AKIBA COMMERCIAL BANK PLC

benki kwa maendeleo yako

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2023

Driving Banking Transformation Through Digital Innovation

"At Akiba Commercial Bank, we harness the power of digital innovation to revolutionize banking, delivering seamless experiences and driving transformative change. Our commitment to innovation ensures that we stay ahead, empowering our customers and shaping the future of finance."

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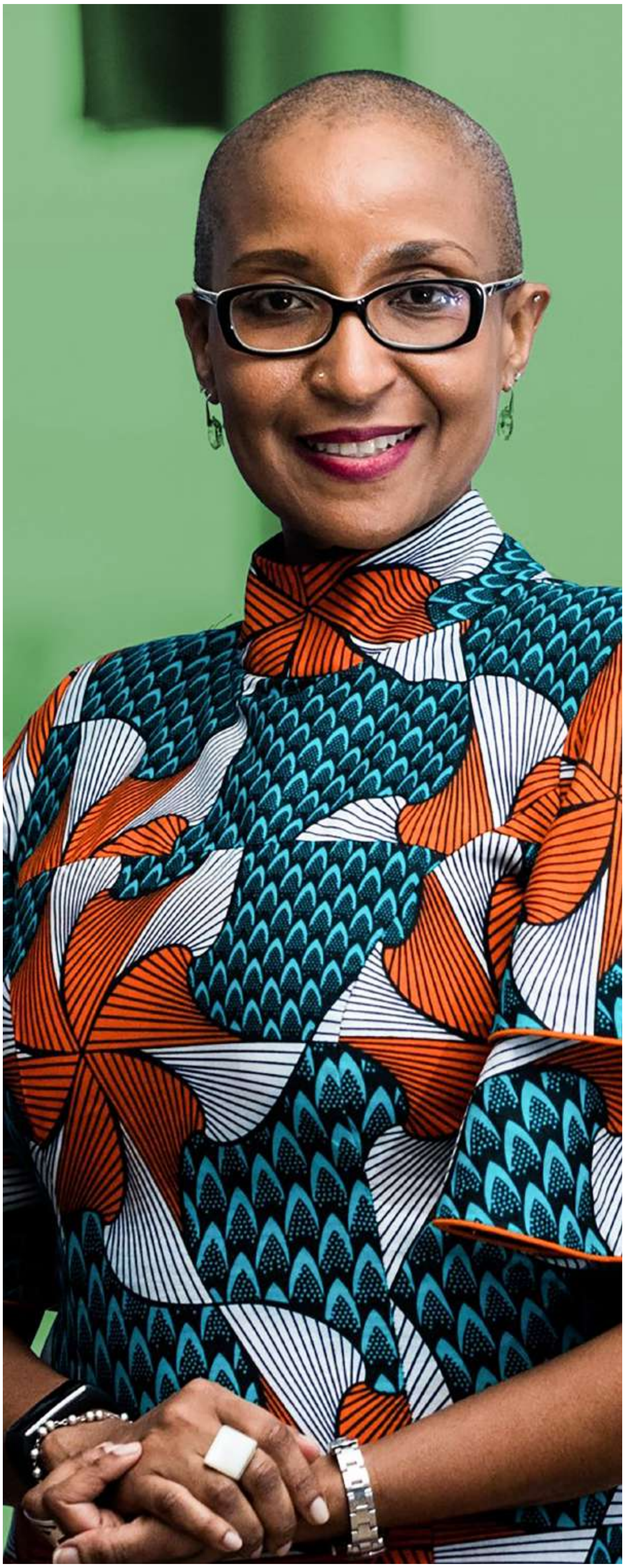


Throughout the year, we navigated through a rapidly changing business environment, adapting to new market trends and regulations.

Dear Shareholders,

As we reflect on the past year, we are proud to share with you the successes and challenges that Akiba Commercial Bank faced in 2023. Our Audited Financial Statements demonstrate our commitment to financial transparency and accountability, showcasing our strong financial performance and stability.

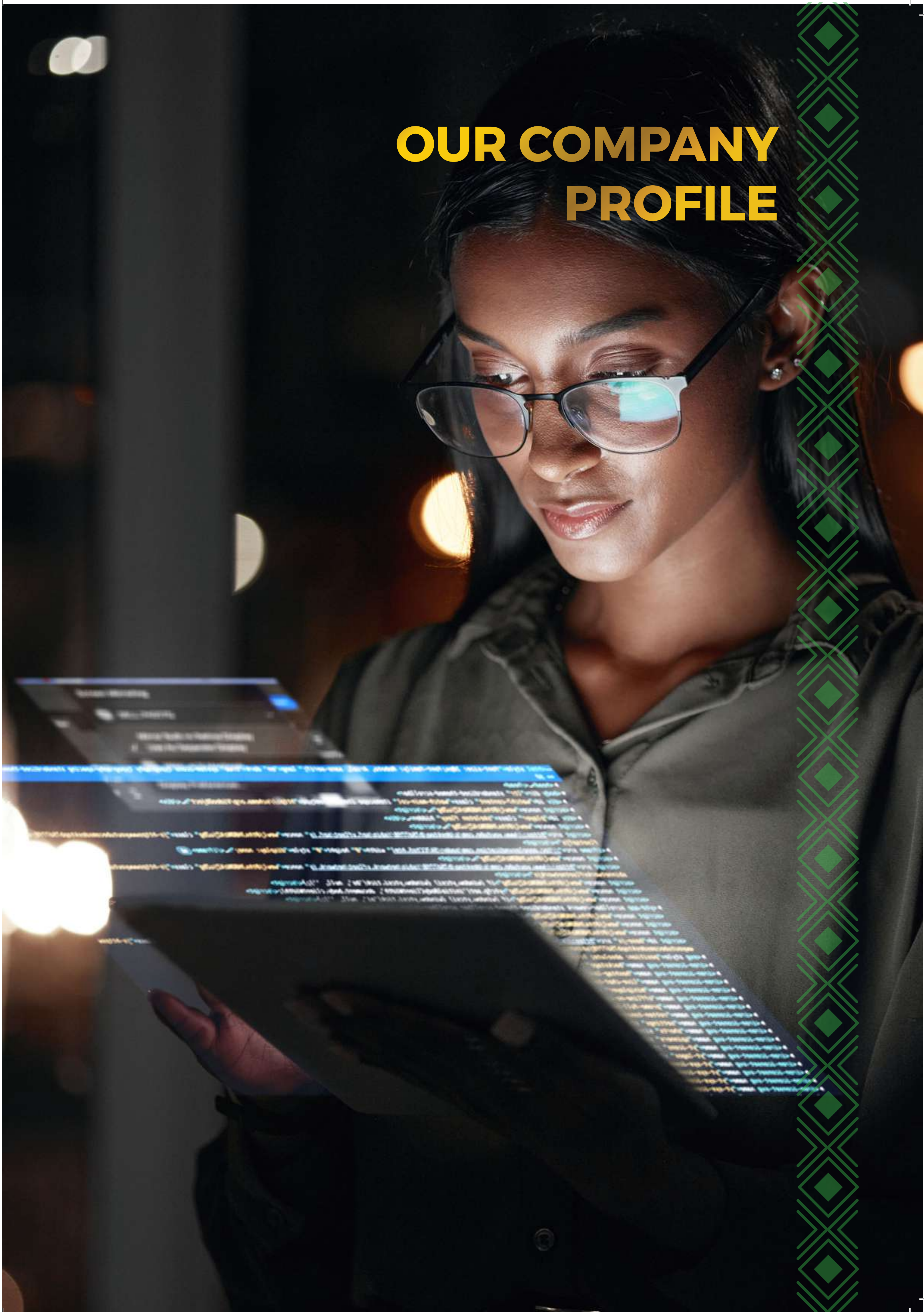
Throughout the year, we navigated through a rapidly changing business environment, adapting to new market trends and regulations. Despite these challenges, we were able to achieve significant milestones and accomplishments, thanks to the dedication and hard work of our employees.

Looking ahead, we are excited about the future prospects for Akiba Commercial Bank. We have identified key opportunities for growth and expansion, as well as strategies to mitigate risks and challenges. With your continued support and trust, we are confident that we will continue to thrive in the years to come.

Thank you for your ongoing partnership with us. We value your feedback and input, and look forward to working together towards a successful future.

Yours faithfully,
Catherine Kimaryo
Board Chairperson

OUR COMPANY PROFILE



OUR HISTORY

Akiba Commercial Bank Plc commenced banking operations in August 1997 as an initiative of over 300 Tanzanian entrepreneurs who were inspired to move into micro-finance, by the moral and economical concern for the plight of millions of Tanzanians. These founding members were bound together by a strong conviction that in Akiba Commercial Bank Plc they will have the vehicle through which they would reach and help transform the lives of previously unbanked and commercially ill-equipped people around the country.

The bank's essence was to support the emergence of start-up Tanzanian businesses through the provision of financial services at all levels by a Tanzanian-owned commercial bank which understood the people it aimed to serve and was committed to. This was the original, very firm and deep-rooted mission of its founding members. Akiba's main target markets were small and medium sized entrepreneurs, companies, and community banks.

Today Akiba has expanded its services beyond Dar es Salaam successfully establishing itself as a strong presence in the Tanzanian banking sector which has one of the highest numbers of banks in Africa. Akiba has also broadened its reach enabling it to provide financial services to customers of all levels including college and university students, entire families, homeowners, business owners, as well as private operations.

Akiba Commercial Bank Plc currently provides banking services at 17 branch locations in Tanzania. The bank recently acquired substantial capital injection from a strategic Investor and partner, the National Bank of Malawi. The capital as well as partnership with NBM is expected to broaden the bank's products and services and to improve its technology in service delivery through various state of art Digital Banking channels such as VISA, Internet Banking, Mobile App and Agency banking.

OUR PHILOSOPHY

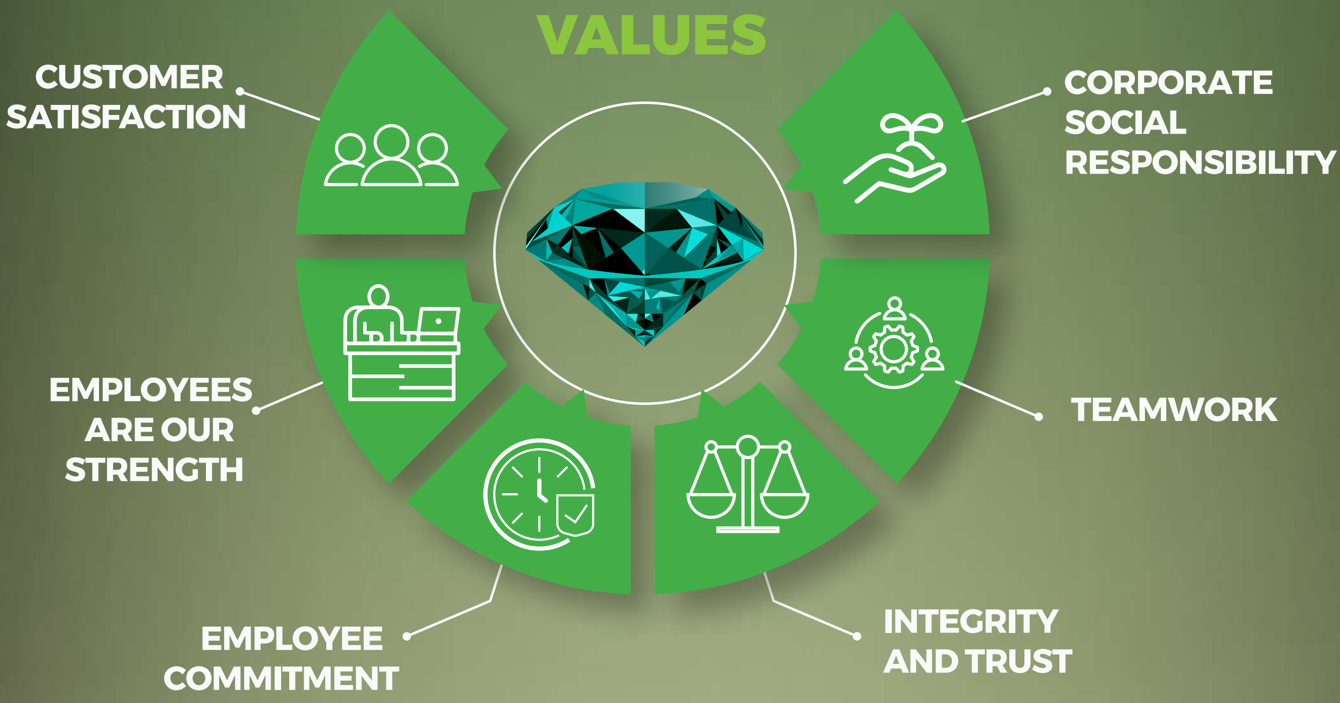
OUR VISION

To be the bank of choice

OUR MISSION

To provide inclusive innovative financial solutions in the most efficient and sustainable manner

OUR VALUES



Corporate Banking

Retail Banking

We provide a comprehensive suite of wholesale banking solutions, encompassing investment banking, corporate lending, global markets and treasury services, commercial-property finance, deposit-taking, and transactional banking.

Our extensive array of services includes transactional banking, card and payment solutions, lending options, deposit-taking services, card-acquiring services tailored for businesses, as well as agency and technology-driven banking solutions.

WHO WE SERVE

For corporates, institutions, and parastatals with a substantial annual turnover

For individuals, MSEs, SMEs, AMCOs, investment groups, and SACCOs

Partnering with VISA, we provide a secure and convenient purchasing experience. Enjoy fraud protection and spending tracking with added security. Our VISA cards offer exclusive rewards and discounts, perfect for savvy online and POS shoppers.

Our Coverage

We are dedicated to extending our reach across every corner of the nation, leveraging state-of-the-art digital systems and a widespread network of Banking Agents (Wakala) spanning Tanzania. Our steadfast commitment to delivering superior service underscores our promise to customers.

MAIN BRANCH: AMANI PLACE | DODOMA | UBUNGO | MWANZA | ILALA | MBAGALA | TANDALE | AGGREY KARIAKOO | MBEYA | TEGETA | BUGURUNI | ARUSHA | KIJITONYAMA | MOSHI | TEMEKE | UKONGA

Treasury and Capital Markets

We offer a diverse range of services covering foreign trading and exchange, comprehensive advisory support for capital market investments, and fully integrated custodial services encompassing safekeeping, asset servicing, and meticulous record-keeping

For affluent individuals, along with retail, business, and corporate clientele.

Digital Banking

Our robust online banking platform ensures secure and convenient financial management. With user-friendly design and top-tier security, users enjoy anytime, anywhere access. Experience peace of mind knowing your money is safe and easily accessible.

Digital banking provides convenient, 24/7 access to financial services

"Akiba Commercial Bank's BIMIKA services offer customers comprehensive insurance solutions conveniently integrated into their banking experience. With seamless access to a range of insurance products, we ensure peace of mind and financial security for our clients."

ACB mobile BENKI KIGANJANI

ACB Mobile, with its cutting-edge technology and innovative solutions, keeps you seamlessly connected. With a wide array of mobile devices and reliable customer service, it's your ideal companion for maximizing your mobile experience.

ACB INTERNET BANKING

ACB Internet Banking offers convenient access to your accounts, anytime, anywhere, with features like bill payments and transfers. Our commitment is to empower Tanzanians with premier financial solutions, aiding them in achieving their goals.

AKIBA WAKALA Huduma Zaidi

Akiba Wakala brings banking services to your community, offering convenient access right in your neighborhood.

Our Timeline

1997	2000	2001	2003	2004	2005	2007	2008
MAIN BRANCH OPENING	UBUNGO BRANCH OPENING (started at Manzese, shifted to Ubungo Plaza building 2005)	KARIAKOO BRANCH OPENING	BUGURUNI BRANCH OPENING	ARUSHA BRANCH OPENING	KIJITONYAMA BRANCH OPENING	MOSHI BRANCH OPENING	1ST ATM TEGETA BRANCH OPENING


2009
MBAGALA & KINONDONI BRANCHES OPENING
2010
SHIFTED THE HQ FROM TDFL BUILDING TO AMANI PLACE, OHIO STREET
UKONGA, ILALA & AGGREY BRANCHES OPENING
2011
ACB mobile BENKI KIGANJANI
LAUCHED MOBILE BANKING SERVICE
TEMEKE & TANDALE BRANCHES OPENING
2013
DODOMA BRANCH OPENING
2015
MBEYA & MWANZA BRANCHES OPENING
2021
AKIBA WAKALA Huduma Zaidi
LAUNCH OF AKIBA WAKALA
2022
DIGITAL TRANSFORMATION JOURNEY

NATIONAL BANK OF MALAWI PLC

National Bank of Malawi plc is the leading bank in Malawi with a network of 33 Service Centres and over 130 Auto Teller Machines (ATMs), providing the Bank's customers 24/7 access to their accounts. The National Bank ATMs, branded Moneycard, also accept VISA and Mastercards. In order to facilitate payment and to make Malawi a cashless society, the Bank has installed over 1100 Point of Sale Devices (POS) in approximately 800 leading merchant shops, hotels, restaurants, hospitals and lodges. The Bank offers ease of use and convenience through its digital banking platforms - Mo626 Digital + mobile app and the BankNet 360 internet banking service. BankNet 360 is available for both Corporate and Personal customers. Detailed information on these platforms may be obtained from www.natbank.co.mw.

This is the final year in the Bank's Five-Year Strategic Plan (2018 - 2022) implementation. In this strategic cycle; the Bank has achieved significant milestones in its Digitisation drive, new product offerings and process optimisation. Notably, in the penultimate year of its current Strategic Plan, the Bank expanded its geographic footprint into the region through acquisition of shareholding in Akiba Commercial Bank Plc (ACB) situated in Tanzania. ACB has strong roots for Small to Medium Enterprises (SMEs) and operates in 18 branches across Tanzania.

The Bank continues to make inroads on the use of data metrics to inform its decision making in response to current market requirements. The Bank draws its strength and success from its versatile Board which comprises a team of thirteen executive and non-executive directors as well as dedicated and passionate management and staff

The Bank's versatile management is well equipped to deal with both retail and corporate requirements with offerings that range from personal loans, consumer finance, home loans, working capital finance, project finance, agriculture loans, finance for imports and exports, to more complicated structures such as international trade finance, mortgages, and asset finance.

National Bank's Service Centre managers draw support from heads of functions at head office who have specialist skills and knowledge in credit management, treasury services, international trade, information technology, mortgages, asset finance, and legal aspects of banking, among others. As a highly respected corporate citizen in Malawi, National Bank of Malawi Plc is committed to making Corporate Social Investments to aid development of the Nation.

For further information, please contact any of our Service Centre Managers who will be ready to assist you. Alternatively, you may call the Bank's Call Centre on the toll-free number 626. You may also visit the bank's website: www.natbank.co.m

PUBLIC SERVICE SOCIAL SECURITY FUND (PSSF)

The Public Service Social Security Fund is a social security scheme established by Public Service Social Security Act of
2018. The main purpose is to collect contributions and payment of terminal benefits to employees of public service.The act shall apply in mainland Tanzania.

Employees in the public service employed after the commencement of PSSSF Act. Employees who are members of the former schemes at the time of commencement of the PSSSF Act. Employees employed after the commencement of the act in any specified corporation (company or corporation where the government or its agent owns more than 30% of the share

ACCION INTERNATIONAL

ACCION International, a world pioneer in microfinance, is a private nonprofit organization with the mission of giving people the financial tools they need including microenterprise loans, business training and other financial services to help them work their way out of poverty. It was founded in 1961 and issued its first microloan in 1973 in Brazil. Over time, the organization has helped build 62 microfinance institutions in 31 countries on four continents. Those institutions are currently reaching millions of clients. In the United States, the U.S. ACCION Network is the largest microfinance lending network in the country and has served tens of thousands of clients with over $275 million in loans since the inception of its pilot program in 1991.

ACCION International is an innovator in financial access, pioneering many of the best practices and emerging standards in the industry providing a full range of management services, technical assistance and training, as well as investment and governance support to help financial institutions build institutional capacity and financial strength. In addition,
ACCION International has created and continues to develop leading products andvservices that bridge the divide between commercial finance institutions and the working poor. Their business solutions focus on radically enhancing efficiency and increasing versatility through product and delivery channel diversification. ACCION International also provides support in the form of investment to micro finance institutions, helping them to build upon its other services and linking them with commercial banks and capital markets. Through equity and quasi-equity investments, as well as loan guarantees, it enables MFIs to strengthen core systems, access innovations, attract deposits, become independent of donor funds and establish financial leverage

Triodos Investment Management

Triodos Fund Foundation (Hivos-Triodos Fund) are microfinance funds managed by Triodos Investment Management, a 100% subsidiary of Triodos Bank, one of the world's leading sustainable banks. Triodos Investment Management has been a pioneering provider of capital to the microfinance sector since 1994. As an investor it wants to contribute to the development of a sustainable financial sector in developing countries that is based on fair pricing, transparency, access for all and care for the earth. Triodos Investment Management manages four funds that provide finance for around 95 MFIs in Latin America, Africa, Asia and Eastern Europe and hold equity stakes in 19 leading and innovative microfinance institutions and vehicles worldwide. At year-end 2011 the total assets under management in microfinance amounted to EUR 365 million.

Triodos-Doen and Hivos-Triodos Fund both started in 1994. Triodos-Doen is a joint initiative of DOEN Foundation and Triodos Bank; Hivos-Triodos Fund is joint-initiative of Dutch development organisation Hivos and Triodos Bank. In 2011, both funds sharpened their strategy by including the sustainability themes Foods & Agriculture and Energy & Climate within the financial sector in developing countries as an additional focus.

Investment Management BV, a 100% subsidiary of Triodos Bank, the leading values-driven bank in Europe. Triodos Investment Management has been a pioneering provider of capital to the microfinance sector since 1994. As an investor it wants to contribute towards the development of a sustainable financial sector in developing countries, based on the pillars of fair pricing, transparency, poverty alleviation and care for the earth. Triodos Investment Management manages four funds that provide finance for around 80 MFIs in Latin America, Africa, Asia and Eastern Europe. They hold equity stakes in 19 prominent microfinance institutions.

At year-end 2009 the total assets under management in microfinance amounted to EUR 236 million.

Triodos Sustainable Finance Foundation

Stichting Triodos Sustainable Finance Foundation was formerly known as Triodos-Doen Foundation. On 22 January 1994, the DOEN Foundation and Triodos Bank joined to form Triodos-Doen Foundation to enable innovation that would accelerate sustainable development world-wide.

On 10 December 2013, the Articles of Association were amended, and its name was changed to Triodos Sustainable Finance Foundation. Under this name, Triodos Sustainable Finance Foundation maintains its aim to finance initiatives that accelerate sustainable development world-wide.

Erncon Holdings Limited

Erncon Holdings Limited is a family investment company established in 1993 by Ernest S. Massawe and his family for the sole purpose of managing the family's various investment activities as well as its assets.

The initial directors of the company are all members of the Massawe family. To-date the company has experienced strong growth and has a diversified portfolio covering a number of sectors including tourism, industrial gases, insurance, assurance, banking, real estate, stock brokering, fund management, leasing, mining, mining services and logistics, transportation, and telecoms.

Inter-consult Ltd

From a humble beginning in 1978 in a small Dar es salaam office offering Civil and Structural Engineering services to an ISO 9001-2008 certified multi-disciplinary consultancy firm, Inter Consult Ltd has successfully delivered a full spectrum of services that bring infrastructure projects to life.

For three decades of consistent growth, we have worked with clients in virtually all industries, in both the public and private sectors, to identify, define and deliver innovative solutions to complex problems with exceptional commitment, excellence and results that inspire confidence.

Having been involved with over 400 projects ranging from a few hundred thousand to multi-million US Dollars in value, Inter-Consult has become a leading independent Tanzania based multi-disciplinary consultancy that is fully owned and managed by Tanzanians.
At the core of our mission is a pledge to our clients to provide the highest quality consulting services on time and for fair market value in all aspects of the construction industry including Architecture and Town Planning, Quantity Surveying, Structural, Mechanical and Electrical Engineering. We also offer services in Highway Engineering, Water Supply and Sanitation, Geotechnical and Materials Engineering, ICT and Project Management. By positioning ourselves as a dynamic and growing business with a turnover of TZS 5 billion, focused on meeting the client's changing needs, we have attained good performance standards. We effectively handle all stages of project management - from feasibility studies, planning and design to construction supervision that extends to commissioning.

We have also invested in companies like Akiba Commercial Bank Plc, Inter Press Ltd whose vision is towards poverty alleviation.

Incofin CVSO

200 Shareholders

After 20 years Belgium's Incofin CVSO strives more than ever to achieve a double (financial and social) return. This balanced vision on investing convinced almost 200 new shareholders to join during 2011. It invests in MFIs that make a real difference to the quality of life of their stakeholders, their staff and their customers. Through the monitoring of a number of key social parameters, including the level and quality of service and the treatment of the environment and contribution to society, it manages to quantify an MFI's social performance. For its investments, Incofin CVSO adopts a set of well-defined criteria, taking into account the impact of the microfinance institution on the local economy, the quality of its management, its financial situation, its track record, and the company's outlook. For each investment dossier, a thorough due diligence is executed of the microfinance institution on site.
After the investment, the investment file is carefully followed up. Incofin CVSO is a shareholder in Akiba Commercial Bank Plc since 2003 and has, since the beginning, also taken up an active role in the board. MFIs can find in Incofin a partner who actively works together with them to find a solution that suits them best. The fund is managed by Incofin Investment Management, a manager of 6 microfinance investment funds with EUR 300 million assets under management. Incofin Investment Management is taking care of this job with an international and multilingual team of 37 experts who are at the MFIs' disposal. Incofin CVSO currently cooperates with 30 partner institutions in 21 countries, reaching out to 1.8 million micro entrepreneurs.

SIDI Societe D'investissement Et De Development International

SIDI was set up in 1983 in France as a private company limited by shares, on the initiative of the Catholic Committee against Hunger and for Development (CCFD). In the North SIDI mobilizes funds from institutions and individuals, through its shareholding and an ethical savings fund. These funds are used to finance microfinance and smallholder producer organizations in the South such as credit and savings unions, microfinance banks and companies, specialized NGOs, small-holder producer cooperatives and companies, and farmers' organizations. SIDI gives priority to institutions that need financial and institutional strengthening and is active mainly in rural areas where institutions provide financial services to small farmers and micro-enterprises. SIDI's share capital, 13 million Euros, is used to provide various financial products to partner institutions such as equity investments, local and hard currency loans, local bank guarantees. The revenue from the ethical fund enables SIDI to provide regular follow up and technical assistance to its partners in order to strengthen their financial and institutional viability and improve their services to their clients.

End of December 2010, SIDI's portfolio was 10,4 million euros, of which 43% invested in Africa, 32% in Latin America, 6% in Asia, 9% in the Mediterranean basin, 9% in Eastern Europe, and 1% in the Caribbean. Amongst its founding shareholders are the French Development Agency, the Caisse des Dépôts et Consignations and the Crédit Coopératif (two French banks). SIDI's financial and partnership relations are based on two main principles: long-term commitment and risk-sharing. SIDI has been a founding shareholder of various other funds such as Profund, La Cif 1, MAF (Asia) and more recently

SEFEA (Eastern Europe), SMEAF (East Africa), FOPEPRO (Latin America). SIDI together with two European allies, ALTERFIN Belgium and ETIMOS Italy, is about to launch FEFISOL fund, a 30 million EUR fund dedicated to financing rural microfinance institutions and producer organizations in Sub-Saharan Africa. Triodos-Doen Foundation and Hivos-Triodos Fund Foundation Triodos-Doen and Hivos-Triodos Fund both started in 1994. Triodos-Doen is a joint initiative of Doen Foundation and Triodos Bank, and Hivos-Triodos Fund is a joint-initiative of the Dutch development organization Hivos and Triodos Bank. In 2011, both funds sharpened their strategy by including the sustainability themes foods & agriculture and energy & climate within the financial sector in developing countries as an additional focus.

The microfinance funds Triodos-Doen Foundation (Triodos-Doen) and Hivos-Triodos Fund Foundation (Hivos-Triodos Fund) are managed by Triodos Investment Management, a 100% subsidiary of Triodos Bank, one of the world's leading sustainable banks. Triodos Investment Management has been a pioneering provider of capital to the microfinance sector since 1994. As an investor it seeks to contribute to the development of a sustainable financial sector in developing countries based on fair pricing, transparency, access for all and care for the earth. Triodos Investment Management manages four funds that provide finance for around 95 MFIs in Latin America, Africa, Asia and Eastern Europe, and holds equity stakes in 19 leading and innovative microfinance institutions and vehicles worldwide.

FMO

FMO

Founded in 1970, FMO is a public-private development bank. The Dutch government is the major shareholder, holding a 51% stake. Other shareholders include large Dutch banks, employers' associations, trade unions and individual investors. Rated triple-A by Standard & Poor's, FMO complies with internationally-accepted banking standards and is supervised by the Dutch Central Bank. Its solid profile and high quality portfolio allows the bank to invest in higher risk markets, either with its own capital or on behalf of the Dutch government.

FMO believes a strong private sector leads to economic and social development, empowering people to employ their skills and improve their quality of life. It specializes in sectors where its contribution can have the highest long-term impact including financial institutions, energy, housing and agribusiness, food and water. When financing companies and projects in other sectors such as telecoms and infrastructure, the bank works with a worldwide network of partners with thorough expertise in that area. With an investment portfolio of EUR 5.9bn, it is one of the largest European bilateral private sector development banks.

FMO principally provides long-term finance as well as shorter-term project financing, working with clients to understand their specific needs, and tailoring financial packages to fit them. The bank's participation often acts as a catalyst – attracting interest from other suitable investors who would otherwise avoid what are still considered higher-risk projects.

LSF

Local Shareholders Forum

The vision of establishing Akiba Commercial Bank Plc was conceived by a discussion group which established itself in the late 80s comprising of individuals with varied interests and background brought together by a unified vision to see indigenous Tanzanians empowered economically. The group realized that to achieve genuine economic uplift an institution would need to be established on a sound, reliable foundation to serve this paramount purpose.

In that period, the very idea of an indigenous owned and operated financial institution seemed to many a far-fetched dream, thus galvanizing faith and support in such a venture proved but a mountain to move. Even the international community represented in the country at the time didn't harbor interest in addressing the challenges that such an institution would ultimately help solve among ordinary citizens.

Nevertheless, the group's determination persevered and from that strand of adamancy Akiba Commercial Bank Plc was born. Following its registration as a company, the group proceeded to seek prospective investors in Dar es Salaam, Mwanza, Arusha, Moshi, Mbeya, and Dodoma. This effort didn't yield much fruit as a consequence of skepticism borne out the belief that local citizens couldn't establish, own, and operate their own bank. It was then decided to pursue local public corporations to own the bank and share its vision with the group. Only three corporations, NIC, PPF, and TDFL responded proactively, however their subscriptions couldn't satisfy the required capital threshold, leaving the entire effort still wanting.

This unique situation eventually compelled the group to invite foreign entities into ownership of the bank but with conditions favourable to the interests of indigenous investors first. A few institutions accepted the arrangement, and these were FMO and Triodos Bank of the Netherlands, and later INCOFIN of Belgium, and SIDI of France. It was this partnership that served as the bedrock for the successful rise of Akiba Commercial Bank Plc, a bank that has since grown from strength to strength and is now focusing on becoming a significant institution in the banking sector in Tanzania.

ACHIEVING OUR STRATEGY

Customer deposits witnessed a substantial increase of 18%, rising from TZS 129,674 million in 2022 to TZS 152,770 million in 2023.

GLOBAL ECONOMY

The global economy exhibited unexpected resilience in 2023, although growth outcomes varied significantly across different countries. Notably, growth rates indicated a decline compared to the preceding year. The World Bank estimated a global growth rate of 2.6 percent, down from 3.3 percent in 2022, while the IMF reported 3.1 percent growth from 3.5 percent. Sub-Saharan Africa experienced subdued growth, estimated at 3.3 percent compared to 4 percent in the previous year. This slowdown was attributed to factors such as geopolitical tensions, a tightening monetary policy cycle, and economic uncertainties.

Inflation declined in 2023 due to monetary policy tightening and moderation in the food and energy prices in the world market. The IMF indicates inflation to have eased to 6.8 percent in 2023 from 8.7 percent in the preceding year, but still above the 2 percent target in advanced economies. In the EAC and SADC blocs, most countries achieved the inflation convergence criteria of a maximum of 8 percent and 3-7 percent, respectively.

Commodity prices exhibited mixed trends throughout the year, with oil prices particularly volatile yet generally lower than in the preceding year. This decline in oil prices was driven by a combination of demand and supply factors. Looking ahead, projections indicate that the price of oil is expected to average USD 80 per barrel in 2024, contingent upon decisions made by OPEC+ regarding production levels and overall demand.

TANZANIA'S ECONOMIC PERFORMANCE

The local economy performance in 2023 was satisfactory.. In Mainland Tanzania, the growth of the economy was 5.1 percent in 2023, slightly above the projected growth of 5.0 percent. The main growth divers were agriculture, construction, tourism, mining and quarrying activities. The Zanzibar economy recorded a growth of 7.4 percent in 2023 compared with 6.8 percent in 2022 mainly driven by tourism, construction, real estate and crops.

Inflationary pressures remained subdued, with inflation declining to 3.0 percent by December 2023 from 4.3 percent in the preceding year. This downward trend in inflation was driven by prudent monetary and fiscal policies and moderation in food and energy prices.

Monetary conditions tightened gradually throughout 2023, with a slowdown in money supply growth. Private sector credit growth gradually slowed but remained high at 17.1 percent in 2023 compared with 22.5 percent in 2022. Its ratio to GDP is estimated at 18.8 percent from 16.1 percent. The credit growth was most driven by personal loans, agriculture and trade activities. The conclusion of 2023 marked the end of conducting monetary policy based on money supply growth, a framework that had been in place for almost three decades since 1995. This framework had effectively maintained inflation below 5 percent while contributing to robust economic growth.

The current account deficit continued to decline, supported by foreign exchange inflows from tourism, traditional exports and official channels. Foreign reserves remained adequate, reaching USD 5.5 billion by the end of December 2023, equivalent to 4.5 months of projected imports. The exchange rate experienced a year-on-year depreciation of 8.1 percent from 1 percent.

FINANCIAL PERFORMANCE

During the year 2023, the Bank recorded a pre-tax loss of TZS 1,540 million, marking a substantial improvement of 69 percent compared to the pre-tax loss of TZS 5,007 million in 2022. This notable decrease in pre-tax loss was primarily attributed to an increase in income from TZS 31,047 million in 2022 to TZS 33,749 million in 2023 and recoveries of bad debts of TZS 2,600 million.

Interest income for the year amounted to TZS 28,403 million, representing an increase of TZS 3,010 million or 11.85 percent compared to TZS 25,393 million in the previous year. This growth in interest income was primarily driven by the growth of the consumer loan book representing an increase of TZS 11,511 million (94%).

Customer deposits increased by 18 percent from TZS 129,674 million in 2022 to TZS 152,770 million in 2023. This was a significant growth as the Bank successfully managed to grow fixed deposits by 34 percent and current account deposits by 64 percent as part of an initiative to reduce its cost of funds.

Net loans and advances increased by 10% from TZS 96,560 million in 2022 to TZS 106,652 million. The increase was mainly driven by a 94% increase of consumer loan book as the bank continues to diversify its loan book which was mainly constituted by Biashara loans. The Bank will increase its efforts to underwrite quality Biashara loans which are higher yielding, even as it diversifies into consumer and corporate loans.

BOARD OF DIRECTORS

The Bank is led by an effective, committed and unitary Board of Directors comprising non-executive directors, collectively responsible for the Bank's long-term success. The Board operates with the understanding that sound governance practices are fundamental to gaining stakeholders' trust, which is critical to sustaining performance and preserving shareholders' value. During the year under review, there were no changes in the Board of Directors' composition.

STRATEGY AND PROSPECTS

This was the third year into our five-year strategic plan from 2021 to 2025 which provides the Bank with the compass for its transformational journey. At mid-point of this strategic planning period, the Bank was on track to achieve the objectives on reinvigoration of the products and service offerings, digital transformation and a move towards a performance based corporate culture. In the

4.3% Decline on NPL as at December 2023

The growth is expected to be driven mainly by agriculture, construction, mining and quarrying activities. Inflation is projected to hover around 3.2 percent in 2024.

remaining two years, the Bank will focus on operational efficiency towards meeting regulatory requirements for NPLs and cost-to-income ratios resulting into profitability, growth of the customer base and finalization of the systems modernization and automation.

Looking ahead, the economy is projected to sustain its recovery trajectory to grow at 5.4 percent in 2024 and 5.8 percent in 2025. The growth is expected to be driven mainly by agriculture, construction, mining and quarrying activities. Inflation is projected to hover around 3.2 percent in 2024. However, potential risks to this outlook include ongoing geopolitical conflicts in the Middle East, the war between Russia and Ukraine, and decisions regarding oil production by OPEC+.

We will continue exploring avenues for growth and expansion within our market landscape and through regular assessments, we aim to pinpoint opportunities that align closely with our strategic aspirations. The management and the Board will remain vigilant, closely monitoring developments in local and global markets to timely address dynamics that may have a negative impact on our strategic objectives.

ACKNOWLEDGMENTS

The Board extends sincere gratitude and thanks to the Bank of Tanzania, the Government and all other stakeholders for their trust in the Bank. Your unwavering support, guidance and constructive engagements will continue to promote the stability and soundness of the financial sector and the economy.

Finally, I wish to extend my utmost appreciations to management and staff for their hard work, dedication, loyalty and commitment during the year. I am confident that the Board can count on their continued commitment to turnaround the Bank and sustain the same in the coming years.

Catherine N. Kimaryo
Board Chairperson
Akiba Commercial Bank Plc

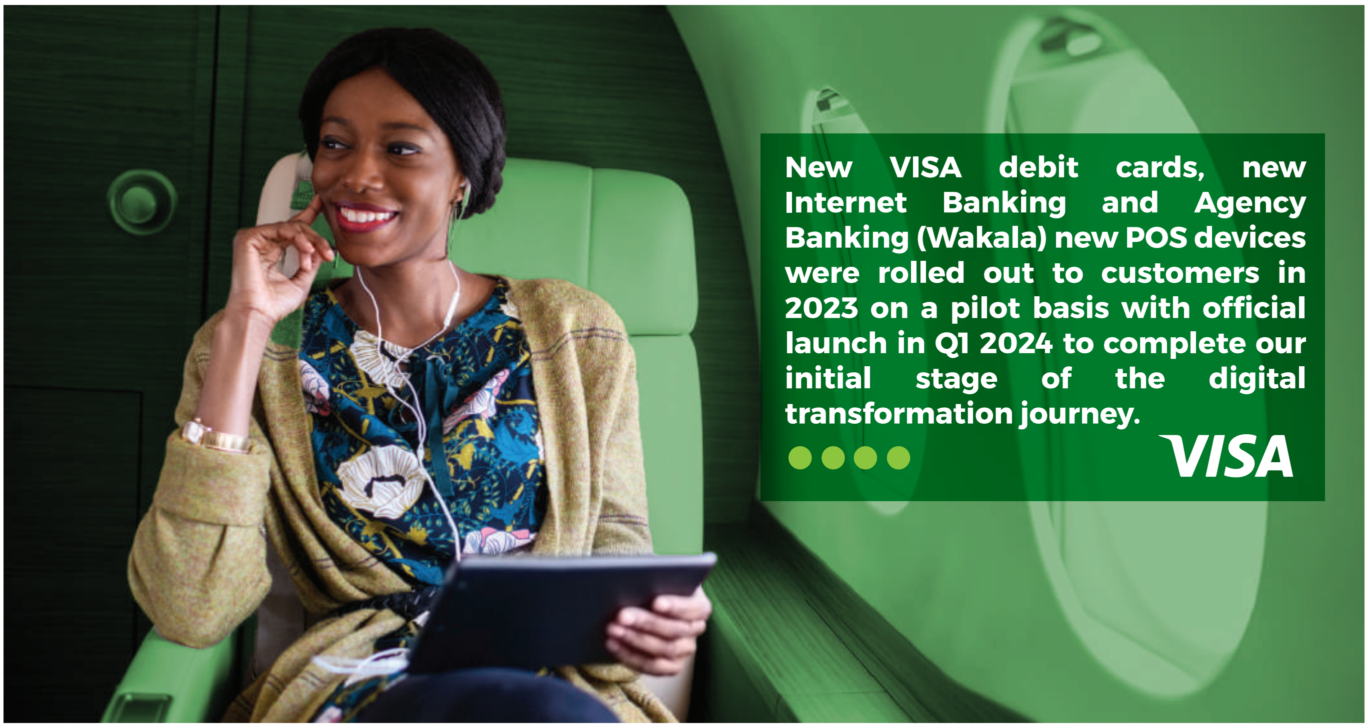
During the year under review, the Bank recorded a significant performance improvement by reducing loss before tax by 69% to TZS 1,540 million compared to TZS 5,007 million in 2022.

INTRODUCTION

The results of the year 2023 indicated that the Bank's turnaround strategy to profitability has taken a significant leap forward with a 69% decline in losses before tax. The Bank remained focused in the execution of the business strategy during the year to grow revenue through enhanced product offering, automation, digitization and business rationalization to enhance efficiency and productivity. Regulatory compliance particularly capital adequacy, management of risk assets and taxation were also a priority for business sustainability. It is with pride that I present to you an overview of our bank's performance, strategic initiatives and the promising trajectory we are charting for the future.

INDUSTRY DEVELOPMENTS

The financial sector remained stable in 2023. The banking sector, which is the largest part, was well-capitalized, liquid



and profitable despite facing a scarcity of foreign currency. The sector also continued leveraging on technology to deliver services, contributing to growing of deposits, assets and loans, driven by the expansion of the agent banking model and the proliferation of financial products and digital banking services. Core capital adequacy ratio was 19.4 percent, above the minimum regulatory requirement of 10 percent. Liquidity within banks remained sufficient to facilitate loan provision, with the ratio of liquid assets to demand liabilities and total assets consistently above the minimum regulatory requirements. The quality of banks' assets improved as the ratio of non-performing loans to gross loans declined to 4.3 percent in December 2023 from 5.8 percent in December 2022, below the tolerable level of 5 percent. This improvement is expected to incentivise lending to the private sector and reduce cost of borrowing. Stress testing indicated resilience of the banking sector to baseline, adverse and severe shocks across all major risk factors.

Payment systems operated smoothly, facilitating the implementation of monetary policy and economic activities as the Bank of Tanzania continued to modernize and enhance the systems to increase efficiency and reliability. The Bank of Tanzania introduced caps on transaction fees for TISS at TZS 10,000 and EFT interbank transfers at TZS 2,000 to ensure affordability of the digital financial services. Mobile phones remained the key instrument in filling the infrastructure gap by providing a platform for unbanked population to access financial services. The value of mobile payments transactions increased by 35.18 percent in 2023 following a reduction of costs for merchant payments, withdrawals and fund transfers.

18%
CUSTOMER DEPOSITS

AMOUNT IN MILLIONS
TZS 152,770
IN 2023
TZS 129,674
IN 2022

FINANCIAL RESULTS

During the year under review, the Bank recorded a significant performance improvement by reducing loss before tax by 69% to TZS 1,540 million compared to TZS 5,007 million in 2022. This reduction in loss before tax was primarily driven by bad debts recoveries of TZS 2,600 million and improvement of interest income by TZS 3,010 million, which was partly off-set by increases in interest expenses and operating costs..

Interest income for the year totaled TZS 28,403 million, up from TZS 25,393 million in the previous year, indicating a rise of TZS 3,010 million or 11.85%. This growth was propelled by a substantial increase in the consumer loan book, up by TZS 11,511 million (94%).

Interest expense stood at TZS 8,232 million, compared to TZS 6,870 million in the prior year, reflecting an increase of TZS 1,362 million or 20%. The increase in interest expense is mainly attributed to increase in time deposits and interbank borrowings of 17% and 101% respectively, compared to prior year.

Non-interest income amounted to TZS 5,346 million, a slight decrease of 5% from TZS 5,655 million in the previous year. This was mainly due to a 37% decrease in ledger fees as new consumer protection regulations prohibited charging of ledger fees on dormant accounts. Non-interest income mainly includes fee and commission income, foreign exchange income and other operating income.

.Customer deposits increased by 18% from TZS 129,674 million in 2022 to TZS 152,770 million. This was due to increases in time deposits of 34% and current accounts deposits of 64%. The Bank remains committed to continue to focus on the growth of current and savings deposits as part of the drive to transform the bank and reduce cost of funds.

Net loans and advances increased by 10% from TZS 96,560 million in 2022 to TZS 106,652 million. The increase was mainly driven by a 94% increase of personal loan book as the Bank continued to diversify its loan book which was mainly constituted by Biashara SME loans. The Bank will increase its efforts to underwrite quality Biashara loans which are higher yielding, even as it diversifies into personal and corporate loans.

In May 2023, following the Bank of Tanzania's regulatory approval, the Bank enthusiastically initiated the upgrade of the Core Banking system (T24). The upgrade is projected to be concluded and commissioned in Q4 2024 which will be followed by improvement of the peripheral systems including EFT and Cheques Clearing system, Know Your Customer (KYC), Fraud and Anti-Money Laundering (AML) monitoring systems.

Mobile Banking was migrated to a new platform with new functionalities including Tanzania Interbank Settlement System (TISS), Tanzania Instant Payment System (TIPS), Mobile Money Payments, Cardless ATM and Wakala Cash Withdrawal, Government Electronic Payment Gateway (GEPG), Mini and Full Bank Statements, Standing Orders, Salary Advance (inactive), Cheque and ATM Card Requests, Stop Cheque and an expanded bills payment menu with 18 billers including TRA, LUKU, DSTV, Precision Air and DAWASA.

New VISA debit cards, new Internet Banking and Agency Banking (Wakala) new POS devices were rolled out to customers in 2023 on a pilot basis with official launch in Q1 2024 to complete our initial stage of the digital transformation journey. In 2024, the Bank's plan is to upgrade the NIDA integration to enhance our remote accounts opening functionality on iPads and Wakala POS machines including instant issuance of VISA Debit Cards. The Bank will also activate the Salary Advance functionality on Mobile Banking and introduce Quick Response (QR) Merchants Payment solution using the TIPS platform.

FUTURE OUTLOOK

The Bank in normalized terms was close to break-even point in 2023 save for the settlement of prior year tax obligations and provisions for legacy systems mismatches. The delayed finalization of the business rationalization due to legal challenges impacted the financial results, but with its expected finalization in Q1 2024, the Bank will return into its growth trajectory and profitability in the second half of 2024 and beyond.

As we look to the future, guided by our core values of customer satisfaction, teamwork, integrity, high performance, employee strength, and corporate social responsibility, we are confident in our ability to overcome future challenges and seize emerging opportunities.. Through market research, staff training in sales and customer service and improved internal processes through automation, we strive to exceed customer expectations and solidify our reputation as a bank of choice in the segments we serve.

ACKNOWLEDGEMENT

I am thankful to the Chairperson and the Board of Directors for their oversight, guidance and support, the senior management team and all members of staff for the hard work and dedication to our culture of high performance and core values.

I am as well indebted to our valued customers, esteemed shareholders, partners, investors and all stakeholders for their continued trust in our vision and prospects. We look forward to 2024 with optimism as we continue a journey to create shared value for all stakeholders and contribute to the socioeconomic development of Tanzania.

Silvest Arumasi
Managing Director,
Akiba Commercial Bank Plc

CORPORATE GOVERNANCE

Catherine Kimaryo
Chairperson

Prof. Josephat Lotto
Director

Rukia Adam
Director

Macfussy Kawawa
Director

Harold Jiya
Director

Masauko Katsala
Director

Zunzo Mitole
Director

Benedict Mahona
Director

Andrew Massawe
Director

Silvest Arumasi
Managing Director

Arnold Makanda
Chief Finance Officer

Webster Kaunga
Chief Commercial Officer

Martina Komba
Chief Risk Officer

Juliana Swai
Chief Operations Officer

Samwel Karoli
Chief Internal Auditor

Dora Saria
Head of Marketing & Communications

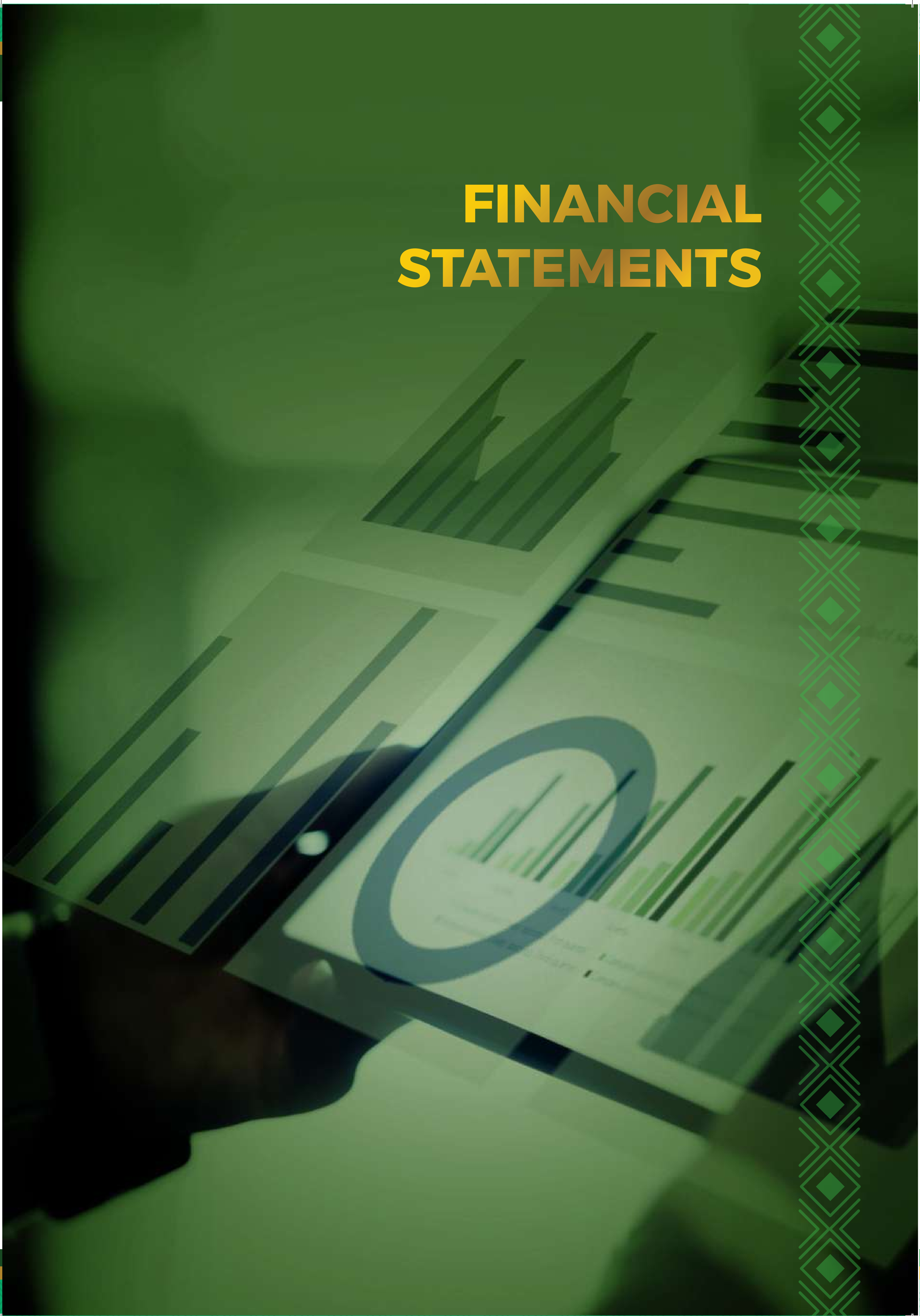
Robert Masala
Head of Human Resources

Niwaeli Mziray
Company Secretary

Bertha Simon
Head of Treasury

Charles Kamoto
Head of Credit

FINANCIAL STATEMENTS



REGISTERED OFFICE	3rd Floor, Amani Place, Ohio Street P. O. Box 669 Dar es Salaam, Tanzania
MANAGING DIRECTOR	**Silvest Uisso Arumasi** 3rd Floor, Amani Place, Ohio Street P. O. Box 669 Dar es Salaam, Tanzania
COMPANY SECRETARY	**Niwaeli Mziray** 3rd Floor, Amani Place, Ohio Street P. O. Box 669 Dar es Salaam, Tanzania
AUDITOR	**KPMG** The Luminary Plot No. 574, Haile Selassie Road Msasani Peninsula Area P. O. Box 1160 Dar es Salaam, Tanzania TIN 101-269-027, VAT REG No. 10-007190R NBAA Reg. No. PF 020
LEGAL ADVISORS	**Rod and Shepherd Advocates** 5th Floor, Jangid Plaza Plot G6, Chabruma Street P. O. Box 63236 Dar es Salaam, Tanzania
HOLDING COMPANY	**National Bank of Malawi Plc** (Incorporated in Malawi)
ULTIMATE HOLDING COMPANY	**Press Corporation Plc** (Incorporated in Malawi)
BANKERS	**Bank of Tanzania** No. 10 Mirambo Street P. O. BOX 2939 Dar es Salaam, Tanzania
CORRESPONDENT BANKERS	**National Bank of Malawi Plc** NBM Towers, 7 Henderson Street P. O. Box 945 Blantyre, Malawi
	BOA France 20 rue de St Pétersbourg 75008 PARIS FRANCE

1. INTRODUCTION

The Board of Directors of Akiba Commercial Bank Plc submit their report and the audited financial statements for the year ended 31 December 2023 which disclose the state of affairs of Akiba Commercial Bank Plc ("the Bank").

2. INCORPORATION

The Bank is incorporated in Tanzania under Companies Act, 2002, domiciled in Tanzania as a Public Company Limited by shares.

3. PRINCIPAL ACTIVITIES

The principal activity of the Bank is the provision of banking and related services stipulated by the Banking and Financial Institutions Act, 2006. There has been no significant change in the principal activities of the Bank during the financial year ended 31 December 2023.

4. MISSION AND VISION

Vision statement:

To be the bank of choice.

Mission statement:

To provide inclusive, innovative financial solutions in the most efficient and sustainable manner.

5. THE BANK'S OPERATING MODEL

Banking services

The Bank provides banking services to individuals and businesses, including loans and advances, mortgages, payments, savings, investments, insurance, advice and asset management. The Bank's target market is small and medium enterprises as well as individuals and corporate clients. The Bank continues to develop various innovative products in the short, medium and long term. The details of the Bank's current and future products are included in Note 9 of this report by those charged with governance.

In addition to banking services to customers, the Bank also provides and receives short term financing to/from local and international banks through interbank overnight lending platform.

Interest, fees and commissions

The Bank earns interest income from loans and advances, interbank overnight lending and investments in government securities as well as from fees and commissions income. Loans and advances, investment in government securities and interbank overnight lending are funded through customer deposits, interbank borrowing and capital. The Bank takes all measures to ensure that risks associated with these activities are managed properly. The Bank also receives fees and commissions in return for various services extended to its customers.

Use of funds generated

Income generated from day-to-day operations of the bank is used to meet its operating costs, reinvestment in business expansion and payment of returns to its investors.

5 THE BANK'S OPERATING MODEL (CONTINUED)

Competition and regulatory environment

The Bank operates in a competitive environment both in products and size. In order to meet the competition, the Bank strives to ensure that its products offerings are attractive to different types of customers.

The regulatory environment has been stable during the year. The Bank of Tanzania and the Government continued to support the banking industry to ensure compliance and stability of the industry. The Bank of Tanzania issued several guidelines which were aimed at ensuring that the banking sector is resilient through the use of enhanced risk management systems. One of the key guidelines is on stress testing which is conducted to evaluate potential vulnerability to unlikely but plausible events in the financial and macroeconomic environment. The implementation of the guidelines has become very useful to the Bank as it is a forward-looking tool that helps to predict future outcomes that will assist management to be proactive in its strategies.

Compliance with laws and regulations

The Bank's operating model is such that, it ensures voluntary compliance with laws and regulations. These include regulations and circulars issued by the Bank of Tanzania from time to time, compliance with tax laws, employment laws and environmental related regulations such as those issued by the Occupational Safety and Health Authority (OSHA).

The Bank remitted all withholding taxes which include skill and development levy, Pay As You Earn (PAYE) for its employees, withholding tax on interest and other services.

The Bank has also ensured that employment related contributions are made on time. These include social security contributions to National Social Security Fund (NSSF) and the Workers Compensation Fund (WCF).

Social and environmental considerations

The Bank as a good socially responsible citizen conducts its business in a manner that ensures that environmental sustainability is observed. The Bank's screening processes consider environmental impact of the funded business and where society and environment are impacted negatively, the Bank refrains from funding such businesses.

6. STAKEHOLDERS ENGAGEMENT

The Bank believes in acting as a good corporate citizen by supporting the communities in which it operates to foster socio-economic development. As part of the Bank's corporate social responsibility (CSR) activities, the bank has been consistently supporting the communities it serves with the overall aim of improving the livelihoods of our patrons and other stakeholders. Our CSR agenda is rooted in three vital pillars which are education, health, and environment.

7. BUSINESS HIGHLIGHTS

The Bank's business remains concentrated in retail banking serving small and medium enterprises. However, there were efforts during the year to expand in the personal and corporate banking space. The Bank continued its efforts to implement products and services such as Visa cards and digital banking channels that will enhance customer experience and attract new customers in these segments. These 'enablers' will make it easier for customers to transact and keep funds within the Bank, thereby expanding its deposit base.

Corporate business

The Bank continued to expand its business in the corporate banking space. However, progress was hampered by continued delay in implementation of the digital banking services, most notably internet banking, as most corporates demand real time access to their accounts through this channel. Internet banking project is at pilot phase and full roll out to customers is expected to be done in 2024. Along with other services such as the resumption of GePG service which was suspended in 2022, this is expected to further improve business development in this segment.

7. BUSINESS HIGHLIGHTS (CONTINUED)

Business banking

The Bank's business has remained predominantly in this segment. The bank does not have ambitious growth targets for this sector, but rather to restore the book at previous levels with good quality loans in order to minimize non-performing loans (NPLs), having lost some ground in this segment during the year.

Personal banking

Personal banking continued to grow strongly during the year, with additional schemes with different government institutions signed in 2023. For the year 2024, the plan is to achieve further growth in both deposits and loans in this segment. The recent introduction of Visa cards, an upgrade of the mobile application and a switch to own agency banking should help growth of the business in this segment.

8. RESOURCES AND RESOURCE REQUIREMENTS

In order for the Bank to create value, a number of resources are required. The resource requirements are assessed continuously as the Bank implements its strategic activities. In order to sustain its presence and create value both to the shareholders and the nation as a whole, the following considerations are made as far as resources and resource requirements are concerned:

Human resources

This is the most valuable resource any organization needs. The Bank's strategy is not only ensuring it has adequate numbers of staff but the right quality in terms of experience and qualifications. This is achieved by ensuring employees are recruited on merit, are afforded career development opportunities and are fairly and competitively remunerated. In addition, we ensure that our employees work in a friendly, conducive, healthy and safe environment. The Bank has a medical scheme, group accident cover, life insurance and other wellness benefits that are aimed at ensuring that employees stay healthy and safe in the workplace.

Financial resources

The second most important aspect of resources is access to finance. These include cash, debt and equity that enable an organization to provide financial services. We will continue with our efforts to preserve the financial value of the Bank in 2024 by continuing the turnaround in performance, with forecasts indicating that the Bank will sustainably generate profits, thereby increasing the financial value of the Bank. This will be achieved with further growth in both interest and non-interest income as well as with continued cost containment.

Structures

The Bank has implemented structural changes to align with the new business model. The various structure reviews have taken into account the need to enhance coordination between departments, improve on internal controls and increase efficiency on services delivery.

Systems

The Bank leverages technology in provision of its products and services and investment in technology is taken very seriously given its importance on the strategic direction of the organisation. IT systems include knowledge-based intangibles of an organization. During the year, the Bank kicked off a strategic IT project to upgrade its core banking system in order to improve its service offering and increase processing efficiency. The Bank continued to improve on digital banking services during the year, with more investment in digital channels, such as Internet Banking, Mobile Banking, an own Agency Banking platform as well as Visa Cards.

9. FUTURE DEVELOPMENT PLANS

The Bank of Tanzania continued to pursue a less accommodative monetary policy in 2023, which focused on striking a balance between the objective of containing inflation while safeguarding growth and financial stability. The banking sector, which constitutes the largest segment of the financial sector, remained sound, stable and profitable, with adequate capital and liquidity. Banking services and uptake also improved, thanks to advancing technology that facilitated development of new customer-centric products.

The Tanzania economy is projected to grow at 5.4 percent in 2023 and 2024, due to rising investment and improved performance in tourism. Credit to the private sector grew by 19.5 percent, above the target of 16.4 percent for the first half of 2023/24, albeit lower compared with 21.3 percent in preceding quarter and 22 percent in the corresponding period in 2022. The performance was attributable to sustained strong demand for credit in line with the improving business conditions and the lagged impact of measures instituted to enhance credit in the market.

The Bank continued with implementation of its five-year strategic plan for 2021 to 2025. The thrust of the strategy is to transform the Bank into the bank of choice, that provides inclusive, innovative financial solutions in the most efficient and sustainable manner.

The Bank intends to continue implementing the following transformative initiatives to achieve the objectives of the strategy in the planned time horizon:

i. Core banking system upgrade

The Bank has committed to upgrade the core banking system (Temenos T24) to the latest version. The upgrade will allow the bank to leverage and achieve greater degree of automation and innovation of new products and services through technology. The Bank will use NBM Plc experience to acquire or utilize their IT platform to offer services.

Through the upgrade and modernization of the IT systems, the bank will ensure increased compliance with legal and regulatory requirements for IT systems as well as increased security so that the Bank and its stakeholders can conduct business with greater degree of assurance. Supporting systems will be introduced to support risk-based assessments of the systems.

ii. New products and services

The Bank has continued to diversify its products portfolio through increase in personal banking and corporate banking products and services such as letters of credit (LCs), bonds, guarantees, treasury and trade finance products. The Bank rolled out its agency banking platform and Visa debit cards. It is piloting internet banking, and an enhanced mobile banking application with new functionalities.

The Bank expects to grow its non-interest income from these new product offerings as well as from continued growth of bancassurance and other services to its customers.

iii. Branch rationalization

The Bank will continue with efforts to rationalize its current branch network with a view to increase efficiency and proximity of services to our customers. The Bank will also look into expanding to new regions currently not serviced during the five years of the current business strategy.

iv. Culture

The Bank has adopted a set of core values and has developed its organizational culture, priorities and decision-making framework based on these values. The Bank’s stakeholders and staff share these values and are committed to ensuring that they are practiced across the Bank. The values are customer satisfaction, teamwork, integrity and trust, commitment to a culture of high performance, strength of our employees and corporate social responsibility.

10. THE BANK'S GOAL

The Banks's goal is to efficiently continue to sustain offering innovative and inclusive products and services to customers by revamping the existing products and services and introducing new ones based on customers' demand. The Bank will strive to meet customers' expectations by conducting market research, training its staff in the areas of sales and customer service; and improving its internal processes through the use of interdepartmental service level agreements (SLAs) and acquiring systems that will improve provision of services to customers.

11. TREASURY POLICIES AND OBJECTIVES

The Bank maintains a well-documented treasury and investment policy whereby treasury operations are defined to support the Bank in providing a prudent risk management with regard to liquidity, foreign exchange and other financial risks within the balance sheet of the Bank. It is the aim of these operations to optimise the return of Banks' capital within the risk parameters set by the Assets and Liabilities Committee (ALCO) and approved by the Board of Directors. The overall objective of the treasury and investment policy is to ensure efficient and profitable treasury operations.

Liquidity Risk Policy

This policy sets out the principles guiding the Bank towards managing liquidity. Liquidity risk is the potential for loss to an institution arising from either inability to meet its obligations as they fall due or to fund increase in assets without incurring unacceptable cost or losses (Bank of Tanzania Risk Management Guidelines for Banks and Financial Institutions, 2010).

The Bank is required to measure, monitor and manage on-balance sheet and off-balance sheet liquidity mismatch risk taking cognizance of regulatory requirements, business as usual liquidity conditions, stress liquidity scenarios, guidelines and limits as set by the ALCO, following consultation and approval by Board Risk and Compliance Committee and the Board.

Market Risk Policy

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

12. SERVICE PERFORMANCE OBJECTIVES

During the year under review the Bank continued to enhance customer experience by among other things improving products and services as well as initiating efforts to introduce digital services with state of art technology that guarantees easy access, convenience and time saving. The organizational re-structuring also considered establishment of customer experience unit that deals with all matters relating to customer care, service delivery and complaints handling all gearing towards improvement of customers' experience.

13. POLITICAL LANDSCAPE

The year 2023 has witnessed a stable political environment which has been key to improved performance of the economy and businesses. There has been a continuation of key infrastructure projects, improved diplomatic relations as well as further improvement in the business environment.

14. FINANCIAL REVIEW

Particulars	2023 TZS '000	2022 TZS '000	Change TZS '000	Change %
Total income	33,748,602	31,047,227	2,701,375	9
Total expenses	(35,288,808)	(36,054,235)	765,427	-2
Loss before tax	**(1,540,206)**	**(5,007,008)**	**3,466,802**	**-69**
Income taxes	(473,185)	(2,023,112)	1,549,927	-77
Loss after tax	**(2,013,391)**	**(7,030,120)**	**5,016,729**	**-71**

Figures in Thousands of Tanzanian Shillings

The Bank's results are set out on pages 62 to 132 of these financial statements. During the year under review, the Bank recorded a loss before tax of TZS 1,540 million compared with a loss before tax of 5,007 million recorded in 2022. This represents 69% improvement of operating results when compared to previous year mainly due to bad debts recoveries of TZS 2,600 million and improvement of interest income by TZS 3,010 million, which was partly off-set by increases in interest expenses and operating costs.

Interest income

Interest income during the year amounted to TZS 28,403, million compared to TZS 25,393 million in the previous year, representing an increase of TZS 3,010 million which is 11.85%. This increase was driven by growth of the consumer loan book representing an increase of 11,511 million (94%).

Interest expense

Interest expense during the year amounted to TZS 8,232 million, as compared to TZS 6,870 million in the prior year, representing an increase of TZS 1,362 million or 20%. The increase in interest expense is mainly attributed to increases of interest on time deposits and interbank borrowings of 17% and 101% respectively, compared to prior year.

Net interest income

Net interest income (interest income less interest expense) during the year amounted to TZS 20,171 million, compared to TZS 18,523 million in prior year, representing an increase of TZS 1,648 million or 9%.

Non-interest income

Non-interest income amounted to TZS 5,346 million compared to TZS 5,655 million in the previous year, showing an annual decrease of 5%. This was mainly due to a 37% decrease in ledger fees as new consumer protection regulations prohibited charging of ledger fees on dormant accounts. Non-interest income mainly includes fee and commission income, foreign exchange income and other operating income.

Operating expenses

Operating expenses include employee benefits, general and administration expenses as well as depreciation and amortization. Operating expenses amounted to TZS 28,270 million compared to TZS 24,790 million in prior year, representing an increase of TZS 3,480 million or 14%. This increase was generally due to transformation strategies that the bank is implementing to achieve efficiency in human and technological aspects and a provision of TZS 612 million for prior year tax liabilities relating to employee emoluments and value added taxes. The Bank has been filling in identified gaps in its staff compliment as part of the drive to strengthening its performance.

14. FINANCIAL REVIEW (CONTINUED)

Income tax expense

Income tax expense for the year amounted to TZS 473 million (2022: TZS 2,023 million) which is a reduction in the deferred tax asset to TZS 6,391 million (2022: TZS 6,864 million).

Review of financial position

Deposits

Customer deposits increased by 18% from TZS 129,674 million in 2022 to TZS 152,770 million. This was due to increases in time deposits of 34% and current accounts deposits of 64%. The Bank remains committed to continue to focus on the growth of current and savings deposits as part of the drive to transform the bank and reduce cost of funds.

Loans and advances

Net loans and advances increased by 10% from TZS 96,560 million in 2022 to TZS 106,652 million. The increase was mainly driven by a 94% increase of consumer loan book as the bank continues to diversify its loan book which was mainly constituted by Biashara loans. The Bank will increase its efforts to underwrite quality Biashara loans which are higher yielding, even as it diversifies into consumer and corporate loans.

Government securities

Investment in government securities decreased by 6% from TZS 39,601 million in 2022 to TZS 37,155 million. The decrease was attributed to the increase in the loan book as the bank shifted its resources from lower earning assets to the higher earning loans, which are the main earning assets.

Review of cash flows

During the year, the Bank's major source of cash flows was deposits from customers and additional preference share capital that was received from the National Bank of Malawi.

The Bank registered outflows of TZS 12,195 million (2022: outflows TZS 18,851 million) from loans and advances which was funded by TZS 23,096 million (2022: TZS 5,201 million) customer deposits and borrowing from other banks. The major use of the cash flow was investment in loans and advances of TZS 12,195 million (2022: inflows TZS 18,851 million).

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.

14. FINANCIAL REVIEW (CONTINUED)

Key Performance Indicators

The following Key Performance Indicators (KPI's) are effective in measuring the delivery of the Bank's strategy and managing the business.

Performance indicator	Definition and calculation method	2023	2022
Return on average assets	Net profit/Total assets	**(0.98%)**	(3.75%)
A measure of how well the bank uses its assets to generate profits			
Return on average equity	Net profit/Total equity	**(7.90%)**	(32.18%)
A financial ratio that measures the performance of a bank based on its average shareholders' equity outstanding.			
Non-interest income to total income	Non - interest income/Total income	**15.84%**	18.21%
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	**13.53%**	13.57%
A measurement of the cost to operate a piece of property compared to the income brought in by the property.			
Cost to Income Ratio	Operating expenses/(Net interest income +Non-interest income)	**111%**	99.01%
A measurement of compliance to Bank of Tanzania circular requiring banks to have not more 55% of cost to income ratio.			
Interest margin on earning assets	Non - interest income/Earning assets	**13.68%**	14.43%
A measurement of productivity of the Bank's earning assets.			
Growth on total assets	Trend (CY total assets – PY total assets/PY total assets)*%	**9.74%**	4.73%
A measurement of the Bank's total assets growth.			
Growth on loans and advances to customers	Trend (CY loans and advances – PY Loans and advances)/PY total loans and advances)*%	**10.45%**	24.26%
A measurement of the Bank's growth in loans and advances to customers, banks and staff. Growth during the year has been achieved as part of the drive to broaden and deepen the Bank's income base.			
Growth on customer deposits	Trend (CY customer deposits – PY Customer deposits/PY customer deposits)*%	**17.81%**	3.82%
A measurement of Bank's ability to mobilise deposits from customers.			

14. FINANCIAL REVIEW (CONTINUED)

Performance indicator	Definition and calculation method	2023	2022
Capital Adequacy			
Tier 1 Capital	Risk weighted assets including Off balance sheet items/Core capital	**12.57%**	10.61%
Tier 1+Tier 2 Capital	Risk weighted assets including off-balance sheet items/Total capital	**12.57%**	10.61%

Key efficiency ratios

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

Efficiency indicator	Definition and calculation method	2023	2022
Shareholders' funds to total assets	Shareholders' fund/ total assets	**12.40%**	11.69%
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.	**7.42%**	8.12%
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.	**71.69%**	78.87%
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.	**51.87%**	54.53%
A measure of the bank's assets that are financed by debt rather than equity.			
Liquidity ratio	Liquid Assets/Liquid Liabilities	**29.61%**	28.26%
Measures the bank's ability to pay its short-term debt obligations			

Budget performance information

The Bank has recorded a pre-tax loss of TZS 1,540 million against budgeted profit of TZS 1.589 billion. Total income was a 94% of the budget with a shortfall of TZS 1.7 billion. This was mainly caused by negative variance in interest income caused by non-achievement of loan book growth by 13% against budget.

The Bank's operating costs were below budget by TZS 723 million or 3%. Interest expense (excluding leasing cost) was slightly above budget by 1%. Net impairment charges (net of recoveries) are positive TZS 1.21 billion, against budget of negative TZS 1.30 billion resulting in a positive variance on this line of TZS 2.61 billion. Impairment provisions charge is at TZS 1.387 billion, against budget impairment charge of TZS 3.7 billion. Recoveries on written off loans are TZS 2.60 billion, against budget of TZS 2.40 billion, most notably from Kafoi Estates Limited TZS 995 million, ITU Company Limited TZS 143 million and several other facilities.

The Bank's total assets were 89% of budget with a shortfall of TZS 25 billion mainly due to a shortfall on budgeted deposits of TZS 23 billion or 12%. Net loans were below budget by 13% or TZS 17 billion.

15. GOING CONCERN AND SOLVENCY EVALUATION

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 the Banking and Financial Institutions Act, 2006. See note 5.6 on capital management with regard to the capital position of the Bank.

16. ACCOUNTING POLICIES

The annual financial statements are prepared on the underlying assumption of a going concern. The Bank's accounting policies, which are laid out in Note 3, are subject to an annual review to ensure continuing compliance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

17. RISK MANAGEMENT AND INTERNAL CONTROLS

The Board accepts final responsibility for the risk management and internal control system of the Bank.

It is the task of management to ensure that adequate internal, financial, and operational control systems are developed and maintained in an on-going basis to provide reasonable assurance regarding:

- Effectiveness and efficiency of operations.
- Safeguarding of the Bank's assets.
- Compliance with applicable laws and regulations.
- Reliability of accounting records.
- Business sustainability under normal as well as adverse conditions: and
- Responsible behaviours towards all stakeholders.

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

The Board assessed the Bank's internal control systems throughout the financial year ended 31 December 2023 and is of the opinion that they met the generally accepted banking industry criteria. The Board carries out risk management and internal control assessment through Board Audit Committee and Board Risk and Compliance Committee.

18. 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 Managing Director supported by the senior management team.

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

- Finance department
- Treasury department.
- Operations department.
- Marketing and Communications department.
- Commerce department.
- Human Resources department.
- Information and Communication Technology department.
- Risk and Compliance department.
- Legal department.
- Credit department
- Internal Audit department (reporting directly to the Board Audit Committee).

19. COMPOSITION OF THE BOARD OF DIRECTORS

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 directors of the Bank, who held office throughout the year and to the date of this report, were as follows:

Name	Qualification	Position	Gender	Nationality	Age	Date of Appointment
Catherine Nchanasaa Kimaryo (Alternate: Rose Joseph Lyimo)	- B. Com Finance & Accounting - MBA - Executive Coaching	Chairperson	F	Tanzania	47	23-Mar-21
Josephat Daniel Lotto	- BSc Geology (Hons) - MBA in Finance - MSc in Finance - PhD in Corporate Governance & Financial Strategies - CPA (T)	Member	M	Tanzanian	48	07-Feb-19
Rukia Adam Juma	- DBA - ADCA - CPA (T) - MBA	Member	F	Tanzanian	67	07-Feb-19
Macfussy Michael Kawawa	- B.Acc (Hons) - FCCA - CA (Mw) - MBA	Member	M	Malawian	59	03-May-21
Harold Nester Jiya	- B. Com - ACIB - MBA	Member	M	Malawian	53	03-May-21
Masauko Nelson Katsala	- B. Com - FCCA - CA (Mw) - MBA	Member	M	Malawian	56	03-May-21
Zunzo Esnat Mitole	- LLB (Hons) - MBA	Member	F	Malawian	50	03-May-21
Benedict Kuhenga Mahona	- BSc Economics - MSc Finance & Investment - MSc Economics	Member	M	Tanzanian	43	28-Sep-21
Andrew Ernest Massawe	- BA Marketing - MSc Information Systems & Technology	Member	M	Tanzanian	45	20-Aug-22

20. DIRECTORS' REMUNERATION

The remuneration and other expenses for services rendered by the non-executive directors of the Bank in 2023 was TZS 245 million (2022: TZS 196 million). Further details of directors' remuneration are included in note 30 of the financial statements.

21. CORPORATE GOVERNANCE

All directors and employees adhere to the principles of the Code of Conduct and Ethics in all their dealings on behalf of the Bank. The Code of Conduct and Ethics ensures that all actions are in the overall best interests of the Bank and reflect 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 recognize 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 senior management.
- The Board accepts and exercises responsibility for strategic and policy decisions, the approval of budgets and the monitoring of performance.

In addition, the Board constituted the following Board committees:

Board Audit 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 the Bank of Tanzania.

The Committee meets at least four times in a year. The Board Audit Committee members who served in the Committee during the year 2023 were:

Name	Position	Nationality
Prof. Josephat Daniel Lotto	Chairman	Tanzanian
Ms. Rukia Adam Juma	Member	Tanzanian
Mr. Masauko Nelson Katsala	Member	Malawian

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 in the Committee during the year 2023 were:

Name	Position	Nationality
Mr. Harold Nester Jiya	Chairperson	Malawian
Mr. Benedict Kuhenga Mahona	Member	Tanzanian
Mr. Andrew Ernest Massawe	Member	Tanzanian

21. CORPORATE GOVERNANCE (CONTINUED)

Board Risk and Compliance Committee

This Committee assists the Board in fulfilling its primary responsibilities by establishing and implementing the Risk Management process of the Bank in line with the Bank of Tanzania Guidelines as well as risk identification, evaluation, measurement, and monitoring of the Risk Management process.

The Committee meets a minimum of four times in a year. The Board Risk and Compliance Committee members who served during the year 2023 were:

Name	Position	Nationality
Mr. Benedict Kuhenga Mahona	Chairperson/Member	Tanzanian
Ms. Zunzo Esnat Mitole	Member	Malawian
Mr. Andrew Ernest Massawe	Member	Tanzanian

Board Governance, Remuneration and Human Resources Committee

This Committee has been delegated with the responsibility from the Board to ensure implementation of good governance, review of the governance tools and policies. The Committee also has responsibility to undertake structured assessment of candidates for Senior Management positions, consider and review the human resources management and remuneration policies.

The Committee meets a minimum of four times in a year. The Board Governance, Remuneration and Human Resources Committee members who served during the year 2023 were:

Name	Position	Nationality
Mr. Macfussy Michael Kawawa	Chairperson	Malawian
Mr. Harold Nesta Jiya	Member	Malawian
Mr. Benedict Kuhenga Mahona.	Member	Tanzanian

22. CAPITAL STRUCTURE AND SHAREHOLDING

As at 31 December 2023, the Bank had 277 shareholders (2022: 277 shareholders).

The Capital structure and shareholding position of the Bank as at 31 December 2023 was as follows:

	2023			2022		
	Number of Ordinary Shares	Percentage (%)	Number of Preference Shares*	Number of Ordinary Shares	Percentage (%)	Number of Preference Shares*
National Bank of Malawi Plc	16,813,000	60.48	11,622,798	16,813,000	60.48	5,959,680
Accion International	1,721,456	6.19	-	1,721,456	6.19	-
PSSSF	963,957	3.47	-	963,957	3.47	-
Stichting Hivos – Triodos Fonds	683,335	2.46	-	683,335	2.46	-
INCOFIN CVSO	617,850	2.22	-	617,850	2.22	-
FMO	595,443	2.14	-	595,443	2.14	-
Inter Consult Ltd	568,811	2.05	-	568,811	2.05	-
FEFISOL	434,022	1.56	-	434,022	1.56	-
Sustainable Finance Foundation	430,798	1.55	-	430,798	1.55	-
Erncon Holdings Ltd	1,808,627	6.51	-	1,808,627	6.51	-
Other Shareholders	3,160,117	11.37	-	3,160,117	11.37	-
Total	**27,797,416**		**11,622,798**	**27,797,416**		**5,959,680**

* Perpetual non-cumulative irredeemable participating preference shares

Directors' holding shares at the Bank are listed below:

Name	Nationality	Ordinary shares of TZS 1,000 each	Nominal value TZS 000	Ordinary Shareholding %
Mr. Andrew Ernest Massawe (Erncon Holdings Ltd)	Tanzanian	1,808,627	1,808,627	6.51
Ms. Catherine Kimaryo	Tanzanian	15,122	15,122	0.05
Mr. Andrew Ernest Massawe	Tanzanian	686	686	0.002

23. PRINCIPAL RISKS AND UNCERTAINTIES

The Bank operates in an environment which exposes it to various risks. The key risks that may significantly impact the Bank's short-to-medium term strategy are mainly credit, information and communication technology (ICT), operational, compliance, market, liquidity, strategic, reputational, environmental and social risk.

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

Credit risk

The Bank is exposed to credit risk for the loans and advances granted to customers as well on the money lent to other financial institutions in an event that such entities fail to honour their obligations. This is the risk resulting from the possibility that a financial asset may not result in a cash receipt (or equivalent) as per the terms of the contract. The Bank has put in place various credit related controls to its exposure to credit risk is minimized. These measures include, robust credit sanctioning process, adherence to approval limits, disbursement controls, continuous monitoring, and a well-documented risk appetite.

23. PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

ICT risk

The risk that IT systems could fail due to either function related default or even due to cyber-attacks cannot be underestimated. Information and communication technology is key in supporting business processes/standards of the bank and as such, we take the ICT side of business very seriously. ICT risk results from inadequate or failed ICT strategy, ICT project and program or ICT operations. The Bank has checks in place to limit its exposure to ICT risk and performs regular monitoring to validate the efficacy of its ICT risk controls.

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.

Compliance risk

The Bank operates in an environment where it is required to comply with various laws and regulations. There is therefore an exposure of being fined or suspended from carrying business due to violations of, or non-compliance with laws, rules, and regulations put by authorities and regulators. Management continually ensures that the Bank complies with relevant laws, rules, regulatory requirements through its Risk and Compliance department and the responsible Board Risk Committee.

Market risk

While the Bank engages in trading cautiously, there is a 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 interest rate and foreign exchange. The Bank has stringent controls and monitoring mechanisms in place to limit its exposure to market risk.

Strategic risk

Strategic risk occurs when it is hard to decide to make and implement quickly decision that could reverse an unattractive or adverse impact to the business. 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

As the Bank offers products to various customers and interacts with the community, there is a risk that an activity by the Bank or its employee 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 a communication policy which provides guidance on who should engage the public and how they should conduct themselves. In addition, the Bank's values and code of ethics formulate the culture of the Bank and as such help to preserve the reputation of the Bank. Consequences for reputational related offences are very stringent.

23. PRINCIPAL RISKS AND UNCERTAINTIES (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. The Chief Risk Officer assures the Board Risk Committee of the implementation of the said policies.

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 unusual transactions.
- Monitoring of 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

Currently businesses are increasing their focus to risks related to business sustainability. Environmental and social risks are therefore becoming focus of discussion risks to various business including banks. 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.

24. RELATED PARTY TRANSACTIONS

Transactions during the year with related parties were conducted at terms and conditions like those offered to other clients and in the normal course of business. Details of all related party transactions and balances are disclosed in note 30 to these financial statements.

25. 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. In December 2022 management signed a recognition agreement with the workers Trade Union (FIBUCA) recognising them as a key stakeholder in managing the relationship between management and employees.

25. EMPLOYEE WELFARE (CONTINUED)

Training and people development

The investment in people through training is a demonstration of the Bank's commitment to improving skills in the provision of banking services. This is more so given that the banks' business strategy for 2021 - 2025 depends on the quality and competencies of readily available human resources capacity that is capable of driving and delivering quality business efficiently in view of new the business model and diversified product lines. The Bank's training and development program therefore aims at arming staff with the requisite skills and competencies that will enable the Bank to offer its customers effective and quality service.

In 2023 the Bank invested TZS 221 million in development of its staff. The training plan was implemented by 64% (budget was TZS 345 million).

Health wellness and financial assistance to staff

The Bank's staff enjoy all-inclusive medical cover for all staff including spouse plus four dependents per employee. Jubilee provided the services up to 31st May 2023 before the service was moved to Strategis Insurance Tanzania Limited following a successful public bidding process. Apart from medical cover the Bank contributes to Workers Compensation Fund (WCF) as required by the Workman's Compensation Act.

Occupational safety, health and environment

The Bank took reasonable steps to safeguard the health, safety and welfare of its employees. A safe and conducive working environment was availed to all employees by providing adequate working tools, proper personal protective equipment, hygiene, training, and supervision. The Bank's workplaces were visited by labour inspectors and were found to comply with appropriate government regulations.

Financial assistance to employees

The Bank provided different types of financial support to improve the welfare of its employees, including staff loans.

The Bank provided housing, personal and car loans to staff to enable them to meet their financial requirements and promote economic development. Staff loans are in line with industry best practice and based on specific terms and conditions approved by the Board of Directors.

Periodically the Bank reviews its staff loan scheme (personal loans and mortgage) to ensure the offering contains terms and conditions comparable to competitors.

Loan eligibility remains contingent on the individual credit assessment, and at the management's discretion as to the need and circumstances. Due to efforts to retain and attract talent, fixed term employees are eligible for personal loans within their contract tenure.

Retirement benefits

The Bank makes contributions in respect of staff retirement benefits to the National Social Security Fund (NSSF). The total number of employees at the year end, was 335 (2022: 385).

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.

25. EMPLOYEE WELFARE (CONTINUED)

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. 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 and thrive to ensure the working environment is conducive. It is the policy of the Bank that training, career development and promotion of disabled persons are monitored with extra care and attention.

As at December 2023, the Bank had 335 employees and female employees accounted for 61% of the workforce whilst male employees were 39% of the total staff population (2022: 385 employees, out of whom 61% were women and 39% were men).

26. POLITICAL DONATIONS

The Bank did not make any political donations during the year (2022: Nil).

27. CORPORATE SOCIAL RESPONSIBILITY

The Bank recognizes its role and position in the society by undertaking several corporate social responsibility (CSR) initiatives. These initiatives are geared towards giving back to society as well as looking into people's welfare as a caring companion.

28. ENVIRONMENTAL CONTROL PROGRAMME

The Bank has a corporate social responsibility policy, part of which addresses environmental control programmes. The Bank acknowledges the seriousness of global environmental issues and therefore acts voluntarily and affirmatively to protect the environment by seeking to minimize any adverse environmental impact in the way the Bank operates. The Bank is committed to the prevention of environmental pollution and follows relevant environmental laws in the areas we operate as a minimum standard and seeks to implement best practices wherever possible.

29. CLIMATE-RELATED FINANCIAL RISK

Climate-related financial risk means the potential risks that may arise from climate change or from efforts to mitigate climate change, their related impacts and economic and financial consequences. Therefore, climate change may result in physical and transition risks that could affect the safety and soundness of the bank and have broader financial stability implications in the banking system. These risks are herein defined below:

- Physical risks arise as the result of acute weather events such as floods, wildfires and longer-term shifts in climate patterns such as sustained higher temperatures, droughts and rising sea level;
- Transition risks arise as a result of measures taken to mitigate the effects of climate change and transition to a low-carbon economy – e.g. changes to laws and regulations, litigation due to failure to mitigate or adapt; and
- shifts in supply and demand for certain commodities, products and services due to changes in consumer behavior and investor demand.

The Bank recognizes climate change as one of the most significant risks facing the planet. Climate risk is central to the bank's sustainability agenda, as we look to limit the impacts that result from the transitional or physical effects of climate change. The bank continues to work on the measures required to address climate change, to mitigate impact of its operations on climate and to support a transition towards lower carbon operations and products.

The Bank has identified certain industries/sectors which may expose the Bank to climate change risk. These sectors/ industries and their related exposure to the bank's loan book includes:

29. CLIMATE-RELATED FINANCIAL RISK (CONTINUED)

	TZS' 000	% /Loan book
Agriculture, forestry, fishing and hunting	599,066	0.55%
Manufacturing	217,210	0.20%
Construction	1,516,715	1.38%
Transport, storage and communications	5,843,334	5.33%
	8,176,325	**7.46%**

i) Governance

The Bank has approved a policy and framework to assist in incorporating sound governance and risk management frameworks for climate related risks within the existing risk management frameworks. This will enable to better understand, identify, assess, monitor and mitigate these risks. The policy and framework documents apply to the Bank and all its branches and has set out governance responsibilities as outlined below:

- Board oversight of climate related financial risks.
- Board approved policy and framework on climate related financial risks management Board quarterly reports on climate related risks.
- Updated the senior management's role to include assessing and managing climate related financial risks management.

ii) Strategy

The Bank has put in place an adequate and appropriate internal control framework, across the three lines of defence, to ensure sound, comprehensive and effective identification, measurement, monitoring, mitigation and management of material climate related financial risks and opportunities.

iii) Risk Management

The bank understands the impacts of climate related financial risk drivers on its prudential risk profiles and ensure that risk management systems and processes consider material climate related financial risks.

- Incorporating sound governance and risk management frameworks for climate related financial risks within the existing risk management frameworks
- Developing procedures on climate risk which provide for the risk assessment and categorization process at onboarding of new credits, and during the credit life circle and also key risk indicators for monitoring climate risk

iv) Metrics and Targets

- Metrics to be used to assess climate- related risks and opportunities in line with strategy and risk management process.
- Targets used to manage climate-related risks and opportunities.
- Measuring performance against set targets.

The Bank shall regularly review and reinforce its disclosures, with a view to making them as insightful as possible. The disclosures shall take into consideration the evolving needs of stakeholders regarding information on climate-related financial risks and reflect the bank's evolving understanding of these risks.

30. PREJUDICIAL ISSUES

There are no matters outside the control of the Bank which could have resulted in the Bank failing to achieve its objectives.

31. STATEMENT OF COMPLIANCE

The report by those charged with governance has been prepared in full compliance with Tanzania Financial Reporting Standard No. 1 the Report by Those Charged with Governance.

32. THE AUDITOR

The auditor, KPMG has expressed their willingness to continue in office and are eligible for re-appointment. A resolution proposing their reappointment will be put to Annual General Meeting.

BY ORDER OF THE BOARD

Ms. Catherine Kimaryo	Prof. Josephat Lotto
Chairperson	**Director**
Date: 27 | 03 | 2024	Date: 27 | 03 | 2024

STATEMENT OF DIRECTORS RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2023

The Company's directors are responsible for the preparation of financial statements that give a true and fair view of Akiba Commercial Bank Plc (the "Company" or the "Bank") comprising the statement of financial position as at 31 December 2023, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, comprising material accounting policies, in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards), and in the manner required by the Companies Act, 2002.

The Directors are also responsible 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, and for maintaining adequate accounting records and an effective system of risk management.

The Directors have made an assessment of the ability of the Company to continue as going concern and have no reason to believe that the business will not be a going concern at least for the next twelve months from the date of approval of these financial statements.

The auditor is responsible for reporting on whether the financial statements give a true and fair view in accordance with the applicable financial reporting framework.

Approval of financial statements

The financial statements of Akiba Commercial Bank Plc, as identified in the first paragraph, were approved and authorized for issue by the Directors on ...27 | 03 | 2024... and signed by:

BY ORDER OF THE BOARD

Ms. Catherine Kimaryo	Prof. Josephat Lotto
Chairperson	**Director**
Date: 27 | 03 | 2024	Date: 27 | 03 | 2024

DECLARATION OF THE CHIEF FINANCE OFFICER FOR THE YEAR ENDED 31 DECEMBER 2023

The National Board of Accountants and Auditors (NBAA) according to the power conferred under the Auditors and Accountants (Registration) ACT No. 33 of 1972, as amended by Act No. 2 of 1995, requires the financial statements to be accompanied with the Statement of Declaration issued by the Chief Finance Officer responsible for the preparation of financial statements of the entity concerned.

It is the duty of a professional accountant to assist the Board of Directors to discharge the responsibility of preparing the financial statements of the Bank showing true and fair view position of the Bank in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and the requirements of the Companies Act of Tanzania, 2002 and the Banking and Financial Institutions Act, 2006. Full legal responsibility for financial statements rests with the Board of Directors as indicated in the statement of directors' responsibilities.

I Arnold Makanda being the Chief Finance Officer of Akiba Commercial Bank Plc hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2023, have been prepared in compliance with the International Accounting Standards Board (IFRS Accounting Standards), the Companies Act, 2002 and the Banking and Financial Institutions Act, 2006.

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

Signed by: Arnold Makanda

Position: **Chief Finance Officer**

NBAA Membership no: TACPA 4076

Date: 27 | 03 | 2024

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Akiba Commercial bank Plc ("the Bank") set out on pages 58 to 132 which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in the manner required by the Companies Act, 2002 and Banking and Financial Institutions Act, 2006.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Tanzania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit 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 financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

KPMG

Key Audit Matters (Continued)

Impairment of loans and advances to customers
Refer to notes 2(d) Use of estimates and judgements, 3(g) (iii) Material Accounting Policies - Financial Assets & Liabilities, 5.1 Credit Risk and 17 Loans and Advances to customers to the financial statements

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2023, the gross loans and advances to customers amounted to TZS 109.6 billion and the allowance for impairment amounted to TZS 2.9 billion. Measurement of expected credit loss (ECL)/ impairment on loans and advances is a key audit matter as the determination of expected credit losses is highly subjective, involves significant level of judgement applied by management and the ECL is a material significant estimate. • The key areas where we identified significant levels of management judgement and therefore increased levels of audit focus are: • Assumptions used in determining criteria for significant increase in credit risk where both quantitative considerations such as days past due and qualitative considerations such as difficulties in cash flow and other signs of financial difficulties of the borrowers accounted for staging decisions. • Choosing appropriate models and assumptions for the determination of probabilities of default (PD); exposures at default (EAD) and loss given default (LGD); and ultimately measurement of Expected Credit Loss (ECL). This included consideration for significant judgements around segmentation as well as various LGD modelling assumptions including time to realisation of collaterals as well as collateral values. • Establishing the various macroeconomic variables as well as weightings applied to the forward-looking scenarios such as base, upside and downside and weightings used against local economic (lending interest rates) for each segment and therefore the associated impact on ECL.	**Our audit procedures in this area, included:** • Evaluating the design and implementation as well as operating effectiveness of controls on credit file review processes and approval of external collateral valuation vendors. • Obtaining a sample of key data inputs and assumptions impacting ECL calculations and agreeing them to underlying supporting documents and assessing reasonability. We obtained data used in LGD computation and in deriving assumptions used in LGD modelling and confirmed the amounts and nature of collateral to the underlying documents. For the assumptions such as recovery rate, cost of recovery and recovery period. We mainly performed retrospective review to assess reasonableness of such assumptions. Specifically, by obtaining historical sales for a specific nature of collateral and calculated recovery rate, cost of recovery and recovery period and compared to the rates management has used in computation of LGD. • For a sample of loans, we evaluated the reliability and reasonableness of information used by the bank in establishing PDs and EADS by comparing those to source data to check if the information used is accurate and complete. • Evaluating the appropriateness of the Significant Increase in Credit Risk (SICR) criteria used by assessing reasonableness of qualitative staging decisions such as the borrower's financial performance through comparison of historical performance data and accuracy of quantitative staging criteria to stage 1, stage 2 and stage 3 based on days past due by re-aging of loans data. • Assessing the ECL calculations through re-computation, and on sample basis, checking if the correct parameters, namely PDs, LGD and EADS were appropriately determined; • Involving our Financial Risk Management specialists to evaluate the appropriateness of the entire methodology used by the Bank and also appropriateness of macroeconomic scenarios such as base, upside and downside weightings used against the local economic (lending interest rates) and portfolio factors; and • Evaluating the adequacy of financial statements disclosures in accordance with the requirements of IFRS 9, Financial Instruments, including disclosures of key assumptions and judgements relating to ECL.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

KPMG

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Akiba Commercial Bank Plc Report and Financial Statements for the year ended 31 December 2023 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 in the manner required by the Companies Act, 2002 and Banking and Financial Institutions Act, 2006, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditor's Responsibilities for the Audit of the financial statements (Continued)

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on Other Legal and Regulatory Requirements

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

- in our opinion, proper accounting records have been kept by Akiba Commercial Bank Plc;
- the individual accounts are in agreement with the accounting records of the Bank;
- we obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit;
- directors' report is consistent with the financial statements; and
- information specified by the law regarding Directors' emoluments and other transactions with the Bank is disclosed.

As required by Banking and Financial Institutions Act, 2006 and its regulations, we report to you solely based on our audit of financial statements, that, nothing has come to our attention that causes us to believe that the Bank has not complied with the Banking and Financial Institutions Act, 2006 and its regulations including computation of its capital position.

KPMG
Certified Public Accountants (T)

Signed by engagement partner: CPA Vincent Onjala (TACPA 2722)
Dar es Salaam

Date: 27/03/2024

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

	NOTES	2023 TZS '000	2022 TZS '000
Interest income calculated using effective interest method	6(a)	**28,292,236**	25,348,670
Other interest income	6(b)	**110,340**	43,895
Interest expense	7	**(8,231,569)**	(6,869,687)
Net interest income		**20,171,007**	18,522,878
Credit impairment losses	17	**1,213,203**	(4,394,365)
Net interest income after impairment losses		**21,384,210**	14,128,513
Fees and commission income	8	**4,747,340**	4,818,175
Foreign exchange income	9	**500,316**	384,466
Other operating income	10	**98,370**	452,021
Employee benefits expenses	11	**(15,616,657)**	(14,163,530)
Other expenses	12	**(10,551,534)**	(8,687,458)
Depreciation and amortization	13	**(2,102,251)**	(1,939,195)
Loss before tax		**(1,540,206)**	(5,007,008)
Tax expense	14(a)	**(473,185)**	(2,023,112)
Loss for the year		**(2,013,391)**	(7,030,120)
Other comprehensive income for the year		**-**	-
Total comprehensive loss for the year		**(2,013,391)**	(7,030,120)

The notes set out on pages 62 to 132 form an integral part of these financial statements.

Auditor's report is on pages 54 to 57.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

	NOTES	2023 TZS '000	2022 TZS '000
ASSETS			
Cash and balances with Bank of Tanzania	15	**27,970,854**	21,143,439
Balances with other banks	16	**3,671,049**	1,325,049
Loans and advances to customers	17	**106,651,601**	96,559,860
Government Securities	18	**37,155,490**	39,600,640
Other assets	23	**8,321,639**	7,317,330
Current income tax asset	14 (c)	**151,375**	151,375
Property and equipment	20	**14,712,276**	13,865,397
Intangible assets	21	**531,027**	479,359
Deferred income tax	22	**6,391,125**	6,864,310
Unquoted equity investment	19	**39,000**	39,000
TOTAL ASSETS		**205,595,436**	187,345,759
LIABILITIES			
Deposits from other banks		**8,406,688**	17,063,206
Deposits from customers	24	**152,770,317**	129,674,371
Lease liability	25	**14,063,584**	14,662,695
Other liabilities	26	**4,861,596**	4,101,963
TOTAL LIABILITIES		**180,102,185**	165,502,235
SHAREHOLDERS EQUITY			
Share capital	28(a)	**27,797,416**	27,797,416
Preference shares	28(b)	**11,622,798**	5,959,680
Share premium	28(c)	**2,431,917**	2,431,917
Accumulated losses		**(19,214,523)**	(15,275,549)
Regulatory reserve	28(d)	**2,855,643**	930,060
TOTAL EQUITY		**25,493,251**	21,843,524
TOTAL LIABILITIES AND EQUITY		**205,595,436**	187,345,759

The financial statements on pages 58 to 132 were approved and authorised for issue by the Board of Directors on 27/03/2024 and signed by:

Ms. Catherine Kimaryo
Chairperson

Prof. Josephat Lotto
Director

The notes set out on pages 62 to 132 form an integral part of these financial statements.

Auditor's report is on pages 54 to 57.

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

	Share Capital	Preference Shares	Advance Towards Share Capital	Share Premium	Accumulated Losses	Regulatory Reserve	Total
	TZS '000		TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
At 1 January 2023	**27,797,416**	**5,959,680**	-	**2,431,917**	**(15,275,549)**	**930,060**	**21,843,524**
Loss for the year					**(2,013,391)**		**(2,013,391)**
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income					**(2,013,391)**		**(2,013,391)**
Issue of Preference Shares	-	**5,663,118**	-			-	**5,663,118**
Total transaction with owners	-		-	-	-	-	-
Transfer from regulatory reserve to retained earnings	-		-	-	**(1,925,583)**	**1,925,583**	-
At 31 December 2023	**27,797,416**	**11,622,798**	-	**2,431,917**	**(19,214,523)**	**2,855,643**	**25,493,251**
At 1 January 2022	27,797,416	-	5,888,000	2,431,917	(12,100,902)	4,857,213	28,873,644
Loss for the year	-		-	-	(7,030,120)	-	(7,030,120)
Other comprehensive income	-		-	-	-	-	-
Total comprehensive income	-	-	-	-	(7,030,120)	-	(7,030,120)
Transactions with owners of the bank	-	-	-	-	-	-	-
Transfer to Share Capital	-	5,959,680	(5,888,000)	-	(71,680)	-	-
Total transaction with owners	-	5,959,680	(5,888,000)	-	(71,680)	-	-
Transfer from retained earnings to regulatory reserve	-		-	-	3,927,153	(3,927,153)	-
At 31 December 2022	27,797,416	5,959,680	-	2,431,917	(15,275,549)	930,060	21,843,524

*Regulatory reserve represents the surplus of provision for credit losses computed in accordance with Bank of Tanzania regulations over the impairment loss on loans and advances computed in accordance with International Financial Reporting Standards.

The notes set out on pages 62 to 132 form an integral part of these financial statements.

Auditor's report is on pages 54 to 57.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

Cash flows from operating activities	Notes	2023 TZS 000	2022 TZS 000
Loss for the period		**(2,013,391)**	(7,030,120)
:Adjustments for			
Depreciation and amortization	13	**2,102,251**	1,939,195
Impairment of loans and advances	17	**(1,387,111)**	5,255,272
Gain on disposal of property and equipment	10	**(138,594)**	(389)
Interest expense on lease liability	25	**1,527,521**	1,441,773
Interest expense on deposits	7	**6,704,048**	5,427,914
Interest income	6(a) & (b	**(28,402,576)**	(25,392,565)
Exchange gain on cash and cash equivalent		**(159,086)**	(71,680)
Tax expense	14(a)	**473,185**	2,023,112
		(21,293,753)	(16,407,488)
:Changes in			
Statutory Minimum Reserve	15	**(1,006,701)**	(70,916)
Loans and advances to customers	17	**(7,965,477)**	(18,851,112)
Other assets	23	**(1,004,329)**	(58,766)
Government securities	18	**15,494,692**	24,306,445
Deposit from customers	24	**23,095,946**	5,200,954
Balances from other banks	16	**(8,656,518)**	11,071,977
Other liabilities	26	**759,653**	334,989
Cash flows used in operations		**(576,487)**	**(5,526,083)**
Interest received		**27,663,423**	26,868,122
Interest paid on lease liability	25	**(1,527,521)**	(1,441,773)
Interest paid on deposits		**(7,222,186)**	(5,427,914)
Tax Paid	14 (c)	**-**	(1,820,420)
Net cash flows generated / (used in) operations		**18,337,229**	**23,704,098**
Cash flows from investing activities			
Purchase of government securities	18	**(13,049,542)**	(23,242,640)
Purchase of property and equipment	20	**(2,496,462)**	(786,553)
Purchase of intangible assets	21	**(162,888)**	(34,989)
Proceeds from sale of property and equipment		**164,728**	389
Net cash used in investing activities		**(15,544,164)**	**(24,063,793)**
Cash flows from financing activities			
Proceeds from issue of Preference shares		**5,663,118**	-
Lease payments	25	**(939,825)**	(841,070)
Net cash generated/ (used in) financing activities		**4,723,293**	(841,070)
Net decrease in cash and cash equivalents		**7,516,358**	(1,200,765)
Cash and cash equivalent at the beginning of the year	27	**19,266,380**	20,395,465
Effect of exchange rate fluctuations on cash and cash equivalent		**159,086**	71,680
Cash and cash equivalent at the end of the year	27	**26,941,824**	19,266,380

The notes set out on pages 62 to 132 form an integral part of these financial statements.

Auditor's report is on pages 54 to 57.

1. REPORTING ENTITY

Akiba Commercial Bank Plc (the "Bank") is a limited company incorporated in Tanzania under the Companies Act 2002 and is domiciled in Tanzania. The address of its registered office and principal place of business is:

3rd Floor, Amani Place
Ohio Street
PO Box 669
Dar es Salaam, Tanzania

2. BASIS OF ACCOUNTING

(a) Statement of compliance

The Bank's financial statements for the year 2023 have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in the manner required by the Companies Act, 2002 and Banking and Financial Institutions Act, 2006. Additional information required by the regulatory bodies is included where appropriate.

(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) and Fair Value through Other Comprehensive Income (FVOCI).

(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.

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 4.

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 (g) (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 Note 3 (g) (iii) and 5.1.

3. MATERIAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:
The comparative information has been reclassified to align with presentation in the current year where applicable.

(a) Adoption of New and Revised Accounting Standards

During the current year, the Bank has adopted all the new and revised standards and interpretations issued by the IASB and the IFRS-IC that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2023. For details of the new and revised accounting standards and/or policies refer to note 35.

(b) Foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of the bank at the exchange rates at the date of the transactions. 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, impairment 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 exchange rate when the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

(c) Revenue recognition

Revenue 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

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 amortized 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.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(c) Revenue recognition (continued)

i) Net interest income (continued)

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 after 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 amortized 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 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.

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 recognized as the related services are performed. The Bank provides services to retail and corporate customers, including account management, provision of overdraft facilities, foreign currency transactions, credit card and servicing fees. Fees for ongoing account management are charged to the customer's account on a monthly basis. The Bank sets the rates separately for retail and corporate banking customers in on an annual basis.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(c) Revenue recognition (continued)

ii) Net fee and commission income (continued)

Transaction-based fees for interchange, foreign currency transactions and overdrafts are charged to the customer's account when the transaction takes place.

If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognized on a straight-line basis over the commitment period. A contract with a customer that results in a recognized 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.

(d) Other operating income

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

(e) 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 in exchange for consideration.

i) Bank acting as a lessee

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

The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The 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, and 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.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(e) Leases (continued)

i) Bank acting as a lessee (continued)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments.
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.
  amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early

The lease liability is measured at amortised cost using the effective interest method. It is remeasured 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 remeasured 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.

From 1 January 2021, where the basis for determining future lease payments changes as required by interest rate benchmark reform, the Bank remeasures 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 recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including leases of IT equipment. The Bank recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(f) Income tax expense

Income tax expense comprises current tax and change in deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised in equity or in other comprehensive income.

i) Current tax

Current tax is the expected tax payable or receivable on the taxable income for the year using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

ii) Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for:

- Temporary differences relating to the initial recognition of assets or liabilities in a transaction that is not a business combination, and which affects neither accounting nor taxable profit temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(f) Income tax expense (continued)

ii) Deferred tax(continued)

- taxable temporary differences arising on the initial recognition of goodwill

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. 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 realized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realized simultaneously.

(g) Financial assets and financial liabilities

i) Recognition and initial measurements

The bank initially recognizes 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 recognized 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. After 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: amortized cost, FVOCI or FVTPL.

A financial asset is measured at amortized 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.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(g) Financial assets and financial liabilities (continued)

ii) Classification (Continued)

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 amortized 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 realizing 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 realized.

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.

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

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(g) Financial assets and financial liabilities (continued)

ii) Classification (Continued)

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 amortized 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 considering 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. After 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 de-recognition, 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 amortized cost is recognized 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 recognized in OCI is recycled to the Statement of Profit or Loss and Other Comprehensive Income upon de-recognition of the debt instrument.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(g) Financial assets and financial liabilities (continued)

ii) Classification (Continued)

Debt instruments measured at FVTPL

Debt instruments are measured at FVTPL if assets:

a) Are held for trading purposes.
b) Are held as part of a portfolio managed on a fair value basis; or
c) 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 and Other Comprehensive Income.

Reclassifications

Financial assets are not reclassified after 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 amortized.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(g) Financial assets and financial liabilities (continued)

iii) Impairment

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

- financial assets that are debt instruments (amortized cost and FVOCI) including loans and advances.
- lease receivables (rental income collected from Investment properties).
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognized 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 5.1).

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 recognized are referred to as 'Stage 1 financial instruments.

Lifetime 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 recognized but which are not credit-impaired are referred to as 'Stage 2 financial instruments.

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 shortfalls (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 (stage 3): 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 5.1.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(g) Financial assets and financial liabilities (continued)

iii) Impairment (continued)

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 derecognized (see note 3(f)(iv)) and ECL are measured as follows.
- If the expected restructuring will not result in de-recognition 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 de-recognition 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 de-recognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of de-recognition 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 amortized 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 reorganization; 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 assessing 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. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(g) Financial assets and financial 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 amortized cost: as a deduction from the gross carrying amount of the assets.
- loan commitments and financial guarantee contracts: generally, as a provision; (See note 29)
- 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 recognized 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 recognized 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 to comply with the bank's procedures for recovery of amounts due.

Any write-offs mandated by the laws and regulations are assessed by management for compliance with IFRS.

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 de-recognition 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.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on de-recognition of such securities. Any interest in transferred financial assets that qualify for de-recognition 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.

3.MATERIAL ACCOUNTING POLICIES (CONTINUED)

(g) Financial assets and financial liabilities (continued)

Financial assets (continued)

iv) De-recognition

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 de-recognition 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.

The bank securitises various loans and advances to customers and investment securities, which generally result in the sale of these assets to unconsolidated securitisation vehicles and in the bank transferring substantially all the risks and rewards of ownership. The securitisation vehicles in turn issue securities to investors. Interests in the securitised financial assets are generally retained in the form of senior or subordinated tranches, interest-only strips, or other residual interests (retained interests). Retained interests are recognised as investment securities and carried at FVOCI. Gains or losses on securitisation are recorded in other revenue.

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 plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on de-recognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the de-recognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in de-recognition of the financial asset, then the bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred, and modification fees received adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(g) Financial assets and financial liabilities (continued)

Financial assets (continued)

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

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 calculated using the effective interest rate method.

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 Bank of similar transactions such as in the Bank's trading activity.

(h) 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 the factors that market participants would consider 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 based on 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.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(h) Fair value measurement (continued)

The bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(i) Cash and Cash equivalents

Cash and cash equivalents cash on hand, balances with other banks, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand. These are carried in the Statement of Financial Position at face value.

For purposes of the statement of cash flows, cash and cash equivalents comprise balances with less than 3 months' maturity from the date of acquisition including: cash and balances with Bank of Tanzania, Government securities, and deposits and balances due from Banking institutions excluding the Statutory Reserve requirement held with the Bank of Tanzania.

(j) Property and equipment

Property and equipment are initially recorded at historical cost and subsequently stated at historical cost or valuation less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to write down the cost of each asset to its residual value over its estimated useful life as follows:

Description of assets	Rate (%)
Leasehold improvement	10
Motor vehicles	25
Furniture, fittings, and equipment	20
Computer equipment and software	20
Right of use asset	10

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

The asset's residual values, useful lives and methods are reviewed at each financial year end, and adjusted prospectively, if appropriate.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. (Refer to accounting policy on impairments of non-financial assets).

(k) Intangible assets

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Bank are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use.
- management intends to complete the software product and use or sell it.
- there is an ability to use or sell the software product.
- it can be demonstrated how the software product will generate probable future economic benefit.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(k) Intangible assets (Continued)

- adequate technical, financial, and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product including the software development employee costs and an appropriate portion of relevant overheads.

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

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed three years.

Acquired computer software licenses are capitalised based on the costs incurred to acquire and bring to use the specific software. These costs are amortised based on the expected useful lives. Software has a maximum expected useful life of 5 years.

(l) Impairment of non-financial assets

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

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

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

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

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

(m) Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that the Bank will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(m) Provisions (Continued)

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(n) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Bank in respect of services provided by employees up to the reporting date.

(o) Share Capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity. Incremental costs directly attributable to the issue of new shares or options to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

During the year, the Bank issued additional 5,663,118 Perpetual Non-Cumulative Participating Irredeemable Preference shares with a par value of TZS 1,000 per share to the National Bank of Malawi. The Preference Share capital is eligible as core capital under section 3 of the Banking and Financial Institutions Act, 2006.

4. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

Paragraph 125 of IAS 1 requires disclosure about the assumptions that the Bank makes about the future and other sources of estimation uncertainty at the reporting date that have a significant risk of resulting in a material adjustment within the next financial year.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies.

a) Measurement of the expected credit loss allowance

The Bank 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). The Bank uses several significant judgements in applying the accounting requirements for measuring ECL, such as:

- Determination criteria for significant increase in credit risk.
- Establishing the various macroeconomic variables as well as weightings applied to the forward-looking scenarios for each segment and therefore the associated impact on ECL
- Choosing appropriate models and assumptions for the determination of probabilities of default (PD); exposures at default (EAD) and loss given default (LGD); and ultimately measurement of Expected Credit Loss (ECL).

Detailed information about the judgement and estimates made by the Bank are explained under note 5.

4. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

b) Property and equipment

Critical estimates are made by the directors in determining depreciation and amortization rates for equipment and intangible assets and their residual values. The rates used are set out in the accounting policies section of these financial statements under Note 3(i). There is no significant risk of these estimates changing in the next 12 months that may lead to a material change in the carrying value of property and equipment and intangible assets.

(c) Deferred tax assets

Recognition of deferred tax assets. The Bank follows the IAS 12 Income Taxes guidance for the recognition of deferred tax assets. The key assumption to recognition of deferred tax assets is the availability of future taxable profits against which deductible temporary differences can be utilised. The Bank prepares projections to predict if they will be able to make profits to support this assumption.

The amounts recognised in the financial statements in respect of each matter are derived from the Bank's best estimation and judgement as described above.

Uncertain tax positions

There are some transactions and calculations for which the ultimate tax treatment is uncertain or in respect of which the relevant tax authority may have indicated disagreement with the bank treatment and accordingly the final tax charge cannot be determined until resolution has been reached with the relevant tax authority

The Bank recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due after taking into account external advice where appropriate.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the reporting period in which such determination is made. These risks are managed in accordance with the Bank's financial policy.

5. FINANCIAL RISK MANAGEMENT

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

Risk management is carried out by the Risk and Compliance department under policies approved by the Board of Directors.

The Board provides written principles for overall risk management, as well as written policies covering specific areas. In addition, the Internal Audit department is responsible for the independent review of risk management and the control environment. The most significant risks are credit risk, liquidity risk, market risk and operational risk. Market risk includes currency risk and interest risk.

5.1. Credit Risk

5.1.1 Credit risk measurement

The Bank takes on exposure to credit risk, which is the risk that the counterparty will cause a financial loss to the Bank by failing to discharge an obligation. Credit risk is the most important risk for the Bank's business; Directors therefore carefully manage its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities that bring debt securities into the Bank's asset portfolio. There is also credit risk in off-balance sheet financial instruments, such as loan commitments.

The credit risk management and controls are centralised in Commerce, Risk and Compliance departments of the Bank and reported to the Board of Directors and Heads of Departments regularly.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1. Credit Risk (continued)

5.1.1 Credit risk measurement (continued)

Loans and advances

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Bank measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is like the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9. The Loan book is split into Term Loans (Secured & unsecured) and overdraft and off- balance sheet items (these include undrawn overdraft limits, Letters of Credit and Guarantees).

The Bank considers a term loan to be in default if the repayments on the loan are more than 90 days past due for all product types, further considering a revolving facility in default if the facility is drawn above the loan limit for more than 90 consecutive days during the lifetime of the facility or if the drawn amount is still outstanding 90 days after maturity of the facility.

The Bank estimates the Loss Given Default for both term loan (secured and unsecured) based on recoveries on loans that defaulted and were written off and collections from loans that defaulted but were not written off while for off balance sheet items the probability of default and loss given default component for revolving facilities has been combined to determine a loss rate.

Exposure at Default for term loans is estimated as contractual rundown on the loans and for the off-balance sheet items the exposure at default is estimated by determining a credit conversion factor (CCF).

For regulatory purposes and for internal monitoring of the quality of the loan portfolio, all customers are segmented into five rating classes as shown below:

Bank's internal ratings scale			% Used for
	Description of the grade	Ageing	Regulatory provisioning
1.	Current	0 - 30 days	NIL
2.	Especially mentioned	31 - 90 days	3%
3.	Sub-standard	91 - 180 days	20%
4.	Doubtful	181 – 360 days	50%
5.	Loss	360 days and above	100%

5.1.2: 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 'Stage 1' and has its credit risk continuously monitored by the Bank.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit impaired. Refer to note 5.1.2.1 for a description of how the Bank determines when a significant increase in credit risk has occurred. If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to note 5.1.2.2 for a description of how the Bank defines credit-impaired and default.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1. Credit Risk (continued)

5.1.2: Expected credit loss measurement (Continued)

- 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. Please refer to note 5.1.2.3 for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Note 5.1.2.4 includes an explanation of how the Bank has incorporated this in its ECL models.

Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition; Their ECL is always measured on a lifetime basis (Stage 3).

5.1.2.1 Significant increase in credit risk (SICR)

The bank measures significant increase in credit risk using quantitative, qualitative or backstop criteria. If one or more of the following criteria are met the bank considers that a financial instrument to have experience a significant increase in credit risk.

Quantitative criteria:

A backstop is applied, and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

Qualitative criteria

Loans and advances to customers

A loan facility is assessed to have significant increase in credit risk if the borrower meets one or more of the following criteria:

- Previous arrears within the last 12 months.
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates.
- Actual or expected forbearance or restructuring.
- Actual or expected significant adverse change in operating results of the borrower.
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default.
- Early signs of cash flow/liquidity problems such as delay in servicing of trade creditors/loans; and
- Identified fraudulent activities in issuing the loan

The assessment of SICR incorporates forward-looking information and is performed on an annual basis at a portfolio level.

The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the independent Credit Risk team.

Loans and advances to banks

The following qualitative factors are considered as indicators of significant increase in credit risk

- Significant counterparty management restructuring or re-organization due to prolonged poor performance of the entity.
- Significant advance change in regulatory, economic, or technological environment of the borrower that results in a significant change in ability to meet its debt obligations; and

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1. Credit Risk (continued)

5.1.2.1 Significant increase in credit risk (SICR) (Continued)

- Significant reductions in financial support from a parent entity that resulted to significant adverse change of operating results of the counterparty.

Government securities

Government securities are considered to have experienced a significant increase in credit risk when at least one of the following factors have occurred:

- The government has received a low credit rating ("C") by the International rating agencies; or
- The government has initiated debt restructuring process.

Low credit risk exemption

Government securities such as treasury bills measured at amortised cost are classified as low credit risk financial instruments and impairment will be recorded only if there is evidence of expected default on Government securities. It is important to note that there is no history of default on the Tanzania Government securities.

The Bank defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative

The Bank considers a term loan to be in default if the repayments on the loan are more than 90 days past due for all product, further considering a revolving facility in default if the facility is drawn above the loan limit for more than 90 Consecutive days during the lifetime of the facility or if the drawn amount is still outstanding 90 days after maturity of the facility.

5.1.2.2: Definition of default and credit impaired assets

Qualitative

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where: -

- the borrower is in long-term forbearance.
- the borrower is deceased.
- the borrower is insolvent.
- the borrower is in breach of financial covenant(s).
- An active market for that financial asset has disappeared because of financial difficulties.
- Concessions have been made by the lender relating to the borrower's financial difficulty.
- Fraudulent activities were conducted in issuance of the loan.
- It is becoming probable that the borrower will enter bankruptcy; and
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

Loans and advances to customers

The criteria above have been applied to all financial instruments held by the Bank and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the segments expected loss calculations.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1. Credit Risk (continued)

5.1.2.2: Definition of default and credit impaired assets (Continued)

Loans and advances to banks

For balances due from other banks below events are considered as default when they occur

- When repayments of interest and principal are not done on time as per contractual schedules to the extent of 30 days delay.
- When counterpart is taken under management by Statutory Manager.
- When counterpart license has been revoked by Central Banks; and
- When counterpart has been declared bankrupt by responsible bodies like Registration, Insolvency and Trusteeship Agency (RITA) and Court.

Government securities

For government securities below events are considered as default when they occur: -

- When repayments of interest and principal are not done on time as per contractual schedules to the extent of 30 days delay.
- When the government is downgraded to below "C" Status by International Rating Agency such as Moody's. S&P or Fitch; and
- When the government is declared default/bankrupt by responsible agencies like World Bank or IMF.

5.1.2.3: Measuring ECL – Explanation of inputs, assumptions, and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Bank expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Bank includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- Loss Given Default (LGD) represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

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

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

5.1.2: Expected credit loss measurement (continued)

5.1.2.4: Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Bank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. These economic variables and their associated impact on the PD may vary between secured and unsecured loans and off-balance sheet exposure. Expert judgment has also been applied in this process.

The impact of these economic variables on the PD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates.

In addition to the base economic scenario, management team also provides other possible scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each major segment type to ensure non-linearity are captured. The number of scenarios and their attributes are reassessed at each reporting date.

The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The assessment of SICR is performed using the Lifetime PD under each of the base, and the other scenarios, multiplied by the associated scenario weighting, along with qualitative and backstop indicators. This determines whether the whole financial instrument is in Stage 1, Stage 2, or Stage 3 and hence whether 12-month or lifetime ECL should be recorded. Following this assessment, the Bank measures ECL as either a probability weighted 12-month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs).

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Bank considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Bank's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

Economic variable assumptions
The most significant period-end assumptions used for the ECL estimate as at 31 December 2023 are set out below. The scenarios "base", "upside" and "downside" were used for all portfolios.

	2023	2024	2025	2026	2027
Lending interest rate (%)					
Base	16.86%	16.82%	16.87%	16.85%	16.85%
Upside	17.82%	17.87%	17.85%	17.85%	17.85%
Downside	15.82%	15.87%	15.85%	15.85%	15.85%
Non-performing Loans					
Base	14.65%	15.21%	14.98%	14.95%	14.95%
Upside	26.29%	26.85%	26.62%	26.59%	26.59%
Downside	3.01%	3.57%	3.34%	3.30%	3.30%

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

5.1.2: Expected credit loss measurement (continued)

5.1.2.4: Forward-looking information incorporated in the ECL models (Continued)

The most significant period-end assumptions used for the ECL estimate as at 31 December 2022 are set out below. The scenarios "base", "upside" and "downside" were used for all portfolios.

	2022	2023	2024	2025	2026
Lending interest rate (%)					
Base	16.93%	16.86%	16.82%	16.87%	16.85%
Upside	17.86%	17.82%	17.87%	17.85%	17.85%
Downside	15.86%	15.82%	15.87%	15.85%	15.85%
Non-performing Loans					
Base	15.08%	14.65%	15.21%	14.98%	14.95%
Upside	26.72%	26.29%	26.85%	26.62%	26.59%
Downside	3.44%	3.01%	3.57%	3.34%	3.30%

The weightings assigned to each economic scenario at 31 December 2022 and 31 December 2021 was 70%, 15% and 15% for "base", "upside" and "downside" respectively.

If the forward-looking information change by 15% expected loss allowance would have been as follows:

Performing loans: Stage 1 and 2

31 December 2023	Expected loss allowance	
Sensitivity Analysis	Upward change TZS '000	Downward change TZS 000
Secured term loans	537,527	397,303
Unsecured term loans	1,179,383	871,718
Total expected loss allowance	**1,716,910**	**1,269,021**

31 December 2022	Expected loss allowance	
Sensitivity Analysis	Upward change TZS '000	Downward change TZS 000
Secured term loans	1,633,439	1,470,385
Unsecured term loans	1,062,144	880,939
Total expected loss allowance	2,695,583	2,351,324

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on a quarterly basis.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

5.1.3 Credit risk limit control and mitigation policies

The Bank manages limits and controls concentrations of credit risk wherever they are identified, to individual counterparties and groups, and to industries.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary.

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

Some other specific control and mitigation measures are outlined below.

(a) Collateral

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

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

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, to minimise the credit loss, the Bank will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured.

The following table sets out the principal types of collateral held against different types of financial assets.

	Percentage of exposure that is subject to collateral requirements		
Type of credit exposure	**31-Dec-23**	**31-Dec-22**	**Principal type of collateral held**
Loans and advances to customers			
Micro and Small Enterprises (MSEs)	100%	100%	Surveyed and un-surveyed land and buildings, Motor vehicles. s
Personal loans	-	-	None
Term loans	100%	100%	Surveyed and un-surveyed land and buildings, Motor vehicles
Overdrafts	100%	100%	Surveyed and un-surveyed land and buildings, Motor vehicles.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

5.1.3 Credit risk limit control and mitigation policies (Continued)

The table below sets out the carrying amount and the value of identifiable collateral held against loans and advances to corporate customers measured at amortised cost, for each loan, the value of disclosed collateral is capped at the nominal amount of the loan that it is held against: -

	2023		2022	
	Carrying amount	Collateral	Carrying amount	Collateral
Stage 1&2	**100,245,583**	**86,225,443**	94,609,525	81,323,901
Stage 3	**7,702,596**	**7,361,856**	7,310,258	6,890,712

(b) Credit-related commitments

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

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

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

5.1.4 Credit exposure

5.1.4.1 Maximum exposure to credit risk – Financial instruments subject to impairment

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Bank's maximum exposure to credit risk on these assets.

(a) Unsecured Term Loans-Gross loans

	2023			
	Stage 1	Stage 2	Stage 3	
	12 - Month ECL	Lifetime ECL	Lifetime ECL	Total
Credit grade	TZS'000	TZS'000	TZS'000	TZS'000
Current	**10,814,017**	**-**	**2,068**	**10,816,085**
Especially Mentioned	**-**	**32,034**	**232**	**32,266**
Doubtful	**-**	**-**	**66,243**	**66,243**
Sub Standard	**-**	**-**	**4,795**	**4,795**
Loss	**-**	**-**	**80,012**	**80,012**
Gross carrying amount	**10,814,017**	**32,034**	**153,350**	**10,999,401**
Loss allowance	**(1,012,573)**	**(26,294)**	**(153,350)**	**(1,192,217)**
Carrying amount	**9,801,444**	**5,740**	**-**	**9,807,184**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

5.1.4 Credit exposure (Continued)

5.1.4.1 Maximum exposure to credit risk – Financial instruments subject to impairment (Continued)

(a) Unsecured Term Loans-Gross loans (Continued)

	2022			
	Stage 1	Stage 2	Stage 3	
	12 - Month ECL	Lifetime ECL	Lifetime ECL	Total
Credit grade	TZS'000	TZS'000	TZS'000	TZS'000
Current	49,139,413	-	-	49,139,413
Especially Mentioned	-	1,044,895	-	1,044,895
Doubtful	-	-	349,481	349,481
Sub Standard	-	-	939,531	939,531
Loss	-	-	1,782,292	1,782,292
Gross carrying amount	49,139,413	1,044,895	3,071,304	53,255,612
Loss allowance	(953,469)	(22,488)	(847,636)	(1,823,593)
Carrying amount	48,185,944	1,022,407	2,223,668	51,432,019

(b) Secured Term Loans- Gross loans

	2023			
	Stage 1	Stage 2	Stage 3	
	12 - Month ECL	Lifetime ECL	Lifetime ECL	Total
Credit grade	TZS'000	TZS'000	TZS'000	TZS'000
Current	**86,687,654**	**-**	**145,875**	**86,833,529**
Especially Mentioned	**-**	**2,232,605**	**66,643**	**2,299,248**
Doubtful	**-**	**-**	**1,493,682**	**1,493,682**
Sub Standard	**-**	**-**	**1,536,059**	**1,536,059**
Loss	**-**	**-**	**2,730,500**	**2,730,500**
Gross carrying amount	**86,687,654**	**2,232,605**	**5,972,759**	**94,893,018**
Loss allowance	**(459,344)**	**(8,071)**	**(839,908)**	**(1,307,323)**
Carrying amount	**86,228,310**	**2,224,534**	**5,132,851**	**93,585,695**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

5.1.4 Credit exposure (Continued)

5.1.4.1 Maximum exposure to credit risk – Financial instruments subject to impairment (Continued)

(b) Secured Term Loans- Gross loans (Continued)

	2022			
	Stage 1	Stage 2	Stage 3	
	12 - Month ECL	Lifetime ECL	Lifetime ECL	Total
Credit grade	TZS'000	TZS'000	TZS'000	TZS'000
Current	40,915,585	-	-	40,915,585
Especially Mentioned	-	1,690,523	-	1,690,523
Doubtful	-	-	705,763	705,763
Sub Standard	-	-	2,086,783	2,086,783
Loss	-	-	1,446,408	1,446,408
Gross carrying amount	40,915,585	1,690,523	4,238,954	46,845,062
Loss allowance	(1,393,330)	(214,520)	(1,724,263)	(3,332,113)
Carrying amount	39,522,255	1,476,003	2,514,691	43,512,949

(c) Overdraft- Gross loans

	2023			
	Stage 1	Stage 2	Stage 3	
	12 - Month ECL	Lifetime ECL	Lifetime ECL	Total
Credit grade	TZS'000	TZS'000	TZS'000	TZS'000
Current	**773,044**	**-**	**-**	**773,044**
Especially Mentioned	**-**	**-**	**116,271**	**116,271**
Doubtful	**-**	**-**	**49,768**	**49,768**
Sub Standard	**-**	**-**	**424,060**	**424,060**
Loss	**-**	**-**	**-**	**-**
Gross Carrying amount	**773,044**	**-**	**590,099**	**1,363,143**
Loss allowance	**(6,944)**	**-**	**(199,235)**	**(206,179)**
Carrying amount	**766,100**	**-**	**390,864**	**1,156,964**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

5.1.4 Credit exposure (Continued)

5.1.4.1 Maximum exposure to credit risk – Financial instruments subject to impairment (Continued)

(c) Overdraft- Gross loans (Continued)

	2022			
	Stage 1	Stage 2	Stage 3	Total
	12 - Month ECL	Lifetime ECL	Lifetime ECL	
Credit grade	TZS'000	TZS'000	TZS'000	TZS'000
Current	1,819,109	-	-	1,819,109
Doubtful	-	-	-	-
Sub Standard	-	-	-	-
Loss	-	-	-	-
Gross Carrying amount	1,819,109	-	-	1,819,109
Loss allowance	(204,217)	-	-	(204,217)
Carrying amount	1,614,892	-	-	1,614,892

5.1.5 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 recognized during the period, as well as releases for financial instruments de-recognized in the period.
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models.
- Impacts on the measurement of ECL due to changes made to models and assumptions.
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis.
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets de recognized during the period and write-offs of allowances related to assets that were written off during the period).

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

1.1.1.1 Changes in the loss allowance

(a) Unsecured Loan

	Stage 1 12 - Month ECL TZS'000	Stage 2 Lifetime ECL TZS'000	Stage 3 Lifetime ECL TZS'000	Total TZS'000
Loss allowance as at 1 January 2023	**953,601**	**22,487**	**847,505**	**1,823,593**
Transfers:				
Transfer from stage 1 to stage 2	-	-	-	-
Transfer from stage 1 to stage 3	**52,226**	-	**(52,226)**	-
Transfer from stage 2 to stage 1	-	-	-	-
Transfer from stage 2 to stage 3	-	**24,293**	**(24,293)**	-
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	**27,115**	**(27,115)**	-
Financial assets derecognised during the period other than write offs	**(270,390)**	**(47,798)**	**(655,158)**	**(973,346)**
New financial assets originated	**277,316**	**197**	**64,647**	**342,160**
Total net P&L release during the period	**58,973**	**3,806**	**(694,155)**	**(631,376)**
Other movements with no P&L impact				
Write-offs	-	-	-	-
Loss allowance as at 31 December 2023	**1,012,573**	**26,294**	**153,350**	**1,192,217**

	Stage 1 12 - Month ECL TZS'000	Stage 2 Lifetime ECL TZS'000	Stage 3 Lifetime ECL TZS'000	Total TZS'000
Loss allowance as at 1 January 2022	569,817	25,303	1,094,865	1,689,985
Transfers:				
Transfer from stage 1 to stage 2	(4,383)	4,383	-	-
Transfer from stage 1 to stage 3	(220,157)	-	220,157	-
Transfer from stage 2 to stage 1	43,336	(43,336)	-	-
Transfer from stage 2 to stage 3	-	(42,520)	42,520	-
Transfer from stage 3 to stage 1	76,981		(76,981)	-
Transfer from stage 3 to stage 2	-	111,433	(111,433)	-
Financial assets derecognised during the period other than write offs	(317,820)	(52,988)	(573,995)	(944,803)
New financial assets originated	805,827	20,212	4,732,681	5,558,720
Total net P&L release during the period	383,784	(2,816)	4,232,949	4,613,917
Other movements with no P&L impact				
Write-offs	-	-	(4,480,309)	(4,480,309)
Loss allowance as at 31 December 2022	953,601	22,487	847,505	1,823,593

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

1.1.5 Loss allowance (continued)

5.1.5.1 Changes on the loss allowance (continued)

(b) Secured term loans

	Stage 1 12 - Month ECL TZS'000	Stage 2 Lifetime ECL TZS'000	Stage 3 Lifetime ECL TZS'000	Total TZS'000
Loss allowance as at 1 January 2023	**1,393,330**	**214,520**	**1,724,263**	**3,332,113**
Transfers:				
Transfer from stage 1 to stage 2	**34,990**	**(34,990)**	**-**	**-**
Transfer from stage 1 to stage 3	**(275,192)**	**-**	**275,192**	**-**
Transfer from stage 2 to stage 1	**(22,805)**	**22,805**	**-**	**-**
Transfer from stage 2 to stage 3	**-**	**(89,060)**	**89,060**	**-**
Transfer from stage 3 to stage 1	**-**	**-**	**-**	**-**
Transfer from stage 3 to stage 2	**-**	**-**	**-**	**-**
Financial assets derecognised during the period other than write offs	**(1,111,523)**	**(109,637)**	**(1,507,924)**	**(2,729,084)**
New financial assets originated	**440,544**	**4,433**	**292,778**	**737,755**
Total net P&L release during the period	**(933,986)**	**(206,449)**	**(850,894)**	**(1,991,329)**
Other movements with no P&L impact				
Write-offs	**-**	**-**	**(33,461)**	**(33,461)**
Loss allowance as at 31 December 2023	**459,344**	**8,071**	**839,908**	**1,307,323**

	Stage 1 12 - Month ECL TZS'000	Stage 2 Lifetime ECL TZS'000	Stage 3 Lifetime ECL TZS'000	Total TZS'000
Loss allowance as at 1 January 2022	1,027,654	59,763	3,334,053	4,421,470
Transfers:				
Transfer from stage 1 to stage 2	(114,929)	114,929	-	-
Transfer from stage 1 to stage 3	(856,960)	-	856,960	-
Transfer from stage 2 to stage 1	1,819	(1,819)		-
Transfer from stage 2 to stage 3	-	(24,063)	24,063	-
Transfer from stage 3 to stage 2	(23,935)	-	23,935	-
Financial assets derecognised during the period other than write offs	(479,097)	(19,271)	(896,546)	(1,394,914)
New financial assets originated	1,838,779	84,982	10,981	1,934,742
Total net P&L release during the period	365,677	154,758	19,393	539,828
Other movements with no P&L impact				
write-offs	-	-	(1,629,175)	(1,629,175)
Loss allowance as at 31 December 2022	1,393,331	214,521	1,724,271	3,332,123

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

1.1 Credit risk (continued)

1.1.5 Loss allowance (continued)

1.1.5.1 Changes on the loss allowance (continued)

(c) Overdraft

	Stage 1 12 - Month ECL TZS'000	Stage 2 Lifetime ECL TZS'000	Stage 3 Lifetime ECL TZS'000	Total TZS'000
Loss allowance as at 1 January 2023	**204,217**	**-**	**-**	**204,217**
New financial assets originated	**1,962**	**-**	**-**	**1,962**
Transfers	**(199,235)**	**-**	**199,235**	**-**
Total net P&L charge during the period	**6,944**	**-**	**199,235**	**206,179**
Other movements with no P&L impact				
Write-offs	**-**	**-**	**-**	**-**
Loss allowance as at 31 December 2023	**6,944**	**-**	**199,235**	**206,179**

	Stage 1 12 - Month ECL TZS'000	Stage 2 Lifetime ECL TZS'000	Stage 3 Lifetime ECL TZS'000	Total TZS'000
Loss allowance as at 1 January 2022	102,881	-	-	102,881
Transfers:				-
New financial assets originated	101,336	-	-	101,336
Total net P&L charge during the period	101,336	-	-	101,336
Other movements with no P&L impact				
Write-offs	-	-	-	-
Loss allowance as at 31 December 2022	204,217	-	-	204,217

5.1.5.2 Changes on the gross carrying amount

The following tables explain changes in the gross carrying amount of the portfolio to help explain their significance to the changes in the loss allowance for the same portfolio:

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

1.1.5 Loss allowance (continued)

5.1.5.2 Changes on the gross carrying amount (continued)

(a) Unsecured term Loans-Gross Loans

	Stage 1 12 - Month ECL TZS'000	Stage 2 Lifetime ECL TZS'000	Stage 3 Lifetime ECL TZS'000	Total TZS'000
Gross carrying amount as at 1 January 2023	**47,840,387**	**1,044,894**	**2,546,738**	**51,432,019**
Transfers:				
Transfer from stage 1 to stage 2	**619,500**	**(619,500)**	**-**	**-**
Transfer from stage 1 to stage 3	**565,938**		**(565,938)**	**--**
Transfer from stage 2 to stage 1	**(13,831)**	**13,831**	**-**	**-**
Transfer from stage 2 to stage 3	**-**	**45,070**	**(45,070)**	**-**
Transfer from stage 3 to stage 1	**1,669**	**-**	**(1,669)**	**-**
Transfer from stage 3 to stage 2	**-**	**(14,837)**	**14,837**	**-**
Financial assets derecognised during the period other than write offs	**(27,762,084)**	**(410,414)**	**(1,462,830)**	**(29,635,328)**
New financial assets originated	**7,301,578**	**4,941**	**12,116**	**7,318,635**
Write-offs	**-**	**-**	**(2,222,903)**	**(2,222,903)**
Gross carrying amount as at 31 December 2023	**28,553,157**	**63,985**	**(1,724,719)**	**26,892,423**

	Stage 1 12 - Month ECL TZS'000	Stage 2 Lifetime ECL TZS'000	Stage 3 Lifetime ECL TZS'000	Total TZS'000
Gross carrying amount as at 1 January 2022	39,236,854	1,273,759	5,231,836	45,742,449
Transfers:				
Transfer from stage 1 to stage 2	(661,766)	661,766	-	-
Transfer from stage 1 to stage 3	(699,718)	-	699,718	-
Transfer from stage 2 to stage 1	52,423	-52,423	-	-
Transfer from stage 2 to stage 3	-	-227,762	227,762	-
Transfer from stage 3 to stage 1	(12,710)	-	12,710	-
Transfer from stage 3 to stage 2	7,137	-	-7,137	-
Financial assets derecognised during the period other than write offs	(33,386,111)	(1,236,722)	(2,260,341)	(36,883,174)
New financial assets originated	43,304,278	626,276	271,365	44,201,919
Write-offs	-	-	(1,629,175)	(1,629,175)
Gross carrying amount as at 31 December 2022	47,840,387	1,044,894	2,546,738	51,432,019

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

1.1.6 Loss allowance (continued)

5.1.5.2 Changes on the gross carrying amount (continued)

(b) Secured term loans-Gross loans (continued)

	Stage 1 12 - Month ECL TZS'000	Stage 2 Lifetime ECL TZS'000	Stage 3 Lifetime ECL TZS'000	Total TZS'000
Gross carrying amount as at 1 January 2023	**38,108,037**	**1,690,703**	**3,714,209**	**43,512,949**
Transfers:				
Transfer from stage 1 to stage 2	**535,743**	**(535,743)**	**-**	**-**
Transfer from stage 1 to stage 3	**125,241**	**-**	**(125,241)**	**-**
Transfer from stage 2 to stage 1	**(20,570)**	**20,570**	**-**	**-**
Transfer from stage 2 to stage 3	**-**	**19,524**	**(19,524)**	**-**
Transfer from stage 3 to stage 1	**-**	**-**	**-**	**-**
Transfer from stage 3 to stage 2	**-**	**-**	**-**	**-**
Financial assets derecognised during the period other than write offs	**(21,858,618)**	**(242,921)**	**(2,256,096)**	**(24,357,635)**
New financial assets originated or purchased	**62,881,529**	**1,259,259**	**504,581**	**64,645,369**
Write-offs	**-**	**-**	**(2,747,770)**	**(2,747,770)**
Gross carrying amount as at 31 December 2023	**79,771,362**	**2,211,392**	**(929,841)**	**81,052,913**

	Stage 1 12 - Month ECL TZS'000	Stage 2 Lifetime ECL TZS'000	Stage 3 Lifetime ECL TZS'000	Total TZS'000
Gross carrying amount as at 1 January 2022	28,707,981	1,221,502	7,916,443	37,845,926
Transfers:				
Transfer from stage 1 to stage 2	(501,931)	501,931	-	-
Transfer from stage 1 to stage 3	(228,941)	-	228,941	-
Transfer from stage 2 to stage 1	67,714	(67,714)	-	-
Transfer from stage 2 to stage 3	106,962	(106,962)	-	-
Transfer from stage 3 to stage 1	(26,004)	-	26,004	-
Transfer from stage 3 to stage 2	-	23,312	(23,312)	-
Financial assets derecognised during the period other than write offs	(23,000,992)	(515,587)	(2,976,101)	(26,492,680)
New financial assets originated or purchased	32,983,248	634,221	171,409	33,788,878
Write-offs	-	-	(1,629,175)	(1,629,175)
Gross carrying amount as at 31 December 2022	38,108,037	1,690,703	3,714,209	43,512,949

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

1.1.5 Loss allowance (continued)

(c) Overdraft

	Stage 1 12 - Month ECL TZS'000	Stage 2 Lifetime ECL TZS'000	Stage 3 Lifetime ECL TZS'000	Total TZS'000
Gross carrying amount as at 31 January 2023	**1,819,109**	**-**	**-**	**1,819,109**
Transfers:				
New financial assets originated	**(752,218)**	**-**	**590,099**	**(162,119)**
Write-offs	**-**	**-**	**-**	**-**
Gross carrying amount as at 31 December 2023	**1,066,891**	**-**	**590,099**	**1,656,990**

	Stage 1 12 - Month ECL TZS'000	Stage 2 Lifetime ECL TZS'000	Stage 3 Lifetime ECL TZS'000	Total TZS'000
Gross carrying amount as at 31 January 2022	334,508	-	-	334,508
Transfers:				
New financial assets originated	1,484,601	-	-	1,484,601
Write-offs	-	-	-	-
Gross carrying amount as at 31 December 2022	1,819,109	-	-	1,819,109

5.1.6 Amounts due from banks

Balances due from other banks are categorized as stage 1. They are interbank loans receivables (placements). They exclude bank accounts with other banks. The expected credit Loss is shown below. (2022: Nil).

2023	Exposure as at 31 Dec 2023	ECL as at 31 Dec 2023	% of ECL as at 31 Dec 2023
Placements with other banks	**1,515,836**	**1,286**	**0.08**

5.1.7 Debt securities, treasury bills and other eligible bills

The Bank holds investments in Treasury Bills and 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 Expected Credit Loss (ECL) for these assets is shown below as at 31 December 2023 (2022: Nil).

2023	Exposure as at 31 Dec 2023	ECL as at 31 Dec 2023	% of ECL as at 31 Dec 2023
Treasury Bonds	**25,625,918**	**118,165**	**0.47**
Treasury Bills	**11,529,572**	**28,701**	**0.24**

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1.8 Balances with bank of Tanzania and other assets

Other banks accounts and balances with Bank of Tanzania are categorized as stage 1. The Bank has used simplified model for estimation of ECL. The expected credit loss for 2022 was insignificant. The impact for 2023 has been displayed in the table below.

2023	Exposure as at 31 Dec 2023	ECL as at 31 Dec 2023	% of ECL as at 31 Dec 2023
BOT & bank balances	**20,279,861**	**14,883**	**0.07**

5.1.9 Repossessed collateral

During the year, the Bank did not obtain assets by taking possession of collateral held as security. Repossessed properties are usually sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

5.1.10 Concentration of risks of financial assets with credit risk exposure

(a) 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 2022. For this table, the Bank has allocated exposures to regions based on the country of domicile of its counterparties.

Credit risk exposures relating to on-balance sheet assets are as follows	Tanzania TZS '000	Europe TZS '000	America TZS '000	Others TZS '000	Total TZS '000
31-Dec-23					
Balances with the Bank of Tanzania	18,124,649	-	-	-	18,124,649
Placement and balances with other banks	1,518,723	165,538	-	1,986,788	3,671,049
Investment in Government securities					
- Amortised cost	37,155,490	-	-	-	37,155,490
Loans and advances to customers:	106,651,601	-	-	-	106,651,601
Unquoted equity investment	39,000	-	-	-	39,000
Other financial assets (Excluding Prepayments)	7,088,520	-	-	-	7,088,520
As at 31 December 2023	170,577,983	165,538		1,986,788	172,730,309
credit risk exposures relating to off-balance sheet assets are as follows:					
Undrawn commitments and Guarantees	1,111,178	-	-	-	1,111,178
As at 31 December 2023	1,111,178	-	-	-	1,111,178

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

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

(a)Geographical sectors (continued)

Credit risk exposures relating to on-balance sheet assets are as follows	Tanzania TZS '000	Europe TZS '000	America TZS '000	Others TZS '000	Total TZS '000
31 December 2022					
Balances with the Bank of Tanzania	11,080,180	-	-	-	11,080,180
Placement and balances with other banks	508,731	648,360	-	167,958	1,325,049
Investment in Government securities					-
- Amortised cost	39,600,640	-	-	-	39,600,640
Loans and advances to customers:	96,559,860	-	-	-	96,559,860
Unquoted equity investment	39,000	-	-	-	39,000
Other financial assets (Excluding Prepayments)	6,500,647	-	-	-	6,500,647
As at 31 December 2022	154,289,058	648,360	-	167,958	155,105,376
Credit risk exposures relating to off-balance sheet assets are as follows:					
Undrawn commitments	1,335,014	-	-	-	1,335,014
As at 31 December 2022	1,335,014	-	-	-	1,335,014

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

a. Credit risk (continued)

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

(b) Industry sectors

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

31 December 2023	Financial institutions	Manu-facturing	Transport and communication	Wholesale and retail	Agriculture	Individuals	Others	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Balances with the Bank of Tanzania	18,124,649	-	-	-	-	-	-	18,124,649
Placement and balances with other banks	3,671,049	-	-	-	-	-	-	3,671,049
Investment in Government securities	37,155,490	-	-	-	-	-	-	37,155,490
- Amortized cost								-
Loans and advances to customers:	-	213,760	-	83,885,791	70,757	-	22,481,293	106,651,601
Unquoted equity investment							39,000	39,000
Other assets (excluding prepayments)	-	-	-	-	-	-	7,088,520	7,088,520
As at 31 December 2023	58,951,188	213,760	-	83,885,791	70,757	-	29,608,813	172,730,309

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

Undrawn commitments	-	-	-	1,111,178	-	-	-	1,111,178
As at 31 December 2023	-	-	-	1,111,178	-	-	-	1,111,178

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

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

(b) Industry sectors (continued)

31 December 2022	Financial institutions TZS '000	Manu-facturing TZS '000	Transport and communication TZS '000	Wholesale and retail TZS '000	Agriculture TZS '000	Individuals TZS '000	Others TZS '000	Total TZS '000
Balances with the Bank of Tanzania	10,346,500	-	-	-	-	-	-	10,346,500
Placement and balances with other banks	1,325,049	-	-	--	-	-	-	1,325,049
Investment in Government securities								
- Amortized cost	39,600,640	-	-	-	-	-	-	39,600,640
Loans and advances to customers:	-	362,462	730,773	81,637,669	8,862	13,656	13,806,437	96,559,859
Unquoted equity investment	-	-	-	-	-	-	39,000	39,000
Other assets (excluding prepayments)	-	-	-	-	-	-	6,500,647	6,500,647
As at 31 December 2022	51,272,189	362,462	730,773	81,637,669	8,862	13,656	20,346,084	154,371,695

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

Undrawn commitments	-	-	-	1,335,014	-	-	-	1,335,014
As at 31 December 2022	-	-	-	1,335,014	-	-	-	1,335,014

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Market risk

The Bank takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate and currency, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, and foreign exchange rates. The Bank separates exposures to market risk into either trading or non-trading portfolios.

The market risks arising from trading and non-trading activities are concentrated in the Bank's treasury department and monitored regularly. Regular reports are submitted to the Banks Assets and Liability Committee (ALCO) and heads of department.

Trading portfolios include those positions arising from market-making transactions where the Bank acts as principal with clients or with the market.

Non-trading portfolios primarily arise from the interest rate management of the Bank's retail and corporate banking assets and liabilities.

1.1.1 Foreign exchange risk

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

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2. Market risk (continued)

5.2.1 Foreign exchange risk (continued)

Concentrations of currency risk - on - and off - balance sheet financial instruments:

As at 31 December 2023	USD TZS'000	EURO TZS'000	GBP TZS'000	Others TZS'000	Total TZS'000
Assets					
Cash and balances with Bank of Tanzania	**4,325,641**	**25,468**	**9,797**	**3,531**	**4,364,437**
Placement and balances with other banks	**3,502,119**	**165,508**	**-**	**-**	**3,667,627**
Loans and advances to customers	**163,532**				**163,532**
Total financial assets	**7,991,292**	**190,976**	**9,797**	**3,531**	**8,195,596**
Liabilities					
Deposits from customers	**8,003,886**	**138,686**	**870**	**-**	**8,143,442**
Deposits from other banks					
Total financial liabilities	**-**	**-**	**-**	**-**	**-**
Net on-balance sheet financial position	**(12,954)**	**52,290**	**8,927**	**3,531**	**51,794**
Off balance sheet position					
Undrawn commitments	**-**	**-**	**-**	**-**	**-**
	-	**-**	**-**	**-**	**-**

As at 31 December 2022	USD TZS'000	EURO TZS'000	GBP TZS'000	Others TZS'000	Total TZS'000
Assets					
Cash and balances with Bank of Tanzania	3,170,881	736,831	8,295	12,177	3,928,184
Placement and balances with other banks	638,994	648,359	-	-	1,287,353
Loans and advances to customers	617,697	-	-	-	617,697
Total financial assets	4,427,572	1,385,190	8,295	12,177	5,833,234
Liabilities					
Deposits from customers	4,408,915	566,235	739		4,975,889
Deposits from other banks		-	-	-	-
Total financial liabilities	4,408,915	566,235	739		4,975,889
Net on-balance sheet financial position	18,657	818,955	7,556	12,177	857,345
Off balance sheet position					
Undrawn commitments	-	-	-	-	-
	-	-	-	-	-

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Market risk (continued)

5.2.1 Foreign exchange risk (continued)

Foreign exchange sensitivity analysis

The impact of fluctuation of Bank's post tax profit for the year resulting from foreign exchange movements, keeping all other variables held constant on translation of foreign currency dominated cash and balances with the Bank of Tanzania, placements and balances with other banks, loans and deposits from customers and other banks is analysed in the table below

	% change in exchange rate	2023 TZS'000	2022 TZS'000
USD	1%	**126**	187
EURO	1%	**523**	8,109
GBP	1%	**89**	76

The effect of translation of placements and balances with other banks in Kenyan shillings is not considered to be significant.

5.2.2 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase because of such changes but may reduce losses if unexpected movements arise. The Bank's Asset and Liability Committee (ALCO) sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored regularly by the Bank. The table below summarises the Bank's exposure to interest rate risks. It includes the Bank's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The Bank does not bear an interest rate risk on off balance sheet items.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Market risk (continued)

5.2.2 Interest rate risk (continued)

As at 31 December 2023	Up to1 month TZS'000	1 - 3 months TZS'000	3 - 12 months TZS'000	Above 1 year TZS'000	Non-interest bearing TZS'000	Total TZS'000
Assets						
Cash and balances with Bank of Tanzania	-	-	-	-	27,970,854	27,970,854
Investment in Government securities						
- Amortised cost	-	-	11,529,572	25,625,918	-	37,155,490
Balances with other banks	3,671,049	-	-	-	-	3,671,049
Loans and advances to customers	5,148,044	2,450,447	29,617,800	69,435,310	-	106,651,601
Unquoted Equity Investments	-	-	-	-	39,000	39,000
Other assets (excluding prepayments)	-	-	-	-	7,088,520	7,088,520
Total financial assets	8,819,093	2,450,447	41,147,372	95,061,228	35,098,374	182,576,514
Liabilities						
Deposits from other banks	8,406,688	-	-	-	-	8,406,688
Lease liability	-	-	4,665,661	9,397,923	-	14,063,584
Deposits from customers	63,411,017	12,278,471	20,516,800	9,722,401	46,841,628	152,770,317
Other liabilities (excluding non-financial other liabilities)	-	-	-	-	3,500,980	3,500,980
Total financial liabilities	71,817,705	12,278,471	25,182,461	19,120,324	50,342,608	178,741,569
Total interest repricing gap	(62,998,612)	(9,828,024)	15,964,911	75,940,904	(15,244,234)	3,834,945

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Market risk (continued)

5.2.2 Interest rate risk (continued)

As at 31 December 2022	Up to1 month TZS'000	1 - 3 months TZS'000	3 - 12 months TZS'000	1-5 years TZS'000	Non-interest bearing TZS'000	Total TZS'000
Assets						
Cash and balances with Bank of Tanzania	-	-	-	-	21,143,439	21,143,439
Investment in Government securities						
- Amortised cost	-	-	16,922,107	22,678,533	-	39,600,640
Balances with other banks	1,325,049	-	-	-	-	1,325,049
Loans and advances to customers	7,215,074	3,160,499	33,190,174	52,994,113	-	96,559,860
Unquoted Equity Investments	-	-	-	-	39,000	39,000
Other assets (excluding prepayments)	-	-	-	-	6,500,647	6,500,647
Total financial assets	8,540,123	3,160,499	50,112,281	75,672,646	27,683,086	165,168,635
Liabilities						
Deposits from other banks	17,063,206	-	-	-	-	17,063,206
Lease liability	-	-	2,753,706	11,908,989	-	14,662,695
Deposits from customers	68,162,119	7,310,406	17,008,434	376,700	36,816,712	129,674,371
Other liabilities (excluding non-financial other liabilities)	-	-	-	-	2,851,718	2,851,718
Total financial liabilities	85,225,325	7,310,406	19,762,140	12,285,689	39,668,430	164,251,990
Total interest repricing gap	(76,685,202)	(4,149,907)	30,350,141	63,386,957	(11,985,344)	916,645

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Market risk (continued)

5.2.2 Interest rate risk (continued)

Interest rate risk sensitivity

The interest rate risk sensitivity of the net mismatch between interest bearing assets and liabilities up to 12 months is summarised below. This assumes a 1% adverse movement in interest rates over the period (amounts in TZS Thousand).

Sensitivity period	Interest-bearing assets	Interest-bearing liabilities	Net Impact
2023			
Less than 30 days	-	-	-
1 year	**411,474**	**251,825**	**159,649**
2022			
Less than 30 days	-	-	-
1 year	**1,000,626**	**1,057,834**	**(57,208)**

5.3 Liquidity risk

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

5.3.1 Liquidity risk management process

The Bank's liquidity management process, as carried out within the Bank and monitored by the Bank's Asset and Liability Committee (ALCO), includes:

- Day-to-day funding managed by monitoring future cash flows to ensure that requirements can be met. These include replenishment of funds as they mature or are borrowed by customers. The Bank maintains an active presence in money markets to enable this to happen.
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow.
- Monitoring statement of financial position liquidity ratios against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities. Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets (Notes 5.3.3).

5.3.2 Funding approach

Sources of liquidity are regularly reviewed by Bank's Asset and Liability Committee to maintain a wide diversification by currency, geography, provider, product, and term.

5.3.3 Non-derivative cash flows

The table below presents the cash flows payable by the Bank under non-derivative financial liabilities by remaining contractual maturities at the end of reporting period. The amounts disclosed in the table below are the undiscounted cash flows of liabilities and assets held for managing liquidity risk.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Liquidity risk (continued)

5.3.3 Non-derivative cash flows (Continued)

As at 31 December 2023 Financial liability by type	Carrying amount	Gross nominal inflow (outflow)	Up to1 month TZS '000	1 - 3 months TZS '000	3 - 12 months TZS '000	Over 1 year TZS '000	Non-interest bearing
Non-derivative liability							
Deposits from customers	152,770,317	(153,836,708)	(63,411,017)	(12,424,187)	(22,530,616)	(8,629,260)	(46,841,628)
Deposits from other Banks	8,406,688	(8,351,809)	(8,351,809)	-	-	-	-
Lease liability	14,063,584	(14,065,348)	-	(4,665,856)	-	(9,399,492)	-
Other liabilities (excluding non-financial liabilities)	3,500,980	(3,504,894)	(3,504,894)	-	-	-	-
Total liabilities	178,741,569	(179,758,759)	(75,267,720)	(17,090,043)	(22,530,616)	(18,028,752)	(46,841,628)
Financial asset by type							
Non-derivative asset							
Cash and balances with Bank of Tanzania	27,970,854	27,970,854	-	-	-	-	27,970,854
Government securities - Amortized cost	37,155,490	48,621,350	-	-	-	48,621,350	-
Balances with other banks	3,671,049	3,685,420	3,685,420	-	-	-	-
Loans and advances to customers	106,651,601	149,407,483	7,419,921	3,587,643	43,362,739	95,037,180	-
Unquoted Equity Investments	39,000	39,000	-	-	-	-	39,000
	175,487,994	229,724,107	11,105,341	3,587,643	43,362,739	143,658,530	28,009,854
Net liquidity gap	(3,253,575)	49,908,648	(64,219,079)	(13,502,400)	20,832,123	125,629,778	(18,831,774)
Off balance sheet	1,111,178	1,111,178	-	-	1,111,178		

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Liquidity risk (continued)

5.3.3 Non-derivative cash flows (Continued)

As at 31 December 2022	Carrying amount	Gross nominal inflow (outflow)	Up to1 month	1 - 3 months	3 - 12 months	Over 1 year	Non-interest bearing
Financial liability by type			TZS '000	TZS '000	TZS '000	TZS '000	
Non-derivative liability							
Deposits from customers	129,674,371	(126,179,427)	(68,162,119)	(17,762,298)	(2,345,987)	(1,092,311)	(36,816,712)
Deposits from other Banks	17,063,205	(17,000,784)	-	(17,000,784)	-	-	-
Lease liability	14,662,695	(14,907,562)	(2,799,693)	(12,107,869)	-	-	-
Other liabilities (excluding non-financial liabilities)	2,851,718	(2,854,907)	(2,85907)	-	-	-	-
	164,251,989	(160,942,680)	(73,816,719)	(46,870,951)	(2,345,987)	(1,092,311)	(36,816,712)
Financial asset by type							
Non-derivative asset							
Cash and balances with Bank of Tanzania	21,143,439	21,143,439	-	-	-	-	21,143,439
Investment in Government securities							
-Amortised cost	39,600,640	52,411,078	-	-	-	52,411,078	-
Balances with other banks	1,325,049	1,461,004	1,461,004	-	-	-	-
Loans and advances to customers	96,559,860	141,038,723	10,303,037	4,555,255	48,592,970	77,587,461	-
Unquoted Equity Investments	39,000	39,000	-	-	-	-	39,000
	158,667,988	216,093,244	11,764,041	4,555,255	48,592,970	129,998,539	21,182,439
Net liquidity gap	(5,584,001)	55,085,781	(62,052,678)	(42,380,479)	46,246,983		
Off balance sheet	1,335,014	1,335,014	-	-	1,335,014	128,906,228	(15,634,273)

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3.4 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).
- Loans and advances to customers.
- Investment in government securities; and
- Placements and balances with other banks:

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.

5.4 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 29) are summarised in the table below

(b) Financial guarantees and other financial facilities

Financial guarantees (Note 29) are also included below based on the earliest contractual maturity date.

As at 31 December 2023	No later than 1 year TZS'000	1 - 5 years TZS'000	Total TZS'000
Undrawn commitments	**1,111,178**	**-**	**1,111,178**
Total	**1,111,178**		**1,111,178**
As at 31 December 2022			
Undrawn commitments	1,335,014	-	1,335,014
Total	1,335,014		1,335,014

5.5 Fair value

IFRS 13 requires the Bank to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

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

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

This hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible.

There were no transfers between the levels during the year.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.5 Fair value (continued)

i) Fair value of financial assets and liabilities that are not measured at fair value

Cash and balances with Bank of Tanzania

The carrying amount of cash and balances with Bank of Tanzania is a reasonable approximation of fair value.

Investment in government securities

Investment in government securities includes treasury bonds and treasury bills. These are measured at amortized cost using effective interest rate method.

Loans and advances to banks

Loans and advances to banks include inter-bank placements and items during collection. These are measured at amortized cost using effective interest rate method.

Loans and advances to customers

Loans and advances are net of charges for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

Deposits from banks and customers

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand which approximates its carrying value.

The estimated fair value of fixed interest-bearing deposits not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.5 Fair value (continued)

i) Fair value of financial assets and liabilities that are not measured at fair value (continued)

Deposits from banks and customers (continued)

31December 2023 Financial assets	Level 1 TZS'000	Level 2 TZS'000	Level 3 TZS'000	Total Fair Value TZS'000	Total Carrying Amount TZS'000
Cash and balances with Bank of Tanzania		**27,970,852**	**-**	**27,970,852**	**27,970,852**
Government securities measured at amortized cost		**39,616,396**	**-**	**39,616,396**	**37,155,490**
Placement and balances with other banks		**3,671,049**	**-**	**3,671,049**	**3,671,049**
Loans and advances to customers		**131,030,397**	**-**	**131,030,397**	**106,651,599**
Unquoted equity investment		**-**	**39,000**	**39,000**	**39,000**
Other assets (excluding prepayment)		**7,088,520**	**-**	**7,088,520**	**7,088,520**
Deposits from customers		**153,381,502**	**-**	**153,381,502**	**152,770,313**
Deposits from banks		**8,406,688**	**-**	**8,406,688**	**8,406,688**
Other liabilities (Excluding non-financial other liabilities)		**3,500,980**	**-**	**3,500,980**	**3,500,980**
31December 2022					
Cash and balances with Bank of Tanzania	-	21,143,439	-	21,143,439	21,143,439
Government securities measured at amortized cost	-	25,435,528	-	25,435,528	39,600,640
Placement and balances with other banks	-	1,325,049	-	1,325,049	1,325,049
Loans and advances to customers	-	80,659,502	-	80,659,502	96,559,860
Unquoted equity investment	-	-	39,000	39,000	39,000
Other assets (excluding prepayment)	-	6,500,647	-	6,500,647	6,500,647
Deposits from customers	-	129,674,371	-	129,674,371	129,674,371
Deposits from banks	-	17,063,205	-	17,063,205	17,063,205
Other liabilities (Excluding non-financial other liabilities)	-	2,851,718	-	2,851,718	2,851,718 2,851,718

There was no transfer of assets between the fair value hierarchy levels.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.6 Capital management

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

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

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

The Bank of Tanzania requires each bank or banking group to:

(a) Hold a minimum level of core capital of TZS 15 billion.
(b) Maintain a ratio of core capital to the risk-weighted assets plus risk-weighted off-balance sheet assets above the required minimum of 12.5%; and
(c) Maintain total capital of not less than 14.5% of risk-weighted assets plus risk-weighted off-balance sheet items.
(d) Maintain a capital conservation buffer of 2.5% of risk-weighted assets and off-balance sheet exposures. The capital conservation buffer is be made up of items that qualify as tier 1 capital

When a bank is holding capital conservation buffer of less than 2.5% of risk-weighted assets and off-balance sheet exposures but is meeting its minimum capital requirements that bank:

- Shall not distribute dividends to shareholders or bonuses to senior management and other staff members until the buffer is restored to at least 2.5%.
- Shall submit a capital restoration plan to Bank of Tanzania within a period specified by BoT, indicating how the bank is going to raise capital to meet its minimum requirement including capital conservation buffer within a specified period; and
- If BoT does not approve the capital restoration plan, it may direct the bank to raise additional capital within a specified time to restore its capital conservation buffer.

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

- Tier 1 capital: means permanent shareholders' equity in the form of issued and fully paid ordinary shares, and perpetual non-cumulative preference shares, capital grants and disclosed reserves less year to date losses, goodwill organization, pre-operating expenses, prepaid expenses and deferred charges.
- Tier 2 capital: means general provisions which are held against future, presently unidentified losses and are freely available to meet losses which subsequently materialize, subordinated debts, cumulative redeemable preferred stocks and any other form of capital as may be determined and announced from time to time by the Bank.

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

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.6 Capital management (continued)

The table below summarises the composition of regulatory capital and the ratios of the Bank for the year ended 31 December 2023 and year ended 31 December 2022. In 2023 the Bank was compliant to minimum core capital required by regulator of TZS 15 billion and capital adequacy ratios of 12.5% for Tier 1 capital. However, the Bank was not compliant to 14.5% Tier 2 capital ratio and has implemented strategies to improve its performance, including reducing operational costs, enhancing efficiency, expanding its non-funded business through digital channels and increasing its corporate loan portfolio. These efforts are aimed to improve performance so as to release regulatory reserve of TZS 2,856 billion (note 28) back to retained earnings to meet the total capital requirement. The Bank's efforts to enhance performance are evident in the current year's results, with losses decreasing from 7 billion to 2 billion.

	2023 TZS 000	2022 TZS 000
Tier 1 capital		
Share capital	**27,797,416**	27,797,416
Preference shares	**11,622,798**	5,959,680
Share premium	**2,431,917**	2,431,917
Accumulated losses	**(19,214,524)**	(15,275,549)
Deferred tax	**(6,391,125)**	(6,864,310)
Prepaid expenses	**(1,191,334)**	(816,683)
Others (Advance towards share capital)	**-**	-
Total qualifying Tier 1 capital	**15,055,147**	13,232,471
Tier 2 capital		
Allowance supplementary capital	**-**	-
Total qualifying Tier 2 capital	**-**	-
Total regulatory capital (Tier 1 & Tier 2)	**15,055,147**	13,232,471
Risk-weighted assets		
On-balance sheet	**107,679,456**	112,389,017
Off-balance sheet	**368,130**	523,156
Operational Risk	**11,671,309**	11,647,843
Market Risk	**64,749**	134,100
Total risk-weighted assets, operational and market risk	**119,783,644**	124,694,116

		Bank's ratio
	2023 %	2022 %
Tier 1 capital (BOT minimum 12.5%)	**12.57%**	10.61%
Tier 1 + Tier 2 capital (BOT minimum 14.5%)	**12.57%**	10.61%

In February, 2023, the Bank received US$ 2.44 million (TZS 5,663 million) from the National Bank of Malawi under an agreement where additional Perpetual Non-Cumulative Preference shares with a par value of TZS 1,000 per share were issued to the National Bank of Malawi in continued efforts by the majority shareholders to ensure that the Bank is adequately capitalized.

6 INTEREST INCOME

	2022 TZS '000	2022 TZS '000
Interest on Loans and advances to customers	**24,251,808**	21,675,329
Interest from Government securities- T. Bills	**746,228**	703,523
Interest from Government securities- T. Bonds	**3,294,200**	2,969,818
(a) Total interest income calculated using the effective interest	**28,292,236**	25,348,670
(b) Interest from placement with other banks	**110,340**	43,895
Total interest income	**28,402,576**	25,392,565

7. INTEREST EXPENSES

Savings deposits	**1,230,229**	1,143,876
Time deposits	**4,336,263**	3,717,179
Lease liability	**1,527,521**	1,441,773
Borrowings from other banks	**1,137,556**	566,859
	8,231,569	6,869,687

8. FEES AND COMMISSION INCOME

In the following table, fee and commission income from contract with customers in the scope of IFRS 15 is disaggregated by major service lines

Commission income	**1,190,502**	749,733
Bancassurance commissions income (see Note A below)	**556,221**	567,775
ATM Card	**59,594**	86,648
ATM Fees	**147,078**	76,239
Loans commitment fees	**1,616,003**	1,740,354
Interest from early liquidated loan	**32,408**	69,263
Withdrawal charges	**251,779**	252,911
Ledger fees	**694,008**	1,103,744
Telegraphic transfer	**102,909**	91,912
Salary processing	**37,192**	45,790
Other fees	**59,646**	33,806
	4,747,340	4,818,175

Contract balances

Contract liabilities, which are included in other liabilities – Note 26 (Deferred facility fees)	**1,666,243**	1,334,333

The contract liabilities primarily relate to the non-refundable up-front fees received from customers on originating of loan contract. This is recognised as revenue over the period for which a customer is expected to continue receiving loan administration services. The weighted-average expected period at 31 December 2023 was 1.8 years (2022: 1.8 years).

8. FEES AND COMMISSION INCOME (CONTINUED)

The contracts do not have a minimum stated term. A customer can cancel an asset contract at any time after contract inception for a surrender charge, which is usually insignificant. Because the customer has discretion over when to terminate the contract, the contract does not have a significant financing component.

Performance obligations and revenue recognition policies

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Bank recognises revenue when it transfers control over a service to a customer.

The Bank provides banking services to retail and corporate customers, including account management, provision of overdraft facilities, foreign currency transactions, servicing fees and banc assurance services. Fees for ongoing account management are charged to the customer's account on a monthly basis. The Bank sets the rates separately for retail and corporate banking customers on an annual basis.

Revenue from account service and servicing fees is recognised over time as the services are provided. Revenue related to transactions is recognised at the point in time when the transaction takes place.

For the accounting policy for fees and commissions in the scope of IFRS 9, see Note 3.

	2022 TZS '000	2022 TZS '000
(a) Bancassurance Commission and expenses		
Commission – General Bima	**327,494**	334,297
Commission – Life Bima	**228,727**	233,478
Net fees and commission	**556,221**	567,775
Operating expenses		
Staff Costs	**41,273**	33,274
Infrastructure cost	**-**	7,799
Administration and general expenses	**-**	1,025
Total Expenses	**41,273**	42,098
Net profit	**514,948**	525,677

9. FOREIGN EXCHANGE INCOME

Foreign Currency trading	**500,316**	384,466
	500,316	384,466

10. OTHER OPERATING INCOME

	2022 TZS '000	2022 TZS '000
Credit Insurance Income	**(11,821)**	196,785
Profit on disposal of property and equipment	**138,594**	389
Other income	**(28,403)**	254,847
	98,370	452,021

11. STAFF COSTS

Staff Salaries	**12,083,951**	10,721,428
Social Security Costs	**1,206,538**	1,069,240
Medical insurance	**964,839**	980,456
Leave allowance	**47,260**	(29,389)
Staff welfare	**401,759**	475,015
Staff Incentives	**1,000**	613
Skill and development levy	**459,569**	437,155
Workers Compensation Fund	**57,174**	54,590
Field Transport Expenses	**226,848**	297,127
Other staff cost	**167,719**	157,295
	15,616,657	14,163,530

12. GENERAL AND ADMINISTRATION EXPENSES

	2023 TZS '000	2022 TZS '000
Umoja Switch Expenses	**191,437**	94,822
Advertising and Marketing	**557,693**	575,411
ICT infrastructure expenses	**1,231,777**	954,610
Internet and Other IT Consumables	**631,235**	581,406
Technical assistance	**146,506**	255,294
Auditors' remuneration	**241,482**	258,898
Directors' fees	**124,613**	113,234
Directors Expenses	**134,946**	73,010
Training	**221,137**	207,843
Newspapers and magazines	**3,244**	2,936
Travel and lodging	**440,419**	288,212
Maintenance Equipment	**285,019**	395,194
Akiba Mobile expenses	**285,085**	353,935
Fuel Motor vehicle & Generator	**189,165**	139,094
Telephones	**100,546**	98,352
Stationery expense	**332,448**	313,936
Insurance	**526,683**	541,115
Subscription & Professional fees	**294,491**	218,305
Legal expense	**735,677**	509,398
Security	**1,139,483**	938,163
Electricity	**326,353**	295,127
Premises expenses	**504,812**	614,826
Postage and courier expense	**52,069**	38,497
Auctioneers Expenses	**434,095**	370,776
Bank Charges	**31,718**	28,952
Agent Bank Deposit Commission	**294,337**	283,240
Miscellaneous expenses	**967,479**	21,984
Alternative Minimum Tax	**127,585**	120,888
	10,551,534	8,687,458

13. DEPRECIATION AND AMORTISATION

Depreciation-Property and equipment (Note 20)	**1,991,031**	1,810,902
Amortization-Intangible assets (Note 21)	**111,220**	128,293
	2,102,251	1,939,195

14. INCOME TAX

	2023 TZS '000	2022 TZS '000
(a) Tax expense for the year is arrived at as follows:		
Current income tax -prior year	-	1,820,420
Deferred income tax – relating to prior years	**284,565**	-
Deferred income tax derecognized in the current year	**188,620**	202,692
	473,185	2,023,112
(b) Reconciliation of tax expense to the expected tax based on accounting profit.		
Accounting loss before tax	**(1,540,206)**	(5,007,008)
Tax calculated at the statutory income tax rate of 30%	**(462,062)**	(1,502,102)
Tax effect of:		
Expenditure permanently disallowed	**462,062**	263,421
Unrecognised deferred tax	**188,620**	202,692
Prior years corporate tax	-	1,820,420
Prior year deferred tax under-provision	**284,565**	1,238,681
Income tax expense	**473,185**	2,023,112
(c) Current income tax		
At 1 January	**(151,375)**	(2,613,540)
Income taxes	-	1,820,420
Tax refund	-	662,451
Payments made during year	-	(244,647)
Others	-	223,941
	(151,375)	(151,375)
15. Cash and Balances with the Bank of Tanzania		
Cash in Hand	**9,846,204**	10,063,259
Balances with Bank of Tanzania		
Clearing account - local currency	**7,918,646**	3,232,178
Clearing account - foreign currency	**2,084,981**	733,680
Statutory minimum reserve	**8,121,023**	7,114,322
	27,970,854	21,143,439

The SMR deposit is not available to finance the Bank's day to day operations and is excluded from cash and cash equivalent for the purpose of the cash flows statement (Note 27)

16. BALANCES WITH OTHER BANKS

	2023 TZS '000	2022 TZS '000
Maturing within 90 days		
Balances with banks abroad	**2,152,296**	816,318
Cheques and items in the course of clearing	**2,610**	37,388
Balance with other banks	**307**	308
Placements with other banks	**1,515,836**	471,035
	3,671,049	1,325,049

17. LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers	**104,183,792**	97,191,351
Staff loans	**5,337,023**	4,728,433
Gross loans and advances	**109,520,815**	101,919,784
Less: allowance for impairment	**(2,869,214)**	(5,359,924)
	106,651,601	96,559,860
Gross loans and advances to customers by class are as follows:		
Micro and Small Enterprises (MSEs)	**43,168,369**	51,117,288
Consumer loans	**26,999,289**	13,912,622
Corporate loans	**37,743,545**	35,070,764
Overdrafts	**1,609,612**	1,819,109
	109,520,815	101,919,783
Analysis of loans and advances to customers by maturity		
Maturing:		
Within 1 year	**37,383,099**	43,565,747
Between 1 year and 5 years	**72,137,716**	58,354,036
	109,520,815	101,919,783
Movement of loans and advances impairment allowance		
Balance at 1 January	**5,359,924**	6,214,136
Impairment losses for the year	**647,958**	5,255,272
Loans and advances written off during the year	**(3,138,668)**	(6,109,484)
	2,869,214	5,359,924
Impairment charge to profit or loss is broken as follows		
Impairment charge for credit loss	**1,387,111**	5,255,272
Amount recovered	**(2,600,314)**	(860,907)
	(1,213,203)	4,394,365

18. (A) GOVERNMENT SECURITIES

	2023 TZS 000	2022 TZS 000
Treasury Bills		
Maturing after 91 days	**11,529,572**	16,922,107

Treasury bills are debt securities issue by the Government of the United Republic of Tanzania and are classified as held to maturity.

(B) TREASURY BONDS

Treasury Bonds	**23,438,991**	21,883,980
Accrued Bond Discount and Premium	**817,899**	(57,850)
Accrued Coupon Interest	**1,369,028**	852,403
	25,625,918	22,678,533
Total	**37,155,490**	39,600,640

19. UNQUOTED EQUITY INVESTMENT

Investment in shares	**39,000**	39,000
	39,000	39,000

Investment in shares represent 20 ordinary shares in Umoja Switch Company Limited. The Investment represent 9.1% of the Company's total issued and paid-up ordinary share capital. The shares are accounted for at cost.

Umoja Switch Company Limited is a jointly controlled operation whereby 11 banks have pulled together resources to invest in a nationwide ATM network. Each bank has equal voting right in respect of decision making except one Bank that has no shareholding ownership.

20. PROPERTY AND EQUIPMENT

	Motor Vehicles	Fixtures, fittings and equipment	Leasehold improvements	Sub-total	Right of use asset	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Cost						
At 1 January 2023	**1,138,023**	**10,849,696**	**6,437,353**	**18,425,072**	**18,906,732**	**37,331,804**
Additions	**825,736**	**1,670,726**	**-**	**2,496,462**	**-**	**2,496,462**
Disposals	**(691,164)**	**(543,482)**	**-**	**(1,234,646)**	**-**	**(1,234,646)**
Re-measurement	**-**	**-**	**-**	**-**	**340,714**	**340,714**
At 31 December 2023	**1,272,595**	**11,976,940**	**6,437,353**	**19,686,888**	**19,247,446**	**38,934,334**
Depreciation						
At 1 January 2023	**1,058,292**	**9,847,826**	**6,000,711**	**16,906,829**	**6,559,578**	**23,466,407**
Charge for the year	**153,920**	**411,570**	**142,270**	**707,760**	**1,283,271**	**1,991,031**
Disposals	**(691,163)**	**(541,917)**	**(2,300)**	**(1,235,380)**	**-**	**(1,235,380)**
Re-measurement	**-**	**-**	**-**	**-**	**-**	**-**
At 31 December 2023	**521,049**	**9,717,479**	**6,140,681**	**16,379,209**	**7,842,849**	**24,222,058**
Cost						
At 1 January 2022	1,039,893	10,169,572	6,429,054	17,638,519	18,735,544	36,374,063
Additions	98,130	680,124	8,299	786,553	-	786,553
Re-measurement	-	-	-	-	171,188	171,188
At 31 December 2022	1,138,023	10,849,696	6,437,353	18,425,072	18,906,732	37,331,804
Depreciation						
At 1 January 2022	1,039,893	9,561,790	5,806,176	16,407,859	4,889,820	21,297,679
Charge for the year	18,399	286,036	194,535	498,970	1,311,933	1,810,903
Re-measurement	-	-	-	-	357,825	357,825
At 31 December 2022	1,058,292	9,847,826	6,000,711	16,906,829	6,559,578	23,466,407
NET BOOK VALUE						
As at 31 December 2023	**751,546**	**2,259,461**	**296,672**	**3,307,679**	**11,404,597**	**14,712,276**
As at 31st December 2022	79,731	1,001,870	436,642	1,518,243	12,347,154	13,865,397

21 INTANGIBLE ASSETS - COMPUTER SOFTWARE

	2023 TZS '000	2022 TZS '000
Cost		
At start and end of the year	**3,947,373**	3,912,384
Additions	**162,888**	34,989
	4,110,261	3,947,373
Amortisation		
At start of year	**3,468,014**	3,339,721
Current year charge	**111,220**	128,293
At end of year	**3,579,234**	3,468,014
NET BOOK VALUE	**531,027**	479,359

22. DEFERRED INCOME TAX

Deferred income tax is calculated on all temporary differences under the liability method using a principal tax rate of 30%. The movement on the deferred income tax account is as follows:

At start of year	**12,257,135**	11,088,384
Prior years charge to profit or loss	**(284,564)**	(69,930)
Current year charge to profit or loss	**(662,036)**	1,238,681
Total deferred tax asset	**11,310,535**	12,257,135
Unrecognised deferred tax asset	**(4,919,410)**	(5,392,825)
At the end of year	**6,391,125**	6,864,310

22. DEFERRED INCOME TAX (CONTINUED)

Deferred income tax liabilities and deferred income tax charge to the profit and loss account are attributed to the following items:

	1-January TZS '000	Prior years overprovision TZS '000	(Debit)/ Credit to profit or loss TZS' 000	31-December TZS' 000
2023				
Tax losses	**10,185,735**		**367,345**	**10,553,080**
Property and equipment	**394,895**	**(82,068)**	**(285,277)**	**27,550**
Other timing differences	**1,676,505**	**(202,496)**	**(744,104)**	**729,905**
Total deferred tax	**12,257,135**	**(284,564)**	**(662,036)**	**11,310,535**
Unrecognized deferred tax	**(5,392,825)**	**284,564**	**188,620**	**(4,919,410)**
	6,864,310	**-**	**(473,416)**	**6,391,125**
2022				
Tax losses	8,610,445	680	1,574,610	10,185,735
Property and equipment	462,362	(678)	(66,788)	394,896
Other timing differences	2,015,577	(69,932)	(269,141)	1,676,504
Total deferred tax	11,088,384	(69,930)	1,238,681	12,257,135
Unrecognized deferred tax	-	-	-	(5,392,825
				6,864,310

23. OTHER ASSETS

	2023 TZS '000	2022 TZS '000
Other receivables	**3,779,253**	**2,438,890**
Less: allowance for impairment	**(60,234)**	**(74,938)**
Net other receivables	**3,719,019**	**2,363,952**
Float Balance	**3,017,496**	**3,224,576**
Agent Bank Deposit balance	**393,790**	**912,119**
Prepayments	**1,191,334**	**816,683**
	8,321,639	**7,317,330**

24 DEPOSITS FROM CUSTOMERS

	2023 TZS '000	2022 TZS '000
Current accounts	**30,252,294**	18,488,389
Biashara accounts	**16,589,335**	18,575,464
Savings accounts	**54,125,626**	53,663,518
Time deposit accounts	**51,592,478**	38,517,155
Special deposits	**210,584**	429,845
	152,770,317	129,674,371
Maturity Analysis:		
Payable within three months	**119,687,071**	108,565,134
Payable within three to twelve months	**17,362,149**	17,008,434
Payable over one year	**15,721,097**	4,100,803
	152,770,317	129,674,371

25. LEASE LIABILITY

At start of the year	**14,662,695**	15,503,765
Finance Cost	**1,527,521**	1,441,773
Payment -Principal	**(939,825)**	(841,070)
-Interest	**(1,527,521)**	(1,441,773)
Re-Measurement*	**340,714**	-
	14,063,584	14,662,695

* Re-measurement of lease liability/asset was due to changes of lease prices during the year

The following amounts have been recognised in the statement of comprehensive income in respect of leases in which we are the lessee:

Depreciation charge rights of use asset	**1,283,271**	1,311,933
Interest expense on lease liabilities	**1,527,521**	1,441,773

The following amounts have been presented on the cash flow statement

Lease payment – Principal portion	**(939,825)**	(841,070)
Lease interest payment	**(1,527,521)**	(1,441,773)

Extensions 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.

26. OTHER LIABILITIES

	2023 TZS 000	2022 TZS 000
Statutory deductions	**421,096**	407,497
Withholding Tax, AMT and VAT Payable	**939,541**	842,745
Deferred facility fees	**1,666,243**	1,334,333
Accrued leave	**176,778**	153,486
Other accrued expenses	**292,225**	261,574
Trade creditors	**952,526**	499,428
Auditor's fees payable	**97,332**	166,725
Directors' fees payable	**60,788**	108,318
Dividend payable	**24,627**	24,627
Mobile service payable	**4,585**	1,068
Loan insurance premium	**68,093**	93,904
Customer clearance payable	**61,617**	116,876
Bills and accounts payable	**96,145**	91,382
	4,861,596	4,101,963

27. CASH AND CASH EQUIVALENTS

Cash and balances with Bank of Tanzania (Note 15)	**27,970,854**	21,143,439
Less SMR (Note 15)	**(8,121,023)**	(7,114,322)
Float balance	**3,027,154**	3,000,095
Agent Bank Deposit balance (Note 23)	**393,790**	912,119
Loans and advances to banks (Note 16)	**3,671,049**	1,325,049
	26,941,824	19,266,380

For purposes of the statement of cash flows, cash and cash equivalents comprise balances with less than 3 months' maturity from the date of acquisition including: cash and balances with Bank of Tanzania, Government securities, and deposits and balances due from Banking instructions. Cash and cash equivalents exclude the Statutory Reserve requirement held with the Bank of Tanzania.

28. SHARE CAPITAL AND RESERVES

	2023 TZS 000	2022 TZS 000
Authorised Share Capital		
100,000,000 ordinary shares of TZS 1,000 each	**100,000,000**	100,000,000
(a) Issued and fully paid		
27,797,416 (2022:27,797,416) ordinary shares of TZS 1,000 each	**27,797,416**	27,797,416
(b) Preference Shares		
11,622,798 Perpetual Non-Cumulative Preference shares of TZS 1000 each		
Opening balance	**5,959,680**	5,959,680
Additional paid-up preference shares	**5,663,118**	-
	11,622,798	5,959,680
(c) Share premium	**2,431,917**	2,431,917
(d) Regulatory Reserve	**2,855,643**	930,060

A total of 11,622,798 Perpetual Non-Cumulative Preference shares with a par value of TZS 1,000 per share were issued to National Bank of Malawi as a result of the majority shareholders continued efforts to ensure that the Bank is properly capitalized.

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.

The irredeemable preference shares carry the right to call for and receive in priority any dividend on ordinary shares an annual non-cumulative preferential dividend at the rate of 5% per annum plus the right to fully participate in all ordinary dividends to be declared by the Company so that holder of the preference shares shall rank pari passu on any dividend declaration and payment, with the ordinary shareholders of the Company as if the preference shares were issued ordinary shares.

Regulatory reserve represents the surplus of provision for credit losses computed in accordance with Bank of Tanzania regulations over the provision for impairment of loans and advances computed in accordance with International Financial Reporting Standards.

29. OFF BALANCE SHEET FINANCIAL INSTRUMENTS, CONTINGENT LIABILITIES AND COMMITMENTS

In common with other Banks, the Bank conducts business involving acceptances, letters of credit, guarantees, performance bonds and indemnities. Most of these facilities are offset by corresponding obligations of third parties.

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

Acceptances are a draft or bill of exchange drawn upon and accepted by a Bank. Guarantees are generally written by the 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.

At the end of the reporting period the Bank had outstanding acceptances, guarantees and letters of credit of TZS 918 million (2022: TZS 931 million).

29. OFF BALANCE SHEET FINANCIAL INSTRUMENTS, CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

Commitments to extend credit.

At the end of the reporting period the Bank had outstanding commitments to extend credit amounting to TZS 193 million (2022: TZS 404 million).

Legal claims

The Bank is currently involved in legal proceedings and has in consultation with its legal counsel assessed the outcome of these proceedings. Following this assessment, the Bank's management made a provision of TZS 115 million as at 31 December 2023 (2022: 115 million). Litigations, current or pending, are not likely to have a material adverse effect to the Bank.

Various employees have sued the Bank for unfair dismissal. Furthermore, some loan customers have also sued the Bank. In the opinion of the directors, in combination with the Bank's legal advisors, the ultimate liability to the Bank in respect of the amounts claimed in these two situations is not expected to be material.

Tax disputes

As at 31st December 2023 the bank had potential outstanding tax exposure amounting to TZS 3.24 billion (2022: 1.74 billion). The directors believe that the bank has merit for the objections and the chances of these objections being ruled in favor of the bank are high. However, a provision of TZS 612 million has been made.

Capital commitments.

There were no capital commitments authorized as at year end.

30. RELATED PARTY DISCLOSURES

The holding Company is National Bank of Malawi Plc incorporated in Malawi and the ultimate holding company is Press Corporation Plc, a company incorporated in Malawi. The following are the related parties with which the Bank transacted during the reporting period.

Parties are related if one party can control the other party or exercise significant influence over the other party in making financial or operational decisions.

Several Banking transactions are entered into with related parties in the normal course of business and on the Bank's normal commercial terms. The values of related party transactions, outstanding balances at the year end and the related expenses and income for the year are as follows:

(i) Loans and advances to related parties

Advances to shareholders and their related companies were as follows:

	2023 TZS 000	2022 TZS 000
Loans to shareholders and related companies		
At start of year	-	448,127
Repayment made	-	(448,127)
At end of year	-	-

30. RELATED PARTY DISCLOSURES (CONTINUED)

(i) Loans and advances to related parties (continued)

Advances to key management personnel were as follows:

	2023 TZS 000	2022 TZS 000
At start of year	**632,252**	403,124
Advances	**182,536**	315,109
Repayment made	**(114,396)**	(85,980)
At end of year	**700,392**	632,253
Interest income earned	**22,189**	20,030

Loans and advances to related parties were fully performing as at 31 December 2023 and 31 December 2022.

(ii) Deposits from related parties

(a)Deposits balances from shareholders

PSSSF	**6,500,000**	-
Inter Consult Limited	**29,088**	1,318
ERNCON Holdings Limited	**39,836**	15,188
	6,568,924	16,506

30. RELATED PARTY DISCLOSURES (CONTINUED)

(ii) Deposits from related parties (continued)

(b) Deposits from directors, key management personnel and their related parties

	2023 TZS 000	2022 TZS 000
At start of year	**195,684**	222,550
Deposits made during the year	**105,251**	2,034,177
Deposits withdrawn	**(192,191)**	(2,061,043)
Balance as at 31 December	**108,744**	195,684
Interest expense incurred	**541**	583

(c) Deposits from shareholders

At start of year	**16,506**	4,313
Deposits made during the year	**6,534,136**	24,387
Deposits withdrawn	**(3,756)**	(12,194)
At end of year	**6,546,886**	16,506
Interest expense incurred	**71,548**	-

(iii) Key Management compensation

Salaries	**2,075,059**	2,034,177
Other short-term benefits	**8,550**	8,400
	2,083,609	**2,042,577**

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

(iv) Directors' holding shares at the Bank are listed below:

Name	Nationality	Ordinary shares of TZS 1,000 each	Nominal value TZS 000	Ordinary Shareholding %
Mr. Andrew Ernest Massawe (Erncon Holdings Ltd)	Tanzanian	1,808,627	1,808,627	6.51
Ms. Catherine Kimaryo	Tanzanian	15,122	15,122	0.05
Mr. Andrew Ernest Massawe	Tanzanian	686	686	0.002

30. RELATED PARTY DISCLOSURES (CONTINUED)

(v)Directors' remunerations

Fees and other expenses incurred by the Directors of the Bank during the period are as follows:

Name	2023 Directors' fees TZS 000	2023 Other Expenses TZS 000	2022 Directors' fees TZS 000	2022 Other Expenses TZS 000
Catherine Kimaryo	16,100	11,200	13,149	10,400
Ernest Massawe	-	-	10,217	2,800
Prof. Josephat Lotto	11,500	12,000	11,500	8,500
Rukia Adam	11,500	14,000	11,500	8,500
MacFussy Kawawa	11,500	11,186	11,500	7,000
Harold Jiya	11,500	13,686	11,500	6,000
Masauko Katsala	11,500	14,686	11,500	6,000
Zunzo Mitole	11,500	14,686	11,500	7,000
Etness Chanza	11,500	-	10,900	8,500
Benedict Mahona	11,500	19,000	11,500	9,000
Andrew Massawe	11,500	14,500	4,202	3,500
	119,600	**124,944**	**118,968**	**77,200**

31. COUNTRY OF INCORPORATION

The Bank is incorporated under the Companies Act, 2002 and is domiciled in Tanzania.

32. ASSETS PLEDGED AS SECURITY

As at 31 December 2023 Treasury bonds amounting to TZS 2,500 million had been pledged by the Bank to secure deposits with other banks (2022: TZS 15,510 million).

33. FAIR VALUE

The Directors consider that there is no material difference between the fair value and the carrying value of the Bank's financial assets and financial liabilities where fair value details have not been presented. See note 5.5.1.

34. SUBSEQUENT EVENTS DISCLOSURE

The directors are not aware of any subsequent event with material effect to the financial statements.

35. NEW ACCOUNTING PRONOUNCEMENTS

During the current year, the bank has adopted all of the new and revised standards and interpretations issued by the IASB and the IFRS-IC that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2023. The adoption of these new and revised standards and interpretations has not resulted in material changes to the bank's accounting policies.

i) Relevant newly effective standards and amended standards adopted by the Bank

The bank adopted the following standards, interpretations and amended standards during the year:

Effective date	New standards or amendments
1 January 2023	Definition of Accounting Estimates – Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.
	Disclosure Initiative: Accounting Policies – Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements.
	Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12.

ii) New and revised standards and interpretation which have been issued but are not effective.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted; however, the Bank has not early adopted the new and amended standards in preparing these financial statements.

Number	Effective date
1 January 2024	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 Leases.
	Classification of liabilities as Current or Non-Current and Non-current Liabilities with Covenants – Amendments to IAS 1 Presentation of Financial Statements.
	Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures – Supplier Finance Arrangements.
1 January 2025	Lack of Exchangeability – Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates.

The Directors of the bank do not anticipate that the application of the amendments in the future will have material impact on the bank's financial statements.

NOTES	Effective date

AKIBA COMMERCIAL BANK PLC

benki kwa maendeleo yako

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