without affecting business environment in the country. Operations of the bank are independent from political activities that allow the adoption of any government regime economic agenda and capitalises on the opportunities available.

2.13.1 Business Environment (Continued)

The year ended, with the domestic financial market facing shortage of foreign currency emanated from soaring global commodities prices. The situation continued to be manageable due to intervention by the regulatory authority by implementing less accommodative monetary policy. Also, exportation of minerals and manufactured goods as well as tourism activities, helped to improve the market by increasing foreign currency inflows.

To manage the impact on the performance, smoothen operations and business continuity of the bank, the customer's monitoring process was continued to be enhanced to mitigate the risk of nonperforming loans, also, responsive resources usage to all employees was enhanced.

2.13.2 How we Adopted Sustainable Development Goals (SDGs) and National Development Plan (NDP)

The United Nations report for "Transforming Our World: The 2030 Agenda for Sustainable Development" is a roadmap for organizations and governments to eradicating poverty in all its forms and dimensions. including extreme poverty. The 17 global agenda for 2030 were enacted as: No Poverty, Zero Hunger, Good Health and Well-being, Quality Education, Gender Equality, Clean Water and Sanitation, Affordable and Clean Energy, Decent Work and Economic Growth, Industry, Innovation and Infrastructure, Reduced Inequality, Sustainable Cities and Communities, Responsible Consumption and Production, Climate Action, Life Below Water, Life on Land, Peace and Justice Strong Institutions, Partnerships to achieve the Goal.

The country streamlined the global agenda to 2025/26 National Development Plan of achieving the status of middle-income economy through improving the living conditions of Tanzanians; the existence of peace, security, and unity; good governance and the rule of law; the existence of an educated and learning society; and building a strong and competitive economy. To attain sustainable financial performance and organization growth, we are determined to support the NDP and SDGs through several programs and activities.

2.13.2 How we Adopted Sustainable Development Goals (SDGs) and National Development Plan (NDP) (Continued)

Adopted SDGs	Gender Equality	No Poverty	Quality Education
Adopted NDP	Participation of all social group by redressed racial and gender imbalances	High quality livelihood. Absence of abject poverty	A well-educated and learning society
Azania Bank Initiatives	50:50 male to female employment. currently bank's employee are 308 Male and 307 female(2022:Male 282, female 289) Offering women special product(Mwanamke Hodari) that provides affordable and easy financial supports to women. TZS 6.0 billion disbursed to women for different purpose	To turn the un-bankable group to bankable through financial inclusion like 'Jikwamue,VICOBA, & Jembe products [TZS 9.07 (2022: TZS1.3) billion loans to groups]	Financing education sector up to 45.11% of the bank's core capital [TZS 86.3 (2022: TZS 18) billion loans to schools constructions] accommodated 73(2022:65) field students

Adopted SDGs	Decent Work and Economic Growth	Health and Well-being	Zero Hunger
Adopted NDP	Strong and competitive economy	Access to quality primary health care for all	Food self-sufficiency and food security
Azania Bank Initiatives	Financing SMEs and converting informal sectors to formal to support financial inclusion [TZS 45.9 (TZS 57) billion loans]	Financing hospitals and health centers to ensure lives and wellbeing of individuals by easing access to health services [TZS 19 (TZS 16) billion loans]	Financing and supporting agriculture and fishing sector product chain to the tune of 88% of bank's capital to increase availability and distribution of affordable food to the society. [TZS 169.2 Billion (TZS 43 billion loans]

Adopted SDGs	Affordable and Clean Energy	Climate Action
Adopted NDP	Strong and competitive economy	Climate Change Adaptation and Impacts Mitigation Measures.
Azania Bank Initiatives	Financing electricity and gas projects and having pipeline of financing hydropower electricity generation to contribute to National Grid [TZS 62.5 (TZS 62) billion loaned projects]	Responsive resources utilization, protection of environmental from pollution through responsive project financing and undesirable materials are destroyed/disposed under controlled environment aiming to protect the natured environment

2.13.2 Climate Change Financial Risk

The bank is committed to integrating Environmental, social and governance (ESGs) considerations into business operations and decision-making processes. During the year, ESGs policy of the bank was approved and operationalized That is applicable to all bank's investments, business units and operation practices. Our sustainability and prosperity are highly affected by environmental, social and governance (ESG) risks. Banking activities are threatened by natural calamities, society's perspective, and governing bodies. To ensure sustainable business growth, financial performance and going concern of the bank, the potential risks that may arise from climate change and their related impacts and their economic and financial consequences are mitigated through all bank's instruments and resources.

(a) What Do We Care About on ESGs

The bank continues to equip the three lines of defense by increasing awareness/training, putting in place defined policies and procedures to ensure that, all business transactions and creation of assets and liabilities priorities the environmental, social and governance risks mitigations.		
On environmental issues we care about air pollution (Carbon footprint reduction and greenhouse gas emissions), waste management (including land and water impact), energy management and efficiency (Renewable resources and alternative energies), biodiversity loss (Resources transformation), responsive and sustainable land use, climate change strategy (risks and opportunities management) extractives and Mineral Processing.	On Social issues we care about Diversity, equality, and inclusion (including anti-discrimination), human rights and modern slavery, employee health and safety, labor relations and practice, customer privacy and security, product quality and safety, employment benefits (Fair pay and living wages) and health care and education. The Bank considers giving back to the society. TZS 5,744 million was given back as Corporate Social Investment in areas of education, health, innovation and technology, trade and financial literacy.	**On Governance we consider** Corporate governance and oversight, risk management, avoiding conflicts of interest, transparency including financial and operational reporting, prevention of fraud, anti-bribery, anti-corruption and anti-terrorism controls, and compliance with laws and regulations. The Bank maintain highest levels of ethical standards of integrity, corporate governance and regulatory compliance

(b) What is Our Focus on ESGs

In order to adhere to the ESGs requirements, the bank has identified the concentration area that forms the pillars of the ESGs.

(b) What is Our Focus on ESGs (Continued)

The bank; encourages its customers to employ and observe ESG principles in their business specifically the customers doing business that have exposures to environment, climate, and social wellbeing, recognizes that climate change is a critical issue and emphasizes investments

that sees to it that the environment is taken care of in operation areas, maintains an active community engagement program to enable communities and economies to prosper, ensures engagement, diversity in employment, fair remuneration, Health, and well-being of staff, retaining, as well as observing employees code of conducts and adheres to the ethical business practices and corporate governance.

(c) Our Achievements on ESGs Implementation

The bank continued to finance in clean energy, during the year, TZS 47.8 billion was disbursed to finance clean energ businesses that leading to increased population migrating from usage of charcoal to gas which eventually protect the environments.

During the year, 33 farmers suffered loss due to floods, however, the bank had taken earlier mitigation of insuring against natural calamities and were companseted by the insurrer.

To protect the nature from increased human activities, the bank financed re-location of pastral sociaties from the Ngorongoro Conservation area to Handen in Tanga region financing TZS 266.6 billion.

To facilitate easy human movement, reducing air polution due to cargo truck within Dar Es Salaam city, the bank financed TZS 35.3 billion for construction of inland container depo (ICD) outside the city.

All customers whose businesses produce negative externalities, were required to first comply with Environmental Impact Assessment(EIA) prior to disbursements of the funds.

(d) Regulatory Compliance

The Bank of Tanzania (BOT) continued to monitor the financial market and banking industry. Following the technological advancement in the financial market, increased environmental, social and governance risks which poses financial and operational risks, BOT issued several circulars and guidelines that will help banks and financial institutions in the country to mitigate and minimize the risks. During the year, the Bank of Tanzania issued circulars and guidelines as follows:

i. Circular on Fees and Charges for the Tanzania Interbank Settlement System (TISS). Through this circular, the Bank of Tanzania all TISS participants to reduce the fees and charges to all electronic payments routed through their system effective from 1st January 2023. This is an initiative of promoting digital payment adoption and reducing

(d) Regulatory Compliance (Continued)

cash usage. Azania bank being the member of TISS, our client will benefit from these new electronic transactional fees.

ii. During the year, the Bank of Tanzania informed the public that, is reviewing the Interbank Foreign Exchange Market (IFEM) code of conduct. The review intends to promote the effective functioning of the wholesale FX market and promote FX stability in the country by aligning it with the FX Global Code. In January 2024, BOT published the revised Code of Conduct.

iii. The Bank of Tanzania, also, issued a "Market Discipline Guidelines for Banks and Financial Institutions, 2023", that requires bank or financial institution to establish appropriate policies and procedures approved by the board that fully outlines its approach to market discipline. At minimum, the established policies and procedures shall establish the disclosures to be made, the internal controls over the disclosure process, the frequency and location of disclosures, and the arrangements for ensuring the accuracy and validity of the disclosures. This will come into effect 1st April 2025.

(e) Competition

The technological level of banking activities in the country as well as mobile networks operators and convenience on financial transactions has increased competition in the financial services. However, competitive edge rely on network stability and disruptions performance that provides customers a range of choices. Azania bank continues maximizing the usage of the available opportunities in this competitive environment to penetrate and enhance its services to customers and transforming services to more customer convenience. During the year, the bank continued to partner with Mobile Network Operators on customer services delivery. The bank continued to issue and enhance electronic short loans and advances.

2.14 THE BANK CAPITAL

The bank is working to realize its vision and mission of becoming a one-stop financial centre through which the creation of values on services to shareholders, customers, regulators, employees, service providers and business partners will be realized. To achieve these, Azania bank deployed its capital efficiently and effectively in form of financial, human, intellectual, natural, manufactured, and social capital.

2.14.1 Financial Capital

Maintenance of adequate financial capital is the fundamental principle of the Governing Board of the bank to optimize operations. The financial capital of the bank, both debt and equity increased optimally compared to the preceding year. The increase was due to enhanced relationship between those charged with governance for the bank and shareholders, customers, clients, and employees of the bank through optimization of available resources.

2.14.2 Human Capital

Those charged with Governance ensures that human capital is adequately available all the time and distributed to all services delivery to ensure at most customer experience. This includes skilled and innovative employees through motivated teamwork and effective means of service delivery. Human capital increased during the year to carter the need arose for short and long term. The short-term need was attained through the internship program while long term was through contracted and permanent employment arrangement.

During the year, the number of employees was 615 (2022:571). Out of the total employees, 50% (2022:51%) were female and 50% (2022:49%) were male whereby the bank achieved its target of 50:50 qualified male to female distribution. Furthermore, 73 field students of different education level were accommodated for their learning, and research.

2.14.3 Intellectual Capital

The bank maintained its reputable brand in the market through optimal distribution and utilization of financial and human capital. Financial services offered to the market meet the customer and clients' need at affordable price. This was attained due to the researched product design, innovative employees, and usage of convenient technology on service delivery. Good customer experience is the key factor to the bank's reputable brand. It the determination of the bank to provide the market with first at the best, thus, during the year, the bank enhanced the digital microloans that is convenient and affordable to our customers.

2.14.4 Natural Capital

Sustainable performance and growth of the bank is also affected by the surrounding environment which needs to be protected and utilized optimally for future generations. The bank continues to finance businesses/projects that have no or minimized negative spill-over on environment. The bank developed a culture of responsible resource usage while adhering to ESG principles. Undesirable materials are destroyed/disposed under controlled environment aiming to protect the natural environment. Apart from the advantage of cost management, employees are encouraged to use water and electricity economically and responsibly to provide a room for wide distribution of these scarcity resources.

2.14.5 Manufactured Capital

The bank continued to expand its service via delivery channels throughout the country. All the bank's delivery channels are manufactured at a minimum cost while maintaining their qualities. Low-cost model branches and services delivery canter's are used to realize the value creation through the available and mobilized financial and human resources. During the year, the bank operated through 27 branches networks, 12 service canters, 35 ATMs owned by the banks, 3 collection canters, 10 service desks, 6 bureau de changes, mobile and internet banking.

2.14.5 Manufactured Capital (Continued)

An innovative team of in-house software developers has been enhanced to provide quick and affordable service delivery solutions which are convenient to customers/clients and business partners. These include 2,653 agent banking, mobile and internet banking, human resources management system and other infrastructures.

To increase convenience to our customers and business partners, out of the 27 branches, one branch operates 24 hour for Seven days a week, five branches operate from 8:00am to 8:00pm during the weekdays, and six branches operate from Monday to Sunday also one service centre operates from 8:00am to 6:00pm for weekdays. All these services are cantered from the created culture of banking beyond ordinary.

2.14.6 Social Capital

The reputable brand of the bank is due to sustainable social relationship maintained between the governing board of the bank and shareholder, customers, clients, service providers and suppliers, employees, regulators, business partners and surrounding community. The bank continued to increase turnaround time service delivery to all stakeholders which is the back born for Azania bank to become One Stop Financial Centre. During the years, the bank participated in in different social events through sponsorships and team representation. This continues to bring the community together and feel part of the bank.

2.15 BOARD OF DIRECTORS

2.15.1 Board composition

In the year ended 31 December 2023 Azania Bank Plc had a Board comprising of 11 Non-Executive Directors and one Executive Director. The Chairman of the Board and two Non-Executive Directors are independent pursuant to the requirement of the Banking and Financial Institutions (Licensing) Regulations, 2008.

2.15.2 Appointments to the Board

Directors are subject to periodic re-appointment in accordance with the Bank's Articles of Association. On appointment, the Directors receive an induction covering the Bank's business and operations and an appreciation of the key risk areas. The Directors are advised of the legal, regulatory, and other obligations of the Director of a Bank. The Directors also receive continuous training on key issues relating to the Bank, to enable them to discharge their duties effectively.

2.15.3 Roles and responsibilities

The Board meets at least four times a year. The Board delegates the day-to-day management of the business to the Managing Director assisted by the executive management team. Executive management team facilitates the effective control of the bank's operational activities, acting as a medium of communication between different business units.

All directors and employees adhere to the principles of the code of conduct in all their dealings on behalf of the Bank. The code of conduct sets a standard in a manner that actions of directors and employees are in the best interest of the Bank and reflect the commitment to maintain highest standards of integrity, ethical behaviour and compliance with all applicable internal and external laws and regulations.

2.15.4 Board meetings and attendance

During the year ended 31 December 2023, the Board held four scheduled ordinary meetings as required by regulations.

The Bank is committed to the principles of effective corporate governance. The directors also recognize the importance of integrity, transparency, and accountability. The Board of Directors has four sub-committees which ensure a high standard of corporate governance throughout the Bank.

2.15.5 Succession planning

The Bank has in place a succession plan for the Board, which is updated regularly to ensure and maintain a balance of critical skills on the Board of Directors.

2.15.6 Board effectiveness evaluation

To assess the performance of the Board, its committees and individual Directors, the Board conducts a rigorous performance evaluation regularly. The process is led by the Chairman and supported by the Company Secretary. The last evaluation was conducted in April 2023 and the deficiencies depicted from the evaluation are being addressed and well tracked with the objective of improving the effectiveness of the Board.

2.15.6 Board effectiveness evaluation (Continued)

The Directors of the Bank, who have served in office during the year, and to the date of this report, are as follows:

S/n	Name	Position	Age (years)	Gender	Qualification/Discipline	Nationality	Date of appointment	Representation	Scheduled meetings (4)
1	Eng. Julius B. Ndyamukama	Chairman	67	Male	Bsc. (Civil Engineering), MSc. (Highway Engineering)	Tanzanian	17 December 2019	Non-executive	4/4
2	Mr. Felix M. Maagi	Vice Chairman	53	Male	B. Com, MBA, CPA(T)	Tanzanian	25 September 2017	Non-executive	4/4
3	Mr Arnold B. Kilewo	Member	85	Male	LLB.	Tanzanian	11 April 2011	Non-executive	4/4
4	Mrs Assumpta M. Mallya*	Member	55	Female	BA-Economics, MBA.	Tanzanian	11 June 2019	Non-executive	1/4
5	Mr. Luseshelo Njeje	Member	45	Male	B. Com, MBA-Finance and Manpower Planning, CPA (T), CPSP.	Tanzanian	8 April 2019	Non-executive	4/4
6	Mr. Rashid K. Mchatta	Member	53	Male	BSc Information and Management System (IMS), MSc. (IMS)	Tanzanian	25 September 2017	Non-executive	3/4
7	Mr. Patrick John Ngwila	Member	42	Male	BAF, Msc- Social Protection Financing	Tanzanian	11 June 2021	Non-executive	4/4
8	Ms. Vupe Ligate	Member	55	Female	LLB, MA (Gender & Development)	Tanzanian	8 April 2019	Non-executive	4/4
9	Mr. Hashim M. Kihwelo	Member	74	Male	BSC. Chemical Engineering, M.Sc. Chemical Engineering	Tanzanian	3 January 2020	Non-executive	2/4
10	Happiness Jonathan Sima	Member	49	Female	ADA, MBA - Corporate Management, CPA(T)	Tanzania	8 November 2021	Non-executive	3/4
11	Mrs. Beatrice Mussa Lupi	Member	48	Female	ADCA, MBA - Corporate Management, CPA(T)	Tanzanian	22 March 2022	Non - executive	3/4
12	Mr. Yahya Majid Ally**	Member	55	Male	B. Com, MBA, CPA(T), CPSP	Tanzanian	2 May 2023	Non - executive	1/4
13	Ms. Esther G. Mang'enya	Member	52	Female	BA-Economics, MBA	Tanzanian	6 January,2022	Executive	4/4

2.15.6 Board effectiveness evaluation (Continued)

The Company Secretary as of 31 December 2023 was Mr Charles Mugila who is also performing legal services activities for the bank as Director of Legal Services.

* Mrs Assumpta M. Mallya ceased to be a director effective from 31 March 2023, thus during the year, attended one scheduled meeting.

** Mr. Yahya Majid Ally was appointed by National Social Security Fund (NSSF) to be a board member on 2nd May 2023 and obtained clearance by the Bank of Tanzania on 10 August 2023. He attended the Board meeting from November 2023 onwards.

2.16 CORPORATE GOVERNANCE

The Board is committed to the principles of good corporate governance and recognize the importance of integrity, competency, responsibility, fairness, transparency, and accountability as well as the need to conduct the business in accordance with the generally accepted best business practices. In so doing the directors therefore confirm that:

i. The Board of Directors met regularly throughout the year.
ii. They retain full and effective control over the Bank and monitor executive management.
iii. The positions of Chairman and Managing Director are held by different people.
iv. The Chairman of the Board of Directors is a non-executive.
v. The Board accepts and exercises responsibility for strategic and policy decisions, the approval of budgets and monitoring of the institution's performance.
vi. The Board is not involved in day-to-day operations of the Bank, the task which is vested to the management team under the Managing Director.

During the year ended 31 December 2023, the Board of Directors performed the following activities.

i. Approved the 2022 financial reports of the bank while ensuring that, were prepared accurately and in accordance with International Financial Reporting standards.
ii. Communicated to shareholders on the bank's performance for the year ended 31 December 2022.
iii. Evaluated the implementation and outcome for the 2023 corporate budget and strategic plan.
iv. Protected interest of the shareholders by preparing strategic objectives.
v. Approved the 2024 corporate budget of the bank.
vi. Approved the annual remuneration and budget of the internal audit function.
vii. Monitored and evaluated internal control of the management of the Bank by ensuring that assets of the bank are safeguarded.
viii. Reviewed and approved bank policies and frameworks.

2.16.1 Rights of Shareholders

The Bank recognizes and protects the rights of all Shareholders and treat them equitably. Over and above the basic voting rights accorded to Shareholders, the Shareholders are involved in approving major strategic and corporate decisions of the Bank which have a material impact on the equity or economic interests or share ownership rights of existing Shareholders. They are properly engaged through General meetings.

The Shareholders are encouraged time to time to exercise their rights including to keep themselves informed about their Bank for them to make decisions. Information about the Bank performance is informed through annual reports/accounts which are annually distributed to them.

The Board has formed Committees which act on behalf of the Board in specific areas to direct the Bank effectively and accelerate the decision-making process.

2.16.2 Board Audit Committee

The main responsibilities of the Committee are to review financial information and monitor the effectiveness of management information and internal control systems. In addition, the Committee deliberates on the significant findings arising from internal and external audit and review findings by the Financial Sector Supervision Directorate of the Bank of Tanzania.

There is no member from the committee who resigned during the year. The Committee meets at least four times a year.

Members of the Committee, who served during the year, were as follows:

Name	Position	Qualifications	Scheduled meetings (4)
Mr Felix M. Maagi	Chairman	B.Com, MBA, CPA(T)	4/4
Mr. Rashid K. Mchatta	Member	BSc Information and Management System (IMS), MSc. (IMS)	3/4
Mr Arnold B. Kilewo	Member	LLB	4/4
Mr. Hashim M. Kihwelo	Member	BSC. Chemical Engineering, MSc. Chemical Eng.	3/4
Ms. Beatrice M. Lupi	Member	ADCA, MBA - Corporate Management, CPA(T)	4/4

The committee met seven times during the year whereby four meetings were ordinary, and three meetings were extra ordinary. During the year, the Committee performed the following key activities;

i. Setting and proposing to the Board of Directors the 2024 corporate budget, objectives and goals.

2.16.2 Board Audit Committee (Continued)

ii. Reviewed and assessed the internal audit function's charter, its appropriateness of internal audit strategies and the annual internal audit plan, scope, cycle and budget, then recommended to the Board.
iii. Reviewed and recommended to the board for its approval, the annual remuneration of the internal audit function.
iv. Prepared and recommended to the Board the 2022 financial statements according to the International Financial Reporting standards.
v. Monitored and discussed issues related to information communication and cyber securities.

2.16.3 Board Credit Committee

The Committee is responsible for the review of the bank's overall lending policy, conducting independent loan reviews, review of lending limits and is responsible for the overall management of credit risk. The committee met seventeen (17) times during the year, 4 being ordinary and 13 being extra ordinary meetings, all members attended all meetings except for Mrs. Assumpta M. Mallya.

To achieve these, the Committee performed the following key activities;

i. Reviewed and approved all credit accommodations that were within the Committee's mandate.
ii. Monitored specific industry trends, evaluated the appropriateness, and recommended to the Board for approval new acceptability of banks sectoral credit limits.
iii. Monitored the quality of the portfolio and provided appropriate measures to ensure good performance of the assets.
iv. Reviewed and monitored the provisioning mechanism to ensure the bank is adequately provided to cover uncertainties.

Members of the Credit Committee, who served during the year, were as follows:

Name	Position	Qualifications	Scheduled meetings (4)
Luseshelo Njeje	Chairman	B.Com, MBA CPA(T) CPSP	4/4
Mrs Assumpta M. Mallya	Member	BA (Economics) MBA	1/4
Ms Vupe Ligate	Member	LLB, MA (Gender & Development)	4/4
Mr. Patrick Ngwila	Member	BAF, MSC (Social Protection Financing)	4/4

2.16.4 Board Risk Management and Compliance Committee

The Committee assists the Board in fulfilling its primary responsibilities by establishing and implementing the Risk Management framework of the Bank. The Risk Management framework focuses on risk management processes which involve risk identification, evaluation, measurement, monitoring and mitigation. The committee met five times during the year to

2.16.4 Board Risk Management and Compliance Committee (Continued)

discuss risk and compliance reports, out of these, four were ordinary and 1 was extra ordinary meetings. Below were the activities performed by the Committee during the year;

i. Reviewed and endorsed the Board for approval the annual risk management and compliance plan and evaluated its performance.
ii. Reviewed and evaluated the report and performance of customer complaints and financial consumer protection matters.
iii. Monitored and evaluated the risk position of the Banks in terms of capital adequacy, liquidity position, credit, compliance, operational, market as well as strategic risks.

Members of the Committee, who served during the year, were as follows:

Name	Position	Qualifications	Scheduled meetings (4)
Mrs. Assumpta M. Mallya*	Chairperson	BA (Economics) MBA	1/4
Ms. Vupe Ligate	Member	LLB, MA Gender	4/4
Mr. Luseshelo Njeje	Member	B.Com, MBA, CPA (T), CPSP.	4/4
Ms. Happiness Sima**	Member/Chairperson	ADA, MBA - Corporate Management, CPA(T)	4/4
Mr. Yahya Majid Ally	Member	B. Com, MBA, CPA(T), CPSP	1/4

*Mrs Assumpta M. Mallya ceased to be a director effective from 31 March, 2023, thus during the year, attended one scheduled meeting and was replaced by Mr. Yahya Majid Ally who was appointed in May 2023.

**Ms. Happiness Sima became a chairperson of the Committee after Mrs Assumpta M. Mallya cease to be a director.

2.16.5 Board Human Resources Committee

The Committee deals with all matters pertaining to employees' welfare including recruitment and remuneration. During the year, the committee met four times for ordinary meetings and once for extra ordinary meeting to discuss risk and compliance reports. The following were activities performed by the Committee.

i. Reviewed and approved the Bank's succession plan for the Management and key positions.
ii. Reviewed and evaluated the organization's compliance with the Bank's codes of conduct.
iii. Maintained adequate human capital to support business performance and growth.
iv. Ensured that employee's matter and discussed and keep employees motivated throughout the year.

Members of the Human Resources Committee, who served during the year, were as follows:

2.16.5 Board Human Resources Committee (Continued)

Name	Position	Qualifications	Scheduled meetings (4)
Mr. Vupe U. Ligate	Chairperson	LLB, MA (Gender & Development)	4/4
Mr. Luseshelo Njeje	Member	B.Com, MBA, CPA (T), CPSP	4/4
Ms. Assumpta Mallya	Member	BA (Economics) MBA	1/4
Mr. Patrick Ngwila	Member	BAF, MSC (Social Protection Financing)	4/4

2.16 REMUNERATION OF BOARD OF DIRECTORS

The Directors fee together with any other payments to the Board members are usually approved by the Annual General Meeting. During the year under review, the Directors fees paid to Board members were TZS 324 million (2022: TZS 135 million). Also, the bank incurred a total of TZS 512 million (2022: TZS 358 million) to facilitate Board activities as well as Board members trainings. Other expenses incurred by the Board together with management compensation are disclosed in Note 40 - Related party disclosures.

2.17 DIRECTORS' INTEREST

Mr. Arnold B. Kilewo has interest in the share capital of the bank forming part of the minority shareholding. He holds 0.13% (2022: 0.04%) of the ordinary share capital.

2.18 MANAGEMENT OF THE BANK

The Board of Directors is entrusted with supervision of the bank and the day-to-day management is under the Managing Director who is assisted by Directors. As of 31 December 2023, organizational structure of the Bank comprised the following departments:

Departments

i. Business Development
ii. Treasury and Capital Market
iii. Credit
iv. Finance and Planning
v. Legal services
vi. Operations
vii. Information and Communication Technology
viii. Human Resources
ix. Risk Management and compliance
x. Internal Audit

The Managing Director Reports to the Board of Directors while all Directors report to the Managing Director except the Director of Internal Audit, who functionally reports to the Board Audit Committee and administratively to the Managing Director.

2.19 SHARE HOLDERS AND CAPITAL STRUCTURE

As of 31 December 2023, the following shareholders held shares in Azania Bank Plc:

Name of shareholder	2023		2022	
	Number of shares held	% Shareholding	Number of shares held	% Shareholding
Public Service Social Security Fund (PSSSF)	95,193,608	51.25%	**95,193,608**	**51.31%**
National Social Security Fund (NSSF)	52,008,161	28.00%	**52,008,161**	**28.03%**
National Health Insurance Fund (NHIF)	33,324,545	17.94%	**33,324,545**	**17.96%**
Workers Compensation Fund (WCF)	3,309,246	1.78%	**3,309,246**	**1.79%**
East African Development Bank (EADB)	931,812	0.50%	**931,812**	**0.50%**
Minority shareholders (less than 1% each)	979,499	0.53%	**760,498**	**0.41%**
Total	185,746,871	100.00%	**185,527,870**	**100.00%**

During the year ended 31 December 2023, 219,001 (2022:34,600) new ordinary shares was injected at a face value of TZS 1,000.00 per share. The injection was made by minority shareholders.

2.20 ACCOUNTING POLICIES

The accounting policies used in the preparation of the accounts are set on Note 6 to the financial statements and they are in line with the International Financial Reporting Standards (IFRSs).

2.21 PERFORMANCE FOR THE YEAR

2.21.1 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The Bank's results are set out on page 31 of the financial statements. During the year under review, the Bank recorded a profit before tax of TZS 32,304 million (2022: TZS 24,041 million). The Bank's performance was attributed mainly to an increase in interest income on loans and advances, increase of non-interest income as well control of operating costs.

The interest income for the year ended 31 December 2023 increased by 35% to TZS 185,973 million (2022: TZS 137,979 million). The increase was mainly attributable to increased interest revenue on loans and advances that rose to TZS 159,957 million (2022: TZS 121,413 million) as well interest from investment in government securities which increased to TZS 22,493 million (2022: TZS 13,328) both increases were due to increased performing assets. Interest expenses increased by 40% in 2023 (2022:31%) to TZS 85,445 million (2022: TZS 61,156 million) significantly attributed to increase on customer deposits balances.

Fees and commissions income increased by 26% to TZS 11,639 million (2022: TZS 9,222 million). Also, Fees and commissions expenses increased by 213% to TZS 3,250 million (2022: TZS 1,037

2.21.1 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

million). Non-interest income during the year decreased by 5% to TZS 34,152 million, (2022: TZS 35,839 million). The decrease is mainly from other income which decreased by 33% to TZS 12,670 million (2022: TZS 18,50 million) following decrease on recovery income as well as write back of provisions for other liabilities, while Trading and Foreign Exchange revaluation income increased by 50% to TZS 13,093 million (2022: TZS 8,705 million).

Operating expenses also increased by 17% to TZS 71,703 million (2022: TZS 61,509 million). The increase in operating expenses was mainly attributed by increased business activities which pushed up general administrative expenses by 58%.

2.21.2 FINANCIAL POSITION

As at 31 December 2023 total assets were TZS 2.177 trillion (2022: TZS 1.423 trillion) showing an increase of 53% (2022:21%). During the year, net loans and advances banks and items for clearing decreased to TZS 73,190 million from TZS 96,277 million recorded in 2022 being 24% below. Debt instruments at amortized cost increased to TZS 237,759 million from TZS 198,920 million recorded in the previous year showing 20% growth. Net loans and advances increased by 70% to TZS 1,624,514 million (2022: TZS 959,617 million). Property and equipment increased by 19% to TZS 10.851 million (2022: TZS 9,088 million) while other assets increased by 425% to TZS 35,395 million (2022: TZS 6,746 million).

Customer deposits increased by 79% to TZS 1,414,425 million (2022: TZS 789,481 million) mainly the customer satisfaction on the bank's products and services as well as good reputation in the market. Loans and advances from banks increased by 55% to TZS 288,479 million (2022: 186,188 million) mainly to meet short term obligations following the increased business activities and initiative. Long-term borrowing decreased by 3% to TZS 148,071 million (2022: TZS 152,811 million).

The shareholders' fund increased by 9% to TZS 298,001 million (2022: TZS 272,540 million). Such growth of equity was attributed to profit made during the period. During the year, the bank recorded a profit after tax of TZS 29,294 million (2022: TZS 18,883 million) mainly due to an increase in interest income and control of operating expenses. Both core capital and total capital ratios as of 31 December 2023 stood at 16.49% (2022: 16.91%), the slight decrease in capital adequacy is due to an increase organic growth. The minimum regulatory requirement for core capital and total capital ratios is 10.0% % and 12.0% respectively.

2.21.3 KEY PERFORMANCE INDICATORS

Indicator	Definition and Formula	2023	2022
Return on Equity	Net Profit/Average Total Equity	10.27%	7.18%
Return on Assets	Profit Before Tax/Average Total Assets	1.79%	1.85%
Non-interest income to Gross income	Non-Interest Income/ (Interest + non-interest Income)	15.51%	20.62%
Interest Expense to Interest Income	Interest Expense/Interest Income	45.95%	44.32%

Indicator	Definition and Formula	2023	2022
Operating expenses to Operating income	Operating Expenses/ (Net interest income + non-interest income)	53.24%	54.60%
Non-interest expense to gross income	Non-interest expenses (including provisions)/ (Interest + non-interest income)	46.51%	50.98%
Non-performing loans to total advances	Non-Performing Loans / Gross Loans	7.44%	18.25%
Loans to total assets	Net Loans/Total Assets	74.72%	67.15%
Growth on Loans and Advances to customers	(Current -prev. year net loans)/prev. year Net Loans	70.00%	16.78%
Growth on customer deposits	(Current -previous year total customer deposits)/ previous year total customer deposits	79.16%	44.06%
Growth on total assets	(Current -prev. year total assets)/prev. year total Assets	52.74%	21.21%
Tier 1 Capital	Core Capital/Risk Weighted Assets (incl. Off B. sheet)	16.49%	16.91%
Tier 1+Tier 2 Capital	Total Core Capital/Risk Weighted Assets (incl. Off B. sheet)	16.49%	16.91%

2.21.4 CASHFLOW AND LIQUIDITY MANAGEMENT

During the year under review the investments of the Bank were financed by shareholder's capital as well as deposits from the public. Customer deposits increased by TZS 624,944 million (2022: TZS 241,461 million). mainly the customer satisfactions on the bank's products and services as well as good reputation in the market. Also, borrowing from banks which were used for investment in various business avenues increased by TZS 102,291 million (2022: TZS 3,055 million). The balance of revolving fund decreased by TZS 4,739 million (2022: increased by TZS 1,435 million) due to matured during the year.

The out flows were mainly on loans and advances to customers of TZS 678,796 million (2022: TZS 136,147 million) as well as debt instruments at amortised costs of TZS 97,414 million (2022: TZS 49,197 million). The operations of the Bank were financed by proceeds collected from business investments. The cash flow of the Bank was stable to continue supporting business operations and additional investments. Liquidity management of the Bank continues to be of high importance and more details on liquidity risk management are given in note 42.3.

2.22 DIVIDEND PAYMENT

We continue maximizing shareholders' returns through enhancement of retained earnings and payment of dividends. Due to our good business performance for the year as well as strong capital position of 16.91%, the bank paid a dividend of TZS 30 per share for the financial year 2019. The Board of directors has also proposed payment of a dividend of TZS 30 per share for the financial year 2022 and 2023 subject to approval by shareholders' Annual General Meeting as well as clearance by the Bank of Tanzania. It is the bank's policy that, dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Bank's shareholders.

2.23 FUTURE DEVELOPMENT PLAN

The annual performance of 2023 marked the first year of implementation of the Bank's five years strategic plan which is ending in 2027 that driven by four strategic themes: Technology Driven Efficiency and growth, Empowering Employees, Stakeholders Relationship Management, Stakeholders' value creation. The year ended with the Board of Directors reviewing the 2023 strategic performance and approved the 2024 corporate budgets, objective and goals being a continued implementation and monitoring of the long-term strategy that ends 2027.

The long-term plan is driven by banking beyond ordinary to all bank's products and services to continue creating shared values between the bank and its stakeholders aiming to ensure sustainable business and financial performance. The bank will continue excelling customer experience services by increasing the number of branches, bank agents, service centers, collection centers and enhancing technological alternative channels so that the bank's products and services become more convenient to the customers to enable realization of the vision.

During the year 2023 the bank enhanced its digital micro-loans products by expanding the customer base and the coverage needs. To remain relevant and competitive in the industry, we continue to enhance and expand the usage of the existing alternative channels products such as internet banking, mobile banking, and agent banking to complement the existing traditional banking. These products and services give the bank a competitive advantage in service deliveries. To achieve this, the bank will focus on the following:

i. Network expansion to increase the market share of the Bank through digital and non-digital channels including deployment of Agency Banking, Mobile and Internet Banking and increase in service canters and branches.
ii. Maximize products usage to increase revenues from transactional Banking.
iii. Adherence to climatic change financing by maximizing the shared value and maximizing the created opportunities while protecting environment. The bank has in place the ESGs policy that requires all banks investments, funding and operational practices to adhere to the environmental, social and governance requirements.
iv. Increase of quality assets and Liabilities through enhanced business support, quality assurance and continued business relationship management teams. Enhance comprehensive and secured ICT platforms to achieve cost-effective and efficiency operations and improved delivery capability to improve service delivery through critical processes automation, deployment of artificial intelligence, and data analytics to deliver personalized services.
v. Embracing partnership and collaboration with other market payers. All goes hand in hand with improved business continuity management and disaster recovery plans.
vi. Continue to enhance control, governance, and risk management practices to adequately comply and remain competitive including attaining ISO certification, enhanced enterprise risk management, automation of compliance management and modernized performance management.
vii. Investment in workforce to enhance skills to improve productivity.

2.24 RISK MANAGEMENT AND INTERNAL CONTROL

Risk management and internal control remain to be among the fundamental principles of the bank towards achievement of its long-term, medium, and short run strategic objective. Each employee involved in day-to-day business activities is responsible for ensuring that, the bank's interests are protected all the time while excelling shared value creation. The Risk Management Function of the bank is mandated to monitor the implementation of effective risk management while Internal Audit Function evaluate effectiveness of risk management processes.

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

i. The effectiveness and efficiency of operations.
ii. The safeguarding of the bank's assets.
iii. Compliance with applicable laws and regulations.
iv. The reliability of the accounting records.
v. Business continuity under normal as well as adverse conditions; and
vi. Responsible behaviours towards all stakeholders.

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

The Board assessed the internal control systems throughout the financial year ending 31 December 2023 and is of the opinion that they meet accepted criteria. The Board carries out risk and internal control assessment through the Audit and Risk committees.

General Risks the Bank is facing and the overall mitigation strategies.

2.24 RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

Risk	Credit Risk	Liquidity Risk	Market Risk
Definition	The possibility of a loss resulting from a customer's failure to repay a loan or meet contractual obligations	Refers to an inability to meet its obligations (whether real or perceived) threatens financial position or existence.	The risk of financial loss on earnings arising from adverse movement in market rates or prices such as interest rates, foreign exchange rates, commodity prices. Market volatility may create an opportunity when open positions are properly managed.
Mitigation strategies	Our credit risk management strategies aim at achieving quality assets and managed concentration. Risk management is done throughout the credit circle from origination, repayments monitoring to recovery. The Bank has management credit committee and the Board credit committee to ensure proper governance in managing credit risk.	Our strategies aim daily risk assessment to ensure maturing obligations are met on a daily basis and a forecast of future positions. This is done through Liquidity Management and Asset-Liability management (ALM) Committee (ALCO).	The Bank manages market risk through the Asset and Liability Management Committee and on a daily basis by Treasury and Capital Market function. Risk and Compliance function independently monitors and reports on the risk-taking against risk tolerance levels.

Risk	Compliance Risk	Operational Risk	Strategic Risk
Definition	This is a potential exposure to legal penalties, financial forfeiture, and material loss, resulting from failure to act in accordance with laws, rules, agreements and regulations, internal policies or prescribed best practices. Compliance risk is also known as integrity risk.	This is a risk of a change in value caused by the fact that actual losses incurred resulting from inadequate or failed internal processes, or people, or systems, or from external events.	This is the risk that failed business decisions may pose to the Bank. Decisions may be influenced with operating environment changes.
Mitigation strategies	Compliance risk management strategies include putting in place compliance policies and procedures, dedicated compliance functions and automated compliance management tools. New regulations or laws are interpreted by Legal function and disseminated to all to understand.	The Bank strategies to mitigate operational risks include having proper policies and procedures, implementation of operational risk management tools including risk and controls self-assessment, operational risk registers, incidents logs. The Management operational risk committee (ORCO) is responsible for assessment and monitoring of operational risks. All risk owners are responsible for the identification of risks and putting measures to control its occurrence.	Finance and Planning function through it strategy unit performs a Strength, Weaknesses, Opportunities and Challenges (SWOC) analysis to determine factors that would affect attainment of the Strategy. The assessment includes assessment of political, economic, social, technological, legal, and environmental (PASTLE) conditions when developing strategic plans. Implementation of strategy is monitored on quarterly and on annual basis to ensure performance is aligned with the strategy from the Management to the Board level.

2.25 SERIOUS PREJUDICIAL MATTER

In the opinion of the Directors, there are no serious prejudicial matters that can affect the Bank.

2.26 SOLVENCY

The Board of Directors confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. The Board has reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future.

On 31 December 2023, the Bank's assets exceeded its liabilities by TZS 298,001 million (2022: TZS 272,540 million). Consequently, the Bank is solvent and able to meet its obligations in full.

2.27 EMPLOYEE WELFARE

2.28.1 Management and Employees' Relationship

There were continuous good relations between employees and management for the year ended 31 December 2023. There were no unresolved complaints received by the management from employees during the year. Also during this period, employees participation on social events like regional and organization marathon and group health check increased.

2.28.2 Employment opportunities

The Bank is an equal opportunity employer. It gives equal access to employment 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, tribes, religion, and disability which does not impair ability to discharge duties. The year ended with 615 employees being 50% male and 50% female.

2.28.3 Staff training

During the year ended 31 December 2023, the Bank spent TZS 478 million (2022: TZS 396 million) for staff training, being an increase of 21% mainly due to increased business activities that required training of staff involved and continued equipment the increased number of staff. Even though the cost increased, it was still within the budget. the continues to embark of mass training, customize training and online virtual training which enabled cost minimization while equipping staff with relevant knowledge. Management continues believing that, operational efficiency and organizational growth are the results of well trained and skilled personnel, thus the 2024 annual budget has been increased to TZS 839 million being 76% increase.

2.28.4 Medical facilities

All members of staff and up to a maximum number of six beneficiaries (principal, spouse and dependents) for each employee have medical insurance guaranteed by the Bank. Currently these services are provided by the National Health Insurance Fund (NHIF).

2.28.5 Financial assistance to staff

Loans are available to all confirmed employees depending on the assessment and are issued in accordance with the Human Resources Policy. Loans provided to staff include mortgage finance, personal, car loans, and salary advances.

2.28.6 Employees benefit plan

The Bank pays contributions to publicly administered pension plans on mandatory basis which qualifies to be a defined contribution plan. The Bank obligations in respect of these contributions are limited to 15% of the employees' monthly basic salaries.

2.28.7 Workers' compensation fund

This is a social security scheme established by the Government responsible for compensating workers who suffer occupational injuries or contract occupational diseases arising out of and in the course of their employment. Under this arrangement, the bank contributes to the fund 0.5% of the monthly wage bill it has paid to its staff.

2.28.8 Gender parity

The Bank 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.

As at 31 December 2023 the Bank had a total of 615 employees being an increase of 62 employees from 571 employees as of 31 December 2022.

Category	Year	2023	2022
Employees	Male	308	282
	Female	307	289
Field Students	Male	31	51
	Female	42	99

During the year, the bank also provided an opportunity for 73 students of different education levels to learn and do their research in different branches and departments. This is also part of contribution of the bank to promote quality education in the country.

2.29 RELATED PARTY TRANSACTIONS

All related party transactions and balances as of 31 December 2023 are disclosed in Note 40 to the financial statements.

2.30 POLITICAL AND CHARITABLE DONATIONS

The Bank did not make any political donations during the year.

2.31 CORPORATE SOCIAL RESPONSIBILITY

The Bank has been engaging in various activities to improve the wellbeing of the society in which it operates. This activity demonstrates the Bank's commitment to serve the society by ensuring that the community in which the Bank operates benefits with its presence. During the year, charitable donations amounting to TZS 5,744 million (2022: TZS 576 million) were made to various charitable organizations and institutions as part of the Bank's Corporate Social Responsibility activities.

Bank's strategy focused on people and society; the Bank prioritize issues most important to the business and stakeholders, and the areas where the Bank can make the greatest impact. Thus, Azania Bank's Corporate Social Investment is always giving priority on the following areas:

i. Supporting Education Projects and Financial Literacy initiatives.
ii. Supporting Community Health Projects and related initiatives.
iii. Supporting Youth Empowerment Projects and related initiatives.
iv. Supporting Women Empowerment Projects and related initiatives.
v. Supporting Research Conducting Projects and related initiatives
vi. Supporting Environmental Protection initiatives and related activities.
vii. Supporting Government initiatives to bring about society and national wellbeing.

During the year Azania Bank funded several projects which helped to develop a unique approach to support Government Initiatives and communities. These include:

Financial Education and Empowerment Projects: Azania Bank continued to partner with Zanzibar Social Security Fund by sponsoring pre pensioners seminars for public servant's on how to replace salary income of the in the event of contingencies like old age, sickness, maternity, invalidity and death. Members, TZS 5 million was sponsored.

Supporting Education and Cultural Attractions: Azania Bank contributed a total of TZS 100 million to support kizimkazi exhibition aim was to promote the education, cultural attractions and resources of the country.

The Sabasaba International Trade Fair and other economic activities: Azania Bank supported Government economic initiatives to escalate the country visibility to the word and encouraging people to formalize their investment activities. The bank supported and participated in Sabasaba International Trade Fair by TZS 1.5 million, as well as Azania bank supported in

2.31 CORPORATE SOCIAL RESPONSIBILITY (CONTINUED)

International Day of Cooperatives (IDC) TZS 8 million to strengthening and to increase the significant contribution of cooperative to the global economy and their role in building a more sustainable future, The African Continental Free Trade Area discussion on Women and Youth contribution to economy by TZS 34 million, and Zanzibar Mapinduzi exhibition by TZS 150 million.

Support for Agriculture Sector: Azania Bank sponsored and participated in Nanenane exhibition in Mbeya that aims to recognize the contribution of farmers in the country as the slogan said ‘’vijana na wanawake ni msingi imara wa mfumo endelevu wa chakula". TZS 85 million were contributed.

Supporting Education: Azania Bank align with government to improve the conducive environment in education sector TZS 134 million contributed to construction of all-purpose hall and computer room to Muyuni Secondary school in Zanzibar aim is to support education sector and community development at large.

Supports for the Youth: Azania Bank sponsored the National Economic Empowerment Council entrepreneurship exhibition TZS 6 million and sponsorship Bibititi memorial festival TZS 60 million aimed at promoting patriotism, peace and justice and empower local artist, women entrepreneurs, youth and communities.

Support for Mineral Sector: Azania Bank sponsored and participated in the Tanzania minerals trade fair 2023. TZS 10 million supported to Geita Minerals Exhibition which aimed at improving small scale minerals economic growth and environmental conservations.

Support for Government Initiatives and Community Development Programs: Azania Bank contributed to government initiatives to escalate at imparting government communication officers and public relations officers with knowledge, skills and new technics of promoting, publicizing and informing the public about the implementing of various activities and strategies projects. Bank contributed TZS 20 million.

Support for Financial Sector: The Bank sponsored and supported financial inclusion activities by TZS 50 million to finance and empower women in promoting, innovating for sustainable women owned business in the community at large.

Support for Health and Environmental Protection: During the year, the bank supported health and environmental activities aimed at conserving natural resources to meet current needs and promote sustainable developments TZS 5.5 billion was contributed to Ngorongoro Conservation Area to protect Flora and Fauna together with the wellbeing for the people of Ngorongoro. TZS 30 million was contributed to Ruangwa marathon for supporting health sector to procure required equipment for premature children in Ruangwa district hospital along with TZS 50 million contributed to Butiama marathon for the purpose of raising funds to support people with special needs.

2.31 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).

2.32 RESPONSIBILITY OF THE AUDITORS

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

2.33 AUDITOR

The Controller and Auditor-General ("CAG") is the statutory auditor for the Azania Bank Plc pursuant to the provisions of Article 143 of the Constitution of the United Republic of Tanzania of 1977 (revised 2005), Sections 30 -33 of the Public Audit Act, Cap 418 (R.E 2021) and Section 20(6) of the Bank of Tanzania Act, 2006. PricewaterhouseCoopers (PwC), Certified Public Accountants (Tanzania) of P.O. Box 45 Dar es Salaam Tanzania were appointed to audit the Bank's financial statements, pursuant to Section 33 of the Public Audit Act, Cap 418 (R.E 2021).

PricewaterhouseCoopers is an audit firm registered by the National Board of Accountants and Auditors of Tanzania (NBAA) with registration number PF 040 and TIN 100-212-285.

2.34 STATEMENT OF RESPONSIBILITY BY THOSE CHARGED WITH GOVERNANCE

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

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

BY ORDER OF THE BOARD

Eng. Julius B. Ndyamukama **Board Chairman**	21st Febr. 2024
Mang'enya Ms. Esther G. Mang'enya **Managing Director**	21st Febr. 2024

3.0 STATEMENT OF RESPONSIBILITIES BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2023

The Companies Act, 2002 requires the Directors to prepare financial statements for each financial year that give a true and fair view of the Bank as at the end of the financial year and of its profit or loss. It also requires the directors to ensure that the Bank keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Bank. They are also responsible for safeguarding the assets of the Bank.

The Directors accept responsibility for the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error. The financial statements have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies Act, 2002. The Directors are of the opinion that the financial statements present fairly, in all material respects, the state of the financial affairs of the Bank and of its financial results in accordance with International Financial Reporting Standards, the requirements of the Companies Act, 2002 and the Banking and Financial Institutions Act, 2006 of Tanzania.

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 designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement. To enable the Directors to meet these responsibilities they set standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Bank and all employees are required to maintain the highest ethical standards in ensuring the Bank's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Bank is on identifying, assessing, managing, and monitoring all known risks across the Bank. While operating risk cannot be fully eliminated, the Bank endeavors to minimize it by ensuring the appropriate infrastructure, controls, systems, and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Directors are of the opinion, based on the information and explanations given by the management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

Nothing has come to the attention of the directors to indicate that the Bank will not remain a going concern for at least twelve months from the date of this statement.

Approval of financial statements

The financial statements of Azania Bank Plc, as identified in the first paragraph, were approved by the Board of Directors on ...21st...day of...Febr... 2024 and signed on its behalf by:

Eng. Julius B. Ndyamukama
Board Chairman

21st Febr. 2024

Mang'enya

Ms. Esther G. Mang'enya
Managing Director

21st Febr. 2024

4.0 DECLARATION OF THE HEAD OF FINANCE FOR THE YEAR ENDED 31 DECEMBER 2023

The National Board of Accountants and Auditors (NBAA) according to the power conferred 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 by a declaration issued by the Head of Finance/Accounting responsible for the preparation of financial statements of the entity concerned.

It is the duty of a Professional Accountant to assist the Board of Directors/Governing Body/Management to discharge the responsibility of preparing financial statements of an entity showing true and fair view of the entity position and performance in accordance with applicable International Accounting Standards and statutory financial reporting requirements. Full legal responsibility for the preparation of financial statements rests with the Board of Directors/Governing Body as under Directors Responsibility statement on an earlier page.

I Jacqueline L. F. Tinkasimile being the Director of Finance and Planning of Azania Bank Plc hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2023, have been prepared in compliance with International Financial Reporting Standards and statutory requirements.

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

Signed by: ______________________
Jacqueline L. Tinkasimile
Position: Director of Finance and Planning
NBAA Membership No.: ACPA 2091
Date: 21st February 2024

5.0 FINANCIAL STATEMENTS

5.10 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 TZS'000	2022 TZS'000
Interest and similar income	7	185,972,642	137,978,788
Interest and similar expense	8	(85,445,417)	(61,156,445)
Net interest income		**100,527,225**	**76,822,343**
Expected credit loss allowance	9	(30,672,767)	(27,111,291)
Net interest after impairment charge		**69,854,458**	**49,711,052**
Fees and commissions income	10A	11,638,795	9,221,684
Fees and commissions Expenses	10B	(3,250,476)	(1,037,081)
Net Fees and commissions income		**8,388,319**	**8,184,603**
Trading and foreign exchange revaluation income	11	13,092,941	8,704,777
Other income	12	12,670,453	18,949,645
Total non-interest income		**34,151,713**	**35,839,025**
Personnel expenses	13	(39,675,961)	(37,309,930)
Premises maintenance costs	14	(3,158,655)	(2,998,014)
Equipment maintenance costs	15	(4,113,104)	(2,868,773)
Depreciation of property, equipment, and amortization of intangible assets	16	(6,663,740)	(6,450,763)
General and administrative expenses	17	(18,091,192)	(11,881,347)
		(71,702,652)	**(61,508,827)**
Profit before income tax		**32,303,519**	**24,041,250**
Income tax expense	18	(3,009,216)	(5,158,465)
Profit for the Year		**29,294,303**	**18,882,785**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Gain of equity instruments measured at fair value through OCI with the amount	23	-	133,735
Impact tax to the gain of fair value through OCI		-	(40,121)
Total Comprehensive Income for the Year, Net of Tax		**29,294,303**	**18,976,399**

5. FINANCIAL STATEMENTS (CONTINUED)

5.11 STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

	Notes	2023 TZS'000	2022 TZS'000
Assets			
Cash and balances with the Bank of Tanzania	19	117,205,055	77,856,650
Loans and advances to banks and Items for Clearing	20	73,190,431	96,276,996
Debt instruments at amortised cost	21	237,759,337	198,920,032
Loans and advances to customers	22	1,624,514,078	955,617,229
Equity Instruments at fair value through Other Comprehensive Income	23	12,428,997	12,428,997
Other assets	29	35,395,255	6,746,172
Property and equipment	24	10,851,337	9,088,436
Right-of-use assets	25	5,432,541	5,524,466
Current tax asset	27	2,284,664	2,195,106
Deferred tax asset	28	55,287,399	56,202,373
Intangible assets	26	2,599,633	2,276,514
Total assets		**2,176,948,727**	**1,423,132,971**
Liabilities			
Loans and advances from banks	30	288,478,884	186,187,967
Deposits from customers	31	1,414,425,021	789,481,377
Revolving Credit Lines	32	148,071,428	152,810,833
Other liabilities	33	22,039,252	16,761,104
Lease Liabilities	34	5,933,045	5,351,732
Total liabilities		**1,878,947,630**	**1,150,593,013**
Ordinary share capital	36	185,493,271	185,493,271
Advance towards Share capital	37	253,601	34,600
Retained earnings		95,345,102	58,359,922
Fair value reserve through OCI		832,299	832,299
Regulatory reserve		16,076,824	27,819,866
Total equity		**298,001,097**	**272,539,958**
Total liabilities and equity		**2,176,948,727**	**1,423,132,971**

The financial statements on pages 46 to 129 were approved for issue by the Board of Directors on 21st February 2024 and signed on its behalf by:

Eng. Julius B. Ndyamukama

Board Chairman

Ms. Esther G.Mang'enya

Managing Director

5. FINANCIAL STATEMENTS (CONTINUED)

5.12 STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

Details	Ordinary share capital	Advance towards share capital	Accumulated Profit or (loss)	Fair value reserve through OCI	Regulatory reserve	Total
			TZS'000			
Opening balance as at 1 January 2023	**185,493,271**	**34,600**	**58,359,922**	**832,299**	**27,819,866**	**272,539,958**
Additions of capital	-	219,001	-	-	-	219,001
Payment of Dividend	-	-	(4,052,165)	-	-	(4,052,165)
Profit during the year	-	-	29,294,303	-	-	29,294,303
Transfers to(from)	-	-	11,743,042	-	(11,743,042)	-
As at 31 December 2023	**185,493,271**	**253,601**	**95,345,102**	**832,299**	**16,076,824**	**298,001,097**
Opening balance as at 1 January 2022	**185,493,271**	**-**	**30,110,417**	**738,684**	**37,186,586**	**253,528,958**
Additions of capital	-	34,600	-	-	-	34,600
Profit during the year	-	-	18,882,785	-	-	18,882,785
Transfers to (from)	-	-	9,366,720	-	(9,366,720)	-
Transfers to (from)	-	-	-	93,615	-	93,615
As at 31 December 2022	**185,493,271**	**34,600**	**58,359,922**	**832,299**	**27,819,866**	**272,539,958**

5. FINANCIAL STATEMENTS (CONTINUED)

5.13 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

	NOTES	2023 TZS'000	2022 TZS'000
Operating activities			
Profit before income tax		**32,303,519**	**24,041,250**
Adjustments for non-cash items:			
Impairment allowance on financial assets	9	30,672,767	27,111,291
Depreciation and Amortization	16	6,663,740	6,450,763
Interest gain from valuation of restructured loans	7	(1,547,561)	(2,029,364)
Release of Staff Costs-Bonus	13	(1,763,751)	-
Exchange gain revaluation	11	(6,027,863)	(1,385,406)
Management Gratuity	13	952,143	384,150
Write back other assets	12	(5,365,474)	(10,606,200)
Interest accrued on lease liabilities	8	616,008	658,803
Modification on lease liability	34	(60,027)	(177,385)
Charge offs of other assets	17	797,048	51,721
Net gain from foreign currency translation	38	(3,169,531)	(191,776)
Other adjustments		(767,319)	-
(Gain)/Loss on disposal of fixed assets	12	1,100	2,750
Cash flows from operating activities before changes in working capital items		**53,304,799**	**44,310,597**
(Increase)/Decrease in Loans and advances to banks maturing after 3 months	20	-	(3,430,227)
(Increase) in loans and advances to customers	22	(626,574,309)	(136,147,460)
(Increase) in debt instruments at amortised cost maturing after 3 months	21	(102,414,482)	(49,196,745)
(Increase) / Decrease in Statutory Minimum Reserve	19	(29,805,357)	(25,036,795)
(Increase) / Decrease in other assets	29	(28,871,670)	(6,836,979)
Increase in deposits from customers and Banks	30&31	727,234,561	244,515,900
(Decrease)/increase in other liabilities	33	(87,326)	(15,915,453)
Tax paid	27	(2,183,800)	(777,177)
Net cash flows from operating activities		**(9,397,584)**	**51,485,661**
Investing activities			
Purchase of property and equipment	24	(5,138,553)	(2,702,421)
Proceeds of sale of property plant and equipment		8,969	8,969
Purchase of intangible assets	26	(2,190,141)	(64,888)
Net cash flows used in investing activities		**(7,319,725)**	**(2,758,340)**
Financing activities			
Proceeds from/(Repayment of) revolving credit lines	32	(4,655,560)	1,486,347
Proceeds from new equity	37	219,001	34,600
Repayment of principal portion of lease liabilities	34	(2,064,779)	(2,548,694)
Payment of Dividend		(4,055,767)	-
Net cash flows (used in)/ from financing activities		**(10,557,105)**	**(1,027,747)**
Net increase/(decrease) in cash and cash equivalents		**(27,274,414)**	**47,699,574**
Cash and cash equivalent at the beginning of the year		**171,540,969**	**124,033,170**
Movement in cash and cash equivalents during the year:			
Net cash flows generated from operating activities		(123,576)	51,485,661
Net cash flows used in investing activities		(7,319,725)	(2,758,340)
Net cash flows generated from investing activities		(10,557,105)	(1,027,747)
Net foreign exchange difference	38	3,169,531	(191,776)
Cash and cash equivalent at the end of the year	38	**147,436,086**	**171,540,969**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

5.14 BASIS OF PREPARATION

5.14.1 Statement of Compliance.

These financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS) and in accordance with the requirements of the Companies Act, 2002. Details of the Bank's accounting policies are included in Note 6

5.14.2 Basis of measurement

The financial statements have been prepared on a historical cost basis except for financial assets at fair values through other comprehensive income (FVOCI instruments which are measured at fair value).

5.14.3 Presentation of financial statements

The presentation of financial position is broadly in order of liquidity. Information regarding recoverability or settlement after the reporting period is disclosed in the notes. Financial assets and financial liabilities are generally reported at gross in the statement of financial position except when IFRS netting criteria are met.

5.15 FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Tanzania Shillings (TZS), which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

5.16 SIGNIFICANT ACCOUNTING JUDGMENTS, ASSUMPTIONS AND ESTIMATION

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise their judgment in the process of applying the bank's accounting policies. There are areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements.

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

5.16.1 Fair value of financial instruments

The Bank estimates the fair value of financial instruments where no active market exists or where quoted prices are not otherwise available by using valuation techniques. In these cases,

5.16.1 Fair value of financial instruments (Continued)

the Bank estimates the fair value of financial instruments using unobservable data and by applying appropriate assumptions. The fair value of financial instruments has been disclosed in Note 41 to the financial statements.

5.16.2 Business model assessment

The business model reflects how the Bank manages its assets to generate cash flows. That is, whether the Bank's objective is solely to collect the contractual cash flows from the asset or to collect both contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g., financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Bank in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. Refer to Note 6.7 and Note 42 to the financial statements.

5.16.3 Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped based on shared risk characteristics. The Bank monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Refer to Note 6.7 and Note 42 to the financial statements.

5.16.4 Significant increase of credit risk

A significant increase in credit risk is assessed by comparing the risk of default of an exposure at the reporting date to the risk of default at origination (after considering the passage of time). Whether a change in the risk of default is significant or not is assessed using a number of quantitative and qualitative factors (as per note 42.1), the weight of which depends on the type of product and counterparty. Financial assets that are 30 or more days past due and not credit-impaired will always be considered to have experienced a significant increase in credit risk. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ. Refer to Note 6.7 and Note 42 to the financial statements.

5.16.5 Incorporation of forward-looking information

The evolving economic environment is a key determinant of the ability of a Bank'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 account of changes to the economic environment in the future. To capture the effect of changes to the economic environment in the future, the computation of probability of default (PD), loss given default (LGD) and so expected credit loss incorporates forward-looking information; assumptions on the path of

5.7.5. Incorporation of forward-looking information (Continued)

economic variables and asset prices that are likely to influence the repayment ability of the Bank's clients. Such variables include Inflation rate, GDP, nominal, GDP, real, Inflation/consumer price index - % year-on-year, Interest rate, central bank policy, Interest rate lending, Unemployment rate and Exchange rate. Refer to Note 6.7 and Note 42 to the financial statements.

5.7.6. Cure rate

The 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 rate shall be factored in at the LGD level when assessing recovery rate. The rate reduces the percentage of loss given default 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 guideline on IFRS 9 Implementation. Defaulted accounts which are assessed whether they have cured shall exclude accounts which have restructured, or which have been charged off during the period. Refer to Note 6.7 and Note 42 to the financial statements.

5.7.7. Incremental borrowing rate

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that would have to be paid to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Bank 'would have to pay,' which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Bank estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments (such as the credit spread, debt-service ratio, inflation to reflect the terms and conditions of the lease). Refer to Note 6.5 to the financial statements.

5.7.8. Determining the lease term of contracts with renewal and termination options

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

The Bank's lease contracts include extension and termination options. The Bank applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease contracts. 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 Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control and 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 customization to the leased asset).

The Bank includes the renewal period as part of the lease term for the leases recognized. The Bank typically exercises its option to renew leases because there will be a significant negative effect on operations if a replacement asset is not readily available. The renewal periods for leases are not included as part of the lease term if they are not reasonably certain to be exercised. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised. Refer to Note 6.5 and Note 32 to the financial statements.

5.7.9. Deferred tax assets

Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the tax losses can be utilized. Although in Tanzania tax losses can be utilized indefinitely, judgement is required to determine the amount of deferred tax assets that can be recognized, based on the likely timing and level of future taxable profits, together with future tax-planning strategies.

5.7.10. Property, Equipment and intangible Assets

Property and equipment as well as intangible assets are stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortization period or methodology, as appropriate, and treated as changes in accounting estimates.

5.17 NEW STANDARDS, AMENDMENTS, AND INTERPRETATIONS

The Bank applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated). The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

5.8.1. New standards and amendments - applicable 1 January 2023

Standard/Amendment	Brief Description	Effective Date
IFRS 17 Insurance Contracts	IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are remeasured in each reporting period. Contracts are measured using the building blocks of: ➢ discounted probability-weighted cash flows ➢ an explicit risk adjustment, and ➢ a contractual service margin (CSM) representing the unearned profit of the contract which is recognized as revenue over the coverage period. The standard allows a choice between recognizing changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.	1 January 2023 (Deferred from 1 January 2021)
IFRS 17 Insurance Contracts(*Continued)*	An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for eligible groups of insurance contracts, which are often written by non-life insurers. There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features. Targeted amendments made in July 2020 aimed to ease the implementation of the standard by reducing implementation costs and making it easier for entities to explain the results from applying IFRS 17 to investors and others. The amendments also deferred the application date of IFRS 17 to 1 January 2023. Further amendments made in December 2021 added a transition option that permits an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of IFRS 17. The classification overlay applies to all financial assets, including those held in respect of activities not connected to contracts within the scope of IFRS 17. It allows those assets to be classified in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial application of IFRS 9. The classification can be applied on an instrument-by-instrument basis	1 January 2023 (Deferred from 1 January 2021)
Disclosure of Accounting	The IASB amended IAS 1 Presentation of Financial Statements to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' (being information that, when considered together with other information included in	1 January 2023

Policies - Amendments to IAS 1 and IFRS Practice Statement 2	an entity's financial statements, can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements) and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.	
Definition of Accounting Estimates - Amendments to IAS 8	The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12	The amendments to IAS 12 Income Taxes require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences, and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognize deferred tax assets (to the extent that it is probable that they can be utilized) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with: • right-of-use assets and lease liabilities, and • decommissioning, restoration and similar liabilities, and the corresponding amounts recognized as part of the cost of the related assets. The cumulative effect of recognizing these adjustments is recognized in the opening balance of retained earnings, or another component of equity, as appropriate. IAS 12 did not previously address how to account for the tax effects of on balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.	1 January 2023
OECD Pillar Two Rules	In December 2021, the Organization for Economic Co-operation and Development (OECD) released the Pillar Two model rules (the Global AntiBase Erosion Proposal, or 'GloBE') to reform international corporate taxation. Large multinational enterprises within the scope of the rules are required to calculate their GloBE effective tax rate for each jurisdiction where they operate. They will be liable to pay a top-up tax for the difference between their GloBE effective tax rate per jurisdiction and the 15% minimum rate. In May 2023, the IASB made narrow-scope amendments to IAS 12 which provide a temporary relief from the requirement to recognise and disclose deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar Two model rules, including tax law that implements qualified domestic minimum top-up taxes described in those rules. The amendments also require affected companies to disclose:	Immediately, except for certain disclosures as noted on the left **

	➢ the fact that they have applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes ➢ their current tax expense (if any) related to the Pillar Two income taxes, and ➢ during the period between the legislation being enacted or substantially enacted and the legislation becoming effective, known or reasonably estimable information that would help users of financial statements to understand an entity's exposure to Pillar Two income taxes arising from that legislation. If this information is not known or reasonably estimable, entities are instead required to disclose a statement to that effect and information about their progress in assessing the exposure. ** The amendments must be applied immediately, subject to any local endorsement process, and retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. However, the disclosures about the known or reasonably estimable exposure to Pillar Two income taxes are only required for annual reporting periods beginning on or after 1 January 2023 and do not need to be made in interim financial reports for interim periods ending on or before 31 December 2023.	
Classification of Liabilities as Current or non-current - Amendments to IAS 1 Non-current Liabilities with Covenants- Amendments to IAS 1	Amendments made to IAS 1 Presentation of Financial Statements in 2020 and 2022 clarified that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). Covenants of loan arrangements will not affect classification of a liability as current or non-current at the reporting date if the entity must only comply with the covenants after the reporting date. However, if the entity must comply with a covenant either before or at the reporting date, this will affect the classification as current or non-current even if the covenant is only tested for compliance after the reporting date. The amendments require disclosures if an entity classifies a liability as noncurrent and that liability is subject to covenants that the entity must comply with within 12 months of the reporting date. The disclosures include: ▫ the carrying amount of the liability ▫ information about the covenants, and ▫ facts and circumstances, if any, that indicate that the entity may have difficulty complying with the covenants. The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. Terms of a liability that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instrument can only be ignored for the purpose of classifying the liability as current or non-current if the entity classifies the option as an equity instrument. However, conversion options that are classified as a liability must be considered when determining the current/non-current classification of a convertible note. The amendments must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Special transitional rules apply if an entity had early adopted the 2020 amendments regarding the classification of liabilities as current or non-current.	1 January 2024

5.8.2. New standards and amendments - applicable 1 January 2023(Continued)

Standard/Amendment	Brief Description	Effective Date
Lease Liability in a Sale and Leaseback - Amendments to IFRS 16	In September 2022, the IASB finalised narrow-scope amendments to the requirements for sale and leaseback transactions in IFRS 16 *Leases* which explain how an entity accounts for a sale and leaseback after the date of the transaction. The amendments specify that, in measuring the lease liability subsequent to the sale and leaseback, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller lessee recognizing any amount of the gain or loss that relates to the right of use that it retains. This could particularly impact sale and leaseback transactions where the lease payments include variable payments that do not depend on an index or a rate.	1 January 2024
Supplier finance arrangements - Amendments to IAS 7 and IFRS 7	The IASB has issued new disclosure requirements about supplier financing arrangements ('SFAs'), after feedback to an IFRS Interpretations Committee agenda decision highlighted that the information required by IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures* falls short of meeting user information needs. The objective of the new disclosures is to provide information about SFAs that enables investors to assess the effects on an entity's liabilities, cash flows and the exposure to liquidity risk. The new disclosures include information about the following: The terms and conditions of SFAs. i) The carrying amounts of financial liabilities that are part of SFAs and the line items in which those liabilities are presented. ii) The carrying amount of the financial liabilities in (b) for which suppliers have already received payment from the finance providers. iii) The range of payment due dates for both the financial liabilities that are part of SFAs, and comparable trade payables that are not part of such arrangements. iv) Non-cash changes in the carrying amounts of financial liabilities in (b). v) Access to SFA facilities and concentration of liquidity risk with finance providers. The IASB has provided transitional relief by not requiring comparative information in the first year, and also not requiring disclosure of specified opening balances. Further, the required disclosures are only applicable for annual periods during the first year of application. Therefore, the earliest that the new disclosures will have to be provided is in annual financial reports for December 2024 year-ends, unless an entity has a financial year of less than 12 months.	1 January 2024

5.8.1. New standards and amendments but not yet effective

Standard/Amendment	Brief Description	Effective Date
Classification of Liabilities as Current or non-current - Amendments to IAS 1 Non-current Liabilities with Covenants- Amendments to IAS 1	Amendments made to IAS 1 Presentation of Financial Statements in 2020 and 2022 clarified that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). Covenants of loan arrangements will not affect classification of a liability as current or non-current at the reporting date if the entity must only comply with the covenants after the reporting date. However, if the entity must comply with a covenant either before or at the reporting date, this will affect the classification as current or non-current even if the covenant is only tested for compliance after the reporting date.	1 January 2024
Classification of Liabilities as Current or non-current - Amendments to IAS 1 Non-current Liabilities with Covenants- Amendments to IAS 1(continued)	The amendments require disclosures if an entity classifies a liability as noncurrent and that liability is subject to covenants that the entity must comply with within 12 months of the reporting date. The disclosures include: ▫ the carrying amount of the liability ▫ information about the covenants, and ▫ facts and circumstances, if any, that indicate that the entity may have difficulty complying with the covenants. The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. Terms of a liability that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instrument can only be ignored for the purpose of classifying the liability as current or non-current if the entity classifies the option as an equity instrument. However, conversion options that are classified as a liability must be considered when determining the current/non-current classification of a convertible note. The amendments must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Special transitional rules apply if an entity had early adopted the 2020 amendments regarding the classification of liabilities as current or non-current.	1 January 2024
Lease Liability in a Sale and Leaseback - Amendments to IFRS 16	In September 2022, the IASB finalised narrow-scope amendments to the requirements for sale and leaseback transactions in IFRS 16 Leases which explain how an entity accounts for a sale and leaseback after the date of the transaction. The amendments specify that, in measuring the lease liability subsequent to the sale and leaseback, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller lessee recognizing any amount of the gain or loss that relates to the right of use that it retains. This could particularly impact sale and leaseback transactions where the lease payments include variable payments that do not depend on an index or a rate.	1 January 2024

5.8.2. New standards and amendments but not yet effective (Continued)

Standard/Amendment	Brief Description	Effective Date
Lease Liability in a Sale and Leaseback - Amendments to IFRS 16 Supplier finance arrangements - Amendments to IAS 7 and IFRS 7	The IASB has issued new disclosure requirements about supplier financing arrangements ('SFAs'), after feedback to an IFRS Interpretations Committee agenda decision highlighted that the information required by IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures falls short of meeting user information needs. The objective of the new disclosures is to provide information about SFAs that enables investors to assess the effects on an entity's liabilities, cash flows and the exposure to liquidity risk. The new disclosures include information about the following: The terms and conditions of SFAs. i. The carrying amounts of financial liabilities that are part of SFAs and the line items in which those liabilities are presented. ii. The carrying amount of the financial liabilities in (b) for which suppliers have already received payment from the finance providers. iii. The range of payment due dates for both the financial liabilities that are part of SFAs, and comparable trade payables that are not part of such arrangements. iv. Non-cash changes in the carrying amounts of financial liabilities in (b). v. Access to SFA facilities and concentration of liquidity risk with finance providers. The IASB has provided transitional relief by not requiring comparative information in the first year, and also not requiring disclosure of specified opening balances. Further, the required disclosures are only applicable for annual periods during the first year of application. Therefore, the earliest that the new disclosures will have to be provided is in annual financial reports for December 2024 year-ends, unless an entity has a financial year of less than 12 months.	1 January 2024

6.0 SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

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.

6.1 Recognition of interest income and expenses

6.1.1 Effective interest rate method

For the Bank, interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortized cost and interest-bearing financial assets measured at FVOCI in accordance with IFRS 9. Interest expense is also calculated using the EIR method for all financial liabilities held at amortized 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 gross carrying amount of the financial asset.

6.1.1 Effective interest rate method (Continued)

The EIR (and therefore, the amortized cost of the asset) is calculated by considering any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Bank recognizes 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, it recognizes the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk. The adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the balance sheet with an increase or reduction in interest income. The adjustment is subsequently amortized through Interest and similar income in the income statement.

6.1.2 Interest and similar income and expenses

The Bank calculates interest income and expense by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets and financial liabilities at amortized cost respectively. When a financial asset becomes credit-impaired (as set out in Note 42) and is, therefore, regarded as 'Stage 3', the Bank calculates interest income by applying the effective interest rate to the net amortized cost of the financial asset. If the financial assets cures (as outlined in Note 6.7 and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

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

6.2 Fee and commission income

The financial statements have been prepared on a historical cost basis except for financial assets at fair values through other comprehensive income (FVOCI instruments which are measured at fair value).

The Bank earns fees and commission income from a diverse range of services it provides to its customers. The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Bank's revenue contracts do not include multiple performance obligations.

When the Bank provides a service to its customers, consideration is invoiced 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 Bank has generally concluded that it is

6.2 Fee and commission income (Continued)

the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

Fees and commissions that form an integral part of the effective interest rate are excluded from fees and commissions from customers.

Fee and commission income from services where performance obligations are satisfied over time.

Performance obligations satisfied over time include asset management and other services, where the customer simultaneously receives and consumes the benefits provided by the Bank's performance as the Bank performs.

Loan commitment fees: These are fixed annual fees paid by customers for loan and other credit facilities with the Bank, The Bank promises to provide a loan facility for a specified period. As the benefit of the services is transferred to the customer evenly over the period of entitlement, the fees are recognised as revenue on a straight-line basis. Payment of the fees is due and received monthly in arrears.

Interchange fees: The Bank provides its customers with credit card processing services (i.e., authorisation and settlement of transactions executed with the Bank's credit cards) where it is entitled to an interchange fee for each transaction (i.e., when a credit cardholder purchases goods and services from merchants using the Bank's credit card).

The fees vary based on the number of transactions processed and are structured as either a fixed rate per transaction processed or at a fixed percentage of the underlying cardholder transaction. The variable interchange fees are allocated to each distinct day, based on the number and value of transactions processed that day, and the allocated revenue is recognised as the entity performs.

Transactional fees: Transactional fees are service charges on deposit accounts, cash management services and transactional processing fees such as fees income generated from credit and bank card usage. Fees earned on the execution of a significant act typically includes transactional fees. Transaction and processing fees are recognised at the point in time the transaction occurs, or service is performed. They include banking services such as Automated Teller Machine (ATM) fees, wire transfer fees, overdraft or late fees and foreign exchange fees, among others.

These fees are received, and the Bank's provides the service, monthly; the fees are recognised in income on this basis. The Bank also receives certain fees in respect of its asset finance business where the performance obligations are typically fulfilled towards the end of the customer contract; these fees are recognised in income on this basis.

6.2 Fee and commission income (Continued)

Fee and commission income from providing services where performance obligations are satisfied at a point in time.

Services provided where the Bank's performance obligations are satisfied at a point in time are recognised once control of the services is transferred to the customer. This is typically on completion of the underlying transaction or service or, for fees or components of fees that are linked to a certain performance, after fulfilling the corresponding performance criteria.

These include fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party, such a for bancassurance arranegemnts where the Bank act as an intermediary in underwring insurance polices on behalf of insurance companies, sale of cheque books, ATM withdrawal charges, statement charges, salary processing fees and other fees and commissions of that nature

The Bank has a single performance obligation with respect to these services, which is to successfully complete the transaction specified in the contract.

Other income: Results arising from trading activities include all gains and losses from changes in fair value and related interest income or expense and dividends for financial assets and financial liabilities measured at fair value through profit or loss if any. Other income is recognized in the period in which it is earned.

Contract balances: The following are recognised in the statement of financial position arising from revenue from contracts with customers:

Fees and commissions receivables included under 'Other assets', which represent the Bank'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 amortised cost and subject to the impairment provisions of IFRS 9.

Unearned fees and commissions included under 'Other liabilities', which represent the Bank's obligation to transfer services to a customer for which the Bank has received consideration (or an amount of consideration is due) from the customer. A liability for unearned fees and commissions is recognised when the payment is made or the payment is due (whichever is earlier). Unearned fees and commissions are recognised as revenue when (or as) the Bank performs.Other fees and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

6.3 Dividend income

Dividend income is recognized when the bank's right to receive the payment is established. Dividends are presented as other operating income based on the nature of investments currently held.

6.4 Foreign currency translation

Foreign currency transactions are translated into Tanzanian Shillings using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currency are translated with closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss.

6.5 Leases

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

Lease payments are discounted using the interest rate implicit in the lease. When this rate is undeterminable, as is often the case for Bank leases, the lessee's incremental borrowing rate is applied. This rate reflects what the lessee would pay to borrow funds for an asset similar to the right-of-use asset, under comparable economic conditions, terms, and security. The Bank computes its incremental borrowing rate by

i. **Identify Comparable Borrowing Arrangements:** Determine the characteristics of the lease arrangement, such as currency, term, and specific asset, and identify comparable borrowing arrangements in the market.
ii. Determine Term Structure: Analyses the term structure of borrowing rates available in the market, considering both short-term and long-term r
iii. **Consider Collateral and Security:** Evaluate the collateral or security provided by the lessee and compare it to typical arrangements for similar assets in the market.

6.5.1. Short-term leases and leases of low-value assets

The Bank applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets (i.e. those that have the value of TZS 10 million or below) recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low- value assets are recognised as expense on a straight-line basis over the lease term.

6.5.2. Right-of-use assets

The Bank recognizes 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 in 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 recognized, 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. Refer to Note 25 for further details.

The estimated useful lives for the current and comparative periods are as stated:

Item	2023	2022
Right-of-use assets	10-May	10-May

The right-of-use assets are presented in Note 25 right-of-use assets and are Subject to impairment in line with the Bank's policy as described in Note 6.7.7 Impairment of non-financial Assets.

6.5.3. Lease liabilities

At the commencement date of the lease, the bank recognizes lease liabilities 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 recognized as expenses in the period in which the event or condition that triggers the payment occurs. 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 lease term, a change in the lease payments (e.g., change to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset

6.6. Employee benefits

6.6.1. Short term employee benefits

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 bank has a present legal or constructive obligation to pay this amount because of past service provided by the employee and the obligation can be estimated reliably.

6.6.2. Defined Pension contributions plans

The Bank operates a defined contribution plan whereby each of its employees contribute to the state managed (statutory) funds, namely the Public Services Social Security Fund (PSSSF). The Bank contributes 15% of the basic salary for each employee while the employees contribute 5%. Apart from these monthly contributions, the bank has no further commitments or obligations to these funds. The contributions are charged to the profit or loss in the year to which they relate.

6.6.3. Workers Compensation Fund

This is a social security scheme established for compensating workers who suffer occupational injuries or contract occupational diseases arising out of and in the course of their employment. The Bank is required to contribute 0.5% (2022:0.6%) of the monthly wage bill. The Bank remits the contributions on a month-to-month basis and costs recognized in respective months.

6.6.4. Management gratuity

This is applied for staff with contracts for a specific period for managerial carder. It is specifically applied to Managers, Functional Directors and Managing Director. Their entitlement is paid upon completion of the contract.

6.7. Financial instruments

6.7.1. Initial recognition & measurement

Financial assets and liabilities, except for loans and advances to customers and balances due to customers are initially recognized on the trade date, i.e., the date on which the Bank 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 Bank recognizes balances due to customers when funds are transferred to the Bank. 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 except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Bank accounts for the Day 1 profit or loss

The Bank 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:

6.7.1. Initial recognition & measurement (Continued)

Category (As defined by IFRS 9)		Class (as determined by the Bank)	
Financial assets	Amortized cost	Cash and balances with the Bank of Tanzania	Cash in hands Balance with bank of Tanzania
		Loans and advances to banks	Nostro balances Balances with local banks
		Loans and advances to customers	Loans to individuals
			Loans to corporate entities
			Loans to SMEs
			Loans to Microfinance
		Investment in Debt securities	Government securities
			Corporate Bonds
		other assets	Individual/retail counterparties Corporate counterparties
	Fair value through other comprehensive income (FVOCI)	Equity instruments designated at FVOCI	
Financial liabilities	Financial liabilities at amortized cost	Loans and advances from Banks	
		Borrowings	
		Deposits from customers	Retail customers
			Corporate customers
		Revolving Credit Lines	Corporate creditors
		other liabilities	Individual/retail suppliers and service providers , regulatory authorities, business counterparties.
			Corporate suppliers/service providers.

6.7.2. Financial assets

The Bank classifies its financial assets in the following categories: At amortized cost, Fair value through profit or loss (FVPL) and Fair value through other comprehensive income (FVOCI).

(a) Classification and subsequent measurement of financial assets depends on;

i. The Bank's business model for managing the asset; and
ii. The cash flow characteristics of the asset.

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

(b) 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 and similar income' using the effective interest rate method.

(c) 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.

(d) 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 taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in 'Other Income.'

(e) Business model assessment

As presented in Note 6.7.2, the Bank's business model determines how the Bank manages assets to generate cash flows.

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 in the 'other' business model and measured at FVPL.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement i.e., interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

(e) Business model assessment (Continued)

The Bank reclassifies financial assets when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent, and none occurred during the period

6.7.3. Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Bank subsequently measures all investments in equity instruments at fair value through profit or loss, except where the Bank's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Bank's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as other income when the Bank's right to receive payments is established.

6.7.4. Financial guarantees, letters of credit and undrawn loan commitments

The bank issues financial guarantees, letters of credit and loan commitments. The bank does not recognize the financial guarantee within its financial statements. However, since it is under the scope of IFRS 9, the ECL amount is recognized in the statement of financial position within provision and the movement of such provision is recognized in the statement of profit or loss. The premium received is recognized in the statement of profit or loss in Net upfront interest income on Loans and advances to customers on a straight-line basis over the life of the guarantees.

6.7.5. Derecognition due to substantial modification of terms and conditions

The Bank 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 becomes a new loan, with the difference recognized as a derecognition gain or loss, 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.

If the modification does not result in cash flows that are substantially different, as set out below, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that

6.7.5. Derecognition due to substantial modification of terms and conditions(Continued)

an impairment loss has not already been recorded. For financial liabilities, the Bank considers a modification 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. For financial assets, this assessment is based on qualitative factors.

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when the rights to receive cash flows from the financial asset have expired. The Bank also derecognizes the financial asset if it has both transferred the financial asset and the transfer qualifies for de-recognition.

The Bank has transferred the financial asset if, and only if, either:

i. The Bank has transferred its contractual rights to receive cash flows from the financial asset Or;
ii. 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.

(a) Financial assets

A transfer only qualifies for de-recognition if either:

i. The Bank has transferred substantially all the risks and rewards of the asset Or
ii. The Bank has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

(b) Financial liabilities

A financial liability is derecognized 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 de-recognition 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 recognized in profit or loss.

6.7.6. Impairment of financial assets

The Bank recognizes loss allowances for ECLs on the following financial instruments that are not measured at FVPL:

i. Loans and advances to banks.
ii. Loans and advances to customers.
iii. Debt investment securities.

6.7.6. Impairment of financial assets (Continued)

iv. Corporate bonds.
v. Letter of credit issues and guarantees.

No impairment loss is recognized on equity investments.

The 12 months' expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both lifetimes expected credit losses and 12 months' expected credit losses are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments

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

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

i. **Stage 1:** When loans are first recognized, the Bank recognizes an allowance based on 12 months expected credit losses. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2.
ii. **Stage 2:** When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the lifetime expected credit losses. Stage 2 loans also include facilities, where the credit risk has improved, and the loan has been reclassified from Stage 3.
iii. **Stage 3:** Loans considered credit impaired. The bank records an allowance for the lifetime expected credit losses.

(a) The calculation of Expected Credit Losses

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

i. Probability of Default (PD): The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time

(a) The calculation of Expected Credit Losses (Continued)

over the assessed period if the facility has not been previously derecognized and is still in the portfolio.

ii. The Exposure at Default (EAD): is an estimate of the exposure at a future default date, considering 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.

iii. Loss Given Default (LGD): 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 realization of any collateral. It is usually expressed as a percentage of the exposure at default.

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 mechanics of the Expected Credit Losses method are summarized below:

i. **Stage 1:** The 12-month expected credit loss is calculated as the portion of life-time expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12-month expected credit loss 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 exposure at default (EAD) and multiplied by the expected loss given default (LGD) and discounted by an approximation to the original effective interest rate (EIR). This calculation is made for each of the four scenarios, as explained previously.

ii. **Stage 2:** When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the life-time expected credit losses. The mechanics are similar to those explained above, including the use of multiple scenarios, but Probability of default (PD) and Loss given default (LGD) are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original effective interest rate (EIR).

iii. **Stage 3**: For loans considered credit-impaired, the Bank recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the Probability of default (PD) set at 100%.

iv. **Financial guarantee contract:** The bank's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the income statement and the expected credit loss provision. For this purpose, the bank estimates the expected credit losses based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs.

(a) The calculation of Expected Credit Losses (Continued)

The shortfall is discounted at the risk adjusted interest rate relevant to the exposure. The calculation is made using the probability weighting of the four scenarios. The expected credit losses related to the financial guarantee contracts are recognized in the statement of profit or loss. Refer to Note 43 for further details.

The calculation of expected credit losses, including the estimation of the expected period of exposure and discount rate is made, on an individual basis for corporate and on a collective basis for retail loans products. The collective assessments are made separately for portfolios of facilities with similar credit risk characteristics. The mechanics of the Expected Credit Losses method are summarized below:

(b) Forward looking information

In the expected credit losses models, the Bank relies on a broad range of forward-looking information as economic inputs such as Inflation rate, GDP, nominal, GDP, real, Inflation/consumer price index - % year-on-year, Interest rate, central bank policy, Interest rate lending, Unemployment rate and Exchange rate.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

(c) Collateral valuation

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. Collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets. The Bank's accounting policy for collateral assigned to it through its lending arrangements under IFRS 9. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. However, the fair value of collateral affects the calculation of expected credit losses. It is generally assessed, at a minimum, at inception and reassessed at least every three years. To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as recognized property valuers.

(d) Collateral repossessed

The Bank's policy is to sell the repossessed collateral and the proceeds obtained will be used to recover the loan outstanding.

In its normal course of business, the Bank does not physically repossess properties or other assets in its retail portfolio, but engages external agents to recover funds, generally at

(d) Collateral repossessed (Continued)

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 in the statement of financial position.

(e) Write-offs

Financial assets are written off either partially or in their entirety only when the Bank 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 credit loss expense.

The measurement of impairment losses across all categories of financial assets requires judgement, in particular, 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 several factors, changes in which can result in different levels of allowances. The Bank's expected credit losses calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the expected credit losses models that are considered accounting judgements and estimates include:

i. The Bank's internal credit grading model, which assigns Probability of default to the individual grades.
ii. The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime expected credit losses basis and the qualitative assessment.
iii. The segmentation of financial assets when their expected credit losses are assessed on a collective basis.
iv. Development of Expected credit loss model, including the various formulas and the choice of inputs Determination of associations between macroeconomic scenarios and, economic inputs, such as inflation levels and collateral values, 91 days Treasury Bill rate, change in exchange rate and the effect on PDs, EADs and LGDs.

(f) Definition of default

IFRS 9 does not define default but requires the definition to be consistent with the definition used for internal credit risk management purposes. However, IFRS 9 contains a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due.

Under IFRS 9, the Bank will consider a financial asset as 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events

(f) Definition of default (Continued)

i. Significant financial difficulty of the borrower or issuer.
ii. A breach of contract such as a default or past due event.
iii. 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.
iv. The disappearance of an active market for a security because of financial difficulties; or
v. 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—instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Bank assesses whether debt instruments that are financial assets measured at mortised cost or FVOCI are credit-impaired at each reporting date.

The Bank writes off non-performing financial assets that have been past due for more than four consecutive quarters. The Bank may write-off financial assets in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Bank's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full. The assessment is done to specific borrower.

6.7.7. Impairment of non-financial assets

At the end of each reporting period, the Bank reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that these assets have suffered an impairment loss. The carrying values of non-financial assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

In determining the recoverable amount, the Bank considers the higher of the fair value of the asset less costs to disposal, and value in use. In estimating value in use, the Bank is cognizant of the estimated future cash flows discounted to the present value using a pre-tax discount rate that is reflective of the current market assessment of time value of money and the risks specific to the asset itself.

Where impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but limited to the extent that, the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized.

6.7.7. Impairment of non-financial assets (Continued)

The impairment losses are recognized in the statement of profit or loss in expenses unless it is stated otherwise. The Bank did not record any impairment related to non-financial assets during the year.

Further disclosures relating to impairment of non-financial assets are also provided in the following notes:

Significant accounting judgements estimates, and assumptions	Note 4
➢ Property, and equipment	Note 24
➢ Right-of-use asset	Note 25
➢ Intangible assets	Note 26

6.7.8. Cash and cash equivalents

Cash and cash equivalents include cash in hand, unrestricted balances held with the Bank of Tanzania, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less from the date of acquisition that are subject to insignificant risk of change in fair value and are used by the Bank in management of its short-term commitments.

6.7.9. Property and equipment

(a) Recognition and measurement

Items of property and equipment are measured at cost, less accumulated depreciation, and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The Bank derecognized the carrying amount of an item of property and equipment on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized within other income in profit or loss.

(b) Subsequent costs

Subsequent expenditure is capitalized only when it is probable that future economic benefits of the expenditure will flow to the Bank. Recurrent repairs and maintenance are expensed in the period incurred.

(c) Depreciation

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognized in profit or loss. The depreciation methods, useful lives and residual lives are reviewed, and adjusted if appropriate, at each reporting date. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Bank will obtain ownership by the end of the lease term. Land is not depreciated. The estimated useful lives for the current and comparative periods are as stated:

Item	2023	2022
Leasehold improvements	10	10
Motor vehicles	5	5
Office furniture and fittings	6.67	6.67
Office equipment	5	5
Computer equipment	5	5

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Refer to Note 6.7.7 for the accounting policy. The property and equipment carrying amounts have been disclosed in Note 24.

6.7.10. Work in Progress

These are costs of non-financial assets which have not met criteria of being recognized under property and equipment or intangible assets. The assets are normally under construction, development or at acquisition process has not finalized to meet the requirements of accounting standards and Policy.

6.7.11. Intangible assets

These are development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the bank. Development costs are recognized as intangible assets when the following criteria are met:

i. It is technically feasible to complete the software product so that it will be available for use.
ii. Management intends to complete the software product and use or sell it.

6.7.11. Intangible assets (Continued)

iii. There is an ability to use or sell the software product.
iv. It can be demonstrated how the software product will generate probable future economic benefits.
v. Adequate technical, financial, and other resources to complete the development and to use or sell the software product are available; and
vi. The expenditure attributable to the software product during its development can be reliably measured.

After initial recognition, The Bank measures its intangible assets at cost less any accumulated amortization and any accumulated impairment losses.

Amortization methods, useful lives and residual values are reviewed and adjusted if appropriate, at each reporting date.

Directly incurred costs are capitalized as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Costs associated with maintaining software programs are recognized as an expense when incurred.

Computer software development costs recognized as assets are amortized over their estimated useful lives, which do not exceed five years.

Acquired computer software licenses are capitalized based on the costs incurred to acquire and bring to use the specific software. These costs are amortized based on the expected useful lives.

Software has a maximum expected useful life of 5 years.

Description of items	**Useful lives**
Computer Software	5 Years

The Bank derecognized intangible assets on either disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. The Bank recognizes this in profit or loss when the asset is derecognized.

6.7.12. Provisions

A provision is recognized if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

6.7.13. Taxes

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

(a) Current income tax

The current income tax charge is calculated based on the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate based on amounts expected to be paid to the tax authorities.

Current income tax relating to items recognized in OCI or directly in equity is recognized in OCI or equity, respectively, and not in profit or loss.

(b) Deferred income tax

Deferred tax is provided 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 recognized 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.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible

(b) Deferred income tax (Continued)

temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same entity or different taxable entities where there is an intention to settle the balances on a net basis.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantially enacted at the end of the reporting period. Deferred income tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in profit or loss, other comprehensive income or directly in equity.

(c) Value Added Tax (VAT)

The Bank pays VAT on all its taxable purchases during operation (input tax). The bank also collects VAT on the fees and commissions charged on the financial services according to the prevailing laws and remits to TRA (output tax).

Revenues, expenses, and assets are recognized net of the amount of value added tax except where the value added tax incurred on a purchase of assets or services is not recoverable from the TRA, in which case the value added tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and receivables and payables that are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to tax authorities is included as part of receivables or payables in the statement of financial position.

6.7.14. Dividend on ordinary share capital

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

6.7.15. Ordinary Share capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

6.7.16. Regulatory reserve and General provision reserve

The reserve comprises amounts set aside to cover provision for loan losses required to comply with the requirements of Bank of Tanzania prudential guidelines. This reserve is not available for distribution. The General provision reserve is available for the purpose of determination of regulatory total capital of the Bank and not available for distribution

		2023	2022
7	**INTEREST INCOME**	**TZS'000**	**TZS'000**
	Loans to banks	3,522,696	3,237,547
	Investment in Government securities	22,493,032	13,327,989
	Loans and advances to customers	148,750,494	116,240,771
	Interest gain from valuation of restructured loans	1,547,561	2,029,364
	Upfront interest income on Loans and advances to customers	3,874,065	2,213,011
	Net interest Income on Digital Loans	5,784,794	930,106
		185,972,642	**137,978,788**

All interest income is recognized using effective interest rate

8	**INTEREST EXPENSE**		
	Deposits from banks	14,067,239	8,004,081
	Deposits from customers	58,096,800	44,622,728
	Revolving credit lines	9,374,119	7,452,285
		81,538,158	**60,079,094**
	Other interest and similar expense:		
	Interest Expense lease Liabilities	616,008	658,803
	Interest expenses on Digital Loans	3,291,251	418,548
		3,907,259	**1,077,351**
	Total interest and similar expenses	**85,445,417**	**61,156,445**

9	**EXPECTED CREDIT LOSS ALLOWANCE**		
	ECL - Loans and advances to customers (note 22g)	30,873,632	28,745,124
	ECL - Letters of Credit and Guarantee (note 22g)	634,549	(2,006,864)
	ECL - Bank of Tanzania (note 19)	-	(134,794)
	ECL - Loans and advances to Banks (note 20)	(1,072,263)	977,150
	ECL - Other Assets (note 28)	338,864	(333,948)
	ECL - Government Securities (note 21)	(102,015)	(135,377)
		30,672,767	**27,111,291**

The increase in the ECL allowance compared to the previous year is mainly due to the increased of risk assets.

10A	**FEES AND COMMISSIONS INCOME**		
	Operating below minimum balance of customer accounts	68,972	59,304
	Security perfection	292,845	154,741
	Ledger fees and customer sundries	1,369,416	974,859
	Telegraphic transfers	1,572,127	722,499
	Cheque books	86,508	65,079
	Letters of credit	1,300,197	1,407,813
	Western union & Money Gram	69,291	53,883
	Salary processing	28,250	39,770
	Unpaid cheques	16,970	21,033
	Statement fees	38,328	33,551

		2023	2022
10A	**FEES AND COMMISSIONS INCOME(CONTINUED)**	**TZS'000**	**TZS'000**
	Mobile Transactions Commission	861,178	546,601
	Insurance income	1,202,182	1,031,569
	Cash withdrawal commission	1,827,739	1,266,421
	Delivery Channels	1,252,049	1,131,419
	Digital loans fees and Commission	1,531,686	558,989
	Agent Banking Commission	11,203	5,474
	Fees and commission on Agricultural Business	54,760	1,116,017
	Sundry commission income	55,094	32,662
		11,638,795	**9,221,684**

10B	**FEES AND COMMISSIONS EXPENSES**		
	Digital loans Commission Expense Ac	229,993	55,899
	Bank To Wallet Charges	14,344	4,568
	Guarantee expenses	191,861	128,688
	Swift Expenses	63,520	37,955
	Atm Expenses	42,238	39,316
	Visa Expense	1,844,758	381,546
	Debt Collection Expenses	3,169	1,111
	Mobile Revenue Services Commission	194,200	-
	Recovery Expense Account	274,026	52,691
	Deferred Deposit Arrangement Fee	-	102,598
	Fees And Commission-Selcom	26,514	-
	Agent Commission Expense A/C	365,853	232,709
		3,250,476	**1,037,081**

11	**TRADING AND FOREIGN EXCHANGE REVALUATION**		
	Foreign Exchange trading	6,584,110	7,125,539
	Foreign Exchange Revaluation	6,027,863	1,385,406
	Bond Trading Income	480,968	193,832
		13,092,941	**8,704,777**
12	**OTHER INCOME**	TZS'000	TZS'000
	Recoveries from bad debts	7,223,054	8,284,117
	Write back other liabilities*	5,365,474	10,606,200
	Dividend Income	83,025	62,078
	Loss on disposal of fixed assets	(1,100)	(2,750)
		12,670,453	**18,949,645**

*This relates to liabilities that was provided during acquisition of former bank M. After reassessment and follow ups with counterparts, the excess provision amounts of TZS 5 billion was written back.

		2023	2022
13	**PERSONNEL EXPENSES**	**TZS'000**	**TZS'000**
	Salaries and wages	24,715,562	22,987,516
	Retirement benefit contribution	3,615,869	3,400,544
	Skills Development levy	1,162,269	1,135,741
	Workers' compensation Fund	151,719	160,919
	Staff medical insurance	2,387,872	1,797,695
	Leave travel	2,907,607	2,745,890
	Release of staff costs-bonus	(1,763,751)	-
	Management Gratuity	952,143	384,150
	Staff training	477,505	396,037
	Uniforms	285,500	284,500
	Staff allowances	2,867,011	2,311,107
	Staff Loans fair value benefits*	1,606,893	1,219,264
	Other costs staff cost	309,762	486,567
		39,675,961	**37,309,930**

*Loan fair value benefit is recognized to account for benefit enjoyed by staff for extension of staff loans at the rates which are below market rates.

14	**PREMISES AND MAINTENANCE COSTS**		
	Office rent	688,194	568,896
	Water, Fuel, Electricity, Telephone	1,723,718	1,769,949
	Office cleaning	480,150	473,958
	Office parking	108,804	93,254
	Repair and maintenance	157,789	91,957
		3,158,655	**2,998,014**

Office rent arises from short term contracts and premise maintenance contract charges which are out of scope of IFRS 16

		2023	2022
15	**EQUIPMENT MAINTENANCE COSTS**	**TZS'000**	**TZS'000**
	Generators	171,472	139,711
	Motor vehicles	419,850	149,357
	Maintenance cost of Computer equipment and Intangibles	2,386,366	1,935,285
	Office, equipment, and furniture maintenance	1,135,416	644,420
		4,113,104	**2,868,773**

16	**DEPRECIATION AND AMORTISATION**		
	Depreciation of property and equipment (note 24)	2,693,694	2,508,616
	Amortization of Intangible Assets (note 26)	1,867,023	1,967,282
	Depreciation charge on right of use of assets (note 25)	2,103,023	1,974,865
		6,663,740	**6,450,763**

		2023	2022
17	**GENERAL AND ADMINISTRATIVE EXPENSES**	**TZS'000**	**TZS'000**
	Auditors' remuneration	328,468	246,234
	Consumables	197,300	173,255
	Burial support	39,514	46,590
	Subscription	103,677	102,362
	Insurance costs	683,201	789,272
	Deposit Insurance Fund	1,006,382	792,921
	Directors' fees expense	324,239	135,272
	Stationery and Printing	773,534	554,581
	Advertising costs	3,482,345	1,612,471
	Security costs	1,506,407	1,534,696
	Communication and postage	1,257,259	1,139,890
	Travel costs	2,046,060	1,458,289
	Tax consultancy fee	35,000	49,083
	Legal and other professional fees	460,972	218,760
	Business engagements	1,368,864	612,629
	Bank charges	287,786	227,439
	Banking license	96,356	133,224
	VAT Expense Cost	1,872,909	417,490
	City service levy	223,733	192,306
	Charge offs of other assets	797,048	51,721
	Board Meeting Expense	383,699	343,721
	Management committee meetings	217,745	211,375
	Other costs	598,694	837,766
		18,091,192	**11,881,347**

		2023	2022
18	**TAXATION**	**TZS'000**	**TZS'000**
	Income tax charge		
	Current year tax	1,010,407	823,026
	Prior year tax adjustment	1,083,835	-
	Deferred income tax charge liability asset	914,974	4,335,439
		3,009,216	5,158,465
	Reconciliation of tax expense to tax based on accounting profit:		
	Profit before tax	32,303,519	24,041,250
	Tax calculated at a tax rate of 30%	9,691,056	7,212,375
	Tax effect of:		
	Permanent Disallowed expenses	825,317	963,905
	Income not taxable	(6,423,322)	(3,017,815)
	Prior Year under provision of tax	(1,083,835)	-
		3,009,216	5,158,465

19	**CASH AND BALANCE WITH BANK OF TANZANIA**		
	Cash in hand	39,125,253	40,125,247
	Balances with Bank of Tanzania		
	- Statutory Minimum Reserve (SMR)*	54,842,152	25,036,795
	- Current account	23,237,650	12,694,608
	Gross Carrying Amount	**117,205,055**	**77,856,650**
	ECL-Bank of Tanzania**	-	-
	Net Carrying Amount	**117,205,055**	**77,856,650**

* The bank is required to maintain a minimum cash reserve on deposits with Bank of Tanzania (Statutory Minimum Reserve-SMR). The SMR deposit is not available to finance the bank's day-to-day operations, thus excluded from cash and cash equivalents for the purpose of the cash flow statement.

** During the year, the bank reassessed the recoverability of assets held against the Bank of Tanzania and was ascertained to be 100%(2022:100%) recoverable and hence, ECL on cash and balance with Bank of Tanzania is nil.

		2023	2022
20	**LOANS AND ADVANCES TO BANKS AND ITEMS FOR CLEARING**	**TZS'000**	**TZS'000**
	Items in course of collection	6,943,278	908,944
	Items in course of clearing-MNOs	11,231,373	5,463,050
	Nostro balances	9,632,376	6,383,271
	Placements with banks	45,642,126	84,677,284
	Accrued interest receivable	124,030	815,452
	Gross Carrying Amount	**73,573,183**	**98,248,001**
	ECL-Loans and Advances to Banks	(382,752)	(1,971,005)
	Net Carrying Amount	**73,190,431**	**96,276,996**
	Maturity profile		
	Maturities within 12 months	73,573,183	98,248,001
	Maturities after 12 months	-	-
	Gross Carrying Amount	**73,573,183**	**98,248,001**

Placements with other banks are not secured and earn interest on normal market interest rates. As at 31 December 2023, placements with other banks earned an average of 5.9% for local currency and 3.2% for USD placements (2022: 5.8% and 4.4%)

ECL movement during the year		
Balance as at 1 January	1,971,005	993,858
(Release) /Addition within the year	(1,072,263)	977,147
Charge off during the year (provided in prior years)	(515,990)	-
Balance as at 31st December	**382,752**	**1,971,005**

20 LOANS AND ADVANCES TO BANKS AND ITEMS FOR CLEARING (CONTINUED)

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are explained in Note 42 and policies about how ECL allowances calculation are set out in Note 6.7

Internal Rating Grade 2023

Performing:	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Current Category	73,573,183	-	-	73,573,183
Gross carrying amount as at 31-Dec-2023	**73,573,183**	**-**	**-**	**73,573,183**

Descriptions	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as of 1 January 2023	97,742,452	-	505,549	98,248,001
New Assets originated or purchased	73,573,183	-	-	73,573,183
Assets derecognized or repaid (excluding write offs)	(97,742,452)	-	-	(97,742,452)
Assets Written Off	-	-	(505,549)	(505,549)
Gross carrying amount as at 31-Dec-2023	**73,573,183**	**-**	**-**	**73,573,183**

Internal Rating Grade 31-December-2022

Performing:	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Current Category	97,742,452	-	-	97,742,452
Loss category	-	-	505,549	505,549
Gross carrying amount as at 31-Dec-2022	**97,742,452**	**-**	**505,549**	**98,248,001**

An analysis of changes in the gross carrying amount is as follows;

Descriptions	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2022	47,075,502	-	505,549	47,581,051
New Assets originated or purchased	97,742,452	-	-	97,742,452
Assets derecognized or repaid (excluding write offs)	(47,075,502)	-	-	(47,075,502)
Gross carrying amount as at 31-Dec-2022	**97,742,452**	**-**	**505,549**	**98,248,001**

20. LOANS AND ADVANCES TO BANKS AND ITEMS FOR CLEARING (CONTINUED)

The table below shows the analysis of changes in ECL allowance amount of the Loans and advances to banks and items for clearing as at 31 December 2023:

Descriptions	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2023	1,465,456	-	505,549	1,971,005
New assets originated or purchased	382,752	-	-	382,752
Assets derecognized or repaid	(1,465,456)	-	-	(1,465,456)
Assets Written off	-	-	(505,549)	(505,549)
At 31 December 2023	**382,752**	**-**	**-**	**382,752**

Descriptions	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2022	488,308	-	505,549	993,857
New assets originated or purchased	977,148	-	-	977,148
At 31 December 2022	**1,465,456**	**-**	**505,549**	**1,971,005**

21	**DEBT INSTRUMENTS AT AMORTISED COST**	**2023 TZS'000**	**2022 TZS'000**
	Treasury bills at face value	59,197,570	77,359,360
	Deferred Income of a Treasury Bills*	(3,314,879)	(1,936,320)
	Treasury Bonds at face values	177,064,300	116,398,800
	Corporate Bond	3,200,000	4,200,000
	Unearned discount**	(2,716,077)	(564,096)
	Interest receivable	4,332,511	3,568,390
	Gross carrying Amount	**237,763,425**	**199,026,134**
	ECL-Government Securities	(4,088)	(106,102)
		237,759,337	**198,920,032**
	Maturities profile	-	-
	Maturing within 12 months	57,882,692	107,437,449
	Maturing after 12 months	179,880,733	91,588,685
		237,763,425	**199,026,134**
	ECL-Government Securities		
	Balance as at 01st January	(106,102)	(241,479)
	(Addition)/Reversal within the year	**102,014**	**135,377**
	Balance as at 31st December	**(4,088)**	**(106,102)**

During the year, the corporate bonds profile was as follows;

Company Name	Issue Date	Maturity Date	Coupon Rate %	Amount TZS'000
Tanzania Mortgage Refinance Co Ltd	Jun-18	Jun-23	11.55	3,000,000
Tanzania Mortgage Refinance Co Ltd	May-19	May-24	13.21	1,000,000
Tanzania Mortgage Refinance Co Ltd	May-21	May-26	10.48	200,000
Tanzania Mortgage Refinance Co Ltd	May-23	May-28	10.2	1,000,000
National Microfinance Bank	Nov-23	Nov-26	9.5	1,000,000
				6,200,000

21 DEBT INSTRUMENTS AT AMORTISED COST (CONTINUED)

*-'Deferred income of a treasury bills is the difference between the cost of a treasury bill and its face value. It is accounted on the statement of financial position and credited to income gradually over the life of the bill.

**Unearned discount is the difference between the cost of a bond and its face value. It is accounted in the statement of financial position and then credited to income gradually over the life of the bond.

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are explained in Note 42 and policies about how ECL allowances calculation is set out in Note 6.7

Internal Rating Grade 2023				
Performing:	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Current Category	237,763,335	-	-	237,763,335
Gross carrying amount as at 31-Dec-2023	**237,763,335**	**-**	**-**	**237,763,335**

An analysis of changes in the gross carrying amount is as follows;				
Descriptions	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2023	199,026,134	-	-	199,026,134
New Assets originated or purchased	138,367,570	-	-	138,367,570
Assets derecognized or repaid (excluding write offs)	(99,630,369)	-	-	(99,630,369)
Gross carrying amount as at 31-Dec-2023	**237,763,335**	**-**	**-**	**237,763,335**

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification for 2022.

Internal Rating Grade 31-December-2022				
Performing:	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Current Category	199,026,134	-	-	199,026,134
Gross carrying amount at 31-December-2022	**199,026,134**	**-**	**-**	**199,026,134**

An analysis of changes in the gross carrying amount is as follows;				
Descriptions	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2022	163,590,422	-	-	163,590,422
New Assets originated or purchased	74,935,712	-	-	74,935,712
Assets derecognized or repaid (excluding write offs)	(39,500,000)	-	-	(39,500,000)
At 31 December 2022	**199,026,134**	**-**	**-**	**199,026,134**

22 LOANS AND ADVANCES TO CUSTOMERS	2023	2022
a. Individual loans	TZS'000	TZS'000
-Overdrafts	19,817,517	18,446,277
-Personal loans	89,050,424	65,279,249
-MFI Loans	8,228,768	1,235,758
-Consumer loans	110,918,966	107,054,533
-Mortgage	28,236,996	25,350,972
Project Finance	15,107,070	8,498,545
	271,359,741	**225,865,334**
b. Corporate / SMEs		
-Overdrafts	275,561,614	174,845,756
-Term loans	1,035,511,068	578,203,271
	1,311,072,682	**753,049,027**
c. Staff loans		
Staff loans	41,864,512	40,212,321
d. Interest receivable		
Interest receivable	80,987,783	63,485,401
e. Gross Carrying Amount (a+b+c+d)	**1,705,284,718**	**1,082,612,083**
f. Interest in suspense and ECL		
Interest in suspense	(28,492,905)	(52,562,210)
ECL for Loans and Advances	(52,277,735)	(74,432,644)
	(80,770,640)	**(126,994,854)**
g. Net loans and advances (d+e)	**1,624,514,078**	**955,617,229**
ECL for Loans and Advances and Off-Balance sheets		
ECL for Loans and Advances on Balance Sheet	(52,272,670)	(73,793,030)
ECL from Letter of credit and guarantee	(5,065)	(639,614)
	(52,277,735)	**(74,432,644)**

g **Movement of ECL during the year**		
Opening balance as of January	(74,432,644)	(100,298,295)
Loans and advances impairment charge during the year	(30,873,632)	(28,745,124)
Letters of credit & Guarantee impairment (charge)/credit during the year	(634,549)	2,006,864
Charged off accounts	53,663,090	52,603,911
As at 31 December	**(52,277,735)**	**(74,432,644)**

22 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Bank's internal grading system are explained in Note 42 and policies about how ECL allowances calculation are set out in Note .7. These include principal amounts only. Exclude interest receivable, interest in suspense and fair value.

Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Performing:				
Current category	1,380,001,390	-	-	1,380,001,390
Especially mentioned category	-	178,292,756	-	178,292,756
Non-performing:				-
Substandard category	-	-	62,690,490	62,690,490
Doubtful category	-	-	31,332,791	31,332,791
Loss category	-	-	52,967,291	52,967,291
At 31 December 2023	**1,380,001,390**	**178,292,756**	**146,990,572**	**1,705,284,718**

Descriptions	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2023	736,587,941	106,452,416	239,571,726	1,082,612,083
New assets originated or purchased or modified	918,072,313	157,959,045	56,276,262	1,132,307,620
Assets derecognized or repaid (excluding write offs)*	(251,800,566)	(100,994,023)	(103,177,305)	(455,971,894)
Transfers to Stage 1	993,794	(768,066)	(225,728)	-
Transfers to Stage 2	(16,281,902)	16,281,925	(23)	-
Transfers to Stage 3	(7,570,190)	(638,541)	8,208,731	-
Amounts written off	-	-	(53,663,091)	(53,663,091)
At 31 December 2023	**1,380,001,390**	**178,292,756**	**146,990,572**	**1,705,284,718**

Stage transfers have been done based on opening ECL balances.

*This category accommodates changes in relation to derecognised, repaid and remeasured values arising from changes in exposures, changes in model assumptions and model drivers.

22 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
Performing:				
Current category	736,587,941	-	-	736,587,941
Especially mentioned category	-	106,452,416	-	106,452,416
				-
Non-performing:				-
Substandard category	-	-	69,555,976	69,555,976
Doubtful category	-	-	107,561,256	107,561,256
Loss category	-	-	62,454,494	62,454,494
Total	**736,587,941**	**106,452,416**	**239,571,726**	**1,082,612,083**

Descriptions	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2022	651,014,324	55,696,632	259,553,762	966,264,718
New assets originated or purchased or modified	190,471,950	34,886,403	1,157,331	226,515,684
Assets derecognized or repaid (excluding write offs)	(51,851,422)	(1,628,474)	(4,084,512)	(57,564,408)
Transfers to Stage 1	14,094,201	(11,649,096)	(2,445,105)	-
Transfers to Stage 2	(57,243,954)	61,655,285	(4,411,331)	-
Transfers to Stage 3	(9,897,158)	(32,508,334)	42,405,492	-
Amounts written off	-	-	(52,603,911)	(52,603,911)
At 31 December 2022	**736,587,941**	**106,452,416**	**239,571,726**	**1,082,612,083**

22 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

The table below shows the analysis of changes in ECL allowance amount of the loans and advance to customers recorded in the statement of profit or loss and other comprehensive income during the year. These exclude ECL for off balance sheet items.

Descriptions:	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL allowance as at amount as at 1 January 2023	7,102,953	452,221	66,237,856	73,793,030
New assets originated or purchased	3,477,551	523,391	28,615,304	32,616,246
Assets derecognized or repaid (excluding write offs)	(1,745,232)	(332,499)	1,604,215	(473,516)
Transfer to stage 1	68,680	(7,779)	(60,901)	-
Transfer to stage 2	(4,601)	4,601	-	-
Transfer to stage 3	(18,469)	(2,943)	21,412	-
Amounts written off	-	-	(53,663,091)	(53,663,091)
ECL for loans and advances as at 31 December 2023	**8,880,882**	**636,992**	**42,754,795**	**52,272,669**
ECL from Letter of credit and guarantee	5,065	-	-	5,065
At 31 December 2023	**8,885,947**	**636,992**	**42,754,795**	**52,277,734**

Descriptions:	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at amount as at 1 January 2022	8,905,256	371,240	88,375,321	97,651,817
New assets originated or purchased	29,544,296	9,848	212,247	29,766,391
Assets derecognized or repaid (excluding write offs)	(372,481)	(41,933)	(606,853)	(1,021,267)
Transfer to stage 1	36,857	(11,644)	(25,213)	-
Transfer to stage 2	(107,916)	470,865	(362,949)	-
Transfer to stage 3	(30,903,059)	(346,155)	31,249,214	-
Amounts written off	-	-	(52,603,911)	(52,603,911)
At 31 December 2022	7,102,953	452,221	66,237,856	73,793,030
ECL from Letter of credit and guarantee	639,614	-	-	639,614
At 31 December 2022	**7,742,567**	**452,221**	**66,237,856**	**74,432,644**

23 EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Descriptions	TMRC Investment*	Inv. in First Housing Finance**	Umoja Switch***	Total
Opening - Investment Cost as at 1 January 2023	2,500,000	8,720,000	20,000	11,240,000
Addition	-	-	-	-
Financial assets at cost as at 31 December 2023	**2,500,000**	**8,720,000**	**20,000**	**11,240,000**
Fair Value Gain(Loss) Balance as at 1 January 2023	1,555,000	(507,562)	141,559	1,188,997
Change in fair value in the Period	-	-	-	-
Fair Value Gain (Loss) Balance as at 31 December 2023	**1,555,000**	**(507,562)**	**141,559**	**1,188,997**
Financial assets at FVOCI as at 31 December 2023	**4,055,000**	**8,212,438**	**161,559**	**12,428,997**
Opening - Investment Cost as at 1 January 2022	2,500,000	8,720,000	20,000	11,240,000
Addition	-	-	-	-
Financial assets at cost as at 31 December 2022	**2,500,000**	**8,720,000**	**20,000**	**11,240,000**
Fair Value Gain(Loss) Balance as at 31st January 2022	1,555,000	(616,970)	117,232	1,055,262
Change in fair value in the Period	-	109,408	24,327	133,735
Fair Value Gain(Loss) Balance as at 31 December 2022	**1,555,000**	**(507,562)**	**141,559**	**1,188,997**
Financial assets at FVOCI as at 31 December 2022	**4,055,000**	**8,212,438**	**161,559**	**12,428,997**
Fair Value Reserve Through OCI (70%) of the Fair Value Balance	**1,088,500**	**(355,293)**	**99,091**	**832,298**

Tanzania Mortgage Refinance Company (TMRC) is a specialized financial institution that provides long term funding to financial institutions for the purposes of mortgage lending. TMRC has the objective of supporting mortgage lending to institutions by refinancing the primary mortgage lenders' (PMLs) mortgage portfolio. Azania Bank Plc, one of the founding members, holds TZS 2,500 million as ordinary shares at TZS 1,000 per share.

**The First Housing Finance (T) Limited is a Company that was formed solely with intention of issuing residential Mortgage loans in Tanzania. Following the acquisition of Bank M, Azania Bank Plc. acquired 40% of the shares in the First Housing Finance (T) Limited. Other shareholders of the company are Armut Limited, HDFC Investments Limited, International Finance Corporation (IFC), Washington and Sanjay Suchak.

***The Bank also has ownership right in Umoja Switch of 9%.

24 'PROPERTY AND EQUIPMENT

	Leasehold improvement	Motor Vehicles	Office furniture & equipment TZS'000	Office Computers	Capital work in progress	Total
Cost						
As at 1 January 2023	11,481,480	2,803,690	8,143,738	2,579,030	1,428,329	26,436,267
Additions	918,265	501,260	875,454	419,925	2,423,649	5,138,553
Transfer to P&L	-	-	-	-	(678,745)	(678,745)
Transfer	99,557	-	679,428	65,468	(844,453)	-
Disposals		-	(56,365)	(32,420)	-	(88,785)
As at 31 December 2023	**12,499,302**	**3,304,950**	**9,642,255**	**3,032,003**	**2,328,780**	**30,807,290**
Accumulated depreciation						
As at 1 January 2023	(6,888,205)	(2,316,897)	(6,160,513)	(1,982,216)	-	(17,347,831)
Charge for the year	(1,221,308)	(286,895)	(941,632)	(243,858)	-	(2,693,693)
Disposals	-	-	55,547	30,024	-	85,571
As at 31 December 2023	**(8,109,513)**	**(2,603,792)**	**(7,046,598)**	**(2,196,050)**	**-**	**(19,955,953)**
Net book value as at 31 December 2023	**4,389,789**	**701,158**	**2,595,657**	**835,953**	**2,328,780**	**10,851,337**

Out of TZS 1,523 million transferred from the work in progress account, TZS 769 million where expensed.

24 'PROPERTY AND EQUIPMENT (CONTINUED)

	Leasehold improvement	Motor Vehicles	Office furniture & equipment TZS'000	Office Computers	Capital work in progress	Total
Cost						
As at 1 January 2022	**11,065,140**	**2,803,690**	**7,582,826**	**2,344,465**	**136,281**	**23,932,402**
Additions	416,340	-	625,025	258,028	1,403,028	2,702,421
Transfer	-	-	26,920	22,336	(49,256)	-
Disposals		-	(91,033)	(45,799)	(61,724)	(198,556)
As at 31 December 2022	**11,481,480**	**2,803,690**	**8,143,738**	**2,579,030**	**1,428,329**	**26,436,267**
Accumulated depreciation						
As at 1 January 2022	**(5,708,289)**	**(1,973,707)**	**(5,488,189)**	**(1,795,509)**	-	**(14,965,694)**
Charge for the year	(1,179,916)	(343,190)	(753,006)	(232,504)	-	(2,508,616)
Disposals	-	-	80,682	45,797	-	126,479
As at 31 December 2022	**(6,888,205)**	**(2,316,897)**	**(6,160,513)**	**(1,982,216)**	-	**(17,347,831)**
Net book value as at 31 December 2022	**4,593,275**	**486,793**	**1,983,225**	**596,814**	**1,428,329**	**9,088,436**

TZS 49.26 million was transferred from the work in progress account where TZS 26.92 million was accounted to Office furniture & equipment and TZS 22.34 million was accounted to Leasehold improvement.

		2023 TZS'000	2022 TZS'000
25	**Right of use of Asset**		
	Cost		
	As at 1 January	12,795,614	13,097,315
	Additions	2,066,239	1,025,871
	Modification of leases	(239,206)	(1,327,572)
	As at 31 December	**14,622,647**	**12,795,614**
	Accumulated depreciation		
	As at 1 January	(7,271,148)	(6,416,205)
	Charge for the year	(2,103,023)	(1,974,865)
	Modification of leases	184,065	1,119,922
	As at 31 December	**(9,190,106)**	**(7,271,148)**
	Net book value as at 31 December	**5,432,541**	**5,524,466**
26	**INTANGIBLE ASSETS**		
	Cost		
	As at 1st January	13,086,781	12,960,462
	Addition	594,013	64,888
	Capital work in progress	1,596,128	61,431
	As at 31st December	**15,276,922**	**13,086,781**
	Accumulated amortisation		
	As at 1st January	(10,810,267)	(8,842,985)
	Charge for the year	(1,867,022)	(1,967,282)
	As at 31st December	**(12,677,289)**	**(10,810,267)**
	Net book value as at 31 December	**2,599,633**	**2,276,514**

Intangible assets comprise of core banking system current in use and other peripheral systems used for day-to-day Bank operations.

		2023 TZS'000	2022 TZS'000
27	**CURRENT TAX ASSET**		
	As at 1 January	2,195,106	2,238,862
	Current year Tax	(1,010,407)	(820,933)
	Payment During the year	1,099,965	777,177
		2,284,664	**2,195,106**

During the year, the bank paid TZS 1,100 million out of TZS 1,010 million corporate tax incurred in 2023. Also, TZS 1,084 million was paid being prior year tax adjustment.

28. DEFERRED TAX

Deferred tax is calculated using the enacted tax rate of 30% except for capital gains, for which enacted rate of 5% is used (2022: 30% and 5%), respectively. During the year, the bank had no capital gain.

28. DEFERRED TAX (CONTINUED)

Deferred tax assets and liabilities, and the deferred tax charge/(credit) in the profit and loss account and the comprehensive income are attributable to the following items:

Year ended 31 December 2023	As at 1 January	(Credited)/charged to profit or loss	As at 31 December
Deferred income tax asset	**TZS'000**	**TZS'000**	**TZS'000**
Property, plant and equipment	1,423,660	259,877	1,683,537
Allowance for expected credit losses	(22,861,198)	6,900,228	(15,960,970)
Other Provisions	(1,955,683)	1,566,219	(389,464)
Interest In Suspense	(15,768,663)	7,220,791	(8,547,872)
Lease liabilities	(535,072)	(594,225)	(1,129,297)
Management gratuity	(168,781)	(230,289)	(399,070)
Tax loss carried forward	(15,830,757)	(14,207,627)	(30,038,384)
	(55,696,494)	**914,974**	**(54,781,520)**
Available for sale Investment	**(505,879)**	-	**(505,879)**
Net deferred tax liability/(asset)	**(56,202,373)**	**914,974**	**(55,287,399)**
Year ended 31 December 2022			
Deferred income tax asset	**TZS'000**	**TZS'000**	**TZS'000**
Property, plant and equipment	1,315,665	107,995	1,423,660
Allowance for expected credit losses	(44,638,315)	6,068,391	(38,569,924)
Other Provisions	(4,289,081)	2,333,398	(1,955,683)
Interest In Suspense	(160,121)	100,184	(59,937)
Lease liabilities	(105,100)	(63,681)	(168,781)
Management gratuity	(656,458)	121,386	(535,072)
Tax loss carried forward	(11,583,856)	(4,246,901)	(15,830,757)
	(60,117,266)	**4,420,772**	**(55,696,494)**
Available for sale Investment	**(545,999)**	**40,120**	**(505,879)**
Net deferred tax liability/(asset)	**(60,663,265)**	**4,460,892**	**(56,202,373)**

29 OTHER ASSETS

	2023 TZS'000	2023 TZS'000
Sundry receivable*	28,781,179	5,722,944
Prepaid expenses	7,047,827	1,497,651
Collection account	25,213	19,512
Interbranch Accounts	79,691	(177,867)
Gross Carrying Amount	**35,933,910**	**7,062,240**
ECL-Other Assets	(538,655)	(199,791)
Provision for other assets**	-	(116,277)
Net Recoverable	**35,395,255**	**6,746,172**
Movement of provisions		
Opening balance	(199,791)	(533,737)
(Charge)/Release during the year	(338,864)	333,946
	(538,655)	**(199,791)**

29 OTHER ASSETS (CONTINUED)

*-Sundry receivable is made of claims the Bank is expecting to receive proceeds in the course of business, POS and ATM inventories as well as deposits, the bank puts forward as it enters in agreement with service providers.

** - The provision for other assets relates to provision for actual cash losses which are normally recovered from insurance, but the Bank is not certain at reporting date, whether will be paid. The settlement normally takes time.

		2023	2022
		TZS'000	TZS'000
30	**DEPOSITS FROM BANKS**		
	Deposits from Banks	287,999,098	184,975,447
	Accrued interest	479,786	1,212,520
		288,478,884	**186,187,967**

31	**DEPOSITS FROM CUSTOMER**		
	Current accounts	797,185,347	312,162,949
	Savings accounts	128,045,677	101,841,617
	Term deposits	486,824,834	370,998,676
	Other deposits	2,369,163	4,478,135
		1,414,425,021	**789,481,377**

		2023	2022
		TZS'000	TZS'000
32	**REVOLVING CREDIT LINES**		
	Tanzania Mortgage Refinancing Company (TMRC)	15,700,000	15,700,000
	National Social Security Fund	38,925,000	42,130,451
	Public Service Social Security Fund	42,504,809	41,331,970
	National Health Insurance Fund	15,560,969	15,064,674
	Worker Compensation Fund	11,058,442	15,062,338
	Bank of Tanzania	23,071,258	22,186,605
	Accrued interest	1,250,950	1,334,795
		148,071,428	**152,810,833**

In order to stabilize liquidity and match for long term investments, the bank contracted long term revolving funds amounting to TZS 137.6 billion revolving funds from Pension funds (PSSSF, NSSF, NHIF and WCF) since 2019 at different rates which will mature in 2025. Also, a total of TZS 15.7 billion contracted from TMRC of which, TZS 4.2 billion will mature in 2025 and TZS 11.5 billion will mature in 2027.

		2023	2022
32	**REVOLVING CREDIT LINES (CONTINUED)**		
	Movement of Revolving Credits Lines	**TZS'000**	**TZS'000**
	As of 1st January,	152,810,833	151,375,823
	Addition during the year (Proceeds)	-	1,486,347
	Payments	(4,655,560)	-
	Accrued interest	(83,845)	(51,337)
	As at 31 December	**148,071,428**	**151,375,823**
33	**OTHER LIABILITIES**		
	Accrued expenses	3,531,616	5,842,498
	Staff bonus and gratuity	1,330,232	2,326,354
	Unamortized arrangement fees	3,667,031	1,603,712
	Miscellaneous liabilities	13,510,373	6,988,540
		22,039,252	**16,761,104**
34	**LEASE LIABILITIES**		
	As at 1st January	5,351,732	6,393,137
	Addition	2,109,861	1,025,871
	Exchange rate effect	(19,750)	-
	Accrued Interest	616,008	658,803
	Modification	(60,027)	(177,385)
	Payment	(2,064,779)	(2,548,694)
	As at 31st December	**5,933,045**	**5,351,732**
35	**SHARE CAPITAL**		
	AUTHORISED SHARE CAPITAL		
	500,000,000 ordinary shares @ 1,000	500,000,000	500,000,000
		500,000,000	**500,000,000**
36	**ISSUED SHARE CAPITAL**		
	As at 1st January	185,493,271	185,493,271
	Addition during the year	-	-
	As at 31st December	**185,493,271**	**185,493,271**
37	**ADVANCE TOWARDS SHARE CAPITAL**		
	As at 1st January	34,600	-
	Addition during the year	219,001	34,600
	As at 31st December	**253,601**	**34,600**

During the year, a total of 219,001 shares were subscribed by minority shareholders at TZS 1,000 per share.

	2023	2022
38 CASH AND CASH EQUIVALENT	**TZS'000**	**TZS'000**
Cash in hand	39,125,253	40,125,247
Balances with Bank of Tanzania-Current account	23,237,650	12,694,609
Balances with other banks (maturities of 3 months or less)	73,573,183	92,846,769
Debt instruments maturing less than 3 months	11,500,000	25,874,344
	147,436,086	**171,540,969**

* Foreign Exchange gains or losses are from translation of currencies in cash and cash equivalents from investment and financing activities.

39. CAPITAL MANAGEMENT

The Bank's objectives in managing capital go beyond the concept of equity. These objectives are:

- To comply with the capital requirements set by the Regulator of the banking industry in which the Bank operates.
- To safeguard the Bank'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.

The capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, while employing techniques based on the guidelines developed by the Basel Committee, as implemented by the Bank of Tanzania (BOT), for supervisory purposes. The required information is filed with the BOT on a quarterly basis.

The BOT requires each bank or banking group to:

a) Hold the minimum level of the regulatory capital of TZS 15,000 million
b) In accordance with the revised 2014 regulations, the Bank of Tanzania requires a bank to maintain at all times:
    - A Core Capital of not less than 10% (plus 2.5% capital conservation buffer) of total risk weighted assets, plus risk weighted off-balance sheet items; and
    - A Total Capital of not less than 12% (plus 2.5% capital conservation buffer) of its total risk weighted assets, plus risk weighted off-balance sheet items.

The Bank's regulatory capital is divided into two tiers:

- Tier 1 capital: share capital, retained earnings and reserves created by appropriations of retained earnings, other than reserves established to cushion the anticipated loss

39. CAPITAL MANAGEMENT (CONTINUED)

resulting from non-performing loans. Prepaid expenses and deferred charges are deducted in arriving at Tier 1 capital: and

- Tier 2 capital: qualifying subordinated loan capital and unrealized gains arising on the fair valuation of equity instruments held as held for trading.

The Bank's policy is to maintain a strong capital base to maintain investor, creditor, and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognized in addition to recognizing the need to maintain a balance between the higher returns and that may be possible with greater gearing and the advantages and security afforded by sound capital position.

The table below summarises the composition of regulatory capital and the ratios of the bank for the year ended 31 December 2023. During the year under review, the Bank complied with the capital adequacy ratio, and the single borrower's limit.

	2023	2022
CAPITAL ADEQUACY	TZS'000	**TZS'000**
Ordinary share capital	185,493,271	185,493,271
Advance towards capital	253,601	34,600
Accumulated profit or loss	95,345,102	58,359,922
	281,091,974	**243,887,793**
Less		
Prepayments	(7,047,827)	(1,497,651)
Deferred charges	(55,287,399)	(56,202,373)
Total core capital	218,756,748	**186,187,769**
Tier 2 capital	-	-
Total capital	218,756,748	**186,187,769**
Risk Weighted Assets-Unadjusted	1,227,723,739	1,015,073,785
Adjusted Capital Required for Market Risk	13,776,360	1,125,818
Adjusted Capital Required for Operational Risk	85,163,748	85,163,748
Total adjusted risk weighted assets	1,326,663,847	**1,101,363,351**
Core capital ratio	16.49%	16.91%
Total capital ratio	16.49%	16.91%

40. RELATED PARTY TRANSACTIONS AND DISCOSURES

The shareholders of the Bank are disclosed in the directors' report. A few banking transactions such as loans and deposits are entered into with related parties in the normal course of business. The volumes of related party transactions and outstanding balances at the year-end are as follows:

40. RELATED PARTY TRANSACTIONS AND DISCOSURES (CONTINUED)

40.1 Deposits and Loans

	2023 TZS'000	2022 TZS'000
Deposits from shareholders:		
National Social Security Fund (NSSF)	108,275,116	62,854,554
Public Service Social Security Fund	157,876,789	93,308,676
National Health Insurance Fund	15,534,916	12,500,000
Workers Compensation Fund	5,000,000	-
	286,686,821	**168,663,230**
Revolving - Borrowings:		
National Social Security Fund (NSSF)	38,925,000	42,130,452
Public Service Social Security Fund(PSSSF)	42,504,809	41,331,970
Workers Compensation Fund(WCF)	11,058,442	15,062,338
National Health Insurance Fund(NHIF)	15,560,969	15,064,674
	108,049,220	**113,589,434**
Loans:		
As at 1 January	487,779	697,775
New loans issued during the year	277,500	61,000
Repayments during the year	(276,887)	(270,996)
As at December	**488,392**	**487,779**
40.2 Transactions		
Revolving - Borrowing (Interest & Commissions)		
National Social Security Fund (NSSF)	2,912,953	2,009,535
Public Service Social Security Fund (PSSSF)	2,463,895	1,919,186
Workers Compensation Fund(WCF)	798,990	701,226
National Health Insurance Fund(NHIF)	884,953	712,640
Public Service Social Security Fund (PSSSF)- Others	182,817	157,614
	7,243,608	**5,500,201**
Benefits:		
Short term employee salaries	3,736,796	2,558,752
Other short term employment benefits	1,649,328	1,151,521
Directors' fees	324,239	135,272
	5,710,363	**3,845,544**

Key management are personnel having authority and responsibility for planning, directing, and controlling the activities of the Bank, directly or indirectly including any director of the Bank.

All related party transactions were at arm's length and in a normal course of business, and on terms and conditions like those applicable to other customers except for staff loans whose interest rate was 5%. The exception is on Education loans which are interest free.

41. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

41.1 Valuation methodology

The Bank establishes fair value for held to maturity financial assets using valuation technique that considers discount and interest earned at the reporting date. The current market information is available on the Bank of Tanzania website for market interest rates on loans and advances, deposits, and borrowings.

The Bank establishes fair value of financial assets at fair value through other comprehensive income based on the share prices of unquoted equity shares available from the issuer of the equity instrument at the reporting date. Fair values of held for trading financial assets are established based on prices/market information of such instrument available on Dar es Salaam Stock Exchange website at the reporting date.

41.2 Fair value hierarchy

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

- **Level 1** - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. This level includes listed equity securities and debt instruments on exchanges.
- **Level 2** - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices, interest, and yield curves) or indirectly (that is, derived from prices Central Bank Auction prices for Government securities); and
- **Level 3** - inputs for the asset or liability that are not based on observable market data (unobservable inputs to valuation techniques).

The tables below show the fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments not measured at fair value. The carrying amounts of other financial assets and financial liabilities not measured at fair value are a reasonable approximation of fair values because of the short-term nature of the financial assets and financial liabilities or they re-priced in the short run.

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.3 Fair value hierarchy

Financial assets	2023	2022	Hierarchy	Valuation technique and key inputs
Equity instruments	12,428,997	12,428,997	Level 3	Price-to-book value of equity multiples
Debt instruments	237,759,337	198,920,032	Level 2	Discounted cashflow; Market interest rate for similar instruments
Loans and advances to Banks and items for clearing	73,190,431	96,276,996	Level 3	
Loans and advances to customers	1,624,514,078	955,617,229	Level 3	
Other Financials Assets (Other assets)	24,170,981	5,608,003	Level 3	
	1,972,063,824	**1,268,851,257**		
Financial liabilities				
Loans And Advances from Banks	288,478,884	186,187,967	Level 2	Discounted cashflow; Market interest rate for similar instruments
Deposits From Customer	1,414,425,021	789,481,377	Level 3	
Revolving Credit Lines	148,071,428	152,810,833	Level 3	
Other liabilities	4,742,016	2,306,949	Level 3	
	1,855,717,349	**1,130,787,126**		

42. FINANCIAL RISK MANAGEMENT

The Bank's activities expose it to a variety of financial risks including credit risk, liquidity risk, market, and operational risks. The Board of Directors has overall responsibility for the establishment and oversight of the bank's risk management framework. The Board is ultimately responsible for all risks taken by the Bank. Furthermore, the Board puts in place written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments. In addition, internal audit is responsible for the independent review of risk management and the control environment.

The most important risks include.

- Credit risk,
- Market risk
- Liquidity risk and
- Operational risk.

These risks are explained in the following paragraphs.

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.1 Credit Risk

Credit risk is the risk of suffering financial loss, should any of the Bank's customers, clients or market counterparties fail to fulfill their contractual obligations to the Bank. Credit risk arises mainly from commercial and consumer loans and advances, credit cards, and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, financial guarantees, letters of credit, endorsements, and acceptances.

Credit risk is the single largest risk for the Bank's business; the directors therefore carefully manage the exposure to credit risk. Having a clear understanding of the credit risk the Bank manages at management level by having a subcommittee responsible to manage loan portfolio of the Bank. Furthermore, the Board of Directors has a specific committee for overseeing all credit processes.

42.1.1 Credit risk measurement

In measuring credit risk of loans and advances to customers and to banks at a counterparty level, the Bank reflect two components (i) the 'probability of default' by the client or counterparty on its contractual obligations and (ii) current exposures to the counterparty and its likely future development, from which the Bank derives the 'exposure at default.' These credit risk measurements, which reflect expected loss (the 'expected credit loss model'), are embedded in the daily operational management and are in line with IFRS 9.

The Bank uses reasonable and supportable forward-looking information that is available without undue cost or effort in its assessment of a significant increase of credit risk as well as in its measurement of ECL. External and internal information is used to generate a 'base case' (Best case, medium and worst case) scenario of future forecast of relevant economic variables such as GDP growth rate, lending rates, exchange rates and unemployment rates along with a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities.

The Bank applies probabilities to the forecast scenarios identified. The base case scenario is the single most-likely outcome and consists of information used by the Bank for strategic planning and budgeting. The key drivers of credit risks and credit losses for each portfolio of financial instruments were identified and documented and using a statistical analysis of historical data to estimate relationships between macro-economic variables and credit risk and credit losses.

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.1 Credit risk (Continued)

Bank's rating	Staging	Description of the grade
1	Stage 1	Current
2	Stage 2	Especially Mentioned
3	Stage 3	Sub-standard
4	Stage 3	Doubtful
5	Stage 3	Loss

The Bank has its internal credit rating tools tailored in accordance with the Bank of Tanzania (BOT) guidelines. Customers of the Bank are segmented into five rating classes. The Bank's rating scale, which is shown below, reflects the credit risk assessment for each stage and impact of the Bank's financial statements.

	Stage 1 (performing loans)	Stage 2 (non-performing loans)	Stage 3 (non-performing loans)
Credit risk	Financial instruments with low credit risk at the reporting date or which have not had SICR	Financial instruments which have had a significant increase in credit risk since initial recognition but do not have objective evidence of a credit loss event.	Financial assets that have objective evidence of impairment at the reporting date
Recognition of expected credit losses	12 Month expected credit losses are recognized.	Lifetime expected credit losses are recognized.	Lifetime expected credit losses are recognized.
Recognition of interest	Interest revenue is calculated on the gross carrying amount of the asset.	Interest revenue is calculated on the gross carrying amount of the asset.	Interest revenue is calculated based on the amortized cost net of the loss provision, (net carrying amount).

(a) Significant increase in credit risk

The Bank considers a debt instrument asset, loan commitments and financial guarantee contracts to have experienced a significant increase in credit risk when one or more of the following quantitative or qualitative criteria have been met

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.1 Credit risk (Continued)

(b) Loans and advances to customers

i) Quantitative criteria

- Based on quantitative review for the purpose of the expected credit losses calculations, loans and advances, loan commitments and financial guarantees shall be classified as follows;
- 0 - 30 days to be classified as Stage 1; Loans and advances, loan commitments and financial guarantees which are performing according to contracted terms and conditions with low credit risk at the reporting date with 12-month expected credit losses being recognized.
- 31 - 90 days to be classified as Stage 2; Loans and advances, loan commitments and
- financial guarantees which have had significant increase in credit risk since initial recognition but do not have objective evidence of credit loss event with lifetime expected credit losses being recognized.
- 91 days or more to be classified as Stage 3; Loans and advances, loan commitments and financial guarantees which have objective evidence of impairment at the reporting date with lifetime expected credit losses being recognized (credit-impaired assets).

ii) Qualitative criteria

For Personal Loans if the borrower meets one or more of the following criteria:

- Short-term forbearance or restructuring.
- Adverse changes of external data from credit references agencies.

For Corporate and SME portfolios, if the borrower is on the Watch list and/or the instrument meets one or more of the following criteria:

a) Significant adverse changes in business, financial and/or economic conditions in which the borrower operates.
b) Actual or expected forbearance or restructuring.
c) Actual or expected significant adverse change in operating results of the borrower.
d) Significant change in collateral value which is expected to increase the risk of default.
e) Early signs of cash flow/liquidity problems such as delay in servicing of trade creditors/loans.
f) Significant adverse changes in the political, regulatory, and technological environment of the borrowers or in its business activities.

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.1 Credit risk (Continued)

(c) Balances due from other banks

Below are qualitative factors considered as indicators of significant increase in credit risk;

- Significant counterparty management restructuring due to the continuous deficient performance of the company.
- Significant adverse change in the regulatory, economic or technology of the borrower that results in a significant change in the borrower's ability to meet its debt obligations.
- Significant reductions in financial support from a parent company that resulted to significant adverse change of operating results of the counterparty.

The Bank manages limits and controls concentrations of credit risk wherever they are identified, in particular, to individual counterparties, groups, and industries. The Bank structure the levels of credit risk they undertake by placing limits on the amount of risk accepted in relation to one borrower, or Groups of borrowers, and to industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary.

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

Some other specific control and mitigation measures are outlined below.

(a) Collateral

The Bank deploys a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation.

The principal collateral types for loans and advances are:

- Mortgages over residential properties.
- Charges over business assets such as premises, inventory, and accounts receivable.
- Charges over financial instruments such as debt securities and equities.

To minimize the credit loss, the Group will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.1 Credit risk (Continued)
(b) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit - which are written undertakings on behalf of a customer authorizing a third party to draw drafts on a Bank up to a stipulated amount under specific terms and conditions - are collateralized by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorization to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank are potentially exposed to loss in amounts equal to the total unused commitments.

However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have more credit risk than shorter-term commitments.

The Bank manages limits and controls concentrations of credit risk wherever they are identified and in particular, to individual counter parties and groups, and to industries. Limits on the level of credit risk by product and industry sector are approved quarterly by the Board of Directors.

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

42.1.2. Impairment and provisioning policies

The Expected Credit Loss allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss, 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 loss. The Bank's policies for determining if there has been a significant increase in credit risk are set out Note 6.7.

The impairment allowance recognised in the statement of financial position at year-end is derived from each of the five internal rating grades. However, the impairment allowance is composed largely of the performing class, which is current.

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.1 Credit risk (Continued)
42.1.2. Impairment and provisioning policies (Continued)

The Bank'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-by-case basis and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

The table below shows the percentage of the bank's loans and advances and the associated impairment allowance for each of the bank's internal rating categories.

		2023		2022	
	Bank's rating	**Credit risk exposure**	**Impairment allowance for each class**	**Credit risk exposure**	**Impairment allowance for each class**
1	Current	80.92%	0.23%	68.04%	0.84%
2	Special monitoring	10.46%	0.63%	9.83%	0.35%
3	Sub-standard	3.68%	31.43%	6.42%	41.48%
4	Doubtful	1.84%	41.14%	9.94%	19.06%
5	Loss	3.11%	28.96%	5.77%	29.59%
		100.00%	**3.07%**	**100.00%**	**6.88%**

The directors are confident of having the ability to continue to control and sustain minimal exposure of credit risk to the Bank resulting from both its loan and advances portfolio and debt securities in the foreseeable future. Basing on the available credit risk grading criteria, actual results as at 31st December 2023 were as follows:

- 91.38% of the loans and advances portfolio was categorized in the top two grades of the internal rating system (2022: 77.87%); and
- 69..71% of the loans and advances to customers are performing which are neither past due nor impaired (2022: 68.04%).

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.1 Credit risk (Continued)
42.1.2 Impairment and provisioning policies (Continued)

The tables below summaries the financial assets grading and the respective provision.

	2023					2022				
	Loan and Advances to Customers	Loan and Advances to Banks	Debt instruments at amortized costs	Other financial Assets	Off-balance sheet*	Loan and Advances to Customers	Loan and Advances to Banks	Debt instruments at amortized costs	Other financial Assets	Off-balance sheet
Neither past due nor impaired	1,188,688,139	73,573,183	237,763,335	15,812,840	131,381,628	736,587,941	97,742,453	199,026,134	5,722,944	81,734,273
Past due but not impaired	369,606,007	-	-	6,522,424	-	106,452,416	-	-	-	-
Impaired	146,990,572	-	-	13,067,090	-	239,571,726	505,548	-	-	-
Gross amounts	1,705,284,718	73,573,183	237,763,335	35,402,354	131,381,628	1,082,612,083	98,248,001	199,026,134	5,722,944	81,734,273
Less: allowance for impairment**	(52,272,670)	(382,752)	(4,088)	(538,655)	(5,065)	(73,793,030)	(1,971,005)	(106,102)	(199,791)	(639,614)
Less: Interest in suspense	(28,492,905)	-	-	-	-	(52,562,210)	-	-	-	-
Net amounts	1,624,519,143	73,190,431	237,759,247	34,863,699	131,376,563	956,256,843	96,276,996	198,920,032	5,523,153	81,094,659

*Off balance sheet amounts above comprises of letter of credit and guarantee contracts. Analysis of gross amount has been presented in Note 43.

**Impairment for loans and advances to customers has been split for presentation purpose with ECL for off-balance sheet items as these are included within expected credit loss amounts presented in Note 22.

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.1 Credit risk (Continued)
42.1.2. Impairment and provisioning policies (Continued)

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Bank.

	Individual (retail) customers		Corporate entities		Total loans and advances to customers	Total loans and advances to Banks
2023	Overdraft	Term loans	Overdraft	Term loan	TZS'000	
Internal grading:						
Standard (current)	32,469,230	232,825,273	213,159,418	710,234,217	1,188,688,139	73,573,183
Total	**32,469,230**	**232,825,273**	**213,159,418**	**710,234,217**	**1,188,688,139**	**73,573,183**

	Individual (retail) customers		Corporate entities		Total loans and advances to customers	Total loans and advances to Banks
2022	**Overdraft**	**Term loans**	**Overdraft**	**Term loan**		
Internal grading:						
Standard (current)	18,601,181	70,376,369	93,649,568	173,805,293	356,432,411	97,742,453
Total	**18,601,181**	**70,376,369**	**93,649,568**	**173,805,293**	**356,432,411**	**97,777,513**

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.1 Credit risk (Continued)
42.1.2 Impairment and provisioning policies (Continued)

Loans and advances less than 90 days past due are not considered impaired unless other information is available to indicate the contrary. Gross amount of loans and advances by class to customers that were past due but not impaired were as follows:

2023	Retail		Corporate		Total
	Overdraft	Term Loan	Overdraft	Term Loan	
					TZS'000
Past due up to 30 days	-	52,069,259	186,592	139,057,401	191,313,251
Past due 30 - 60 days	307,420	8,538,896	8,976,926	66,563,170	84,386,412
Past due 60 - 90 days	112	2,639,739	368,773	90,897,720	93,906,344
Total	**307,532**	**63,247,894**	**9,532,291**	**296,518,291**	**369,606,007**

2022	Individual /retails		Corporate entities		Total
	Overdrafts	Term loans	Overdrafts	Term loans	
					TZS'000
Past due up to 30 days	2,013,929	240,023,865	15,381,089	122,736,647	380,155,530
Past due 30 - 60 days	1,274,977	8,459	101,530,791	4,607	102,818,834
Past due 60 - 90 days	1,455,007	4,252	1,061,441	1,112,882	3,633,582
Total	**4,743,913**	**240,036,576**	**117,973,321**	**123,854,136**	**486,607,946**

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.1 Credit risk (Continued)
42.1.2 Impairment and provisioning policies (Continued)

a. Geographical sectors

The following table breaks down the Bank's main credit exposure at their gross carrying amounts, as categorized by geographical region as of 31 December 2023. For this table, the Bank has allocated exposures to regions based on the country of domicile of its counter parties.

	Tanzania	Europe	America	Others	Total TZS '000
Cash and balances with the Bank of Tanzania	117,205,055	-	-	-	117,205,055
Loans and advances to banks and items for clearing	64,004,826	7,982,523	1,068,007	517,827	73,573,183
Debt instruments at amortised cost	237,763,425	-	-	-	237,763,425
Loans and advances to customers	1,705,284,718				1,705,284,718
Other assets	24,170,981	-	-	-	24,170,981
Letter of Credit and Bank Guarantee	131,381,628	-	-	-	131,381,628
As at 31 December 2023	**2,279,810,633**	**7,982,523**	**1,068,007**	**517,827**	**2,289,378,990**
Stage 1	1,934,937,791	7,982,523	1,068,007	517,827	1,944,506,148
Stage 2	184,815,180	-	-	-	184,815,180
Stage 3	160,057,662	-	-	-	160,057,662
As at 31 December 2023	**2,279,810,633**	**7,982,523**	**1,068,007**	**517,827**	**2,289,378,990**

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.1 Credit risk (Continued)
42.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)

(a) Geographical sectors

The following table breaks down the Bank's main credit exposure at their gross carrying amounts, as categorized by geographical region as of 31 December 2022. For this table, the Bank has allocated exposures to regions based on the country of domicile of its counter parties.

	Tanzania	Europe	America	Others	Total TZS '000
Cash and balances with the Bank of Tanzania	77,856,650				77,856,650
Loans and advances to banks and items for clearing	81,104,990	4,652,512	12,255,849	234,650	98,248,001
Debt instruments at amortized cost	199,026,134	-	-	-	199,026,134
Loans and advances to customers	1,082,612,083				1,082,612,083
Other assets	5,608,003	-	-	-	5,608,003
Letter of Credit and Bank Guarantee	81,734,273	-	-	-	81,734,273
As at 31 December 2022	**1,527,942,133**	**4,652,512**	**12,255,849**	**234,650**	**1,545,085,144**
Stage 1	1,181,412,443	4,652,512	12,255,849	234,650	1,198,555,454
Stage 2	106,452,416	-	-	-	106,452,416
Stage 3	240,077,274	-	-	-	240,077,274
Total	**1,527,942,133**	**4,652,512**	**12,255,849**	**234,650**	**1,545,085,144**

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.1 Credit risk (Continued)
42.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)

(b) Industry sectors

The following table breaks down the Bank's main credit exposure at their gross carrying amounts, as categorized by industry sectors as of 31 December 2023.

	Financial institutions	Manufacturing	Trading and commercial	Transport and communication	Government	Individuals	Others	Total
				TZS'000				
Cash and balances with the Bank of Tanzania	117,205,055	-	-	-	-	-	-	117,205,055
Loans and advances to banks and items for clearing	62,341,810	-	-	11,231,373	-	-	-	73,573,183
Debt instruments at amortised cost	3,200,000	-	-		234,563,425	-	-	237,763,425
Loans and advances to customers	-	174,538,568	201,074,290	93,903,168	-	39,541,351	1,196,227,341	1,705,284,718
Other assets	-	-	-	-	-	15,931,515	8,239,466	24,170,981
Letter of Credit and Bank Guarantee	-	-	17,558,075	15,148,450	-	-	98,675,103	131,381,628
As at 31 December 2023	**182,746,865**	**174,538,568**	**218,632,365**	**120,282,991**	**234,563,425**	**55,472,866**	**1,297,438,100**	**2,283,675,180**
Stage 1	182,746,865	84,608,093	113,910,677	98,939,502	234,563,425	25,784,726	1,198,249,050	1,938,802,338
Stage 2	-	74,070,711	46,133,567	279,279	-	13,247,084	51,084,539	184,815,180
Stage 3	-	15,859,764	58,588,121	21,064,210	-	16,441,056	48,104,511	160,057,662
As at 31 December 2023	**182,746,865**	**174,538,568**	**218,632,365**	**120,282,991**	**234,563,425**	**55,472,866**	**1,297,438,100**	**2,283,675,180**

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.1 Credit risk (Continued)
42.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)

(b) Industry sectors

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorized by industry sectors as of 31 December 2022.

	Financial institutions	Manufacturing	Trading and commercial	Transport and communication	Government	Individuals	Others	Total
				TZS'000				
Cash and balances with the Bank of Tanzania	77,856,650	-	-	-	-	-	-	77,856,650
Loans and advances to banks and items for clearing	98,248,001	-	-	-	-	-	-	98,248,001
Debt instruments at amortized cost	4,200,000	-	-	-	194,826,134	-	-	199,026,134
Loans and advances to customers	-	140,150,705	350,856,397	27,831,812	-	89,534,961	474,238,208	1,082,612,083
Other assets	-	-	-	-	-	-	5,608,003	5,608,003
Letter of Credit and Bank Guarantee	-	758,593	3,899,676	393,364	-	-	76,682,640	81,734,273
As at 31 December 2022	180,304,651	140,909,298	354,756,073	28,225,176	194,826,134	89,534,961	556,528,851	1,545,085,144
Stage 1	179,799,103	43,204,195	228,906,600	15,501,679	194,826,134	52,676,324	483,641,419	1,198,555,454
Stage 2	-	65,508,029	32,220,179	174,838	-	4,107,717	4,441,653	106,452,416
Stage 3	505,548	32,197,074	93,629,294	12,548,659	-	32,750,920	68,445,779	240,077,274
Total	180,304,651	140,909,298	354,756,073	28,225,176	194,826,134	89,534,961	556,528,851	1,545,085,144

42.2 Market risk

Market risk is the risk where the changes in market prices - e.g., interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) - will affect the Bank's income or the value of its holdings of financial instruments. Market risks arise from open positions in interest rate and currency, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates. The objective of the bank's market risk management is to manage and control market risk exposures within acceptable parameters to ensure the bank's solvency while optimising the return on risk. The Bank separates exposures to market risk into either trading or non-trading portfolios. The market risks arising from trading and non-trading activities are monitory regularly in the bank's treasury and capital market department. The Bank has Assets and Liabilities Management Committees that is entrusted with mandate to manage market risk with at least quarterly reports being submitted to the Board of Directors for deliberation and guidance.

42.2.1 Foreign exchange risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily.

The table below summarizes the Bank's exposure to foreign currency exchange rate risk on 31 December 2023. Included in the table are the Bank's financial instruments at carrying amounts, categorized by currency.

At 31 December 2023	USD	GBP	EURO	Others
Assets				
Cash and balances with Bank of Tanzania	25,916,296	440,262	2,159,908	35,223
Loans and advances to banks and items for clearing	19,238,429	448,731	1,653,115	275,310
Debt instruments at amortized cost	-	-	-	-
Loans and advances to customers	394,620,359	-	-607	-
Other assets	1,582,338	36	20	-
Total assets	**441,357,422**	**889,029**	**3,812,436**	**310,533**
Liabilities				
Loans and Advances from banks	174,336,841	-	835,087	-
Deposits from customers	219,171,803	564,265	1,674,593	92,141
Revolving credit lines	28,748,424	-	-	-
Other liabilities	6,395,069	165	4,065	2
Total liabilities	**428,652,137**	**564,430**	**2,513,745**	**92,143**
Net balance sheet position	**12,705,285**	**324,599**	**1,298,691**	**218,390**

42.2.1 Foreign exchange risk (Continued)

The table below summarizes the Bank's exposure to foreign currency exchange rate risk at 31 December 2022. Included in the table are the Bank's financial instruments at carrying amounts, categorized by currency.

At 31 December 2022	USD	GBP	EURO	Others
Assets				
Cash and balances with Bank of Tanzania	16,267,368	28,461	1,919,588	42,272
Loans advances to banks and items for clearing	12,224,402	597,392	4,055,120	-
Debt instruments at amortized cost	-	-	-	-
Loans and advances to customers	316,510,923	-	-	-
Other assets	3,642,749	31	-	-
Total assets	**349,810,592**	**625,884**	**5,974,708**	**42,245**
Liabilities				
Loans and Advances from banks	92,493,606	-	4,940,551	-
Deposits from customers	143,775,847	615,065	4,483,488	12
Revolving credit lines	38,589,434	-	-	-
Other liabilities	6,489,142	-	-	-
Total liabilities	**281,348,029**	**615,065**	**9,424,039**	**12**
Net balance sheet position	**67,297,413**	**10,819**	**(3,449,331)**	**42,233**

42.2.2 Sensitivity analysis

As at 31 December 2023, the bank had significant exposures on United States dollars and Euro as below;

	2023 TZS '000		2022 TZS '000	
DESCRIPTION	**USD**	**EUR**	**USD**	**EUR**
Exchange rate on 31 December	2.53	2.78	23.30	2.79
Assets	441,357,422	3,812,436	348,645,442	625,884
Liabilities	428,652,137	2,513,745	281,348,029	615,065
Net balance sheet position	12,705,285	1,298,691	67,297,413	10,819
Rate depreciated by 10%	0.25	0.28	0.23	0.28
Foreign Exchange gain-TZS	1,270,529	129,869	6,729,741	1,082
Rate Appreciated by 10%	(0.25)	(0.28)	(0.23)	(0.28)
Foreign Exchange Loss-TZS	(1,270,529)	(129,869)	(6,729,741)	(1,082)

If Tanzanian Shillings had weakened/strengthened by 10% against United States dollar with all variables held constant, the pre-tax profit would have been higher/lower by TZS 1,271 million (2022: TZS 6,730 million).

If Tanzanian Shillings had weakened/strengthened by 10% against EURO, with all variables held constant, the pre-tax profit would have been lower/higher by TZS 129 million (2022: TZS 1.08 million).

42.2.3 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase because of such changes but may reduce losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily by the bank.

The table below summaries the Bank's exposure to interest rate risks. It includes the Bank's financial instruments at carrying amounts, categorized by the earlier of contractual repricing or maturity dates. The bank does not bear any interest rate risk on off Statement of Financial Position items

42.2 Market risk (Continued)

42.2.3 Interest rate risk (Continued)

At 31 December 2023	Up to 1 month	1 -6 months	6- 12 months	1 -5 years TZS'000	More than 5 years	Non-interest bearing	Total
Assets							
Cash and balances with Bank of Tanzania	-	-	-	-		117,205,055	117,205,055
Loans and advances to bank and items for clearing	60,811,263	12,240,293	138,875	-		-	73,190,431
Debt instruments at amortised cost	-	17,500,000	40,382,692	17,705,600	160,558,609	1,612,436	237,759,337
Loans and advances to customers	360,122,564	109,916,777	101,416,388	311,681,606	564,317,409	177,059,334	1,624,514,078
Equity Instruments at fair value through Other Comprehensive Income	-	-	-	-	-	12,428,997	12,428,997
Other assets	-	-	-	-	-	24,170,981	24,170,981
Total assets	**420,933,827**	**139,657,070**	**141,937,955**	**329,387,206**	**724,876,018**	**332,476,803**	**2,089,268,879**
Liabilities							
Loans and Advances from banks	257,380,567	23,098,317	8,000,000	-		-	288,478,884
Deposits from customers	946,220,736	245,777,727	207,047,680	15,378,878		-	1,414,425,021
Revolving credit lines	39,638,258	51,027,411	16,954,809	39,200,000		1,250,950	148,071,428
Other liabilities	-	-	-	-		18,372,221	18,372,221
Total liabilities	**1,243,239,561**	**319,903,455**	**232,002,489**	**54,578,878**	**-**	**19,623,171**	**1,869,347,554**
Interest repricing gap	**(822,305,734)**	**(180,246,385)**	**(90,064,534)**	**274,808,328**	**724,876,018**	**312,853,632**	**219,921,325**

42.2 Market risk (Continued)

42.2.3 Interest rate risk (Continued)

At 31 December 2022	Up to 1 month	1 -6 months	6- 12 months	1 -5 years TZS'000	More than 5 years	Non-interest bearing	Total
Assets							
Cash and balances with Bank of Tanzania	-	-	-	-		77,856,650	77,856,650
Loans and advances to banks and items for clearing	75,065,288	8,408,432	-	-		12,803,276	96,276,996
Debt instruments at amortised cost	9,499,584	46,374,760	34,000,000	15,700,000	90,447,496	2,898,192	198,920,032
Loans and advances to customers	134,330,083	153,916,997	65,832,461	296,098,373	233,945,725	71,493,590	955,617,229
Equity Instruments at fair value through Other Comprehensive Income	-	-	-	-	-	12,428,997	12,428,997
Other assets	-	-	-	-	-	12,447,145	12,447,145
Total assets	218,894,955	208,700,189	99,832,461	311,798,373	324,393,221	189,927,850	1,353,547,049
Liabilities							
Loans and Advances from banks	184,975,447	1,212,520	-	-	-	1,212,520	186,187,967
Deposits from customers	134,278,089	160,725,339	146,507,891	17,998,380	-	329,971,678	789,481,377
Revolving credit lines	41,959,056	93,816,982	6,500,000	9,200,000	-	1,334,795	152,810,833
Other liabilities	-	-	-	-		22,112,836	22,112,836
Total liabilities	361,212,592	257,089,636	153,007,891	27,198,380	-	354,631,829	1,150,593,013
Interest repricing gap	(142,317,637)	(48,389,447)	(53,175,430)	284,599,993	324,393,221	(164,703,979)	208,305,768

42.2 Market risk (continued)

42.2.3 Interest rate risk (continued)

- **Interest rate sensitivity**

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, if the interest rates prevailing during the year shifted by 2% the bank's profitability would be reduced/improved by TZS 20,176 million (2022: TZS 3,763 million) due to increase/decrease in annual interest expenses.

	2023 TZS'000	2022 TZS'000
Assets re-pricing after 6 months	560,590,897	427,595,144
Liabilities re-pricing after 6 months	1,569,412,279	615,754,913
Interest rate Gap	(1,008,821,382)	(188,159,769)
Impact of interest rate rise by additional 2%	**(20,176,428)**	**(3,763,195)**
Impact on core Capital	**(14,123,499)**	**(2,634,237)**

42.3 Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

42.3.1 Liquidity risk management process

The Bank's liquidity management process, as carried out within the Bank and monitored by a separate Treasury and Capital Market team, includes:

- Day-to-day funding is managed by monitoring future cash flows to ensure that requirements can be met. These include replenishment of funds as they mature or are borrowed by customers. The Bank maintains an active presence in money markets to enable this to happen.
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow.
- Monitoring liquidity ratios against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

Monitoring and reporting normally take the form of cash flow measurement and projections for the next day, week, and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

42.3.1 Liquidity risk management process(Continued)

The Bank also monitors unmatched medium-term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

42.3.2 Funding approach

Sources of liquidity are regularly reviewed by a separate Bank Treasury team to maintain a wide diversification by currency, geography, fund provider, product, and term.

The table below summaries the assets and liabilities according to when they are expected to be recovered.

42.3 Liquidity risk (Continued)

42.3.2 Funding approach (Continued)

At 31 December 2023	1-3 months	3-6 months	6- 12 months	1-5 years	More than 5 years	Total
				TZS'000		
Assets						
Cash and balances with Bank of Tanzania	62,362,903	-		54,842,152	-	117,205,055
Loans and advances to banks and items for clearing	60,811,263	12,240,293	138,875	-	-	73,190,431
Debt instruments at amortised cost	-	17,500,000	40,382,692	17,705,600	162,170,955	237,759,247
Loans and advances to customers	360,122,564	109,916,777	101,416,388	311,681,606	741,376,743	1,624,514,078
Equity Instruments at fair value through Other Comprehensive Income	-	-	-	-	12,428,997	12,428,997
Other assets	17,265,276	-	-	-	6,905,705	24,170,981
LCs and Guarantee	131,381,628	-	-	-	-	131,381,628
Total financial assets	**631,943,634**	**139,657,070**	**141,937,955**	**384,229,358**	**932,856,141**	**2,220,650,417**
Loans and Advances from banks	257,380,567	23,098,317	-	-	-	288,478,884
Deposits from customers	946,220,736	245,777,727	207,047,680	15,378,878	-	1,418,942,879
Revolving credit lines	39,638,258	51,027,411	16,954,809	39,200,000	1,250,950	148,071,428
Other liabilities	-	-	4,861,848	8,158,641	5,351,732	18,372,221
Total financial liabilities	**1,243,239,561**	**319,903,455**	**228,864,337**	**62,737,519**	**6,602,682**	**1,869,347,554**
Net liquidity gap	**(611,295,927)**	**(180,246,385)**	**(86,926,382)**	**321,491,839**	**916,279,718**	**351,302,863**

42.3 Liquidity risk (Continued)

42.3.2 Funding approach (Continued)

At 31 December 2022	1-3 months	3-6 months	6- 12 months	1-5 years TZS'000	More than 5 years	Total
Assets						
Cash and balances with Bank of Tanzania	52,819,855	-		25,036,795	-	77,856,650
Loans and advances to banks and items for clearing	92,846,769	1,785,227	1,645,000	-	-	96,276,996
Loans and advances to customers	196,834,116	65,353,401	103,960,412	297,776,088	291,693,212	955,617,229
Debt instruments at amotised cost	25,874,344	47,060,413	34,502,692	15,932,125	75,550,458	198,920,032
Equity Instruments at fair value through Other Comprehensive Income	-	-	-	-	12,428,997	12,428,997
Other assets	5,722,944	-	-	-	6,724,201	12,447,145
LCs, Guarantee	81,094,659	-	-	-	-	81,094,659
Total financial assets	**455,192,687**	**114,199,041**	**140,108,104**	**338,745,008**	**386,396,868**	**1,434,641,708**
Loans and Advances from banks	186,187,967	-	-	-	-	186,187,967
Deposits from customers	197,342,451	97,660,977	146,507,891	347,970,058	-	789,481,377
Revolving credit lines	60,817,056	76,293,777	6,500,000	9,200,000	-	152,810,833
Other liabilities	16,761,104	-	-	-	-	16,761,104
Total financial liabilities	**461,108,578**	**173,954,754**	**153,007,891**	**357,170,058**	**-**	**1,145,241,281**
Net liquidity gap	**(5,915,891)**	**(59,755,713)**	**(12,899,787)**	**(18,425,050)**	**386,396,868**	**289,400,427**

43. CONTINGENT LIABILITIES AND COMMITMENTS

To meet the financial needs of the customers, the bank enters various irrevocable commitments and contingent liabilities. This comprises financial guarantees, letters of credit (LCs) and commitments to lend. These obligations are not recognized in the statement of financial position; they contain the credit risk and therefore form part of the overall risk of the bank.

Letters of credit and guarantee (including standby letters of credit) commit the bank to make payments on behalf of customers in the event of a specific act and related to the import or export of goods. Guarantees and letters of credit carry a similar credit risk to loans and advances. The nominal values of such commitments are listed below:

43.1. Loan commitment guarantees and other facilities.

At 31 December 2023, the Bank had the contractual amount of the off Statement of Financial Position financial instruments that commit it to extend credit to customers, guarantees and letters of credit as follows:

	2023	2022
	TZS'000	**TZS'000**
Gross carrying amount as at 1st January	81,734,273	89,545,664
New assets originated/purchased	183,329,102.0	81,734,273
Assets Repaid during the year	(81,734,273)	(89,545,664)
Gross carrying amount as at 31st December	**183,329,102**	**81,734,273**
ECL for guarantees and Letter of Credit	(5,065.0)	(639,614)
Net recoverable amount as at 31st December	**183,324,037**	**81,094,659**

	No later than 1 year	1-5 years	Over 5 years	Total
As at 31 December 2023	**TZS 000**	**TZS 000**	**TZS 000**	**TZS 000**
Loan commitments	54,572,896	-	-	54,572,896
Letters of credit and guarantees	128,756,206	2,625,421	-	131,381,627
ECL for guarantees and Letter of Credit	(5,065)	-	-	(5,065)
Total	**183,324,037**	**2,625,421**	**-**	**185,949,458**
As at 31 December 2022				
Loan commitments	47,555,742	-	-	47,555,742
Letters of credit and guarantees	34,178,531	-	-	34,178,531
ECL for guarantees and Letter of Credit	(639,614)	-	-	(639,614)
Total	**81,094,659**	**-**	**-**	**81,094,659**

43. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

i) Undrawn commitments

The table below shows the credit quality and maximum exposure to credit risk based on the bank's internal credit rating system and year end stage classification of undrawn commitments.

Descriptions (TZS'000)	Stage 1	Stage 2	Stage 3	Total
Performing:				
Current category	53,945,798	-	-	53,945,798
Especially mentioned	-	200,010	-	200,010
Non-performing:				
Doubtful	-	-	427,088	427,088
At 31 December 2023	**53,945,798**	**200,010**	**427,088**	**54,572,896**

Descriptions (TZS'000)	Stage 1	Stage 2	Stage 3	Total
Performing:				
Current category	44,777,296	-	-	44,777,296
Especially mentioned	-	110,701	-	110,701
At 31 December 2022	**44,777,296**	**110,701**	-	**44,887,997**

ECL allowance for undrawn commitments has been included within ECL for loans and advances to customers due to challenges of separating them.

43.2. Contingencies

Legal claims

As of 31 December 2023, the Bank was a defendant in several lawsuits. The plaintiffs are claiming damages and interest thereon for the alleged loss caused by the Bank due to breach of contracts and loss of businesses. The Directors are of the opinion that no significant liabilities will arise from these claims.

43.3. Capital commitments.

The capital commitments relate to ongoing activities being contracted and approved. As of 31 December 2023, were nil.

44. COMPARATIVES

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information. For errors that were noted on the prior year comparatives, have been corrected accordingly and material ones are as included in note 46 below.

45. COMPARATIVES RE-CLASSIFICATIONS

During the current year, the following re-classifications which did not have impact on prior year profit were made to the prior year comparatives of financial statements so as to align the prior year numbers to classifications of the current year.

Descriptions:	As reported in 2022 TZS' Million	Reported in 2023 TZS' Million	Changes TZS' Million	Note
Interest expenses	60,738	61,156	418	(a)
Fee and commission expense	-	(1,037)	(1,037)	(b)
Personnel expenses	(36,091)	(37,309)	1,218	(c)
General and administrative expenses	14,556	11,881	(2,675)	(a),(b),(c)
Property and equipment	14,612	9,088	(5,524)	(e)
Right of use assets	-	5,524	5,524	(e)
Other liabilities	22,113	16,761	(5,352)	(f)
Lease liabilities	-	5,352	5,352	(f)

Note (a): Reclassifying the interest expenses on digital loans previous reported under general and administrative expenses.
Note (b): Reclassifying the fees and commission expenses from general and administrative expenses.
Note (c): Reclassifying staff loans benefit expenses from general and administrative expenses to personnel expenses.
Note (e): Reclassifying right of use assets from Property and equipment as classified in prior year.
Note (f): Reclassifying lease liability from other liabilities as classified in prior year.

Other significant changes in presentations were reported under the following sections:

i. Inclusion of related parties transactions previously not disclosed.
ii. Correction of cash flow components.

46. SUBSEQUENT EVENTS

There were no other events after the reporting period which require adjustment to or disclosure in the financial statements.