ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER

2023

On Your Side


I&M Bank

CONTENTS

Governance

Chairman's Statement

Dear Shareholders,

I am pleased to present the 2023 Annual Report for I&M Bank Tanzania. This year has offered us numerous opportunities, and we have successfully capitalized on many of them. Our performance has been marked by significant progress toward our strategic goals and the delivery of substantial value to our stakeholders. We navigated economic, social, and political changes effectively, turning challenges into opportunities for growth and innovation. Our strategic initiatives and strong customer engagement have all contributed to a year of remarkable achievements. This report allows us to reflect on these accomplishments and outline our plans for continued success in the future.

Economy Overview

The Tanzania economy continued to perform well, showing a positive outlook. The economy grew by 5.3% in the year 2023 mainly driven by the Agricultural, Financial and Insurance sectors, as well as Mining and quarrying activities and is projected to grow by 5.8% in the year 2024.

Inflation remained steady, at an average of 3.6% which was below the target set target of 5%. This had been achieved due to stable food prices during the year as well as monetary policies measures which were implemented by the Central Bank.

The shilling continued to remain under pressure as the US dollar posted gains. The Tanzania shilling had reached the levels of TZS 2,505/USD in Dec 2023, which was a 7.4% increase from December 2022.

Banking Industry

The banking sector banking recorded a steady growth boosted by loan portfolios, higher interest income and non-interest income driven by foreign exchange trading income and fees and commission. Banks have ample liquidity in their balance sheets, profitable with adequate capital to facilitate expansion. The sector continued to leverage technology in financial services delivery which contributed to a growing level of deposits and assets.

Total industry assets increased by 26% to TZS 52.6 trillion (2022: TZS 41.9 trillion) while deposits recorded a significant jump of 16% to TZS 35.7 trillion (2022: TZS 30.9 trillion) on the back of improved liquidity conditions in the market and deposit mobilization strategies instituted by banks and financial institutions. The overall industry profit before tax (PBT) reached TZS 2.18 trillion (2022: TZS 1.04 trillion), which is equivalent to growth of 109.6% year-on-year, driven by an increase in interest income consistent with the growth in the loan portfolio, an increase in non-interest income and an improvement in operational efficiency.

The exemplary performance was largely attributed to the government's pro-business policies. None of this impressive turnaround in sector performance would have been achieved had it not been for the strong monetary and regulatory policies spearheaded by the Bank of Tanzania with the view to creating a safe, sound, and stable financial system in the country.

I&M Bank (T) Ltd Performance in 2023

During the year 2023, the Bank continued to deliver a good performance during the year and is poised to move ahead with renewed confidence in achieving the key strategic and financial objectives as outlined in iMara 3.0 strategy. Our markets continue to deliver strongly despite uncertainty in the global economy.

The Bank made a profit before tax of TZS 5.3 billion from a loss of TZS 13.5 billion reported last year, an increase of 140%. This profit is mainly attributed to increase in Net financial revenue by 38% whereby net interest income and non-interest income increased YoY by 48% and 10% respectively, while operating expenses increased by 11%, maintaining a healthy income-to-costs jaws for the year. On the other hand, impairment charge decreased to TZS 19 billion from TZS 25 billion, circa 24%, reflecting Bank's efforts in strengthening the credit management and recoveries.

The balance sheet grew by 24% with an increase in the total assets to TZS 739.8 billion from TZS 596.9 billion reported in the prior year. The Customer deposits grew by 23.7% to TZS 562 billion from TZS 454.2 billion reported in the prior year. The Bank reported 23% YoY growth in net loans to close at TZS 449.8 billion from TZS 365.9 billion in December 2022. The NPA ratio slightly decreased to 17.4% from 17.6% reported in 2022 on account of increased loan book during the year, adequate provisions have been made and recovery efforts are at various stages of resolution and the Bank anticipates recovering some large NPAs in the current year.

We remain highly liquid and strongly capitalized. We finished the year with the tier I and tier II capital adequacy ratios at 13.82% and 18.26% above the regulatory limits of 12.5% and 14.5% respectively. The Bank's liquidity ratio closed at 29% against the regulatory requirement of 20% thereby demonstrating strong resilience. During the year the Shareholders injected an additional capital of TZS 14.2 billion in March 2023 to support the Bank's organic growth.

In its 2024 plans, the Bank is expected to continue registering profits and expand the business in the retail and digital space. The Bank has prioritized expanding its retail services through innovative products and expanding its credit facilities by scaling up on its digital nano loans called Kamilisha where the Bank has partnered with Airtel Money to deliver small loans to a varied number of users hence spearheading the financial inclusion.

To support the committed business lines, planned business growth as well as compliance with the regulations and in line with the Dividend policy the Board of Directors did not propose the payment of dividends from the 2023 profit after tax.

Medium Term Strategy - Progress

The Bank continued to make good progress and has been on track in achieving its medium-term strategy - iMara which was refreshed during the year with a focus on the three underpinning strategic pillars and enablers geared towards realizing the strategic aspiration of becoming **"Tanzania's leading Financial Partner for Growth".**

Product Development

In October 2023, the bank introduced three new Customer Value Propositions (CVPs) dubbed **"Moja", "Everyday"** and **"Select"** targeting middle mass, emerging affluent and affluent customers. Additionally, **Personal Unsecured Loans** to government and private sector employees were launched to make a comprehensive proposition to the retail segment.

As part of its commitment to transaction banking services, the bank rolled out **Remote Cheque Scanning** for corporate, business, and SME clients. And **"I&M Wakala"** agency banking services with over 200 agents providing services such as cash deposits/withdrawals, balance inquiries, mini statements, and fund transfers across the regions.

Customer Engagement

Throughout the year, the Bank conducted periodic surveys to measure customer experience and benchmark against market standards. These surveys informed numerous customer experience initiatives. Our Net Promoter Score for 2023 recorded 46%, up from the previous year. The bank remains committed to investing in service and experience initiatives.

Marketing & Brand Building

In 2023, we made significant strides in our marketing efforts, investing in strategic campaigns designed to enhance our brand presence and deepen customer engagement. Notably, our **"Ni Zaidi ya Akiba"** campaign aiming at mobilizing deposits through fixed accounts, while the **"Ni Bure"** campaign emphasized the cost-free aspects of key services that are bundled in the customer value proposition to retail segment customers in the year. Additionally, we organized several customer events aimed at reinforcing strong relationships and fostering a sense of community among our clients. These initiatives have not only boosted our visibility but also strengthened our connection with our customers, ultimately contributing to our overall growth and success.

Technology

Through a variety of technology initiatives, the Bank worked to strengthen its ICT Infrastructure Resilience during the year to support its digitization strategy and enhance customer experience. As a result, the bank offered customers remote cheques-capturing channels and online forex trading platforms, enabling them to conduct their basic banking operations from the comfort of their homes or offices. This service was especially available to its corporate clients. The bank also made an investment in an upgraded ATM network monitoring system, Vynamic, with the goal of enhancing performance of its ATM Network services. This move has enhanced the functionality of our ATMs and the card-related services we provide to our valued customers.

Risk Management

The Bank has demonstrated exceptional resilience over the past year, marked by significant improvements in capital adequacy, non-performing assets (NPA), and liquidity ratios. Our diligent monitoring and maintenance of risk parameters within the approved risk appetite, guided by our enterprise risk management framework, have been instrumental in this success. Following the introduction of our Operational Risk Management System (ORMS), we have significantly enhanced our ability to record risk incidents and conduct frequent control testing, thereby strengthening our control environment and risk culture.

Key HR Initiatives

In line with the Bank's business growth strategy the Management reviewed Bank's organization structure and successfully recruited employees to fill up key strategic roles in the business such as Head of Customer, Senior Manager - Business Performance & Analytics Manager, Retail Credit Manager, Bond Trading Manager and Business Banking Relationship Managers to drive the Business Banking business under our corporate banking space.

In partnership with the Group, the Bank launched the ongoing Leadership Development program and enrolled 20 leaders in the program facilitated by Raiser Resource Group. These leaders include top management and one level below. Apart from the Leadership program the management facilitated various Learning and Development programs/initiatives including the Corporate Banking & Credit Analyst certification for 13 credit department employees, sponsorship, and payment of annual subscription fees for various professional certifications undertaken by Bank's employees such as CPA, SIC, SPHRi, CISA etc. Also, the bank has continued to drive the talent development program whereby the Bank has successfully appointed all three graduates of the 2nd cohort to different roles in the business including the Head of Large, Corporate, Head of Liabilities Business & Digital products and Manager, Digital Banking Channels.

Furthermore, the Bank completed the industrial job analysis and salary survey exercise which was facilitated by Deloitte – Kenya and the management has started implementation of key recommendations including enhancement of staff loan limits, Medical and Life Insurance covers as well as salary increments.
Cultural Transformation Program - Pamoja
The Bank continued with the implementation of the Pamoja Culture Transformation Program to foster a culture of innovation and agility, during the year the Bank used Changemakers' network to implement our Organizational BEAN dubbed "Stretch and Serve" to drive various initiatives towards improvement of business performance and employee engagement score whereby the bank met its target of 76% for Y2023.

Corporate Social Responsibility

The bank's CSR initiatives in the year were done in strategic partnership to make a big impact on the community. The Bank in partnership with the Rotary Club was able to raise donations which were channeled towards a range of education projects supports, including a long-running scholarships programme for medical student at local institutions.

Outlook – 2024

The economic outlook for 2024 is relatively steady but slow with most sectors rebounding to pre-COVID activity levels. Global growth is projected to stay at 3.1 percent in 2024 and rise to 3.2 percent in 2025. Elevated central bank rates to fight inflation and a withdrawal of fiscal support amid high debt weigh on economic activity. Inflation is falling faster than expected in most regions, amid unwinding supply-side issues and restrictive monetary policy. Global headline inflation is expected to fall to 5.8 percent in 2024 and 4.4 percent in 2025, with the 2025 forecast having been revised down. Tanzania's medium-term outlook is positive, with growth projected at 6.3% in 2024. Real GDP expansion in the 2024-28 forecast period will remain brisk and broad-based, and the services and industry sectors will be the core drivers of this.

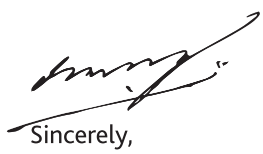
In line with this outlook, the Bank will continue to be the best financial partner for growth in the corporate and retail segments by enhancing the customer journey experience and engagement. We will leverage the entire ecosystem of our corporate customers to develop business banking, SME, and retail propositions linked to our key customers. Additionally, we will invest in and grow our digital banking business in our chosen markets.

Acknowledgements

On behalf of the Board of Directors, I would like to extend our heartfelt gratitude to all our stakeholders for the continued support and contributions to our success. We deeply appreciate the trust and loyalty of our customers, employees, shareholders, and business partners. We take pride in our accomplishments over the past years and remain steadfast in our commitment to delivering value to our shareholders.

We are also proud of our dedication to sustainability. We recognize the importance of being a responsible corporate citizen and are committed to making a positive impact on the communities where we operate.

Thank you once again for your continued support and trust. We look forward to fulfilling our commitments and creating value for our shareholders in the years ahead.



Sincerely,
Mr. Madabhushi Soundararajan
Board Chairman

Board Management

Madabhushi Soundararajan
Chairman

Zaid Mustafa
Board of Director

Paresh Manek
Board of Director

Alan Mchaki
Board of Director

Emmanuel Chacha
Board of Director

Hon. Ambassador Amina Ali
Board of Director

Shameer Patel
Board of Director

Chrisitian Shirima
Board of Director

Pratul H. D. Shah
Board of Director

Kiara Maina
Board of Director

Jamhuri Ngelime
Board of Director

Raeesha N. Fakira
Board of Director

Maria Gonzales
Company Secretary

Senior Management

Zahid Mustafa
CEO and Managing Director

Donald Mate
Chief Operating Officer

Patrick Kapella
Head of Treasury

Emmanuel Wilson
Head of Credit

Deepali Ramaiya
Act. Head of Retail Banking

Veronica Magongo
Head of Finance

Aimtonga Adolph
Head of Internal Audit

Gabriel Mlinga
Head of Risk & Compliance

Alan Mbangula
Head of ICT

Erica Mboya
Head of Human Resources

Krishnan Ramachandran
Head of Corporate Banking

Financials

CORPORATE INFORMATION

PRINCIPAL PLACE OF BUSINESS AND REGISTERED OFFICE

HEAD OFFICE

Maktaba Square,
Maktaba Street,
PO Box 1509,
Dar es Salaam, Tanzania.

CORRESPONDENT BANKS

I&M Bank Limited,
PO Box 30238,
00100 Nairobi,
Kenya.

Standard Chartered Bank New York,
SCB New York – IBF,
One Madson Avenue,
3rd Floor,
New York, NY 10010 – 3603, USA.

ICICI Bank Limited,
ICICI Bank Towers,
Bandra – Kurla Complex,
Mumbai 400 051, India.

I&M Bank (Rwanda) Ltd,
PO Box 354,
Kigali, Rwanda.
Citibank N.A,
Upper Hill Road,
PO Box 30711-00100, Nairobi.

BHF Bank Aktiengesellschaft,
60323 frankfurt am main,
Frankfurt Germany.

JP Morgan Chase Bank, N.A,
383 Madison Ave,
New York,
NY 10017
USA.

REGISTERED OFFICE

Maktaba Square,
Maktaba Street,
PO Box 1509,
Dar es Salaam, Tanzania.

COMPANY SECRETARY

Ms. Maria Ashley Gonsalves
Maktaba Square,
Maktaba Street,
PO Box 1509,
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LEGAL ADVISORS

Kesaria and Company Advocates,
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Dar es Salaam, Tanzania.

Locus Attorney,
Peugeot House,
36 Ali Hassan Mwinyi Road,
PO Box 4110,
Dar es Salaam, Tanzania.

M/s K&M Advocates,
PO Box 71394,
Dar es Salaam, Tanzania.

AUDITOR

PricewaterhouseCoopers,
Pemba House,
369 Toure Drive, Oysterbay,
P O Box 45,
Dar es Salaam, Tanzania.

ABBREVIATIONS

In this document we have used the following abbreviations;

EAD	Exposure at default
ECL	Expected credit losses
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit and loss
IAS	International Accounting Standards
IFRSs	International Financial Reporting Standards
LGD	Loss given default
PD	Probability of default
SPPI	Solely for payment of principal and interest
SICR	Significant increase in credit risk
IFC	International Finance Corporation
ILO	International Labour Organization
TFRS 1	Tanzania Financial Reporting Standards 1
DFIs	Development Finance Institutions

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

1. Introduction

The Directors submit their report and the audited financial statements for the year ended 31 December 2023 which disclose the state of affairs of I&M Bank (T) Limited ("the Bank").

2. Incorporation

The Bank is incorporated in Tanzania under Companies Act, 2002, domiciled in Tanzania as a private limited company whose shares are not publicly traded.

3. Mission and vision

Vision Statement:

To be a company where the best people want to work, the first choice where customers want to do business, and where shareholders are satisfied with their investment.

Mission Statement:

To be partners of growth for all our stakeholders through:

- Meeting our customers' expectations.
- Motivating and developing every employee.
- Enhancing shareholder value.

4. Principal activities

The principal activity of the Bank is provision of banking and related services as stipulated by the Banking and Financial Institutions Act, 2006. There has not been any significant change in the principal activities of the Bank during the financial year ended 31 December 2023.

5. Our business operating mode

Banking Services

We provide banking services to individuals and businesses, including loans, mortgages, Savings accounts, Salary accounts, Personal Transaction accounts, Business Banking accounts, Trade finance, Custodial Services, Bancassurance, digital products and services and Transfers. Net interest income, accounting for most of our revenue, is generated as the difference between interest charged to clients on loans and the bank's funding costs.

Interest, fees and commissions

We fund our loans through deposits, savings and capital, and actively manage the risks associated with them. In return for our services, we receive interest, fees and commissions.

Re-invest and pay out returns

From our income, we meet our operating costs, reinvest in our business and pay out returns to our investors.

6. Our strategy

The Bank has a three-year corporate strategy "iMara 3.0" launched in 2023. Our Strategic aspiration as per iMara 3.0 is to become "Tanzania's Leading Financial Partner for Growth leveraging on our East African Presence." Our strategy is leveraged towards key growth sectors while driving efficient and effective execution through the three strategic pillars and key enablers aimed at:

- Develop Leadership in our Core Segments (Corporate & Commercial)
- Build Relevance in Emerging customer Segments (Retail & SME)
- Become a market leader in ecosystems

In order to deliver on these objectives and maintain our growth trajectory, The iMara 3.0 strategy is based on choices that we have made in the following key areas:

- Segments-PursueadiversifiedsegmentstrategyCorporateandCommercial,RetailandSME)startingwithwhatthecustomer wants and provide a full range of solutions to meet those needs.
- Newbusinesslines-Developsolutionsthatcomplimentandoffervalueenhancementtocurrentofferingsaswellasprovidean overall improved client experience across all their financial needs
- Customer Experience - Aggressively build digital access channels to enhance customer engagement while recognising that physical access will have an important role for the foreseeable future, in combination with sales engagements and value-added relationship management services. Focus on customer-impact centricity and adopt data-driven decision making as a core principle.

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

6. Our strategy (continued)

- Digitisation and innovation - Become Digital to the Core by leveraging its investment in digitize as many customer interactions as possible while in parallel automating all related internal processes to achieve straight-through-processing for all critical end- to-end processes. Expand service offerings by partnering with various Service Providers / Fintechs.
- Leverage Group Synergies - Continue to leverage cross border business leads. Leverage Chinese desk to increase cross border business. Customize financial solutions harnessing expertise of group industry specialists
- People and Culture - Focus on building world class leadership, talent upskilling and modernizing its HR practices to bolster the engagement level and productivity.
- Introduce agile ways of working programmes
  - » Manage the organizational dynamic and culture to scale and sustain transformation
  - » Adopt the 'Fail-fast and learn mentality'

Our focus that will drive strategy in the next 3 years is continuing to be best financial partner for growth in the corporate and retail segments with improved customer journey experience and engagement. Mine the entire ecosystem of our corporate customers and develop Business Banking, SME and Retail proposition linked to our key customers. Invest and grow Digital Banking business in the chosen markets.

Our performance for 2023 is outlined on pages 5 to 8.

7. Review of business performance

The Bank's results are set out on page 28 of these financial statements. During the year under review, the Bank recorded a Profit before tax of TZS 5,359 million compared to loss before tax of TZS 13,515 million in the previous year, representing an increase of 140%.

Interest Income

Interest income during the year amounted to TZS 72,536 million compared to TZS 54,778 million in the previous year, representing an increase of 32%. The increase was mainly due to 23% loans and advances growth during the year and increase in the Government Securities by 26% together with increase in margins. The Bank will continue to diversify its portfolio to boost its income growth.

Interest expense

Interest expense during the year amounted to TZS 25,381 million, as compared to TZS 22,942 million in the prior year, representing an increase of 11%. This is on the back of significant growth in deposits in particular low-cost deposits by 34% while high-cost deposits only grew by 19%.

Net interest income

Net interest income (interest income less interest expense) during the year amounted to TZS 47,154 million, as compared to TZS 31,836 million in prior year, representing an increase of 48% as interest income grew more than interest expense.

Non - interest income

Non- interest income amounted to TZS 12,849 million as compared to TZS 11,701 million in prior year, implying an increase of 10%. This was mainly attributed by increase in fees and commission and Foreign exchange income.

Non-interest expenses

Non- interest expenses amounted to TZS 35,328 million as compared to TZS 31,757 million in prior year, implying an increase of 11%. This was mainly attributed by increase in administrative cost on ICT and HR costs towards replacement of key vacancies in the Bank.

Income tax

Income tax charge amounted to TZS 591 million (2022: tax credit TZS 3,584 million).

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

7. Review of business performance (Continued)

Key performance ratios

The key performance ratios of the Bank are indicated as hereunder:

Performance indicator	Definition and calculation method	2023	2022
Return on average assets	Net profit/Total assets.	0.71%	(1.65%)
A measure of how well the bank uses its assets to generate profits			
Return on average equity	Net profit/Total equity	5.01%	(10.84%)
A financial ratio that measures the performance of a bank based on its average shareholders' equity outstanding			
Non-interest income to net interest income	Non - interest income/Total income	27.41%	36.75%
Bank's income that has been generated by non-interest related activities as a percentage of total income			
Operating expenses to average assets	Operating expenses/average assets	3.41%	3.57%
Bank's income that has been generated by non-interest related activities as a percentage of total income			
Non-interest expenses before tax to operating income	Total costs/Total income	58.93%	72.96%
A measure of non-interest expense before tax to operating income			

The key efficiency ratios of the Bank as at year end are as indicated hereunder:

Performance indicator	Definition and calculation method	2023	2022
Shareholders fund to total assets	Shareholders' fund/ total assets	14.14%	14.35%
Indicates how much of the bank's assets have been generated by issuing equity shares rather than by taking on debt			
Non-performing loans to total advances	Non - performing loans/Gross loans and advances.	17.48%	17.59%
Indicates the percentage of non-performing- loans to total gross loans and advances			
Gross loans to total deposits	Total loans to customers/Total deposits from customers.	79.48%	82.17%
Measures the bank's liquidity by comparing a bank's total loans to its total deposits for the same period			
Loans to total assets	Loans/Total assets.	66.03%	67.01%
A measure of the bank's assets that are financed by debt rather than equity.			
Liquidity ratio	Liquid Assets/Liquid Liabilities	29.02%	26.00%
Measures the bank's ability to pay its short-term debt obligations			

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

7. Review of business performance (Continued)

Financial position

The Bank's financial position is set out on page 29 of these financial statements. Major movements are as explained in the table below:

Item	2023	2022	Increase / (Decrease)	
	TZS '000	TZS '000	TZS '000	%
Assets:				
Cash and balances with Bank of Tanzania	51,793,458	47,100,004	4,693,454	10%
Items in the course of collection	444,221	-	444,221	100%
Loans and advances to banks	39,543,172	29,530,809	10,012,363	34%
Loans and advances to customers	449,814,091	365,971,688	83,842,403	23%
Due from group companies	3,765,445	1,370,188	2,395,257	175%
Investment in government securities at amortised costs	151,753,391	121,144,674	30,608,717	25%
Investment in government securities at FVOCI	1,539,707	4,066,820	(2,527,113)	(62%)
Investment in government securities at FVTPL	3,192,275	-	3,192,275	100%
Equity Investment at FVOCI	1,013,750	1,013,750	-	-
Property and equipment	11,416,068	6,066,461	5,349,607	88%
Intangible assets	3,170,904	3,111,596	59,308	1.9%
Tax recoverable	2,500,938	1,406,582	1,094,356	78%
Deferred tax asset	12,332,516	11,331,443	1,001,073	8.8%
Other assets	7,586,653	4,874,824	2,711,829	56%
Liabilities:				
Deposits (banks, customers and group companies)	614,637,324	486,856,090	127,781,234	26%
Lease liabilities	8,040,421	2,165,619	5,874,802	271%
Provisions	-	1,149,788	(1,149,788)	-100%
Other liabilities	9,306,811	8,272,581	1,034,230	13%
Long term borrowing	3,276,176	12,857,355	(9,581,179)	(75%)

Deposits

There is a substantial growth in the customer deposits during the year by TZS 107,918 million (24%) due to deposit mobilisation initiatives and increase in the Bank's customer base, a reflection of the strong position of the Bank in the market. The deposit growth was contributed by both Corporate and Retail customers. Low-cost deposits grew by 33% which is more than high-cost deposits growth in line with Bank's strategy.

Loans and advances to customers

There has been net increase in loans and advances by TZS 83,842 million (23%) during the year mainly on the back of strong growth in deposits and good growth in some sectors of the economy such as Agriculture, manufacturing, and trade.

Government securities

There has been an increase in investment in government securities by TZS 32,288 million (26%) during the year because of yields offered in long-term tenors.

Long term borrowing

Long term borrowing decreased by TZS 9,581 million (75%) which was mainly attributed by principal and interest repayments to Development Finance Institutions (DFIs).

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

7. Review of business performance (Continued)

Financial position (Continued)

Cash flows

During the year, the Bank's major source of cash flows was from its operating activities which generated a net amount of TZS 3,733 million (2022: TZS 27,950 million) resulting mainly from increase in liabilities. Cash outflows amounting to TZS 102,993 million (2022: outflows TZS 36,366 million) through loans and advances was mainly funded by TZS 107,918 million (2022: TZS 17,977 million generated from deposits. Cash flows from financing activities were mainly from the capital injection of TZS 14,200 million made during the year.

The Bank's cash projections indicate that future cash flows will mostly be generated from deposits. The Bank will continue to implement different strategies to mobilise deposits by targeting individual depositors but also offering competitive rates for fixed deposits and improving cash collection solutions to big corporate customers, private and public institutions, and other agencies.

8. Our resources

Value creation is central to our strategy. We create value in various ways – not just as a bank, but also as an employer. By lending to business, we support economic growth and job creation. We also provide mortgages so that people can buy their own homes.

Financial resources

Includes cash, debt and equity that enable an organization to produce goods or provide services in total, we created more financial value in 2023 – due mainly to an increase in our profits before impairments. Interest payments to clients increased marginally by 11%, following a marginal increase in interest rates. Loans, however, showed an increase in value for clients – lower rates, in effect, reducing the cost of lending to customers.

Manufactured resources

Includes physical objects such as buildings, equipment and infrastructure. The value of basic banking services remained broadly unchanged compared with 2022. This was partly offset by an increase in fees and commissions during the year from transactions, Trade finance and bond trading.

Intellectual resources

Includes knowledge-based intangibles of an organization. The value of digital banking services increased during the year, there was more investment in intangible assets, such as IT services.

Human resources

Includes people's competencies and capabilities. Employee well-being improved during the year; engagement rose during the year. At the same time, there was no deterioration in occupational health & safety.

Social and relationship resources

Includes the relationships between an organization and communities and other stakeholders. The bank continued to create value for clients, largely through its Corporate Social Responsibility activities by providing donations to a number of organizations during the year.

9.Going concern and solvency evaluation

The Bank has complied with the Bank of Tanzania liquidity and capital adequacy ratios. 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. The Directors consider the Bank to be solvent within the meaning ascribed by the Companies Act, 2002 and Banking and Financial Institutions Act, 2006.

10.Accounting policies

The annual financial statements are prepared on the underlying assumption of going concern. The Bank's accounting policies, which are laid out on pages 34 to 57 are subject to an annual review to ensure continuing compliance with International Financial Reporting Standards.

11.Current and Future developments

The Bank endeavours to be the most innovative player in the industry by providing customized banking products and solutions. The focus areas would be: -

- Introduction of new products and services to meet the unique demands of the industry
- Digitisation of the Bank focusing on solutions to enhance customer service delivery
- Introduction of custodial services and banc assurance

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

12. Dividend

The directors do not propose payment of a dividend during the year. (2022: Nil)

13. Treasury policies and objectives

The Bank maintains a well-documented treasury policy that outlines approved Treasury activities in the Bank and how various risks that arise from such dealings together with other banking activities are identified, measured and managed. These, among others, include liquidity risk, foreign exchange risk and interest rate risk.

Regulatory ratios and internal limits on the above stated risks are stipulated in the policy to enable an efficient monitoring of any breaches. Moreover, to combat any losses that may result from dealing activities, the policy allows for establishment of dealer limits, counterparty limits and stop-loss limits that must be reviewed regularly and kept up to-date. In addition to this, roles and responsibilities of Treasury staff, Market Risk unit, senior management and Assets and Liabilities Committee (ALCO) members in complying with the policy are stated.

Assets and Liabilities Management (ALM) team in conjunction with the Risk department provide monthly reports to ALCO to evidence compliance with the policy. Any incident where a guideline has been breached is reported by the Treasury function to the Treasurer who then escalates the breach to ALCO members and Bank Management for immediate actions. The following sections are covered in the Treasury policy: (i) Market Risk policy and (ii) Liquidity Risk policy.

(i) Market Risk policy

This policy sets out the control framework for Market Risk within the Bank. Market Risk is the risk that the I&M's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates, foreign exchange rates, equity prices and commodity prices.

Changes in interest rates impact the overall profit of the Bank. Hence, in addition to liquidity management, the Bank manages its interest expenses through regular review of the fixed deposit rates and other savings accounts rates, together with striving to obtain reasonable and fair borrowing rates from the interbank and multilateral lenders.

(ii) Liquidity Risk policy

This policy sets out the policy of the Bank towards managing liquidity. The Policy defines the Bank's objectives for managing Liquidity risk, sets conditions for the calculation of the minimum size of the Liquidity Buffer (which consists of cash, unencumbered bonds and money market securities as well as deposits) and the funding needed to support an adequate Liquidity buffer. In preparation of the Policy, the bank has taken into account the provisions of the following:

- The Bank of Tanzania (BOT) Risk Management guidelines for Banks and Financial Institutions;
- Guidelines issued by the Basel Committee on Banking Supervision; and
- The I&M Group PLC (Formerly I&M Holdings PLC) Risk Management policy.

14. Management of the Bank

The Bank is under the supervision of the Board of Directors and the day-to-day management is entrusted to the Chief Executive Officer supported by the Executive management team.

The Bank has a broad-based Board of Directors comprising of Non-Executive Directors. The Chairman and all other members of the Board of Directors are appointed by the shareholders.

The organization structure of the Bank comprises the following departments: -

- Corporate Banking
- Retail and Digital Banking
- Operations
- Treasury
- Finance
- Human Resource
- Information Technology
- Credit
- Legal
- Risk Management (Reporting directly to Board Audit Risk Management Committee)
- Internal Audit (Reporting directly to Board Audit Risk Management Committee)

The Chief Executive Officer (CEO) and Managing Director (MD) reports to the Board and is supported by Chief Operating Officer, Head of Corporate Banking, Head of Retail and Digital Banking for business and other Heads of Departments for various functions. The CEO ensures the preparation of annual budgets and business plans for approval by the Board and establishes appropriate risk management frameworks and internal controls, ensuring that the Bank's operations are consistent with the Bank's risk appetite.

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

15.Board of Directors and Company Secretary

The Directors of the Bank at the date of this report are as follows:

Name	Position	Nationality		Qualifications	Date of appointment
Mr. Madabhushi Soundararajan**	Chairman	Indian	73	Master of Arts – Madras University, India	22 December 2023
Mr. Pratul H Shah**	Member	Kenyan	69	Fellow of the Association of Chartered Certified Accountants, CPA (K), CPS (K)	10 February 2010
Mr. Shameer Patel*	Member	Kenyan	46	Bachelor of Arts – Joint Honours – in Economics & Geography	11 September 2013
Mr. Alan Mchaki**	Member	Tanzanian	70	Fellow of the Association of Chartered Certified Accountants, CPA (T), Associated member, Swaziland Institute of Accountant	26 September 2016
Mr. Emmanuel Johannes Chacha**	Member	Tanzanian	46	MBA in Financial Services, B.Sc. Electronics and Communication Science, BSc Applied Accounting, Postgraduate Diploma in Digital Business, CPA (T), CIA, CFE,CISA,PMP	17 November 2021
Hon. Ambassador Amina Salum Ali**	Member	Tanzanian	67	Master of Business Administration - University of Poona	16 June 2022
Ms. Raeesha N. Fakira*	Member	Mauritian	30	Bachelor of Science - University of Southampton	20 September 2022
Mr. Zahid Mustafa***	Member	Pakistani	54	Master of Business Administration; Bachelor of Chemical Engineering	16 March 2023
Mr. Paresh Manek**	Member	Tanzanian	55	Businessman	11 April 2023
Mr. Christian Shirima*	Member	Tanzanian	37	Bachelor of Electrical Engineering	6 April 2023
Mr Christopher Kihara Maina***	Member	Kenyan	55	Honors degree in Mathematics	19 June 2023
Mr Jamhuri Ngelime**	Member	Tanzanian	61	Master of Arts in Banking and Finance degree at the University of Wales, Bangor in UK	2 October 2023

*Non-Executive Director

**Independent Non-Executive Director

***Executive Director

Mr. Sarit S Raja Shah who was the Chairman and Non-Executive Director resigned on 20 September 2023

The late Mr. Michael N Shirima who was a Non-Executive Director resigned on 22 May 2023.

The Company secretary as at the date of this report is Ms. Maria Ashley Gonsalves who replaced Ms. Hamida Sheikh on 23 October 2023.

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

16. Directors' interest

The Estate of Mr. Michael N. Shirima (Mr Shirima was a director of the Bank until 22 May 2023) has direct interest in the share capital of the holding 4.98% of the Ordinary A Class share capital (2022: 4.98%), and holds 4.8% (2022: 4.98%) of the Ordinary B Class share capital reported as at 31 December 2023.

17.Directors' remuneration

The remuneration for services rendered by the non-executive Directors of the Bank in 2023 was TZS 250 million (2022: TZS 254 million). Note 33 further illustrates.

18.Capital structure and shareholding

				2023
	Ordinary A Class Shares		Ordinary B Class Shares	
	Number of shares	TZS '000	Number of shares	TZS '000
Authorized (TZS 1,000,000/- each)	50,000	50,000,000	50,000	50,000,000
Issued, Subscribed & Fully Paid (TZS 1,000,000/- each)	3,554	3,554,016	20,400	20,400,000

				2022
	Ordinary A Class Shares		Ordinary B Class Shares	
	Number of shares	TZS '000	Number of shares	TZS '000
Authorized (TZS 1,000,000/- each)	50,000	50,000,000	50,000	50,000,000
Issued, Subscribed & Fully Paid (TZS 1,000,000/- each)	2,792	2,792,000	20,400	20,400,000

19. Shareholding

As at 31 December 2023, the following shareholders held shares in I&M Bank (T) Limited:
There are two classes of shares, i.e Ordinary A Class shares and Ordinary B Class shares.

Name of shareholders	2023			
	Ordinary A Class Shares		Ordinary B Class Shares	
	Number of shares held	%	Number of shares held	%
I&M Bank Limited	2,727	76.73	16,079	78.82
Microfinance East Africa Limited	559	15.73	2,685	13.16
Proparco	129	3.63	620	3.04
Mr. Michael N. Shirima	139	3.91	1,016	4.98
	3,554	100.00	20,400	100.00

Name of shareholders	2022			
	Ordinary A Class Shares		Ordinary B Class Shares	
	Number of shares held	%	Number of shares held	%
I&M Bank Limited	1,965	70.38	16,079	78.82
Microfinance East Africa Limited	559	20.02	2,685	13.16
Proparco	129	4.62	620	3.04
Mr. Michael N. Shirima	139	4.98	1,016	4.98
	2,792	100.00	20,400	100.00

During the year, the shareholders injected additional capital of USD 6.05 Million equivalent to TZS 14,200 million through rights issue.

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

20.Capital adequacy

The Bank monitors the adequacy of its capital using ratios established by the Bank of Tanzania as described in Note 4(d) to the financial statements.

21.Corporate governance

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 ensures that all actions are in the overall best interests of the Bank and reflects the commitment to maintain the highest standards of integrity, ethical behaviour and compliance with all applicable internal and external laws and regulations.

The Directors are committed to the principles of good corporate governance and recognise the need to conduct the business in accordance with generally accepted best practice. In so doing, the Directors therefore, confirm that:

- The Board of Directors met regularly throughout the year.
- They retain full and effective control over the Bank and monitor executive management.
- The positions of Chairman and Chief Executive Officer are held by different individuals.
- The Chairman of the Board of Directors is non-executive; and
- The Board accepts and exercises responsibility for strategic and policy decisions, the approval of budgets and the monitoring of performance.

The Board of Directors meets alteast four times in a year. During the year the Board of Directors had the following board sub-committees to ensure a high standard of corporate governance throughout the Bank. All these committees report to the main Board of Directors.

Board Audit Risk Management Committee

This Committee assists the Board in fulfilling its responsibilities by reviewing the financial condition of the Bank, its internal controls, ensuring compliance with applicable legislation and the requirements of regulatory authorities, reviewing reports and following up on matters raised by the external auditors, internal auditors and Bank of Tanzania. Furthermore, the committee is responsible for establishing and implementing the Risk Management process of the Bank in line with the Bank of Tanzania guidelines including risk identification, evaluation, measurement, and monitoring. The Committee met four times during the year.

The Board Audit Risk Management Committee members who served the Committee during 2023 were:

Name	Position	Remarks
Mr. Pratul H. Shah	Chairman	
Emmanuel Johannes	Member	
Ms. Raeesha Fakira	Member	
Mr. Christian Shirima	Member	Appointed on 6 April 2023
Mr Jamhuri Ngelime	Member	Appointed on 2 October 2023

Board Credit Committee

This Committee assists the Board in fulfilling its primary responsibilities in reviewing the Bank's overall lending policy, conducting independent loan reviews, delegation and review of lending limits and is overall responsible for the management of Credit Risk. The Committee meets a minimum of four times in a year. The Board Credit Committee members who served the Committee during 2023 were:

Name	Position	Remarks
Mr. Shameer Patel	Chairman	
Mr. Alan Mchaki	Member	
Mr. Paresh Manek	Member	Appointed on 11 April 2023
Mr. Christopher Kihara Maina	Member	Appointed on 19 June 2023

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

21.Corporate governance (Continued)

Board Nomination Remuneration Governance Committee

This committee has been delegated with the responsibility from the Board to undertake structured assessment of candidates for membership of the Executive Management, consider and review the human resources management and remuneration policies. The Committee meets at least twice in a year. The members of the Committee are:

Name	Position	Remarks
Mr. Christopher Kihara Maina	Chairman	Appointed on 19 June 2023
Mr. Shameer Patel	Member	
Hon. Ambassador Amina Salum Ali	Member	
Mr. Michael N Shirima	Member	Resigned on 22 May 2023

22. Principle risks and uncertainties

The key risks that may significantly impact the Bank's short-to-medium term strategy are mainly Credit, Operational, Compliance, Information and Communication Technology (ICT), Market, Liquidity, Strategic and Reputational risk.

Below, we provide a description of these various risk categories that the Bank faces.

Credit risk

This is the risk resulting from the possibility that an asset in the form of a monetary claim against a counter party may not result in a cash receipt (or equivalent) as per the terms of the contract. The Bank has robust controls in place to its exposure to credit risk, including approval limits, disbursement controls, continuous monitoring and a robust risk appetite statement.

ICT risk

Risk associated with the use of Information and communication technology to support business processes/standards. ICT Risk results from inadequate or failed ICT Strategy, ICT Project and Program or ICT Operations. The Bank has robust checks in place to limit its exposure to ICT risk and performs regular monitoring to validate the efficacy of its ICT risk controls.

Market risk

The risk of a potential decrease in shareholder's value as a result of adverse changes in the market value of assets and liabilities. Market risk associated with trading activities is the risk of loss occurring as a result of trading in the capital, interest rate, foreign exchange, equity and/or commodity markets. The Bank has stringent controls and monitoring mechanisms in place to limit its exposure to market risk.

Liquidity risk

The risk arising from the inability of the Bank to accommodate decreases in liabilities or to fund increases in assets in full, at the right time and place, and in the right currency. If a Bank is seen to be illiquid it cannot obtain sufficient funds, either by increasing liabilities or converting assets promptly or at a reasonable cost. The Bank has stringent controls and monitoring mechanisms in place to limit its exposure to liquidity risk.

Strategic risk

Strategic risk concerns the consequences that occur when the environment in which decisions that are hard to implement quickly or reverse quickly result in an unattractive or adverse impact. Strategic risk ultimately has two elements: one is doing the right thing at the right time (positioning) and the other is doing it well (execution). Strategic risk includes the risk that the Bank's strategy may be inappropriate to support sustainable future growth. The Bank has strong controls in place to mitigate strategic risk, including regular strategic risk reviews at Board and Management levels.

Reputational risk

The risk that an activity, action or stance taken by the Bank's officials will impair its image in the community and/or the long-term trust placed in the Bank by its stakeholders resulting in the loss of business or the threat or legal action. The Bank has stringent reputation risk controls in place including very tight controls on corporate communications and messaging.

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

21.Corporate governance (Continued)

Operational risk

The overall responsibility of managing operational risks - the risk arising from failed or inadequate internal processes, people, systems and external events - is vested with the Board of Directors. The Board through the Board Risk Committee, issues policies that guide management on appropriate practices of operational risk mitigation. An independent Risk Manager assures the Board Risk Committee of the implementation of the said policies.

Fraud, whether internal or external, is also a subset of operational risk. The number and value of fraud cases within the bank is quite very low when compared to overall customer numbers, balances and transaction volumes. This is due to the Bank being able to implement a number of stringent controls including preventive and detective measures.

The following are key measures that the Bank undertakes in managing operational risk:

- Documentation of procedures and controls, including regular review and updates to reflect changes in the dynamic business environment.
- Appropriate segregation of duties, including the independent authorisation of transactions
- Reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Reporting of operational losses and ensuring appropriate remedial action to avoid recurrence.
- Development and implementation of Business Continuity and Disaster Recovery Plans
- Training and professional development of employees to ensure they are well equipped to identify and mitigate operational risks in a timely manner.
- Establishment of ethical practices at business and individual employee's level.
- Implementation of Risk mitigation parameters, including insurance where this is considered effective.

The entire operational risk management framework is subjected to periodic independent audits (internal) in order for the bank to obtain an independent opinion on the effectiveness and efficiency of the framework. Further, the findings of the Internal Audit department are reviewed by the Board Audit Committee and recommendations made implemented in line with the agreed timeframe.

Environmental and social risk

Environmental and social risks are the risks that the Bank could bear the consequences of socio-environmental fall-out of transactions. Such risks could arise from failure of the bank to assess the impacts of activities (of both the bank and its clients) which could harm the environment or have negative social impact.

The Bank is aware that it has a responsibility to ensure that its internal practice and its lending activities do not have negative environmental and social impacts and is thus committed to ensure that such risks are sufficiently managed through its environmental and social management policy and by adopting the country's labour and environmental laws. The Bank also adheres to international best practice (IFC performance standards and ILO standards as ratified by the Tanzanian government). An environmental and social management system is put in place to ensure due diligence and monitoring of the environmental and social risk is done efficiently. Compliance to these laws is monitored by the compliance function. The Directors are responsible for selection and disclosure of the Bank's critical accounting policies and estimates and the application of these policies and estimates.

23.Employee welfare

Relationship between management and employees

The relationship between employees and management continued to be cordial. Complaints are resolved through meetings and discussions and the Bank has set up appropriate management committee forums for this purpose. Work morale is good and there were no unresolved complaints from employees. The Bank provides training, medical assistance and concessional loans to its employees.

Training

The Bank offers sponsorship to its employees in both short and long-term courses within and outside the country in various disciplines depending on the corporate needs and financial resources available as well as in – house training and development focusing on technical banking areas.

Staff loans and advances

The Bank provides housing, personal and car loans to staff as well as salary advances to enable them to meet their financial requirements and promote economic development. Staff loans and advances are based on specific terms and conditions approved by the Board of Directors.

Medical facilities

The Bank provides medical cover for both, Inpatient and Outpatient care for employees and their dependents.

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

23. Employee welfare (Continued)

Financial assistance

The Bank provides medical cover for both, Inpatient and Outpatient care for employees and their dependents.

Retirement benefits

The Bank makes contributions in respect of staff retirement benefits to National Social Security Fund. The total number of employees as at year-end was 189 (2022:181).

Disabled persons

Applications for employment by disabled persons are always considered bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Bank continues and appropriate training is arranged where necessary. It is the policy of the Bank that training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

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 and without regard to factors like gender, marital status, tribes, religion and disability which does not impair ability to discharge duties. As at 31 December 2023, the Bank had 93 male and 96 female employees (2022: 96 male and 85 female employees).

Related party transactions

All related party transactions and balances are disclosed in Note 33 to these financial statements.

24. Political and charitable donations

The Bank did not make any political donations during the year. Donations made to charitable organizations during the year amounted to TZS 25 million (2022: TZS 12.5 million).

25. Corporate social responsibility

The Bank participates actively in community activities and development programmes throughout the country. The areas being given priority are health, education, and support to orphaned children, victims of natural disasters, disabled persons, and security.

26. Environmental & social management system

The Bank is aware that Environmental and Social risks are critical and require systems to monitor and control in line with regulatory requirements of International Finance Corporation (IFC) performance standards and International Labour Organization (ILO) standards; thus its commitment to the use of an Environmental and Social Management System (ESMS). The ESMS ensures that these risks are sufficiently managed as stipulated in the Bank's Environmental and Social Management policy. The ESMS is integrated within the overall credit risk management framework and is reviewed periodically to ensure it remains compliant with the regulatory and the internal risk management framework.

The Bank operates in an increasingly dynamic market and must respond to an ever-changing external environment including cyberattacks, political instability, unfavourable business conditions and adverse weather conditions. These factors can significantly disrupt the systems and processes that enable us to serve and protect our customers. The Bank has built strategies to manage the external forces by continuous enforcement of cybersecurity controls, perform contingency plans for disruptions of critical systems and investment in digital platforms.

27. Serious prejudicial matters

In the opinion of the Directors, there are no serious unfavorable matters that can affect the Bank (2022: None).

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

28. Statement of compliance

As required by TFRS 1, Directors of the Bank confirm compliance with the provisions of this Standard and all other statutory legislations relevant to the entity.

29. Auditor

The auditor, PricewaterhouseCoopers, have expressed their willingness to continue in office and are eligible for re-appointment. Their appointment for the year 2024 will be approved in the next Annual General Meeting.

PricewaterhouseCoopers with PF No 40 and TIN 100-212-285 is an audit firm registered by the National Board of Accountants and Auditors of Tanzania (NBAA).

Name: Mr.Madabhushi Soundararajan	**Title: Chairman**	**Signature:**	**Date::26/03/2024**
Name: Mr. Christopher K. Maina	**Title: Director**	**Signature:**	**Date::26/03/2024**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act, No. 12 of 2002 requires directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Bank as at the end of the financial year and of its profit or loss for the year. It also requires the directors to ensure that the Bank keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Bank. They are also responsible for safeguarding the assets of the Bank and hence taking reasonable steps for the prevention and detection of fraud, error and other irregularities.

The directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, No. 12 of 2002. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Bank and of its profit for the year in accordance with International Financial Reporting Standards (IFRS). 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 whether due to fraud or error.

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 the financial statements.

Signed on behalf of the Board of Directors by:

Name: Mr.Madabhushi Soundararajan **Title: Chairman** **Signature:** **Date::26/03/2024**

Name: Mr. Christopher K. Maina **Title: Director** **Signature:** **Date::26/03/2024**

DECLARATION OF THE HEAD OF FINANCE

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 with a Statement of Declaration issued by the Head of Finance responsible for the preparation of financial statements of the entity concerned.

It is the duty of a professional accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing true and fair view position of the entity in accordance with international accounting standards and statutory reporting requirements. Full legal responsibility for financial statements rests with the Board of Directors as under Directors Responsibility statement on an earlier page.

I, ACPA Veronica Pascal Magongo, being the Head of Finance of I&M Bank (T) Limited, hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2023 have been prepared in compliance with applicable accounting standards and statutory requirements.

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

Signed by: ....

Veronica P. Magongo

Position: Head of Finance

NBAA Membership No.: ACPA 2026

Date: 26 March .2024

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF I&M BANK (T) LIMITED

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of I&M Bank (T) Limited (the "Bank" or "Company") as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with IFRS accounting standards and the requirements of the Companies Act, No. 12 of 2002.

What we have audited

The financial statements of I&M Bank (T) Limited ("the Bank") as set out on pages 28 to 127 comprise:

- statement of financial position as at 31 December 2023;
- statement of profit or loss and other comprehensive income for the year then ended;
- statement of changes in equity for the year then ended;
- statement of cash flows for the year then ended; and
- the notes to the financial statements, which include material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence

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

Key audit matters

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

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF I&M BANK (T) LIMITED

Report on the audit of the financial statements (Continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment provision for loans and advances to customers Management exercises judgement when determining both when and how much to record as impairment provisions. Judgement is applied to determine the appropriate parameters and assumptions used to estimate the provisions in the following areas: • Quantitative and qualitative criteria for classification of loans and advances based on assessment of factors contributing to significant increase in credit risk and default. • Determination of the probability of defaults (both 12 months and lifetime); • Determination of the forward-looking parameters to be incorporated in the estimation of expected credit losses; and • Estimation of the expected cash flows (including from collateralrealization) used in the determination of the loss given default. These judgements together with the value of gross loans and advances to customers (TZS 488,538 million) and impairment provision (TZS 38,724 million) make this a key audit matter. Further details on loans and advances to customers have been disclosed in Note 4 (a), Note 5 (a) and Note 18 of the financial statements.	• We tested the reasonableness of the quantitative and qualitative criteria used in the classification of loans and advances. • As the quantitative basis of classification of loans and advances is reliant on information systems, we understood and tested key information technology general and application controls including the accurate calculation of the number of days past due. • We tested management's application of the qualitative criteria in the classification of loans and advances. • We tested the reliability and reasonableness of information used for estimating probability of default and loss given default. • We tested the reasonableness of the forward-looking parameters considered by management. • We challenged management's basis for establishing the correlation between forward looking parameters and the bank's non-performing loan trends. • We agreed the collateral values used in the impairment model to valuation reports. • We tested the reasonableness of the expected cash flows and challenged management's assumptions regarding recovery costs and recovery periods used to estimate the recoverable amount of collateral for secured facilities. • We reviewed the adequacy of disclosures.

Other information

The Directors are responsible for the other information. The other information comprises Corporate information, abbreviations, the report by those charged with governance, Statement of directors' responsibilities and Declaration of the head of finance but does not include the financial statements and our auditor's report thereon.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Accounting Standards and the requirements of the Companies Act, No. 12 of 2002, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF I&M BANK (T) LIMITED

Report on the audit of the financial statements (Continued)

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtainanunderstandingofinternalcontrolrelevanttotheauditinordertodesignauditproceduresthatareappropriateinthe circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluatetheappropriatenessofaccountingpoliciesusedandthereasonablenessofaccountingestimatesandrelateddisclosures made by the directors. Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on other legal and regulatory requirements

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

Patrick Kiambi

Patrick M Kiambi – TACPA 2576

For and on behalf of PricewaterhouseCoopers

Certified Public Accountants

Dar es Salaam

Date: 26 March.2024

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

	Note	2023 TZS '000	2022 TZS '000
Interest income	7	72,535,670	54,778,475
Interest expense	8	(25,381,444)	(22,942,255)
Net interest income		**47,154,226**	**31,836,220**
Fee and commission income	9	5,907,175	6,970,000
Fee and commission expense	9	(73,638)	(11,627)
Net fee and commission income		**5,833,537**	**6,958,373**
Revenue		**52,987,763**	**38,794,593**
Net trading income	10	6,654,703	4,306,704
Net gains on derecognition of financial assets measured at FVTPL and FVOCI		166,018	380,201
Net change in fair value of financial assets measured at FVTPL		36,470	-
Other operating income	11	137,744	28,606
Dividend income	12	20,756	15,519
Net operating income before change in expected credit losses and other credit impairment charges		**60,003,454**	**43,525,623**
Net impairment charge on loans and advances	18(c)	(19,316,144)	(25,283,278)
Net operating income		**40,687,310**	**18,242,345**
Staff costs	13	(14,616,516)	(14,170,768)
Premises and equipment costs	13	(891,164)	(988,951)
General administrative expenses	13	(16,491,899)	(12,447,959)
Depreciation and amortisation	13	(3,329,209)	(4,149,780)
Operating expenses		**(35,328,788)**	**(31,757,458)**
Profit/(loss) before income tax		**5,358,522**	**(13,515,113)**
Income tax (charge)/credit	14(a)	(590,685)	3,584,167
Net profit/(loss) for the year after tax		**4,767,837**	**(9,930,946)**
Other comprehensive income			
Items that are or may be reclassified to profit or loss:			
Net change in fair value of financial assets measured at FVOCI		(65,516)	69,452
Deferred tax on fair value of financial assets measured at FVOCI	23	16,114	11,807
Total other comprehensive income for the year		**(49,402)**	**81,259**
Total comprehensive income for the year		**4,718,435**	**(9,849,687)**

The notes set out on pages 36 to 111 form an integral part of these financial statements.

Auditor's report is on pages 28 to 30

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

	Note	2023 TZS '000	2022 TZS '000
ASSETS			
Cash and balances with Bank of Tanzania	15	51,793,458	47,100,004
Items in the course of collection	16	444,221	-
Loans and advances to banks	17	39,543,172	29,530,809
Loans and advances to customers	18	449,814,091	365,971,688
Due from group companies	33(c)	3,765,445	1,370,188
Investment in government securities:			
- At amortised cost	19(a)	151,753,391	121,144,674
- At FVOCI	19(b)	1,539,707	4,066,820
- At FVTPL	19(c)	3,192,275	-
Equity investment at FVOCI	20	1,013,750	1,013,750
Current income tax recoverable	14(c)	2,500,938	1,406,582
Property and equipment and right of use asset	21	11,416,068	6,066,461
Intangible assets - software	22	3,170,904	3,111,596
Deferred tax asset	23	12,332,516	11,331,443
Other assets	24	7,586,653	4,874,824
TOTAL ASSETS		**739,866,589**	**596,988,839**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Deposits from banks	25	20,026,776	16,014,088
Deposits from customers	26	562,111,764	454,193,330
Due to group companies	33	32,498,784	16,648,672
Lease liabilities	35	8,040,421	2,165,619
Provisions		-	1,149,788
Other liabilities	28	9,306,811	8,272,581
Long term debt	29	3,276,176	12,857,355
		635,260,732	**511,301,433**
Shareholders' equity			
Share capital	30(b)	23,954,016	23,192,000
Share premium	30(b)	31,528,228	18,090,228
Retained earnings		27,152,132	39,190,834
Statutory reserve		21,685,733	4,879,194
Fair value reserve		285,748	335,150
		104,605,857	**85,687,406**
Total liabilities and shareholders' equity		**739,866,589**	**596,988,839**

The financial statements set out on pages 28 to 127 were approved and authorised for issue by the Board of Directors on 26 March_2024 and were signed by:

Name: Mr.Madabhushi Soundararajan **Title: Director** **Signature**

Name: Mr. Christopher K. Maina **Title: Director** **Signature**

The notes set out on pages 36 to 111 form an integral part of these financial statements.

Auditor's report is on pages 28 to 30

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

2023:	Share capital TZS '000	Share premium TZS '000	Retained earnings TZS '000	Statutory reserve TZS '000	Fair value reserve TZS '000	Total TZS '000
At 1 January 2023	**23,192,000**	**18,090,228**	**39,190,834**	**4,879,194**	**335,150**	**85,687,406**
Total comprehensive income for the year						
Profit for the year	-	-	4,767,837	-	-	4,767,837
	-	**-**	**4,767,837**	**-**	**-**	**4,767,837**
Other comprehensive income						
Statutory credit reserve	-	-	(16,806,539)	16,806,539	-	-
Revaluation - FVOCI - net of tax	-	-	-	-	(49,402)	(49,402)
Total other comprehensive income	**-**	**-**	**(16,806,539)**	**16,806,539**	**(49,402)**	**(49,402)**
Total comprehensive income	**-**	**-**	**(12,038,702)**	**16,806,539**	**(49,402)**	**4,718,435**
Transactions with owners recorded directly in equity						
Rights issue	762,016	13,438,000	-	-	-	14,200,016
Total transactions with owners for the year	**762,016**	**13,438,000**	**-**	**-**	**-**	**14,200,016**
Balance as at 31 December 2023	**23,954,016**	**31,528,228**	**27,152,132**	**21,685,733**	**285,748**	**104,605,857**

The notes set out on pages 36 to 111 form an integral part of these financial statements.

Auditor's report is on pages 28 to 30

STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

2022:	Share capital TZS '000	Share premium TZS '000	Retained earnings TZS '000	Statutory reserve TZS '000	Fair value reserve TZS '000	Total TZS '000
At 1 January 2022	**23,192,000**	**18,090,228**	**40,288,096**	**15,820,613**	**253,891**	**97,644,828**
Total comprehensive income for the year						
Loss for the year	-	-	(9,930,946)	-	-	(9,930,946)
	-	-	**(9,930,946)**	-	-	**(9,930,946)**
Other comprehensive income						
Statutory credit reserve	-	-	10,941,419	(10,941,419)	-	-
Revaluation - FVOCI - net of tax	-	-	-	-	81,259	81,259
Total other comprehensive income	**-**	**-**	**10,941,419**	**(10,941,419)**	**81,259**	**81,259**
Total comprehensive income	**-**	**-**	**1,010,473**	**(10,941,419)**	**81,259**	**(9,849,687)**
Transactions with owners recorded directly in equity						
Rights issue	-	-	-	-	-	-
Dividend paid	-	-	(2,107,735)	-	-	(2,107,735)
Total transactions with owners for the year	**-**	**-**	**(2,107,735)**	**-**	**-**	**(2,107,735)**
Balance as at 31 December 2022	**23,192,000**	**18,090,228**	**39,190,834**	**4,879,194**	**335,150**	**85,687,406**

The notes set out on pages 36 to 111 form an integral part of these financial statements.

Auditor's report is on pages 28 to 30

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 TZS '000	2022 TZS '000
Net cash flows generated from operating activities	**31(a)**	**3,732,903**	**27,974,775**
Tax paid	14(c)	(2,670,000)	(2,484,147)
Interest on lease liabilities	35(ii)	(250,569)	(308,759)
Net cash flows generated from operating activities		**812,334**	**25,181,869**
Cash inflows/(outflows) from investing activities			
Purchase of property and equipment	21	(183,060)	(1,112,367)
Purchase of intangible assets	22	(1,520,995)	(128,242)
Dividends received	12	20,756	15,519
Net cash used in investing activities		**(1,683,299)**	**(1,225,090)**
Cash inflows/(outflows) from financing activities			
Payment of lease liabilities	**35**	**(1,266,048)**	**(840,095)**
Repayment of long term loans	29	(9,487,473)	(28,149,029)
Interest on long term loans	29	(1,283,274)	(1,283,274)
Proceeds from long term loans		-	9,340,000
Dividend paid		-	(2,107,735)
Proceeds from Issuance of Share Capital		14,200,016	-
Net cash inflows/(outflows) from financing activities		**2,163,221**	**(23,040,133)**
Net increase in cash and cash equivalents		**1,292,256**	**916,646**
Cash and cash equivalents at start of the year		50,959,219	49,772,098
Effect of movements on exchange rates on cash and cash equivalents held		1,889,906	270,475
Cash and cash equivalents at end of the year	**31(b)**	**54,141,381**	**50,959,219**

The notes set out on pages 36 to 111 form an integral part of these financial statements.

Auditor's report is on pages 28 to 30

1. REPORTING ENTITY

I&M Bank (T) Limited ('the Bank') is a limited liability company incorporated and domiciled in Tanzania. The Bank's shares are not publicly traded. The address of its registered office and place of business is:

Maktaba Square,

Maktaba Street,

PO Box 1509,

Dar es Salaam,

Tanzania.

The financial statements of I&M Bank (T) Limited for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of the Directors and were signed on their behalf as shown in the statement of financial position.

2. BASIS OF PREPARATION

(a) Statement of compliance

The Bank's financial statements for the year 2023 have been prepared in accordance with IFRS Accounting Standards (IFRS) and in the manner required by the Companies Act, 2002 and the Banking and Financial Institutions Act, 2006.

(b) Basis of measurement

These financial statements have been prepared under the historical cost basis of accounting except for the financial assets classified as Fair Value through Profit or Loss (FVTPL), Fair Value through Other Comprehensive Income (FVOCI) and amortised cost.

(c) Functional and presentation currency

These financial statements are presented in Tanzania Shillings (TZS), which is also the Bank's functional currency. All financial information presented in TZS have been rounded to the nearest thousand except where otherwise stated.

(d) Use of estimates and judgments

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to estimates are recognised prospectively.

In particular information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 5.

(d) Use of estimates and judgments (continued)

The classification of financial assets includes the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding. See Note 3(f)(ii).

The impairment of financial instruments includes the assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of expected credit losses (ECL). See Notes 3(f)(iii) and 5(a).

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

The principal accounting policies adopted in the preparation of these financial statements are set out below:

(a) Foreign currency

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

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction. Foreign currency differences arising on translation are generally recognised in profit or loss.

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(b) Income recognition

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

Gains and losses arising from changes in the fair value of financial assets and liabilities at fair value through profit or loss, as well as any interest receivable or payable, are included in profit or loss in the period in which they arise.

Gains and losses arising from changes in the fair value of FVOCI financial assets, other than foreign exchange gains or losses from monetary items, are recognised directly in other comprehensive income, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in other comprehensive income is recognised in profit or loss.

(i) Net interest income

Effective interest rate and amortised cost

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

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

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the bank estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance. The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For information on when financial assets are credit-impaired, see Note 3(f)(iii).

Presentation

Interest income and expense presented in the statement of profit or loss and OCI include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis;
- interest on debt instruments measured at FVOCI calculated on an effective interest basis;
- the effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense; and
- the effective portion of fair value changes in qualifying hedging derivatives designated in fair value hedges of interest rate risk.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the bank's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in net income from other financial instruments at FVTPL.

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(b) Income recognition (continued)

(ii) Net fee and commission income

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

Other fee and commission income – including account servicing fees and sales commissions – is recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

A contract with a customer that results in a recognised financial instrument in the bank's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the bank first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

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

(iii) Net trading income and net income on financial assets at fair value through profit or loss

'Net trading income and net income on financial assets at fair value through profit or loss' comprises gains less losses related to trading assets and liabilities, and includes all fair value changes, interest, dividends and foreign exchange differences.

Income is derived substantially, from banking business and related activities and comprises net interest income and fee and commission income.

Gains and losses arising from changes in the fair value of financial assets and liabilities at fair value through profit or loss, as well as any interest receivable or payable, are included in profit or loss in the period in which they arise.

Gains and losses arising from changes in the fair value of financial assets through other comprehensive income (FVOCI), other than foreign exchange gains or losses from monetary items, are recognised directly in other comprehensive income, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in other comprehensive income is recognised in profit or loss.

(c) Other operating income

Other operating income comprises gains less losses related to trading assets and liabilities and includes all realised and unrealised fair value changes, interest and foreign exchange differences. It also includes rental income and gain on disposal of property and equipment.

(d) Dividend income

Dividend income is recognised when the right to receive income is established. Dividends are reflected as a component of operating income.

(e) Income tax

(i) Income tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Current tax also includes any tax arising from dividends.

ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on business plans for individual subsidiaries in the Bank. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(e) Income tax (continued)

ii) Deferred tax (continued)

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if there is any.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Bank expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Bank has not rebutted this presumption.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(f) Financial assets and financial liabilities

(i) Recognition and initial measurement

The bank initially recognises loans and advances, deposits and debt securities on the date at which they are originated. All other financial assets and liabilities (including assets designated at fair value through profit or loss) are initially recognised on the trade date on which the bank becomes a party to the contractual provision of the instrument.

A financial asset or liability is initially measured at fair value plus (for an item not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition or issue. Subsequent to initial recognition, financial liabilities (deposits and debt securities) are measured at their amortized cost using the effective interest method.

(ii) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(f) Financial assets and liabilities (continued)

(ii) Classification - continued

Assessment whether contractual cash flows are Solely Payments of Principal and Interest (SPPI Test)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

The bank holds a portfolio of long-term fixed rate loans for which the bank has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty.

The bank has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Debt instruments measured at amortised cost

Debt instruments are measured at amortized cost if they are held within a business model whose objective is to hold for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. After initial measurement, debt instruments in this category are carried at amortized cost. Interest income on these instruments is recognized in interest income using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. Amortized cost is calculated by taking into account any discount or premium on acquisition, transaction costs and fees that are an integral part of the effective interest rate.

Impairment on debt instruments measured at amortized cost is calculated using the expected credit loss approach. Loans and debt securities measured at amortized cost are presented net of the allowance for credit losses (ACL) in the statement of financial position.

Debt instruments measured at FVOCI

Debt instruments are measured at FVOCI if they are held within a business model whose objective is to hold for collection of contractual cash flows and for selling financial assets, where the assets' cash flows represent payments that are solely payments of principal and interest. Subsequent to initial recognition, unrealized gains and losses on debt instruments measured at FVOCI are recorded in other comprehensive income (OCI), unless the instrument is designated in a fair value hedge relationship.

When designated in a fair value hedge relationship, any changes in fair value due to changes in the hedged risk are recognized in Non-interest income in the Statement of Profit or Loss and Other Comprehensive Income. Upon derecognition, realized gains and losses are reclassified from OCI and recorded in Non-interest income in the Statement of Profit or Loss and Other Comprehensive Income on an average cost basis. Foreign exchange gains and losses that relate to the amortized cost of the debt instrument are recognized in the Statement of Profit or Loss and Other Comprehensive Income.

Premiums, discounts and related transaction costs are amortized over the expected life of the instrument to Interest income in the Statement of Profit or Loss and Other Comprehensive Income using the effective interest rate method.

Impairment on debt instruments measured at FVOCI is calculated using the expected credit loss approach. The ACL on debt instruments measured at FVOCI does not reduce the carrying amount of the asset in the Statement of Financial Position, which remains at its fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI with a corresponding charge to Provision for credit losses in the Statement of Profit or Loss and Other Comprehensive Income. The accumulated allowance recognised in OCI is recycled to the Statement of Profit or Loss and Other Comprehensive Income upon derecognition of the debt instrument.

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(f) Financial assets and liabilities (continued)

Debt instruments measured at FVTPL

Debt instruments are measured at FVTPL if assets:

(i) Are held for trading purposes;
(ii) Are held as part of a portfolio managed on a fair value basis; or
(iii) Whose cash flows do not represent payments that are solely payments of principal and interest.

These instruments are measured at fair value in the Statement of Financial Position, with transaction costs recognized immediately in the Statement of Profit or Loss and Other Comprehensive Income as part of Non-interest income. Realized and unrealized gains and losses are recognized as part of Non-interest income in the Statement of Profit or Loss and Other Comprehensive Income.

Debt instruments designated at FVTPL

Financial assets classified in this category are those that have been designated by the Bank upon initial recognition, and once designated, the designation is irrevocable. The FVTPL designation is available only for those financial assets for which a reliable estimate of fair value can be obtained.

Financial assets are designated at FVTPL if doing so eliminates or significantly reduces an accounting mismatch which would otherwise arise.

Financial assets designated at FVTPL are recorded in the Statement of Financial Position at fair value. Changes in fair value are recognized in Non-interest income in the Statement of Profit or Loss and Other Comprehensive Income.

Equity instruments

The bank has elected at initial recognition to irrevocably designate an equity investment, held for purposes other than trading, at FVOCI. The fair value changes, including any associated foreign exchange gains or losses, are recognized in OCI and are not subsequently reclassified in the Statement of Profit or Loss and Other Comprehensive Income, including upon disposal. Realized gains and losses are transferred directly to retained earnings upon disposal. Consequently, there is no review required for impairment. Dividends will normally be recognized in the Statement of Profit or Loss.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the bank changes its business model for managing financial assets.

Financial liabilities

The bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised.

(iii) Impairment

The bank recognises loss allowances for Expected Credit Losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments (amortised cost and FVOCI) including loans and advances;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

The bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date i.e. balances held with central banks, domestic government bills and bonds, and loans and advances to banks; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition i.e. stage 1 (see Note 4(a)(iii).

The bank considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(f) Financial assets and liabilities (continued)

(iii) Impairment (continued)

Significant Increase in Credit Risk

The bank's criteria for assessing significant increase in credit risk are defined at the appropriate product or portfolio level and vary based on the exposure's credit risk at origination. These are largely determined by the Prudential Guidelines Classification. The criteria include relative changes in PD and delinquency backstop when contractual payments are more than 30 days past due. Credit risk has increased significantly since initial recognition when one of the criteria is met.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date(stage 1 and 2): as the present value of all cash short-falls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the bank expects to receive);
- financial assets that are credit-impaired at the reporting date (stage3): as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the bank if the commitment is drawn down and the cash flows that the bank expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the bank expects to recover. See also Note 5(a).

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised (see note 3(f)(iv)) and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising-from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired (referred to as stage 3 financial assets). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the bank on terms that the bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that is overdue for 90 days or more is considered impaired. In addition, a loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

Government securities

In making an assessment of whether an investment in sovereign debt (Government Bills and bonds, Balances due from central banks) is credit-impaired, the Bank considers the following factors;

- The country's ability to access own local capital markets for new debt issuance.
- The respective government ability to maintain sovereignty on its currency
- The intentions and capacity, reflected in public statements, of governments and agencies honor these commitments.

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(f) Financial assets and liabilities (continued)

(iii) Impairment (continued)

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-off

Financial assets at both amortised and FVOCI are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the bank's procedures for recovery of amounts due.

(iv) De-recognition

Financial assets

The bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the bank is recognised as a separate asset or liability.

The bank enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and-repurchase transactions, because the bank retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the bank retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

Financial liabilities

The bank derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

(v) Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(f) Financial assets and liabilities (continued)

(v) Modifications of financial assets and financial liabilities (continued)

Financial assets (Continued)

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the bank recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

The impact of modifications of financial assets on the expected credit loss calculation is discussed in Note 4 (a) (iii).

Financial liabilities

The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

(vi) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRSs, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

(g) Fair value measurement

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

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

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or liability measure at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolio of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of net exposure to either market or credit risk are measure on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Bank measure fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included in level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.
- Valuation techniques include net present value and discounted cash flow models,comparison with similar instrumentsfor which observable market prices exist and other valuation models.

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(g) Fair value measurement

- Assumptions and inputs used in valuation techniques include risk-free and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates and correlations.
- Theobjectiveofvaluationtechniquesistoarriveatafairvaluemeasurementthatreflectsthepricethatwouldbereceivedtosell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

(h) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows in the financial statements, cash and cash equivalents' include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(i) Property and equipment

Items of property and equipment are measured at cost or valuation less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the asset.

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

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

Description	Rate
Motor vehicles	25.00%
Furniture, fixtures and fittings	12.50%
Office equipment	12.50%
Computer equipment	20.00%
Residential furniture	33.33%
Leasehold improvements	12.50% or over the period of lease if shorter than 8 years

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

Any gains or losses on disposal of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in other income in profit or loss.

(j) Intangible assets

Computer software

The costs incurred to acquire and bring to use specific computer software licences are capitalised. Software is measure at cost less accumulated amortisation and accumulated impairment from the date it is available for use. The costs are amortised on a straight line basis over the expected useful lives, from the date it is available for use, not exceeding five years. Costs associated with maintaining software are recognised as an expense as incurred.

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

(k) Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and group. Impairment losses are recognised in the profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(l) Employee benefits

(i) Defined contribution plan

The Bank and its employees contribute to National Social Security Fund on a mandatory basis. These are defined contribution schemes. Employees contribute 10% while the Bank contributes 10% to the scheme. A defined contribution scheme is a pension plan under which the Bank pays fixed contributions into a separate entity. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Bank's contributions to the defined contribution scheme are charged to profit or loss in the year to which they relate.

(ii) Leave accrual

The monetary value of the unutilised leave by staff as at year end is recognised within accruals and the movement in the year is debited/credited to the profit or loss.

(m) Share capital and share issue costs

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of an equity instrument are deducted from initial measurement of the equity instruments.

(n) Dividends

Dividends are charged to equity in the period in which they are declared. Proposed dividends are not accrued until they have been ratified at the Annual General Meeting.

(o) Contingent liabilities

Letters of credit, acceptances and guarantees are not recognised and are disclosed as contingent liabilities. Estimates of the outcome and the financial effect of contingent liabilities is made by management based on the information available up to the date the financial statements are approved for issue by the directors. Any expected loss is charged to profit or loss.

(p) Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

(q) Comparative information

Where necessary, comparative figures have been restated to conform with changes in presentation in the current year.

(r) Financial Guarantees

In the ordinary course of business, the Bank issues financial guarantees, consisting of payment guarantees, performance guarantee and bid guarantees and all these guarantees are cash secured. Financial guarantees are off-balance sheet instruments therefore not recognised in the financial statements but disclosed separately. Bank's liability under each guarantee is measured at the higher of the amount on face value of the guarantee and the value of cash deposits against that particular guarantee. All guarantees are fully secured with no exposure to the bank.

(s) Leases

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

This policy is applied to contracts entered into (or changed) on or after 1 January 2019.

The Bank acting as a lessee.

The Bank leases a number of branch and office premises. The leases typically run for a period of 5 years, with an option to renew the lease after that date. For some leases, payments are renegotiated every year whenever there are changes in the market rentals.

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

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

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(s) Leases (continued)

The Bank acting as a lessee (continued)

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

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

The Bank determines its incremental borrowing rate by analyzing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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

The Bank presents right-of-use assets in 'property and equipment' and lease liabilities in 'other liabilities' in the statement of financial position.

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

The Bank has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets (USD 500 or less) and short-term leases (1 year or less). The Bank recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(t) New standards, amendments and interpretations

(i) New and amended standards adopted by the Bank

The following standards have been adopted by the Bank for the first time for the financial year beginning on 1 January 2023, but do not have a significant impact.

International Financial Reporting Standards and amendments effective for the first time for December 2023 year-ends		
Number	**Effective date**	**Executive Summary**
IFRS 17, Insurance contracts Amendments	Annual periods beginning on or after 1 January 2023 (Published May 2017)	The IASB issued IFRS 17, 'Insurance contracts', and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators. Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period. Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less.
IFRS 17, 'Insurance contracts'	Annual periods beginning on or after 1 January 2023 (Published May 2017)	For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract.
IFRS 17, Insurance contracts Amendments	Annual periods beginning on or after 1 January 2023 (Published June 2020)	In response to some of the concerns and challenges raised, the Board developed targeted amendments and a number of proposed clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and ease transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard.
Amendments to IAS 12, Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Annual periods beginning on or after 1 January 2023. (Published May 2021)	The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(t) New standards, amendments and interpretations (continued)

(i) New and amended standards adopted by the Bank (continued)

Number	Effective date	Executive Summary
Narrow scope amendments to IAS 1 'Presentation of Financial Statements', Practice statement 2 and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'	Annual periods beginning on or after 1 January 2023. (Published February 2021)	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish changes in accounting policies from changes in accounting estimates.
Amendments to IAS 12 International Tax Reform—Pillar Two Model Rules	The deferred tax exemption and disclosure of the fact that the exception has been applied, is effective immediately. The other disclosure requirements are effective annual periods beginning on or after 1 January 2023. (Published May 2023)	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.

(ii) New and amended standards not yet effective.

International Financial Reporting Standards, interpretations and amendments issued but not effective		
Amendments to IAS 1 - Non-current liabilities with covenants	Annual periods beginning on or after 1 January 2024 (Published January 2020 and November 2022)	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions..
Amendment to IFRS 16 – Leases on sale and leaseback	Annual periods beginning on or after 1 January 2024 (Published September 2022)	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(t) New standards, amendments and interpretations (continued)

(ii) New and amended standards not yet effective (continued)

Number	Effective date	Executive Summary
Amendments to Supplier Finance Arrangements (IAS 7 and IFRS 7)	Annual periods beginning on or after 1 January 2024 (Published May 2023)	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.
Amendments to IAS 21 Lack of Exchangeability (Amendments to IAS 21)	Annual periods beginning on or after 1 January 2025 (Published August 2023)	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.

4. FINANCIAL RISK MANAGEMENT

This section provides details of the Bank's exposure to risk and describes the methods used by management to control risk.

Financial risk

Significant types of risk to which the Bank is exposed are credit risk, liquidity risk, market risk and operational risk. Market risk includes foreign exchange risk, interest rate risk and price risk.

(a) Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and other banks and investment securities. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure.

The Board of Directors of the Bank has delegated responsibility of the management of credit risk to the Board Credit Committee. Further, the Bank has its own Credit Risk Management Committee that reports to the Board Credit Committee. The Bank's credit exposure at the reporting date from financial instruments held or issued for trading purposes is represented by the fair value of instruments with a positive or negative fair value at that date, as recorded on the statement of financial position.

The risk that the counter-parties to trading instruments might default on their obligation is monitored on an on-going basis. In monitoring credit risk exposure, consideration is given to trading instruments with a positive or negative fair value and to the volatility of the fair value of trading instruments over their remaining life.

To manage the level of credit risk, the Bank deals with counter parties of good credit standing wherever possible and when appropriate, obtains collateral.

An assessment of the extent to which fair values of collaterals cover existing credit risk exposure on loans and advances to customers is highlighted below.

(i) Credit quality analysis

The Bank also monitors concentrations of credit risk that arise by industry and type of customer in relation to group loans and advances to customers by carrying a balanced portfolio. The Bank has no significant exposure to any individual customer or counter-party.

To determine impairment of loans and advances, the Bank assesses whether it is probable that it will be unable to collect all principal and interest according to the contractual terms of the loans and advances.

(a) The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively. See accounting policy on Note 3(f) (iii) for the explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired.

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(a) Credit risk (continued)

(i) Credit quality analysis (continued)

2023:

Risk classification	12 month ECL TZS' 000	Lifetime ECL Not Credit Impaired TZS' 000	Lifetime ECL Credit Impaired TZS' 000	Total 31 December 2023 TZS' 000
Loans and advances to Customers at amortised cost				
Stage 1	349,667,811	-	-	349,667,811
Stage 2	-	53,450,844	-	53,450,844
Stage 3	-	-	85,419,774	85,419,774
Gross carrying amount	**349,667,811**	**53,450,844**	**85,419,774**	**488,538,429**
Expected Credit Loss	(1,336,020)	(421,623)	(36,966,695)	(38,724,338)
Carrying amount	**348,331,791**	**53,029,221**	**48,453,079**	**449,814,091**

2022:

Risk classification	12 month ECL TZS' 000	Lifetime ECL Not Credit Impaired TZS' 000	Lifetime ECL Credit Impaired TZS' 000	Total 31 December 2022 TZS' 000
Loans and advances to Customers at amortised cost				
Stage 1	286,298,711	-	-	286,298,711
Stage 2	-	43,367,238	-	43,367,238
Stage 3	-	-	70,364,624	70,364,624
Gross carrying amount	**286,298,711**	**43,367,238**	**70,364,624**	**400,030,573**
Expected Credit Loss	(181,096)	(4,526,005)	(29,351,784)	(34,058,885)
Carrying amount	**286,117,615**	**38,841,233**	**41,012,840**	**365,971,688**

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(a) Credit risk (continued)

(i) Credit quality analysis (continued)

The Bank has estimated that the ECL for the following financial assets was not significant as at 31 December 2023. These financial assets have been assessed to be in Stage 1 (low credit risk).

	2023 TZS '000	2022 TZS '000
Balances with central banks	45,808,399	40,089,811
Items in the course of collection	444,221	-
Loans and advances to banks	39,543,172	29,530,809
Government securities at FVOCI	1,539,707	4,066,820
Government securities at FVTPL	3,192,275	-
Government securities at amortised cost	151,753,391	121,144,674
Due from group companies	3,765,445	1,370,188
Other assets	5,349,488	2,573,239
	251,396,098	**198,775,541**

Other assets excludes prepayments and tax receivables which are non-financial assets

The following shows the grading of loans and advances to customers in line with local prudential guidelines

Loans and advances to customers	2023 TZS '000	2022 TZS '000
Identified impairment:		
Grade 3: Substandard	20,261,769	40,245,539
Grade 4: Doubtful	18,703,393	1,116,370
Grade 5: Loss	46,454,612	29,002,715
	85,419,774	**70,364,624**
Specific allowance for impairment	(36,966,695)	(29,351,784)
Carrying amounts	**48,453,079**	**41,012,840**
Unidentified impairment:		
Grade 1: Normal	349,667,811	286,298,711
Grade 2: Watch	53,450,844	43,367,238
	403,118,655	**329,665,949**
Portfolio impairment provision	(1,757,643)	(4,707,101)
Carrying amounts	**401,361,012**	**324,958,848**
Total carrying amounts	**449,814,091**	**365,971,688**

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(a) Credit risk (continued)

(i) Credit quality analysis (continued)

Identified impairment:	Gross TZS '000	Net TZS '000
31 December 2023		
Grade 3: Substandard	20,261,769	14,672,819
Grade 4: Doubtful	18,703,393	14,725,346
Grade 5: Loss	46,454,612	19,054,914
	85,419,774	**48,453,079**
31 December 2022		
Grade 3: Substandard	40,245,539	27,152,541
Grade 4: Doubtful	1,116,370	1,058,571
Grade 5: Loss	29,002,715	12,801,728
	70,364,624	**41,012,840**
Unidentified impairment:		
31 December 2023		
Grade 1: Normal	349,667,811	348,331,791
Grade 2: Watch	53,450,844	53,029,221
	403,118,655	**401,361,012**
31 December 2022		
Grade 1: Normal	286,298,711	286,117,615
Grade 2: Watch	43,367,238	38,841,233
	329,665,949	**324,958,848**

Impaired loans and securities

Impaired loans and securities are loans for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreement(s). These loans are graded 3 (substandard) to 5 (loss) in the Bank's internal credit risk and grading system.

Neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed with reference to the bank's internal rating system. All such loans must be performing in accordance with the contractual terms and are expected to continue doing so. Loans in this category are fully protected by their current sound net worth and paying capacity of the borrower. These loans and advances are categorised as normal in line with BOT prudential guidelines.

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(a) Credit risk (continued)

(i) Credit quality analysis (continued)

Past due but not impaired loans

These are loans where contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Bank. These loans are stage 2 (watch) in the Bank's internal credit risk and grading system.

(ii) Collateral and other security enhancements

The Bank holds collaterals against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimate of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowings activity. Collateral usually is not held against investment securities, and no such collateral was held at 31 December 2023 or 2022.

An estimate of the fair value of collateral held against impaired loans is shown below:

	2023 TZS '000	2022 TZS '000
Fair value of collateral held – against impaired loans	92,857,392	71,913,420

(iii) Amounts arising from ECL

Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage1' and has its credit risk continuously monitored by the Bank.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward looking information.
- Purchasedororiginatedcredit-impairedfinancialassetsarethosefinancialassetsthatarecreditimpairedoninitialrecognition. Their ECL is always measured on a lifetime basis (Stage 3).

Grouping of instruments for losses measured on a collective basis

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

- Product type (e.g. Overdraft, Term loans, Letter of credit etc.)
- Repayment type (e.g. Repayment/Interest only)
- Credit risk grading
- Collateral type – whether secured or unsecured
- The following exposures are assessed individually:
- Stage 3 loans secured loans and overdraft facilities
- Properties in repossession proceedings

The appropriateness of groupings is monitored and reviewed on a periodic basis by the Credit Risk team. The Bank groups its exposures based on product type and has specified the following default product segments under the 'product type' criteria where each product is identified by a specific product code.

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(a) Credit risk (continued)

(iii) Amounts arising from ECL (continued)

Secured term loans - This group comprises all term loan products secured by collateral i.e. legal mortgage, guarantee or cash cover. Products in this group consist of Corporate, MSE, Special Asset Loan, Invoice Financing loans, Personal loans with cash cover, SME, Staff mortgage and Car loans.

Unsecured term loans - This comprises all unsecured facilities. Products in this group consist of Staff loans and Personal Loans.

Digital loans – This group comprises of short-term overdrafts issued to a mobile network operator customers.

Overdrafts – This group comprises all overdraft advances to customers issued to SME and Corporate customers other than those included in Agribusiness.

Off balance sheet items – This group comprises all financial guarantees, letter of credit and unutilized loan commitments.

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis based on the Bank's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

Credit risk grading

Other than for loans and advances to banks and investment securities where the Bank relies on internal credit rating models, the Bank relies substantially on the prudential guidelines applicable in the market it operates in for credit risk grading that reflect its assessment of the probability of default of individual counterparties.

In addition, the prudential guidelines are supplemented

- by Borrower and loan specific information collected at the time of application (such as disposable income, and level of collateral for retail exposures; and turnover and industry type for wholesale exposures).
- External data such as credit bureau scoring information on individual borrowers.
- Expert judgement from the Credit Risk Officer to be fed into the final credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model.

The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade.

The following are additional considerations for each type of portfolio held by the Bank:

Customer loans and advances

After the date of initial recognition, the payment behaviour of the borrower is monitored on a periodic basis to develop a behavioural score and any other known information about the borrower which impacts their creditworthiness.

In addition, a relationship manager will incorporate any updated or new information/credit assessments into the credit system on an ongoing basis.

Loans and advances to Banks

The Bank considers both qualitative and quantitative criteria to determine whether a credit facility to other banks has experienced a significant increase in credit risk. This is done through internal rating system.

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Bank collects performance and default information about its credit risk exposures analysed by jurisdiction (country) and borrower and type of product as well as by credit risk grading.

The Bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicators include: GDP growth, benchmark interest rates and exchange rate.

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(a) Credit risk (continued)

(iii) Amounts arising from ECL (continued)

Significant increase in credit risk (continued)

Based on advice from the Risk Committees and economic experts and consideration of a variety of external actual and forecast information, the Bank formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (see discussion below on incorporation of forward-looking information). The Bank then uses these forecasts to adjust its estimates of PDs.

Management agreed to adopt the bounded regression technique as opposed to the current practice of manual capping, in coming up with their forecasted Probability of Default (PDs). This technique ensures that by default, the resultant PDs fall within the range of 0 and 1 with minimal manual interventions.

Determining whether credit risk has increased significantly

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Bank's quantitative modelling, the remaining lifetime PD is determined to have increased by more than a predetermined percentage/range.

Using its expert credit judgement and, where possible, relevant historical experience, the Bank may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, the Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined by considering any grace period that might be available to the borrower.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria is capable of identifying significant increase in credit risk when an asset becomes 30 days past due; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

Definition of default

The Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation to the Bank. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding.

In assessing whether a borrower is in default, the Bank considers indicators that are:

- qualitative – e.g., breaches of covenant.
- quantitative – e.g., overdue status and non-payment on another obligation of the same issuer to the Bank; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default largely aligns with that applied by the Bank for regulatory capital purposes.

Incorporation of forward-looking information

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on advice from the Assets and Liabilities Committee (ALCO) and consideration of a variety of external actual and forecast information, the Bank formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two additional economic scenarios and

considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Bank operates, supranational organisations such as the International Monetary Fund (IMF), World Bank, Bank of Tanzania and selected private-sector and academic forecasters.

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(a) Credit risk (continued)

(iii) Amounts arising from ECL (continued)

Incorporation of forward-looking information (continued)

The base case represents a most-likely outcome and is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and using an analysis of historical data, has estimated relationships between macro-economic variables, credit risk and credit losses. The Banking Industry non-performing loans (NPL %) was a reasonable approximation to the default risk. The correlation between the Banking Industry non-performing loans (NPL%) with the macroeconomic factors was then inferred to the Bank's predicated Probabilities of Default. Further, in determining the economic scenarios to be applied, each of the economic variable was adjusted either upside or downside using the historical standard deviation.

Base Case- These are the forecasted probabilities of default under current normal macro-economic conditions.

Pessimistic Case/ Downside - These are the forecasted probabilities of default under adverse macro-economic conditions obtained by stressing the current macro-economic variables by the mean standard deviation.

Optimistic Case/ Upside - These are the forecasted probabilities of default under a positive macro-economic outlook obtained by stressing the current macro-economic variables by the mean standard deviation.

The weights are developed based on the average number of loans under default for the past 24 months considering the distribution of the default rates around the mean standard deviation.

The most significant period-end macroeconomic factors used for the ECL estimate as at 31 December are set our below. The scenarios "base", "upside" and "downside" were used for all portfolios.

Significant macroeconomic factors based on sectors.

			2023	
	Coefficient/	Base	Upside	Downside
Macro-Economic Variable	Sensitivity	%	%	%
Weighting		58.3%	29.7%	12.0%
Agriculture				
Interbank rate	67.285	2.49%	2.73%	2.25%
Public Debt to GDP	38.455	34.96%	35.27%	34.65%
Constant rate	(17.359)			
Hotel and Restaurant				
Interbank rate	36.923	2.43%	2.67%	2.19%
Savings rate	(67.541)	7.25%	7.51%	6.99%
Constant rate	2.896			
Trade				
Interbank rate	14.146	2.43%	2.67%	2.19%
Public debt to GDP	71.155	35.53%	35.84%	35.22%
Constant rate	(29.399)			
Services				
Interbank rate	170.8519	7.26%	7.00%	7.52%
Constant rate	(7.7881)			
Personal loan				
364 Day T-bills	27.9922	7.87%	8.79%	6.95%
Constant	(5.1235)			

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(a) Credit risk (continued)

(iii) Amounts arising from ECL (continued)

Significant macroeconomic factors based on sectors (continued)

		2022		
Macro-Economic Variable	Coefficient/ Sensitivity	Base %	Upside %	Downside %
Weighting		67%	25%	8%
Hotel and Restaurant				
Inflation rate	4.0012	5.29%	5.78%	4.79%
Constant rate	(0.1381)			
Trade				
Lending rate	1.7988	14.02%	14.24%	13.80%
Constant rate	(0.1570)			
Transport and Communication				
Central Bank rate	2.0766	11.93%	12.05%	11.81%
91 Day T-Bills interest rate	2.9062	4.87%	5.10%	4.63%
Constant rate	(0.0415)			
Housing loan				
Inflation rate	(0.4861)	5.29%	4.79%	5.78%
Saving rate	(3.3315)	1.93%	1.71%	2.15%
Constant rate	0.1534			
Mining				
Public debt to GDP growth rate	98.72	37.09%	37.12%	37.06%
Constant rate	(36.503)			
Personal loan				
Public debt to GDP growth rate	0.4713	36.85%	36.87%	36.82%
364- day T-bills interest rate	0.1446	4.69%	5.38%	3.99%
Constant	(0.1601)			
Real estate				
Inflation rate	3.188	5.29%	5.78%	4.79%
Constant rate	(0.1601)			

Measurement of ECL - Explanation of inputs, assumptions and estimation techniques

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD);
- Loss given default (LGD);
- Exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PDs are estimates at a certain date, which are calculated based on statistical models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for loans and advances to banks and investment securities.

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(a) Credit risk (continued)

(iii) Amounts arising from ECL (continued)

Measurement of ECL (Continued)

Loss Given Default (LGD) represents the Banks's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan. The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed. For unsecured products, LGD's are assessed based on recovery experience.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- segment type; and
- credit risk quality

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

ECL - Sensitivity analysis

For the purposes of the Bank's actual weighting of its economic scenarios, a 58.3% probability weighting is applied to the baseline scenario; with a 29.7% and 12.0% probability weighting applied to the upside and downside scenarios, respectively. However, given the level of uncertainty required in the determination of ECL, the Bank has conducted a sensitivity analysis in order to indicate the impact on the ECL when assigning a probability weighting of 100% to each macroeconomic variable scenario. The analysis only reflects the impact of changing the probability assigned to each scenario to 100% and does not include management adjustments required to provide a more appropriate assessment of risk.

	ECL allowance after the change		Increase/Decrease in ECL allowance	
	2023	2022	2023	2022
	TZS'000	TZS'000	TZS'000	TZS'000
100% upside scenario	816,524	253,584	115,747	9,599
100% base scenario	675,040	240,351	(25,737)	(3,633)
100% downside scenario	551,192	227,113	(149,585)	(16,872)

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(a) Credit risk (continued)

(iii) Amounts arising from ECL (continued)

Measurement of ECL (Continued)

ECL - Sensitivity analysis (Continued)

As at 31 December 2023, the Bank assessed what the impact on expected credit losses would be, if 1% of the gross carrying amount of loans and advances to customers in stage 1 experience a SICR and move to stage 2 and vice versa. The ECL changes below include the effect on undrawn committed facilities and guarantees which are reflected as 'other liabilities' in the statement of financial position. This impact has been presented below:

	ECL allowance after the change		Increase/Decrease in ECL allowance	
	2023	2022	2023	2022
	TZS'000	TZS'000	TZS'000	TZS'000
If 1% of stage 1 facilities were included in Stage 2	745,520	250,598	44,743	6,613
If 1% of stage 2 facilities were included in Stage 1	697,672	243,314	(3,105)	(670)

	Change in Market Value of Collaterals			
	Increase by 5%		Decrease by 5%	
	2023	2022	2023	2022
	TZS'000	TZS'000	TZS'000	TZS'000
Increase/(decrease) in ECL allowance	(1,316,797)	(1,032,906)	642,340	1,032,906

	Change in realisation period			
	Increase by 1 Year		Decrease by 1 Year	
	2023	2022	2023	2022
	TZS'000	TZS'000	TZS'000	TZS'000
Increase/(decrease) in ECL allowance	1,438,731	2,175,444	(1,635,385)	(2,450,598)

Write-off policy

The Bank writes off financial assets that have been past due for more than 720 days. Financial assets are written off when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are recognised when cash is received and are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(a) Credit risk (continued)

Modified financial assets

The following table includes summary information for financial assets with lifetime ECL whose cash flows were modified during the period as part of the Bank's restructuring activities and their respective effect on the Bank's financial performance:

	2023 (TZS '000)	2022 (TZS '000)
Gross carrying amount	809,400	30,241,502
Net modification loss	(26,644)	(284,276)

The net modification loss above represents the changes in the gross carrying amounts (i.e. before impairment allowance) of the financial assets from immediately before, to immediately after, modification. In majority of cases, this gross loss had been anticipated and already materially reflected within the ECL allowance.

Credit quality of other financial assets

Amounts due from banks

Balances due from other banks are categorized as stage 1. The Loss Given Default (LGD) for these assets is zero hence no impairment was recognized as at 31 December 2023 (2022: Nil). The expected credit loss is expected to be insignificant.

Debt securities, treasury bills and other eligible bills

The Bank holds investments in Treasury Bills and Treasury Bonds issued by the Government. At the end of reporting period, these investments were categorized as stage 1. There are no credit ratings for these investments. The Loss Given Default (LGD) for these assets is almost Nil hence no impairment was recognized as at 31 December 2023 (2022: Nil).

Balances with Bank of Tanzania and other assets

Other assets are categorized as stage 1, balances with Bank of Tanzania are categorized as stage 1. The Loss Given Default (LGD) for these assets is almost Nil hence no impairment was recognized as at 31 December 2023 (2022: Nil).

4. FINANCIAL RISK MANAGEMENT OBJECTIVE (Continued)

Financial risk (continued)

(a) Credit risk (continued)

Concentration of risks of financial assets with credit risk exposure

(i) Geographical sectors

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorised 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 counterparties. (amounts are in TZS'000):

	Tanzania	Europe	America	Others	Total
Balances with Bank of Tanzania	45,808,399	-	-	-	45,808,399
Items in the course of collection	444,221				444,221
Loans and advances to Banks	15,214,423	18,937,556	5,064,122	327,071	39,543,172
Loans and advances to customers	449,814,091	-	-	-	449,814,091
Due from group companies	-	-	-	3,765,445	3,765,445
Government securities measured at FVOCI	1,539,707	-	-	-	1,539,707
Government securities measured at FVTPL	3,192,275				3,192,275
Government securities at amortised cost	151,753,391	-	-	-	151,753,391
Other assets (excluding prepayments and advances)	5,349,488	-	-	-	5,349,488
As 31 December 2023	**673,115,995**	**18,937,556**	**5,064,122**	**4,092,516**	**701,210,189**
Credit risk exposures relating to off-balance sheet items are as follows:					
Letters of credit	17,076,505	-	-	-	17,076,505
Outstanding guarantees and indemnities	46,206,334	-	-	-	46,206,334
Acceptances and Undrawn balances	40,041,818	-	-	-	40,041,818
As 31 December 2023	**103,324,657**	**-**	**-**	**-**	**103,324,657**

4. FINANCIAL RISK MANAGEMENT OBJECTIVE (Continued)

Financial risk (continued)

(a) Credit risk (continued)

Concentration of risks of financial assets with credit risk exposure

(i) Geographical sectors (Continued)

	Tanzania	Europe	America	Others	Total
Balances with Bank of Tanzania	40,089,811	-	-	-	40,089,811
Loans and advances to Banks	21,369,915	277,814	5,958,863	1,924,217	29,530,809
Loans and advances to customers	365,971,688	-	-	-	365,971,688
Due from group companies	-	-	-	1,370,188	1,370,188
Government securities measured at FVOCI	4,066,820	-	-	-	4,066,820
Government securities at amortised cost	121,144,674	-	-	-	121,144,674
Other assets (excluding prepayments and advances)	2,573,239	-	-	-	2,573,239
As 31 December 2022	**555,216,147**	**277,814**	**5,958,863**	**3,294,405**	**564,747,229**
Credit risk exposures relating to off-balance sheet items are as follows:					
Letters of credit	34,736,444	-	-	-	34,736,444
Outstanding guarantees and indemnities	48,619,924	-	-	-	48,619,924
Acceptances and Undrawn balances	40,787,958	-	-	-	40,787,958
As 31 December 2022	**124,144,326**	**-**	**-**	**-**	**124,144,326**

4. FINANCIAL RISK MANAGEMENT OBJECTIVES (CONTINUED)

Financial risk (continued)

(a) Credit risk (continued)

Concentration of risks of financial assets with credit risk exposure (continued)

(ii) Industry sectors

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorised by the industry sectors of its counterparties (amounts are in TZS'000):

•	Financial institutions		Manufacturing	Trade & Services	Government	Transportation& Communication	Building & construction	Real Estate	Others	Total
Balances with Bank of Tanzania	45,808,399	-	-	-	-	-	-	-	-	45,808,399
Items in the course of collection	444,221	-	-	-	-	-	-	-	-	444,221
Loans and advances to Banks	39,543,172	-	-	-	-	-	-	-	-	39,543,172
Loans and advances to customers	-		123,416,979	116,831,466	-	26,546,279	24,707,428	60,659,254	67,643,827	449,814,091
Due from group companies	3,765,445	-	-	-	-	-	-	-	-	3,765,445
Government securities measured at FVOCI	-	-	-	-	1,539,707	-	-	-	-	1,539,707
Government securities measured at FVTPL					3,192,275					3,192,275
Government securities at amortised cost	-	-	-	-	151,753,391	-	-	-	-	151,753,391
Other assets (excluding prepayments and advances)	633,707	-	-	-	-	4,715,781	-	-	-	5,349,488
At 31 December 2023	**90,194,944**		**123,416,979**	**116,831,466**	**156,485,373**	**31,262,060**	**24,707,428**	**60,659,254**	**67,643,827**	**701,210,189**
Credit risk exposures relating to off-balance sheet items are as follows:										
Letters of credit	-	-	1,944,460	12,078,000	-	-	3,054,045	-	-	17,076,505
Outstanding guarantees	-		-	7,530,500	-	150,000	35,441,730	-	2,084,104	46,206,334
Acceptances and Undrawn balances	-	88,271	7,917,451	21,039,719	-	574,699	-	383,012	10,038,666	40,041,818
At 31 December 2023	**-**		**9,861,911**	**40,648,219**	**-**	**724,699**	**38,495,775**	**383,012**	**12,122,770**	**103,324,657**

4. FINANCIAL RISK MANAGEMENT OBJECTIVES (CONTINUED)

(a) Credit risk (continued)

Concentration of risks of financial assets with credit risk exposure (continued)

(ii) Industry sectors (Continued)

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorised by the industry sectors of its counterparties (amounts are in TZS'000):

	Financial institutions	Agriculture	Manufacturing	Trade & Services	Government	Transportation& Communication	Building & construction	Real Estate	Others	Total
Balances with Bank of Tanzania	40,089,811	-	-	-	-	-	-	-	-	40,089,811
Loans and advances to Banks	29,530,809	-	-	-	-	-	-	-	-	29,530,809
Loans and advances to customers	-	25,343,031	84,769,623	68,080,972	-	18,007,914	23,913,183	72,179,558	73,677,407	365,971,688
Due from group companies	1,370,188	-	-	-	-	-	-	-	-	1,370,188
Government securities measured at FVOCI	-	-	-	-	4,066,820	-	-	-	-	4,066,820
Government securities at amortised cost	-	-	-	-	121,144,674	-	-	-	-	121,144,674
Other assets (excluding prepayments and advances)	520,002	-	-	-	-	2,053,237	-	-	-	2,573,239
At 31 December 2022	**71,510,810**	**25,343,031**	**84,769,623**	**68,080,972**	**125,211,494**	**20,061,151**	**23,913,183**	**72,179,558**	**73,677,407**	**564,747,229**

Credit risk exposures relating to off-balance sheet items are as follows:

	Financial institutions	Agriculture	Manufacturing	Trade & Services	Government	Transportation& Communication	Building & construction	Real Estate	Others	Total
Acceptances and Undrawn balances	-		11,690,950	13,040,183	-	1,542,233	1,090,074	-	13,424,518	40,787,958
Outstanding guarantees	-	500,000	517,110	1,438,000	-	-	44,372,000	-	1,792,814	48,619,924
Letters of credit	-	-	-	22,869,000	-	-	2,834,000	-	9,033,444	34,736,444
At 31 December 2022	**-**	**500,000**	**12,208,060**	**37,347,183**	**-**	**1,542,233**	**48,296,074**	**-**	**24,250,776**	**124,144,326**

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk (continued)

Credit risk (continued)

Maximum Exposure to credit risk – Financial instruments subject to impairment

2023:

Model segment	12 month ECL		Lifetime ECL Not Credit Impaired		Lifetime ECL Credit Impaired		Total		Net carrying amount
	Gross carrying amount	ECL amount	Gross carrying amount	ECL amount	Gross carrying amount	ECL amount	Gross carrying amount	ECL amount	
	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000
Secured term loans	201,558,365	845,794	19,501,354	120,231	71,946,823	33,364,755	293,006,542	34,330,780	258,675,761
Unsecured term loans	2,019,566	24,927	20,134	14	82,515	82,515	2,122,215	107,456	2,014,759
Digital Lending	2,434,815	223,196	901,329	82,623	5,784,513	2,920,127	9,120,657	3,225,946	5,894,711
Overdraft	143,655,065	242,103	33,028,027	218,755	7,605,923	599,298	184,289,015	1,060,156	183,228,860
Gross carrying amount	**349,667,811**	**1,336,020**	**53,450,844**	**421,623**	**85,419,774**	**36,966,695**	**488,538,429**	**38,724,338**	**449,814,091**

2022:

Model segment	12 month ECL		Lifetime ECL Not Credit Impaired		Lifetime ECL Credit Impaired		Total		Net carrying amount
	Gross carrying amount	ECL amount	Gross carrying amount	ECL amount	Gross carrying amount	ECL amount	Gross carrying amount	ECL amount	
	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000
Secured term loans	153,364,424	6,471	36,091,342	4,483,899	55,190,366	23,461,983	244,646,132	27,952,353	216,693,779
Unsecured term loans	4,706,013	8,393	-	-	-	-	4,706,013	8,393	4,697,620
Digital Lending	2,285,631	64,029	1,286,558	36,041	3,925,471	2,021,473	7,497,660	2,121,543	5,376,117
Overdraft	125,942,643	102,203	5,989,338	6,065	11,248,787	3,868,328	143,180,768	3,976,596	139,204,172
Gross carrying amount	**286,298,711**	**181,096**	**43,367,238**	**4,526,005**	**70,364,624**	**29,351,784**	**400,030,573**	**34,058,885**	**365,971,688**

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(a) Credit risk (continued)

Maximum Exposure to credit risk – Financial instruments subject to impairment (continued)

Off balance sheet exposures

	2023 TZS '000	2022 TZS '000
Contingencies related to:		
Letters of credit	17,076,505	34,736,444
Guarantees	46,206,334	48,619,924
Acceptances and undrawn balance	40,041,818	40,787,958
Gross carrying amount	**103,324,657**	**124,144,326**
Loss allowance	(208,371)	(43,595)
Net carrying amount	**103,116,286**	**124,100,731**

*The off-balance sheet exposures under the credit risk note include only loan commitment and financial contracts that fall within the scope of IFRS 9. Provision for loss allowance relating to off-balance sheet exposures is disclosed under other liabilities.

Loss allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in th eperiod, arising from regular refreshing of inputs to models;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis.This change is incorporated within maintenance stage and other adjustments category.
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements,This change is incorporated within maintenance stage and other adjustments category; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(a) Credit risk (continued)

Loss allowance (continued)

Changes in loss allowance and gross carrying amount

The following tables show reconciliations from the opening to the closing balance of the loss allowance and gross carrying amounts by class of financial instrument. Explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired are included in Note 3(f)(iii).

Total Loans and advances

2023	Provisions (ECL allowance)				Exposure (Gross balance)			
	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Balance at 1 January 2023	**181,096**	**4,526,005**	**29,351,784**	**34,058,885**	**286,298,711**	**43,367,238**	**70,364,624**	**400,030,573**
Transfer from 12 months ECL (Stage 1)	(54,726)	52,036	2,690	-	(44,085,588)	33,837,533	10,248,055	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	-	(4,414,728)	4,414,728	-	-	(14,936,878)	14,936,878	-
Transfer from Lifetime ECL credit impaired (Stage 3)	630,458	-	(630,458)	-	1,041,912	-	(1,041,912)	-
Net remeasurement of loss allowance	190,123	333,537	18,211,137	18,734,797	(127,212,972)	3,288,066	13,639,962	(110,284,944)
New financial assets originated or purchased	407,298	8	102,729	510,035	305,943,281	290,397	3,636,228	309,869,906
Financial assets derecognised	(18,229)	(75,235)	-	(93,464)	(72,317,532)	(12,395,512)	(471,193)	(85,184,237)
Write-Off	-	-	(14,485,915)	(14,485,915)	-	-	(25,892,869)	(25,892,869)
Balance at 31 December 2023	**1,336,020**	**421,623**	**36,966,695**	**38,724,338**	**349,667,811**	**53,450,844**	**85,419,774**	**488,538,429**

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(a) Credit risk (continued)

Loss allowance (continued)

Changes in loss allowance and gross carrying amounts (continued)

Total Loans and advances (continued)

2022	Provisions (ECL allowance)				Exposure (Gross balance)			
	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Balance at 1 January 2022	**307,866**	**5,625,128**	**14,140,947**	**20,073,941**	**240,722,553**	**99,796,607**	**34,443,459**	**374,962,619**
Transfer from 12 months ECL (Stage 1)	(22,383)	5,154	17,229	-	(30,654,510)	7,741,146	22,913,364	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	-	-	-	-	19,039,943	(46,692,962)	27,653,019	-
Transfer from Lifetime ECL credit impaired (Stage 3)	-	-	-	-	-	-	-	-
Net remeasurement of loss allowance	(120,050)	(1,104,277)	26,688,008	25,463,681	17,270,195	(4,749,590)	(13,458)	12,507,147
New financial assets originated or purchased	15,663	-	-	15,663	39,920,530	366,300	-	40,286,830
Financial assets derecognized	-	-	-	-	-	(13,094,263)	-	(13,094,263)
Reversal of provisions/Write-offs	-	-	(11,494,400)	(11,494,400)	-	-	(14,631,760)	(14,631,760)
Balance at 31 December 2022	**181,096**	**4,526,005**	**29,351,784**	**34,058,885**	**286,298,711**	**43,367,238**	**70,364,624**	**400,030,573**

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(a) Credit risk (continued)

Loss allowance (continued)

Changes in loss allowance and gross carrying amounts (continued)

(i) Secured term loans

2023	Provisions (ECL allowance)				Exposure (Gross balance)			
	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Balance at 1 January 2023	**6,471**	**4,483,899**	**23,461,983**	**27,952,353**	**153,364,424**	**36,091,342**	**55,190,366**	**244,646,132**
Transfer from 12 months ECL (Stage 1)	(2,593)	669	1,924	-	(14,027,471)	8,384,713	5,642,758	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	-	(4,414,261)	4,414,261	-	-	(13,630,118)	13,630,118	-
Transfer from Lifetime ECL credit impaired (Stage 3)	630,458	-	(630,458)	-	1,041,912	-	(1,041,912)	-
Net remeasurement of loss allowance	138,754	125,151	13,535,312	13,799,217	(18,855,033)	455,489	14,288,408	(4,111,136)
New financial assets originated or purchased	88,728	8	102,729	191,465	132,417,181	290,397	3,636,228	136,343,806
Financial assets derecognized	(16,024)	(75,235)	-	(91,259)	(52,382,648)	(12,090,469)	(471,193)	(64,944,310)
Reversal of provisions/Write-offs	-	-	(7,520,996)	(7,520,996)	-	-	(18,927,950)	(18,927,950)
Balance at 31 December 2023	**845,794**	**120,231**	**33,364,755**	**34,330,780**	**201,558,365**	**19,501,354**	**71,946,823**	**293,006,542**

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(a) Credit risk (continued)

Loss allowance (continued)

Changes in loss allowance and gross carrying amounts (continued)

(i) Secured term loans (continued)

2022	Provisions (ECL allowance)				Exposure (Gross balance)			
	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Balance at 1 January 2022	**31,145**	**5,616,261**	**11,647,746**	**17,295,152**	**136,414,632**	**92,539,410**	**24,870,420**	**253,824,462**
Transfer from 12 months ECL (Stage 1)	(13,169)	12,953	216		(25,367,056)	7,815,062	17,551,994	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	-	-	-	-	17,846,000	(45,025,699)	27,179,699	-
Transfer from Lifetime ECL credit impaired (Stage 3)	-	-	-	-	-	-	-	-
Net remeasurement of loss allowance	(13,039)	(1,145,315)	21,075,545	19,917,191	17,270,195	(5,222,910)	(13,459)	12,033,826
New financial assets originated or purchase	1,534	-	-	1,534	7,200,653	(920,258)	(4,513,796)	1,766,599
Financial assets derecognized	-	-	-	-	-	(13,094,263)	-	(13,094,263)
Reversal of provisions/Write-offs	-	-	(9,261,524)	(9,261,524)	-	-	(9,884,492)	(9,884,492)
Balance at 31 December 2022	**6,471**	**4,483,899**	**23,461,983**	**27,952,353**	**153,364,424**	**36,091,342**	**55,190,366**	**244,646,132**

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(a) Credit risk (continued)

Loss allowance (continued)

Changes in loss allowance and gross carrying amounts (continued)

(ii) Unsecured term loans

2023	Provisions (ECL allowance)				Exposure (Gross balance)			
	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Balance at 1 January 2023	**8,393**	**-**	**-**	**8,393**	**4,706,013**	**-**	**-**	**4,706,013**
Transfer from 12 months ECL (Stage 1)	(140)	-	140	-	(71,270)	-	71,270	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	-	(467)	467	-	-	(6,156)	6,156	-
Transfer from Lifetime ECL credit impaired (Stage 3)	-	-	-	-	-	-	-	-
Net remeasurement of loss allowance	16,674	481	81,908	99,063	(2,615,177)	26,290	5,088	(2,583,798)
New financial assets originated or purchased	-	-	-	-	-	-	-	-
Financial assets derecognized	-	-	-	-	-	-	-	-
Reversal of provisions/Write-offs	-	-	-	-	-	-	-	-
Balance at 31 December 2023	**24,927**	**14**	**82,515**	**107,456**	**2,019,566**	**20,134**	**82,515**	**2,122,215**

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(a) Credit risk (continued)

Loss allowance (continued)

Changes in loss allowance and gross carrying amounts (continued)

(ii) Unsecured term loans (continued)

2022	Provisions (ECL allowance)				Exposure (Gross balance)			
	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Balance at 1 January 2022	**20,741**	**-**	**67,639**	**88,380**	**4,555,657**	**-**	**121,046**	**4,676,703**
Transfer from 12 months ECL (Stage 1)	-	-	-	-	-	-	-	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	-	-	-	-	-	-	-	-
Transfer from Lifetime ECL credit impaired (Stage 3)	-	-	-	-	-	-	-	-
Net remeasurement of loss allowance	(12,348)	-	2,689	(9,659)	150,356	-	2,689	153,045
New financial assets originated or purchased	-	-	-	-	-	-	-	-
Financial assets derecognized	-	-	-	-	-	-	-	-
Reversal of provisions/Write-offs	-	-	(70,328)	(70,328)	-	-	(123,735)	(123,735)
Balance at 31 December 2022	**8,393**	**-**	**-**	**8,393**	**4,706,013**	**-**	**-**	**4,706,013**

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(a) Credit risk (continued)

Loss allowance (continued)

Changes in loss allowance and gross carrying amounts (continued)

(iii) Digital Lending (Kamilisha)

2023	Provisions (ECL allowance)				Exposure (Gross balance)			
	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Balance at 1 January 2023	**64,029**	**36,041**	**2,021,473**	**2,121,543**	**2,285,631**	**1,286,558**	**3,925,471**	**7,497,660**
Transfer from 12 months ECL (Stage 1)	-	-	-		-	-	-	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	-	-	-	-	-	-	-	-
Transfer from Lifetime ECL credit impaired (Stage 3)	-	-	-	-	-	-	-	-
Net remeasurement of loss allowance	159,167	46,582	7,863,573	8,069,322	149,184	(385,229)	11,462,874	11,226,829
New financial assets originated or purchased	-	-	-	-	-	-	-	-
Financial assets derecognized	-	-	-	-	-	-	-	-
Reversal of provisions/Write-offs	-	-	(6,964,919)	(6,964,919)	-	-	(6,964,919)	(6,964,919)
Balance at 31 December 2023	**223,196**	**82,623**	**2,920,127**	**3,225,946**	**2,434,815**	**901,329**	**5,784,513**	**9,120,657**

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(a) Credit risk (continued)

Loss allowance (continued)

Changes in loss allowance and gross carrying amounts (continued)

(iii) Digital Lending (Kamilisha) (continued)

2022	Provisions (ECL allowance)				Exposure (Gross balance)			
	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Balance at 1 January 2022	**9,214**	**7,799**	**56,781**	**73,794**	**164,271**	**139,040**	**1,012,334**	**1,315,645**
Transfer from 12 months ECL (Stage 1)	(9,214)	(7,799)	17,013		(164,271)	(139,040)	303,311	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	-	-	-	-	-	-	-	-
Transfer from Lifetime ECL credit impaired (Stage 3)	-	-	-	-	-	-	-	-
Net remeasurement of loss allowance	64,029	36,041	2,273,679	2,373,749	2,285,631	1,286,558	2,935,826	6,508,015
New financial assets originated or purchased	-	-	-	-	-	-	-	-
Financial assets derecognized	-	-	-	-	-	-	-	-
Reversal of provisions/Write-offs	-	-	(326,000)	(326,000)	-	-	(326,000)	(326,000)
Balance at 31 December 2022	**64,029**	**36,041**	**2,021,473**	**2,121,543**	**2,285,631**	**1,286,558**	**3,925,471**	**7,497,660**

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(a) Credit risk (continued)

Loss allowance (continued)

Changes in loss allowance and gross carrying amounts (continued)

(iv) Overdrafts

2023	Provisions (ECL allowance)				Exposure (Gross balance)			
	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Balance at 1 January 2023	**102,203**	**6,065**	**3,868,328**	**3,976,596**	**125,942,643**	**5,989,338**	**11,248,787**	**143,180,768**
Transfer from 12 months ECL (Stage 1)	(51,994)	51,367	627	-	(29,702,028)	25,452,820	4,249,208	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	-	-	-	-	-	(1,300,604)	1,300,604	-
Transfer from Lifetime ECL credit impaired (Stage 3)	-	-	-	-	-	-	-	-
Net remeasurement of loss allowance	191,894	161,323	(3,269,657)	(2,916,440)	47,414,450	2,886,473	(9,192,676)	41,108,247
New financial assets originated or purchased	-	-	-	-	-	-	-	-
Financial assets derecognized	-	-	-	-	-	-	-	-
Reversal of provisions/Write-offs	-	-	-	-	-	-	-	-
Balance at 31 December 2023	**242,103**	**218,755**	**599,298**	**1,060,156**	**143,655,065**	**33,028,027**	**7,605,923**	**184,289,015**

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(a) Credit risk (continued)

Loss allowance (continued)

Changes in loss allowance and gross carrying amounts (continued)

(iv) Overdrafts (continued)

2022	Provisions (ECL allowance)				Exposure (Gross balance)			
	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Balance at 1 January 2022	**246,766**	**1,068**	**2,368,781**	**2,616,615**	**99,587,995**	**7,118,157**	**8,439,657**	**115,145,809**
Transfer from 12 months ECL (Stage 1)	-	-	-	-	(5,123,184)	65,124	5,058,060	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	-	-	-	-	1,193,943	(1,193,943)	-	-
Transfer from Lifetime ECL credit impaired (Stage 3)	-	-	-	-	-	-	-	-
Net remeasurement of loss allowance	(158,692)	4,997	3,336,095	3,182,400	-	-	-	-
New financial assets originated or purchased	14,129	-	-	14,129	30,283,889	-	1,575,282	31,859,171
Financial assets derecognized	-	-	-	-	-	-	-	-
Reversal of provisions/Write-offs	-	-	(1,836,548)	(1,836,548)	-	-	(3,824,212)	(3,824,212)
Balance at 31 December 2022	**102,203**	**6,065**	**3,868,328**	**3,976,596**	**125,942,643**	**5,989,338**	**11,248,787**	**143,180,768**

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(a) Credit risk (continued)

Loss allowance (continued)

Loan commitments and financial guarantee contracts

2023:	Provisions (ECL allowance)			Exposure (Gross balance)		
	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Total	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Balance at 1 January 2023	**734**	**42,861**	**43,595**	**123,974,050**	**170,276**	**124,144,326**
Transfer from 12 months ECL (Stage 1)	-	-	-	-	-	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	-	-	-	-	-	-
Net remeasurement of loss allowance	21,891	142,885	164,776	(21,670,031)	850,362	(20,819,669)
New financial assets originated or purchased	-	-	-	-	-	-
Financial assets derecognised	-	-	-	-	-	-
Balance at 31 December 2023	**22,625**	**185,746**	**208,371**	**102,304,019**	**1,020,638**	**103,324,657**

Allowance charged to profit or loss during the year:

	2023:	2022
	TZS '000	TZS '000
Secured term loans	13,899,423	19,918,725
Unsecured term loans	99,063	(9,659)
Digital Lending	8,069,322	2,373,749
Overdraft facilities	(2,916,440)	3,196,529
Total on-balance sheet charge	19,151,368	25,479,344
Off balance sheet exposures	164,776	(196,066)
As at 31 December	19,316,144	25,283,278

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(a) Credit risk (continued)

Loss allowance (continued)

Loan commitments and financial guarantee contracts (Continued)

2022:	Provisions (ECL allowance)			Exposure (Gross balance)		
	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Total	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Balance at 1 January 2022	**734**	**238,927**	**239,661**	**151,669,586**	**917,492**	**152,587,078**
Transfer from 12 months ECL (Stage 1)	-	-	-	-	-	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	-	-	-	-	-	-
Net remeasurement of loss allowance	-	(196,066)	(196,066)	(27,695,536)	(747,216)	(28,442,752)
New financial assets originated or purchased	-	-	-	-	-	-
Financial assets derecognised	-	-	-	-	-	-
Balance at 31 December 2022	**734**	**42,861**	**43,595**	**123,974,050**	**170,276**	**124,144,326**

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(b) Liquidity risk

Liquidity risk includes the risk of being unable to meet financial obligations as they fall due because of inability to liquidate assets at a reasonable price and in an appropriate timeframe.

The Bank continually assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall strategy. In addition, the Bank holds a portfolio of liquid assets as part of its liquidity risk management strategy.

The Bank's liquidity management process, as carried out within the Bank and monitored by the treasury team, includes:

- Maintaining documented liquidity risk/crisis management plans which among other things defines situations which could precipitate liquidity crisis. Examples of such situations are: unusual activities at the branches, default by one or more large borrowers, devaluation of currency in which the Bank has large exposure, large litigation claim on the Bank etc;
- Maintainingadequateliquidityatalltimesandforallcurrencies,andhencetobeinaposition,inthenormalcourseofbusiness to meet all our obligations, to repay depositors, to fulfill commitments to lend and to meet any other commitment made. This takes the form of maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Managing the concentration and profile of debt maturities
- 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.

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers and short-term funding. For this purpose, 'net liquid assets' includes cash and cash equivalents and investment-grade debt securities for which there is an active and liquid market. 'Deposits from customers and short-term funding' includes deposits from banks, customers, debt securities issued, other borrowings and commitments maturing within the next month. The Bank is required to maintain a regulatory liquid asset ratio of not less than 20%, based on management's assessment and its submission to the regulator the bank was compliant.

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(b) Liquidity risk

(i) Non-derivative cash flows (continued)

The table below analyses financial liabilities and assets into relevant maturity groupings based on the remaining period at 31 December 2023 and 2022 to the contractual undiscounted maturity date:

31 December 2023	Within 1 month TZS '000	Due within 1-3 months TZS '000	Due between 3-12 months TZS '000	Due between 1-5 years TZS '000	Due after 5 years TZS '000	Total TZS '000
LIABILITIES						
Deposits from banks	20,026,776		-	-	-	**20,026,776**
Deposits from customers	210,543,027	21,060,488	241,123,877	122,856,078	10,349,520	**605,932,990**
Due to group companies	6,230,479	-	35,954,764	-	-	**42,185,243**
Other liabilities	2,952,065	3,521,315	-	-	-	**6,473,380**
Long term debt	-	-	263,575	3,692,080	-	**3,955,655**
Lease liabilities	432,802	578,626	1,397,197	2,412,003	6,377,730	**11,198,358**
At 31 December 2023	**240,185,149**	**25,160,429**	**278,739,413**	**128,960,161**	**16,727,250**	**689,772,402**
Assets held for managing liquidity	**207,834,266**	**38,239,317**	**180,025,577**	**265,070,218**	**273,277,634**	**964,447,012**

31 December 2022	Within 1 month TZS '000	Due within 1-3 months TZS '000	Due between 3-12 months TZS '000	Due between 1-5 years TZS '000	Due between 1-5 years TZS '000	Total TZS '000
LIABILITIES						
Deposits from banks	-	16,014,088	-	-	-	**16,014,088**
Deposits from customers	218,567,812	25,301,717	130,452,689	88,361,917	7,094,000	**469,778,135**
Due to group companies	16,648,672	-	-	-	-	**16,648,672**
Other liabilities	4,044,505	1,383,704	-	-	-	**5,428,209**
Long term debt	-	-	9,896,812	3,957,322	-	**13,854,134**
Lease liabilities	354,212	447,368	204,582	1,174,152	-	**2,180,314**
At 31 December 2022	**239,615,201**	**43,146,877**	**140,554,083**	**93,493,391**	**7,094,000**	**523,903,552**
Assets held for managing liquidity	**58,034,462**	**83,040,334**	**129,361,370**	**238,648,042**	**219,183,891**	**728,268,099**

(ii) Assets held for managing liquidity risk

The Bank's assets held for managing liquidity risk comprise:

- Cash and balances with the Bank of Tanzania (excluding SMR);
- Investment in government securities;
- Loans and advances to customers; and
- Placements and balances with other banks

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(b) Liquidity risk (continued)

In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended. The Bank would also be able to meet unexpected net cash outflows by selling securities and accessing additional funding sources such as asset-backed markets.

(iii) Off-balance sheet items

(a) Undrawn commitments, outstanding letters of credit, guarantee and indemnities

The dates of the contractual amounts of the Bank's off-balance sheet financial instruments that commit it to extend credit to customers and other facilities (Note 32) are summarised in the table below.

(b) Financial guarantees and other financial facilities

Financial guarantees (Note 32) are also included below based on the earliest contractual maturity date.

	No later than 1 year	1-5 years	Total
	TZS '000	TZS '000	TZS '000
As at 31 December 2023			
Letters of credit	17,076,505	-	17,076,505
Guarantees	19,747,918	26,458,416	46,206,334
Acceptances and undrawn balance	39,706,653	335,165	40,041,818
	76,531,076	**26,793,581**	**103,324,657**

	No later than 1 year	1-5 years	Total
	TZS '000	TZS '000	TZS '000
As at 31 December 2022			
Letters of credit	34,736,444	-	34,736,444
Guarantees	18,100,336	30,519,588	48,619,924
Acceptances and undrawn balance	39,606,958	1,181,000	40,787,958
	92,443,738	**31,700,588**	**124,144,326**

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spread (not relating to changes in the obligator's/issuer's credit standing) will affect the Bank's income or the value of its holdings of financial instruments.

The Bank is primarily exposed to interest rate, foreign exchange risk and price risk. All trading instruments are subject to market risk, the risk that the future changes in market conditions may make an instrument less valuable or more onerous. The Bank manages its use of trading instruments in response to changing market conditions. There has not been a significant change in the market risk exposures as a result of COVID-19 pandemic.

The Board of Directors has delegated responsibility for management of market risk to the Board Risk Committee. Exposure to market risk is formally managed within risk limits and policy guidelines issued by the Board, on recommendation of the Board Risk Committee. ALCO, a management committee is charged with the responsibility of ensuring implementation and monitoring of the risk management framework in line with policy guidelines. The policy guidelines and procedures in place are adequate to effectively manage these risks.

4. FINANCIAL RISK MANAGEMENT (Continued)

(c) Market risk (continued)

Exposure to interest rate risk

This is the risk of loss from fluctuations in the future cash flows of fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps. A summary of the Bank's interest rate gap position reflecting assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates is shown below:

31 December 2023	Within 1 month	Due within 1-3 months	Due between 3-12 months	Due between 1-5 years	Due after 5 years	Non-interest bearing	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
ASSETS							
Cash and balances with Bank of Tanzania	-	-	-	-	-	51,793,458	51,793,458
Items in the course of collection	-	-	-	-	-	444,221	444,221
Loans and advances to banks	30,793,172	2,500,000	6,250,000	-	-	-	39,543,172
Loans and advances to customers	102,473,027	13,970,517	124,640,916	185,650,514	23,079,117	-	449,814,091
Government securities measured at FVOCI	-	-	-	-	1,539,707	-	1,539,707
Government securities measured at FVTPL				-	3,192,275	-	3,192,275
Government securities at amortised cost	7,000,000	21,500,000	40,180,020	19,045,641	64,027,730	-	151,753,391
Due from group companies	3,765,445	-	-	-	-	-	3,765,445
Other assets	-	-	-	-	-	5,349,488	5,349,488
31 December 2023	**144,031,644**	**37,970,517**	**171,070,936**	**204,696,155**	**91,838,829**	**57,587,167**	**707,195,248**
LIABILITIES							
Deposits from banks	20,026,776	-	-	-	-	-	20,026,776
Deposits from customers	69,227,682	20,779,260	215,152,673	109,336,209	6,324,658	141,291,281	562,111,764
Due to group companies	5,090,000	-	27,408,784	-	-	-	32,498,784
Other liabilities	-	-	-	-	-	6,473,380	6,473,380
Lease liability	108,799	103,897	432,673	1,111,068	6,308,371	-	8,040,421
Long term debt	-	-	26,176	3,250,000	-	-	3,276,176
31 December 2023	**94,453,257**	**20,883,157**	**242,995,919**	**113,697,277**	**12,633,029**	**147,764,661**	**632,427,301**
Interest rate gap	**49,578,387**	**17,087,360**	**(71,924,983)**	**90,998,878**	**79,205,800**	**(90,177,494)**	**74,767,947**

4. FINANCIAL RISK MANAGEMENT (Continued)

(c) Market risk (continued)

Exposure to interest rate risk (continued)

31 December 2022	Within 1 month TZS '000	Due within 1-3 months TZS '000	Due between 3-12 months TZS '000	Due between 1-5 years TZS '000	Due after 5 years TZS '000	Non-interest bearing TZS '000	Total TZS '000
ASSETS							
Cash and balances with Bank of Tanzania	-	-	-	-	-	47,100,004	47,100,004
Loans and advances to banks	20,204,021	8,963,144	104,795	258,849	-	-	29,530,809
Loans and advances to customers	34,934,144	53,771,568	77,746,226	151,383,474	48,136,276	-	365,971,688
Government securities measured at (FVOCI)	-	-	-	-	4,066,820		4,066,820
Government securities at amortised cost	11,856,947	18,734,332	14,041,863	25,253,548	51,257,984	-	121,144,674
Due from group companies	1,370,188	-	-	-	-	-	1,370,188
Other assets	-	-	-	-	-	2,573,239	2,573,239
31 December 2022	**68,365,300**	**81,469,044**	**91,892,884**	**176,895,871**	**103,461,080**	**49,673,243**	**571,757,422**
LIABILITIES							
Deposits from banks	-	16,014,088	-	-	-	-	16,014,088
Deposits from customers	32,656,722	108,842,502	149,078,614	58,425,315	-	105,190,177	454,193,330
Due to group companies	16,648,672	-	-	-	-	-	16,648,672
Other liabilities	-	-	-	-	-	5,471,804	5,471,804
Lease liability	310,879	414,011	196,582	1,244,147	-	-	2,165,619
Long term debt	-	-	9,607,355	3,250,000	-	-	12,857,355
31 December 2022	**49,616,273**	**125,270,601**	**158,882,551**	**62,919,462**	**-**	**110,661,981**	**507,350,868**
Interest rate gap	**18,749,027**	**(43,801,557)**	**(66,989,667)**	**113,976,409**	**103,461,080**	**(60,988,738)**	**64,406,554**

4. FINANCIAL RISK MANAGEMENT (Continued)

(c) Market risk (continued)

Exposure to interest rate risk (continued)

Sensitivity Analysis

31 December 2023	Profit or loss	Equity net of tax
100 basis points	Increase/decrease in basis points ('000)	Increase/decrease in basis points ('000)
Assets	6,496,081	4,547,257
Liabilities	(4,846,626)	(3,392,638)
Net position	**1,649,455**	**1,154,619**

An increase of 100 basis points in interest rates at the reporting date would have increased profit by TZS 1,649 million and equity (net of tax) by TZS 1,154 million and the inverse is the case for decrease in interest rates of 100 basis points. The analysis assumes that all other variables in particular foreign currency exchange rates remain constant.

31 December 2022	Profit or loss	Equity net of tax
100 basis points	Increase/decrease in basis points ('000)	Increase/decrease in basis points ('000)
Assets	5,220,842	3,654,589
Liabilities	(3,966,889)	(2,776,822)
Net position	**1,253,953**	**877,767**

An increase of 100 basis points in interest rates at the reporting date would have decreased loss by TZS 1,253 million and equity (net of tax) by TZS 877 million and the inverse is the case for decrease in interest rates of 100 basis points. The analysis assumes that all other variables in particular foreign currency exchange rates remain constant.

Currency risk

The Bank is exposed to currency risk through transactions in foreign currencies. The Bank's transactional exposure gives rise to foreign currency gains and losses that are recognised in the profit or loss. In respect of monetary assets and liabilities in foreign currencies, the Bank ensures that its net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates when considered appropriate. The table below analyses the foreign currencies which the Bank is exposed to as at 31 December 2023 and 31 December 2022.

31 December 2023	USD	GBP	EUR	Other	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
ASSETS					
Cash and balances with Bank of Tanzania	11,712,374	31,552	377,792	110,211	**12,231,929**
Items in the course of collection	368,627	-	-	-	**368,627**
Loans and advances to banks	21,792,096	1,377,010	832,572	327,070	**24,328,748**
Loans and advances to customers	296,649,102	-	-	-	**296,649,102**
Due from group companies	2,157,528	215,787	530,530	589,546	**3,493,391**
Other assets	636	-	-	-	**636**
31 December 2023	**332,680,363**	**1,624,349**	**1,740,894**	**1,026,827**	**337,072,433**
LIABILITIES					
Deposits from customers	313,483,047	1,404,109	1,702,992	302,405	**316,892,553**
Due to group companies	32,498,784	-	-	-	**32,498,784**
Other liabilities	2,514,132	232,935	168,695	385,432	**3,301,194**
31 December 2023	**348,495,963**	**1,637,044**	**1,871,687**	**687,837**	**352,692,531**
Net on statement of financial position	**(15,815,600)**	**(12,695)**	**(130,793)**	**338,990**	**(15,620,098)**
Net notional off balance sheet position	**82,364,338**	**-**	**3,036,285**	**-**	**85,400,623**
Overall net position – 2023	**66,548,738**	**(12,695)**	**2,905,492**	**338,990**	**69,780,525**

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(c) Market risk (continued)

Currency rate risk (continued)

At 31 December 2022	USD TZS '000	GBP TZS '000	EUR TZS '000	Other TZS '000	Total TZS '000
ASSETS					
Cash and balances with Bank of Tanzania	8,344,020	30,314	417,955	116,299	**8,908,588**
Loans and advances to banks	6,796,307	923,242	277,814	-	**7,997,363**
Loans and advances to customers	227,719,321	-	-	-	**227,719,321**
Due from group companies	991,450	96,065	282,673	-	**1,370,188**
Other assets	75,777	-	-	612	**76,389**
At 31 December 2022	**243,926,875**	**1,049,621**	**978,442**	**116,911**	**246,071,849**
LIABILITIES					
Deposits from customers	211,447,983	852,959	930,412	-	**213,231,354**
Due to group companies	16,648,672	-	-	-	**16,648,672**
Other liabilities	6,082,386	4,921	227	-	**6,087,534**
Long-term borrowings	9,576,370	-	-	-	**9,576,370**
At 31 December 2022	**243,755,411**	**857,880**	**930,639**	**-**	**245,543,930**
Net on statement of financial position	**171,464**	**191,741**	**47,803**	**116,911**	**527,919**
Net notional off balance sheet position	**87,260,904**	**-**	**2,931,784**	**1,905,383**	**92,098,071**
Overall net position – 2022	**87,432, 368**	**191,741**	**2,979,587**	**2,022,294**	**92,625,990**

Sensitivity Analysis

At 31 December 2023	Profit or loss Strengthening/ weakening of currency TZS '000	Equity net of tax Strengthening/ weakening of currency TZS '000
USD (± 1% movement)	(158,156)	(110,709)
GBP (± 1% movement)	(127)	(89)
EUR (± 1% movement)	(1,308)	(916)
Other (± 1% movement)	3,390	2,373
Net Position	**(156,201)**	**(109,341)**

4. FINANCIAL RISK MANAGEMENT (Continued)

Financial risk (continued)

(c) Market risk (continued)

Sensitivity Analysis (continued)

Price risk (continued) A depreciation of TZS by 100 basis points in the currency rates at the reporting date would have decreased profit by TZS 156 million and equity (net of tax) by TZS 109 million and an inversely would have been the case for an appreciation of TZS. The analysis assumes that all other variables in particular foreign currency exchange rates remain constant.

At 31 December 2022	Profit or loss Strengthening/ weakening of currency TZS '000	Equity net of tax Strengthening/ weakening of currency TZS '000
USD (± 1% movement)	1,715	1,200
GBP (± 1% movement)	1,917	1,342
EUR (± 1% movement)	478	335
Other (± 1% movement)	1,169	818
Net Position	**5,279**	**3,695**

A depreciation of TZS by 100 basis points in the currency rates at the reporting date would have decrease loss by TZS 5.2 million and equity (net of tax) by TZS 3.7 million and an inversely would have been the case for an appreciation of TZS by 100. The analysis assumes that all other variables in particular foreign currency exchange rates remain constant.

Price risk

The Bank are exposed to equity securities price risk because of investment in Tanzania Mortgage Refinance Company (TMRC) shares and investments in government securities that are measured at fair value through other comprehensive income (FVOCI). The Bank diversifies its portfolio in order to manage price risk arising from investments in equity and debt securities.

In determining the fair value of unquoted equity investment in TMRC, the Bank used a price of recent transaction of the shares of the Company. If the price of the shares would have increased/decreased by 10% the fair value of the investments would have been increased/decreased by TZS 25.3 million (2022: TZS 25.3 million).

If the price of the Government Securities that are measured at FVOCI would have increased/decreased by 10% the fair value of the investments would have been increased/decreased by TZS 8.6 million (2022: TZS 4.9 million).

If the price of the Government Securities that are measured at FVTPL would have increased/decreased by 10% the fair value of the investments would have been increased/decreased by TZS 3.6 million (2022: Nil).

(d) Capital management

The Bank of Tanzania sets and monitors capital requirements for the Tanzania banking industry. The Bank of Tanzania has set among other measures, the rules and ratios to monitor adequacy of a bank's capital. In implementing current capital requirements, The Bank of Tanzania requires Banks to maintain a prescribed ratio of total capital to total risk-weighted assets. The Bank's regulatory is analysed in two tiers:

- Tier 1 capital: This includes ordinary share capital, share premium, retained earnings, after deductions for prepaid expenses, goodwill, other intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital: This includes qualifying subordinated liabilities, collective impairment allowances and the element of fair value reserve relating to unrealized gains on equity instruments classified as FVOCI.

Various limits are applied to elements of the capital base such as qualifying Tier 2 capital cannot exceed Tier 1 capital and qualifying subordinated debt may not exceed 50 percent of Tier 1 capital. There are also restrictions on the amount of collective impairment allowances that may be included as part of Tier 2 capital. Tier 1 capital is also subjected to various limits such as Tier 1 capital should not be less than 10 percent of the risk weighted assets. In addition to the above requirements, the Bank of Tanzania require banks to maintain a capital conservation buffer of 2.5% over and above the regulatory capital ratios to enable the Bank to withstand stressful economic conditions. In situations where the buffer is less than 2.5%, the Bank is restricted from distributing any dividends to shareholders as well as paying bonus to senior management and other staff members. Further the Bank is required to submit a capital restoration plan to the Bank of Tanzania (BoT) within a specified period of time as determined by BoT. In the event the capital restoration plan is not approved by BoT, the Bank may be directed to raise additional capital in order to restore the capital conservation buffer.

The Bank's regulatory capital position is as illustrated below:

4. FINANCIAL RISK MANAGEMENT (Continued)

(d) Capital management (continued)

	2023 TZS '000	2022 TZS '000
Core capital (Tier 1)		
Share capital	23,954,016	23,192,000
Share premium	31,528,228	18,090,228
Retained earnings	27,152,132	39,190,834
	82,634,376	**80,473,062**
Less: Prepaid expenses	(1,809,906)	(1,767,587)
Deferred tax asset	(12,332,516)	(11,331,443)
Total Core capital	**68,491,954**	**67,374,032**
Supplementary capital (Tier 2)		
Statutory reserve	21,685,733	4,879,194
Fair value reserve	285,748	335,150
	21,971,481	**5,214,344**
Total capital	**90,463,435**	**72,588,376**
Risk weighted assets		
On balance sheet	419,307,628	355,449,167
Off balance sheet	36,534,619	54,713,906
Capital charge on operational risk	38,082,325	30,141,488
Capital charge for market risk	1,505,646	2,485,731
Total risk weighted assets	**495,430,218**	**442,790,292**

Capital ratios	Minimum*	Ratio	Ratio
Core capital /Total risk weighted assets	10%	13.82%	15.22%
Total capital /Total risk weighted assets	12%	18.26%	16.39%

*The minimum as defined by Bank of Tanzania on top of which the Bank should have a buffer of 2.5% for both core and total capital.

As at 31 December, 2023, the Bank had a capital conservation buffer of 3.82% and 6.26% for Tier 1 and Tier 2 Capital respectively.

(e) Compliance and regulatory risk

Compliance and regulatory risk include the risk of bearing the consequences of non-compliance with regulatory requirements. The compliance function is responsible for establishing and maintaining an appropriate framework of Bank compliance policies and procedures. Compliance with such policies and procedures is the responsibility of all managers.

5. USE OF ESTIMATES AND JUDGEMENT

Key sources of estimation uncertainty

(a) Allowance for credit losses

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 3(f) (iii) which also sets out key sensitivities of the ECL to changes in these elements.

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

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

(b) Income taxes

Significant estimates are required in determining the liability for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax balances and deferred tax liability in the period in which such determination is made.

(c) Property and equipment

Property and equipment is depreciated over its useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programs are taken into account which involves extensive subjective judgment. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. The rates used are set out under accounting policy Note 3(i).

(d) Leases

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For the leases of office space, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Bank is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Bank is typically reasonably certain to extend (or not terminate).
- Otherwise, the Bank considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset. Most extension options in offices have not been included in the lease liability, because the Bank could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Bank becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Bank.

To determine the incremental borrowing rate, the bank where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

(e) Financial Instruments - Classification

Critical accounting judgements made in applying the Bank's accounting policies include financial asset and liability classification. The Bank's accounting policies provide scope for assets and liabilities to be designated at inception into different accounting categories in certain circumstances.

In classifying financial assets as at amortised costs, the Bank has determined that it has both positive intention and ability to hold the assets until their maturity date as required by the bank's accounting policies.

(f) Fair valuation of financial instruments

The fair value of financial instruments traded in active markets at the financial reporting date is based on their quoted bid market price or dealer price quotations without any deductions for transaction costs. For all other financial assets not listed in an active market, the fair value is determined by using appropriate valuation techniques. \

In determining the fair value of government securities that are designated as fair value through other comprehensive income, the Bank uses yields of similar instruments traded in Bank of Tanzania's auctions. Changes in valuation assumptions could affect the reported fair value of financial instruments.

6. FAIR VALUE HEIRARCHY FOR ASSETS CARRIED AT FAIR VALUE

Accounting classifications at carrying amounts and fair values

The tables below show the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities measured at amortised cost (not measured at fair value) since the carrying amount is a reasonable approximation of fair value because they re-price in the short term.

31 December 2023	Carrying amounts					Fair value			
	Financial assets at	Financial assets at FVOCI	Financial assets at FVTPL	Financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Financial assets									
Cash and balances with Bank of Tanzania		-	-	-	51,793,458	-	-	-	-
Items in the course of collection	444,221	-	-	-	444,221	-	-	-	-
Government securities measured at (FVOCI)	-	1,539,707	-	-	1,539,707	-	1,539,707	-	1,539,707
Government securities measured at (FVTPL)	-	-	3,192,275		3,192,275		3,192,275		3,192,275
Government securities measured at amortised cost		-	-	-	151,753,391	-	153,699,562	-	153,699,562
Equity Investment	-	1,013,750			1,013,750		-	1,013,750	1,013,750
Loans and advances to banks		-	-	-	39,543,172	-	-	-	-
Loans and advances to customers		-	-	-	449,814,091	-	-	-	-
Due from group companies	3,765,445	-	-	-	3,765,445	-	-	-	-
Other assets	5,357,425				5,357,425				
31 December 2023		2,553,457	3,192,275	-	708,216,935	-	158,431,544	1,013,750	159,445,294
Financial liabilities									
Deposits from banks	-	-	-	20,026,776	20,026,776	-	-	-	-
Deposits from customers	-	-	-	562,111,764	562,111,764	-	-	-	-
Due to group companies	-	-	-	32,498,784	32,498,784	-	-	-	-
Long term borrowings	-	-	-	3,276,176	3,276,176	-	-	-	-
Lease liabilities	-	-	-	8,040,421	8,040,421	-	-	-	-
Other liabilities	-	-	-	6,473,380	6,473,380			-	-
31 December 2023	**-**	**-**	**-**	**632,427,301**	**632,427,301**	**-**	**-**	**-**	**-**

6. FAIR VALUE HEIRARCHY FOR ASSETS CARRIED AT FAIR VALUE (Continued)

Accounting classifications at carrying amounts and fair values – continued

	Carrying amounts								Fair value
31 December 2022	**Financial assets at amortised cost**	**Financial assets at FVOCI**	**Financial assets at FVTPL**	**Financial liabilities at amortised cost**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
	TZS '000	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**
Financial assets									
Cash and balances with Bank of Tanzania	47,100,004	-	-	-	47,100,004	-	-	-	-
Loans and advances to banks	29,530,809	-	-	-	29,530,809	-	-	-	-
Loans and advances to customers	365,971,688	-	-	-	365,971,688	-	-	-	-
Due from group companies	1,370,188	-	-	-	1,370,188	-	-	-	-
Government securities measured at (FVOCI)	-	4,066,820	-	-	4,066,820	-	4,066,820	-	4,066,820
Government securities at amortised cost	121,144,674	-	-	-	121,144,674	-	127,379,134	-	127,379,134
Equity Investment		1,013,750	-	-	1,013,750		-	1,013,750	1,013,750
Other assets	2,573,239	-	-	-	2,573,239	-	-	-	-
31 December 2022	**567,690,602**	**5,080,570**	**-**	**-**	**572,771,172**	**-**	**131,445,954**	**1,013,750-**	**132,459,704**
Financial liabilities									
Deposits from banks	-	-	-	16,014,088	16,014,088	-	-	-	-
Deposits from customers	-	-	-	454,193,330	454,193,330	-	-	-	-
Due to group companies	-	-	-	16,648,672	16,648,672	-	-	-	-
Long term borrowings	-	-	-	12,857,355	12,857,355	-	-	-	-
Lease liabilities	-	-	-	2,165,619	2,165,619	-	-	-	-
Other liabilities	-	-	-	5,428,209	5,428,209	-	-	-	-
31 December 2022	**-**	**-**	**-**	**507,307,273**	**507,307,273**	**-**	**-**	**-**	**-**

7. INTEREST INCOME

	2023 TZS '000	2022 TZS '000
Loans and advances to customers	56,324,575	41,260,181
Loans and advances to banks	1,362,740	1,385,742
Investment securities: -		
- At amortised cost	14,576,261	11,886,301
-At FVOCI	272,094	246,251
	72,535,670	**54,778,475**

8. INTEREST EXPENSE

Deposits from customers	22,803,561	20,767,569
Deposits from banks	1,537,868	606,323
Long term debt	789,446	1,259,604
Lease liabilities	250,569	308,759
	25,381,444	**22,942,255**

9. NET FEE AND COMMISSION INCOME

Fee and commission income		
Commissions	3,642,590	4,149,715
Service fees	2,103,536	2,745,792
Commission on Bancassurance	161,049	74,493
	5,907,175	**6,970,000**
Fees and commission expense		
Interbank transaction fees	(73,638)	(11,627)
Net fee and commission income	**5,833,537**	**6,958,373**

10. NET TRADING INCOME

Income from foreign exchange dealings	**6,654,703**	**4,306,704**

11. OTHER OPERATING INCOME

Other income	137,744	28,606
	137,744	**28,606**

12. DIVIDEND INCOME

Dividend income-Tanzania Mortgage Refinancing Company Limited	**20,756**	**15,519**

13. OPERATING EXPENSES

	2023 TZS '000	2022 TZS '000
Staff costs		
Salaries and wages	11,518,455	11,049,680
Defined benefit contribution	1,073,719	1,032,293
Skills and Development levy	416,400	434,071
Medical and Life Insurance	688,848	646,355
Staff Traning and HR systems costs	70,496	117,062
Other staff costs	848,598	891,307
	14,616,516	**14,170,768**
Premises and equipment costs		
Utilities	168,648	163,513
Security	454,829	400,944
Service charge and other costs	267,687	424,494
	891,164	**988,951**
General administrative expenses		
Deposit protection insurance contribution	683,100	601,736
Auditor's fees	168,012	152,108
Directors' emoluments	270,027	253,765
Marketing expenses	278,353	272,860
Management fees	1,585,087	978,587
Donations	36,000	36,000
Insurance	338,512	303,979
Subscriptions	134,277	143,996
Printing and Stationery	135,339	136,991
Network costs	1,704,450	1,400,912
Legal and consultancy fees	747,825	870,886
Kamilisha expenses	2,661,771	1,033,450
License fees	864,097	1,093,551
Bancassurance expenses	21,523	7,446
Provision for tax assessment	-	1,149,788
Write-offs of Property and Equipment	59,885	20,568
Other expenses	6,803,641	3,991,336
	16,491,899	**12,447,959**
Depreciation and Amortisation		
Depreciation on property and equipment (Note 21)	1,029,966	1,371,586
Depreciation on right of use asset (Note 21)	528,775	1,121,821
Amortisation of intangible assets (Note 22)	1,770,468	1,656,373
	3,329,209	**4,149,780**

14. TAXATION

(a) Income tax expense/(credit)

	2023 TZS '000	2022 TZS '000
Current income tax - current year	1,888,110	843,111
Current income tax - prior years	(312,466)	(5,928)
Deferred tax -current year	744,728	(4,029,671)
Deferred tax - prior years	(1,729,687)	(391,679)
Income tax expense/(credit)	**590,685**	**(3,584,167)**

(b) Tax reconciliation

The tax on the Bank's profit/(loss) before income tax differs from the theoretical amount using the basic rate as follows:

Profit/(Loss) before income tax	**5,358,522**	**(13,515,113)**
Computed tax using the applicable corporation tax rate at 30%	1,607,557	(4,054,534)
Effect on non-deductible expenses	36,713	1,419,818
Effect on non-deductible income	(16,363)	(551,844)
Over-provision of current tax in prior years	-	(5,928)
Over-provision of deferred tax in prior years	-	(391,679)
Other adjustments	(1,037,222)	-
	590,685	**(3,584,167)**

Current income tax recoverable

At 1 January	(1,406,582)	240,382
Income tax expense (Note 14(a))	1,575,644	837,183
Tax paid	(2,670,000)	(2,484,147)
At 31 December	**(2,500,938)**	**(1,406,582)**

15 CASH AND BALANCES WITH BANK OF TANZANIA

Cash on hand	5,985,059	7,010,193
Short term money market placements		
Balances with Bank of Tanzania:		
-Restricted balances (Cash reserve ratio)	31,389,470	25,307,950
-Unrestricted balances	14,418,929	14,781,861
	51,793,458	**47,100,004**

The Statutory Minimum Reserve is non-interest earning and is based on the value of deposits as adjusted for Bank of Tanzania requirement and is not available for day-to-day operations. As at 31 December 2023, the statutory minimum reserve ratio was 6% (2022: 6%) of eligible deposits.

16. ITEMS IN THE COURSE OF COLLECTION

	2023 TZS '000	2022 TZS '000
Assets	**444,221**	**-**

Items in the course of collection represent net settlement balances through the inter-banking clearing process.

17. LOANS AND ADVANCES TO BANKs

Balances with other Banks	24,771,936	9,433,329
Placements:		
Due within 90 Days	8,521,236	19,733,836
Due after 90 days	6,250,000	363,644
	39,543,172	**29,530,809**

18. LOANS AND ADVANCES TO CUSTOMERS

(a) Net Loans

Overdrafts	184,289,015	143,180,768
Secured term loans	293,006,542	244,646,132
Digital lending	9,120,657	7,497,660
Unsecured term loans	2,122,215	4,706,013
Gross loans and advances	**488,538,429**	**400,030,573**
Less: Impairment losses on loans and advances	(38,724,338)	(34,058,885)
Net loans and advances	**449,814,091**	**365,971,688**

(b) Non-performing loans and advances

Non-performing loans and advances net of impairment losses and estimated value of securities are disclosed in Note 4(a).

Interest on impaired loans and advances which has not yet been received in cash	**11,537,234**	**13,143,372**

(c) Impairment losses on loans and advances movement

2023:	Loans and advances to Customers at amortised cost TZS '000	Loan commitments and financial guarantee contracts TZS '000	Total TZS '000
Net remeasurement of loss allowance	14,841,460	164,776	15,006,236
New financial assets originated or purchased	62,069	-	62,069
	14,903,529	**164,776**	**15,068,305**
Recoveries and impairment no longer required	(4,308,979)	-	(4,308,979)
Write-offs	8,556,818	-	8,556,818
	19,151,368	**164,776**	**19,316,144**

18. LOANS AND ADVANCES TO CUSTOMERS (continued)

(c) Impairment losses on loans and advances movement (continued)

2022:	Loans and advances to Customers at amortised cost	Loan commitments and financial guarantee contracts	Total
	TZS '000	TZS '000	TZS '000
Net remeasurement of loss allowance	20,072,858	(196,066)	19,876,792
New financial assets originated or purchased	15,664	-	15,664
	20,088,522	**(196,066)**	**19,892,456**
Recoveries and impairment no longer required	-	-	-
Write-offs	5,390,822	-	5,390,822
	25,479,344	**(196,066)**	**25,283,278**

	2023	2022
	TZS '000	TZS '000
Balance at 1 January	34,058,885	20,073,941
Charge for the year	19,151,368	25,479,344
Write offs	(14,485,915)	(11,494,400)
Balance at 31 December	**38,724,338**	**34,058,885**

(d) Gross Loans and advances concentration by sector

	2023		2022	
	TZS '000	%	TZS '000	%
Manufacturing	125,212,383	26%	85,799,604	21%
Wholesale and retail trade	118,805,211	24%	69,433,114	17%
Building and construction	24,707,711	5%	23,913,437	6%
Agriculture	30,109,229	6%	25,343,121	6%
Real estate	77,393,787	16%	84,231,406	21%
Transport and communication	26,887,273	6%	18,607,488	5%
Business services	9,936,883	2%	9,369,840	2%
Mining and quarrying	7,596,119	2%	8,031,860	2%
Others	67,889,833	14%	75,300,703	19%
	488,538,429	**100%**	**400,030,573**	100%

19. INVESTMENT IN GOVERNMENT SECURITIES

(a) Government securities at amortised cost

	2023 TZS '000	2022 TZS '000
Treasury bills (current)	52,228,917	22,627,954
Treasury bonds (current)	16,451,103	22,005,188
Treasury bonds (non-current)	83,073,371	76,511,532
	151,753,391	**121,144,674**

Treasury Bills and Bonds are debt securities issued by the Government of the United Republic of Tanzania and during the year the effective interest rate was 9.43% (2022: 9.8%).

The movement of financial assets measured at amortised cost during the year was as follows:

At 1 January	121,144,674	112,848,689
Additions	66,198,416	41,135,855
Matured securities	(39,865,000)	(38,688,154)
Interest receivable	4,275,301	5,848,284
At 31 December	**151,753,391**	**121,144,674**

(b) Government securities measured at fair value through other comprehensive income (FVOCI)

The Bank has invested in various treasury bonds that are designated at fair value through other comprehensive income. The movement in these securities is as follows:

Treasury Bonds	2023 TZS '000	2022 TZS '000
At 1 January	4,066,820	1,062,305
Additions	13,481,266	6,321,877
Disposals	(15,984,538)	(3,488,063)
Gain in fair value	(49,402)	81,259
Interest receivable	25,561	89,442
At 31 December - Non-current	**1,539,707**	**4,066,820**

19. INVESTMENT IN GOVERNMENT SECURITIES

(c) Government securities measured at fair value through profit and loss (FVTPL)

The Bank has invested in various treasury bonds that are designated at fair value through Profit or Loss. The movement in these securities is as follows:

Treasury Bonds	2023 TZS '000	2022 TZS '000
At 1 January	-	-
Additions	22,930,000	-
Disposals	(19,782,195)	-
Gain in fair value	36,470	-
Interest receivable	8,000	-
At 31 December -Non-current	**3,192,275**	**-**

20. EQUITY INVESTMENT

Investment at fair value through other comprehensive income (FVOCI)

Company name	2023 TZS '000	2022 TZS '000
Tanzania Mortgage Refinancing Company Limited	**1,013,750**	**1,013,750**

Tanzania Mortgage Refinance Company (TMRC) is a financial institution owned by banks and non-bank institutions with the sole purpose of supporting banks to do mortgage lending by refinancing banks' mortgage portfolios.

As at 31 December 2023, the Bank had 625,000 shares (2022: 625,000) in TMRC.

21. PROPERTY AND EQUIPMENT AND RIGHT OF USE ASSET

2023	Leasehold improvements	Furniture, fittings, fixtures and office equipment	Computers	Motor vehicles	Right of use assets*	Capital work in progress	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Cost							
At 1 January 2023	4,100,109	7,904,718	1,014,709	634,161	5,145,448	308,781	19,107,926
Additions	-	93,614	89,446	-	7,116,817	-	7,299,877
Disposals	-	(224,749)	-	(15,033)	-	-	(239,782)
Transfer to Intangible assets	-	-	-	-	-	(308,781)	(308,781)
Modification	-	-	-	-	(22,863)	-	(22,863)
At 31 December 2023	**4,100,109**	**7,773,583**	**1,104,155**	**619,128**	**12,239,402**	**-**	**25,836,377**
Depreciation							
At 1 January 2023	3,391,940	4,756,419	798,755	408,495	3,685,856	-	13,041,465
On disposals	-	(164,864)	-	(15,033)	-	-	(179,897)
Charge for the year	190,344	669,923	102,877	66,822	528,775	-	1,558,741
At 31 December 2023	**3,582,284**	**5,261,478**	**901,632**	**460,284**	**4,214,631**	**-**	**14,420,309**
Net book value at 31 December 2023	**517,825**	**2,512,105**	**202,523**	**158,844**	**8,024,771**	**-**	**11,416,068**

* Right of use assets comprises of leased branch premises, residential apartments and head office.

21. PROPERTY AND EQUIPMENT AND RIGHT OF USE ASSET (Continued)

2022	Leasehold improvements TZS '000	Furniture, fittings, fixtures and office equipment TZS '000	Computers TZS '000	Motor vehicles TZS '000	Right of use assets* TZS '000	Capital work in progress TZS '000	Total TZS '000
Cost							
At 1 January 2022	4,094,701	7,073,775	981,929	449,128	4,758,928	250,644	17,609,105
Additions	5,408	831,009	32,780	185,033	882,272	58,137	1,994,639
Modification	-	(66)	-	-	(495,752)	-	(495,818)
At 31 December 2022	**4,100,109**	**7,904,718**	**1,014,709**	**634,161**	**5,145,448**	**308,781**	**19,107,926**
Depreciation							
At 1 January 2022	2,958,045	3,942,350	705,276	358,081	2,563,804	-	10,527,556
Adjustment	-	-	20,205	-	-	-	20,205
Write-offs	-	66	-	-	231	-	297
Charge for the year	433,895	814,003	73,274	50,414	1,121,821	-	2,493,407
At 31 December 2022	**3,391,940**	**4,756,419**	**798,755**	**408,495**	**3,685,856**	**-**	**13,041,465**
Net book value at 31 December 2022	**708,169**	**3,148,299**	**215,954**	**225,666**	**1,459,592**	**308,781**	**6,066,461**

* Right of use assets comprises of leased branch premises and head office.

22. INTANGIBLE ASSETS

Intangible assets relate to software.

2023	**Computer Software**	**Capital Work in Progress**	**Computer Software**
Cost	**TZS '000**		**TZS '000**
At 1 January 2023	10,173,311	-	10,173,311
Additions	1,009,597	511,398	1,520,995
Transfer from Property and Equipment and Right of Use Asset	-	308,781	308,781
Transfer from Work in Progress	304,626	(304,626)	-
At 31 December 2023	**11,487,534**	**515,553**	**12,003,087**
Amortisation			
At 1 January 2023	7,061,715	-	7,061,715
Amortisation for the year	1,770,468	-	1,770,468
At 31 December 2023	**8,832,183**	**-**	**8,832,183**
Carrying amount at 31 December 2023	**2,655,351**	**515,553**	**3,170,904**

2022			
Cost			
At 1 January 2022	10,045,069	-	10,045,069
Additions	128,242	-	128,242
At 31 December 2022	**10,173,311**	**-**	**10,173,311**
Amortisation			
At 1 January 2022	5,405,342	-	5,405,342
Amortisation for the year	1,656,373	-	1,656,373
At 31 December 2022	**7,061,715**		**7,061,715**
Carrying amount at 31 December 2022	**3,111,596**	**-**	**3,111,596**

23. DEFERRED TAX ASSET

2023	Balance at 1 January TZS '000	Recognized in equity TZS '000	Recognized in profit or loss TZS '000	Balance at 31 December TZS '000
Property and Equipment	(483,084)	-	479,212	(3,872)
Impairment losses on loans and advances	11,363,743	-	316,071	11,679,814
Provisions	185,275	-	127,290	312,565
Financial assets measured at fair value through other comprehensive income (FVOCI)	(97,004)	16,114	-	(80,890)
Right of use of asset (IFRS 16)	362,513	-	62,386	424,899
	11,331,443	**16,114**	**984,959**	**12,332,516**

2022	Balance at 1 January TZS '000	Recognized in equity TZS '000	Recognized in profit or loss TZS '000	Balance at 31 December TZS '000
Property and Equipment	(714,299)	-	231,215	(483,084)
Impairment losses on loans and advances	7,229,202	-	4,134,541	11,363,743
Provisions	206,706	-	(21,431)	185,275
Financial assets measured at fair value through other comprehensive income (FVOCI)	(108,811)	11,807	-	(97,004)
Right of use of asset (IFRS 16)	285,488	-	77,025	362,513
	6,898,286	**11,807**	**4,421,350**	**11,331,443**

24. OTHER ASSETS

	2023 TZS '000	2022 TZS '000
Prepayments	1,809,906	1,767,587
Tax receivables	427,259	533,998
Balance with mobile network operators	4,715,781	2,053,237
Other receivables	633,707	520,002
	7,586,653	**4,874,824**

All other assets are current.

25. DEPOSITS FROM BANKS

Due within 90 Days	**20,026,776**	**16,014,088**

26. DEPOSITS FROM CUSTOMERS

Current deposits	139,837,698	101,698,236
Savings deposits	68,020,648	58,487,107
Time deposits	352,799,835	290,516,046
Others	1,453,583	3,491,941
	562,111,764	**454,193,330**
Current	**446,450,896**	**395,768,015**
Non-current	**115,660,868**	**58,425,315**

27. PROVISIONS

Provisions for tax assessment - Current	**-**	**1,149,788**

28. OTHER LIABILITIES

Accruals	3,160,436	1,699,324
Deferred loan admistration fees	1,302,586	1,781,179
Statutory liabilities	1,322,474	1,019,598
Visa Settlement	2,862,558	2,632,048
Provisions for loan commitments and financial guarantee contracts*	208,371	43,595
Bankers cheques payable	328,226	315,771
Others	122,160	781,066
	9,306,811	**8,272,581**

All other liabilities are current.

*This represents impairment allowance for loan commitments and financial guarantee contracts.

29. LONG TERM BORROWINGS

	2023 TZS '000	2022 TZS '000
Less than one year	26,176	9,607,355
One to five years	3,250,000	3,250,000
	3,276,176	**12,857,355**
Loan movement schedule		
At 1 January	12,857,355	31,230,946
Funds received	-	9,340,000
Payments on principal and interest	(9,487,473)	(28,149,029)
Interest paid	(1,283,274)	(1,283,274)
Accrued Interest	789,446	1,259,604
Translation differences	400,122	459,108
At 31 December	**3,276,176**	**12,857,355**

Tanzania Mortgage Refinance Company Limited (TMRC)

The long-term borrowing of TZS 3,250 million was granted in two tranches of which(i) TZS 1,800 million was granted on 12 August 2022 with an effective rate of 7.5% for tenure of 5 years and (ii) TZS 1,450 million was granted on 30th August 2022 with an effective rate of 7.5% for a tenure of 3 years. The interest on the facility is repayable on a quarterly basis and the principal at maturity. The outstanding balance as at 31 December 2023 was TZS 3.28 billion (2022: TZS 3.28 billion).

Netherlands Development Finance Company (FMO)

The second-long term borrowing of USD 15 million granted on December 2018 by FMO as a senior debt for tenor of 5 years, of which an amount of USD 10 Million was received during the month of December 2018. The interest and principal on the facility is repayable on a quarterly basis. The effective interest rate on the second-long term borrowing is 8.37% p.a. The outstanding balance was fully paid on 15th December 2023.

The third long-term borrowing of USD 5 Million facility granted on 16th October 2020 by FMO as senior debt for a tenor of 3 years. The interest rate is 8.37% Per annum payable on quarterly basis. The outstanding balance was fully paid on 15th December 2023.

30. SHARE CAPITAL AND RESERVES

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Bank. All ordinary shares rank equally with regard to the Bank's residual assets.

(a) Authorized share capital

2023	Number of shares	TZS '000
Authorized - Ordinary A Class Shares		
At 31 December 2023 (par value TZS 1,000,000 each)	**50,000**	**50,000,000**
Authorized - Ordinary B Class Shares		
At 31 December 2023 (par value TZS 1,000,000 each)	**50,000**	**50,000,000**

2022	Number of shares	TZS '000
Authorized - Ordinary A Class Shares		
At 31 December 2022 (par value TZS 1,000,000 each)	**50,000**	**50,000,000**
Authorized - Ordinary B Class Shares		
At 31 December 2022 (par value TZS 1,000,000 each)	**50,000**	**50,000,000**

(b) Issued and fully paid up share capital

2023	Number of shares	Share Capital TZS '000	Share Premium TZS '000
Ordinary A Class Shares			
1 January 2023 (par value TZS 1,000,000 each)	**2,792**	**2,792,000**	**17,995,751**
Additional capital	**762**	**762,016**	**13,438,000**
At 31 December	**3,554**	**3,554,016**	**31,433,751**

2023			
Ordinary B Class Shares			
1 January 2023 (par value TZS 1,000,000 each)	**20,400**	**20,400,000**	**94,477**
At 31 December	**20,400**	**20,400,000**	**94,477**
Total	**23,954**	**23,954,016**	**31,528,228**

30. SHARE CAPITAL AND RESERVES (Continued)

(b) Issued and fully paid up share capital (continued)

2022	Number of shares	Share Capital TZS '000	Share Premium TZS '000
Ordinary A Class Shares			
1 January 2022 (par value TZS 1,000,000 each)	**2,792**	**2,792,000**	**17,995,751**
At 31 December	**2,792**	**2,792,000**	**17,995,751**

2022	Number of shares	Share Capital TZS '000	Share Premium TZS '000
Ordinary B Class Shares			
1 January 2022 (par value TZS 1,000,000 each)	**20,400**	**20,400,000**	**94,477**
At 31 December	**20,400**	**20,400,000**	**94,477**
Total	**23,192**	**23,192,000**	**18,090,228**

(c) Statutory reserve

Where impairment losses required by legislation or regulations exceed those computed under International Financial Reporting Standards (IFRSs), the excess is recognised as a statutory reserve and accounted for as an appropriation of retained profits and the reverse for reductions. These reserves are not distributable. During the year the statutory reserve amounted to TZS 21.7 Billion (2022: TZS 4.8 Billion).

(d) Fair Value Reserve

Fair value reserve comprises of the cumulative net change in the fair value of equity securities designated at FVOCI; and the cumulative net change in fair value of debt securities at FVOCI until the assets are derecognised or reclassified.

31. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Net cash flows generated from/(used in) operating activities

	Note	2023 TZS '000	2022 TZS '000
Cash flows from operating activities			
Profit/(loss) before income tax		5,358,522	(13,515,113)
Adjustments for:			
Depreciation on Property and Equipment	13	1,029,966	1,371,586
Depreciation on right of use asset	13	528,775	1,121,821
Amortisation of intangible asset	13	1,770,468	1,656,373
Disposal of Property and Equipment		59,885	20,568
Interest on lease liabilities	8	250,569	308,759
Net impairment on loans and advances	18	19,316,144	25,283,278
Interest on long term loans	29	789,446	1,259,604
Dividend income	12	(20,756)	(15,519)
Foreign exchange (gain)/loss on cash and cash equivalent		(1,889,906)	(270,475)
Foreign exchange loss on borrowings		400,122	459,108
Foreign exchange loss on lease liabilities		46,896	(59,096)
Fair value gain on FVTPL investment	19	(36,470)	-
		27,603,661	**17,620,894**
Increase/(decrease) in operating assets			
Movement in loans and advances to customers		(102,993,771)	(36,562,354)
Investment in government securities-amortised		(30,608,717)	(8,295,985)
Investment in securities-FVOCI		2,527,113	(2,935,063)
Investment in government securities-FVTPL		(3,192,276)	-
Due from group companies		(2,395,257)	583,811
Loans and advances to Banks		(5,886,356)	19,793,741
Cash and balances with Bank of Tanzania:			
– Cash Reserve Ratio		(6,081,520)	(1,497,253)
Other assets		(2,740,874)	(1,903,668)
		(151,371,658)	**(30,816,771)**
Increase/(decrease) in operating liabilities			
Customer deposits		107,918,434	17,977,073
Deposits from banks		4,012,688	12,512,670
Balances due to group companies		15,850,112	7,608,504
Provisions		(1,149,788)	1,149,788
Other liabilities		869,454	1,922,617
		127,500,900	**41,170,652**
Cash inflows generated from operating activities		**3,732,903**	**27,974,775**

31. NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

(b) Analysis of cash and cash equivalents

	Note	2023 TZS '000	2022 TZS '000	Change TZS '000
Cash and balances with Bank of Tanzania – excluding SMR	15	20,403,988	21,792,054	(1,388,066)
Items in the process of collection	16	444,221	-	444,221
Loans and advances to banks	17	33,293,172	29,167,165	4,126,007
		54,141,381	**50,959,219**	**3,182,162**

*Cash and balances with the Bank of Tanzania comprise cash on hand, short term money market placements and unrestricted balances with the Bank of Tanzania.

32. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS

In the ordinary course of business, the bank conduct business involving guarantees, acceptances and letters of credit. These facilities are offset by corresponding obligations of third parties. At the period end, the contingent liabilities were as follows:

	2023 TZS '000	2022 TZS '000
Contingencies related to:		
Letters of credit	17,076,505	34,736,444
Guarantees	46,206,334	48,619,924
Acceptances/undrawn balance	40,041,818	40,787,958
	103,324,657	**124,144,326**

Guarantees are generally written by a bank to support performance by a customer to third parties. The Bank will only be required to meet these obligations in the event of the customer's default.

Letters of credit commit the Bank to make payment to third parties, on production of documents, which are subsequently reimbursed by customers.

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Bank expects most acceptances to be presented and reimbursement by the customer is almost immediate.

Forward contracts are arrangements to buy or sell a specified quantity of foreign currency, usually on a specified future date at an agreed rate.

The fair values of the respective currency forwards are carried on the face of the balance sheet.

33. RELATED PARTY TRANSACTIONS

In the normal course of business, the Bank enters into transactions with related parties. These transactions relate to loans and advances and deposits which are issued or received from the related parties at market interest rates. There were no provisions held towards impairment of any of the advances to related parties. Other transactions relate to remuneration to directors and key management personnel.

	2023 TZS '000'	2022 TZS '000'
(a) Directors and key management personnel: Loans		
Loans outstanding at the beginning of the year	4,932,793	1,742,870
Loans issued during the year	2,749,761	5,904,166
Loan repayments during the year	(743,209)	(2,714,244)
Loans outstanding at the end of the year	**6,939,345**	**4,932,792**
Interest income earned	**594,426**	**422,544**
(b) Directors and key management personnel: Deposits		
Deposits at the beginning of the year	3,275,340	2,354,347
Deposits received during the year	22,575,882	5,570,114
Deposits repaid during the year	(21,497,529)	(4,649,121)
Deposits at the end of the year	**4,353,693**	**3,275,340**
Interest expense	**391,833**	**294,781**
(c) Amount due to/from related companies		
Balances outstanding with related companies were as follows:		
Amounts due from related parties		
I&M Bank Limited	3,394,694	1,351,439
I&M Bank Rwanda	370,751	18,749
	3,765,445	**1,370,188**
Amounts due to related parties		
I&M Bank Limited	26,268,304	1,883,223
I&M Bank Rwanda Plc	1,020,342	587,072
I&M Bank (Uganda) Limited	5,090,000	4,726,362
Bank One Limited	120,138	9,452,015
	32,498,784	**16,648,672**
(d) Management fees		
Management fees paid to I&M Bank Limited	**1,585,087**	**978,587**
(e) Key management compensation		
Salaries and other short-term benefits	3,080,033	3,507,424
Post-employment benefits	308,003	517,772
	3,388,036	**4,025,196**

Key management comprise of Chief Executive officer and all heads of departments.

33. RELATED PARTY TRANSACTIONS (CONTINUED)

(f) Directors' remuneration

Directors' remuneration is made up of short-term benefits

	2023 TZS '000	2022 TZS '000
Mr.Sarit Shah	7,412	23,382
Mr.Pratul H.Shah	26,206	30,441
Mr.Shameer Patel	39,471	39,471
Mr.Michael Shirima	6,000	25,500
Mr. Alan Mchaki	35,588	33,118
Emmanuel Johannes	28,323	25,853
Ambassador Amina Ali	24,088	18,794
Raeesha Fakira	27,618	3,529
Christopher Kihara Maina	11,448	-
Jamhuri Ngelime	5,093	-
Paresh Manek	22,566	-
Christian Shirima	17,008	-
Mr. Thierry Hugnin	-	20,559
Mr. Riyaz Takims	-	33,118
	250,821	**253,765**

34. CAPITAL COMMITMENTS

As at 31 December 2023, the Bank had capital commitments of TZS 12,336 million (2022: TZS 2,724 million) in respect of equipment and information technology. The expenditure committed as at the end of reporting period but not yet incurred is as follows:

Equipment	**12,336,100**	**2,724,163**

35. LEASES

See notes on financial risk management. Disclosure relating to lease commitments has been included in Note 4 (b), Liquidity risk.

(i) Lease liabilities

Expected to be settled within 12 months after the year end	1,516,616	921,472
Expected to be settled more than 12 months after the year end	6,523,805	1,244,147
	8,040,421	**2,165,619**
The total cash outflow for leases in the year was:	1,516,617	1,148,854
Payments of principal portion of the lease liability	1,266,048	840,095
Interest paid on lease liabilities	250,569	308,759
	1,516,617	**1,148,854**

35. LEASES (CONTINUED)

		2023 TZS'000	2022 TZS'000
(ii)	**Lease liability movement**		
	Balance at 1 January	2,165,619	2,678,291
	Additions	7,116,817	882,272
	Interest expense	250,569	308,759
	Lease payments	(1,516,617)	(1,148,854)
	Modification of leases	(22,863)	(495,752)
	Translation difference	46,896	(59,097)
	Balance at 31 December	**8,040,421**	**2,165,619**
(iii)	**Maturity analysis**		
	Non-cancellable operating lease commitments		
	Less than one year	2,408,625	1,006,162
	Between one and five years	8,789,733	1,174,152
	Total undiscounted lease liability	**11,198,358**	**2,180,314**
(iv)	**Amounts recognised in profit or loss**		
	Interest on lease liabilities (Note 8)	250,569	283,785
	Depreciation of right to use asset (Note 21)	528,775	1,121,821
		779,344	**1,405,606**

(v) Extension options

Some leases of office premises contain extension options exercisable by the Bank up to one term after the end of the non-cancellable contract period. Where practicable, the Bank seeks to include extension options in new leases to provide operational flexibility. The Bank assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Bank reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

36. SUBSEQUENT EVENTS

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

37. ULTIMATE HOLDING COMPANY

The ultimate holding company of the Bank is I&M Group PLC which is incorporated in Keny

I&M | Bank