BANK OF INDIA (TANZANIA) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM

CONTENTS

		Designation	Nationality	Appointed on
Board of directors	Mr. Kuldeep Jindal	Director	Indian	01 March 2022
	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. Radhakanta Hota	Director	Indian	01 March 2022
	Mr. Patrick Mususa	Director	Tanzanian	20 February 2023
	Mr. Antaryami Sarangi	Managing Director	Indian	27 July 2021
				Resigned on
	Mr. Venkatachalam Anand	Director	Indian	03 January 2024

Bank secretary

Hanif Habib & Cco.
P.O. Box 21885
Dar es Salaam
Tanzania

Registered office

Maktaba Street
Maktaba Business Park
P. O. Box 7581
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Telephone: +255 22 2135362
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Email: BOI.TANZANIA@boitanzania.co.tz

Branches

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Independent auditor

RSM Eastern Africa
Certified Public Accountants
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PF number 197
Haile Selassie Road, Masaki
P.O. Box 79586
Dar es Salaam
Tanzania

Principal bankers

Bank of Tanzania
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Dar es Salaam
Tanzania

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P. O. Box 5356
Dar es Salaam

Bank of India
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75009 Paris France

Bank of India
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Mumbai - India

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NY 10172 - 0083
New York - USA

Bank of India
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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)

Parent Company

Bank of India Head Office
Star House, C-5, "G" Block, Bandra Kurla Complex
Bandra East
Mumbai - India 400051

Legal advisor

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PO Box 7219
Raha Towers, 1st Floor
Dar es Salaam, Tanzania

Hallmark Attorneys
PO Box 13811
18 Chole/ Ruvu Road, Masaki
Dar es Salaam, Tanzania

C&F Law
3rd Floor, Diamond Plaza
Mirambo Street/Samora Avenue
Dar es Salaam, Tanzania

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P.O. Box 75252
Plot No. 331/36, Mkwepu Street
Dar es Salaam, Tanzania

Introduction

We have great pleasure in presenting Bank of India (Tanzania) Limited's ("the Bank's") 16th Annual Report along with the Audited financial statements for the year ended 31st December 2023, in accordance with section 22 of the Banking and Financial Institutions Act,2006 and Section 157 of the Tanzania Companies Act 2002 which disclose the state of affairs of the Bank.

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 it's second Branch on Zanaki 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 2023.

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 73.38% shares of the Parent Bank and the balance 26.62% 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 2023, the business mix of the bank stood at USD 153.91 Billion. At present it has over 5146 branches in India spread over all states / union territories including specialized branches. The Bank has overseas presence in 15 foreign countries spread over 5 continents – with 47 offices including Indonesia Antwerp, 4 Representative Offices and 1 Joint Venture, at key banking and financial centers in Dubai, Tokyo, Singapore, Hong Kong, London, Paris, New York and International Banking Unit (IBU) at Gift City Gandhinagar. In Africa, in addition to Tanzania, the Bank has presence in Kenya, Uganda, Zambia and South Africa.

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 67.4 million within an area of 947,000 square kilometer . Tanzania GDP was USD 175 billion ,while its per capita income in 2023 was about $ 4,194.

Tanzania Economic activity is recovering with 2023 real GDP growth rate reach to 5.3% (2022 at 4-5% ,expected to grow by 5.4% in 2024. In 2025, stronger exports and construction activity will see real GDP accelerate to 5.5%). 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. Tanzania's annual inflation rate in December 2023 was 3% which is much lesser than the 4.9% recorded in December 2022 and 4.2% in December 2021. However, in January 2024 BoT announced it transitioned to interest based monetary policy to achieve price stability and sustained economic growth.

Global Economic Developments & Outlook:

The global economy growth is projected to stay at 3.1% in 2024 and rise to 3.2% in 2025.Elevated central bank rates to fight inflation a withdraw of fiscal support amid high debt weigh on economic activity. IMF predicts that inflation is falling faster than expected in most regions, amid unwinding supply side issues and restrictive money supply, inflation is expected to fall to 5.8% in 2024 and 4.4% in 2025, with 2025 forecast having been revised down. Investment hampering the recovery of large output losses compared to pre-pandemic trends, the fiscal policy stance is expected to tighten in several advance and emerging market and developing economies to rebuild budgetary room for maneuver and curb the rising path of debt, and this shift is expected to slow in the near term.

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 4.32% in December 2023 compared to 5.8% in December 2022. Private sector credit positive growth with an annual growth of 19.5% compared to 22.9% recorded in December 2022. 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 15.61% in December 2023 compared with 16.07% in the corresponding month in 2022. Overall time deposit rate has come down to 6.87 % in December 2023 from 7.18 % in December 2022.

Treasury Bills, overall weighted average yield increased to 6.97 % from 5.55% in the corresponding month in 2022. Similar trend is noticed in case of Treasury Bonds. On annual basis, the shilling depreciated by 7.89% percent from TZS 2,308.90 per US dollar in December 2022 to TZS 2,506 in December 2023.

Bank's Performance during 2023

Bank's performance vis-a –vis Industry

During the last fifteen years of operations, the Bank established its business in a sizable level. In the financial year 2023, despite challenging industry, the Bank has recorded net profit. During FY 2023 Bank was able to register Net Profit of TZS 2.9 billion from operation after making provisions of TZS 2.71 billion. Gross NPA stood at 5.89% which was higher than the industry average of 4.32% 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	16.54%	6.76%	BOITL - Lower
Credit growth	19.50%	10.40%	BOITL - Lower
Return on Equity (ROE)	21.01%	7.26%	BOITL - Lower
Return on Asset (ROA)	4.49%	1.55%	BOITL - Lower
Operating Profit Margin	53.13%*	49.83%	BOITL - Lower
Cost to Income	46.87%	50.17%	BOITL - Higher but complied to regulator's ratio
Gross NPA%	4.32%	5.89%	BOITL - Higher

*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 investment assets.

Highlight of the performance

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

(Amount in TZS Million)

Particulars	31.12.2019	31.12.2020	31.12.2021	31.12.2022	31.12.2023
Deposits	107,158	121,508	128,551	137,122	146,387
Advances	69,102	69,674	70,142	98,708	108,975
Business Mix	176,260	191,182	198,693	235,831	255,362
Total Assets	148,109	161,850	171,136	180,675	192,619
Net Interest income	7,146	7,425	7,953	8,027	8,209
Operating Expenses	4,449	4,834	5,431	5,766	6,086
Operating Profit	3,661	3,354	3,313	3,313	6,045
Net Profit	2,177	1,037	1,517	885	2,890

Net Profit for the year 2023 arose drastically due to recovery efforts that continued and TZS 2.2 billion was recovered from written off accounts.

Dividends

In view of improvement in profitability, satisfactory capital adequacy level, we have proposed a payment of dividend @TZS 46 per share for the year 2023 amounting to TZS 989 Million to the shareholders, which is subjected to approval at the Annual General Meeting and Bank of Tanzania.

Capital adequacy and solvency

The Bank continued to remain adequately solvent and compliant with regulatory capital adequacy requirements. As at 31.12.2023, Total Capital Adequacy Ratio was 27% and Core Capital Adequacy Ratio was 26% against the regulatory level of 14.50% and 12.50% respectively (including Capital Conservation Buffer of 2.50%). Liquidity Ratio at 28.69% was well above regulatory required level of 20%. Bank of Tanzania has issued three revised regulations through Government Notice No.724,726 and 727 of 2023 dated 6th October 2023, which have been developed in line with the requirement of Basel II & III standards, The revised regulations are Bank and Financial Institutions (Liquidity Management) Regulation, 2023, The Bank and Financial Institutions (Capital Adequacy) Regulation, 2023, and Bank and Financial Institutions (Prompt Corrective Action) Regulation, 2023. We shall have three Capital Adequacy ratios (Tier I Capital Ratio, Tier II Capital Ratio and Leverage Ratio),while for liquidity management we shall have two additional ratios (Liquidity Coverage Ratio-LCR and Net Stable Funding Ratio-NSFR).The Bank of Tanzania has provided a moratorium period of eighteen months from the date of publication for bank or financial institutions to comply with Basel II & III standards.

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 137.12 Billion as at 31.12.2022 to TZS 146.39 Billion as on 31.12.2023. Average cost of deposit stood at 5.57% annually up from 4.09% in FY 2022. Out of total average deposit 67% was in US Dollar and 33% 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 31.12.2023, the net Advance stood at TZS 108.98 Billion against TZS 98.71 Billion as at 31.12.2022. Out of total advances 75.62% was in US Dollar and 24.38% in Tanzanian Shillings. Yield on advances stood at 10.15% up from 8.54% p.a. in FY 2022. The performing assets stood at 94.11% 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. The Bank has already opened special Nostro account in INR in India 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 behavior. 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 7 non-executive directors with a mix of skills, experience and diversity. The Directors who were in office during financial year 2023 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. V. Anand	Director	10.11.1967	Indian	Masters of Law (L.L.M)	Resigned on 03.01.2024
4	Mr. Suitbert Nestory Kageuka	Director	03.08.1955	Tanzanian	M.Sc National Development and Project Planning. B.Com Finance	04.05.2020
5	Dr. Paul Kato Rugangira	Director	29.06.1960	Tanzanian	PhD Finance,Masters in Accounting and Finance, PGDFM, Advance Diploma in Banking	08.01.2021
6	Mr. Radhakanta Hota	Director	21.06.1967	Indian	Master of Comm. (M.Com) CAIIB	01.03.2022
7	Mr.Patrick Mususa	Director	05.04.1984	Tanzanian	Master in Business Administration,B.Com Accounting	20.02.2023
8	Mr. Antaryami Sarangi	Managing Director	27.06.1975	Indian	Masters of Science, Certified Associate of Indian Institute of Bankers	27.07.2021

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	*06.04.2023*	*11.07.2023*	*21.09.2023*	*29.11.2023*	*Attendance*
1	Mr. Kuldeep Jindal	✓	✓	✓	✓	100%
2	Dr. Bernard Elieza Mnzava	✓	✓	✓	✓	100%
3	Mr. Suitbert Nestory Kageuka	✓	✓	✓	✓	100%
4	Mr. V. Anand	✓	✓	✓	✓	100%
5	Mr. Antaryami Sarangi	✓	✓	✓	✓	100%
6	Dr. Paul Kato Rugangira	✓	✓	✓	✓	100%
7	Mr. Radhakanta Hota	✓	✓	✓	Leave absence	75%
8	Mr. Patrick Mususa	✓	✓	✓	✓	100%

Board committee

The Board is supported by the following committees. Outlined below is the attendance at the quarterly meetings.

Audit Committee

S/N	Name of Director	05.04.2023	10.07.2023	20.09.2023	28.11.2023	Attendance
1	Mr. Suitbert Nestory Kageuka*	✓	✓	✓	✓	100%
2	Mr. V. Anand	✓	✓	✓	✓	100%
3	Dr. Paul Kato Rugangira	✓	✓	✓	✓	100%

Credit Committee

S/N	Name of Director	05.04.2023	10.07.2023	20.09.2023	11.12.2023	Attendance
1	Dr. Bernard Elieza Mnzava*	✓	✓	✓	✓	100%
2	Mr. Patrick Mususa	✓	✓	✓	✓	100%
3	Mr. Radhakanta Hota	✓	✓	✓	✓	100%

Risk Management Committee

S/N	Name of Director	05.04.2023	10.07.2023	20.09.2023	11.12.2023	Attendance
1	Mr. Radhakanta Hota*	✓	✓	✓	✓	100%
2	Dr. Bernard Elieza Mnzava	✓	✓	✓	✓	100%
3	Mr. Patrick Mususa	✓	✓	✓	✓	100%

Remuneration Committee (New 2023)

S/N	Name of Director	05.04.2023	10.07.2023	20.09.2023	11.12.2023	Attendance
1	Mr. Patrick Mususa*	✓	✓	✓	✓	100%
2	Dr. Bernard Elieza Mnzava	✓	✓	✓	✓	100%
3	Mr. Radhakanta Hota	✓	✓	✓	✓	100%

Chairperson

The role and responsibilities of this committee are governed by our bank policies and Banking and Financial Institutions Act 2006 and regulations made thereon.
Board meeting and other committee meetings were held as per guidelines of Bank of Tanzania during the year 2023.

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 29.

Technology and innovation

There has been no significant change in technology which is likely to affect the Bank's operation. Bank has finalised integration with TIPS (Tanzania Instant Payment System) in December 2023 which help to facilitate in leveraging in digital platform for efficient delivery of service.

Corporate Social Responsibility

The Bank is committed for its corporate social responsibility towards Tanzanians. It is regularly involved in charitable activities to take care of expenses for healthcare sector and welfare of Tanzanian children. Donations amounting to TZS 27M (2022: TZS 819,400) were given as donations during the year.

Corporate Governance

The 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 2023.

(ii) The position of Chairman and Managing Director 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

The Bank's employment terms are reviewed annually to ensure they meet statutory and market conditions. The 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 and 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

	2023	2022
Male	23	23
Female	11	11
	34	**34**

The day to day management of the Bank is handled by senior management and branch heads as outlined below:

Departments	Department Head	No. of members
Finance	Mahadhil Mansoor	2
Credit	Rahim Lema	3
Internal Audit	Allen Namakate	2
Information Technology	David John	4
Treasury	Saika Sameja	3
Risk and Compliance	Orestine Ntimba	2
HR and Administration	Halima Sato	1
General Manager-Operation	Robert Kibona	1
General Manager-Resource Management	Heriabdiel N. Ayoh	1
General Manager-Dar es Salaam Branch	Banajit Deka	9
Branch Manager-Zanaki Branch	Manoj Kumar Jangir	6

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.

Way forward

We have successfully completed 16 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 2024

-Maintain Gross NPA below 3.05%.
-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 (India)	21,499,999
Hashim Mwausi Kihwelo	1
	21,500,000

Auditors

RSM Eastern Africa was re-appointed at the Annual General Meeting as the Bank's auditor for financial year 2023 and has expressed its willingness to continue in office in accordance with the Tanzania 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 departments of the United republic 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
25 March 2024

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 its regulations 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) maintaining adequate accounting records and an effective system of risk Management.
iii) selecting suitable accounting policies and applying them consistently; and
iv) 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 25 March 2024 and signed on its behalf by:

....	....
Antaryami Sarangi	**Mr. Suitbert Kageuka**
Managing Director	**Director**

Bank of India (Tanzania) Limited
Declaration of the Head of Finance
For the year ended 31 December 2023

The National Board of Accountants and Auditors (NBAA) according to the power conferred under the Auditors and Accountants (Registration) Act. No. 33 of 1972, as amended by Act No. 2 of 1995, requires financial statements to be accompanied 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 2023 have been prepared in compliance with International Financial Reporting Standards, the Tanzania Compnaies Act 2002, Banking and Financial Institutions Act 2006 and applicable regulations.

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 2023 and that they have been prepared based on properly maintained financial records.

Signature: ....

NBAA Membership No. ACPA - PP 4074

Date: 25 March 2024

Opinion

We have audited the accompanying financial statements of Bank of India (Tanzania) Limited ("the Bank"), set out on pages 14 to 43, which comprise the statement of financial position as at 31 December 2023, 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 2023 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by 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.

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 and in the manner required by 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.

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

As required by the Tanzanian Companies Act, 2002 we report to you, based on our audit of financial statements, 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 by those charged with governance 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.

As required by Banking and Financial Institutions Act, 2006 and its regulations, we report to you solely based on our audit of financial statements, that:

Nothing has come to our attention that causes us to believe that the Bank has not complied with the Banking and Financial Institutions Act, 2006 and its regulations including computation of its capital position.

Prabhjot Kaur
Prabhjot Kaur
FCPA 1614
For and on behalf of RSM Eastern Africa
Certified Public Accountant

RSM

26th March **2024**
Dar es Salaam
Ref No. 018/2024

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

	Note	2023 TZS '000	2022 TZS '000
Interest income			
Interest income	6	16,299,966	13,396,991
Interest expense	7	(8,091,142)	(5,370,316)
Net interest income		8,208,824	8,026,675
Other operating income			
Fees and commission	8	1,283,519	813,512
Other income	9	2,638,073	238,166
Net fee and commission income		3,921,592	1,051,678
Total income		**12,130,417**	**9,078,354**
Net impairment loss on loans and advances	10	(2,713,686)	(1,546,085)
Provision for expected credit losses on other assets		943	(19,349)
Net operating income		9,417,674	7,512,919
Operating expenses		(6,085,743)	(5,765,695)
Profit before tax		**3,331,931**	**1,747,225**
Income tax charge	11	(441,466)	(861,842)
Profit for the year		**2,890,465**	**885,383**
Other comprehensive income		-	-
Total comprehensive income for the year		**2,890,465**	**885,383**

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

		2023	2022
ASSETS	**Note**	**TZS '000**	**TZS '000**
Cash and balances with Bank of Tanzania	12	12,339,165	18,849,015
Deposits and balances due from other banks and financial institutions	13	10,651,565	9,521,288
Government securities at amortised cost	14	54,641,077	48,465,306
Net loans and advances to customers	16	108,975,081	98,708,473
Other assets	15	2,114,994	1,688,227
Income tax receivables		1,271,165	710,192
Property & equipment	18	1,027,357	1,030,694
Intangible assets	19	27,773	-
Right of use assets	20	1,078,281	1,597,767
Deferred tax asset	17	492,398	104,190
Total assets		**192,618,856**	**180,675,152**
LIABILITIES			
Deposits from customers	21	146,387,039	137,122,118
Other liabilities	22	3,765,402	3,357,422
Lease liabilities	23	1,182,540	1,802,201
Total liabilities		**151,334,981**	**142,281,741**
EQUITY			
Share capital	24	21,500,000	21,500,000
Retained earnings		16,718,418	14,394,009
Proposed dividend		989,000	-
Statutory reserves	28	2,076,457	2,499,401
Total shareholder's equity		**41,283,875**	**38,393,410**
Total equity and liabilities		**192,618,856**	**180,675,152**

The financial statements on pages 14 to 43 were authorised for issue by the Board of directors on 25 March 2024 and were signed on its behalf by:

....	....
Antaryami Sarangi	**Mr. Suitbert Kageuka**
Director	**Director**

STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 31 DECEMBER 2023

	Share capital	Statutory Reserves	Retained earnings	Proposed Dividend	Total
	TZS '000	TZS '000	TZS '000		TZS '000
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
As at 31 December 2022	**21,500,000**	**2,499,401**	**14,394,009**	**-**	**38,393,410**
As at 1 January 2023	21,500,000	2,499,401	14,394,009	-	38,393,410
Changes in equity in 2023					-
Transfer to /from reserves	-	(422,944)	422,944	-	-
Proposed dividend	-	-	(989,000)	989,000	-
Profit for the year	-	-	2,890,465	-	2,890,465
As at 31 December 2023	**21,500,000**	**2,076,457**	**16,718,418**	**989,000**	**41,283,875**

STATEMENT OF CASH FLOWS FOR YEAR ENDED 31 DECEMBER 2023

	Note	2023 TZS '000	2022 TZS '000
Cashflow from operating activities			
Profit before taxation		3,331,931	1,747,225
Adjustment for:			
Depreciation and amortization		751,618	754,522
Actual rental payments for the year		(578,624)	(549,846)
Provision on impairment other assets		(943)	19,349
Net Cash flow before changes in working capital		**3,503,982**	**1,971,251**
Change in operating assets & liabilities			
Increase in investment in treasury bills/bonds maturing after 3 months		(921,063)	(4,186,336)
Increase in loans and advances to customers		(10,307,639)	(28,566,623)
Increase in prepaid expenses and other receivables		(426,766)	556,242
Change in loans to other financial institutions		(1,198,734)	1,143,363
Change in customers deposits		9,264,921	8,571,282
Change in other liabilities		407,980	632,315
Cash generated/(used in) from operating activities		**322,680**	**(19,878,506)**
Income tax paid		(1,390,647)	(925,397)
Net cash flows used in operating activities		**(1,067,967)**	**(20,803,903)**
Cash flows from investing activities			
Purchase of property & equipment	18	(228,796)	(361,554)
Payment for purchase of intangible assets	19	(27,773)	-
Net cash used in investing activities		**(256,569)**	**(361,554)**
Cash flow from financing activities			
Proceeds from issue of share capital		-	-
Dividends paid		-	-
Repayment of lease liabilities		-	-
Net cash flows used in financing activities		-	-
Net decrease in cash and cash equivalents		**(1,324,536)**	**(21,165,458)**
Cash and cash equivalents at beginning of the year		23,928,815	45,094,273
Cash and cash equivalents at the end of the year	25	**22,604,279**	**23,928,815**

NOTES

1. General Information

Bank of India (Tanzania) Limited is 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. The address of its registered office is outlined on page 1.

2. Material accounting policy information

The material 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 below.

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.

NOTES (CONTINUED)

2. Summary of significant accounting policies (continued)

b) New and revised standards

The following standards became effective for the first time in the financial year beginning 1st January 2023 and have been adopted by the Bank.

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

The amendments require entities to disclose their material accounting policy information rather than their significant accounting policies.

Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)

The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

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 2023. The Directors do not plan to apply them untill they become effective and none are expected to have a significant changes.

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.

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.

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.

Amendments to IAS 7 and IFRS 7 titled Supplier Finance Arrangements (issued in May 2023)

The amendments, applicable to annual periods beginning on or after 1st January 2024, require an entity to provide additional disclosures about its supplier finance arrangements

Amendments to IAS 21 titled Lack of Exchangeability (issued in August 2023)

The amendments, applicable to annual periods beginning on or after 1st January 2025, require an entity to apply a consistent approach to assessing whether a currency is exchangeable into another currency and, when it is not, to determining the exchange rate to use and the disclosures to provide.

Amendments to IFRS 10 and IAS 28 titled Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued in September 2014)

The amendments, applicable from a date yet to be determined, address a current conflict between the two standards and clarify that a gain or loss should be recognised fully when the transaction involves a business, and partially if it involves assets that do not constitute a business.

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 commision***

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 comprising of loans and advances to customers, deposits and balances from financial institutions, government securities and other 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- measurement of Expected Credit loss (ECL)

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

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

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.

NOTES (CONTINUED)

2. Summary of significant accounting policies (continued)

f) Financial instruments (continued)

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.

The assets residual values and useful life including impairment assessment are reviewed annually and adjusted, if appropiate, at the end of each reporting period.

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.

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.

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 Bank of Tanzania and amounts due from other Banks. Cash and cash equivalents excludes the cash reserve requirement held with Bank of Tanzania.

NOTES (CONTINUED)

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

j) Acceptances, guarantees and letters of credits

Financial guarantee contracts are contracts that require the issuer to make specific payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debts instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdraft and other banking facilities.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:
• The amount of the loss allowance; and
• The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

Loan commitment

The bank has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the bank cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as provision.

k) 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. Current tax assets and liabilities are offset only if certain criteria are met.

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.

l) Share capital

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

NOTES (CONTINUED)

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

m) 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.

n) 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.

o) 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 National Social Security Fund (NSSF) employees contribute ten percent of their salary and employer contributes ten percent of the employees' salary to the scheme where by employers' contribution is accounted for in the period it falls due. The Bank has no legal contractual obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefit relating to their service in the current and prior period.

p) 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.

q) 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.

r) 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. The software costs are amortized on a straight line basis over the expected useful life of three years (at the rate of 33.3% per year).

s) 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.

t) Dividends

Dividends on ordinary shares are recognised as liability in the year in which they are declared.Proposed dividends are accounted for as separate component of equity until they have been approved by the shareholders at an annual general meeting.

NOTES (CONTINUED)

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.
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.

iii) Significant judgment is required in determining the bank's overall income tax provision or estimated future recovery of income tax losses. There are many transactions and calculations, for which the ultimate tax determination is uncertain. The bank recognises liabilities for anticipated tax audit issues, based on estimates of whether additional taxes will be due. Where the final outcome of tax matters is different from the amounts that were initially recorded, such differences will have an impact on the current and any deferred income tax provisions in the periods in which the determination is 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.

NOTES (CONTINUED)

4. Financial risk management (continued)

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,

- 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).

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.

NOTES

4 Financial risk management (continued)

Expected credit losses (Continued)

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.

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:

	(Amt. in Tzs '000)				
Particulars	**Number of days**	**Equivalent IFRS 9 stages**	**Balance outstanding including unrealized interest**	**Secured**	**Unsecured**
Unspecified	0 - 90	Stage 1	100,260,273	99,813,200	447,073
Especialy Mentioned (ESM)	91 - 180	Stage 2	4,030,592	4,030,592	-
Doubtful	181 - 360	Stage 3	6,524,108	6,524,108	-
Loss	361 or more	Stage 3	-	-	-
Total			**110,814,973**	**110,367,900**	**447,073**

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 quantitive 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.

NOTES (CONTINUED)

4. Financial risk management (continued)

Loans and advances to customers (Continued)

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.

i) Credit risk and expected credit losses

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	Lifetime expected credit losses		
	Stage 1	Stage 2	Stage 3	Total
	TZS'000	TZS'000	TZS'000	TZS'000
At 31st December 2023				
Cash and balances with Bank of Tanzania	12,339,165	-	-	12,339,165
Balances due from other banks and financial institution	1,892,370	-	-	1,892,370
Loans and advances to banking institutions	8,771,000	-	-	8,771,000
Loans and advances to customers	100,260,273	4,030,592	6,524,108	110,814,973
Government securities at amortised cost	54,663,297	-	-	54,663,297
Other receivables	244,754	-	-	244,754
Gross carrying amount	178,170,859	4,030,592	6,524,108	188,725,559
Loss allowance	(110,335)	(16,536)	(1,432,071)	(1,558,942)
Exposure to credit risk	178,060,524	4,014,056	5,092,037	187,166,617
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	161,028,591	10,786,677	4,871,314	176,686,582
Loss allowance	(263,929)	(40,803)	(503,721)	(808,453)
Exposure to credit risk	160,764,662	10,745,874	4,367,593	175,878,129

NOTES (CONTINUED)

4. Financial risk management (continued)

i) Credit risk and expected credit losses (continued)

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

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

		Lifetime expected credit losses		
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	TZS'000	**TZS'000**	**TZS'000**	**TZS'000**
Year ended 31st December 2023				
At start of year	263,928	40,803	503,721	808,452
Changes arising from whether the loss allowance is measured at an amount equal to 12-month or lifetime expected credit losses	(153,593)	(24,267)	2,890,604	2,712,744
Changes because of financial assets that were written off during the year	-	-	(1,962,254)	(1,962,254)
At end of year	110,335	16,536	1,432,071	1,558,942
Year ended 31st December 2022				
At start of year	30,704	4,644	617,993	653,341
Changes arising from whether the loss allowance is measured at an amount equal to 12-month or lifetime expected credit losses	233,224	36,159	1,296,051	1,565,434
Changes because of financial assets that were written off during the year	-	-	(1,410,323)	(1,410,323)
At end of year	263,928	40,803	503,721	808,452

	12-month expected	**Lifetime expected credit losses**		
The loss allowances at the end of each year relate to the following financial assets:	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	TZS'000	**TZS'000**	**TZS'000**	**TZS'000**
At 31 December 2023				
Balances with Bank of Tanzania	-	-	-	-
Balances due from other banks and financial	-	-	-	-
Loans and advances to banking institutions	11,804	-	-	11,804
Loans and advances to customers	76,304	16,536	1,432,071	1,524,911
Government securities at amortised cost	22,220	-	-	22,220
Other receivables	5	-	-	5
Total	110,335	16,536	1,432,071	1,558,942
At 31 December 2022				
Balances with Bank of Tanzania	-	-	-	-
Balances due from other banks and financial	-	-	-	-
Loans and advances to banking institutions	11,149	-	-	11,149
Loans and advances to customers	228,955	40,803	503,721	773,479
Government securities at amortised cost	23,814	-	-	23,814
Other receivables	10	-	-	10
Total	263,928	40,803	503,721	808,452

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. Management of this risk is undertaken by the Treasury function under the supervision of the Asset-Liability Committee (ALCO),while the risk department maintains oversight role.

The Bank carries limited amount of market risk. The tolerance limit is approved by the board. The measurement of risk is based on sensitivity analysis and stress testing. The impact is shown on pages 31 - 35.

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:

	2023 TZS'000	2022 TZS'000
Liquid assets	28,414,564	26,982,435
Deposits	146,387,039	137,122,118
Other payables	4,377,771	3,947,672
Liquidity (%)	19%	19%

The scenario testing at 31 December 2023 indicated a liquidity ratio of 19% (2022: 19%) in the worst case scenario.

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**	**1 to 3 months**	**3 to 6 months**	**6 to 12 months**	**1 to 2 years**	**2 to 3 years**	**3 to 5 years**	**Over 5 years**	**Total**
At 31 December 2023	**TZS'000**	**TZS'000**	**TZS'000**	**TZS'000**	**TZS'000**	**TZS'000**	**TZS'000**	**TZS'000**	**TZS'000**
Financial assets									
Cash balance	1,555,448	-	-	-	-	-	-	-	1,555,448
Balance with Bank of Tanzania	10,783,725	-	-	-	-	-	-	-	10,783,725
Balances with other banks and financial Institutions	1,892,370	-	-	-	-	-	-	-	1,892,370
Investment in debt securities	747,759	4,505,354	500,000	19,571,475	3,472,127	12,430,726	4,676,426	8,759,430	54,663,297
Inter-bank loan receivables	5,012,000	-	3,759,000	-	-	-	-	-	8,771,000
Loans, advances and overdraft (Gross)	29,573,136	5,195,423	7,762,071	22,956,492	12,474,673	22,538,025	10,315,154	-	110,814,974
Total financial assets	49,564,438	9,700,777	12,021,071	42,527,967	15,946,800	34,968,751	14,991,580	8,759,430	188,480,814
Financial liabilities									
Demand deposits / call deposit	15,594,643	-	-	-	-	-	-	-	15,594,643
Savings deposits	11,466,100	-	-	-	-	-	-	-	11,466,100
Time deposits	11,171,035	10,219,504	15,907,854	34,684,080	4,722,697	-	-	-	76,705,170
Deposits with banks and financial institutions	11,797,319	28,317,800	2,506,000	-	-	-	-	-	42,621,119
Bankers cheques & draft issued	26,181	-	-	-	-	-	-	-	26,181
Accrued interest	3,068,457	-	-	-	-	-	-	-	3,068,457
Accrued taxes	56,674	-	-	-	-	-	-	-	56,674
Other liabilities	1,602,883	-	-	-	-	-	-	-	1,602,883
Total financial liabilities	54,783,292	38,537,304	18,413,854	34,684,080	4,722,697	-	-	-	151,141,227
Net liquidity gap	**(5,218,854)**	**(28,836,527)**	**(6,392,784)**	**7,843,887**	**11,224,103**	**34,968,751**	**14,991,580**	**8,759,430**	**37,339,586**

NOTES

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	1 to 3 months	3 to 6 months	6 to 12 months	1 to 2 years	2 to 3 years	Over 5 years	Total
At 31 December 2022	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	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	10,846,130	3,395,639	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	2,116,704	99,816,008
Total financial assets	67,205,539	4,124,837	10,003,861	28,896,397	12,980,331	15,554,594	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	48,583,968	22,040,475	32,878,778	35,651,504	3,123,695	-	-	142,278,420
Net liquidity gap	**18,621,571**	**(17,915,638)**	**(22,874,916)**	**(6,755,107)**	**9,856,636**	**15,554,594**	**14,125,759**	**34,408,160**

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 2023	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	Total
Financial assets							
Cash balance	-	-	-	-	-	1,555,448	1,555,448
Balance with Bank of Tanzania	-	-	-	-	-	10,783,717	10,783,717
Balances with other banks and financial Institutions	-	-	-	-	-	1,892,370	1,892,370
Investment in debts securities	747,759	4,505,354	500,000	19,571,475	29,338,709	-	54,663,297
Inter-bank loan receivables	5,012,000	-	3,759,000	-	-	-	8,771,000
Loans, advances and overdraft (Gross)	29,573,136	5,195,423	7,762,071	22,956,492	45,327,852	-	110,814,974
Total financial assets	35,332,895	9,700,777	12,021,071	42,527,967	74,666,561	14,231,535	188,480,806
Financial liabilities							-
Demand deposits / call deposit	-	-	-	-	-	15,594,643	15,594,643
Savings deposits	11,466,100	-	-	-	-	-	11,466,100
Time deposits	11,171,035	10,219,504	15,907,854	34,684,080	4,722,697	-	76,705,170
Deposits with banks and financial institutions	11,797,319	28,317,800	2,506,000	-	-	-	42,621,119
Bankers cheques & draft issued	-	-	-	-	-	26,181	26,181
Accrued interest	-	-	-	-	-	3,068,457	3,068,457
Accrued taxes	-	-	-	-	-	56,674	56,674
Other liabilities	-	-	-	-	-	1,602,883	1,602,883
Total financial liabilities	34,434,454	38,537,304	18,413,854	34,684,080	4,722,697	20,348,838	151,141,227
Interest sensitivity gap	898,441	(28,836,527)	(6,392,783)	7,843,887	69,943,864	-	43,456,881

NOTES

4. Financial risk management (continued)

Interest rate risk (continued)

At 31 December 2022	Up to 1 month TZS'000	1 to 3 months TZS'000	3 to 6 months TZS'000	6 to 12 3 - 9 TZS'000	Over 1 years TZS'000	Non-interest bearing TZS'000	Total 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	25,587,397	66,455,946	19,992,651	176,686,581
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	14,110,539	142,278,420
Interest sensitivity gap	12,739,459	(16,443,979)	(21,037,575)	(10,064,107)	63,332,251	-	28,526,049

The impact on financial assets net of financial liabilities, of a 5% increase or decrease in interest rates would be as follows:

	2023 TZS'000	2022 TZS'000
+5% movement	1,520,991	998,412
-5% movement	(1,520,991)	(998,412)

NOTES

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 2023 (TZS'000)	USD	GBP	EURO	INR	KES	Total
Financial Assets						
Cash	1,008,377	-	-	-	-	1,008,377
Bank balances in current account	3,746,793	13,631	19,575	55,059	19,813	3,854,871
Money market placement	8,771,000	-	-	-	-	8,771,000
Loans, Advances and Overdrafts	83,832,427	-	-	-	-	83,832,427
Other assets	227,566	-	-	-	-	227,566
Total Assets	97,586,163	13,631	19,575	55,059	19,813	97,694,242
Financial Liabilities						
Deposits	98,205,676	-	-	.	-	98,205,676
Other Foreign Currency Liabilities	-	-	-	.	-	-
Total Liabilities	98,205,676	-	-	-	-	98,205,676
Net balance sheet position	(619,513)	13,631	19,575	55,059	19,813	(511,434)
Exchange rates as at 31 December 2023	2,506	3,200	2,785	30.13	25.96	

	USD	GBP	EURO	INR	KES	Total
At 31 December 2022 (TZS'000)						
Total Assets	94,686,883	10,070	9,802	57,644	4,581	94,768,980
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 as at 31 December 2022	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 decreased by TZS 35,800,000 (2022: TZS 140,641,000). 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 initiate 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;

NOTES

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 statemement 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 (Core capital):
Share capital, retained earnings and reserves created by appropriation of retained earnings. Prepaid expenses, intangible assets 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 2023

Minimum capital required for market risks - Standardized Measurement method	**TZS'000**
Foreign Exchange Risk	274,006
Interest Rate Position Risk	-
Equities Position Risk	-
Total Minimum capital required for market risk	274,006

NOTES (CONTINUED)

5. Capital Management (continued)

	TZS'000
Adjusted risk weighted assets	
Credit risk on balance sheet items	111,623,406
Credit risk on off balance sheet items	22,716,640
Total Minimum capital required for market risk	2,283,385
Total Adjusted capital required for operational risk	7,663,027
Total Adjusted risk weighted assets and off balance sheet exposures	144,286,458
Available capital	
Available core capital	37,379,021
Available total capital	39,455,478
Capital adequacy ratios	
Core capital to risk weighted assets and off balance sheet exposures	26%
Total capital to risk weighted assets and off balance sheet exposures	27%

Particulars	**BOT Requirement**	**Actual**
Core capital to total adjusted risk weighted assets	12.5%	26%
Total capital to total adjusted risk weighted assets	14.5%	27%

	2023 TZS'000	2022 TZS'000
6. Interest income		
Interest on loans and advances	10,284,258	7,264,382
Interest on government securities	5,240,587	5,474,280
Interest on deposits and bank balances	775,121	658,329
	16,299,966	**13,396,991**
7. Interest expenses		
Interest on customer deposits	4,735,649	3,758,707
Interest paid on borrowings from other banks	3,355,493	1,611,609
	8,091,142	**5,370,316**
8. Fees and Commission		
Commission earned	177,837	128,520
Other fees and charges	1,105,682	684,992
	1,283,519	**813,512**
9. Other income		
Other miscellaneous income	30,296	4,073
Recoveries from loans and advances written off	2,264,570	53,892
Profit on foreign currency transactions	343,207	180,201
	2,638,073	**238,166**
10. Net impairment loss on loans and advances		
Increase in provisions Note 16(b)	2,713,686	1,546,085
	2,713,686	**1,546,085**

NOTES (CONTINUED)

	2023 TZS'000	2022 TZS'000
11. Income tax expense		
Current income tax	863,416	549,551
Prior period taxes/(recoverable)*	(33,742)	342,362
Deferred tax credit (Note 17)	(388,208)	(30,071)
Income tax expense	441,466	861,842

*Tax recoverable results from the impact of income from T-bonds and the write-off of unrecoverable prior period taxes amounting to TZS 523M and TZS 490m respectively.

The tax on the Bank's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	2023 TZS'000	2022 TZS'000
Profit before income tax	3,331,931	1,747,225
Tax calculated at a rate of 30% (2022: 30%)	999,579	524,167
Tax effect of:		
Prior year under/over charge	52,879	(4,687)
Interest on T-Bonds not subject to CIT	(577,250)	-
Prior period taxes/(recoverable)	(33,742)	342,362
Income tax expense	441,466	861,842

	2023 TZS'000	2022 TZS'000
12. Cash and balances with Bank of Tanzania		
Cash in hand	1,555,448	2,430,945
Balance with Bank of Tanzania	10,783,717	16,418,069
	12,339,165	18,849,015
13. Deposits and balances due from banks and financial institution		
Banks in Tanzania	8,925,458	8,139,637
Banks abroad	1,737,912	1,392,800
Provision for expected credit losses	(11,804)	(11,149)
	10,651,566	9,521,288
Maturing within 3 months	5,012,000	5,079,800
Maturing after 3 months	5,651,370	4,452,637
	10,663,370	9,532,437
14. Government securities at amortized cost		
Investments in treasury bills	14,183,021	6,989,784
Investments in treasury bonds	40,480,277	41,499,337
	54,663,297	48,489,121
Provision for expected credit losses	(22,220)	(23,814)
	54,641,077	48,465,306
Maturing within 3 months	5,253,114	-
Maturing after 3 months	49,410,184	48,489,121
	54,663,297	48,489,121
15. Other assets		
Interest receivable	1,426,408	1,216,477
Prepaid expenses	319,227	271,840
Sundry advances	369,364	199,921
Provision for expected credit losses	(5)	(10)
	2,114,994	1,688,227

NOTES (CONTINUED)	**2023 TZS'000**	**2022 TZS'000**
16. Loans and advances		
a) Loans and advances to customers		
Corporate loans	105,598,228	94,355,037
Staff loans	1,407,815	1,284,260
Personal loans	3,808,930	4,029,791
Gross loans and advances to customers	110,814,973	99,669,088
Provision for expected credit loss	(1,524,911)	(773,480)
Interest in suspense	(314,981)	(187,136)
	108,975,081	98,708,473
b) Movement in provision for expected credit losses		
Opening balance	773,480	637,717
Increase in provision charged to profit or loss	2,713,686	1,546,085
Less: Write off	(1,962,254)	(1,410,323)
Closing balance	1,524,911	773,480

(c)Sector wise analysis of loans and advances	**2023 TZS'000**	**2023 %**	**2022 TZS'000**	**2022 %**
Manufacturing	30,373,034	27%	29,862,174	30%
Real estate and construction	11,644,036	11%	23,873,598	24%
Trade and commerce	15,243,932	14%	11,713,435	12%
Personal	3,808,930	3%	4,029,791	4%
Transport and communication	21,639,263	20%	8,987,324	9%
Hotel and tourism	9,587,036	9%	4,320,410	4%
Other services	17,110,927	15%	15,598,096	16%
Staff	1,407,815	1%	1,284,260	1%
	110,814,973	100%	99,669,088	100%

Maturity Analysis	**2023 TZS'000**	**2022 TZS'000**
Repayable on demand	29,573,136	35,287,292
Repayable in 3 months or less	12,957,493	10,823,713
Repayable between 3 months and 1 year	22,956,492	27,129,816
Repayable after 1 year	45,327,852	26,428,267
	110,814,973	99,669,088

17. Deferred income tax

	At 1 January TZS'000	**Credited/ (charged) to profit and loss**	**At 31 December TZS '000**
Year ended 31 December 2023			
Property and Equipment	76,748	7,738	84,486
Provisions	(242,536)	(225,147)	(467,683)
Right of Use assets	61,598	(76,305)	(14,707)
Interest in suspense	-	(94,494)	(94,494)
Net deferred tax asset	(104,190)	(388,208)	(492,398)
Year ended 31 December 2022			
Property and Equipment	51,714	25,034	76,748
Provisions	(191,315)	(51,221)	(242,536)
Right of Use assets	65,482	(3,884)	61,598
Tax losses	-	-	-
Net deferred tax asset	(74,119)	(30,071)	(104,190)

NOTES (CONTINUED)

18. Property and equipment

	Computer & peripherals TZS'000	Motor vehicles TZS'000	Office furniture & equipment TZS'000	Plant & machinery TZS'000	WIP	Total TZS'000
At 1 January 2022						
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	2,322,497
Accumulated depreciation	(643,564)	(64,497)	(557,867)	(86,469)	-	(1,352,397)
Accumulated depreciation on disposed asset	-	-	1,675	-	-	1,675
Net carrying amount	477,024	22,548	453,757	18,446	58,920	971,774
Year ended 31 December 2023						
Opening carrying amount	477,024	22,548	453,757	18,446	58,920	1,030,694
Additions	10,635	161,406	3,341	-	53,414	228,796
Depreciation charge	(159,013)	(12,428)	(58,385)	(2,306)	-	(232,132)
Closing carrying amount	328,645	171,526	398,713	16,140	112,334	1,027,358
At 31 December 2023						
Cost	1,131,222	248,452	1,013,289	104,915	112,334	2,610,212
Accumulated depreciation	(802,578)	(76,925)	(614,577)	(88,775)	-	(1,582,855)
Net carrying amount	328,645	171,526	398,712	16,140	112,334	1,027,357

The annual depreciation rates used are as follows:

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

NOTES (CONTINUED)

19. Intangible asset

	2023	2022
Software costs	**TZS'000**	**TZS'000**
At 1st January	455,547	455,547
Additions	27,773	-
At 31st December	483,320	455,547
Amortisation		
At 1st January	(455,547)	(455,547)
Amortisation	-	-
At 31st December	(455,547)	(455,547)
Net book value	**27,773**	-

The annual amortization rate used is 33.3%

20. Right of Use Asset

Opening carrying amount	1,597,767	2,157,102
Depreciation charge	(519,485)	(559,335)
Closing carrying amount	**1,078,281**	**1,597,767**

21. Deposits from customers

Third parties	103,765,919	76,816,887
From other banks	19,119	40,331
Related parties (Note 29(iii)(b))	42,602,000	60,264,900
	146,387,039	**137,122,118**
Maturity Analysis		
Repayable on demand	27,087,868	19,427,848
Repayable in 3 months or less	61,478,540	46,046,233
Repayable between 3 months and 1 year	53,097,934	68,524,342
Repayable after 1 year	4,722,697	3,123,695
	146,387,039	**137,122,118**

22. Other liabilities

Bills payable - bankers' cheques	26,181	24,880
Accrued taxes payable	168,725	180,375
Accrued interest payable	3,067,868	2,919,831
Statutory deductions payable	70,763	61,107
Sundry creditors	230,420	134,201
Other payables	201,445	37,028
	3,765,402	**3,357,422**

NOTES (CONTINUED)

23. Lease liabilities

	2023 TZS'000	2022 TZS'000
Current (Less than one year)	612,369	590,250
Non-current (Between one and five years)	570,171	1,211,951
	1,182,540	**1,802,201**

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:

	2023 TZS'000	2022 TZS'000
Lease liabilities payments - principal	592,056	590,250
Lease liabilities payments - interest	20,490	1,211,951
Cash flow	612,546	1,802,200

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 2022, 31 December 2022, 1 January 2023 and 31 December 2023	21,500,000	21,500,000

The total number of authorised ordinary shares is 21,500,000 (2022: 21,500,000) with a par value of TZS 1,000 each.

25. Cash and cash equivalents

	2023 TZS'000	2022 TZS'000
For the purposes of the cash flow statement, cash and cash equivalents comprise the following:		
Cash balance - see note 12	1,555,448	2,430,945
Balance with Bank of Tanzania - see note 12	10,783,717	16,418,069
Deposits and balances due from other banks and financial institution maturing within 3 months - see note 13	5,012,000	5,079,800
Government securities maturing within 3 months - see note 14	5,253,114	-
	22,604,279	**23,928,815**

26. Off balance sheet financial instruments, contingents, liabilities and commitments

The bank conducts business involving acceptances, guarantees, performance bonds and letters of credit. The majority of these facilities are offset by corresponding obligations of third parties.

	2023	2022
Letter of credit and acceptance (gross)	475,825	761,970
Letter of guarantees	1,448,374	97,686
Undrawn credit lines and other commitments to lend	21,516,628	14,947,240
	23,440,827	**15,806,896**
Contra liabilities		
Bills for collection	4,016,523	3,340,386
	4,016,523	**3,340,386**

NOTES (CONTINUED)

	2023	2022
27. Core capital	**TZS'000**	**TZS'000**
Issued and fully paid up capital	21,500,000	21,500,000
Retained earnings	16,718,418	14,394,009
Prepayments	(319,227)	(271,840)
Deferred tax liabilities / (assets)	(492,398)	(104,190)
Intangible assets	(27,773)	-
	37,379,021	**35,517,979**

28. Statutory reserve

At 1 January	2,499,401	1,630,863
Transfer to retained earnings	(422,944)	868,538
At 31 December	**2,076,457**	**2,499,401**

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 transactions

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:

	2023	2022
(i) Key management compensation	**TZS'000**	**TZS'000**
Short term employee benefits to Managing Director	238,860	232,449
Sitting fees paid to directors	92,900	46,370
	331,760	**278,819**
(ii) Interest expense		
Bank of India (London branch)	2,852,169	1,506,646
Bank of India (New York branch)	503,324	104,963
	3,355,493	**1,611,609**
(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)	227,927	427,350
Nostro Bank of India (London branch)	13,631	10,070
Nostro Bank of India (Paris branch)	19,575	9,802
Nostro Bank of India (Mumbai branch)	54,758	57,644
Nostro Bank of India (Nairobi branch)	1,705	4,581
Vostro Bank of India (India)	301	-
	317,897	**509,447**
(b) Customer deposits accepted from related parties		
Bank of India (London branch)	38,341,800	56,339,600
Bank of India (New York branch)	4,260,200	3,925,000
	42,602,000	**60,264,600**

	2023	2022
	TZS'000	**TZS'000**
SCHEDULE OF OPERATING EXPENDITURE		
Employment benefit expenses		
Salaries and wages	2,435,326	2,186,392
National Social Security Fund	190,340	161,829
Skills Development Levy	98,808	86,296
Workers Compensation Fund	13,277	10,650
Visa and permits	37,673	12,957
Staff medical expenses	6,692	34,515
Other staff cost	31,382	32,998
Total employment costs	**2,813,498**	**2,525,636**
Other operating expenses		
Staff training and recruitment	38,741	10,934
Rates and taxes	115,485	97,582
Lighting	58,721	64,010
Directors fee and Board expenses	145,798	117,072
Professional fees	69,750	34,252
Audit fees	68,553	106,660
Printing and stationery	38,778	19,362
License fees	18,852	18,852
Advertisement and publicity	61,310	63,209
Sundry charges	243,582	225,919
Service charges	45,205	48,780
Insurance	455,210	434,809
Postage (Stamps), telephone, swift charges	451,216	414,211
Repairs and maintenance	119,804	93,007
Travelling expenses	74,945	83,132
Depreciation and amortisation	232,132	195,187
Amortization (Right of use asset)	519,485	559,335
Security charges	90,528	116,543
Subscription	23,222	21,044
Business development and CSR	27,124	819
Financle Core Banking System expenses	373,803	515,338
Total other operating expenses	**3,272,245**	**3,240,059**
Total operating expenses	**6,085,743**	**5,765,695**

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