

Bank of India (Tanzania) Limited
Annual report and financial statements
For the year ended 31 December 2022

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Bank of India (Tanzania) Limited
Bank information
For the year ended 31 December 2022

		Designation	Nationality	Appointed on
Board of directors	Mr. Antaryami Sarangi	Managing Director	Indian	27 July 2021
	Dr. Bernard Mnzava	Director	Tanzanian	14 February 2020
	Mr. Suitbert Kageuka	Director	Tanzanian	04 May 2020
	Dr. Paul Kato	Director	Tanzanian	08 January 2021
	Mr. Venkatachalam Anand	Director	Indian	01 December 2020
	Mr. Kuldeep Jindal	Director	Indian	01 March 2022
	Mr. Radhakanta Hota	Director	Indian	01 March 2022
				Resigned on
	Mr. Susant S. Dash	Director	Indian	28 February 2022
	Mr. Sharda Bhushan Rai	Director	Indian	28 February 2022
Bank secretary	Hanif Habib & Co. Certified Public Accountants P.O. Box 21885 Dar es Salaam Tanzania			
Registered office	Maktaba Street Maktaba Business Park P. O. Box 7581 Dar es Salaam Telephone: +255 22 2135362 Fax: +255 22 2135363 Email: BOI.TANZANIA@boitanzania.co.tz			
Branches	BOI (Tanzania) Limited Branch - Dar es Salaam Maktaba Street Maktaba Business Park P. O. Box 7581 Dar es Salaam Telephone: +255 22 2135358/66/68/69 Fax: +255 22 2135363 Email: BOI.TANZANIA@boitanzania.co.tz BOI (Tanzania) Limited Branch - Zanzaki Street Zanzaki Street P. O. Box 7581 Dar es Salaam Telephone: +255 22 2111061/62 Fax: +255 22 2111063 Email: BOI.TANZANIA@boitanzania.co.tz			
Independent auditor	RSM Eastern Africa Certified Public Accountants 1st Floor, Plot No 1040 PF number 197 Haile Selassie Road, Masaki P.O. Box 79586 Dar es Salaam Tanzania			

Bank of India (Tanzania) Limited
Bank information (continued)
For the year ended 31 December 2022

Principal bankers	Bank of Tanzania P. O. Box 2939 Dar es Salaam Tanzania
	Bank of India 3, Rue Scribe 75009 Paris France
	Bank of India 277, Park Avenue NY 10172 - 0083 New York - USA
	Bank of India 4th Floor 63 Queen Victoria Street London ECAN - 4UA, U.K.
	Standard Chartered Bank 1095, Avenue of the Americans New York, NY 10036
	CRDB Bank (T) Ltd. Azikiwe Branch, P. O. Box 268 Dar es Salaam
	Canara Bank (T) Ltd. Elia Complex, P. O. Box 491 Dar es Salaam
	Bank of India Kenyatta Avenue, PO Box 30246-00100 P. O. Box 30246-00100 Nairobi (Kenya)
	Bank of Baroda (T) Ohio Street, P. O. Box 5356 Dar es Salaam
	Bank of India Mumbai Overseas Branch 70 - 80 M. G. Road Mumbai - India
Parent Company	Bank of India Head Office Star House, C-5, "G" Block, Bandra Kurla Complex Bandra East Mumbai - India 400051
Legal advisor	Amicus Attorneys PO Box 7219 Raha Towers, 1st Floor Dar es Salaam, Tanzania

Bank of India (Tanzania) Limited
Report by those charged with Governance
For the year ended 31 December 2022

Introduction

We have great pleasure in presenting Bank of India (Tanzania) Limited's ("the Bank's") 15th Annual Report along with the Audited financial statements for the year ended 31st December 2022.

The Bank was registered under the Tanzanian Companies Act 2002 on 16.07.2007. The license to conduct Banking Business was granted to the Bank on 25.07.2007 by Bank of Tanzania in accordance with the provisions of section 7 of the Banking and Financial Institutions Act, 2006. However, actual operations started on 16.06.2008 with opening of Dar es Salaam Branch. Subsequently, the Bank opened its second Branch on Zanki Street, Dar es Salaam in August 2012.

Principal Activities

The principal activity of the Bank is to provide banking and related services stipulated by the Banking and Financial Institutions Act 2006. There have been no changes in the principal activities of the Bank during the financial year ended 31 December 2022.

Our Parent Bank: Bank of India

The Bank is wholly owned subsidiary of Bank of India, India. Bank of India was founded on 7th September, 1906 by a group of eminent businessmen from Mumbai. The Parent Bank was nationalized in July 1969 along with 13 other banks. At present, Government of India holds 81.41% shares of the Parent Bank and the balance 10.90% is held by financial institutions and public. Bank of India is a listed company with its shares listed in National Stock Exchange and Bombay Stock Exchange in India. The Bank has been the first among the nationalized banks to establish a fully computerized branch and ATM facility at the Mahalaxmi Branch at Mumbai in India way back in 1989. The Bank is also a Founder Member of SWIFT in India. It pioneered the introduction of the Health Code System in 1982, for evaluating / rating its credit portfolio.

The Bank has made a rapid growth over the years and blossomed into a mighty institution with a strong national presence and sizable international operations. In business volume, the Bank occupies a premier position among the nationalized banks in India. As at 31st December 2022, the business mix of the bank stood at USD 136 Billion. At present it has over 5100 branches in India spread over all states / union territories including specialized branches. The Bank has overseas presence in 18 foreign countries spread over 5 continents – with 45 offices including 4 Subsidiaries, 4 Representative Offices and 1 Joint Venture, at key banking and financial centers in Dubai, Tokyo, Singapore, Hong Kong, London, New Zealand, Paris and New York. In Africa, in addition to Tanzania, the Bank has presence in Kenya, Uganda and Zambia

Economic Environment

Domestic Economy

The United Republic of Tanzania has achieved relatively strong economic growth over the past decade. The country remains in lower middle income country regardless of effects of global pandemic. The economy mainly depends on agriculture, mining and tourism. The main goods imported are fuel oil, machinery, construction material and consumer goods. The main goods exported are gold and agricultural produces. The economy has been transitioning from a command economy to a market economy since 1985. Tanzania has a population of 61.7million within an area of 947,000 square kilometre. Tanzania GDP was USD 67.8 billion, while its per capita income in 2021 was about \$ 1,136.

Tanzania Economic activity is recovering with 2022 real GDP growth rate projected to reach 4-5% (2021 at 4.3% ,up from @2% of 2020). Sectors driving recoveries are accommodation and restaurants , mining , Information and Communication Technology, transport and electric sectors. Electricity generation, private sector credit, goods and services export , non fuel goods imports, telecommunications, and tourist arrivals have continued to increase. Inflation in Tanzania remain within manageable level of 4.9% percent in 2022. However, upward risks to inflation remain due to rising oil prices in the world

Global Economic Developments & Outlook:

The global economy growth is expected to decline to 1.7 % in 2023 from 3% expected in half two of 2022. This is mainly contributed by inflation, currency depreciation and less investment in people and private sector. Gross investment in emerging market and developing economies is projected to grow by 3.5 percent to 2024. IMF predicts global growth to be 2.9 percent in 2023 but rise to 3.1 percent in 2024. Rise in interest rates and the war in Ukraine continues to affect economies of the world adversely. China opening has paved a way for faster recovery on economies. global inflation is expected to be 4.3% in 2024, above pre pandemic levels.

Bank of India (Tanzania) Limited
Report by those charged with Governance (continued)
For the year ended 31 December 2022

Banking sector in Tanzania:

The banking sector generally remained sound and stable with levels of capital and liquidity above regulatory requirements. However on asset quality front, banking industry continued to face challenging situation even though gross NPA in banking sector was 5.8% in December 2022 compared to 7.91% in December 2021. Private sector credit maintained a positive growth with an annual growth of 22.9% compared to 10% recorded in December 2021. Credit growth is expected to continue improving in the year, supported by various policy measures under implementation, improving the business environment and the on-going recovery of the global economy. Overall lending rate averaged 16.07% in December 2022 compared with 16.55% in the corresponding month in 2021. Overall time deposit rate has come down to 7.18 % in December 2022 from 4.21% in December 2021

Treasury Bills, overall weighted average yield increased to 5.55 % from 4.32% in the corresponding month in 2021. Similar trend is noticed in case of Treasury Bonds. On annual basis, the shilling depreciated by 0.03% percent from TZS 2,308.30 per US dollar in December 2021 to TZS 2,309.00 in December 2022.

Bank's Performance during 2022

Bank's performance vis-a-vis Industry

During the last fourteen years of operations, the Bank established its business in a sizable level. In the financial year 2022, despite challenging industry, the Bank has recorded net profit. During FY 2022 Bank was able to register Net Profit of TZS 885 million from operation after making provisions and write off of TZS 1.5 billion. Gross NPA stood at 4.94% which was much lower than the industry average of 5.8% and regulator's acceptable level of 5%. The performance comparison of our bank with the industry was as under;

Parameter	Industry	BOITL	Remarks
Deposit growth	13.50%	6.67%	BOITL - Lower
Credit growth	19.30%	40.73%	BOITL - Better
Net Profit	Yes	Yes	BOITL- In line with
Return on Equity (ROE)	14.60%	2.33%	BOITL - Lower
Return on Asset (ROA)	3.50%	0.50%	BOITL - Lower
Operating Profit Margin	33.6%*	36.49%	BOITL - Better
Cost to Income	45.33%*	63.51%	BOITL - Higher
Gross NPA%	5.80%	4.94%	BOITL - Better

*Figure constructed from two largest bank

ROA and ROE are on the lower side due to rise of cost of deposit especially US Dollar deposits and provisioning on NPA, write off of bad debt and declining yields in investments assets.

Highlight of the performance

The highlight of the performance of last five years is as under:

(Amount in TZS Million)

Particulars	31.12.18	31.12.2019	31.12.2020	31.12.2021	31.12.2022
Deposits	120,641	107,158	121,508	128,551	137,122
Advances	71,381	69,102	69,674	70,142	98,708
Business Mix	192,011	176,260	191,182	198,693	235,831
Total Assets	158,481	148,109	161,850	171,136	180,675
Net Interest income	8,058	7,146	7,425	7,953	8,027
Operating Expenses	4,541	4,449	4,834	5,431	5,766
Operating Profit	4,594	3,661	3,354	3,717	3,313
Net Profit	2,484	2,177	1,037	1,517	885

Net Profit is on the lower side due to increase in cost of deposits ,provisioning on NPA and write off of bad debts.

Capital adequacy and solvency

The Bank continued to remain adequately solvent and compliant with regulatory capital adequacy requirements. As at 31.12.2022, Total Capital Adequacy Ratio was 30% and Core Capital Adequacy Ratio was 28% against the regulatory level of 14.50% and 12.50% respectively (including Capital Conservation Buffer of 2.50%). Liquidity Ratio at 23.25% was well above regulatory required level of 20%.□

Bank of India (Tanzania) Limited
Report by those charged with Governance (continued)
For the year ended 31 December 2022

Business objectives and strategies

The Bank's primary objective is to provide top class financial results supported by quality customer services, increasing financial products suitable for Tanzanian economy. Related objectives include;

- i) To mobilize financial resources for supporting the national economic programs through financing the main sectors of the economy i.e finance to private sector , such as Industry, Commerce, Tourism, Transport , Mining and Agriculture.
- ii) To mobilize financial resources from Corporate, Institutions, Individuals of high net worth for financing the informal sector in order to support Governments effort for development of economy of country.
- iii) To stimulate export by financing export oriented projects and related activities.

Business overview - products and services

A. Deposit

The Bank provides all Banking services which includes accepting deposits in local TZS currency and foreign currency mainly in USD. The type of deposit is Saving Bank, Current Account, Call Deposit, Recurring Deposit and Fixed Deposits. Aggregate Deposit has increased from TZS 128.55 Billion as at 31.12.2021 to TZS 137.12 Billion as on 31.12.2022. Average cost of deposit stood at 4.09% annually up from 3.97% in FY 2021. Out of total average deposit 71% was in US Dollar and 29% in Tanzanian Shilling. □

B. Advances

The Bank is active in financing various type of economic activities which mainly include trading, manufacturing, construction, hotel, real estate, services like transport, export of agricultural commodities and value chain, import of goods and personal loans. As at 31.12.2022, the net Advance stood at TZS 98.71 Billion against TZS 70.14 Billion as at 31.12.2021. Out of total advances 81% was in US Dollar and 19% in Tanzanian Shillings. Yield on advances stood at 8.68% up from 8.54% p.a. in FY 2021. The performing assets stood at 95.06% of gross advance.

C. Remittances

Bank provides active remittance services inside the country and overseas. For prompt remittance service, Bank is using e-corporate remittance service of Bank of India which gives instant credit to Bank of India customer's account in India. Bank is also in process of opening special Nostro account to facilitate business between India and Tanzania in their respective country currency. □

Operational risks

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market, liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risk arises from all the Bank's activities. Details of operational risk exposures are disclosed in Note 4.

Financial risk management objectives and policies

To ensure its financial stability and profitability, the Bank has implemented policies and practices for a sound and prudent management and control of the principal financial risks to which it is exposed. Details of the financial risk exposures are disclosed in Note 4.

Board of Directors

The board of directors comprised of 6 non-executive directors with a mix of skills, experience and diversity. The Directors who were in office during financial year 2022 are as tabulated below:

Sr. No	Name of Director	Position	Date of Birth	Nationality	Qualification	Appointed on
1	Mr. Kuldeep Jindal	Chairman	01.03.1966	Indian	Master of Comm. (M.Com). Bachelor of Legislative Law CAIIB	01.03.2022
2	Dr. Bernard Elieza Mnzava	Director	16.02.1981	Tanzanian	PhD Finance, Masters in Accounting and Finance, B.Com- Accounting	14.02.2020
3	Mr. Suitbert Nestory Kageuka	Director	03.08.1955	Tanzanian	M.Sc National Development and Project Planning. B.Com Finance	04.05.2020
4	Mr. V. Anand	Director	10.11.1967	Indian	Masters of Law (L.L.M)	01.12.2020
5	Mr. Antaryami Sarangi	Managing Director	27.06.1975	Indian	Masters of Science, Certified Associate of Indian Institute of Bankers	27.07.2021

Bank of India (Tanzania) Limited
Report by those charged with Governance (continued)
For the year ended 31 December 2022

Board of Directors (Continued)

Sr. No	Name of Director	Position	Date of Birth	Nationality	Qualification	Appointed on
6	Dr. Paul Kato Rugangira	Director	29.06.1960	Tanzanian	PhD Finance, Masters in Accounting and Finance, PGDFM, Advance Diploma in Banking	08.01.2021
7	Mr. Radhakanta Hota	Director	21.06.1967	Indian	Master of Comm. (M.Com) CAIIB	01.03.2022

The appointment of the directors is in line with the Memorandum and Articles of Association of the Company, as well as the requirements of the Tanzanian Companies Act, 2002 and Banking and Financial Institutions Act, 2006.

Outlined below is the attendance of the members at the quarterly board meetings, held during the year:

	Name of Director	25.02.2022	20.04.2022	10.06.2022	16.09.2022	20.12.2022	Attendance %
1	Mr. Kuldeep Jindal	N/A	✓	✓	✓	✓	100%
2	Dr. Bernard Elieza Mnzava	✓	✓	✓	✓	✓	100%
3	Mr. Suitbert Nestory Kageuka	✓	✓	✓	✓	✓	100%
4	Mr. V. Anand	✓	✓	✓	Leave absence	✓	80%
5	Mr. Antaryami Sarangi	✓	✓	✓	✓	✓	100%
6	Dr. Paul Kato Rugangira	✓	✓	✓	✓	✓	100%
7	Mr. Radhakanta Hota	N/A	✓	✓	✓	✓	100%

Board committee

The Board is supported by the following committees:

Audit Committee

S/N	Name of Director	24.02.2022	09.06.2022	15.09.2022	19.12.2022	Attendance %
1	Mr. Suitbert Nestory Kageuka	✓	✓	✓	✓	100%
2	Mr. V. Anand	✓	✓	Leave absence	✓	75%
3	Dr. Paul Kato Rugangira	✓	✓	✓	✓	100%

Credit Committee

S/N	Name of Director	24.02.2022	09.06.2022	15.09.2022	19.12.2022	Attendance %
1	Dr. Bernard Elieza Mnzava	✓	✓	✓	✓	100%
2	Mr. Radhakanta Hota	N/A	✓	✓	✓	100%

Risk Management Committee

S/N	Name of Director	24.02.2022	09.06.2022	16.09.2022	19.12.2022	Attendance %
1	Mr. Radhakanta Hota	N/A	✓	✓	✓	100%
2	Dr. Bernard Elieza Mnzava	✓	✓	✓	✓	100%
3	Mr. Kuldeep Jindal	N/A	✓	✓	✓	100%

The role and responsibilities of this committee are governed by our bank policies and Banking and Financial Institutions Act 2006 and regulations made thereon.

Bank of India (Tanzania) Limited
Report by those charged with Governance (continued)
For the year ended 31 December 2022

Remuneration Committee

The committee was formed in December 2022, comprising of the following members:

Name of Director

Dr. Bernard Elieza Mnzava

Mr. Radhakanta Hota

Mr. Kuldeep Jindal

There were no meeting held during the year for the Remuneration Committee.

Board meeting and other committee meetings were held as per guidelines of Bank of Tanzania during the year 2022.

Management committee

There are five main Management Committees i.e. Asset Liability Management Committee (ALCO), Investment Committee, Operational Risk Management Committee, Credit Risk Management Committee and Outsourcing Committee. All these committees are chaired by the Managing Director. General Managers and Head of the Departments are member of the committees. Other Management Committees are AML Cell, OSHA Committee, Procurement Committee and Information Technology Divisional Committee.

Liquidity

The Bank has financing arrangements with related parties. Details of the borrowings are disclosed in Note 4.

Technology and innovation

There has been no significant change in technology which is likely to affect the bank's operation. Bank is finalising integration with TIPS(Tanzania Instant Payment System) which will facilitate in leveraging in digital platform for efficient delivery of service.

Corporate Governance

The Bank is committed for its corporate social responsibility towards Tanzanians. Bank is regularly involved in charitable activities to take care of expenses for healthcare sector and welfare of Tanzanian children.

Directors are committed to the principles of good corporate governance and recognise the need to conduct the Banking business with best practice. Therefore Directors confirm that:

- (i) The Board of Directors conducted the meeting regularly in the year 2022.
- (ii) The position of Chairman and Chief Executive Officer are held by different persons.
- (iii) They have effective control over the Bank and its executive management.
- (iv) Board exercises the responsibility for policy decisions, budgeting & monitoring performances.

Employees Welfare

Bank provides loan to their employees at concessional interest rate. Bank has taken Health Insurance of all employees and their families, spouse and up to four dependents. In-house formal training at various institutions is provided to the staff of the Bank. Local staff members are deputed for training to gain good experience of Banking Industry. Bank management has cordial relations with staff of the Bank who work as team. Ratio of female to male is as follows

	2022	2021
Male	23	22
Female	11	10
	34	32

The day to day management of the Bank is handled by various departments as outlined below:

Departments	Department Head	No. of members
Finance	Mahadhil Mansoor	2
Credit	Rahim Lema	3
Audit	Allen Namakate	2
Information Technology	David John	4
Treasury Department	Saika Sameja	3
Risk and Compliance	Orestine Ntimba	2
HR and Administration	Halima Sato	1

Related party transactions

Transactions with related parties during the year were in the normal course of business. Details of transactions and balances are included in Note 29.

Bank of India (Tanzania) Limited
Report by those charged with Governance (continued)
For the year ended 31 December 2022

Way forward

We have successfully completed 14 years of dedicated service to fulfill banking needs of our customers and the nation. The performance of our Bank during this period was satisfactory. Every industry has its own challenges and the banking industry in Tanzania is not an exception. The Bank has already drawn detail and practical plans to overcome these challenges. The Board is confident that with everyone's active support, the Bank will prosper and achieve new height in coming years.

Our Vision

To become the Bank of choice for corporate, medium business and up market retail customers and developmental Banking for small Business, mass markets.

Mission 2023

- '-Maintain Gross NPA below 3.98%.
- '- Maintaining status of one of the best compliant banks position in Tanzania.
- '-Increased use of IT enabled services and IT products of the Bank.

Capital structure

The capital structure of the Company is outlined in Note 24.

Shareholder	Shares held
Bank of India	21,499,999
Hashim Mwausi Kihwelo	1
	<u>21,500,000</u>

Auditors

RSM Eastern Africa was re-appointed at the Annual General Meeting as the Bank's auditor for financial year 2022 and has expressed its willingness to continue in office in accordance with the Tanzanian Companies Act 2002. The details of the firm are provided on page 1.


Acknowledgment

The Board expresses its gratitude to Bank of Tanzania and various department of Government of Tanzania for the valuable guidance and support received from them. The Board also acknowledges the support of its customers, other financial institutions, and correspondent banks for their support and cooperation. The Board also wishes to place on record its appreciation for all staff members of the Bank for their dedicated service and contribution. Lastly, the Board thanks the management and staff of Bank of India, the Parent Bank, for their continued support and guidance.

Responsibility by those charged with governance

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

By order of the Board of those charged with Governance



Antaryami Sarangi
Managing Director
31 March 2023

Bank of India (Tanzania) Limited
Statement of directors' responsibilities
For the year ended 31 December 2022

The Tanzanian Companies Act, 2002 requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the Bank as at the end of the financial year and of its profit or loss and other comprehensive income for that year. It also requires the directors to ensure that the Bank keeps proper accounting records that: (a) show and explain the transactions of the Bank; (b) disclose, with reasonable accuracy, the financial position of the Bank; and (c) enable the directors to ensure that every financial statement required to be prepared complies with the requirements of the Tanzanian Companies Act, 2002.


The Bank's directors accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards, the Banking and Financial Institutions Act, 2006 and in the manner required by the Tanzanian Companies Act, 2002. They also accept responsibility for:


- i) designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- ii) selecting suitable accounting policies and applying them consistently; and
- iii) making accounting estimates and judgements that are reasonable in the circumstances.

Having made an assessment of the Bank's ability to continue as a going concern, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Bank's ability to continue as a going concern.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the Board of directors on 31 March 2023 and signed on its behalf by:


.....
Antaryami Sarangi
Managing Director


.....
Mr. Suitbert Kageuka
Director

Bank of India (Tanzania) Limited
Declaration of the Head of Finance
For the year ended 31 December 2022

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

As stated above, it is the duty of the Finance Manager as the Professional Accountant to assist the directors to discharge the responsibility of preparing financial statements of the entity that show a true and fair view of the entity's position and performance in accordance with International Financial Reporting Standards, the Banking and Financial Institutions Act, 2006 and the Tanzanian Companies Act, 2002. Full legal responsibility for the preparation of financial statements rests with the directors as disclosed in the Statement of directors' responsibilities on page 9.

I, Mahadhil Mansoor Karwani being the Head of Finance of Bank of India (Tanzania) Limited hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2022 have been prepared in compliance with applicable accounting standards and statutory requirements.

I thus confirm that the financial statements give a true and fair view of the financial position of Bank of India (Tanzania) Limited as at 31 December 2022 and that they have been prepared based on properly maintained financial records.



Signature:
NBAA Membership No. ACPA - PP 4074

Date: 31 March 2023

Bank of India (Tanzania) Limited

***Report of the independent auditor to the members of Bank of India (Tanzania) Limited
For the year ended 31 December 2022***

Opinion

We have audited the accompanying financial statements of Bank of India (Tanzania) Limited (the Bank), set out on pages 13 to 43, which comprise the statement of financial position as at 31 December 2022, the statement of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, including a summary of significant 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 2022 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, the Banking and Financial Institutions Act, 2006 and the Tanzanian Companies Act, 2002.

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 the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Tanzania, and we have fulfilled our 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 judgement, 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.

Impairment of loans and advances to customers

Management exercises significant judgement using subjective assumptions over both when and how much to record as loan impairment. The Bank applies IFRS 9 in estimating the expected credit loss. Judgement is applied to determine the appropriate parameters and assumptions used to estimate the provisions in areas such as quantitative and qualitative criteria for classification of loans and advances based on assessment of factors contributing to significant increase in credit risk and default; determination of the Probability of Defaults (PD), determination of Exposure At Default (EAD); determination of the Loss Given Default (LGD) which include estimation of the expected cash flows and recovery rates. The value of the loans and advances to customers is also significant.

How our audit addressed the key audit matter

We tested: reasonableness of the quantitative and qualitative criteria used in the classification of loans and advances. As the quantitative basis of classification of loans and advances is reliant on information systems, we understood and tested key information technology general and application controls including the calculation of the number of days past due; management's application of the qualitative criteria in the classification of loans and advances; reasonableness of portfolio segmentation in view of portfolio characteristics and associated credit risks for purposes of PD and LGD; reliability, accuracy and reasonableness of information used for estimating the ED, PD and LGD; and accuracy of the LGD for the secured and unsecured loan portfolio; recovery costs and recovery periods used to estimate the recoverable amount of collateral for secured facilities.

Other information

The directors are responsible for the other information. Other information comprises the information included in the Annual Report, 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, other than that prescribed by the Tanzanian Companies Act, 2002, as set out below.

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.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards, the Banking and Financial Institutions Act, 2006 and Tanzanian Companies Act, 2002 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Bank of India (Tanzania) Limited

Report of the independent auditor to the members of Bank of India (Tanzania) Limited (continued)

For the year ended 31 December 2022

Directors' responsibility for the financial statements (continued)

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 judgement 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 management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 the 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.

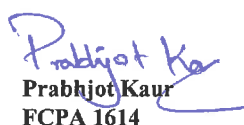
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal requirements

This report, including the opinion, has been prepared for, and only for, the Bank's members as a body in accordance with the Tanzanian Companies Act, 2002 and the Banking and Financial Institutions Act, 2006, and its regulations and not for any other purpose.


As required by the Tanzanian Companies Act, 2002 we report to you, based on our audit, that:

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) the report of the directors is consistent with the financial statements;
- iii) in our opinion proper accounting records have been kept by the Bank, so far as appears from our examination of those records;
- iv) the Bank's statement of financial position and profit or loss and other comprehensive income are in agreement with the accounting records; and
- v) information specified by law regarding directors remuneration and transactions is appropriately disclosed.


Prabhjot Kaur
FCPA 1614

For and on behalf of RSM Eastern Africa
Certified Public Accountant


RSM


31st March2023
Dar es Salaam
Ref No. 031/2023

Bank of India (Tanzania) Limited
Financial statements
For the year ended 31 December 2022

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022


		2022	2021
	Note	TZS '000	TZS '000
Interest income			
Interest income	6	13,396,991	12,665,808
Interest expense	7	(5,370,316)	(4,712,710)
Net interest income		<u>8,026,675</u>	<u>7,953,098</u>
Other operating income			
Fees and commission	8	813,512	690,593
Other income	9	238,166	504,110
Net fee and commission income		<u>1,051,678</u>	<u>1,194,703</u>
Total income		9,078,354	9,147,801
Net impairment loss on loans and advances	10	(1,546,085)	(1,265,790)
Provision for expected credit losses on other assets		<u>(19,349)</u>	<u>(1,985)</u>
Net Operating income		<u>7,512,919</u>	<u>7,880,025</u>
Operating expenses		<u>(5,765,695)</u>	<u>(5,430,839)</u>
Profit before tax		1,747,225	2,449,186
Income tax charge	11	<u>(861,842)</u>	<u>(931,785)</u>
Profit for the year attributable to owners of the Bank		885,383	1,517,401
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>885,383</u>	<u>1,517,401</u>

Bank of India (Tanzania) Limited
Financial statements
For the year ended 31 December 2022

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

		2022	2021
	Note	TZS '000	TZS '000
ASSETS			
Cash and balances with Bank of Tanzania	12	18,849,015	18,308,093
Deposits and balances due from other banks and financial institutions	13	9,521,288	25,636,419
Government securities	14	48,465,306	51,033,093
Loans and advances to customers	16	98,708,473	70,141,850
Prepaid expenses and other receivables	15	1,688,227	2,244,459
Income tax receivables		710,192	676,718
Property & equipment	18	1,030,694	864,328
Right of use assets	20	1,597,767	2,157,102
Deferred tax asset	17	104,190	74,119
Total assets		180,675,152	171,136,181
LIABILITIES			
Deposits from customers	21	137,122,118	128,550,835
Other liabilities	22	3,357,422	2,725,108
Lease liabilities	23	1,802,201	2,352,211
Total liabilities		142,281,741	133,628,154
EQUITY			
Share capital	24	21,500,000	21,500,000
Retained earnings		14,394,009	14,377,164
Statutory reserves	28	2,499,401	1,630,863
Total shareholder's equity		38,393,410	37,508,027
Total equity and liabilities		180,675,152	171,136,181

The financial statements on pages 13 to 43 were authorised for issue by the Board of directors on 31 March 2023 and were signed on its behalf by:



Antaryami Sarangi
 Director



Mr Sumbert Kageuka
 Director

Bank of India (Tanzania) Limited
Financial statements
For the year ended 31 December 2022

STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 31 DECEMBER 2022

	Share capital	Statutory Reserves	Retained earnings	Total
	TZS '000	TZS '000	TZS '000	TZS '000
As at 1 January 2021	21,500,000	2,479,163	12,011,463	35,990,626
Changes in equity in 2021				-
Transfer to /from reserves	-	(848,300)	848,300	-
Profit for the year	-	-	1,517,401	1,517,401
As at 31 December 2021	21,500,000	1,630,863	14,377,164	37,508,027
As at 1 January 2022	21,500,000	1,630,863	14,377,164	37,508,027
Changes in equity in 2022				-
Transfer to /from reserves	-	868,538	(868,538)	-
Profit for the year	-	-	885,383	885,383
Balance as at 31 December 2022	21,500,000	2,499,401	14,394,009	38,393,410

Bank of India (Tanzania) Limited
Financial statements
For the year ended 31 December 2022

STATEMENT OF CASH FLOWS FOR YEAR ENDED 31 DECEMBER 2022

		2022	2021
	Note	TZS '000	TZS '000
Cashflow from operating activities			
Profit before taxation		1,747,225	2,449,186
<u>Adjustment for:</u>			
Depreciation and amortization		754,522	1,045,828
Actual rental payments for the year		(549,846)	(516,009)
Prior year adjustment		-	-
Provision on impairment other assets		19,349	1,986
Net Cash flow before changes in working capital		1,971,250	2,980,991
Change in operating assets & liabilities			
Increase in investment in treasury bills/bonds maturing after 3 months	14	(4,186,336)	66,237
Increase in loans and advances to customers	16	(28,566,623)	(467,120)
Increase in prepaid expenses and other receivables	15	556,242	(488,233)
Change in loans to other financial institutions	13	1,143,363	5,055,600
Change in customers deposits	21	8,571,282	7,042,652
Change in other liabilities	22	632,315	(488,817)
Cash (used in)/generated from operating activities		(19,878,507)	13,701,310
Income tax paid		(925,397)	(875,700)
Net cash flows (used in)/generated from operating activities		(20,803,904)	12,825,610
Cash flows from investing activities			
Purchase of property & equipment	18	(361,554)	(270,528)
Net cash used in investing activities		(361,554)	(270,528)
Cash flow from financing activities			
Dividends paid		-	-
Net cash flows used in financing activities		-	-
Net (decrease)/increase in cash and cash equivalents		(21,165,458)	12,555,081
Cash and cash equivalents at beginning of the year		45,094,273	32,539,192
Cash and cash equivalents at the end of the year	25	23,928,815	45,094,273

NOTES

1. General Information

Bank of India (Tanzania) Limited is a wholly owned, subsidiary of Bank of India, India. It has been incorporated under the Tanzanian Companies Act, 2002 on 16th July 2007. The Bank of Tanzania issued license to conduct banking business under section 7 of the Banking and Financial Institutions Act, 2006 on 25th June 2007. The Bank commenced business on 16th June 2008.

2. Significant accounting policies

The significant accounting policies adopted in preparation of these financial statement are set out below. These policies have been consistently applied to all periods presented, unless stated otherwise.

a) Basis of preparation

The financial statements are prepared on a going concern basis and in compliance with International Financial Reporting Standards for Small issued by the International Accounting Standards Board and Banking and Financial Institutions Act, 2006. These financial statements are presented in Tanzania Shillings (TZS), rounded to the nearest thousand (TZS '000). The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies.

The financial statements comprise a statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows, and notes. Income and expenses, excluding the components of other comprehensive income, are recognised in the profit and loss account. Other comprehensive income is recognised in the statement of comprehensive income and comprises items of income and expense (including reclassification adjustments) that are not recognised in the profit and loss account as required or permitted by IFRS. Reclassification adjustments are amounts reclassified to the profit and loss account in the current period that were recognised in other comprehensive income in the current or previous periods. Transactions with the owners of the Bank in their capacity as owners are recognised in the statement of changes in equity.

Measurement basis

The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies below.

Under the historical cost basis, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation or, in some cases, at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

For those assets and liabilities measured at fair value, 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. When measuring the fair value of an asset or a liability, the Bank uses market observable data as far as possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Bank using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items or discounted cash flow analysis). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account.

Fair values are categorised into three levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- 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).

Transfers between levels of the fair value hierarchy are recognised by the Bank at the end of the reporting period during which the change occurred.

b) New and revised financial reporting standards

The Bank has not applied the following new and revised standards and interpretations that have been published but are not yet effective for the year beginning 1st January 2022.

Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)

The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

NOTES (CONTINUED)

2. Summary of significant accounting policies (continued)

b) New and revised standards (continued)

Amendments to IAS 8 titled Definition of Accounting Estimates (issued in February 2021)

The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.

Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)

The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies.

Amendments to IFRS 16 titled Covid-19-Related Rent Concessions Beyond 30th June 2021 (issued in March 2021)

The previous amendment to IFRS 16 permitted the practical expedient to be applied only to reductions in lease payments that did not extend beyond 30th June 2021. This amendment, applicable to annual periods beginning on or after 1st April 2021 allows the practical expedient to be applied to reductions in lease payments that do not extend beyond 30th June 2022.

Amendments to IAS 8 titled Definition of Accounting Estimates (issued in February 2021)

The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.

Amendments to IFRS 9 and IFRS 17 titled Initial application of IFRS 17 and IFRS 9 – Comparative Information (issued in December 2021)

The amendments, applicable on initial application of IFRS 17, add a transition option relating to comparative information about financial assets presented on initial application of IFRS 17.

Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)

The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains

Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)

The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.

c) Translation of foreign currencies

On initial recognition, all transactions are recorded in the functional currency (the currency of the primary economic environment in which the Bank operates) which is Tanzania Shillings.

Transactions in foreign currencies during the year are converted into the functional currency using the exchange rate prevailing at the transaction date. Monetary assets and liabilities at the statement of financial position date denominated in foreign currencies are translated into the functional currency using the exchange rate prevailing as at that date. The resulting foreign exchange gains and losses from the settlement of such transactions and from year-end translation are recognised on a net basis in the statement of profit or loss and other comprehensive income in the year in which they arise, except for differences arising on translation of non - monetary assets measured at fair value through other comprehensive income, which are recognized in other comprehensive income.

NOTES

2. Summary of significant accounting policies (continued)

d) *Interest income and expenses*

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' or 'interest expense' in the statement of profit or loss using the effective interest method in the period to which it is earned or charged. Net interest income comprises interest income and interest expense calculated using the effective interest method. These are disclosed separately on the face of the income statement for both interest income and interest expense to provide symmetrical and comparable information when an account is classified as non-performing, the interest accrued on that account is suspended and kept in interest suspense account until it is realized in cash.

Once a credit-impaired financial asset has been written down to reflect the lifetime expected credit loss, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset in subsequent reporting periods.

e) *Fees and commission*

Fee and commission income is earned on the execution of a significant performance obligation, which may be when the performance obligation is fulfilled (over time) or when the significant performance obligation has been performed (point in time). Transaction and processing fees are recognised at the point in time the transaction occurs or service is performed. They include banking services such as wire transfer fees, point-of-sale fees, balance transfer fees, overdraft or late fees and foreign exchange fees among others.

f) *Financial instruments*

Initial recognition

Financial instruments are recognised when, and only when, the Bank becomes party to the contractual provisions of the instrument. All financial assets are recognised initially using the trade date accounting which is the date the Bank commits itself to the purchase or sale.

Classification

The Bank classifies its financial instruments into the following categories:

- i) Financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows, and for which 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, are classified and measured **at amortised cost**;
- ii) Financial assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and for which 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, are classified and measured **at fair value through other comprehensive income**.
- iii) All other financial assets are classified and measured **at fair value through profit or loss**.
- iv) Notwithstanding the above, the Bank may:
 - a) on initial recognition of an equity investment that is not held for trading, irrevocably elect to classify and measure it **at fair value through other comprehensive income**.
 - b) on initial recognition of a debt instrument, irrevocably designate it as classified and measured **at fair value through profit or loss** if doing so eliminates or significantly reduces a measurement or recognition inconsistency.
- v) Financial liabilities that are held for trading (including derivatives), financial guarantee contracts, or commitments to provide a loan at a below-market interest rate are classified and measured **at fair value through profit or loss**. The Bank may also, on initial recognition, irrevocably designate a financial liability as **at fair value through profit or loss** if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

NOTES (CONTINUED)

2. Summary of significant accounting policies (continued)

f) Financial instruments (continued)

Classification (continued)

Financial instruments held during the year were classified as follows:

- Loans and advances and other receivables, and investments in government securities were classified as at amortised cost.
- Borrowings, customer deposits and trade and other liabilities were classified as at amortized cost.

Initial measurement

On initial recognition:

- i) Financial assets or financial liabilities classified as at fair value through profit or loss are measured at fair value.
- ii) All other categories of financial assets or financial liabilities are measured at fair value through profit or loss.

Impairment

The Bank recognises a loss allowance for expected credit losses on debt instruments that are measured at amortised cost or at fair value through other comprehensive income. The loss allowance is measured at an amount equal to the lifetime expected credit losses for trade receivables and for financial instruments for which: (a) the credit risk has increased significantly since initial recognition; or (b) there is observable evidence of impairment (a credit-impaired financial asset). If, at the reporting date, the credit risk on a financial asset other than a trade receivable has not increased significantly since initial recognition, the loss allowance is measured for that financial instrument at an amount equal to 12-month expected credit losses. All changes in the loss allowance are recognised in profit or loss as impairment gains or losses.

Lifetime expected credit losses represent the expected credit losses that result from all possible default events over the expected life of a financial instrument. 12-month expected credit losses represent the portion of lifetime expected credit losses that result from default events on a financial asset that are possible within 12 months after the reporting date.

Expected credit losses are measured in a way that reflects an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

In case of loans and receivables, if there is an evidence of impairment loss, specific provisions is made in line with the requirements of the guidelines issued by the Bank of Tanzania (BOT) as follows:

No. of days outstanding	Classification	Provision (%)
Below 90	Unclassified	Nil
91 – 180	Substandard	20
181 – 360	Doubtful	50
Above 360	Loss	100

NOTES (CONTINUED)

2. Summary of significant accounting policies (continued)

f) Financial instruments (continued)

Impairment (continued)

The provisions are to be compared using both International Financial Reporting Standard (IFRS) 9 approach and Bank of Tanzania (BOT) regulatory approach as under:

In case IFRS 9 provision is less than BOT provision, then a special non-distributable reserve is created through an appropriation of distributable reserve to eliminate the shortfall. The transfer is made in the statement of changes in equity.

Derecognition/write off

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired, when the Bank has transferred substantially all risks and rewards of ownership, or when the Bank has no reasonable expectations of recovering the asset.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged or cancelled or expires.

Offsetting

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

g) Property and equipment

All categories of property and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure directly attributable to the acquisition of the assets. Computer software, including the operating system, that is an integral part of the related hardware is capitalised as part of the computer equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that it will increase the future economic benefits associated with the item that will flow to the Bank over those originally assessed and the cost of the item can be measured reliably. Repairs and maintenance expenses are charged to statement of profit and loss in the year in which they are incurred.

Depreciation is provided in full in the month of additions. No depreciation is provided in the month of sale/disposal. Depreciation is calculated to write off the cost of the fixed assets on a reducing balance basis over their estimated useful lives.

All of the above assets are reviewed for impairment once annually where ever there is a circumstantial evidence of impairment.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. On disposal of revalued assets, amounts in the revaluation surplus reserve relating to that asset are transferred to retained earnings.

NOTES (CONTINUED)

2 Basis of preparation and summary of significant accounting policies (continued)

h) Leases

Leases under which the Bank is the lessee

On the commencement date of each lease (excluding leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value) the Bank recognises a right-of-use asset and a lease liability.

The lease liability is measured at the present value of the lease payments that are not paid on that date. The lease payments include fixed payments, variable payments that depend on an index or a rate, amounts expected to be payable under residual value guarantees, and the exercise price of a purchase option if the Bank is reasonably certain to exercise that option. The lease payments are discounted at the interest rate implicit in the lease. If that rate cannot be readily determined, the Bank's incremental borrowing rate is used.

For leases that contain non-lease components, the Bank allocates the consideration payable to the lease and non-lease components based on their relative stand-alone components.

The right-of-use asset is initially measured at cost comprising the initial measurement of the lease liability, any lease payments made on or before the commencement date, any initial direct costs incurred, and an estimate of the costs of restoring the underlying asset to the condition required under the terms of the lease.

Subsequently the lease liability is measured at amortised cost, subject to remeasurement to reflect any reassessment, lease modifications, or revised fixed lease payments.

Increases in the carrying amount arising on revaluation are recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. Decreases that offset previous increases of the same asset are recognised in other comprehensive income. All other decreases are charged to the profit and loss account. Annually, the difference between the depreciation charge based on the revalued carrying amount of the asset charged to the profit and loss account and depreciation based on the asset's original cost (excess depreciation) is transferred from the revaluation surplus reserve to retained earnings.

For leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value, the total lease payments are recognised in profit or loss on a straight-line basis over the lease period.

i) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, including: cash and non-restricted balances with Central bank, Investment securities and amounts Loans and advances to Banks. Cash and cash equivalents excludes the cash reserve requirement held with Central bank.

NOTES (CONTINUED)

2 Basis of preparation and summary of significant accounting policies (continued)

j) Income taxes

Income tax expense is the aggregate amount charged/(credited) in respect of current tax and deferred tax in determining the profit or loss for the year. Tax is recognised in the profit and loss account except when it relates to items recognised in other comprehensive income, in which case it is also recognised in other comprehensive income, or to items recognised directly in equity, in which case it is also recognised directly in equity.

Current tax

Current tax is the amount of income tax payable on the taxable profit for the year, and any adjustment to tax payable in respect of prior years, determined in accordance with the Tanzanian Income Tax Act.

Deferred income tax

Deferred tax is determined for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, using tax rates and laws enacted or substantively enacted at the Statement of Financial Position date and expected to apply when the asset is recovered or the liability is settled.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets or liabilities.

Deferred tax liabilities are recognised for all taxable temporary differences except those arising on the initial recognition of an asset or liability, other than through a business combination, that at the time of the transaction affects neither the accounting nor taxable profit or loss.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Recognised and unrecognised deferred tax assets are reassessed at the end of each reporting period and, if appropriate, the recognised amount is adjusted to reflect the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

k) Share capital

Ordinary shares are recognised at par value and classified as 'share capital' in equity.

l) Provisions for liabilities

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made

m) Borrowing

Borrowing costs, net of any temporary investment income on those borrowings, that are attributable to acquisition, construction or production of a qualifying asset are capitalised as part of the asset. The net borrowing cost capitalised is either the actual borrowing cost incurred on the amount borrowed specifically to finance the asset; or in the case of general borrowings, the borrowing cost is determined using the overall weighted average cost of the borrowings on all outstanding borrowings during the year less any specific borrowings directly attributable to the asset and applying this rate to the borrowing attributable to the asset. Capitalisation of borrowing costs ceases when all activities necessary to prepare the qualifying asset for its intended use or sale are complete. All other borrowing costs are recognised in the profit and loss account in the year in which they are incurred.

NOTES (CONTINUED)

2 Basis of preparation and summary of significant accounting policies (continued)

n) Employee benefits

All short term employee benefits are provided for in the statement of profit or loss on accrual basis. Further, employees are members of a defined benefit scheme, employees contribute ten percent of their salary and employer contributes ten percent of the employees' salary to the scheme. The employers' contribution is accounted for in the period it falls due.

o) Impairment of non-financial assets

Non-financial assets that are carried at amortised cost are reviewed at the end of each reporting period for any indication that an asset may be impaired. If any such indication exists, an impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

p) Statutory reserves

As per the circular by the Central Bank of Tanzania, for provision of non-performing assets, the Bank is required to compute provision using both IFRS 9 approach and BOT regulatory approach. IFRS 9 provision should be charged to the statement of profit or loss. In case IFRS 9 provisions is less than BOT provision, then a special non-distributable reserve termed as "Statutory Reserve" is created for eliminating the shortfall.

q) Intangible assets

Software licence costs and computer software that is not an integral part of the related hardware are initially recognised at cost, and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Costs that are directly attributable to the production of identifiable computer software products controlled by the Bank are recognised as intangible assets. Amortisation is calculated using the straight line method to write down the cost of each licence or item of software to its residual value over its estimated useful life.

r) Contingent liabilities

Letters of credit, acceptances, guarantees and performance bonds are accounted for as off balance sheet transactions and disclosed as contingent liabilities. Estimates of the outcome and of the financial effect of contingent liabilities is made by the management based on the information available up to the date the financial statements are approved for issue by the directors. Any expected loss is charged to the profit or loss account in the year in which it is determined.

3. Significant judgements and key sources of estimation uncertainty

In the process of applying the accounting policies adopted by the Bank, the directors make certain judgements and estimates that may affect the amounts recognised in the financial statements. Such judgements and estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. However, actual results may differ from those estimates. The judgements and estimates are reviewed at each financial reporting date to ensure that they are still reasonable under the prevailing circumstances based on the information available, and any revisions to such judgements and estimates are recognised in the year in which the revision is made.

a) Significant judgements made in applying the Bank's accounting policies

The judgements made by the directors in the process of applying the Bank's accounting policies that have the most significant effect on the amounts recognised in the financial statements include:

- i) classification of loans and advances, including whether or not the loan or advance is impaired.

NOTES (CONTINUED)

3. Significant judgements and key sources of estimation uncertainty (continued)

a) Significant judgements made in applying the Bank's accounting policies (continued)

- ii) classification of financial assets: whether the business model in which financial assets are held has as its objective the holding of such assets to collect contractual cash flows or to both collect contractual cash flows and sell the assets; and whether the contractual terms of financial assets give rise on specified dates to cash flows that are solely payments of principal and interest;
- iii) whether credit risk on financial assets has increased significantly since initial recognition; and
- iv) how to determine the incremental borrowing rate used in the discounting of lease liabilities.

b) Key sources of estimation uncertainty

Key assumptions about the future made by the directors that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year include:

- i) Estimates made in determining the expected credit losses on financial assets. Such estimates include the determination of probabilities of default including the use of forward looking information, and of losses given default.
- ii) The Bank is exposed to various contingent liabilities in the normal course of business. Management evaluates the status of these exposures on a regular basis to assess the probability of the Bank incurring related liabilities. However, provisions are made in the financial statements only where, based on the management's evaluation, a reliable estimate of the obligation can be made.

4. Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the bank's risk management framework. The board has established the Assets and Liability, Credit and Operational Risk Committee (ALCO), which is responsible for developing and monitoring Bank's risk management policies in their specified area. All Board committees have both executive and non-executive members and report regularly to the Board of Directors on their activities.

Operating in a liberalized and globalized environment, bank is exposed to different types of risks emanating from financial and non-financial factors. Risks faced by the Bank have been categorized as credit risk, market risk, liquidity risk and operational risk.

The Bank's risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered and the guidelines issued by the Bank of Tanzania. The Bank, through its training and management procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Audit committee is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Audit committee is assisted in these functions by the Internal Audit department. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee. The follow up of these procedures is closely monitored by the Managing Director, in the day to day activities of the Bank.

Credit risk

Credit risk is a risk of financial loss to the bank, if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the bank's loans and advances to customers and other banks, and investment debt securities.

The Board of Directors has delegated responsibility for the oversight of credit risk to its Credit committee. The credit department of the bank, reporting to the credit committee is responsible for management of the bank's credit risk, including:

- Formulating credit policies covering collateral requirements, credit assessment, risk grading and reporting,
- Establishing the authorization structure for approval and renewal of credit facilities. The credit limits are governed by
- Reviewing and assessing credit risks.
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances).

NOTES (CONTINUED)

4. Financial risk management (continued)

Loans and advances to customers

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral against loans and advances in the form of mortgage interests over property, other registered securities over assets and guarantees. The following factors are considered when assessing credit risk of loans and advances to customers:

- the probability of default by borrowers on their contractual obligations;
- current exposures to the borrowers and likely future developments, from which the Bank derives its exposure to risk; and
- the likely recovery ratio on the defaulted obligations.

The Bank structures the level 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 geographical and industry segments. In addition, the Bank of Tanzania also sets the maximum exposure to a single party or group. It also sets the maximum exposure to insiders and places a ceiling on the total lending to insiders. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product and industry sector are approved as and when required by the credit committee. The exposure to any one borrower is further restricted by sub-limits covering on and off balance sheet exposures in relation to trading items.

Regular audit of credit process is undertaken by the internal audit. The classification of advances based on the overdue balances, showing exposure to credit risk, is given below:

Particulars	(Amt. in Tzs '000)		
	Balance outstanding including unrealized interest	Secured	Unsecured
Unspecified	84,011,097	83,467,464	543,634
Especially Mentioned (ESM)	10,786,677	10,786,677	0
Doubtful	4,375,828	4,375,828	0
Loss	495,486	495,486	0
Total	99,669,088	99,125,454	543,634

The Bank has calculated and provided for impairment as explained in Note 4 in compliance with the requirements of the Bank of Tanzania and the International Financial Reporting Standards.

Management assesses the credit quality of each borrower, taking into account their financial position, past experience and other factors. Individual limits are set based on internal or external information and in accordance with guidelines set by the board. The utilisation of credit limits is regularly monitored and corrective action taken, where necessary.

The Bank also uses credit-related commitments as a control and mitigation measure for credit risk on loans and advances. The primary purpose of these instruments is to ensure that funds are available to a customer as and when required. Guarantees and letters of credit carry the same credit risk as loans and advances.

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.

NOTES

3 Financial risk management (continued)

In certain cases, the Bank, in an effort to recover a past due or impaired loan and advance, renegotiates the repayment terms with the individual customers. Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of the credit committee, indicate that payment will most likely continue. These policies are kept under continuous review.

Letters of credit are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct advance or loan.

Credit risk on loans and advances to banking institutions is managed by dealing with institutions, taking into account internal ratings and placing limits on deposits that can be held with each institution.

Due to the inherent nature of Government securities, these are considered to have minimal credit risk.

The Bank considers a term loan to be in default if the repayment of the loan installment (principal and accrued interest) is more than 30 days past due for all product types. A revolving facility is in default if the facility is drawn above the limit for more than 90 consecutive days during the lifetime of the facility or if the drawn amount is still outstanding 30 days after maturity of the facility or if a related term loan is in default.

For secured loan, the Bank considers collateral value discounted using an effective interest rate. Exposure at Default for term loans is estimated as contractual rundown on the loans. This is estimated as the outstanding balance on the facility.

Expected credit losses

The Bank applies a "three-stage" model for impairment based on changes in credit quality since initial recognition, as summarised below:

Stage 1: financial assets that is not credit impaired at initial recognition and for which credit risk has not increased significantly since initial recognition;

Stage 2: financial assets for which credit risk has increased significantly since initial recognition, but is not yet deemed to be credit-impaired; and

Stage 3: financial assets that are credit-impaired.

In accordance with the Bank's accounting policy, for assets in Stages 2 and 3 allowance is made for expected credit losses that result from all possible default events over the expected life of a financial instrument. For assets in Stage 1 allowance is made for that portion of lifetime expected credit losses that result from default events that are possible within 12 months after the reporting date.

In assessing whether the credit risk on a financial asset has increased significantly, the Bank compares the risk of default occurring on the financial asset as at the reporting date with the risk of default occurring on that financial asset as at the date of initial recognition. In doing so, the Bank considers reasonable and supportable information that is indicative of significant increases in credit risk since initial recognition and that is available without undue cost or effort. A downgrading of the Bank's internal credit rating (see above) would be considered as indicating a significant increase in credit risk. There is also a rebuttable assumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

For these purposes default is defined as having occurred if the borrower is in breach of contractual obligations, or if information is available internally or externally that suggests that the borrower is unlikely to be able to meet its obligations.

If the Bank does not have reasonable and supportable information to identify significant increases in credit risk and/or to measure lifetime credit losses when there has been a significant increase in credit risk on an individual instrument basis, lifetime expected credit losses are recognised on a collective basis. For such purposes, the Bank groups financial assets on the basis of shared credit risk characteristics, such as type of instrument, industry in which the borrower operates and nature of collateral.

NOTES (CONTINUED)

4. Financial risk management (continued)

i) Credit risk and expected credit losses (continued)

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 include observable data about the following events:

- significant financial difficulty of the borrower
- a breach of contract, such as a default or past due event
- it is probable that the borrower will enter bankruptcy
- the disappearance of an active market for the financial asset because of financial difficulties.

However, there is a rebuttable assumption that a financial asset that is 90 days past due is credit-impaired.

The gross carrying amount of financial assets with exposure to credit risk at the statement of financial position date was as follows:

Basis for measurement of loss allowance	12-month expected credit losses Stage 1 TZS'000	Lifetime expected credit losses Stage 2 TZS'000	Stage 3 TZS'000	Total TZS'000
At 31st December 2022				
Cash and balances with Bank of Tanzania	18,849,015	-	-	18,849,015
Balances due from other banks and financial institution	1,143,637	-	-	1,143,637
Loans and advances to banking institutions	8,388,800	-	-	8,388,800
Loans and advances to customers	84,011,097	10,786,677	4,871,314	99,669,088
Government securities at amortised cost	48,489,121	-	-	48,489,121
Other receivables	146,921	-	-	146,921
Gross carrying amount	161,028,590	10,786,677	4,871,314	176,686,580
Loss allowance	(263,929)	(40,803)	(503,721)	(808,453)
Exposure to credit risk	160,764,661	10,745,874	4,367,593	175,878,127
At 31st December 2021				
Cash and balances with Bank of Tanzania	18,308,093	-	-	18,308,093
Balances due from other banks and financial institution	1,665,087	-	-	1,665,087
Loans and advances to banking institutions	23,980,000	-	-	23,980,000
Loans and advances to customers	56,197,372	12,682,331	2,079,153	70,958,857
Government securities at amortised cost	51,038,197	-	-	51,038,197
Other receivables	171,578	-	-	171,578
Gross carrying amount	151,360,328	12,682,331	2,079,153	166,121,813
Loss allowance	(30,704)	(4,644)	(617,993)	(653,341)
Exposure to credit risk	151,329,624	12,677,687	1,461,160	165,468,472

The Bank holds collateral against loans and advances to customers in the form of residential and commercial property and machinery, and pledged deposits.

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NOTES (CONTINUED)

4. Financial risk management (continued)

i) Credit risk and expected credit losses (continued)

The changes in the loss allowance during the year were as follows:

	12-month expected credit losses Stage 1 TZS'000	Lifetime expected credit losses Stage 2 TZS'000	Stage 3 TZS'000	Total TZS'000
Year ended 31st December 2022				
At start of year	30,533	4,644	617,993	653,170
Changes arising from whether the loss allowance is measured at an amount equal to 12-month or lifetime expected credit losses	233,397	36,159	1,296,051	1,565,607
Changes because of financial assets that were written off during the year	-	-	(1,410,323)	(1,410,323)
At end of year	<u>263,929</u>	<u>40,803</u>	<u>503,721</u>	<u>808,453</u>
Year ended 31st December 2021				
At start of year	50,438	3,715	154,300	208,453
Changes arising from whether the loss allowance is measured at an amount equal to 12-month or lifetime expected credit losses	-19,905	929	1,183,572	1,164,596
Changes because of financial assets that were written off during the year	-	-	(719,879)	(719,879)
At end of year	<u>30,533</u>	<u>4,644</u>	<u>617,993</u>	<u>653,170</u>
	12-month expected Stage 1 TZS'000	Lifetime expected credit losses Stage 2 TZS'000	Stage 3 TZS'000	Total TZS'000
The loss allowances at the end of each year relate to the following financial assets:				
At 31 December 2022				
Balances with Bank of Tanzania	-	-	-	-
Balances due from other banks and financial institution	-	-	-	-
Loans and advances to banking institutions	11,149	-	-	11,149
Loans and advances to customers	228,955	40,803	503,721	773,480
Government securities at amortised cost	23,814	-	-	23,814
Other receivables	10	-	-	10
Total	<u>263,929</u>	<u>40,803</u>	<u>503,721</u>	<u>808,453</u>
At 31 December 2021				
Balances with Bank of Tanzania	1,640	-	-	1,640
Balances due from other banks and financial institution	495	-	-	495
Loans and advances to banking institutions	8,213	-	-	8,213
Loans and advances to customers	15,080	4,644	617,993	637,717
Government securities at amortised cost	5,104	-	-	5,104
Total	<u>30,533</u>	<u>4,644</u>	<u>617,993</u>	<u>653,170</u>

NOTES (CONTINUED)

4. Financial risk management (continued)

Market risk

The Bank is exposed to market risk. Market risk arises from open positions in interest rate, currency and equity products. The board sets limits and reviews it at regular interval on the risk that may be accepted. Further the exposure is monitored on daily basis.

Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities. The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking damage to the Bank's reputation. This responsibility rests with the Assets and Liabilities Committee (ALCO).

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of liquidity risk. It is unusual for banks to ever be completely matched since business transacted is often on uncertain terms and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturity of assets and liabilities and the ability to replace, at an acceptable cost, interest bearing liabilities as they mature are important factors in assessing the liquidity of the Bank and its exposure to changes in interest and exchange rates.

The Bank does not maintain cash resources to meet all liabilities as they fall due as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Bank maintains a portfolio of short-term liquid assets, made up of loans and advances to banking institutions and balances with Bank of Tanzania to manage the day-to-day liquidity requirements. Management reviews the liquidity ratio of liquid assets to customer deposits on a daily basis and performs scenario testing to ensure that sufficient liquidity is maintained to meet maturing deposits.

The liquidity ratio at the statement of financial position date was:

	2022 TZS'000	2021 TZS'000
Liquid assets	26,982,435	19,976,502
Deposits	137,122,118	128,550,835
Other payables	3,947,672	2,725,108
Liquidity (%)	19%	15%

The scenario testing at 31 December 2022 indicated a liquidity ratio of 19% (2021: 15%) in the worst case scenario.

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NOTES (CONTINUED)

4. Financial risk management (continued)

Liquidity risk (continued)

The table below analyses financial liabilities into the relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date.

Particulars	Up to 1 month TZS'000	1 to 3 months TZS'000	3 to 6 months TZS'000	6 to 12 months TZS'000	1 to 2 years TZS'000	2 to 3 years TZS'000	3 to 5 years TZS'000	Over 5 years TZS'000	Total TZS'000
At 31 December 2022									
Financial assets									
Cash balance	2,430,945	-	-	-	-	-	-	-	2,430,945
Balance with Bank of Tanzania	16,418,069	-	-	-	-	-	-	-	16,418,069
Balances with other banks and financial institutions	1,143,637	-	-	-	-	-	-	-	1,143,637
Investment in debt securities	-	1,471,658	-	6,989,784	10,846,130	3,395,639	13,776,855	12,009,055	48,489,121
Inter-bank loan receivables	4,618,000	461,800	-	3,309,000	-	-	-	-	8,388,800
Loans, advances and overdraft (Gross)	42,594,888	3,663,037	8,532,203	18,597,613	2,134,201	12,158,955	10,018,408	2,116,704	99,816,009
Total financial assets	67,205,540	5,596,496	8,532,203	28,896,396	12,980,331	15,554,593	23,795,263	14,125,759	176,686,580
Financial liabilities									
Demand deposits / call deposit	8,954,236	-	-	-	-	-	-	-	8,954,236
Savings deposits	10,433,280	-	-	-	-	-	-	-	10,433,280
Time deposits	7,836,818	6,685,625	12,328,678	27,454,554	3,123,695	-	-	-	57,429,370
Deposits with banks and financial institutions	16,203,331	15,354,850	20,550,100	8,196,950	-	-	-	-	60,305,231
Bankers cheques & draft issued	24,880	-	-	-	-	-	-	-	24,880
Accrued interest	2,919,789	-	-	-	-	-	-	-	2,919,789
Accrued taxes	126,417	-	-	-	-	-	-	-	126,417
Other liabilities	2,085,217	-	-	-	-	-	-	-	2,085,217
Total financial liabilities	48,583,969	22,040,475	32,878,778	35,651,504	3,123,695	-	-	-	142,278,421
Net liquidity gap	18,621,570	(16,443,979)	(24,346,575)	(6,755,108)	9,856,636	15,554,593	23,795,263	14,125,759	34,408,160

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4. Financial risk management (continued)

Liquidity risk (continued)

The table below analyses financial liabilities into the relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date.

Particulars	Up to 1 month TZS'000	1 to 3 months TZS'000	3 to 6 months TZS'000	6 to 12 months TZS'000	1 to 2 years TZS'000	2 to 3 years TZS'000	3 to 5 years TZS ('000)	Over 5 years TZS'000	Total TZS'000
At 31 December 2021									
Financial assets									
Cash balance	1,904,771	-	-	-	-	-	-	-	1,904,771
Balance with Bank of Tanzania	16,406,603	-	-	-	-	-	-	-	16,406,603
Balances with other banks and financial institutions	1,665,127	-	-	-	-	-	-	-	1,665,127
Investment in debts securities	2,255,847	4,479,565	4,176,154	9,387,702	1,406,598	10,550,691	11,635,763	7,145,878	51,038,197
Inter-bank loan receivables	18,384,000	-	-	5,596,000	-	-	-	-	23,980,000
Loans, advances and overdraft (Gross)	23,662,344	1,695,011	4,100,692	29,151,068	912,956	2,508,019	8,689,042	612,538	71,331,669
Bank premises, furniture and equipment	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total financial assets	64,278,692	6,174,576	8,276,846	44,134,770	2,319,553	13,058,710	20,324,805	7,758,416	166,326,368
Financial liabilities									
Demand deposits / call deposit	6,195,416	-	-	-	-	-	-	-	6,195,416
Savings deposits	9,587,742	-	-	-	-	-	-	-	9,587,742
Time deposits	9,223,437	7,285,921	12,177,176	22,257,746	3,907,579	-	-	-	54,851,860
Deposits with banks and financial institutions	25,989,654	2,987,400	6,434,400	22,520,400	-	-	-	-	57,931,854
Bankers cheques & draft issued	24,808	-	-	-	-	-	-	-	24,808
Accrued interest	2,443,603	-	-	-	-	-	-	-	2,443,603
Accrued taxes	102,945	-	-	-	-	-	-	-	102,945
Other liabilities	2,508,461	-	-	-	-	-	-	-	2,508,461
Total financial liabilities	56,076,066	10,273,321	18,611,576	44,778,146	3,907,579	-	-	-	133,646,689
Net liquidity gap	8,202,626	(4,098,745)	(10,334,730)	(643,376)	(1,588,026)	13,058,710	20,324,805	7,758,416	32,679,679

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NOTES

4. Financial risk management (continued)

Interest rate risk

The bank is exposed to various risk associated with the effect of fluctuation in the prevailing levels of market interest rates on its financial position and cash flow. The bank has the discretion to change the rate on deposits, loans and advances in line with the changes in market trend. These measures minimize the bank's exposure to interest rate risk.

The table below analyses the Bank's assets and liabilities at carrying amounts, categorized by the earlier of contractual repricing or maturity dates. The Bank does not bear an interest rate on off balance sheet items.

	At 31 December 2022						Total
	Up to 1 month TZS'000	1 to 3 months TZS'000	3 to 6 months TZS'000	6 to 12 months TZS'000	Over 1 year TZS'000	Non-interest bearing TZS'000	
Financial assets							
Cash balance	-	-	-	-	-	2,430,945	2,430,945
Balance with Bank of Tanzania	-	-	-	-	-	16,418,069	16,418,069
Balances with other banks and financial Institutions	-	-	-	-	-	1,143,637	1,143,637
Investment in debts securities	-	1,471,658	-	6,989,784	40,027,679	-	48,489,121
Inter-bank loan receivables	4,618,000	461,800	3,309,000	-	-	-	8,388,800
Loans, advances and overdraft (Gross)	42,594,888	3,663,037	8,532,203	18,597,613	26,428,267	-	99,816,009
Total financial assets	47,212,888	5,596,496	11,841,203	25,587,396	66,455,946	19,992,651	176,686,580
Financial liabilities							
Demand deposits / call deposit	-	-	-	-	-	8,954,236	8,954,236
Savings deposits	10,433,280	-	-	-	-	-	10,433,280
Time deposits	7,836,818	6,685,625	12,328,678	27,454,554	3,123,695	-	57,429,370
Deposits with banks and financial institutions	16,203,331	15,354,850	20,550,100	8,196,950	-	-	60,305,231
Bankers cheques & draft issued	-	-	-	-	-	24,880	24,880
Accrued interest	-	-	-	-	-	2,919,789	2,919,789
Accrued taxes	-	-	-	-	-	126,417	126,417
Other liabilities	-	-	-	-	-	2,085,217	2,085,217
Total financial liabilities	34,473,429	22,040,475	32,878,778	35,651,504	3,123,695	14,110,540	142,278,421
Interest sensitivity gap	12,739,459	(16,443,979)	(21,037,575)	(10,064,108)	63,332,251	5,882,111	34,408,160

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4. Financial risk management (continued)

Interest rate risk (continued)

At 31 December 2021

Financial assets

	Up to 1 month TZS'000	1 to 3 months TZS'000	3 to 6 months TZS'000	6 to 12 months TZS'000	Over 1 years TZS'000	Non-interest bearing TZS'000	Total TZS'000
Cash balance	-	-	-	-	-	1,904,771	1,904,771
Balance with Bank of Tanzania	-	-	-	-	-	16,404,963	16,404,963
Balances with other banks and financial Institutions	-	-	-	-	-	1,665,127	1,665,127
Investment in debts securities	2,255,847	4,479,565	4,176,154	9,387,702	30,738,930	-	51,038,197
Inter-bank loan receivables	18,384,000	-	5,596,000	-	-	-	23,980,000
Loans, advances and overdraft (Gross)	23,662,344	1,695,011	4,100,692	29,151,068	12,722,554	-	71,331,669
Total financial assets	44,302,190	6,174,576	13,872,846	38,538,770	43,461,484	19,974,861	166,324,727

Financial liabilities

Demand deposits / call deposit	-	-	-	-	-	6,195,416	6,195,416
Savings deposits	9,587,742	-	-	-	-	-	9,587,742
Time deposits	9,223,437	7,285,921	12,177,176	22,257,746	3,907,579	-	54,851,860
Deposits with banks and financial institutions	25,989,654	2,987,400	6,434,400	22,520,400	-	-	57,931,854
Bankers cheques & draft issued	-	-	-	-	-	24,808	24,808
Accrued interest	-	-	-	-	-	2,443,603	2,443,603
Accrued taxes	-	-	-	-	-	102,945	102,945
Other liabilities	-	-	-	-	-	2,508,461	2,508,461
Total financial liabilities	44,800,833	10,273,321	18,611,576	44,778,146	3,907,579	11,275,233	133,646,689
Interest sensitivity gap	(498,643)	(4,098,745)	(4,738,730)	(6,239,376)	39,553,904	8,699,628	32,678,038

	2022 TZS'000	2021 TZS'000
The impact on financial assets net of financial liabilities, of a 5% increase or decrease in interest rates would be as follows		
+5% movement	1,204,286	1,143,731
-5% movement	(1,204,286)	(1,143,731)

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4. Financial risk management (continued)

Currency risk

The Bank is exposed to the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rate. The Bank is involved in foreign currency market only to the extent of buying and selling to the extent of required currency. The Bank is not involved in foreign currency forward contracts and thus the risk is limited.

The table below analyses the Bank's assets and liabilities at carrying amounts, categorized by currency.

At 31 December 2022	USD	GBP	EURO	INR	KES	Total
Financial Assets						
Cash	2,261,252	-	-	-	-	2,261,252
Bank balances in current account	4,474,927	10,070	9,802	57,644	4,581	4,557,025
Money market placement	7,388,800	-	-	-	-	7,388,800
Loans, Advances and Overdrafts	80,493,231	-	-	-	-	80,493,231
Other assets	68,673	-	-	-	-	68,673
Total Assets	94,686,883	10,070	9,802	57,644	4,581	94,768,980
Financial Liabilities						
Deposits	96,733,408	-	-	-	-	96,733,408
Other Foreign Currency Liabilities	44,731	-	-	-	-	44,731
Total Liabilities	96,778,138	-	-	-	-	96,778,138
Net balance sheet position	(2,091,255)	10,070	9,802	57,644	4,581	(2,009,158)
Exchange rates	2,309	2777	2,457	27.86	18.71	
	USD	GBP	EURO	INR	KES	Total
At 31 December 2021						
Total Assets	88,524,995	5,547	11,185	55,099	23,165	88,619,991
Total Liabilities	89,709,723	-	-	-	-	89,709,723
Net balance sheet position	(1,184,728)	5,547	11,185	55,099	23,165	(1,089,732)
Exchange rates as at 31 December 2021	2,298	3103	2,605	30.90	20.31	

Had the Tanzanian Shilling weakened by 10% against each currency, with all other variables held constant, post-tax profit would have increased by TZS 140,641,000 (2021: TZS 76,281,000). If the Tanzanian Shilling strengthened against each currency, the effect would have been the opposite.

Operational risks

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market, liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risk arises from all the Bank's activities.

The Bank's objective is to manage the operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the senior management at each branch level. The responsibility is supported by the development of overall standards for management of operational risks in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions;
- Requirements for the reconciliation and monitoring of transactions;

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4. Financial risk management (continued)

Operational risks (continued)

- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standard;
- Risk mitigation, including insurance where this is effective.

Compliance with the standards is supported by the periodic review by the Internal Audit. The results of the internal audit are discussed with the management, with summaries submitted to the Audit Committee.

5. Capital Management

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

- To comply with the capital requirement set by the regulator;
- To safeguard the Bank's ability to continue as 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 supervision purposes. The required information is filed with the BOT on a quarterly basis.

The Bank of Tanzania (BOT) requires each bank to:

- Hold a minimum level of core capital of TZS. 15 billion;
- Maintain a ratio of core capital to the risk weighted assets plus risk weighted off balance sheet items at or above the required minimum of 12.50%; and
- Maintain total capital of not less than 14.50% of risk weighted assets plus risk weighted off balance sheet items.

The bank's regulatory capital as managed by its management is divided into two tiers:

Tier 1 capital:

Share capital, retained earnings and reserves created by appropriation of retained earnings. Prepaid expenses and deferred tax assets are deducted in arriving at Tier 1 capital.

Tier 2 capital:

Qualifying subordinate loan capital, collective impairment allowances and unrealized gains arising on the fair valuation of equity instruments held as available for sale.

The risk weighted assets are ensured 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 collaterals 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.

The table below summarizes the composition of regulatory capital and the ratios of the bank for the year ended on 31 December 2022

Minimum capital required for market risks - Standardized Measurement method	TZS'000
Foreign Exchange Risk	261,460
Interest Rate Position Risk	-
Equities Position Risk	-
Total Minimum capital required for market risk	261,460

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NOTES (CONTINUED)

5. Capital Management (continued)

Adjusted risk weighted assets	TZS'000
Credit risk on balance sheet items	99,947,534
Credit risk on off balance sheet items	15,758,053
Total Minimum capital required for market risk	2,178,837
Total Adjusted capital required for operational risk	7,159,712
Total Adjusted risk weighted assets and off balance sheet exposures	<u>125,044,137</u>

Available capital

Available core capital	35,517,979
Available total capital	<u>38,017,380</u>

Capital adequacy ratios

Core capital to risk weighted assets and off balance sheet exposures	28%
Total capital to risk weighted assets and off balance sheet exposures	30%

Particulars

	BOT Requirement	Actual
Core capital to total adjusted risk weighted assets	12.5%	28%
Total capital to total adjusted risk weighted assets	14.5%	30%

	2022	2021
	TZS'000	TZS'000
6. Interest income		
Interest on loans and advances	7,264,382	6,297,269
Interest on government securities	5,474,280	5,644,915
Interest on deposits and bank balances	658,329	723,626
	<u>13,396,991</u>	<u>12,665,809</u>
7. Interest expenses		
Interest on customer deposits	3,758,707	3,738,715
Interest paid on borrowings from other banks	1,611,609	973,996
Interest on lease liability	-	-
	<u>5,370,316</u>	<u>4,712,711</u>
8. Fees and Commission		
Commission earned	128,520	117,122
Other fees and charges	684,992	573,471
	<u>813,512</u>	<u>690,593</u>
9. Other income		
Other miscellaneous income	4,073	37,375
Recoveries from loans and advances written off	53,892	300,432
Profit on foreign currency transactions	180,201	166,304
	<u>238,166</u>	<u>504,110</u>

10. Net impairment loss on loans and advances

Increase in provisions	1,546,085	1,162,782
Write off of bad debts	-	103,008
	<u>1,546,085</u>	<u>1,265,790</u>

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NOTES (CONTINUED)	2022	2021
	TZS'000	TZS'000
11. Income tax expense		
Current income tax	549,551	954,075
Prior period taxes	342,362	-
Deferred tax credit (Note 24)	(30,071)	(22,290)
Income tax expense	<u>861,842</u>	<u>931,785</u>
The tax on the Bank's profit before income tax differs from the theoretical amount		
Profit before income tax	<u>1,747,225</u>	<u>2,449,186</u>
Tax calculated at a rate of 30% (2021: 30%)	524,167	734,756
Tax effect of:		
Expenses not deductible for tax purposes	-	197,029
Prior year under/over	(4,687)	-
Prior period taxes	342,362	-
Income tax expense	<u>861,842</u>	<u>931,785</u>
12. Cash and balances with Bank of Tanzania		
Cash in hand	2,430,945	1,904,771
Balance with Bank of Tanzania	16,418,069	16,404,963
Provision for expected credit losses	-	(1,640)
	<u>18,849,015</u>	<u>18,308,093</u>
13. Deposits and balances due from banks and financial institution		
Banks in Tanzania	8,139,637	24,215,093
Banks abroad	1,392,800	1,430,034
Provision for expected credit losses	(11,149)	(8,708)
	<u>9,521,288</u>	<u>25,636,419</u>
Maturing within 3 months	5,079,800	20,049,127
Maturing after 3 months	4,452,637	5,596,000
	<u>9,532,437</u>	<u>25,645,127</u>
14. Government securities at amortized cost		
Investments in treasury bills	6,989,784	6,679,633
Investments in treasury bonds	41,499,337	44,358,564
	<u>48,489,121</u>	<u>51,038,197</u>
Provision for expected credit losses	(23,814)	(5,104)
	<u>48,465,306</u>	<u>51,033,093</u>
Maturing within 3 months	-	6,735,412
Maturing after 3 months	48,489,121	44,302,785
	<u>48,489,121</u>	<u>51,038,197</u>
15. Prepaid expenses and other receivables		
Interest receivable	1,216,477	1,538,843
Prepaid expenses	271,840	263,254
Sundry advances	199,921	442,533
Provision for expected credit losses	(10)	(172)
	<u>1,688,227</u>	<u>2,244,459</u>

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NOTES (CONTINUED)

	2022 TZS'000	2021 TZS'000
16. Loans and advances		
a) Loans and advances to customers		
Corporate loans	94,355,037	66,961,875
Staff loans	1,284,260	636,128
Personal loans	4,029,791	3,360,863
Gross loans and advances to customers	99,669,088	70,958,866
Provision for expected credit loss	(773,480)	(637,717)
Interest in suspense	(187,136)	(179,298)
	<u>98,708,473</u>	<u>70,141,850</u>

b) Movement in provision for expected credit losses

Opening balance	637,717	194,814
Increase in provision charged to profit or loss	1,546,085	1,162,782
Less: Write off	(1,410,323)	(719,879)
Closing balance	<u>773,480</u>	<u>637,717</u>

	2022 TZS'000	2022 %	2021 TZS'000	2021 %
(c) Sector wise analysis of loans and advances				
Manufacturing	29,862,174	30%	9,828,139	14%
Real estates and construction	23,873,598	24%	26,126,362	37%
Trade and commerce	11,713,435	12%	10,715,359	15%
Personal	4,029,791	4%	3,360,863	5%
Transport and communication	8,987,324	9%	7,698,329	11%
Hotel and tourism	4,320,410	4%	4,480,258	6%
Other services	15,598,096	16%	8,113,427	11%
Staff	1,284,260	1%	636,129	1%
	<u>99,669,088</u>	<u>100%</u>	<u>70,958,867</u>	<u>100%</u>

	2022 TZS'000	2021 TZS'000
Maturity Analysis		
Repayable on demand	35,287,292	22,175,917
Repayable in 3 months or less	10,823,713	2,808,635
Repayable between 3 months and 1 year	27,129,816	33,251,761
Repayable after 1 year	26,428,267	12,722,554
	<u>99,669,088</u>	<u>70,958,867</u>

17. Deferred income tax

	At 1 January TZS'000	Charge to profit or loss	At 31 December TZS '000
Year ended 31 December 2022			
Property and Equipment	51,714	25,034	76,748
Provision for liabilities	(191,315)	(51,221)	(242,536)
Right of Use assets	65,482	(3,884)	61,598
Net deferred tax asset	<u>(74,119)</u>	<u>(30,071)</u>	<u>(104,190)</u>
Year ended 31 December 2021			
Property and Equipment	72,085	(20,371)	51,714
Provision for liabilities	(58,444)	(132,871)	(191,315)
Right of Use assets	21,892	43,590	65,482
Tax losses	(87,362)	87,362	-
Net deferred tax asset	<u>(51,829)</u>	<u>(22,290)</u>	<u>(74,119)</u>

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NOTES (CONTINUED)

18. Property and equipment

At 1 January 2021

Cost	663,920	Motor vehicles	87,045	Office furniture & equipment	893,454	Plant & machinery	104,915	WIP	-	Total	1,749,335
	(404,793)		(46,755)		(431,359)		(80,822)		-		(963,729)
Accumulated depreciation					1,675				-		1,675
Accumulated depreciation on disposed asset					463,771		24,093				787,281
Net carrying amount	259,127		40,290								

Year ended 31 December 2021

Opening carrying amount	259,127		40,290		463,771		24,093		-		787,281
Additions	164,654		-		105,874		-		-		270,528
Depreciation charge	(118,553)		(10,139)		(61,778)		(3,012)				(193,481)
Closing carrying amount	305,228		30,152		507,867		21,081		-		864,328

At 31 December 2021

Cost	828,574		87,045		999,328		104,915		-		2,019,863
Accumulated depreciation	(523,346)		(56,893)		(493,137)		(83,834)		-		(1,157,210)
Accumulated depreciation on disposed asset					1,675		-		-		1,675
Net carrying amount	305,228		30,152		507,867		21,081		-		864,328

Year ended 31 December 2022

Opening carrying amount	305,228		30,152		507,867		21,081		-		864,328
Additions	292,014		-		10,620		-		58,920		361,554
Depreciation charge	(120,218)		(7,604)		(64,730)		(2,635)		-		(195,187)
Closing carrying amount	477,024		22,548		453,757		18,446		58,920		1,030,694

At 31 December 2022

Cost	1,120,588		87,045		1,009,948		104,915		58,920		2,381,416
Accumulated depreciation	(643,564)		(64,497)		(556,192)		(86,469)		-		(1,350,722)
Net carrying amount	477,024		22,548		453,756		18,446		58,920		1,030,694

The annual depreciation rates used are as follows:

Vehicles	25.00%
Computer Hardware	33.33%
Office furniture & equipment	12.50%
Plant & Machinery	12.50%

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NOTES (CONTINUED)

19. Intangible asset

	2022	2021
	TZS'000	TZS'000
Software costs		
At 1st January	455,547	455,547
Additions	-	-
At 31st December	<u>455,547</u>	<u>455,547</u>
Amortisation		
At 1st January	(455,547)	(336,592)
Amortisation	-	(118,955)
At 31st December	<u>(455,547)</u>	<u>(455,547)</u>
Net book value	<u>-</u>	<u>-</u>
The annual amortization rate used is 33.3%		

20. Right of Use Asset

Opening carrying amount	2,157,102	1,160,140
Increase arising from reassessment of lease period	-	1,652,500
Depreciation charge	(559,335)	(655,538)
Closing carrying amount	<u>1,597,767</u>	<u>2,157,102</u>

21. Deposits from customers

Third parties	76,816,887	70,618,982
From other banks	40,331	22,254
Related parties (Note 29(iii)(b))	60,264,900	57,909,600
	<u>137,122,118</u>	<u>128,550,835</u>
Maturity Analysis		
Repayable on demand	19,427,848	15,789,375
Repayable in 3 months or less	46,046,233	45,464,159
Repayable between 3 months and 1 year	68,524,342	63,389,722
Repayable after 1 year	3,123,695	3,907,579
	<u>137,122,118</u>	<u>128,550,835</u>

22. Other liabilities

Bills payable - bankers' cheques	24,880	24,808
Accrued taxes payable	180,375	107,999
Accrued interest payable	2,919,831	2,443,603
Statutory deductions payable	61,107	
Sundry creditors	134,201	104,766
Other payables	37,028	43,932
	<u>3,357,422</u>	<u>2,725,108</u>

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NOTES (CONTINUED)

	2022	2021
	TZS'000	TZS'000
23. Lease liabilities		
Current	590,250	626,365
Non-current	1,211,951	1,725,846
	1,802,201	2,352,211

The Bank leases various offices. The leases of offices and are typically for periods of between 2 and 3 years, with options to renew. None of the leases contains any restrictions or covenants other than the protective rights of the lessor or carries a residual value guarantee.

In the statement of cash flows, the amount for payments for right-of-use assets represents:

	2022	2021
	TZS'000	TZS'000
Lease liabilities payments - principal	529,356	491,217
Lease liabilities payments - interest	20,490	24,792
Cash flow	549,846	516,009

For information on Right of Use assets, see Note 20.

24. Share capital

	No. of ordinary shares	Issued and fully paid up capital TZS'000
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	21,500,000	21,500,000

The total number of authorised ordinary shares is 21,500,000 (2021: 21,500,000) with a par value of TZS 1,000 each.

25. Cash and cash equivalents

	2022	2021
	TZS'000	TZS'000
For the purposes of the cash flow statement, cash and cash equivalents comprise the following:		
Cash balance - see note 12	2,430,945	1,904,771
Balance with Bank of Tanzania - see note 12	16,418,069	16,404,963
Deposits and balances due from other banks and financial institution maturing within 3 months - see note 13	5,079,800	20,049,127
Government securities maturing within 3 months - see note 14	-	6,735,412
	23,928,815	45,094,273

26. Commitment and contingencies

Letter of credit and acceptance (gross)	761,970	2,527,800
Letter of guarantees	97,686	6,988,174

Contra liabilities

Bills for collection	3,340,386	2,809,568
	4,200,042	12,325,542

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NOTES (CONTINUED)

	2022	2021
	TZS'000	TZS'000
27. Core capital		
Issued and fully paid up capital	21,500,000	21,500,000
Retained earnings	14,394,009	14,377,163
Prepayments	(271,840)	(263,252)
Deferred tax liabilities / (assets)	(104,190)	(74,119)
Core banking software	-	-
	35,517,979	35,539,792

28. Statutory reserve

At 1 January	1,630,863	2,479,163
Transfer to retained earnings	868,538	(848,300)
At 31 December	2,499,402	1,630,863

The regulatory reserve represents an appropriation from retained earnings to comply with the requirements of Bank of Tanzania. The balance represents the excess of impairment provisions determined in accordance with the Regulations over the impairment provisions recognised in accordance with the Bank's accounting policy. The reserve is not distributable.

29. Related party disclosure

The Bank is related to other entities which are related through common shareholding or common directorships. The following transactions were carried out with related parties:

	2022	2021
	TZS'000	TZS'000
(i) Key management compensation		
Short term employee benefits to Managing Director	232,449	199,808
Sitting fees paid to directors	46,370	38,865
	278,819	238,674
(ii) Interest expense		
Bank of India (London branch)	1,611,609	973,996
Bank of India (New York branch)	-	-
	1,611,609	973,996

(iii) Outstanding balances arising from sale and purchase of goods and services

(a) Net closing balance due from related parties

Nostro Bank of India (New York branch)	427,350	545,527
Nostro Bank of India (London branch)	10,070	5,547
Nostro Bank of India (Paris branch)	9,802	11,185
Nostro Bank of India (Mumbai branch)	57,644	55,099
Nostro Bank of India (Nairobi branch)	4,581	122
	509,447	617,480

(b) Customer deposits accepted from related parties

Bank of India (London branch)	60,264,900	57,909,600
Bank of India (New York branch)	-	-
	60,264,900	57,909,600

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	2022	2021
	TZS'000	TZS'000
SCHEDULE OF OPERATING EXPENDITURE		
Employment benefit expenses		
Salaries and wages	2,186,392	1,708,397
National Social Security Fund	161,829	113,797
Skills Development Levy	86,296	66,174
Workers Compensation Fund	10,650	12,393
Visa and permits	12,957	39,387
Staff medical expenses	34,515	18,370
Other staff cost	32,998	28,296
Total employment costs	2,525,636	1,986,814
Other operating expenses		
Staff training and recruitment	10,934	15,888
Rates and taxes	97,582	87,352
Lighting	64,010	61,186
Directors fee and Board expenses	117,072	81,471
Professional fees	34,252	27,931
Audit fees	106,660	118,540
Printing and stationery	19,362	62,986
License fees	18,852	21,898
Advertisement and publicity	63,209	49,983
Sundry charges	225,919	225,568
Service charges	48,780	39,052
Insurance	434,809	392,774
Postage (Stamps), telephone, swift charges	414,211	401,520
Repairs and maintenance	93,007	108,686
Travelling expenses	83,132	52,405
Depreciation and amortisation	195,187	193,481
Interest cost	-	77,854
Amortization of intangible assets	-	118,955
Amortization (Right of use asset)	559,335	655,538
Security charges	116,543	111,022
Subscription	21,044	24,010
Business development and CSR	819	115,584
Finacle Core Banking System expenses	515,338	400,340
Total operating expenses	5,765,695	5,430,839