ANNUAL REPORT

FOR THE YEAR ENDED
31 DECEMBER 2023

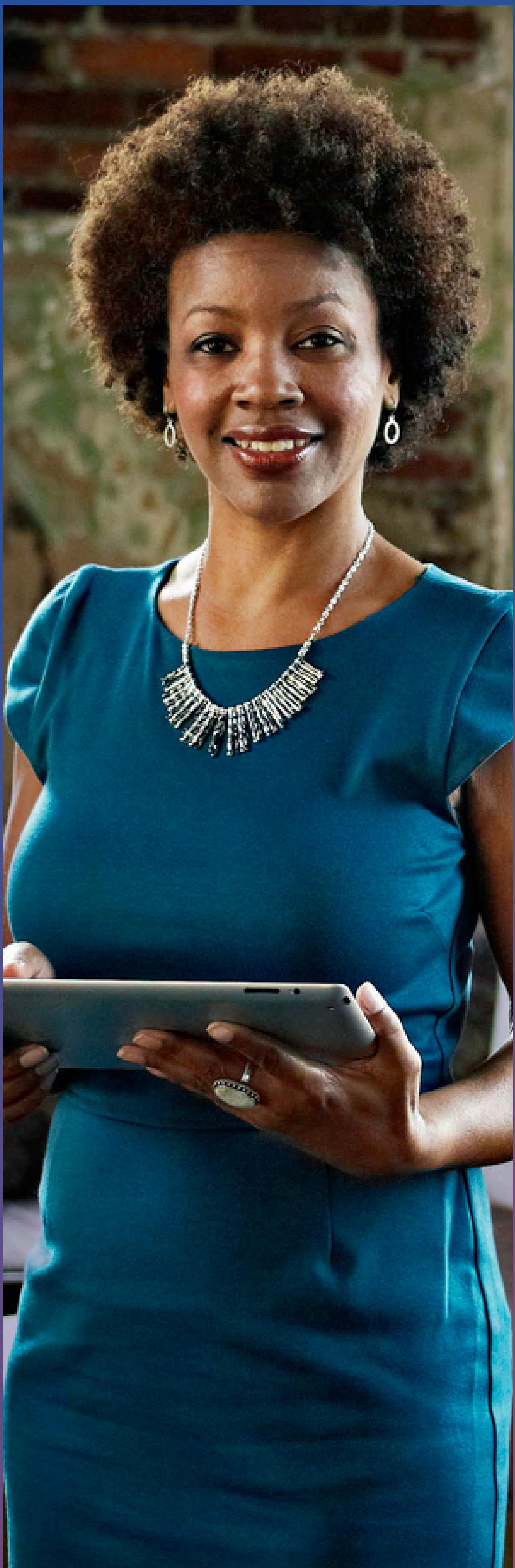
Entrepreneur, Your Success is Our Success


Entrepreneur,
Your Success is Our Success
#D63F2A

Our attentiveness and creativity have enabled us to initiate and continuously improve the services we offer to entrepreneurs with diverse needs.

We confirm our commitment to providing services to entrepreneurs wherever we are in Tanzania. Together, we will build a strong, stable, and successful future, ready to support you in achieving your dreams and plans.

ABOUT THIS REPORT



The DCB Annual Report for 2023 offers a thorough overview of our business operations, strategies, and both financial and non-financial performance. It also provides valuable insights into our governance practices, risk management approach, and future prospects within the framework of our ongoing digital transformation.

This report underscores our dedication to transparency and accountability, and we are proud to present it to our stakeholders. It highlights our achievements, challenges, and opportunities, and outlines our future plans. Significant progress in our digital transformation journey is detailed, showcasing its positive impact on our business performance. Additionally, we have implemented robust governance practices and structures to ensure ethical and responsible operations.

The report also elaborates on our risk management approach, which is designed to mitigate potential threats and capitalize on opportunities. We believe that a proactive approach to risk management is essential to our long-term success.

In conclusion, our Annual Report is a comprehensive document providing a detailed overview of our business operations, strategies, and performance. We are confident that it will be of great value to our stakeholders.

Our Reporting Framework

The financial information in this report has been meticulously prepared in accordance with the globally recognized International Financial Reporting Standards (IFRS). Our reporting process adheres to strict guidelines and regulations, including those set forth by the Bank of Tanzania (BoT), the National Board of Accountants and Auditors (NBAA), the Capital Market and Securities Authority (CMSA), and the Dar es Salaam Stock Exchange (DSE).

To ensure that our report is comprehensive and informative, we have incorporated principles from the Integrated Reporting (IR) Framework. This framework has helped us structure our content in a meaningful and relevant way for our stakeholders.

As a company, we are committed to continuously improving our reporting process in line with the latest guidelines and international best practices. Our ultimate goal is full adherence to the Financial Reporting Standards (IFRS) Framework, which will enable us to provide our stakeholders with even greater transparency and accountability.

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CORPORATE INFORMATION

REGISTERED OFFICE

DCB House
Plot No. 182 Block R
Magomeni Mwembechai
P.O Box 19798
Dar es Salaam

MAIN BANKERS

Bank of Tanzania
P.O Box 2939
Dar es Salaam

NMB Bank Plc
P.O Box 9213
Dar es Salaam

CRDB Bank Plc
P.O Box 268
Dar es Salaam

COMPANY SECRETARY

Ms. Regina Mduma
DCB House
Plot No. 182 Block R
Magomeni Area
P.O Box 19798
Dar es Salaam

AUDITORS

PricewaterhouseCoopers Limited
Certified Public Accountants (Tanzania)
369 Toure Drive, Oysterbay,
P.O. Box 45
Dar es Salaam

LIST OF ABBREVIATIONS

AGM - Annual General Meeting

ALCO - Asset And Liability Committee

BOT - Bank Of Tanzania

CIR - Cost To Income Ratio

DSE - Dar Es Salaam Stock Exchange

EAD - Exposure At Time Of Default

ECL - Expected Credit Losses

EPS - Earnings Per Share

FTE - Full Time Employees

FVOCI - Fair Value Through Other Comprehensive Income

IASB - International Accounting Standards Board

IESBA - International Ethics Standards Board For Accountants

IFRS - Ifrs Accounting Standards

ISA - International Standards On Auditing

LC - Letters Of Credit

LDR - Loan To Deposit Ratio

LGD - Loss Given Default

MNO - Mobile Network Operators

OCI - Other Comprehensive Income

PD - Probability Of Default

POCI - Purchased Or Originated Credit-Impaired

ROUA - Right Of Use Assets

SICR - Significant Increase In Credit Risk

SGL - Solidarity Group Lending

SME - Small And Medium Enterprises

SMR - Statutory Minimum Reserve

SPPI - Solely Payments Of Principal And Interest

SPV - Special Purpose Vehicles

TMRC - Tanzania Mortgage Refinance Company Limited

TZS - Tanzanian Shillings

USD - United States Dollars

OUR COMPANY PROFILE

WHO WE ARE

DCB Bank is a fully-fledged retail and commercial bank in Tanzania. The bank offers banking services to individuals, small and medium sized businesses, as well as large corporate clients. DCB Bank has a network of 9 branches, over 700 agents, 280+ Umoja switch ATMs serving more than 3 million customers across the country. The bank has experience of more than 20 years and it is the first bank to be listed on the Dar es Salaam Stock Exchange (DSE).

DCB was registered as a limited company on 6th September, 2001. In April 2002, DCB started business as a regional microfinance institution. On 12th June 2003 the bank was issued with a license to carry out banking business as Dar es Salaam Community Bank Limited.

In 2008, DCB became the first bank in Tanzania to be listed on Dar es Salaam Stock Exchange (DSE). In February 2012, the bank was issued a license to carry out banking business country wide as a fully-fledged commercial bank. The bank changed its name from Dar es Salaam Community Bank Plc to DCB Commercial Bank Plc.

Convenient banking
At DCB, we understand the importance of convenience in banking. That's why we strive to offer a perfect blend of security, user experience, affordability, and integrations with other entities. We know that our customers value products, and we are committed to delivering on them in every aspect of our services. We are constantly pushing ourselves to innovate and exceed expectations to create delightful experiance when using our services. We believe that banking should be effortless and enjoyable, and thus we work hard everyday to make sure that is the case for our customers.

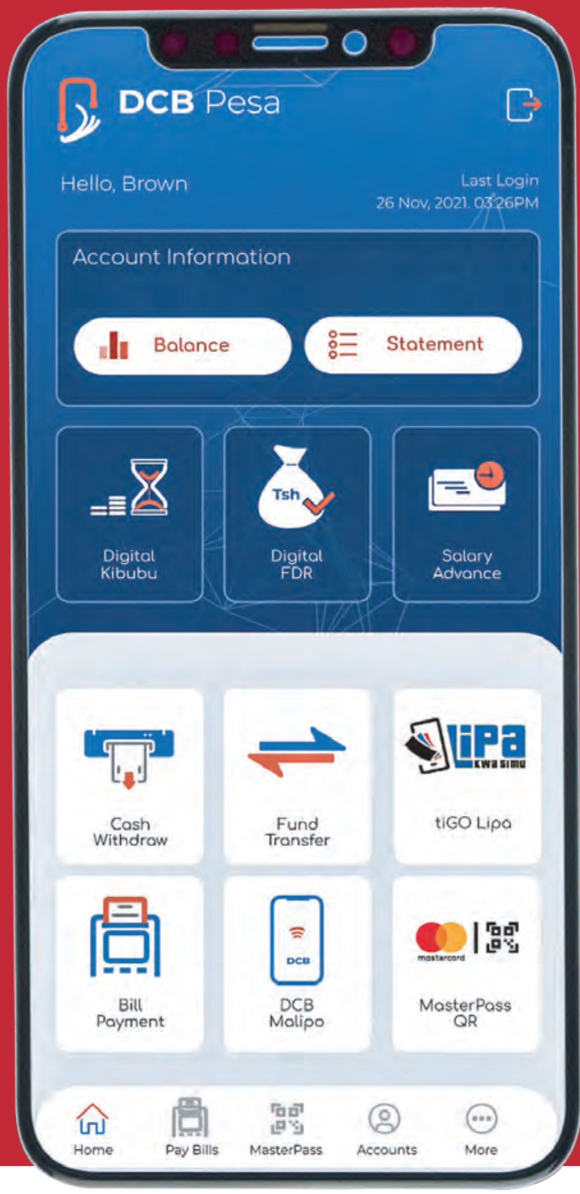
BRANCHES
9 across the country.

ATMS (UMOJA SWITCH)
280+ across the country.

DCB WAKALA
700+ across the country.

DCB INTERNET BANKING
2,100+ Subscribers customers across the country.

DCB PESA
150,000 customers across the country.



BUSINESS OBJECTIVES AND STRATEGIES

OUR VISION

To be the preferred Financial Services Provider in Tanzania

OUR MISSION

To provide convenient, excellent and innovative financial services to our esteemed customers, while contributing to social and economic development and generating value to shareholders

OUR VALUES

Integrity:
We possess the courage to do and say the right things.

Teamwork:
We are committed to achieving common goals based on open and honest communication while showing concern and support for each other.

Respect:
We understand and encourage diversity of views among our employees and stakeholders.

Responsibility and Accountability:
We are accountable for failure as well as success, and do not play the blame game.

Creativity and Innovation:
We are the pioneers of innovation and better ways to do things.

Excellence:
We are passionate about leaving things better than they were found.

OUR BEHAVIOURS

Speed in Execution:
We are proactive and prioritize our duties, we say no to procrastination

Time Management:
We respect and value time, we are accountable not to waste time.

Ownership:
We hold ourselves accountable.

OUR SERVICE PRINCIPLES

Knowledge:
DCB Bank products and service

Friendly:
Active listening and courtesy

Timely:
Respond promptly and keep our word

Value Add:
Go the extra mile/ be a solution provider

Our Products and Services

Personal Banking

DCB Mini Skonga
The DCB Mini Skonga Account helps parents save monthly for 12 months for their education, offering flexible investment amounts, insurance, and secure savings with easy account setup.

Wahi Individual/Joint Account
The WAHI Joint account offers flexible savings and loans with attractive interest rates, requiring a minimum monthly deposit of TZS 50,000, and allowing borrowing up to 80% of the credit balance with no withdrawals until maturity.

Student Account
The Student Account offers easy access with no monthly fees, a 1.5% interest rate, and 24-hour ATM access, requiring an acceptance letter from a school or university.

DCB Mstaafu Savings
The DCB Mstaafu Savings account offers easy access to retirement savings with no maintenance fee, free ATM and over-the-counter withdrawals, and a minimum deposit of TZS 10,000, designed for those nearing retirement or over 50.

Kibubu Digital Account
The Kibubu Digital account allows stress-free savings via cellphone with competitive interest rates up to 10% per annum, free opening, and the ability to withdraw or loan up to 80% of your savings, with no monthly charges.

Young Saver Account
The Young Saver account is designed for children aged 0-18, with a low opening balance, limited withdrawals, and annual interest of 4%, offering security and convenience for saving, and can be converted to a personal account when the child turns 18.

Personal Savings Account
The Personal Savings account at DCB Commercial Bank offers a low minimum opening balance of TZS 20,000, competitive interest rates up to 1% p.a., unlimited cash withdrawals, and access to over 270 ATMs nationwide with a Umoja Switch card, while requiring standard identification and address verification documents.

Tausi (Special Window for women)

a special window for women entrepreneurs under our Microcredit Loans program. This initiative aims to uplift the incomes of women entrepreneurs, particularly those engaged in small-scale businesses. To get Tausi Loan must be a resident of the relevant area for at least one year. Must own a business, we provide financial education to our client, The loan is structured on a group basis, consisting of 15 to 30 members. First Loan: TZS 300,000 to TZS 1,000,000, Repayment Schedule: Weekly repayments and Loan Term: 20 weeks (5 months) or 40 weeks (10 months).

Nguvu Moja

Nguvu Moja provides loans from TZS 200,000 to 5,000,000 with a 5% per month interest rate (reducing), repayable monthly over up to 24 months, requiring group guarantees, 30% cash cover, commision fee 3%, and a 1.5% life insurance fee, for micro and small entrepreneurs with at least three months in business and the ability to save a minimum of TZS 20,000 per month.

DCB VICOBA Biashara

The DCB VICOBA accounts, including Biashara, Personal Savings, and Group Savings, offer benefits such as free maintenance fees, competitive interest rates of 5% per annum, access to NHIF medical services, and credit lines up to 80% of the credit amount, with features varying by account type including no minimum opening balance for Biashara, TZS 10,000 for Personal Savings, and a minimum operating balance of TZS 50,000 for Group Savings, along with specific requirements for registration, constitutions, and identification.

DCB Ushirika Savings

The DCB Ushirika Savings Account, designed for NGOs, SACCOs, and community-based organizations, requires a minimum balance of TZS 50,000, with benefits including a 5% p.a. interest rate, free maintenance, and access to additional banking services such as DCB Pesa and loans.

NGO Personal Savings

The NGOs Personal Savings account offers no minimum operating balance, flexible access through all DCB branches, an overdraft facility, and a 1% p.a. interest rate, with an opening balance of TZS 100,000, ledger fees of TZS 10,000 per month, and specific documentation requirements including a constitution or trust deed and verification of authorization.

Business Banking

DCB Call Account

Available for individual customers, SMEs, and corporate clients, this account requires an opening balance of TZS 5,000,000, offers no minimum operating balance, and provides benefits including a good rate of return, up to 80% credit line, flexible investment options, zero risk investment, and negotiable interest rates, with TZS 1,200 charged for each additional statement page beyond the free one-page limit.

Current Account - Company

The Current Account for companies offers no minimum operating balance, allows direct payments and transfers, provides overdraft facilities, and comes with a cheque book, ATM card, and an attractive 1% p.a. interest rate for balances above TZS 200 million, with an opening balance requirement of TZS 100,000, and requires business registration documents, photographs, and compliance verification.

Current Account - Partnership

The Current Account for partnerships offers no minimum operating balance, allows transfers and overdrafts, provides a cheque book and ATM card, and earns an attractive 1% p.a. interest rate for balances above TZS 200 million, with an opening balance of TZS 100,000, and requires a partnership deed, business registration, and a visit to the business premises.

Current Account - Sole Proprietor

The Current Account for sole proprietors offers no minimum operating balance, nationwide ATM services, overdraft facilities, a cheque book, and an attractive 1% p.a. interest rate for balances above TZS 200 million, with an opening balance of TZS 100,000, and requires business registration, an introduction letter, and a visit to the business premises.

Bamba Account

The bank introduced an enhanced SME Current Account aimed at attracting savings with a 5% annual interest rate. This initiative reflects our commitment to diversifying our product offerings and ensuring an exceptional customer experience as our improved SME Current Account is made to efficiently meet this need of our customers. An opening balance requirement of TZS 100,000/= and above. Annual interest rate of 5% on eligible balances, Multiple deposits/withdraws allowed per month, Access to emergency loans up to 80% of the credit balance, Minimum earning balance of TZS 2,000,000/= and TZS 1,000,000/= for company and sole proprietor(personal). No monthly charges, withdraw charges are TZS 7,500 for company current account and TZS 5,000 for sole proprietor(personal). Other charges of the product inherit the existing current company/personal account charges. Daily SMS alerts about interest that has accumulated on your DCB balance.

Customer must have Original and copy of personal identification, two passport-sized photos, Nida ID or NIDA Number, Relevant business documents including: TIN (Tax Identification Number), Business license - Registration documents, MEMART (Memorandum and Articles of Association)

Micro Lending

The bank offers its various financial services through the formation of Micro groups that are clustered and located in various locations or individual guarantees. The bank manages the relationship with its existing and prospective customers through a dedicated team that pays regular visits to the areas/centers and provides them with the necessary services including financial management training. Micro Lending include the following:
Nguvu Moja advances small loans secured by the mutual guarantee of a five-person group, with regular weekly repayments and deposits. The purpose of the loan is to provide financial support for household economic activities and youth enterprises with potential for job creation. Loan Amount: TZS 200,000 - 5,000,000, Member Fee: TZS 5,000, Turnaround Time: 3 working days, Interest Rate: 5% reducing per month (1.25% reducing per week), Repayment Model: Weekly, Repayment Period: 3, 6, 9, 12 months and Insurance Rate: 1.5%. Its for Groups of 5 persons who enjoy mutual trust.

Fanikisha Loans

Are individual micro loans to enhance capital and provide financial support for individual traders like owners of motorcycles, farmers, pharmacists, etc. for Registered businesses and non-registered businesses with local permits and Companies operating for less than three years within the microcredit segment. Loan amounts range from TZS 5 million to TZS 50 million, Tenor: 6 months to 24 months, Interest rates: TZS 5M - 15M: 3.5%, TZS 15M - 30M: 3% and TZS 30M - 50M: 2.5%, Commitment fee: 3%.

Boda Boda Loans

The bank offers Boda Boda Loans Honda, TVs, Boxer and Haojue under the Microfinance unit. Our target market comprises young, energetic individuals engaged in transportation (Boda-boda) who lack the capital to either purchase their motorcycles or are currently employed as riders. It is a Micro Individual specifically for Bodaboda. Customer must have an account with DCB. Applicant must be a rider with a valid driving license. Must be a member of a contracted Boda-boda association. Strong membership contribution record within the Boda-boda associations. At least 3 months of existing membership within the associations. Must have Driving license and TIN certificate. The minimum Loan amount will be in line with the asset quotation price, depending on the asset type.The maximum loan amount should not exceed TZS 3,000,000/= per asset Repayment ability will be assessed based on the asset to be purchased/any other income source.

Sokoni Loans

The bank offers Sokoni Loans for Micro Individuals that are specific to those found in the market, we offer financial support for entrepreneurs that are in markets/masokoni to grow their capital. The DCB Sokoni Loan is available to qualified clients, offering loan amounts ranging from TZS 200,000 to TZS 5,000,000. The security for these loans will be based on Market Union Guarantees and Vizimba Guarantees. For loans exceeding TZS 1,000,000, individual security will also be required. Repayment Schedule Weekly basis for Nguvu Moja loans (Group Solidarity) and Monthly basis for Individual loans. Must be a member of a recognized Market Union and has strong contribution record within the Market Union. Owner of an individual business or Vizimba.

Internet Banking

As part of the branchless banking option, DCB has a state-of-the-art Internet banking facility to enable both individuals and companies to access some of the banking services while at their premises. The services include Funds Transfer both within and without DCB, online bank statement view, Salary processing, and other third-party payments.

Term Loans and Overdraft Facilities

These are loans offered to our customers to resolve their financial obligations, which are either long-term or short-term, at a favorable rate and repayment structure. Most corporate loans have terms not exceeding six (5) years and a repayment structure that suits our clients' cash flows.

Trade Finance

The bank offers a comprehensive trade finance product that allows our customers to maximize opportunities available in the market. Our trade finance products include Telegraphic Transfer (TT), Letter of Credit, Documentary Collections, Bill Discounting, Contract Financing, and Bank Guarantees.

Asset Financing

The bank offers Asset Financing, providing medium-term loans with regular repayments to support the purchase of assets or equipment. Customers are required to contribute at least 20% of the asset costs, while the bank finances the remaining balance

Housing Microfinance Loans

The bank offers Housing Microfinance Loans, designed to help low-income families and customers without registered land improve their housing. This facility primarily provides loans for the renovation or expansion of existing homes or for land acquisition.

Salaried Loans

It is intended to carter for the financial needs of salaried employees with a maximum age limit of 57 years old both Private sector employees and Government employees.

Mortgage

The bank offers long-term mortgage loans tailored to meet the needs of customers and potential customers for constructing, purchasing, or renovating residential houses. The mortgage products include Home Purchase, designed for those looking to buy their dream homes; Construction, for customers planning to build their dream homes; Refinancing (Equity Release), providing loans against existing houses to finance home improvements or extensions; and Transfer (Take over loans) for customers wishing to transfer existing loan.

Insurance

The bank is now offering comprehensive insurance services to its customers and the general public. Customers can now access different insurance products. Different types of insurance services are being offered including a motor vehicle, fire and allied perils insurance, goods in transit, business all risk as well as cash risk insurance. In addition, the bank is running a homeowner's policy which covers customer property if there is structural damage caused by fire and other specified events.

Our Accolades in 2023

National Board of Accountants Award

Our Strategy

Capital Growth

Objective: Strengthen capital for growth.

Actions: Rights issue and explore corporate bonds focused on sustainability.

Customer Deposit Growth

Objective: Shift deposit mix to 40:60 (cheap: expensive) by 2028.

Actions: Build relationships with government authorities, onboard VICOBA groups, and offer tailored banking solutions.

Channel Optimization

Objective: Improve customer access through branch and digital expansion.

Actions: Expand and optimize branches, upgrade digital platforms.

Quality Asset Growth and Income

Objective: Expand loans to TZS 322 billion by 2028 with NPLs below 4.5%.

Actions: Diversify lending and revenue, strengthen risk management.

Banking for Low-Income Earners

Objective: Enhance financial inclusion for women and youth.

Actions: Expand microcredit, create tailored products, and promote financial literacy

MESSAGE FROM THE GROUP CHAIRPERSON

Dear Shareholders,

On behalf of the Board of Directors, I am privileged to welcome you to the 22nd Annual General Meeting. As we reflect on the past year, I am pleased to present you with our annual performance report for the financial year 2023. It is with great honour and a sense of responsibility that I share our achievements, challenges, and strategic direction as we advance DCB's mission and vision.

In 2023, DCB demonstrated resilience and adaptability amidst a dynamic economic and operational landscape. As a bank, we were able to grow our balance sheet by 9%; NPL significantly reduced by 50% from the ratio of 12% to 6% and the deposit trend remained positive throughout the year.

The detailed performance results for the year 2023 is found in this report.

Dear shareholders, in the year 2023 we successfully launched several strategic initiatives that have reinforced our market position and enhanced our service offerings:

- TigoWakala Partnership: The bank entered into partnership with Tigopesa which allows bank customers to use Tigopesa Agency Network for Cashin and Cashout transactions. This innovative solution is centred on growth and an increase in the bank's footprint and outreach. Through this partnership, DCB customers can now conveniently access the bank's services in many areas of the country.

- DCB Vicoba App: The bank launched the Vicoba App to offer convenience and enhanced customer experience in community banking. The app provides a seamless linkage between the bank and Vicoba members. While assisting the bank's customers to save and borrow money via their Vicoba, this solution is also aimed at solving the challenge of the high cost of funds that the bank currently faces.

- Change in Management: The Board undertook a conscious decision of reviewing key management positions which is central to the achievement of the 2024 – 2028 strategic direction. In 2023 the board approved the appointment of the new Managing Director Mr. Sabasaba Moshingi who comes with a wealth of experience of over 30 years in banking and has demonstrated significant transformation of small banks to tier one banks. Mr Moshingi joined the bank at the end of the year 2023. With the current management, the Board is confident that the bank's strategic vision will be implemented to increase value to its shareholders.

Notwithstanding the achievements, it is important to note that the bank faced several challenges during the year including scarcity of foreign currencies, volatility of fuel prices, the increasing cost of fund due to tightened market liquidity situation, decline in lending interest rates, additional provisions originated in the previous years and management changes that started at the end of 2022.
To ensure long-term business sustainability; the Board and Management has developed a new strategy for the bank for five years from 2024 to 2028. The key focus areas of the strategy include growing the Bank's capital position to reach TZS 61 billion with a capital adequacy ratio of 19%, change of deposits strategy, growth of quality loan portfolio, provision of banking services to low-income earners and channel optimization.

The newly crafted five-year strategy will result in the growth of the balance sheet to half a trillion, growth of return on equity by 21.8%, and attainment of a cost-efficiency ratio of 54% as well as maintenance of the bank's non-performing loans below 4.5%.

As we reflect on the achievements and challenges for year 2023, I sincerely thank our shareholders, regulators and government institutions for your continued trust and support.

To our customers, we appreciate your patronage and feedback in making DCB your true liberator.

To my fellow Board of Directors, I thank you for your unparalleled support, guidance and strategic insight in ensuring that the bank's strategy is implemented. Finally, I extend my heartfelt gratitude to our dedicated employees, whose hard work and commitment have been instrumental in the bank's transformation journey.

In closing, I am confident that with our solid five-year strategy and clear vision, DCB Commercial Bank PLC is well-positioned to navigate future challenges and seize new opportunities, ultimately enhancing shareholder value. Together, we will continue to advance our mission and achieve our goals.

Thank you for your continued confidence and support in DCB Bank PLC.

Sincerely,

Zawadia Nanyaro
Chairperson

MESSAGE FROM THE MANAGING DIRECTOR

Dear Shareholders, First and foremost, let me thank everyone gratefully especially the Board of Directors for giving me the opportunity to serve our esteemed bank as your Managing Director. I am fully committed with my team in rewriting once again the history of DCB Commercial Bank PLC and getting the bank back to its past glory days soon.

Let me once again present to you Financial Statement for the period ended 31st December 2023. Despite a balance sheet growth from TZS 211 billion in 2022 to TZS 231 billion in 2023, reflecting a 9% year-on-year growth, the bank recorded a loss after tax of TZS 3.6 billion. This loss was primarily driven by a significant increase in interest expenses following liquidity challenge facing the banking industry in Tanzania as well as growth in provisions done by the bank from non-performing assets.

The Board and Management made a conscious decision to clean up the balance sheet as we embark on our turnaround and transformation journey which significantly impacted our financial performance in year 2023. Our five years strategy 2024-2028 focuses on addressing these challenges.

Bank Performance
The Bank recorded a loss after tax of TZS 3.6 billion for the year ended 31 December 2023 (2022: profit after tax of TZS 747 million). Our financial results reflect the deteriorated quality of assets which has led to an increase in the impairment provisions for loans and advances to customers and increase in cost of borrowing.

Interest and similar income decreased year on year to TZS 27.84 billion from TZS 28.61 billion in 2022. The decrease in interest and similar income is a result decrease in interest income from loans and advances to customers to TZS 22.20 billion from TZS 23.87 billion in 2022. Gross loans and advances to customers decreased by 4.2% year on year, from TZS 130.36 billion in 2022 to TZS 124.95 billion in 2023 due to bank increase risk profile especially for microfinance product.

Interest and similar expenses increased by 12.8% in 2023 compared to 2022, The interest and similar expenses by year-end stood at TZS 15.08 billion in 2023 from TZS 13.38 billion in 2022; the increase was spurred by interbank short-term borrowing growth by 99.1% (TZS 23.73 billion) year on year from TZS 23.93 billion in 2022 to TZS 47.66 billion in 2023.

The bank charged impairment of TZS 3.1 billion during the year due to additional required provision for bad loans that required to be written off amount to TZS 8.1 billion. The bank's non-performing loans stand at 5.5% as at year end 2023 a decrease from 12.2% as at 31st Dec 2022.

The bank's regulatory capital stand at TZS 16.3 billion slightly above regulatory required of 15 billion while capital ratios at 12.03% and 12.38% both tier I and II, below required level of 12.50% and 14.05% respectively. This capital level will hinder our growth ambition for the next five years.

Looking Ahead: Sustainable growth
Dear Shareholders, it is with great pride and optimism that I present to you our strategic vision for 2024-2028. This plan is rooted in our commitment to sustainable growth, financial inclusion, and delivering long-term value to our stakeholders.

Our strategic priorities for the coming years are centered around five key pillars: Capital growth, Customer deposits growth, Assets Quality and income growth, Channel optimization and Banking to low-income earners.

1. Capital Growth
The need to bolster our capital base arises from regulatory requirements that mandate us to inject additional capital before the end of the year 2024, The required capital of TZS 10 billion will strengthen our financial stability and fuel our growth ambitions. This is essential to ensure that we remain compliant with regulatory requirements and continue to support our growth ambitions.

The capital injection through the right issue will empower us to expand our lending capacity, invest in cutting-edge technologies, and enhance service delivery across all our channels. Beyond the rights issue, we are exploring additional avenues to strengthen our capital base further. These include the issuance of corporate bonds to attract long-term investment and strategic partnerships with both local and international lenders. These initiatives will be particularly focused on projects that align with our commitment to supporting women and promoting environmental sustainability.

2. Customer Deposit Growth
Our deposit growth strategy is centered on raising the proportion of affordable deposits from the current 30:70 mix to 40:60 by 2028. This will be achieved through targeted initiatives aimed at key deposit segments.

We will deepen our relationships with our main shareholders especially local government authorities in Dar es Salaam to channel their businesses to DCB Bank.

The onboarding of 4,000 new VICOBA groups and the recruitment of 100 trainers will be pivotal in driving individual account penetration. Collaborations with churches and municipal desks will also play a crucial role in onboarding registered groups, leveraging community networks to fuel deposit growth.

Furthermore, we will enhance our institutional banking segment by building stronger relationships with government and private institutions. This will involve developing customized solutions that increase CASA (Current Account and Savings Account) and FDR (Fixed Deposit Receipts) balances, with specific products tailored to meet the needs of institutional clients.

In the retail banking space, we will partner with pension funds to introduce pensioner subsistence products and develop donor-funded projects that support savings among women and youth. These initiatives will not only increase retail deposits but also reinforce our commitment to financial inclusion.

3. Channel Optimization

In our pursuit of excellence, we will optimize both our branch network and digital channels. We plan to open six new branches and relocate three existing ones to more strategic business areas. This expansion will enhance our physical presence and make our services more accessible to a broader customer base.

Our digital transformation journey will continue with upgrades to our USSD, mobile apps, internet banking, and agency banking platforms. These enhancements are designed to improve customer experience and ensure that our digital channels can efficiently handle increased transaction volumes.

4. Quality Asset Growth and Income

Our strategy for asset growth is focused on expanding our loan portfolio to TZS 322 billion by 2028 while containing non-performing loans ration below 4.5%. This growth will be driven by a diversified approach, with significant emphasis on commercial, microcredit, personal lending, and trade finance. We expect our microcredit portfolio to reach TZS 50 billion, while commercial loans are projected to grow to TZS 186 billion.

To ensure a steady income stream and mitigate risks, we will diversify our revenue streams by expanding into non-funded income channels, including trade finance fees, bancassurance, and high-yield assets like microcredit lending. Additionally, we will consider proportion increase our investments in low-risk, high-stability instruments such as government securities.

To maintain high asset quality, we will implement robust underwriting criteria and continuous credit monitoring. Investments in advanced credit risk management systems will be critical in identifying and mitigating potential credit risks, ensuring that our loan portfolio remains healthy and profitable.

5. Banking for Low-Income Earners (Microcredit & MSME)

At the core of our mission is a commitment to financial inclusion. We will expand our microcredit offerings to better serve low-income earners, particularly women and youth groups. By developing tailored savings and lending products, we aim to meet the specific needs of these underserved segments.

Additionally, we will invest in products and programs that promote financial inclusion. This includes developing micro-savings products linked to lending, digital challenges to encourage a savings culture, and financial literacy programs to increase awareness and adoption of our products.

Conclusion

As we close the chapter on 2023 and as we look towards the future, I would like to express my heartfelt gratitude to our valued shareholders, customers, and employees and stakeholders for their unwavering trust, support and commitment to delivering sustainable growth

Together, we will continue to rewrite the next chapter of DCB Bank's story, one that is marked by innovation, sustainability, and a steadfast dedication to empowering our customers and communities to thrive. Let us embrace the future with confidence and optimism by creating more stable and sustainable growth of our bank.

Thank you

Sincerely,

Sabasaba Moshingi
Managing Director

Corporate Governance

Board of Directors

Zawadia J. Nanyaro
Chairperson

Ms. Zawadia Nanyaro is a highly skilled and experienced financial expert with a wealth of knowledge in internal and external audit, accounting, and good governance. She has held various positions on the boards of directors of both public and private companies, making her a valuable asset to any organization. Ms. Nanyaro holds a Master of Business Administration in Finance and a Bachelor of Business in Accounting, both of which she obtained from the prestigious University of Dar es Salaam.

In addition to her impressive academic credentials, Ms. Nanyaro is a certified accountant (CPA (T)) and auditor (CPA-PP) by the Tanzania Association of Accountants and Auditors (NBAA). She is also a certified Information Systems Auditor (CISA) and Director from the Tanzania Institute of Directors. Her extensive knowledge and experience in these areas make her an invaluable asset to any organization.

Ms. Nanyaro joined DCB Board of Directors in May 2017 as a director representing a group of private shareholders. She currently serves as the Chairman of the Board of Directors of DCB Bank and is also the CEO of Lilac Tanzania. Additionally, she is a member of various boards in public institutions and private companies.

In summary, Ms. Nanyaro is a highly skilled and experienced financial expert with a proven track record of success. Her expertise in financial matters, internal and external audit, accounting, and good governance make her an invaluable asset to any organization.

Alexander Sanga
Vice Chairperson

Mr. Alexander Sanga, a seasoned expert in the field of technology, information systems, IT, and digital information security. With a Master of Business Administration and a Bachelor of Science in Computer Science, Mr. Sanga has also earned several certifications, including the Information System Audit Certificate from ISACA, Certified Information Manager (CISM) from ISACA, Agile Expert Certified Credential (AEC), Scrum Master Certified Credential (SMC), Balance Score Card Professional (BSP), Information Systems Control Certification (CRISC) from ISACA, and Corporate IT Leadership Certification (CGEIT) from ISACA.

In April 2020, Mr. Sanga was appointed as a member of the Board, representing institutional shareholders (National Insurance Fund - NHIF). Currently, he serves as the IT Director of the National Insurance Fund.
With his extensive knowledge and experience, Mr. Sanga is a valuable asset to any organization seeking to enhance its technological capabilities and safeguard its digital assets.

David Shambwe
Chair, Board Credit Committee

David Misonge Shambwe is an accomplished and results-driven Business leader with over 20 years of experience leading high-growth organisations. His expertise spans a diverse range of sectors, including International Development Organisations (DOs) - Commercial Forest, State Own Enterprise (SOE) - Real Estate, Private Sectors - Commercial Banks, and FMCG (telecoms and beverage). The width of experience showcases his dynamic and adaptive approach to transformational change, continuous improvements, and innovation.

David's career began at Kibo Breweries (Diageo Group) in 2000, where he quickly rose to territory manager. Over the years, he has taken on various significant leadership roles and capacities, including Director of Retail Banking at Commercial Bank of Africa (CBA), Director of Business Development and Treasury at National Housing Corporation (NHC), and Executive Director (Forest Development Trust).

Currently is consultant and Non-Executive Director of (Puma Energy, Cereal and Other Produce Board (CPB) and DCB Commercial Bank PLC (DCB). Other previous assignments include as a member of the task force formulating Mortgage Financing Act 2008/2009 regulations, Contributor and presenter of a paper on the potential of the Housing and mortgage industry in Tanzania at the Conference of Financial Institutions (COFI), Arusha 2008 organised by Central Bank of Tanzania and a Member of the Country Technical Team – Second Generation Financial Sector reforms.
David's academic background includes a Bachelor of Commercial in Marketing from the University of Dar es Salaam and The ACI dealing Certificate ACI – Financial Markets Associations (Oct 2005)

Pamela Nchimbi
Board Member

Ms. Pamela Nchimbi, a seasoned expert in investment management, capital markets, securities, and fund management. With a Masters Degree in Business Management and a Bachelors Degree in Corporate Finance, Ms. Nchimbi has earned her skills and knowledge through years of experience and education. She has also earned certificates in the marketing and sale of securities from the esteemed Financial Marketing Association (ACI Financial Marketing Association) and the Tanzania Capital Markets Authority (CMSA), respectively.

In addition to her impressive credentials, Ms. Nchimbi is a candidate of Asset Management and Investment Certification and is an Authorized Dealer Representative. She is also a top-tier Chartered Financial Analyst (CFA), a testament to her expertise and dedication to her craft.
Ms. Nchimbi's contributions to the industry extend beyond her impressive qualifications. She has served as a board member since July 2017, representing the interests of the UTT-AMIS Institute. Furthermore, she has been the Director of Investment directorate at UTT- for the past 10 years.

With her wealth of knowledge and experience, Ms. Nchimbi is a valuable asset to any organization seeking to navigate the complex world of finance and investments.

Dr. Amina Baamary
Board Member

Dr. Amina Baamary is a highly skilled and experienced professional in the field of business, specializing in loans for entrepreneurs and self-development groups. With a PhD in Business Management from the University of Dar es Salaam/Copenhagen Business School, Dr. Baamary has a strong focus on Small Group Credit Management and Small and Medium Business Development. Additionally, she holds a Masters Degree in Business Administration in Finance from the University of Dar es Salaam, a Bachelors Degree in Commerce majoring in corporate finance from the same institution, and a Diploma in Accounting from the College of Business.

Dr. Baamary's impressive credentials and extensive experience have earned her a position on DCB Board of Directors as a director representing a group of indivudual shareholders. In this role, she brings a wealth of knowledge and expertise to the table, helping to guide the company towards continued success.

Beyond her work with DCB, Dr. Baamary is also a respected Lecturer at the University of Dar Es Salaam, where she shares her knowledge and experience with the next generation of business leaders. Her dedication to education and her passion for helping entrepreneurs and self-development groups succeed makes her a valuable asset to any organization.

Cliff Maregeli
Board Member

Mr. Cliff Maregeli is a highly skilled and experienced professional in the field of communication technology, IT systems, and digital information security. He has a Master of Science degree in Computer Engineering from TU Delft University in the Netherlands, as well as a Bachelor of Science in Computer Engineering and Information Technology from the University of Dar es Salaam. Additionally, he is a certified project management professional (PMP) from the Project Management Institute (PMI).

In August 2021, Mr. Maregeli joined DCB Board of Directors as a representative of a group of private shareholders. He currently serves as the Director of IT at Tanzania Electricity Corporation (TANESCO), where he has demonstrated exceptional leadership and expertise in managing complex IT systems and ensuring the security of digital information.

With his extensive knowledge and experience in the field, Mr. Maregeli is a valuable asset to DCB Board of Directors. His contributions will undoubtedly help the company navigate the ever-evolving landscape of communication technology and digital security, and drive its continued success.

Hanifa S. Hamza
Board Member

Hanifa S. Hamza Board Member Ms. Hanifa Hamza is a highly skilled and experienced professional in the fields of business, administration. and leadership. She holds a Master's Degree in International Business Management, a Bachelor's Degree in Business Management, a Diploma in Sales, and a Certificate in Insurance Skills.

In June 2022, she joined the Board as a Director representing the founding shareholder, Kinondoni Municipal Council. She currently serves as the Director of Kinondoni Municipality, where she has demonstrated exceptional leadership and management skills.

With her extensive knowledge and expertise, Ms. Hamza has played a pivotal role in driving the growth and success of the organization. Her strategic vision and ability to navigate complex business challenges have earned her a reputation as a respected leader in the industry.

Overall, Ms. Hamza's impressive credentials and track record of success make her a valuable asset to any organization. Her dedication to excellence and commitment to achieving results make her a true leader in her field.

Prof. Tadeo A. Satta
Chair-Board Audit, Risk and Complaince Committe

He holds a Ph.D. in Development Finance from the University of Manchester in the UK. Prof. Satta's Ph.D. work covered Financing Micro and Small-scale Enterprises in Tanzania. He also holds an MBA in Financial Management with Distinction from the University of Hull in the UK. Further, he holds Post Graduate Diploma in Financial Management and Advanced Diploma in Banking from the Institute of Finance Management. His main research and consulting interests are on Finance and Development; Digital Technologies and Financial Services; International Trade Finance; Risk Management and Business Continuity; and Governance and Leadership. In 2006 he established the Centre for Advanced Studies in Corporate Governance, Entrepreneurship and Finance (CASCEF) and became its founding Director, a position he held up to October 2010.

He has done several consultancy assignments for different government ministries and institutions, financial and banking institutions, local and international organisations and Boards and associations and funds.

He has attended different specialised courses in Tanzania and internationally and served as a member of the Board in various Boards and Board Committees. Currently, he is a Director of the Bank of Tanzania Academy Advisory Board.

Sabasaba Moshingi
Managing Director

Mr. Sabasaba Moshingi was appointed by the Board of Directors of DCB Commercial Bank PLC as the Managing Director and joined the bank in November 2023. Prior to joining DCB Commercial Bank, Mr. Moshingi was a Chief Executive Officer for Tanzania Commercial Bank PLC for 12 years. During his tenor as a CEO, Tanzania Commercial Bank was transformed from a small highly inefficient bank with a total asset of TZS 121 billion to TZS 1.4 Trillion, making it one of the largest bank in Tanzania, when he left the bank.

Prior to joining TCB, Mr. Moshingi was Regional Head of Consumer Banking Operational Risk and Sales Governance for Standard Chartered Bank from 2007 in Northern Gulf, Levant and Oman (the Region was made up of 5 countries namely, Jordan, Lebanon, Qatar, Oman and Bahrain)-based in the Kingdom of Bahrain. Mr. Moshingi, a seasoned banker is also a Board Member the World Savings and Retail Banking Institute (WSBI Headquartered in Brussels, Belgium), Governing Council Member and Chairman Education Committee of the Tanzania Institute of Bankers, Board Member and Chairman of the UmojaSwitch Company Limited, Board Member and Chairman of UBX Tanzania Limited, an Board Member TMRC and a Fellow of US Based Eisenhower Fellowship.

Mr. Moshingi is a certified chartered banker with a Master of Business Administration degree (Finance) from the University of Dar-es-Salaam.

Our Management Team

Sabasaba Moshingi
Managing Director

Mr. Sabasaba Moshingi was appointed by the Board of Directors of DCB Commercial Bank PLC as the Managing Director and joined the bank in November 2023. Prior to joining DCB Commercial Bank, Mr. Moshingi was a Chief Executive Officer for Tanzania Commercial Bank PLC for 12 years. During his tenor as a CEO, Tanzania Commercial Bank was transformed from a small highly inefficient bank with a total asset of TZS 121 billion to TZS 1.4 Trillion, making it one of the largest bank in Tanzania, when he left the bank.

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Mr. Moshingi is a certified chartered banker with a Master of Business Administration degree (Finance) from the University of Dar-es-Salaam.

Deusdedith Mulindwa
Director Finance

Deusdedith Mulindwa is a financial professional with over 12 years of experience in different positions in various organizations, including 8 years as a Head of Finance. Prior joining DCB, he worked at FINCA Microfinance Bank, BRAC Tanzania Finance for 4 years as Head of Finance and KPMG as a senior auditor for 5 years.

Deusdedith holds a Master's in Business Administration (MBA) from the University of Dar Es Salaam, a professional qualification (CPA-T) from the National Board of Accountants and Auditors, a professional qualification (ACCA) from the Association of Chartered Certified Accountant, a Bachelor of Commerce (Accounting) from the University of Dar es Salaam, and an Advanced Diploma in Accounting and Business from the Association of Chartered Certified Accountant.

His experience includes running large organizations dealing with financial activities, being part of management boards, preparing and reviewing policies and procedures, providing leadership to key strategic decisions, training and coaching staff, raising funds, and maintaining communication with various stakeholders.

Msingo Mkanzabi
Director Human Resource

Msingo Mkanzabi is the Director Human Resources at DCB. She is responsible for developing and executing human resource and procurement strategy in support of the overall bank's and strategic plan. Specifically, she oversees succession planning, talent management, change management, organizational and performance management, training and development, compensation, vendor management, supplies and office administration.

Msingo holds an Honours Degree in Industrial and Organisational Psychology from the University of South Africa. She also holds a Bachelor of Social Sciences Degree in Industrial, Organisational and Labour Studies, from University of Cape Town. She has over 17 years of experience providing human capital advisory services in various sectors in East Africa. She worked as a Manager for Deloitte Consulting Limited before joining DCB in June 2022.

Deogratius Thadei
Director Internal Auditor

Deogratius Thadei is a qualified accountant with over 9 years of experience in auditing, accounting, and finance. He has worked with Deloitte & Touche and First National Bank Tanzania. Deogratius has a strong background in finance, including budgeting, forecasting, procurement, cash flow management, and knowledge of Tanzanian tax matters. He is an excellent leader with a track record of improving financial management and reporting, streamlining operations and processes, and enhancing internal controls.

Deogratius holds an Authorized Certified Public Accountant (ACPA-T) certification from the National Board of Accountants and Auditors Tanzania, and a Bachelor of Business Accounting and Finance from Mzumbe University. He is a member of the Association of Certified Chartered Accountants (ACCA - UK) and the Institute of Internal Auditors Tanzania.

His employment record includes working as an Internal Audit Manager at First National Bank Tanzania and various roles at Deloitte & Touche Tanzania, including Audit Associate, Audit Senior Associate, and Audit Senior. Deogratius has experience in managing audit engagement teams, evaluating internal controls, reviewing financial statements, and ensuring compliance with laws and regulations.

Nelson Swai
Director Operations and Technology

Mr. Swai has a Masters of Law in Information Technology & Telecommunications (LLM IT&T) (United Kingdom Telecommunications Academy & International Telecommunications Union) Bachelor's Degree – Computer Science & Mathematics. (Bangalore University, India) Oracle Certified Associate (OCA) ISO 27001 Certified ISO 22301 Certified Member of the Project Management Institute of Tanzania (PMI).

He is an accredited leader by the Center for Creative Leadership(CCL) (2015-2016), a certified director by the institute of directors in Tanzania (IoDT) and currently pursuing the Chief Operating Officer Program with the Massachusetts Institute of Technology (Cohort1) (2022-2023).

Mr. Swai joined DCB Bank as the Director Operations and Technology in July 2019 from Ecobank (2015-2019) where he was serving as the Country Head Technology Services responsible for the overall strategic technological planning and driving the bank's digitization agenda.

Mr. Swai started his career in the Telecommunications sector with Vodacom Tanzania PLC (2010 - 2015) before joining the banking sector. He has successfully implemented solutions that have led to significant economic growth and transformation at the country and organizational levels.Nelson brings to us 12 years of experience in the banking and the telecommunications sector.

Some of his key strengths include : API-Led Banking, Business Strategy, Transactional Banking, Mobile Telephony, Data Protection and Privacy, Internet Governance, Enterprise Architecture, Radical Innovation, Systems Thinking ,Transformational leadership.

Regina Mduma
Director Legal Affairs and Company Secretary

Regina Mduma is a seasoned legal professional with nineteen (19) years of experience in law. She is an expert in corporate governance, banking and finance law, international trade law, insurance law, international contracts and arbitration. With a Master's in Law (LLM) in Import and Export Law (International Trade Law) from North-West University Potchefstroom Campus in South Africa, and a Bachelor of Laws (LLB) from the National University of Lesotho, Regina was admitted to practice as an Advocate and Attorney in three different jurisdictions (United Republic of Tanzania, The Kingdom of Lesotho and The Republic of Botswana). This enabled Regina to earn skills in both English Common Law and Roman Dutch Law legal systems.

In addition to her good credentials, Ms. Mduma holds certificates in both short-term (General Insurance) and long-term insurance (Life Insurance) from the South Africa Institute of Insurance (IISA) and Botswana Accountancy Collage respectively. She has also been certified as a Company Secretary and a Director by the Institute of Directors in Tanzania (IoDT).

Regina is a member of the Tanganyika Law Society and the East African Law Society. She is also a non-practice member of the Lesotho Law Society and Botswana Law Society.

COLLINS RUTENGE
Director Risk and Compliance

Mr. Collins Rutenge holds an MSc in Finance from Strathclyde University (2006), specializing in Financial Markets, Treasury Management, and Project Financing in developing countries. Additionally, he is a Certified Public Accountant (CPA-T, 2008) and has a Certificate in Leadership for Change from Cooperative University Kenya (2021). These qualifications have provided him with a solid foundation in financial management and leadership.

In July 2023, Mr. Rutenge joined DCB Bank as Director Risk and Compliance. Before this role, he served as CEO of the Community Banks Association of Tanzania and held various key positions in KCB Bank, Barclays Bank, Bank ABC, and CBA Bank, including Head of Risk and Compliance. His extensive experience across different financial institutions has honed his expertise in managing risk and ensuring compliance in complex financial environments.

Mr. Rutenge is passionate about inclusive finance, focusing on creating financial solutions that support the growth of marginalized groups, including farmers, women, and youth. His work has significantly contributed to sustainable economic development in Tanzania, particularly through initiatives like the Rural Financial Services Strategy and the Microfinance Act (2019). His dedication to financial inclusion has made a lasting impact on the economy and society.

In addition to his regulatory work, Mr. Rutenge has been instrumental in fostering collaboration within the private sector. He has worked closely with industry associations such as the Tanzania Bankers Association (TBA) and the Tanzania Microfinance Association (TAMFI) to advance dialogue and forge cross-industry partnerships. His efforts have strengthened ties between the financial sector and the communities it serves, contributing to a more inclusive and resilient financial system in Tanzania.

LILIAN MTALI
Director Commercial

Ms. Lilian Mtali is the Director Commercial at DCB Commercial Bank, where she oversees retail and commercial operations, driving the bank's strategy for sustainable growth. She is a seasoned banker with extensive experience in managing retail and consumer banking, including Affluent and Digital banking. Known for her firm yet humble approach, she is highly organized with strong leadership and relationship-building skills, and she has served top dignitaries in the country. Lilian's work mantra is to impact the organization by achieving core goals efficiently while adding value to customers. She is recognized for her ability to lead organizational change and maintain confidentiality.

Lilian holds a Bachelor of Business Administration from the International University of America, London Campus, UK, and a GCE from Modern Tutorial College, London. She has attended various courses in the UK, South Africa, Kenya, Zimbabwe, Angola, and Singapore.

Lilian joined DCB Commercial Bank in July 2023 from I&M Bank Tanzania, where she was Head of Consumer Banking. Her career began at Standard Chartered Bank in 1998, where she held various roles, including Branch Manager and Call Centre & Service Quality Manager. She later moved to Stanbic Bank, where she held several leadership positions, including Country Service Manager, Head of High Net-Worth Individuals, and Business Head for Wealth Management before joining I&M Bank.

ABUBAKAR ADAM
Ag. Director Credit Risk

Abubakar Adam launched his banking career in March 2012 as a Branch Operation Officer at Amana Bank Limited. Over the years, he progressed through multiple roles, including Relationship Officer, Account Opening Officer, Credit Administrator, Credit Analyst, Senior Credit Analyst, Senior Financing Analyst, Senior Manager – Credit Analysis, and Acting Head of Credit. His tenure at Amana Bank enabled him to acquire extensive expertise in credit assessment, portfolio management, and risk mitigation strategies.

In November 2023, Mr. Adam joined DCB as Senior Manager of Credit Risk. He also served briefly as Acting Director of Credit Risk from November 2023 to January 2024. In his current role, he oversees the entire credit risk management process, encompassing underwriting, administration, and ongoing monitoring. Mr. Adam is dedicated to ensuring the bank's credit portfolio aligns with regulatory requirements and industry best practices while supporting the institution's growth objectives.

Mr. Adam holds a Bachelor's degree in Accountancy and is in the process of finalizing his Master of Business Administration. He has earned several certifications, including Certified Shari'ah Advisor and Auditor (CSAA), a Certificate in Agricultural Finance, a Certificate in Credit Risk Management for Banking Institutions, and a Certificate in Customer Care

Financial Statements

Key Performance Indicators

Performance indicator	Definition and calculation method	2023	2022
Return on equity	Net income/Total equity	(15%)	3%
Return on assets	Net income/Total assets	(2%)	0.4%
Cost to income ratio	Operating costs/Net income gross of impair charge on loans and advances to customers	108%	81%
Interest margin on earning assets	Total interest income/(Government securities + inter-Bank loan receivables + investments in other securities + net loans, advances and overdrafts)	15%	17%
Non - interest income to Gross income	Non - interest income/total income gross of impair charge on loans and advances to customers	34%	40%
Earnings per share	Basic earnings/number of ordinary shares in issue	(37.05)	7.66
Non - performing loans to gross loans	Non-performing loans/gross loans and advances	6%	12.2%
Earning assets Ratio	Earning assets/Total assets	80%	79%
Growth on total assets	(Current year total assets/ prior year total assets) - 1*100%	9%	10%
Growth on loans and advances to customers	(Current year net loans and advances/prior year net loans and advances) – 1*100%	(0.4%)	3%
Growth on total deposits	(Current year total deposits/prior year total deposits) - 1*100%	(1.3%)	13%

Capital adequacy

Tier 1 Capital	Risk Weighted assets including off-statement of financial position items/Core Capital	12.03%	14.41%
Tier 1+Tier 2 Capital	Risk Weighted assets including off-statement of financial position items/Total Capital	12.38%	14.90%

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

1. INTRODUCTION

The Directors submit their report together with the audited financial statements for the year ended 31 December 2023, which disclose the state of affairs of DCB Commercial Bank Plc ('the Bank').

2. INCORPORATION

The Bank was incorporated in 2001 under the Companies Ordinance, Cap 212 (later repealed by the Companies Act No 12 of 2002) and is listed at the Dar es Salaam Stock Exchange. The Bank of Tanzania provided license under the Banking and Financial Institutions Act, of 2006.

3. PRINCIPAL ACTIVITIES

The principal activities of the Bank are taking deposits on demand, providing short-term, medium-term and long-term credit facilities, and other banking services allowed under Banking and Financial Institutions Act, of 2006.

4. DIVIDENDS

Due to changes in regulatory requirements for the bank to pay dividends, the Directors do not propose payment of dividends for the year 2023 (2022: NIL).

5. PERFORMANCE FOR THE YEAR

The Bank recorded a loss before tax of TZS 4.6 billion for the year ended 31 December 2023 (2022: profit before tax of TZS 967 million). Our financial results are a reflection of the deteriorated quality of assets which has led to an increase in the impairment provisions for loans and advances to customers, and impairment of intangible assets.

Interest and similar income decreased year on year to TZS 27.84 billion from TZS 28.61 billion in 2022. The decrease in interest and similar income is a result decrease in interest income from loans and advances to customers to TZS 22.20 billion from TZS 23.87 billion in 2022. Gross loans and advances to customers decreased by 4.2% year on year, from TZS 130.36 billion in 2022 to TZS 124.95 billion in 2023 due to bank increase risk profile especially for microfinance product.

Interest and similar expenses increased by 12.8% in 2023 compared to 2022, The interest and similar expenses by year-end stood at TZS 15.08 billion in 2023 from TZS 13.38 billion in 2022; the increase was spurred by interbank short-term borrowing growth by 99.1% (TZS 23.73 billion) year on year from TZS 23.93 billion in 2022 to TZS 47.66 billion in 2023.

Non-interest income decreased by 37% year on year to TZS 6.5 billion in 2023 from TZS 10.3 billion in 2022 due to a decrease in bond trading business, trade finance business, and fees and commission. Trade finance decreased year on year from TZS 1.03 billion in 2022 to TZS 980 million in 2023, a decrease of 5.3% (TZS 54 million). Fees and Commissions decreased by TZS 871 million year on year from TZS 5.75 billion in 2022 to TZS 4.88 billion in 2023 due to the fewer business growth in 2023 compared to 2022. Net gain on sale of bond year-on-year decreased by TZS 3.2billion (89%) to TZS 379 million in 2023 from TZS 3.6 billion in 2022 due to challenges arose in selling bonds as yields declined in 2023 compared to 2022 where secondary market became active after government change in coupon rate of bonds.

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

5. PERFORMANCE FOR THE YEAR (CONTINUED)

Key Performance Indicators

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

Performance indicator	Definition and calculation method	2023	2022
Return on equity	Net income/Total equity	(15%)	3%
Return on assets	Net income/Total assets	(2%)	0.4%
Cost to income ratio	Operating costs/Net income gross of impair charge on loans and advances to customers	108%	81%
Interest margin on earning assets	Total interest income/(Government securities + inter-Bank loan receivables + investments in other securities + net loans, advances and overdrafts)	15%	17%
Non - interest income to Gross income	Non - interest income/total income gross of impair charge on loans and advances to customers	34%	40%
Earnings per share	Basic earnings/number of ordinary shares in issue	(37.05)	7.66
Non - performing loans to gross loans	Non-performing loans/gross loans and advances	6%	12.2%
Earning assets Ratio	Earning assets/Total assets	80%	79%
Growth on total assets	(Current year total assets/ prior year total assets) - 1*100%	9%	10%
Growth on loans and advances to customers	(Current year net loans and advances/prior year net loans and advances) – 1*100%	(0.4%)	3%
Growth on total deposits	(Current year total deposits/prior year total deposits) - 1*100%	(1.3%)	13%
Capital adequacy			
Tier 1 Capital	Risk Weighted assets including off-statement of financial position items/Core Capital	12.03%	14.41%
Tier 1+Tier 2 Capital	Risk Weighted assets including off-statement of financial position items/Total Capital	12.38%	14.90%

6. CORPORATE GOVERNANCE

The Bank is committed to the principles of effective corporate governance. The DCB Commercial Bank Plc Board of Directors recognise the importance of integrity, fairness, transparency, and accountability. Directors have a statutory duty to promote the success of the Bank for the benefit of the shareholders. In promoting the success of the bank, Directors must have due responsibility with regard to the short, medium and long-term strategies, the legitimate interests of employees, the need to have effective business relationships with suppliers, customers and various stakeholders, the impact of the Bank's operations on the community, the environment, and the desire to maintain high standards of business conduct.

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

6. CORPORATE GOVERNANCE (CONTINUED)

The Board has an oversight responsibility for the bank, including responsibility for setting the risk appetite for the bank, considering, and monitoring investment decisions, considering significant financial matters, approving and reviewing the business performance and budget. The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative, and compliance with sound corporate governance principles.

The Board is committed to ensuring that the Bank complies with all applicable laws, regulations and consider adherence with codes and standards applicable to the industry. The Board ensures that high standards and practices in Corporate Governance and more specifically the principles, practices and recommendations set out under the BOT regulations on corporate governance (2021), Code of Corporate Governance Practices for Listed Companies, 1994 (CMSA Principles of Good Corporate Governance Practices), DSE rules (2022) as well as the Companies Act, 2002 (CAP 212) are adhered to.

The Board has delegated the day-to-day management of the business to the Managing Director assisted by the management team.

The Board of Directors

The Board of Directors act as stewards of the bank in governing the present times and providing guidance and direction for the future. The Board has delegated the implementation of the bank strategy, management, and day-to-day operations of the bank to the Managing Director. The management shall regularly provide reports to the Board and relevant Board committees for the Board to make informed decisions and provide guidance on the business. The management shall be accountable for providing the information requested by the Board and the Board committees in a timely, transparent, and accurate manner.

As of 31st December 2023, the year the bank had 9 Directors including the Managing Director. Apart from the Managing Director no other Director holds an executive position in the bank.

Roles and Responsibilities of the Board

The board of directors is responsible for among others matters for:
Providing effective oversight and control of all affairs of the bank. Approving the bank's vision, mission, business ethics, code of conduct, goals, strategic business plans, annual budget and policies as well as monitoring the management to ensure the business operates in line with the approved policies. Performing its duty in compliance with relevant laws, regulations, and regulatory requirements to ensure that the bank's business operation is accurate, transparent, and free from corruption.

Ensuring that the bank has in place an efficient risk management framework, policies, procedures, and guidelines which shall provide adequate risk management tools covering all risk areas. Setting the bank's risk appetite and ensuring that management and all employees operate within the agreed risk appetite and risk limits. Assigning the Board Audit, Risk and Compliance Committee to regularly monitor the internal control and assess the efficiency.

Monitoring and ensuring that the bank has stable and adequate capital. Approving the annual audited financial statements before presenting the same to the shareholders. To appoint the Managing Director, the Company Secretary and executive management members of the bank. The Board shall ensure that there is a proper mechanism in place for the nomination and development of the managing director and key executives to ensure that they possess the knowledge, skills, experience, and characteristics necessary for the company to achieve its objectives. Ensure that all credit facilities granted to insiders and him or his related parties by the bank are given at an arm's length basis.

The Board shall set appropriate performance and remuneration standards for senior management consistent with the long-term strategic objectives and the financial soundness of the bank. The Board shall ensure there is an appropriate succession plan for senior management positions.

During the year the Board performed their roles and responsibilities as provided in the DCB MEMARTS and BOARD CHARTER. All members of the Board were collectively responsible and complied with the best practices in corporate governance practices.

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

6. CORPORATE GOVERNANCE (CONTINUED)

Members charged with Governance
The Directors of the Bank at the date of this report, who have served in office since 1st January 2023, except where otherwise stated, are:

Name	Position	Age	Gender	Nationality	Qualification/ discipline	Remarks
Ms. Zawadia J. Nanyaro	Chairperson	51	Female	Tanzanian	MBA (Finance), B. Com (Hons) in accounting, holder of CPA (T) in Public Practice (CPA –PP) and Certified Information System Auditor –CISA.	Re -Appointed 17th June 2023
Ms. Pamela F. Nchimbi	Member	42	Female	Tanzanian	MBA, Bachelor of Commerce (Corporate Finance), holder of ACI dealing certificate, Authorized Dealer's Representative, Level 1 Candidate in the Chartered Financial Analyst program, Fundamental Securities Certificate.	Appointed on 27th May 2017
Mr. Alexander Sanga	Vice Chairman	45	Male	Tanzanian	Master of Business Administration, Bachelor of Science in Computer Science, Certified Information Systems Audit (CISA) – ISACA, Certified Information Manager (CISM) – ISACA, Agile Expert Certified Credential (AEC), Scrum Master Certified Credential (SMC), , Certified and Information Systems Control (CRISC) – ISACA and Certified in Governance of Enterprise IT (CGEIT) – ISACA	Appointed on 17th April 2020
Dr Amina Baamary	Member	47	Female	Tanzanian	PHD in Business Administration majoring in Microfinance Groups and SMEs Development), Master of Business Administration, Bachelor of Commerce (with Honors) Majoring in Cooperate Finance and Diploma in Accountancy.	Appointed on 12th June 2021
Mr. Cliff Maregeli	Member	43	Male	Tanzanian	Masters' degree in Computer Engineering, Bachelor's degree in Computer Engineering and IT and Professional Certificates in areas of Project Management, IT Governance, Procurement and IT Infrastructure technologies, IT networks and applications.	Appointed on 12th June 2021
Mr. David Shambwe	Member	50	Male	Tanzanian	Bachelor of Commerce in Marketing and various courses on business.	Appointed on 12th June 2021
Ms. Hanifa Hamza	Member	40	Female	Tanzanian	Masters of Business Administration (International Business), Post graduate diploma in business Administration, Advanced Diploma in marketing and Certificate in Proficiency in Insurance.	Appointed on 9th May 2022
Prof. Tadeo Satta	Member	62	Male	Tanzanian	Ph.D. in Development Finance, MBA in Financial Management, Post Graduate Diploma in Financial Management and Advanced Diploma in Banking	Appointed on 17th June 2023
Mr. Sabasaba Moshingi	Managing Director	53	Male	Tanzanian	Master of Business Administration, Diploma in Banking and Certificate in Banking. He is a Chartered Banker.	Appointed on 1st November 2023
Mr. Isidori Msaki	Acting Managing Director	51	Male	Tanzanian	Masters in Entrepreneurship & Enterprises dev. Bachelor of Arts	Appointed as Acting Managing Director on 5th December 2022 to 29th July 2023
Mr. Nelson Swai	Acting Managing Director	39	Male	Tanzanian	Masters of Law in Information Technology and Telecommunications (LLM IT&T), Bachelor's Degree in Computer Science and Mathematics, Oracle Certified Associate (OCA) ISO 27001, Certified ISO 22301 and Certified Member of the Project Management Institute of Tanzania (PMI).	Appointed as Acting Managing Director from 29th July 2023 to 31st October 2023.

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

6. CORPORATE GOVERNANCE (CONTINUED)

Members charged with Governance (continued)

*Isidori Msaki was the Acting Managing Director of the Bank from 5 December 2022 to 29 July 2023.
*Nelson Swai was the Acting Managing Director of the Bank from 30 July 2023 until the 31 October 2023.

Directors' interest in the Bank's shares

Name of the director	Number of shares held in 2023	Number of shares held in 2022
Ms. Zawadia J. Nanyaro	105,240	21,832
Ms. Pamela F. Nchimbi	466,717	185,020
Mr. Cliff Maregeli	79,270	50,934
Mr. David Shambwe	47,399	-
Mr. Alexander Sanga	21,000	-
Mr. Maharage A. Chande*	-	243,883
Mr. Godfrey P. Ndalahwa*	-	113,208
Total shares held by directors	**719,626**	**614,877**

* Retired during the year 2023.

The Board of Directors meetings

During the year the Board held four (4) ordinary meetings and fourteen (14) extraordinary meetings. The attendance is as shown in the table below:

No	Name	Position	Total Meeting required	No. of meetings attended
1	Ms. Zawadia J. Nanyaro	Chairperson	16	15
2	Ms. Pamela F. Nchimbi	Member	18	15
3	Mr. Alexander M. Sanga	Member	18	17
4	Dr Amina A. Baamary	Member	18	18
5	Mr. Cliff N. Maregeli	Member	18	18
6	Mr. David M. Shambwe	Member	18	18
7	Ms. Hanifa S. Hamza	Member	18	2
8	Prof. Tadeo Satta	Member	4	4
9	Mr. Sabasaba Moshingi	Member	3	1

Note

1. Prof. Tadeo Satta is a new Board Member who started attending Board Meetings after obtaining clearance from the Bank of Tanzania. His effective Board attendance was in November 2023.
2. Mr. Sabasaba Moshingi is a new Managing Director who joined the bank on 1st November 2023.

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

6. CORPORATE GOVERNANCE (CONTINUED)

Board Committees

Each Committee has a charter to govern the roles and responsibilities as well as the efficiency and effectiveness of board performance. During the year, the Board had the following Board sub-committees to ensure a high standard of corporate governance. During the year, there was a changes in the board committees' membership.

a. Board Audit, Risk and Compliance Committee (BARCC)

The BARCC held four (4) ordinary meetings and two (2) extraordinary meetings whose attendance is as shown in the table below:

No	Name	Position	Total Meeting required	No. of meetings attended
1	Ms. Pamela F. Nchimbi	Chairperson	6	6
2	Dr. Amina Baamary	Member	6	6
3	Mr. Cliff Maregeli	Member	6	6
4	Prof. Tadeo Satta	Member	1	1

b. Board Nomination and Human Resources Committee (BNHRC)

The BNHR Committee held four (4) ordinary meetings and one extraordinary meeting. The attendance is as shown in the table below:

No	Name	Position	Total Meeting required	No. of meetings attended
1	Mr. Alexander Sanga	Chairperson	4	4
2	Mr. David Shambwe	Member	5	5
3	Ms. Hanifa Hamza	Member	4	3
4	Prof. Tadeo Satta	Member	2	2
5	Dr. Amina Baamary	Member	1	1
6	Mr. Cliff Maregeli	Member	1	1

c. Board Strategy & Credit Committee (BSCC)

The BSC Committee held four (4) ordinary meetings. The attendance is as shown below:

No	Name	Position	Total Meeting required	No. of meetings attended
1	Mr. David M. Shambwe	Chairperson	4	4
2	Mr. Alexander Sanga	Member	4	4
3	Ms. Hanifa Hamza	Member	4	3
4	Prof. Tadeo Satta	Member	2	2

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

7. MANAGEMENT TEAM

As of 31 December 2023, the management of the bank was under the Managing Director, assisted by the following:

No	Position	Name
1	Managing Director	Mr. Sabasaba Moshingi
2	Director of Finance	Mr. Deusdedith Edward Mulindwa
3	Director of Technology and Operations	Mr. Nelson Swai
4	Director of Commercial	Ms. Lilian Mtali
5	Director of Risk and Compliance	Mr. Collins Rutenge
6	Director of Internal Auditor	Mr. Deogratius Thadei
7	Director of Human Resources & Administration	Ms. Msingo Mkanzabi
8	Director of Legal & Company Secretary	Ms. Regina Mduma
9	Acting Director of Credit Risk	Mr. Abubakar Adam

*In February 2023, the Board appointed Mr. Sabasaba Moshingi as the Managing Director of the bank and he was successfully vetted by the Bank of Tanzania in March 2023 and joined the bank on 1st November 2023.

8. CAPITAL STRUCTURE AND CASHFLOWS

The bank is listed at the Dar es Salaam Stock Exchange, and it is actively trading in the exchange. The performance of the Bank's shares in the secondary market was as follows: Market capitalization as at 31 December 2023 was TZS 12.69 billion (2022: TZS 14.65 billion); Average price per Bank's share was TZS 157 (2022: TZS 170) and the closing share price as of 31st December 2023 was TZS 130 (2022: TZS 150) per share.

The Bank's capital structure for the year under review is as below:

Authorized	400,000,000 ordinary shares of TZS 250 each.
Called up and fully paid	97,646,913 ordinary shares of TZS 250 each.

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

8. CAPITAL STRUCTURE AND CASHFLOWS (CONTINUED)

The Shareholders Of The Bank

The total number of shareholders as of 31 December 2023 was 7,196 (2022: 7,335 shareholders). The shares of the Bank are as follows:

Name	No. of shares	Value of shares TZS	% Holding
Umoja Unit Trust Scheme	14,091,297	3,522,824,250	**14.43**
Dar es Salaam City Council	10,228,320	2,557,080,000	**10.48**
Ilala Municipal Council	7,866,859	1,966,714,750	**8.06**
UTT-Asset Management & Investor's Services Plc (UTT - Amis Plc)	7,028,838	1,757,209,500	**7.20**
National Health Insurance Fund	6,000,000	1,500,000,000	**6.14**
Kinondoni Municipal Council	5,625,019	1,406,254,750	**5.76**
Temeke Municipal Council	3,422,252	855,563,000	**3.50**
Ubungo Municipal Council	2,877,367	719,341,750	**2.95**
Kigamboni Municipal Council	2,281,502	570,375,500	**2.34**
Regular Income Unit Trust Scheme	1,588,497	397,124,250	**1.63**
Children's Career Plan Unit Trust Scheme	402,847	100,711,750	**0.41**
UTT - Projects & Infrastructure Development Plc	100,000	25,000,000	**0.10**
Other 7,196 Members	36,134,115	9,033,528,750	**37.00**
Total share capital	**97,646,913**	**24,411,728,250**	**100.00**

As of 31 December 2022

Name	Number of shares	Value of Shares TZS	% Holding
Umoja Unit Trust Scheme	14,091,297	3,522,824,250	**14.43**
Dar es Salaam City Council	10,228,320	2,557,080,000	**10.48**
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Other 7,335 members	36,134,115	9,033,528,750	**37.00**
TOTAL	**97,646,913**	**24,411,728,250**	**100.00**

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

8. CAPITAL STRUCTURE AND CASHFLOWS (CONTINUED)

Funding Mix

The bank funding mix as at 31 December 2023 is as below

Details	31 December 2023 TZS'000	31 December 2022 TZS' 000
Equity		
Share Capital	24,061,904	24,061,904
Share premium	4,183,291	4,183,291
Accumulated losses	(4,145,700)	(3,792,602)
Other Reserves	608,983	4,016,659
Debt		
Customer Deposits	140,053,421	141,941,494
Deposits from banks and financial institutions	47,664,218	23,934,235
Borrowings	11,213,836	11,900,791
Other liabilities	2,862,953	2,774,670
Lease liabilities	4,479,246	2,883,633

Bank liquidity is at a stable level whereby deposits from banks and financial institutions have increased by 99% (TZS 23.7 billion), from TZS 23.9 billion in 2022 to TZS 47.66 billion in 2023. An indication of money market stability and trust.

Highly liquid assets classified as cash and cash equivalents increased by 21% from TZS 13.25 in 2022 to TZS 16.02 billion in 2023. This demonstrates the banks' ability to maintain a stable liquidity position.

Capital management

The banks' regulatory capital during the year was below the regulatory required levels. The Tier 1 Capital ratio stood at 12.03% (2022: 14.41%), Tier 2 Capital closed at 12.38% (2022:14.90%). Note 6.5 on financial risk management disclosures details the components of Tier 1 and 2 capitals as at 31st December 2023 as compared to 31st December 2022.

9. LIQUIDITY

Liquidity risk is defined as the potential for loss to the bank arising from either its inability to meet its obligations as they fall due or to fund an increased in assets without incurring unacceptable costs or losses.

Successful liquidity management assures the bank of business continuity and command respect from the market. Treasury has the responsibility of managing liquidity risk and at the same time be able to meet its entire obligation when fall due. Poor management of the liquidity may result into interest rate risk hence affect the net interest income of the bank. For proper Liquidity management the limits shall be established to the extent to which DCB can take liquidity risk as established in Risk Management Program. The size of the limit will greatly depend on bank's capital, depth of the market, the Bank's experience level, the stability of the liabilities and the liquidity of the assets.

Basically, the Asset Liability Management Committee (ALCO) manages the liquidity by dealing with the following:
Maintain an effective liquidity management to ensure that trust and confidence is maintained in the Bank to avoid liquidity crisis.
·Ensure that the agreed commitments to the Bank's creditors can be met in the long term (solvency) and at the right time (liquidity)

Maintain an adequate level of liquidity at all times for both expected and unforeseen obligations, and/or, contingent needs. Never hold too much never hold too little
Ensure that cash needs can always be met at a reasonable cost, too much cash is a cost to the bank, but also too little cash is a risk to the bank, so we should establish optimal level.
Maintain combined liquidity reserves of cash and securities and unused bank lines of credit as a buffer just in case.
Maintain access to the financial market.
Ensure that its assets and liabilities are diversified across currencies, geographic areas, and businesses.
Observe the funding mix.

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

9. LIQUIDITY (CONTINUED)

The ALCO guided by Treasurer, reviews the current and prospective funding requirements for the Bank, analyze the maturity structures of both assets and liabilities considering all funding obligations, especially deposits and borrowings.

10. BUSINESS OBJECTIVES AND STRATEGIES

Bank's vision

The vision of DCB Commercial Bank Plc is to be the preferred financial services provider in Tanzania.

Bank's mission

The mission of DCB Commercial Bank Plc is to provide convenient, excellent, and innovative financial services to our esteemed customers, while contributing to the social and economic development and generating value to shareholders.

Bank's values

Integrity: We possess the courage to do and say the right things.

Teamwork: We are committed to achieving common goals based on open and honest communication while showing concern and support for each other.

Respect: We understand and encourage diversity of views among our employees and stakeholders.

Responsibility and Accountability: We are accountable for failure as well as success, and do not play the blame game.

Creativity and Innovation: We are the pioneers of innovation and better ways to do things.

Excellence: We are passionate about leaving things better than they were found.

Bank's behaviours

Speed in Execution: We are proactive and prioritize our duties, we say no to procrastination.

Time Management: We respect and value time, we are accountable not to waste time.

Ownership: We hold ourselves accountable.

BANK'S SERVICE PRINCIPLES

Knowledge: DCB Bank products and service
Friendly: Active listening and courtesy
Timely: Respond promptly and keep our word
Value Add: Go the extra mile / be a solution provider.

Our Strategy

DCB Board of directors approved the bank's five-year plan (2021-2025) in December 2020 with a focus on 5 key areas; Success in these areas is expected to propel the bank towards achieving the desired profitability by addressing the cost of funding, non-funded income ratio, footprint agenda and our presence in the digital space.

Customer Deposit Base Growth – the bank is targeting a current and savings accounts ratio of 67% by 2025 with average customer deposit at TZS 300 billion. Initiatives to achieve this level of growth are ongoing, where the Bank provides tailored solutions to prospective customers to attract cheap deposits.

Loan Book Growth – Our business segments (Commercial, Personal banking and Microfinance) continue to make headway lending to the various sectors within the country. The bank is focused on financing ongoing government projects through our trade financing solutions, as well as other sectors of focus include trading, real estate, transportation, energy, communication, and agriculture. Together with efforts to grow our loan portfolio, management is keen on monitoring and recovery of the non-performing loans with expectations to meet required level of NPL 5% by end of 2025. The ongoing efforts to digitize the bank have seen roll-out of short-term loans on mobile (Digital Salary Advance); in the long-term, the bank is expected to partner with MNOs and FinTech's to further extend digital loans to the masses targeting 50% of our portfolio going digital by 2025.

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

10. BUSINESS OBJECTIVES AND STRATEGIES (CONTINUED)

Our Strategy (continued)

Channel Optimization – After assessing our position in 2020 the bank set out to 'catch-up' with the industry in terms of services offered. The bank on boarded VISA services, launched internet banking services and is currently in the final stages of completing its state-of-the-art mobile application. Apart from only 'catch-up' the bank went further to enhance its services, offering more than the basics including Mastercard-QR, mobile interbank transfers and MNO interoperability. Efforts are ongoing to ensure all customers are digitized and sensitized to increased usage of our channels growing our fees and deposits targeting a digital customer base of at least 152,000 customers – being 38% of the population.

Non-Funded Income - is targeted to reach 33% of total income by 2025. Efforts are underway to ensure this is achieved with a spotlight on payment solutions offered to our customers. The bank has designed innovative solutions to tap into e-commerce businesses, day to day payment needs of every individual and ultimately become the go-to payment bank - attracting transactional fees and cheap deposits.

Footprint – DCB bank aims to have 13 branches and 28 service stations by 2025. These branches are to be opened in strategic locations across the country to support the bank's service stations according to the bank's hub and spoke expansion plan – expected to drive down CIR to the envisaged 55%.

Business growth initiatives are already underway including rebranding and positioning the bank will ensure the realization of the five-year ambitions given the existing competitive market landscape. The primary focus is to build a strong customer base that is digitally active to achieve sustainable and profitable growth. The bank's digital transformation journey is well on its way, in terms of investment in the necessary technology and delivery channels to expand our outreach. We plan to continue leveraging on our enhanced delivery channels – mobile banking, agency banking, strategic partnerships with payment gateways, and minimal brick and mortar branch expansion.

Looking ahead, the bank aims to accelerate growth over the next two years (2024-2025), having positioned itself as the go-to partner in the market. The bank has engaged key stakeholders, including MNOs and FinTech, on several levels, and has launched new products and services Lipa kwa Tigo and Tigo Wakala to evidence of these partnerships. These partnerships offer convenience, flexibility, and simplified access to financing to both existing and potential customers throughout the country.

Actual Performance Against Budget

Income Statement

The bank recorded a loss before tax of TZS 4.59 billion, (2022: Profit of TZS 967 million). The bank didn't achieve the annual target due to decision to clear up the bad loans and intangible assets.

Key performance indicator	Actual 2023 TZS billion	Budget 2023 TZS billion	% Budget Achievement	Actual 2022 TZS billion
Interest income	27.84	28.97	96%	28.61
Interest expense	(15.09)	(15.68)	96%	(13.38)
Net interest margin	12.75	13.29	96%	15.23
Non funded income	6.48	9.51	68%	10.28
Operating expenses	(20.71)	(20.15)	103%	(20.66)
Loan loss provision charge	(3.11)	(0.82)	379%	(3.87)
(Loss)/profit before tax	**(4.59)**	**1.83**	**(251%)**	**0.98**

Balance Sheet

The balance sheet grew by 10% in earning assets from 2022 position of TZS 168 billion to TZS 185 billion by December 2023. The interest-bearing liabilities grew from TZS 178 billion in 2022 to TZS 199 billion in 2023. Despite the growth in earning assets, the bank's net interest margin decreased by TZS 2.5 billion year on year due to decreased interest rate of earning assets to 15% from 17% in 2022.

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

10. BUSINESS OBJECTIVES AND STRATEGIES (CONTINUED)

Key performance indicator	Actual 2023 TZS billion	Budget 2023 TZS billion	% Budget Achievement	Actual 2022 TZS billion
Investment in Government Securities	57.16	53.43	107%	41.30
Balances due from other banks	5.27	6.99	76%	3.96
Loans and Advances to customers	120.40	152.97	79%	120.85
Equity Investments	2.04	2.04	100%	2.04
Earning Assets	**184.87**	**215.43**	**86%**	**168.15**
Deposits from Customers	140.05	172.92	81%	141.94
Due to banks and financial institutions	47.66	27.16	175%	23.93
Borrowings	11.21	16.28	69%	11.90
Interest bearing liabilities	**198.92**	**216.36**	**92%**	**177.77**

11. FUTURE PROSPECTS

For the year ended 2023, the bank continued to prioritize growth in key areas, including customer deposit base growth, loan book growth, non-funded income growth, footprint expansion, and alternative channel optimization. The bank's strategic plan for 2021-2025 aims to increase total assets from TZS 231 billion to TZS 425.9 billion by 2025, and customer deposits from TZS 140 billion to TZS 299.9 billion by 2025. The bank has continued to expand its delivery channels through digital platforms, agency banking, strategic partnerships, and branch expansion.

To ensure the realization of these ambitions, the bank has undergone a business transformation with several ongoing growth initiatives that include rebranding, repositioning, and aligning its overall structure. The bank's primary focus remains on building a strong digitally active customer base that will lead to sustainable and profitable balance sheet growth. The bank has continued to make significant investments in the necessary technology and delivery channels to expand its outreach for sustainable growth.

Looking ahead, the bank aims to accelerate growth over the next two years (2024-2025), having positioned itself as the go-to partner in the market. The bank has engaged key stakeholders, including MNOs and FinTech, on several levels, and has launched new products and services LIPA kwa Tigo and Tigo WAKALA as evidence of these partnerships. These partnerships offer convenience, flexibility, and simplified access to financing to both existing and potential customers throughout the country. The bank's long-term strategy is to continue leveraging its strategic expansion of delivery channels through digital platforms, agency banking, strategic partnerships, and branch expansion.

12. OPERATING ENVIRONMENT

The operating environment in 2023 faced dollar scarcity in the market which affected bank forex trading position. Thanks to the continued implementation of monetary policy by our regulator to regulate dollar currency. Real GDP in the third quarter of 2023 was 5.3% projected to grow to 5.6% in 2024, driven by improved performance in the tourism sector and the reopening of trade corridors.

Inflation remained low throughout the year, supported by subdued prices of both food and non-food consumer goods and services. This was within the target range and in line with regional convergence benchmarks. For the full year, headline inflation averaged 3.0%, compared to 3.2% in 2022.

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

13. OPERATING MODEL

We are a full-service bank catering to the diverse banking needs of individuals, small to medium-sized businesses, and large corporate clients. Our extensive branch network includes 9 branches, 1000 DCB Wakala Agents, and 280 Umoja switch ATMs, serving more than 3 million customers throughout the country.

We have segmented our client service into Personal banking, Group banking, Business banking, corporate banking, and Treasury services to offer targeted solutions that meet our customers' unique needs.

For **personal banking**, we offer a broad range of products, including multiple savings accounts, time deposits, and loans, as well as digital deposit accounts and lending platforms for easy access to funds.

Our **group lending** segment provides tailored banking solutions to solidarity groups, aligning with their business needs and cash flows from small business ventures. Our well-trained bank officers also provide financial well-being knowledge to customers.

Our **business banking** products cater to the needs of small and medium-sized businesses, providing innovative banking products for sole proprietors, partnerships, and companies, delivering a world-class banking experience and solutions.

For our **corporate** and high-net-worth clients, we offer premium products through our corporate banking segment to meet their business and personal banking needs, providing access to our first-class business and sector-specific knowledge and expertise tailored to their unique requirements.

In addition, we provide foreign currency services and money market services through our Treasury Services segment to individuals, groups, and businesses.

14. PRINCIPAL RISKS, UNCERTAINTIES AND OPPORTUNITIES

Risk management framework.

The management of risk lies at the heart of business. The Bank's major risks arise from extending credit to customers through our trading and lending operations. The Bank is also exposed to a range of other risk types such as market, liquidity, operational, reputational, and other risks that are inherent to Bank's strategy, product range and geographical coverage. Effective risk management is fundamental to being able to generate profits consistently and sustainably and is thus an integral part of the financial and Bank's operational management.

Risk governance

The ultimate responsibility for setting our risk appetite and for the effective management of risk rests with the Board. Acting within an authority delegated by the Board, The Board Audit, Risk and Compliance Committee (BARCC) has responsibility for oversight and review of prudential risks including but not limited to credit, market, capital, liquidity and operational. It reviews the bank's overall risk appetite and makes recommendations thereon to the Board. It's responsibilities also include reviewing the appropriateness and effectiveness of the Bank's risk management systems and controls, considering the implications of material regulatory change proposals, ensuring effective due diligence on material transactions. The BARCC reviews regular reports on risk management, policies, stress testing, liquidity, and capital adequacy, and is authorized to investigate or seek any information relating to an activity within its terms of reference.

The Board accepts final responsibility for the risk management and internal control systems of the Bank. It is the task of the Directors to ensure that adequate internal financial and operational control systems are developed and maintained on an ongoing basis. The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance of such measures by staff. Whilst no system of internal control can provide absolute assurance against miss-statement or losses, the Bank's system is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively.

The Board assessed the internal control systems throughout the financial year ended 31 December 2022 and is of the opinion that they met accepted criteria. The Board carries out risk and internal control assessment through the Board Audit, Risk and Compliance Committee.

Risk Management Culture

The Bank is cognizant of the fact that people are its most asset and are core to the establishment of a positive and responsible risk management culture. To that end, the Bank continues to invest in the capability of its people through carefully designed initiatives and programs towards embedding a positive risk management culture in the Bank. Roles and responsibilities for risk management are defined under two lines of defence model. Each line of defence describes a specific set of responsibilities for risk management and control:

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

14. PRINCIPAL RISKS, UNCERTAINTIES AND OPPORTUNITIES (CONTINUED)

First line of defence: This compose of management and internal controls; operational managers own and manage risks. They also are responsible for implementing corrective actions to address process and control deficiencies.

Second line of defence: This comprises the independent risk function and is responsible for ensuring that the risks remain within the Bank's risk appetite.

Third line of defence: The independent assurance provided by the Internal Audit Department. Its role is defined and overseen by the Board Audit Committee.

In servicing its clients DCB Commercial bank Plc assumes numerous risks. Principal risks that the Bank is exposed to are:

Risk	Mitigation Actions
Credit Risk Risk of loss arising from failure of customers to meet their contractual obligations when they fall due. These obligations can be financial and non-financial.	Enhanced customer onboarding procedures with increased scrutiny on customer's past credit performance and present capacity. Recovery process monitoring and reporting on monthly basis. Proper loan monitoring procedures to flag out customers with elevated credit risk for quicker actions and remediation plans.
Compliance Risk Potential risk of penalties, sanctions, reputational damage and material loss resulting from failure to adhere to regulatory requirements.	Periodic assessment of the bank's compliance with existing regulatory requirements. Assessment of the adequacy of the bank's internal controls put in place to mitigate and manage compliance risk.
Strategic Risk Strategic risk can have severe consequences that impact organizations in the long term. Unmanaged strategic risks pose a risk to the bank. As such the bank manages its strategic risks in order to ensure that long term objectives are achieved.	Formulation of a strategic plan that maps out the strategic activities and initiatives that are taken by the bank. Monitoring of key performance indicators quarterly and discussed during the meeting of the Board Audit Risk and Compliance Committee. Develop a performance evaluation system that tracks progress towards achieving both financial and non-financial targets. Proper succession plan for the board of directors' critical positions (Chairman of the Board and the Managing Director) and management succession plan.
Liquidity Risk Inability of the bank in meeting its repayment obligations in full when they fall due or from being unable to do so at a sustainable cost.	Ensure that the agreed commitments to the Bank's creditors can be met in the long term (solvency) and at the right time (liquidity). Maintain combined liquidity reserves of cash and securities and unused bank lines of credit as a buffer just in case. Ensure that the bank's assets and liabilities are diversified across currencies, geographic areas and business.
Operational Risk The risk of loss resulting from inadequate or failed internal processes, people, and systems, or external events	Risk transfer through outsourcing and insurance. Establishment of controls through policies and procedures. Business Continuity Planning by ensuring Disaster Recovery Site is in place and all core systems are replicated at the site.
Market Risk The risk of adverse movement of interest rates, foreign exchange fluctuations and or commodities prices.	Hedging of foreign currency. Timely evaluation and monitoring of market interest rates and prices movements.
Technology and Cyber Risk Risk of inability to manage Confidentiality of information, integrity of data, protection of physical IT assets and system availability which could results in loss of data, reputational damage and significant financial loss.	Enhancement of modules in the core banking system. Enhancement of the resilience of system security Improvement of system stability.

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

15. TECHNOLOGY AND INNOVATION

The organization has gone through a phenomenal transformation in the past year, in the respective key areas mainly in its "Processes, Technology & Governance" in the effort to ensure a "healthy" environment to facilitate business growth. In July 2019 the bank laid down a "road map" for the bank's digital transformation, which was divided into three main phases.

1. Information Gathering Phase:
This involved understanding the bank's key pain points at the time and all the possible remediation.

2. Stabilization and Catch-Up Phase:
This entailed stabilizing the bank's technology environment to foster business growth and catching up with the market in terms of the products the bank is offering.

3. Business Growth Phase:
To grow the business through building more "use-cases" and advanced services and the in the process creating diversified revenue streams for the bank and creating a delightful customer experience to our customers.

Phase 1 and 2 have been completed and we are now in the "Business Growth Phase" today, we are running a much stronger bank, with a stronger brand equity, better & advanced services with our profits more assured as we deliver value to our shareholders.

The 2023 strategy is a continuation of the 2021-2025 five-year plan, which is focused on the five strategic pillars, Customer Deposit Growth, Channels Optimization, Growth of our Loan Book, NFI Growth and footprint expansion.

The bank's role is to support the business in bringing this strategy to reality by ensuring there is a technology-ready environment to foster innovations, guaranteed operational efficiency while observing controls and governance and costs, and in addition, enhancing whatever good that was previously done.

These innovative ambitions shall be achieved through the strategic initiatives already in place to strengthen the bank's Cyber security environment and governance, continued infrastructure development, creating a conducive development environment to foster new product innovation and speed to market.

16. STAKEHOLDER RELATIONSHIP

Being a bank that is rooted to servicing the community, we are deeply connected to the society we serve. Our capacity and ability to provide services and create value is reliant on how we relate and contribute to the wellbeing of our stakeholders.

Stakeholder	Needs and expectations	How we delivered value
Shareholders	• Sustainable growth of business • Minimised business risks • Compliance with regulatory requirements • True and fair financial reporting • Return on investment • Competent experienced management	• Maintaining a strong balance sheet to protect against downside risk. • Investing in profitable minimal risk assets and growing our client base • Investing in people sustainability
Employees	• Safe working environment • Trustworthy relationship • Fair remuneration • Talent Retention programs	• Value based reward program • Encouraging our employees to embrace digital changes and further their careers to improve our services and products
Customers	• Real time customer service support • Innovative multiple banking channels and enhanced digital products which are easily accessible. • One-on-one interactions with relationship managers and senior management for corporate and MSME segment customers.	• Provide credit in a responsible manner that enables wealth creation, sustainable development, and job creation in line with the current industrialisation initiative by the government. • Safeguarding banks' liquidity while growing returns

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

16. STAKEHOLDER RELATIONSHIP (CONTINUED)

Stakeholder	Needs and expectations	How we delivered value
Customers (continued)		• Enabling financial inclusion by offering unbanked population access to affordable banking channels. • Developing innovative banking solutions that meet our customers' unique needs
Regulators	• Full compliance with regulatory requirements • Active engagement with regulatory bodies on reforms and new initiatives that help to maintain the integrity of the banking industry.	• Sustainable banking practices and regulatory compliance which is key to promoting a safe banking environment. • Active participation and engagement with regulatory bodies and policy makers.
Society	• Sustainable support on development of the community • Supporting social enterprises and promoting • financial inclusion	• Providing financial education and advice • Engaging in impactful corporate social responsibility activities.

17. EMPLOYEE WELFARE

Management and employees' relationship

The Bank has adequate number of employees with pre-requisite competency and experience in key positions to manage the banking operations as well as pursuing the business objectives. As of 31 December 2023, the number of employees were 205, of which full time employees were 197(2022: 254).

There has been a good working relationship between management and employees as well as employees and their supervisor's/line managers. Complaints are resolved through meetings and discussions. Work morale is good and there were no unresolved complaints from employees. During the year, there were no new cases referred to the Commission for Mediation and Arbitration (CMA), however there were 4 ongoing cases from 2015.

The Bank is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribes, religion, and disability which does not impair ability to discharge duties.

Training

During the year, the Bank spent TZS 19.04 million for training of its staff (2022: TZS 52.6 million). Training programs have been and are continually being developed to ensure employees are adequately trained at all levels. All employees received training to upgrade skills and enhance productivity.

Staff loans and advances

The Bank provides mortgage and personal loans to staff as well as salary advances to enable them to overcome financial needs and promote their personal development. Staff loans and advances are based on specific terms and conditions approved by the Board of Directors. During the year, the Bank issued staff loans of TZS 3.33 billion to 115 employees (2022: TZS 2.20 billion to 106 employees) and the outstanding staff loans balance at year end was TZS 5.61 billion (2022: TZS 5.76 billion).

Medical and group life insurance benefits

The Bank pays medical expenses for all members of staff and their family dependents as part of the bank's policy through medical insurance arrangement.

Retirement benefits

The Bank makes contributions in respect of staff retirement benefits to statutory pension schemes namely Public Service Social Security Fund (PSSSF). The Bank's obligations in respect of these contributions are limited to 15% of the employees' monthly salary while the employee contributes 5% making a total of 20% contribution as per The Public Service Social Security Fund Act,2018. Total contribution of TZS 900 million in year 2023 (2022: TZS 927 million).

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

18. GENDER PARITY

The Bank is an equal opportunity employer. As at 31 December 2023, the Bank had the following distribution of employees by gender.

Gender	2023	%	2022	%
Female	115	56%	138	54%
Male	90	44%	116	46%
Total	**205**	**100%**	**254**	**100**

19. RELATED PARTY TRANSACTIONS

All related party transactions and balances are disclosed in Note 37 to these financial statements.

20. POLITICAL AND CHARITABLE DONATIONS

The Bank participates actively in community activities and development programs; contribution through corporate social responsibility for the year ended 31 December 2023 reached TZS 30.3 million (2022: TZS 2.3 million) and the amount was used to purchase 150 Desk for different primary schools within Dar es Salaam municipals.

21. AUDITOR

The auditors, PricewaterhouseCoopers have audited the bank for the six years consecutively. This is the last year according to regulatory requirement for auditing the bank. A resolution proposing the appointment of an auditor of the Bank for the financial year 2024 will be tabled at the Annual General Meeting.

22. RESPONSIBILITY OF 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 Company 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

Ms. Zawadia J. Nanyaro
Chairperson
29th April 2024

Prof. Tadeo Satta
Board Member
29th April 2024

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2023

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

The Directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with IFRS Accounting Standards and the requirements of the Companies Act, No.12 of 2002.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Bank and of its financial performance in accordance with IFRS Accounting Standards. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

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

Signed on behalf of the Board of Directors by:

Ms. Zawadia J. Nanyaro
Chairperson
29th April 2024

Prof. Tadeo Satta
Board Member
29th April 2024

DECLARATION OF THE DIRECTOR 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 Director Financial responsible for the preparation of financial statements of the entity concerned.

It is the duty of a Professional Accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing a true and fair view of the entity's financial position and performance in accordance with applicable IFRS Accounting Standards and statutory financial reporting requirements. Full legal responsibility for the preparation of financial statements rests with the Board of Directors' as per the Statement of Directors' Responsibility on page 21.

I, Deusdedith Edward Mulindwa, being the Director of Finance of DCB Commercial Bank Plc hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2023 have been prepared in compliance with the IFRS Accounting Standards and the requirements of the Companies Act, No.12 of 2002 and Banking and Financial Institutions Act (BFIA), 2006 and its regulations.

I thus confirm that the financial statements give a true and fair view of the financial performance of DCB Commercial Bank Plc for the year ended on 31 December 2023 and its financial position as on that date and that they have been prepared based on properly maintained financial records.

Deusdedith Edward Mulindwa

Director Finance

NBAA Membership No.:ACPA 3834

29th April 2024

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DCB COMMERCIAL BANK PLC

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of DCB Commercial Bank Plc (the Company) as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards and the requirements of the Companies Act, No. 12 of 2002.

What we have audited

The financial statements of DCB Commercial Bank Plc as set out on pages 28 to 106 comprise:
statement of financial position as at 31 December 2023;
statement of comprehensive income for the year then ended;
statement of changes in equity for the year then ended;
statement of cash flows for the year then ended; and
the notes to the financial statements, which include material accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

Emphasis of matter

a. Regulatory capital (Capital buffers)

The Banking and Financial Institutions Regulations require a bank to maintain tier 1 and tier 2 capital of not less than 10% and 12% respectively of its total risk weighted assets and off-balance sheet exposures. In addition to these minimum capital requirements, a bank is required to maintain a capital conservation buffer of 2.5% of its total risk weighted assets and off-balance sheet exposures. As disclosed in Note 6.5 of the financial statements, DCB Commercial Bank Plc has not complied with the capital conservation buffer requirements as at 31 December 2023. Note 6.5 of the financial statements also includes the Company's plans to address the capital buffer shortfalls.

b. Recoverability of deferred income tax assets

The Company's recent financial performance and inconsistent history of generating taxable profits has resulted in a build up of deferred income tax assets, mainly attributable to tax losses carried forward and expected credit losses relating to loans and advances to customers. Note 30 of the financial statements includes information about the Company's plans regarding the recoverability of deferred income tax assets.
Our opinion is not modified in respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DCB COMMERCIAL BANK PLC (continued)

Report on the audit of the financial statements (continued)

Key audit matters

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

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the Key audit matter</th></tr>
<tr><td>Recoverability of deferred income tax assets

The Company's recent history of inconsistent financial performance has resulted in a build up of deferred income tax assets. We considered this to be a key audit matter because of the value of deferred income tax assets (TZS 7,054 million) and the significant judgement and assumptions made by management in assessing the Company's future performance and ability to generate sufficient taxable profits to utilize the deferred income tax assets. Assumptions and judgements applied in this assessment include:

• Interest rates realized on earning assets;
• Cost of funds;
• Growth of non-interest income;
• Growth in earning assets;
• Growth in interest bearing liabilities;
• Cost containment strategies; and
• Credit quality of financial assets (loans and advances to customers).

Further detail on deferred income tax been disclosed in Note 4 (e), Note 5 (c) and Note 30 of the financial statements.</td><td>We obtained the financial projections prepared by management and tested the reasonableness of all the key inputs, assumptions and judgements.

We tested the adequacy of financial statements disclosures.</td></tr>
<tr><td>Impairment of loans and advances to customers

Management exercises judgement when determining both when and how much to record as loan impairment provisions. Judgement is applied to determine the appropriate parameters and assumptions used to estimate the provisions in the following areas:
• Quantitative and qualitative criteria for classification of loans and advances based on assessment of factors contributing to significant increase in credit risk and default;
• Determination of the probability of defaults (both 12 months and lifetime);
• Determination of the forward-looking parameters to be incorporated in the estimation of expected credit losses; and
• Estimation of the expected cash flows (including from collateral realization) used in the determination of the loss given default.

These judgements together with the value of gross loans and advances to customers (TZS 124,952 million) and impairment provision (TZS 4,548 million) make this a key audit matter.

Further detail on loans and advances have been disclosed in Note 4 (d), Note 5 (a), Note 6.1 and Note 23 of the financial statements.</td><td>• We tested the reasonableness of the quantitative and qualitative criteria used in the classification of loans and advances.
• As the quantitative basis of classification of loans and advances is reliant on information systems, we understood and tested key information technology general and application controls including the accurate calculation of the number of days past due.
• We tested management's application of the qualitative criteria in classification of loans and advances.
• We tested the reliability of information used for estimating probability of default and loss given default.
• We tested the reasonability of the forward-looking parameters considered by management.
• We challenged management's basis for establishing the correlation between forward looking parameters and the bank's non-performing loan trends.
• We agreed the collateral values used in the impairment model to valuation reports.
• We challenged management assumptions regarding recovery periods used to estimate the recoverable amount of collateral for secured facilities.
• We tested the adequacy of financial statements disclosures.</td></tr>
</table>

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DCB COMMERCIAL BANK PLC (continued)

Report on the audit of the financial statements (continued)

Key audit matters (continued)

Other information

The directors are responsible for the other information. The other information comprises Corporate Information, List of Abbreviations, Report by those charged with governance, Statement of Directors' responsibilities and Declaration of the Director of Finance (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and other information that will be included in the Annual Report which is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not and will 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the other information that will be included in the Annual Report which will be made available to us after the date of this auditor's report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the directors for the financial statements

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DCB COMMERCIAL BANK PLC (continued)

Report on the audit of the financial statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, action taken to eliminate threats or safeguards applied.

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

Report on the other legal and regulatory requirements.

This report, including the opinion, has been prepared for, and only for, the company's members as a body in accordance with the Companies Act, No. 12 of 2002 and for no other purposes.

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

Patrick Kiambi (TACPA-PP)

For and on behalf of PricewaterhouseCoopers
Certified Public Accountants
Dar es Salaam
29th April 2024:

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2023 TZS'000	2022 TZS'000
Interest and similar income	8	27,835,426	28,607,305
Interest and similar expense	9	(15,085,920)	(13,380,278)
Net interest income		**12,749,506**	**15,227,027**
Credit impairment losses		(3,109,550)	(3,874,865)
NET INTEREST INCOME AFTER LOAN IMPAIRMENT		**9,639,956**	**11,352,162**
Fees and commission income	10	4,880,621	5,751,715
Foreign exchange income	11	364,191	386,107
Other operating income	12	1,232,897	4,144,391
Total non-interest income		**6,477,709**	**10,282,213**
TOTAL OPERATING INCOME		**16,117,665**	**21,634,375**
OPERATING EXPENSES			
Staff expenses	13	(10,042,148)	(9,993,648)
General administrative expenses	14	(6,817,215)	(8,052,221)
Depreciation and amortization expenses	15	(3,852,255)	(2,621,158)
TOTAL OPERATING EXPENSES		**(20,711,618)**	**(20,667,027)**
(LOSS)/PROFIT BEFORE INCOME TAX		**(4,593,953)**	**967,348**
Income tax credit/(charge)	19	975,721	(219,645)
(LOSS)/PROFIT FOR THE YEAR		**(3,618,232)**	**747,703**
Items that may be reclassified to profit or loss Fair value gain on FVOCI debt instrument net of tax			
Other comprehensive income		(142,542)	142,542
Total comprehensive income for the year		**(3,760,774)**	**890,245**
(Loss)/earnings per share (basic and diluted)	34	**(37.05)**	**7.66**

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

	Notes	2023 TZS'000	2022 TZS'000
Assets			
Cash and balances with the Bank of Tanzania	20	21,576,928	19,005,746
Government securities – FVOCI	22	-	27,639,102
Government securities – Amortized cost	22	57,156,768	13,663,360
Equity investment at FVOCI	24	2,040,200	2,040,200
Balances due from other banks	21	5,271,278	3,963,844
Loans and advances to customers	23	120,403,894	120,847,669
Corporation tax recoverable	28	975,000	2,095,060
Deferred income tax asset	30	7,053,824	5,210,033
Other assets	27	3,001,042	3,230,825
Right of use asset	36(i)	6,890,965	5,494,196
Property and Equipment	25	2,981,231	3,646,824
Intangible assets	26	3,631,022	5,067,216
Total assets		**230,982,152**	**211,904,075**
Liabilities			
Due to other banks	29.a	47,664,218	23,934,235
Deposits from customers	29.b	140,053,421	141,941,494
Borrowings	31	11,213,836	11,900,791
Other liabilities	32	2,862,953	2,774,670
Lease liabilities	36(ii)	4,479,246	2,883,633
Total liabilities		**206,273,674**	**183,434,823**
Equity			
Share capital	33	24,061,904	24,061,904
Share premium		4,183,291	4,183,291
Accumulated losses		(4,145,700)	(3,792,602)
Regulatory banking risk reserve		130,043	3,395,177
Fair valuation reserve		478,940	621,482
Total equity		**24,708,478**	**28,469,252**
Total liabilities and equity		**230,982,152**	**211,904,075**

The financial statements on pages 61 to 140 were approved and authorized for issue by the Board of Directors on .... April 2024 and signed on its behalf by:

Ms. Zawadia J. Nanyaro
Chairperson

Prof. Tadeo Satta
Board Member

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023	Note	Share capital	Share premium	Accumulated losses	**Regulatory banking risk reserve	Fair valuation reserve	Total equity
		TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
At 1 January 2023		**24,061,904**	**4,183,291**	**(3,792,602)**	**3,395,177**	**621,482**	**28,469,252**
Loss for the year		-	-	(3,618,232)	-	-	(3,618,232)
Fair value gain on FVOCI debt instrument		-	-	-	-	(203,631)	(203,631)
Deferred tax on fair value gain		-	-	-	-	61,089	61,089
Total comprehensive income		**-**	**-**	**(3,618,232)**	**-**	**(142,542)**	**(3,760,774)**
Transfer to/(from)regulatory risk reserve**		-	-	3,265,134	(3,265,134)	-	**-**
Dividend paid		-	-	-	-	-	**-**
At 31 December 2023		**24,061,904**	**4,183,291**	**(4,145,700)**	**130,043**	**478,940**	**24,708,478**

**Regulatory Banking Risk Reserve represents an amount set aside to cover additional provision for loan losses required to comply with the requirements of the Bank of Tanzania prudential guidelines. This reserve is not available for distribution.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Year ended 31 December 2022	Note	Share capital	Share premium	Accumulated losses	**Regulatory banking risk reserve	Fair valuation reserve	Total equity
		TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
At 1 January 2022		**24,061,904**	**4,183,291**	**(4,751,930)**	**3,606,802**	**478,940**	**27,579,007**
Profit for the year		-	-	747,703	-	-	747,703
Fair value gain on FVOCI debt instrument		-	-	-	-	203,631	203,631
Deferred tax on fair value gain		-	-	-	-	(61,089)	(61,089)
Total comprehensive income		**-**	**-**	**747,703**	**-**	**142,542**	**890,245**
Transfer to/(from)regulatory risk reserve**		-	-	211,625	(211,625)	-	-
Dividend paid		-	-	-	-	-	-
Advance toward share capital		-	-	-	-	-	-
At 31 December 2022		**24,061,904**	**4,183,291**	**(3,792,602)**	**3,395,177**	**621,482**	**28,469,252**

**Regulatory Banking Risk Reserve represents an amount set aside to cover additional provision for loan losses required in order to comply with the requirements of the Bank of Tanzania prudential guidelines. This reserve is not available for distribution.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

STATEMENT OF CASH FLOWS

	Note	2023 TZS'000	2022 TZS'000
Cash flows from operating activities			
(Loss)/profit before income tax		(4,593,953)	967,348
Adjusted for:			
Depreciation and amortization	15	3,852,255	2,621,158
Interest expense on borrowings	31	984,669	929,893
Dividend received		(36,531)	(27,313)
Loss on disposal of property and equipment		30,554	-
Foreign exchange difference on leases		4,965	-
Finance cost on Lease liability	36(ii)	326,917	242,244
Other movements		-	236,078
Exchange (gain)/loss in cash and cash equivalent		(711,499)	5,314
		(142,623)	**4,974,722**
Changes in operating assets and liabilities:			
Change in statutory minimum reserve		(1,099,172)	(1,155,781)
Change in loans and advances to customers		443,775	(6,131,856)
Change in other assets		229,783	(1,043,046)
Change in deposits from banks		23,729,983	(815,517)
Change in deposits from customers		(1,888,073)	16,650,075
Change in other liabilities		103,588	(21,137)
Change in government securities		(16,057,937)	(12,685,923)
Cash generated/(used in) from operations		**5,319,324**	**(228,463)**
Income tax received/(paid)	28	313,079	(297,021)
Net cash generated from/(used in) operating activities		**5,632,403**	**(525,484)**
Cash flows from investing activities			
Purchase of property and equipment	25	(270,281)	(767,027)
Purchases of intangible assets	26	(414,884)	(783,114)
Purchases of right of use assets	36(ii)	-	(34,018)
Dividend received		36,531	27,313
Net cash used in investing activities		**(648,634)**	**(1,556,846)**
Cash flows from financing activities			
Dividends paid		(15,304)	(64,748)
Proceeds from borrowing	31	-	4,000,000
Lease payment-principal	36(ii)	(901,979)	(675,709)
Lease payment-interest	36(ii)	(326,917)	(242,244)
Principal repayments of borrowings	31	(674,196)	(609,301)
Interest repayments of borrowings	31	(997,428)	(846,153)
Net cash (used in)/generated from financing activities		**(2,915,824)**	**1,561,845**
Increase/(decrease) in cash and cash equivalents		**2,067,945**	**(520,485)**
Cash and cash equivalents at the beginning of the year		13,249,861	13,775,660
Exchange gain/(loss) in cash and cash equivalent		711,499	(5,314)
Cash and cash equivalents at the end of the year	35	**16,029,305**	**13,249,861**

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

1. GENERAL INFORMATION

DCB Commercial Bank Plc is a Public Limited Company and is incorporated and domiciled in the United Republic of Tanzania. The Bank is listed on the Dar es Salaam Stock Exchange (DSE). The address of its registered office and principal place of business are disclosed in the corporate information on page 1 of this report. The principal activities of the Bank are described in the report of the Directors.

2. BASIS OF PREPARATION

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

The Bank's financial statements have been prepared in accordance with and comply with IFRS Accounting Standards and the requirements of the Companies Act, 2002; the Banking and Financial Institutions Act, 2006 and National Board of Accountants and Auditors Technical Pronouncements.

The financial statements comprise the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the notes. The measurement basis applied in the preparation of these financial statements is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Tanzania shillings (TZS).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Directors to exercise judgement in the process of applying the Bank's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. The Directors believe that the underlying assumptions are appropriate and that the Bank's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

3. CHANGES IN ACCOUNTING POLICIES

i) New and amended standards adopted by the Bank

Number	Effective date	Executive summary
IFRS17, 'Insurance contracts'	Annual periods beginning on or after 1 January 2023	The IASB issued IFRS 17, 'Insurance contracts', and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators. Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period. Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less. For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

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

Number	Effective date	Executive summary
IFRS 17, Insurance contracts Amendments	Annual periods beginning on or after 1 January 2023	In response to some of the concerns and challenges raised, the Board developed targeted amendments and a number of proposed clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and ease transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard or unduly disrupt implementation already underway.
Amendment to IAS 1, 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current	Annual periods beginning on or after 1 January 2023	The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. A number of requirements are required to be met in conjunction with this amendment.
Amendments to IAS 12, Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Annual periods beginning on or after 1 January 2023. Earlier application is permitted.	The amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.
Narrow scope amendments to IAS 1 'Presentation of Financial Statements', Practice statement 2 and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'	Annual periods beginning on or after 1 January 2023. Earlier application is permitted.	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish changes in accounting policies from changes in accounting estimates.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

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

Certain new accounting standards and interpretations have been published that are not mandatory for this reporting period and have not been early adopted by the Bank. The Bank's assessment of the impact of these new standards and interpretations is set out below:

Number	Effective date	Executive summary
Amendments to IAS 1 - Non-current liabilities with covenants	Annual periods beginning on or after 1 January 2024	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.
Amendment to IFRS 16 – Leases on sale and leaseback	Annual periods beginning on or after 1 January 2024	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.
Amendments to Supplier Finance Arrangements (IAS 7 and IFRS 7)	Annual periods beginning on or after 1 January 2024	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.
Amendments to IAS 21 Lack of Exchangeability (Amendments to IAS 21)	Annual periods beginning on or after 1 January 2025	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

4. MATERIAL ACCOUNTING POLICIES

The material accounting policies adopted in the preparation of these financial statements are set out below.

(a) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Tanzania shillings (TZS), rounded to the nearest thousands, which is the Bank's functional currency.

(ii) Transactions and balances

Transactions in foreign currencies during the year are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currency are translated with the closing rate as at the end of the reporting period. Non-monetary items measured at historical cost denominated in a foreign currency are translated at the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

(b) Interest income and expense

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

i) Purchased or originated credit-impaired (POCI) financial assets, for which the original credit – adjusted effective interest is applied to the amortised cost of the financial asset.

ii) Financial assets that are not 'POCI' but have subsequently become credit-impaired (or stage 3), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

(c) Fee and commission income and expense

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating, and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Bank to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Bank does not designate loan commitments as financial liabilities at fair value through profit or loss.

Fees and commission are generally recognized on an accrual basis when the service has been provided. Commitment fees for loans that are likely to be drawn down are deferred and recognized as an adjustment to the effective interest rate on the loan. Commissions and fees arising from various services offered by the Bank are recognized upon completion of underlying transaction on which the bank will have satisfied the performance obligation.

(d) Financial assets and financial liabilities

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instruments. Regular way purchases and sales of financial assets are recognised on trade – date on which the Bank commits to purchase or sell the asset.

At initial recognition, the Bank measure a financial asset or financial liability at its fair value plus or minus in the case of a financial asset or financial liability not a fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debts instruments measured at FVOCI, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

4. MATERIAL ACCOUNTING POLICIES (CONTINUED

(d) Financial assets and financial liabilities

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

(i) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
(ii) In all other cases, the difference is deferred, and the timing or recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

Financial Assets

(i) Classification and subsequent measurement

The Bank classifies its financial assets in accordance to IFRS 9 and in the following measurement categories:
- Fair Value through other comprehensive income (FVOCI); or
- Amortised cost.

Classification and subsequent measurement of debt instruments depend on:
(i) The Bank's business model for managing the asset; and
(ii) The cash flow characteristics of the asset.

Based on these factors, the Bank classifies its debt instruments into one of the following three categories:
- Amortised cost: Assets that are held for collection for contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 6. Interest income from these financial assets is included in 'Interest and similar income' using effective interest rate method. Loans and advances to customers, financial assets held to collect (such as government securities), cash and balances with BOT, placement with other banks and other assets fall under this classification.
- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principals and interest, and that are not designated at FVPL, re measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit and loss. When the financial asset is derecognised in 'Net Investment income'. Interest income from these financial assets is included in 'interest income' using the effective interest rate method.

Business model: the business model reflects how the Bank manages the assets in order to generate cash flows. That is, whether the Bank's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of the assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model for a Bank of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Another example is the liquidity portfolio of assets, which is held by the Bank as part of liquidity management and is generally classified within the hold to collect and sell business model. Securities held for trading are held principally for the purposes of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of Short-term profit taking. These securities are classified in the 'other' business model and measured at FVOCI

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principals and interest.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

4. MATERIAL ACCOUNTING POLICIES (CONTINUED

d) Financial assets and financial liabilities (continued)

Financial Assets (continued)

(i) Classification and subsequent measurement (continued)

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

(ii) Impairment

The Bank assesses on a forward –looking basis the expected credit losses ('ECL') associated with its debt instruments assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Bank recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability – weighted amount that is 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 efforts at the reporting date about past events, current conditions and forecast of future economic conditions.

(iii) Modification of loans

The Bank sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Bank assess whether the new terms are substantially different to the original terms. The Bank does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantially new terms are introduced, such as a profit share/equity- based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant changes in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affects the credit risk associated with the loan.

If the terms are substantially different, the Bank derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of the initial recognition for impairment calculation purposes, including for the purposes of determining whether a significant increase in credit risk has occurred. However, the Bank also assessed whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as gains or loss on derecognition. If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

(iv) Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Bank transfers substantially all the risks and rewards of ownership, or (ii) the Bank neither transfers nor retains substantially all the risks and rewards of ownership and the Bank has not retained control.

The Bank enters transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards.

These transactions are accounted for as 'pass through' transfers that result in derecognition if the Bank:

i) Has no obligation to make payments unless it collects equivalent amounts from the assets.
ii) Is prohibited from selling or pledging the assets; and
iii) Has an obligation to remit any cash it collects from the assets without material delay.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

4. MATERIAL ACCOUNTING POLICIES (CONTINUED

d) Financial assets and financial liabilities (continued)

Financial Assets (continued)

Collateral (shares and bonds) furnished by the Bank under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Bank retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Bank retains a subordinated residual interest.

Equity instruments

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

The Bank subsequently measures all equity investments at fair value through profit or loss, except where the Bank's management has elected, at initial recognition, to irrevocably designated an equity investment at fair value through other comprehensive Income. The Bank's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Bank's right to receive payments is established. Gains and losses on equity investments at FVPL are included in the 'Net trading income' line in the statement or profit or loss.

Financial Liabilities

(i) Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to Changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;

- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Bank recognises any expense incurred on the financial liability; and
- Financial guarantee contracts and loan commitments
- Lease liabilities: Financial obligations to make payments arising from a lease, measured on a discounted basis. Lease liability is calculated using the present value of the lease payments over the lease term discounted, typically, using the lessee's incremental borrowing rate.

(ii) Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).
The exchange between the Bank and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

4. MATERIAL ACCOUNTING POLICIES (CONTINUED

d) Financial assets and financial liabilities (continued)

Financial Liabilities (continued)

(i) Classification and subsequent measurement (continued)

The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Financial guarantee contracts and loan commitments

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 commitments provided by the Bank are measured as the amount of the loss allowance. 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.

(e) Income tax

Income tax expense is the aggregate of the charge to the statement of profit or loss comprehensive income in respect of current income tax and deferred income tax. Current income tax is the amount of income tax payable on the taxable profit for the period determined in accordance with the Tanzanian Income Tax Act.

Deferred income tax is provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred income tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit/loss, it is tax not accounted for.

Deferred income tax is determined using rates and laws that have been enacted or substantively enacted at the end of reporting period and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled. Deferred income 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.

(f) Provisions

Provisions are recognized 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

4. MATERIAL ACCOUNTING POLICIES (CONTINUED

(g) Property and equipment

Property and equipment are stated at cost, less accumulated depreciation, and any accumulated impairment in value. Depreciation is calculated on the straight-line basis at annual rates estimated to write down the carrying values of the assets to their residual value over their expected useful lives. The annual rates in use are:

	Year 2023	Year 2022
Office machinery and equipment	20.0%	20.0%
Furniture, fixtures, and fittings	20.0%	20.0%
Computers and IT equipment	25.0%	25.0%
Generator	12.5%	12.5%
Motor vehicles	25.0%	25.0%
Leasehold improvements	10.0%	10.0%

The assets residual values and useful lives are reviewed and adjusted, if appropriate, at the end of the reporting period. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

(h) Leases-Lease liability and right of use Asset

The Bank leases office space in various parts of the region. Rental contracts are typically made for fixed periods of 5 to 10 years but may have extension options. Lease terms are negotiated on an individual basis, but lease agreements do not impose any covenants, and leased assets may not be used as security for borrowing purposes.

Contracts may contain both lease and non-lease components. The Bank allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Bank is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component. Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Bank. Each lease payment is allocated between the liability and finance cost.

The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

For measurement of the lease liabilities, the lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Bank, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Bank:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by DCB Bank, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability.
- any lease payment made at or before the commencement date less any lease incentive received
- any initial direct costs and or restoration costs

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Extension and termination options are included in several property leases contracts. These terms are used to maximize operational flexibility in terms of managing contracts.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

4. MATERIAL ACCOUNTING POLICIES (CONTINUED

(h) Leases-Lease liability and right of use Asset

(i) Intangible assets

Acquired computer software licenses are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Intangible assets are amortized over the useful economic life of 10 years.

(j) Cash and cash equivalents

Cash and cash equivalents as referred to in the statement of cash flows comprises cash on hand, deposits held at call with Banks and investments in money market instruments with maturity periods of three months. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and all cash equivalent items original maturing within 90 days from the date of acquisition including non-restricted balances with the Bank of Tanzania, treasury bills, loans and advances to other banks, amounts due from other Banks and short-term investment securities. Cash and cash equivalents exclude the cash reserve requirement held with the Bank of Tanzania. Interest income and expense other than from borrowings is considered as cash from operating activities. Interest expense on borrowings is treated cash from financing activities.

(k) Employees' benefits

Short-term employment benefits such as salaries, social security contributions, and leave fare assistance are recognized in profit or loss when they fall due.

(i) Post retirement benefits

- The Bank operates a defined contribution plan whereby each of its employees and the Bank contribute 5% and 15% respectively, of the employees' monthly salaries to the Managed Statutory Fund, namely the Public Service Social Security Fund (PSSSF). The Bank has no further commitments or obligations to the Funds, and it has no other post-retirement benefit scheme. The contributions are charged to profit or loss in the year to which they relate.

(ii) Other employee benefits

- The Bank provides free medical treatment to staff and their eligible dependents. The cost is charged to profit or loss. The estimated monetary liability for employees' accrued leave entitlement at the statement of financial position date is recognized as an expense accrual.

(l) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(m) Share capital

The Bank has only one class of ordinary shares which is classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

Dividends on shares
Dividend payable is recognized as liability in the period in which it is declared. Proposed dividends are disclosed as a separate component of equity. Before recommending any dividend, the Board of Directors may set aside out of the profits of the Bank, such sums as they think proper, to a reserve fund or reserve account, which shall at the discretion of the Board, be applicable for any purpose for which the profits of the Bank may lawfully be applied. Whenever dividend is declared, the amount shall not exceed 50% of the annual profit after tax.

(n) Statutory credit risk reserve

The statutory credit risk reserve includes the amount by which the Central bank of Tanzania requires in addition to the IFRS impairment provision. Changes in this reserve are accounted for as transfers to and from retained earnings as appropriate.

(o) Fair valuation reserve

The fair valuation reserve includes the fair value gains (losses) on financial instruments held at FVOCI net of deferred tax asset (liability) on the same.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

4. MATERIAL ACCOUNTING POLICIES (CONTINUED

(p) Earnings per share

The Bank presents basic and diluted earnings per share (EPS) in the consolidated and Bank financial statements. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of shares outstanding for the effects of all dilutive potential ordinary shares.

(q) Segment reporting

The Bank has the following operating segments: Treasury, Retail Banking and other. Following the management approach to IFRS 8, operating segments are reported in a manner consistent with the internal reporting to the Bank's management team, which is responsible for allocating resources to the reportable segments and assessing their performances. All operating segments used by the Bank meet the definition of a reportable segment under IFRS 8.

(r) Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information. Where deemed appropriate, classification for the comparative numbers has been adjusted to align with current year's presentation.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Bank's accounting policies.

This note provides an overview of the areas that involve a higher degree of judgement or complexity, and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year. Detailed information about each of these estimates and judgements is included in the related notes together with information about the basis of calculation for each affected line item in the financial statements.

a) Measurement of the expected credit loss allowance

The Bank measurement of the expected credit loss allowance for financial assets measured at amortized cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g., the likelihood of customers defaulting and the resulting losses). The Bank uses several significant judgements in applying the accounting requirements for measuring ECL, such as:

- Determination criteria for significant increase in credit risk.
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Estimating Probability of default, Exposure at Default and Loss Given Default
- Detailed information about the judgement and estimates made by the Bank are explained under note 6.1.
- Sensitivity of probably weightings and macros analysis for expected credit losses per segment has been done under note 6.1.3.4.

b) Useful lives of Property and equipment, leased premises refurbishments and intangible assets

Critical estimates are made by the Directors in determining the useful lives of property and equipment, leased premises refurbishment and intangible assets as well as their residual values.

c) Taxes

The Bank is subjected to several taxes and levies by various government and quasi- government regulatory bodies. As a rule of thumb, the Bank recognizes liabilities for the anticipated tax /levies payable with utmost care and diligence.

However, significant judgment is usually required in the interpretation and applicability of those taxes /levies. Should it come to the attention of management, in one way or the other, that the initially recorded liability was erroneous, such differences will impact on the income and liabilities in the period in which such differences are determined.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

c) Taxes (Continued)

The recognition of deferred tax asset relies on an assessment of the probability and sufficiency of future taxable profit, future reversals of existing taxable temporary differences and ongoing tax planning and strategies. The deferred tax recognized in the Bank's statement of financial position as of 31 December 2023 was TZS 7.04 billion (2022: TZS 5.2 billion). The judgment takes into consideration the effect of both positive and negative evidence, including historical financial performance, projections of future taxable income and future reversals of existing taxable temporary differences. Additional information about the Company's plans to generate sufficient taxable profits to utilize the deferred income tax asset is disclosed on Note 30 of the financial statements.

d) Provisions and Contingent liabilities

The Bank has contingent liabilities arising out of pending legal cases. Professional expert advice is taken on establishing litigation provisions. Provisions for legal proceedings and regulatory matters typically require a higher degree of judgements than other types of provisions. When cases are at an early stage, accounting judgements can be difficult because of the high degree of uncertainty associated with determining whether a present obligation exists because of a past event, estimating the probability of outflows and making estimates of the amount of any outflows that may arise.

As matters progress through various stages of the cases, Management together with legal advisers evaluate on an ongoing basis whether provisions should be recognized, and the estimated amounts of any such provisions, revising previous judgements and estimates as appropriate. At the year-end not legal cases that amount for recognition.

e) Leases

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

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

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

In applying IFRS 16 the Bank has used the following permitted practical expedients:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics for which TZS leases rate use is 11 percent and USD leases rate use is 4 percent.
- the accounting for operating leases with a lease term of less than 12 months and lease of low value.
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- The use of hindsight in determining the leases term where the contract contains options to extend or terminate the lease.

6. FINANCIAL RISK MANAGEMENT

The Bank's business involves taking on risks in a targeted manner and managing them professionally. The core functions of the Bank's risk management are to identify all key risks for the Bank, measure these risks, manage the risk positions and determine capital allocations. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice.

The Bank's aim is to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Bank's financial performance. The Bank defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

The Bank's risk management policies are established to identify and analyses 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. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign-exchange risk, interest-rate risk, credit risk, and liquidity risk. Risk management is carried out by the Risk and Compliance Department under policies approved by the Board of Directors. The risk and compliance department evaluate financial risk in close co-operation with the operating units.

6.1 Credit risk

The Bank takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss to the Bank by failing to discharge an obligation. Credit risk is the most important risk for the Bank's business. Management, therefore, carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities that bring debt securities and other bills into the Bank's asset portfolio. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. The credit risk management and control are centralized in the credit risk management team of the Bank and reported to the Board of Directors and heads of department regularly.

Loans and advances (including loan commitments and guarantees)

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Bank uses general approach in measuring credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) by taking into consideration 12-month credit loss unless significant increase in credit risk occurs then lifetime credit loss is measured. This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9.

Risk portfolios

The segmentation into risk portfolios is based on Bank's segments at industry and product levels. For impairment assessment, the Bank's total exposures are segmented along product lines. The Bank is of the opinion that these segmentations share similar credit risk characteristics and can be monitored collectively for credit risk. These segments are:

- Corporate and SME Loans
- Housing and Mortgage loans
- Salaried loans
- Microfinance (SGL) loans

The Bank uses internal credit risk grading that reflects its assessment of the probability of default of individual counterparties. The Bank use internal rating models tailored to the various categories of counterparty. Borrower and loan specific information collected at the time of application (such as disposable income, and level of collateral for retail exposures; and turnover and industry type for wholesale exposures) is fed into this rating model. This is supplemented with external data applied in forward looking scenarios. In addition, the models enable expert judgement from the Credit Risk Officer to be fed into the final internal credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model.

Each risk portfolio is further divided into risk groups based on:
- Days Past Due (DPD) intervals (applicable only for non-defaulted exposures and defaulted exposures),
- Internal client rating.

On the default identification approach, days past due (DPD) are examined at the transaction for retail portfolio and at the client level for corporate where the following conditions are considered:

- DPD at the transaction level is counted from the date, on which any part of the exposure becomes due, regardless of the amount of due exposure.
- DPD at the client level is the maximum DPD out of all exposures to the client.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.1 Credit risk measurement

The bank segment of Risk Groups (RGs) by categories in the ECL model is as shown below:

Risk Group	Salaried, Corporate and SME, Housing and Mortgage loans Number of days past due	Microfinance (SGL) Number of days past due
Risk Group 1 (RG1)	Not due	Not due
Risk Group 2 (RG2)	1-30 days	1-5 days
Risk Group 3 (RG3)	31 - 60 days	6-15 days
Risk Group 4 (RG4)	61-90 days	16 - 30 days
Default Risk Group (RG5)	Above 90 days	Above 30 days

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

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

Bank's rating	Risk Group	Description of the grade
1	RG1	Current
2	RG2	Current
3	RG3	Especially mentioned
4	RG4	Especially mentioned
5	RG5	Sub-standard, Doubtful and Loss

Treasury products

For debt securities in the treasury portfolio, balances with central bank, balances due from other banks and other assets, external credit rating agency's grades are used. These published grades are continuously monitored and updated. The PD's associated with each grade are determined based on realized default rates over the prior 12 months, as published by the rating agency.

6.1.2 Risk limit control and mitigation policies

The Bank manages limits and controls concentrations of credit risk wherever they are identified. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to group of borrowers.

The Board has delegated responsibility for the management of credit risk to the Board Audit and Risk Compliance Committee responsible for overseeing of the Bank's credit risk including:

- Formulating credit policies, covering collateral requirements, credit assessment, risk grading, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorization structure of the approval and renewal of the credit facilities. Authorization limits are allocated to various officers at different levels. Larger facilities require approval by Board of Directors.
- Reviewing and assessing credit risk. Credit department assesses all credit exposures prior to facilities being committed to customers concerned. Renewals and reviews of facilities are subject to the same review process.
- Reviewing compliance of business units with agreed exposure limits. Regular reports are provided to Board through Board Audit and Compliance Committee in respect of the quality of loan portfolio; and
- Providing advice, guidance and specialist skills to business units to promote best practice in the management of credit risk.

Regular audits of credit department processes are undertaken by internal audit department. The internal rating scale assists Directors to determine whether there is significant increase in credit risk, based on the following criteria set out by the Bank:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.2 Risk limit control and mitigation policies (continued)

- Delinquency in contractual payments of principal or interest.
- Cash flow difficulties experienced by the borrower.
- Breach of loan covenants or conditions; and
- Deterioration in the value of collateral.

The Bank's policy requires the review of individual financial assets regularly and monitoring is on weekly basis for SGL product and other portfolio on monthly basis. Microfinances have cash covers of not less that 30% before loan initial recognition, most salaried loan are unsecured, and rest of the segments are secured by;

- Mortgages over properties
- Charges over business assets such as inventory and accounts receivable
- Charges over financial instruments such as debt securities and equities and
- Cash Covers

Credit-related commitments

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

Undrawn commitments represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on undrawn commitments, 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 undrawn commitments 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.

6.1.3 Expected credit loss measurement.

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

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Bank.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit impaired. Refer to note 6.1.3.1 for a description of how the Bank determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to note 6.1.3.2 for a description of how the Bank defines credit-impaired and default.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to note 6.1.3.3 for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Note 6.1.3.4 includes an explanation of how the Bank has incorporated this in its ECL models.

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

Further explanation is also provided of how the Bank determines appropriate groupings when ECL is measured on a collective basis (refer to note 6.1.3.5).

The following diagram summarizes the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.3 Expected credit loss measurement (continued)

Change in credit quality since initial recognition		
Stage 1	**Stage 2**	**Stage 3**
Initial recognition	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12 month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

6.1.3.1: Significant increase in credit risk (SICR)

The Bank decision on whether expected credit losses are based on 12-month expected credit losses or lifetime expected credit losses depends on whether there has been a significant increase in credit risk since initial recognition. An assessment of whether credit risk has increased significantly is made at each reporting date. When making the assessment, the Bank uses the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses. This forms the basis of stage 1, 2 and 3 classification and subsequent migration.

The Bank applies qualitative and quantitative criteria for stage classification and for its forward and backward migration.

Quantitative factors:

The bank monitors the performance based on aging and therefore uses days past due criteria in line with the Bank on Tanzania. The table below shows the stages assigned to various risk groups depending on the number of days past due which is a measure of the significant increase in credit risk: The bank also uses 30 days' rebuttable presumption that credit risk has increased significantly when repayment is on monthly basis and 5 days when repayment is on weekly basis.

	Salaried, Corporate and SME, Housing and Mortgage loans	Microfinance (SGL)	
Risk Group	**Number of days past due**	**Number of days past due**	**Staging based on IFRS 9**
Risk Group 1 (RG1)	Not due	Not due	Stage 1
Risk Group 2 (RG2)	1-30 days	1-5 days	Stage 1
Risk Group 3 (RG3)	31 - 60 days	6-15 days	Stage 2
Risk Group 4 (RG4)	61-90 days	16 - 30 days	Stage 2
Default Risk Group (RG5)	Above 90 days	Above 30 days	Stage 3

Qualitative factors

There are other factors that are considered by the bank policies in the determination of significant increase in credit risk. They include but not limited to the following:

Significant changes in the terms of the same instrument if it were issued at the reporting date that indicate a change in credit risk since initial recognition, e.g., increase in credit spread; more stringent covenants; increased amounts of collateral or guarantees; or higher income coverage.

Significant changes in external market indicators of credit risk for the same financial instrument (or similar instrument of the borrower), E.g., credit spread; credit default swap prices; length of time or the extent to which the fair value of a financial asset has been less than its amortized cost; other market information related to the borrower, such as changes in the price of a borrower's debt and equity instruments; or external credit rating (actual or expected).

Changes in the Bank's credit management approach in relation to the financial instrument (e.g., based on emerging indicators of changes in the credit risk of the financial instrument, the bank's credit risk management practice is expected to become more active or focused on managing the instrument, including the instrument becoming more closely monitored or controlled, or the bank specifically intervening with the borrower).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.3 Expected credit loss measurement (Continued)

6.1.3.1: Significant increase in credit risk (SICR) (continued)

Actual or expected adverse changes in business, financial or economic conditions significantly affecting borrower's ability to meet its debt obligations (e.g. increase in interest rates or unemployment rates); operating results of the borrower e.g. declining revenues or margins, increasing operating risks, working capital deficiencies, decreasing asset quality, increased balance sheet leverage, liquidity, management problems or changes in the scope of business or organizational structure (such as the discontinuance of a segment of the business) that results in a significant change in the borrower's ability to meet its debt obligations; or regulatory, economic, or technological environment of the borrower that results in a significant change in the borrower's ability to meet its debt obligations (e.g. a decline in the demand for the borrower's sales product because of a shift in technology).

Significant changes in the value of collateral or in the quality of third-party guarantees or credit enhancements, which are expected to reduce the borrower's economic incentive to pay or otherwise effect the probability of default (e.g. if the value of collateral declines because house prices decline, borrowers in some jurisdictions have a greater incentive to default on their mortgages); or quality of a guarantee provided

by a shareholder (or an individual's parents) if the shareholder (or parents) have an incentive and financial ability to prevent default by capital or cash infusion.

Expected changes in the loan documentation (e.g., breach of contract leading to covenant waivers or amendments, interest payment holidays, interest rate step-ups, requiring additional collateral or guarantees).

Significant changes in the expected performance and behavior of the borrower, including changes in the payment status of borrowers in the group (e.g., increase in delayed contractual payments or number of credit card borrowers expected to approach or exceed their credit limit or who are expected to be paying the minimum monthly amount).

6.1.3.2: Definition of default and credit impaired assets

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

Quantitative

The Bank considers a term loan to be in default if the repayments on the loan are more than 90 days past due for all Corporate Loans, Housing and Mortgage, Salaried loans and SME Loans. Term loans under the SGL are in default if the repayments on the loans are more than 30 days past due. See the table in section 6.1.3.1 above.

Qualitative criteria

The borrower meets unlikeliness to pay criteria, which indicates he is in significant financial difficulty. These are instances where the borrower is in long-term forbearance, deceased, insolvent, in breach of financial covenant(s), an active market for that financial asset has disappeared because of financial difficulties, Concessions have been made by the lender relating to the borrower's financial difficulty, or it is becoming probable that the borrower will enter bankruptcy.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.3 Expected credit loss measurement (Continued)

6.1.3.3: Measuring ECL – Explanation of inputs, assumptions and estimation techniques (continued)

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

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

6.1.3.4: Forward-looking information incorporated in the ECL models

The calculation of ECL incorporate forward-looking information. The Bank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

In the expected credit losses models, the Bank relies on a broad range of forward-looking information as economic factors, which includes:
- Interest rate.
- Gross domestic product GDP.
- Population.
- Employment, Labor force.
- Money supply.
- Exchange rate.
- Household spending.
- Foreign reserve.
- Inflation.

The bank tested correction between macroeconomic variables and Historical data per segments, the highest correction selected and applied to a specific segment to forecast the future probability of default, recovery rate and cure rate. The Historical and forecasted economic variables have been adopted from among of the big three credit rating agencies in the world with the most recent forecast made in 2020.

Sensitivity Analysis

The bank has sensitized the assumptions affecting the ECL allowance based on weightings and macro-economic variables applied.

Weightings assigned to each economic scenario into Base line (80%), Best Case (10%) and worst case (10%), by taking Base line (50%), Best Case (25%) and worst case (25%) the bank ECL would change as indicated below:

Year ended 31 December 2023 '(000) **Segment**	**Base line (80%), Best Case (10%) and worst case (10%)**	**Base line (50%), Best Case (25%) and worst case (25%)**	**Impact of changing weightings**
Corporate and SME	266,588	272,555	(5,967)
Housing and Mortgage loans	19,472	20,583	(1,111)
Microfinance (SGL)	1,224,931	1,222,461	2,470
Salaried loans	3,037,188	3,016,529	20,659
Total	**4,548,179**	**4,532,128**	**16,051**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.3 Expected credit loss measurement (Continued)

6.1.3.3: Measuring ECL – Explanation of inputs, assumptions and estimation techniques (continued)

Year ended 31 December 2022			
Segment	Base line (80%), Best Case (10%) and worst case (10%)	Base line (50%), Best Case (25%) and worst case (25%)	Impact of changing weightings
Corporate and SME	432,469	435,217	(2,748)
Housing and Mortgage loans	127,001	128,364	(1,363)
Microfinance (SGL)	1,546,490	1,533,799	12,691
Salaried loans	7,412,099	7,838,165	(426,066)
Total	**9,518,059**	**9,935,545**	**(417,486)**

The bank tested correction between macroeconomic variables and historical data per segments, the highest correction selected and applied to a specific segment to forecast the future probability of default, recovery rate and cure rate. The following table indicates the impact of increasing each macroeconomic variable selected per segment by 5% per annual.

Segment	ECL at 31 December 2023	ECL after increase of 5% for each highest correlated variable per segment	Impact of Changing each Macroeconomic variable by 5% pa
Corporate and SME	266,588	266,613	(25)
Housing and Mortgage loans	19,472	20,819	(1,347)
Microfinance (SGL)	1,224,931	1,225,062	(131)
Salaried loans	3,037,188	3,037,757	(569)
Total	**4,548,179**	**4,550,251**	**(2,072)**

Segment	ECL at 31 December 2022	ECL after increase of 5% for each highest correlated variable per segment	Impact of Changing each Macroeconomic variable by 5% pa
Corporate and SME	432,469	204,788	227,681
Housing and Mortgage loans	127,001	86,791	40,210
Microfinance (SGL)	1,546,490	1,548,259	(1,769)
Salaried loans	7,412,099	7,083,669	328,430
Total	**9,518,059**	**8,923,507**	**594,552**

6.1.3.5 Grouping of instruments for losses measured on a collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous. According to IFRS, the Bank shall group its financial assets into homogenous groups with similar credit risk characteristics for the purpose of credit risk parameters calculation. In the Methodology the process of grouping the portfolio is further referred to as portfolio segmentation.

For the purpose of practical implementation, it is assumed that exposures with similar risk profile are allocated to the same *risk portfolio*, and further to the same *risk group* within the portfolio. A single risk group within is assumed to be the homogenous group of assets according to the IFRS definition.

The segmentation criteria used by the Bank are primarily based on expert judgment and experience of the Bank's employees, supported by statistical verification of historical data where necessary. The general segmentation criteria are presented below:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.3 Expected credit loss measurement (Continued)

6.1.3.5 Grouping of instruments for losses measured on a collective basis (continued)

- **Corporates and SME Loans**- The corporate loans include all overdraft, and all commercial loans granted for duration not exceeding three years for working capital purposes as revolving line of credit, expansion or modernization of the plant and facilities. Except overdraft, Corporate loans& SME loans duration is to a maximum of three years, the corporate commercial loans are for working capital and investment. Both overdraft and corporate commercial loans are secured by legal mortgage or against own fund. These Loans have monthly, quarterly, or semiannual repayment of both principal and interest unlike overdraft where repayment depends on account operations.
- **Housing and Mortgage loans** - The loans are granted for the purpose of house purchase, renovation, and construction. The house finance by the bank is pledged as security. Loans tenure up to 5 years for housing microfinance and 15 years for mortgage with monthly instalment of principal and interest. All housing microfinance is for residential purposes and mortgage for both commercial and residential purposes.
- **Salaried Loans** - This Credit scheme intends to cater for salaried employees' financial needs and in particular to assist salaried employees to gain financial home needs for both public and private sectors employees. A Collective Guarantee Agreement between the bank and the employer shall act as a security for the loan, for loans above TZS 50 million the borrower should pledge security. Employers deduct loans instalment on monthly basis from employees monthly earning. This loan has maximum of 7 years' tenures. The maximum loans amount for is TZS 500Million for secured and TZS 50 million for unsecured facility.
- **Microfinance (SGL)**- These loans granted to self-employed households and youth, small amount which security is based on group guarantee with weekly regular re-payments and deposits. Loan amounts range from TZS 350,000 to TZS 5,000,000 with loan tenure to maximum of 1 year (12 months). Weekly cash deposit and Group guarantee are the main collateral for this product.

6.1.4.1: Maximum exposure to credit risk – Financial instruments subject to impairment

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

(a) The bank exposure -All segment

2023	ECL Staging			
Amounts in TZS'000 Credit grade (Risk Group)	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
RG 1	100,282,108	-	-	100,282,108
RG 2	12,277,895	-	-	12,277,895
RG 3	-	3,478,263	-	3,478,263
RG 4	-	2,068,389	-	2,068,389
RG Default	-	-	6,845,418	6,845,418
Gross Carrying amount	**112,560,003**	**5,546,652**	**6,845,418**	**124,952,073**
Loss allowance	(1,075,887)	(800,805)	(2,671,487)	(4,548,179)
Carrying amount	**111,484,116**	**4,745,847**	**4,173,931**	**120,403,894**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.3 Expected credit loss measurement (Continued)

6.1.3.5 Grouping of instruments for losses measured on a collective basis (continued)

2022	ECL Staging			
Amounts in TZS'000 Credit grade (Risk Group)	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
RG 1	93,257,613	-	-	93,257,613
RG 2	10,247,427	-	-	10,247,427
RG 3	-	5,978,433	-	5,978,433
RG 4	-	4,950,352	-	4,950,352
RG Default	-	-	15,931,903	15,931,903
Gross Carrying amount	**103,505,040**	**10,928,785**	**15,931,903**	**130,365,728**
Loss allowance	(939,934)	(1,686,638)	(6,891,487)	(9,518,059)
Carrying amount	**102,565,106**	**9,242,147**	**9,040,416**	**120,847,669**

The bank exposure for each segment is shown as below.

(b) Corporates and SME Loans

2023	ECL Staging			
Amounts in TZS'000	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Credit grade (Risk Group)				
RG 1	30,129,907	-	-	30,129,907
RG 2	5,806,167	-	-	5,806,167
RG 3		1,310,935	-	1,310,935
RG 4	-	787,128	-	787,128
RG Default			1,972,126	1,972,126
Gross Carrying amount	**35,936,074**	**2,098,063**	**1,972,126**	**40,006,263**
Loss allowance	(113,363)	(87,026)	(66,199)	(266,588)
Carrying amount	**35,822,711**	**2,011,037**	**1,905,927**	**39,739,675**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.4 Credit risk exposure (continued)

6.1.4.1: Maximum exposure to credit risk – Financial instruments subject to impairment (continued)

(b) Corporates and SME Loans

2022	ECL Staging			
Amounts in TZS'000 Credit grade (Risk Group)	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
RG 1	30,145,224	-	-	30,145,224
RG 2	3,495,204	-	-	3,495,204
RG 3	-	1,678,196	-	1,678,196
RG 4	-	1,860,637	-	1,860,637
RG Default	-	-	3,477,564	3,477,564
Gross Carrying amount	**33,640,428**	**3,538,833**	**3,477,564**	**40,656,825**
Loss allowance	(59,981)	(57,274)	(315,214)	(432,469)
Carrying amount	**33,580,447**	**3,481,559**	**3,162,350**	**40,224,356**

(c) Housing and Mortgage loans

2023	ECL Staging			
Amounts in TZS'000 Credit grade (Risk Group)	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
RG 1	20,711,931	-	-	20,711,931
RG 2	2,485,272	-	-	2,485,272
RG 3	-	344,367	-	344,367
RG 4	-	293,949	-	293,949
RG Default	-	-	1,162,240	1,162,240
Gross Carrying amount	**23,197,203**	**638,316**	**1,162,240**	**24,997,759**
Loss allowance	(14,490)	(370)	(4,612)	(19,472)
Carrying amount	**23,182,713**	**637,946**	**1,157,628**	**24,978,287**

2022	ECL Staging			
Amounts in TZS'000 Credit grade (Risk Group)	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
RG 1	10,415,852	-	-	10,415,852
RG 2	2,116,862	-	-	2,116,862
RG 3	-	984,552	-	984,552
RG 4	-	515,676	-	515,676
RG Default	-	-	1,859,279	1,859,279
Gross Carrying amount	**12,532,714**	**1,500,228**	**1,859,279**	**15,892,221**
Loss allowance	(13,926)	(16,235)	(96,840)	(127,001)
Carrying amount	**12,518,788**	**1,483,993**	**1,762,439**	**15,765,220**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.4 Credit risk exposure (continued)

6.1.4.1: Maximum exposure to credit risk – Financial instruments subject to impairment (continued)

(d) Salaried loans

2023	ECL Staging			
Amounts in TZS'000 Credit grade (Risk Group)	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
RG 1	48,062,023	-	-	48,062,023
RG 2	3,781,007	-	-	3,781,007
RG 3	-	1,585,370	-	1,585,370
RG 4	-	710,062	-	710,062
RG Default	-	-	2,349,301	2,349,301
Gross Carrying amount	**51,843,030**	**2,295,432**	**2,349,301**	**56,487,763**
Loss allowance	(937,752)	(706,552)	(1,392,884)	(3,037,188)
Carrying amount	**50,905,278**	**1,588,880**	**956,417**	**53,450,575**

2022	ECL Staging			
Amounts in TZS'000 Credit grade (Risk Group)	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
RG 1	48,986,247	-	-	48,986,247
RG 2	3,802,985	-	-	3,802,985
RG 3	-	2,433,476	-	2,433,476
RG 4	-	930,307	-	930,307
RG Default	-	-	7,979,179	7,979,179
Gross Carrying amount	**52,789,232**	**3,363,783**	**7,979,179**	**64,132,194**
Loss allowance	(836,510)	(1,534,851)	(5,040,738)	(7,412,099)
Carrying amount	**51,952,722**	**1,828,932**	**2,938,441**	**56,720,095**

(e) Microfinance

2023	ECL Staging			
Amounts in TZS'000 Credit grade (Risk Group)	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
RG 1	1,378,247	-	-	1,378,247
RG 2	205,449	-	-	205,449
RG 3	-	237,591	-	237,591
RG 4	-	277,250	-	277,250
RG Default	-	-	1,361,751	1,361,751
Gross Carrying amount	**1,583,696**	**514,841**	**1,361,751**	**3,460,288**
Loss allowance	(10,282)	(6,857)	(1,207,792)	(1,224,931)
Carrying amount	**1,573,414**	**507,984**	**153,959**	**2,235,357**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.4 Credit risk exposure (continued)

6.1.4.1: Maximum exposure to credit risk – Financial instruments subject to impairment (continued)

(e) Microfinance

2022	ECL Staging			
Amounts in TZS'000 Credit grade (Risk Group)	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
RG 1	3,710,290	-	-	3,710,290
RG 2	832,376	-	-	832,376
RG 3	-	882,209	-	882,209
RG 4	-	1,643,732	-	1,643,732
RG Default	-	-	2,615,881	2,615,881
Gross Carrying amount	**4,542,666**	**2,525,941**	**2,615,881**	**9,684,488**
Loss allowance	(29,517)	(78,278)	(1,438,695)	(1,546,490)
Carrying amount	**4,513,149**	**2,447,663**	**1,177,186**	**8,137,998**

(f) Off balance sheet exposures

2023	ECL Staging			
Amounts in TZS'000 Credit grade (Risk Group)	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
RG 1	21,571,709	-	-	21,571,709
Carrying amount	**21,571,709**	**-**	**-**	**21,571,709**

2022	ECL Staging			
Amounts in TZS'000 Credit grade (Risk Group)	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
RG 1	9,766,435	-	-	9,766,435
Carrying amount	**9,766,435**	**-**	**-**	**9,766,435**

g) Other financial instruments

Other financial assets are in stage 1. ECL was determined to be immaterial and therefore has not been recorded. See the summary of the maximum exposures below.

	2023	2022
Amounts in TZS'000	Total	Total
Financial Asset	12-month ECL	12-month ECL
Cash balances with Bank of Tanzania	18,914,717	15,431,928
Amounts due from other Banks and financial institutions	5,271,278	3,963,844
Other assets	736,763	1,799,769
Government securities	57,156,768	41,302,462
Gross carrying amount	**82,079,526**	**62,498,003**
Loss allowance	-	-
Carrying amount	**82,079,526**	**62,498,003**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.4 Credit risk exposure (continued)

6.1.4.2 Collateral and other credit enhancements

The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and are updated when the loan is up for renewal or when the loan is individually assessed as impaired.

For loans and advances to customers, the amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters. The main types of collateral obtained are as follows:

- For SGL, the security is group guarantee, cash cover as well as movable assets.
- For micro and small medium enterprises (MSME); collateral over residential properties.
- For salaried loans; employers' guarantees.
- For housing micro finance and mortgages; over residential properties.
- For Corporate loans, collateral over residential properties.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, except for asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

The Bank's policies regarding obtaining collateral have not significantly changed during the reporting

period and there has been no significant change in the overall quality of the collateral held by the Bank since the prior period. The Bank closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Bank will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below

As at 31 December 2023	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
Credit-impaired assets (stage 3)	TZS'000	TZS'000	TZS'000	TZS'000
Corporates and SME Loans	1,972,126	66,199	1,905,927	5,162,264
Housing and Mortgage loans	1,162,240	4,612	1,157,628	2,676,695
Salaried loans	2,350,427	1,392,884	957,543	-
Microfinance (SGL)	1,361,751	1,207,792	153,959	78,461
Total credit impaired assets	**6,846,544**	**2,671,487**	**4,175,057**	**7,917,420**

As at 31 December 2022	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
Credit-impaired assets (stage 3)	TZS'000	TZS'000	TZS'000	TZS'000
Corporates and SME Loans	3,477,565	315,214	3,162,351	6,527,691
Housing and Mortgage loans	1,859,279	96,840	1,762,439	3,409,587
Salaried loans	7,979,178	5,040,738	2,938,440	152,000
Microfinance (SGL)	2,615,881	1,438,695	1,177,186	64,528
Total credit impaired assets	**15,931,903**	**6,891,487**	**9,040,416**	**10,153,806**

6.1.5: Gross carrying amount

Significant changes in the gross carrying amount of financial assets that contributed to changes in the loss allowance was as follows.

- New loans booking/disbursements which increases stage 1, the bank do not have purchased credit impaired.
- Write off loans gross caring amount which resulted to decrease in impairment for stage 3 and

Restructuring of credit accommodation/Modification of contractual cash flows of financial assets. **NOTES TO**

THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.5: Gross carrying amount (continued)

The following table further explains changes in the gross carrying amount of each segmented portfolio to help explain their significance to the changes in the loss allowance for the same portfolio.

(a) Gross loans for the year 2023 Amounts in TZS'000	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2023	**103,505,040**	**10,928,785**	**15,931,903**	**130,365,728**
Movements				
Transfer from stage 1 to stage 2	(3,568,814)	1,967,012	-	(1,601,802)
Transfer from stage 1 to stage 3	(2,613,322)	-	1,558,032	(1,055,290)
Transfer from stage 2 to stage 1	743,499	(1,087,860)	-	(344,361)
Transfers from stage 2 to stage 3	-	(3,052,560)	2,068,584	(983,976)
Transfer from stage 3 to stage 1	272,042	-	(786,340)	(514,298)
Transfer from stage 3 to stage 2		31,980	(45,416)	(13,436)
Remained in stage	(12,174,750)	(299,940)	(420,711)	(12,895,401)
Financial assets derecognized during the period other than write-offs	(41,985,051)	(5,393,794)	(4,193,051)	(51,571,896)
Write-offs	(13,415)	-	(8,368,722)	(8,382,137)
New financial assets originated or purchased	69,457,603	2,370,146	1,179,430	73,007,179
Changes due to modifications that did not result in de-recognition	(1,062,829)	82,883	(78,291)	(1,058,237)
Gross carrying amount as at 31 December 2023	**112,560,003**	**5,546,652**	**6,845,418**	**124,952,073**

Gross loans for the year 2022 Amounts in TZS'000	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2022	**100,113,617**	**8,071,476**	**13,552,169**	**121,737,262**
Movements				
Transfer from stage 1 to stage 2	(5,442,559)	4,670,327	-	(772,232)
Transfer from stage 1 to stage 3	(4,349,932)	-	2,919,216	(1,430,716)
Transfer from stage 2 to stage 1	904,462	(885,822)	-	18,640
Transfers from stage 2 to stage 3	-	(2,971,430)	2,237,363	(734,067)
Transfer from stage 3 to stage 1	258,114	-	(184,266)	73,848
Transfer from stage 3 to stage 2	-	300,617	(371,486)	(70,869)
Remained in stage	(8,832,789)	(178,100)	(711,370)	(9,722,259)
Financial assets derecognized during the period other than write-offs	(18,694,657)	(2,163,895)	(792,063)	(21,650,615)
Write-offs	-	-	(1,455,530)	(1,455,530)
New financial assets originated or purchased	39,548,784	4,085,612	737,870	44,372,266
Gross carrying amount as at 31 December 2022	**103,505,040**	**10,928,785**	**15,931,903**	**130,365,728**

THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.5: Gross carrying amount (continued)

(a) Corporates and SME Loans Amounts in TZS'000	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2023	**33,640,428**	**3,538,833**	**3,477,564**	**40,656,825**
Movements				
Transfer from stage 1 to stage 2	(1,969,232)	1,018,075	-	(951,157)
Transfer from stage 1 to stage 3	(369,166)	-	228,295	(140,871)
Transfer from stage 2 to stage 1	16,472	(74,175)	-	(57,703)
Transfers from stage 2 to stage 3	-	(879,345)	719,566	(159,779)
Transfer from stage 3 to stage 1	20,334	-	(71,608)	(51,274)
Transfer from stage 3 to stage 2		-		
Remained in stage	(4,915,599)	(97,560)	(222,566)	(5,235,725)
Financial assets derecognized during the period other than write-offs	(17,789,643)	(2,220,320)	(1,174,115)	(21,184,078)
Write-offs	-	-	(1,515,562)	(1,515,562)
New financial assets originated or purchased	27,299,327	792,515	530,493	28,622,335
Changes due to modifications that did not result in de-recognition	3,153	20,040	59	23,252
Gross carrying amount as at 31 December 2023	**35,936,074**	**2,098,063**	**1,972,126**	**40,006,263**

Amounts in TZS'000	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2022	**29,764,963**	**2,040,181**	**3,498,999**	**35,304,143**
Movements				
Transfer from stage 1 to stage 2	(1,421,511)	994,645	-	(426,866)
Transfer from stage 1 to stage 3	(1,125,395)	-	793,124	(332,271)
Transfer from stage 2 to stage 1	210,408	(223,198)	-	(12,790)
Transfers from stage 2 to stage 3	-	(489,532)	450,127	(39,405)
Transfer from stage 3 to stage 1	3,086	-	(442)	2,644
Transfer from stage 3 to stage 2	-	120,532	(166,277)	(45,745)
Remained in stage	(4,094,481)	(77,076)	(149,668)	(4,321,225)
Financial assets derecognized during the period other than write-offs	(10,486,057)	(1,102,559)	(169,066)	(11,757,682)
Write-offs	-	-	(1,010,460)	(1,010,460)
New financial assets originated or purchased	20,789,415	2,275,840	231,227	23,296,482
Gross carrying amount as at 31 December 2022	**33,640,428**	**3,538,833**	**3,477,564**	**40,656,825**

THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.5: Gross carrying amount (continued)

(a) Housing and Mortgage loans Amounts in TZS'000	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2023	**12,532,714**	**1,500,228**	**1,859,279**	**15,892,221**
Movements				
Transfer from stage 1 to stage 2	(435,496)	320,314	-	(115,182)
Transfer from stage 1 to stage 3	(397,669)	-	368,383	(29,286)
Transfer from stage 2 to stage 1	367,746	(425,083)	-	(57,337)
Transfers from stage 2 to stage 3	-	(463,414)	399,800	(63,614)
Transfer from stage 3 to stage 1	116,338		(445,107)	(328,769)
Transfer from stage 3 to stage 2		8,916	(16,176)	(7,260)
Remained in stage	(1,542,209)	(74,677)	(10,066)	(1,626,952)
Financial assets derecognized during the period other than write-offs	(4,037,701)	(285,928)	(469,528)	(4,793,157)
Write-offs	-	-	(659,403)	(659,403)
New financial assets originated or purchased	17,365,669	67,577	169,708	17,602,954
Changes due to modifications that did not result in de-recognition	(772,189)	(9,617)	(34,650)	(816,456)
Gross carrying amount as at 31 December 2023	**23,197,203**	**638,316**	**1,162,240**	**24,997,759**

Amounts in TZS'000	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2022	**10,369,100**	**1,143,581**	**1,741,788**	**13,254,469**
Movements				
Transfer from stage 1 to stage 2	(1,277,609)	1,078,607	-	(199,002)
Transfer from stage 1 to stage 3	(324,746)	-	277,600	(47,146)
Transfer from stage 2 to stage 1	44,406	(119,052)	-	(74,646)
Transfers from stage 2 to stage 3	-	(493,578)	463,571	(30,007)
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	821	(4,121)	(3,300)
Remained in stage	(1,026,154)	(52,554)	(73,572)	(1,152,280)
Financial assets derecognized during the period other than write-offs	(1,637,714)	(112,811)	(127,169)	(1,877,694)
Write-offs	-	-	(445,070)	(445,070)
New financial assets originated or purchased	6,385,431	55,214	26,252	6,466,897
Gross carrying amount as at 31 December 2022	**12,532,714**	**1,500,228**	**1,859,279**	**15,892,221**

THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.5: Gross carrying amount (continued)

(a) Salaried loans Amounts in TZS'000	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2023	**52,789,232**	**3,363,783**	**7,979,179**	**64,132,194**
Movements				
Transfer from stage 1 to stage 2	(1,159,086)	628,579	-	(530,507)
Transfer from stage 1 to stage 3	(853,077)	-	633,050	(220,027)
Transfer from stage 2 to stage 1	359,281	(588,602)	-	(229,321)
Transfers from stage 2 to stage 3	-	(459,275)	395,334	(63,941)
Transfer from stage 3 to stage 1	135,370	-	(269,625)	(134,255)
Transfer from stage 3 to stage 2	-	23,064	(29,240)	(6,176)
Remained in stage	(5,716,942)	(127,703)	(81,448)	(5,926,093)
Financial assets derecognized during the period other than write-offs	(16,615,091)	(1,612,131)	(2,381,939)	(20,609,161)
Write-offs	(13,415)	-	(4,104,978)	(4,118,393)
New financial assets originated or purchased	23,210,551	995,257	252,668	24,458,476
Changes due to modifications that did not result in de-recognition	(293,793)	72,460	(43,700)	(265,033)
Gross carrying amount as at 31 December 2023	**51,843,030**	**2,295,432**	**2,349,301**	**56,487,763**

Amounts in TZS'000	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2022	**54,280,109**	**2,394,044**	**6,925,689**	**63,599,842**
Movements				
Transfer from stage 1 to stage 2	(1,659,594)	1,412,145	-	(247,449)
Transfer from stage 1 to stage 3	(1,425,513)	-	1,175,368	(250,145)
Transfer from stage 2 to stage 1	314,535	(299,933)	-	14,602
Transfers from stage 2 to stage 3	-	(801,557)	707,302	(94,255)
Transfer from stage 3 to stage 1	227,336	-	(174,272)	53,064
Transfer from stage 3 to stage 2	-	131,786	(185,458)	(53,672)
Remained in stage	(4,413,486)	(138,242)	(363,565)	(4,915,293)
Financial assets derecognized during the period other than write-offs	(5,134,547)	(259,587)	(424,507)	(5,818,641)
Write-offs	-	-	-	-
New financial assets originated or purchase	10,600,392	925,127	318,622	11,844,141
Gross carrying amount as at 31 December 2022	**52,789,232**	**3,363,783**	**7,979,179**	**64,132,194**

THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.5: Gross carrying amount (continued)

(a) Microfinance (SGL)	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2023	**4,542,666**	**2,525,941**	**2,615,881**	**9,684,488**
Movements				
Transfer from stage 1 to stage 2	(5,000)	44	-	(4,956)
Transfer from stage 1 to stage 3	(993,410)	-	328,304	(665,106)
Transfer from stage 2 to stage 1	-	-	-	-
Transfers from stage 2 to stage 3	-	(1,250,526)	553,884	(696,642)
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	-	-	-
Remained in stage	-	-	(106,631)	(106,631)
Financial assets derecognized during the period other than write-offs	(3,542,616)	(1,275,415)	(167,469)	(4,985,500)
Write-offs	-		(2,088,779)	(2,088,779)
New financial assets originated or purchased	1,582,056	514,797	226,561	2,323,414
Gross carrying amount as at 31 December 2023	**1,583,696**	**514,841**	**1,361,751**	**3,460,288**

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2022	**5,699,445**	**2,493,670**	**1,385,693**	**9,578,808**
Movements				
Transfer from stage 1 to stage 2	(1,083,845)	1,184,930	-	101,085
Transfer from stage 1 to stage 3	(1,474,278)	-	673,124	(801,154)
Transfer from stage 2 to stage 1	335,113	(243,639)	-	91,474
Transfers from stage 2 to stage 3	-	(1,186,763)	616,363	(570,400)
Transfer from stage 3 to stage 1	27,692	-	(9,552)	18,140
Transfer from stage 3 to stage 2	-	47,478	(15,630)	31,848
Remained in stage	701,332	89,772	(124,565)	666,539
Financial assets derecognized during the period other than write-offs	(1,436,339)	(688,938)	(71,321)	(2,196,598)
Write-offs	-	-	-	-
New financial assets originated or purchased	1,773,546	829,431	161,769	2,764,746
Gross carrying amount as at 31 December 2022	**4,542,666**	**2,525,941**	**2,615,881**	**9,684,488**

THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.6: Loss allowance

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

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

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

(a) Loss allowance 2023	Stage 1	Stage 2	Stage 3	
Amounts in TZS'000	12-month ECL	Lifetime ECL	Lifetime ECL	Total
As at 1 January 2023	**939,934**	**1,686,638**	**6,891,487**	**9,518,059**
Movements				
Transfer from stage 1 to stage 2	(38,719)	302,190	-	263,471
Transfer from stage 1 to stage 3	(30,167)	-	669,067	638,900
Transfer from stage 2 to stage 1	3,532	(200,755)	-	(197,223)
Transfers from stage 2 to stage 3	-	(286,496)	771,157	484,661
Transfer from stage 3 to stage 1	3,822	-	(178,580)	(174,758)
Transfer from stage 3 to stage 2	-	6,893	(18,751)	(11,858)
Remained in stage	115,248	(157,421)	(16,770)	(58,943)
Financial assets derecognized during the period other than write-offs	(387,498)	(858,432)	(1,749,307)	(2,995,237)
Write-offs	(115)	-	(3,982,880)	(3,982,995)
New financial assets originated or purchased	469,850	308,188	286,064	1,064,102
Gross carrying amount as at 31 December 2023	**1,075,887**	**800,805**	**2,671,487**	**4,548,179**

THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.6: Loss allowance (continued)

Loss allowance 2022 Amounts in TZS'000	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2022	**889,098**	**1,192,714**	**4,936,270**	**7,018,082**
Movements				
Transfer from stage 1 to stage 2	(56,256)	769,909	-	713,653
Transfer from stage 1 to stage 3	(35,555)	-	1,130,898	1,095,343
Transfer from stage 2 to stage 1	21,052	(138,825)	-	(117,773)
Transfers from stage 2 to stage 3	-	(421,035)	797,803	376,768
Transfer from stage 3 to stage 1	8,852	-	(104,513)	(95,661)
Transfer from stage 3 to stage 2	-	36,894	(112,801)	(75,907)
Remained in stage	(15,501)	10,235	566,951	561,685
Financial assets derecognized during the period other than write-offs	(62,160)	(136,830)	(270,075)	(469,065)
Write-offs	-	-	(341,246)	(341,246)
New financial assets originated or purchased	190,404	373,576	288,200	852,180
Gross carrying amount as at 31 December 2022	**939,934**	**1,686,638**	**6,891,487**	**9,518,059**

(b) Corporates and SME Loans Amounts in TZS'000	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2023	**59,981**	**57,274**	**315,214**	**432,469**
Movements				
Transfer from stage 1 to stage 2	(277)	87,027	-	86,750
Transfer from stage 1 to stage 3	(374)	-	-	(374)
Transfers from stage 2 to stage 3		(30,740)	6,636	(24,104)
Remained in stage	54,486	(20,697)	52,744	86,533
Financial assets derecognized during the period other than write-offs	(16,162)	(5,838)	(128,284)	(150,284)
Write-offs	-	-	(184,116)	(184,116)
New financial assets originated or purchased	15,709		4,005	19,714
As at 31 December 2023	**113,363**	**87,026**	**66,199**	**266,588**

THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.6: Loss allowance (continued)

(a) Corporates and SME Loans Amounts in TZS'000	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2022	**130,228**	**9,723**	**477,233**	**617,184**
Movements				
Transfer from stage 1 to stage 2	(1,786)	20,767	-	18,981
Transfer from stage 1 to stage 3	(1,048)	-	7,975	6,927
Transfers from stage 2 to stage 3	-	-	9,901	9,901
Remained in stage	(73,180)	2,195	161,408	90,423
Financial assets derecognized during the period other than write-offs	(417)	(6,850)	(57)	(7,324)
Write-offs	-	-	(341,246)	(341,246)
New financial assets originated or purchased	6,184	31,439	-	37,623
As at 31 December 2022	**59,981**	**57,274**	**315,214**	**432,469**

(a) Housing and Mortgage loans Amounts in TZS'000	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2023	**13,926**	**16,235**	**96,840**	**127,001**
Movements				
Transfer from stage 1 to stage 2	(3,261)	369	-	(2,892)
Transfers from stage 2 to stage 1	-	(6,392)	-	(6,392)
Transfers from stage 2 to stage 3	-	-	4,612	4,612
Transfers from stage 3 to stage 1	-	-	(5,673)	(5,673)
Remained in stage	3,179	(3,663)		(484)
Financial assets derecognized during the period other than write-offs	(4,081)	(6,179)	(4,555)	(14,815)
Write-offs	-	-	(86,612)	(86,612)
New financial assets originated or purchased	4,727	-	-	4,727
As at 31 December 2023	**14,490**	**370**	**4,612**	**19,472**

THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.6: Loss allowance (continued)

Housing and Mortgage loans Amounts in TZS'000	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2022	**5,862**	**-**	**53,024**	**58,886**
Movements				
Transfer from stage 1 to stage 2	(24)	15,461	-	15,437
Remained in stage	3,291	774	43,816	47,881
New financial assets originated or purchased	4,797	-	-	4,797
As at 31 December 2022	**13,926**	**16,235**	**96,840**	**127,001**

(d) Salaried loans Amounts in TZS'000	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2023	**836,510**	**1,534,851**	**5,040,738**	**7,412,099**
Movements				
Transfer from stage 1 to stage 2	(35,102)	214,794	-	179,692
Transfer from stage 1 to stage 3	(19,341)	-	368,303	348,962
Transfer from stage 2 to stage 1	3,532	(194,363)	-	(190,831)
Transfers from stage 2 to stage 3	-	(200,637)	230,002	29,365
Transfer from stage 3 to stage 1	3,822	-	(172,907)	(169,085)
Transfer from stage 3 to stage 2	-	6,893	(18,751)	(11,858)
Remained in stage	57,431	(133,061)	(117,731)	(193,361)
Financial assets derecognized during the period other than write-offs	(348,420)	(823,255)	(1,527,506)	(2,699,181)
Write-offs	(115)	-	(2,556,264)	(2,556,379)
New financial assets originated or purchased	439,435	301,330	147,000	887,765
As at 31 December 2023	**937,752**	**706,552**	**1,392,884**	**3,037,188**

THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.6: Loss allowance (continued)

Amounts in TZS'000	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2022	**747,826**	**1,168,338**	**3,982,876**	**5,899,040**
Movements				
Transfer from stage 1 to stage 2	(53,860)	693,009	-	639,149
Transfer from stage 1 to stage 3	(31,966)	-	753,748	721,782
Transfer from stage 2 to stage 1	18,124	(138,266)	-	(120,142)
Transfers from stage 2 to stage 3	-	(409,737)	453,583	43,846
Transfer from stage 3 to stage 1	8,602	-	(102,079)	(93,477)
Transfer from stage 3 to stage 2	-	35,040	(108,631)	(73,591)
Remained in stage	37,678	(12,044)	108,259	133,893
Financial assets derecognized during the period other than write-offs	(60,859)	(128,369)	(251,346)	(440,574)
New financial assets originated or purchased	170,965	326,880	204,328	702,173
As at 31 December 2022	**836,510**	**1,534,851**	**5,040,738**	**7,412,099**

(a) Microfinance (SGL) Amounts in TZS' 000	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2023	**29,517**	**78,278**	**1,438,695**	**1,546,490**
Movements				
Transfer from stage 1 to stage 2	(79)	-	-	(79)
Transfer from stage 1 to stage 3	(10,452)	-	300,764	290,312
Transfer from stage 2 to stage 1	-	-	-	-
Transfers from stage 2 to stage 3	-	(55,119)	529,907	474,788
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	-	-	-
Remained in stage	152		48,217	48,369
Financial assets derecognized during the period other than write-offs	(18,835)	(23,160)	(88,962)	(130,957)
Write-offs			(1,155,888)	(1,155,888)
New financial assets originated or purchased	9,979	6,858	135,059	151,896
As at 31 December 2023	**10,282**	**6,857**	**1,207,792**	**1,224,931**

THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.6: Loss allowance (continued)

(e) Microfinance (SGL) Amounts in TZS' 000	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2022	**5,182**	**14,653**	**423,137**	**442,972**
Movements				
Transfer from stage 1 to stage 2	(586)	40,672	-	40,086
Transfer from stage 1 to stage 3	(2,541)	-	369,175	366,634
Transfer from stage 2 to stage 1	2,928	(559)	-	2,369
Transfers from stage 2 to stage 3	-	(11,298)	334,319	323,021
Transfer from stage 3 to stage 1	250	-	(2,434)	(2,184)
Transfer from stage 3 to stage 2	-	1,854	(4,170)	(2,316)
Remained in stage	16,710	19,310	253,468	289,488
Financial assets derecognized during the period other than write-offs	(884)	(1,611)	(18,672)	(21,167)
Write-offs	-	-	-	-
New financial assets originated or purchased	8,458	15,257	83,872	107,587
As at 31 December 2022	**29,517**	**78,278**	**1,438,695**	**1,546,490**

6.1.7 Concentration of risks of financial assets with credit risk exposure

The following table breaks down the Bank's credit exposure at carrying amounts, as categorized by the industry sectors of the Bank's counterparties. The bank's financial assets are all confined within Tanzania and therefore no separate disclosure for geographical segmentation was considered necessary.

2023 (TZS'000)	Financial institution	Wholesale and retail trade	Individual	Other	Total
Balances with Bank of Tanzania	18,914,717	-	-	-	**18,914,717**
Balances due from other banks	5,271,278	-	-	-	**5,271,278**
Government securities	57,156,768	-	-	-	**57,156,768**
Other assets	-	-	-	736,763	**736,763**
Loans and advances to customers	-	59,870,093	60,533,801	-	**120,403,894**
Total on balance sheet	**81,342,763**	**59,870,093**	**60,533,801**	**736,763**	**202,483,420**
Guarantees and indemnities	-	20,815,791	-	-	-
Commitments to extend credit	-	755,918	-	-	-
Total off-balance sheet	-	**21,571,709**	-	-	-

THE FINANCIAL STATEMENTS
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6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

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

2022 (TZS'000)	Financial institution	Wholesale and retail trade	Individual	Other	Total
Balances with Bank of Tanzania	15,431,928	-	-	-	**15,431,928**
Balances due from other banks	3,963,844	-	-	-	**3,963,844**
Government securities	41,302,462	-	-	-	**41,302,462**
Other assets	-	-	-	1,799,769	**1,799,769**
Loans and advances to customers	-	40,224,355	80,623,314	-	**120,847,669**
Total on balance sheet	**60,698,234**	**40,224,355**	**80,623,314**	**1,799,769**	**183,345,672**
Guarantees and indemnities	-	7,986,779	-	-	**7,986,779**
Commitments to extend credit	-	1,779,656	-	-	**1,779,656**
Total off-balance sheet	-	**9,766,435**	-	-	**9,766,435**

6.1.8 Repossessed collateral

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

6.1.9 Write-off policy

The Bank writes off loans as and when the Board of Directors approves after accepting the recommendations by the management that the loans are irrecoverable. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation or that proceeds from collateral will not be sufficient to pay back the entire exposure. During the year TZS 8.1 billion was written off for loans qualifying for write off as per regulatory requirements. The bank is still enforcing recovery measures on the balance.

6.2 Market risk

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

Market risk measurement techniques

The objective of market risk measurement is to manage and control market risk exposures within acceptable limits while optimizing the return on risk. The principal measurement technique used to measure and control market risk is the stress tests as outlined below.

6.2.1 Foreign exchange risk

Stress tests

Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by the Bank covers: interest rate, credit, foreign exchange, and liquidity risks, where stress movements are applied to each risk category to assess the overall impact and the Bank's capital resilience to different market risk factor shocks. The results of the stress tests are reviewed by the Asset and Liability Management Committee (ALCO) and reported to the Board of Directors. Below are the results of stress test in relation to foreign exchange, interest rate, credit and liquidity risks as at 31 December 2023.

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FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

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

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency which is monitored daily. The Bank's net foreign currency exposure as at 31 December 2023 was TZS 898 million (2022: TZS 428 million). The bank stress test for forex exchange fluctuation is shown in the below table.

Year	Risk category	Impact on statement of profit or loss and other comprehensive income	Impact on core capital
2023	Exchange rate: fluctuates by 10%	Decrease/increase profit before tax by TZS 111 million.	Reduce/increase profit before tax by TZS 120 million.
2022	Exchange rate: fluctuates by 10%	Decrease/increase profit before tax by TZS 129 million.	Reduce/increase profit before tax by TZS 129 million.

THE FINANCIAL STATEMENTS
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6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Market risk (continued)

6.2.1 Foreign exchange risk (continued)

The Bank is exposed mainly to USD currency for which as at 31 December 2023 the exposure is summarized in the table below (All amounts expressed in equivalent Tanzanian Shillings).

2023	TZS'000	USD '000	GBP '000	EURO '000	OTHER '000	Total '000
Assets						
Cash and balances with Bank of Tanzania	13,245,026	8,312,870	5,865	13,167	-	21,576,928
Balances due from other banks	3,150,391	1,785,937	8,521	320,539	5,890	5,271,278
Government securities held to maturity	57,156,768	-	-	-	-	57,156,768
Equity investment	2,040,200	-	-	-	-	2,040,200
Loans and advances to customers	111,153,573	9,250,321	-	-	-	120,403,894
Other assets exclude prepayment and stationeries	736,582	181	-	-	-	736,763
Total financial assets	**187,482,540**	**19,349,309**	**14,386**	**333,706**	**5,890**	**207,185,831**
Liabilities						
Deposits due to banks	31,271,526	16,122,217	-	270,475	-	47,664,218
Deposits due to customers	135,655,245	4,258,620	-	139,291	265	140,053,421
Borrowings	11,213,836	- -	-	-	-	11,213,836
Other liabilities	1,400,235	28,180	-	-	-	1,428,415
Total financial liabilities	**179,540,842**	**20,409,017**	**-**	**409,766**	**265**	**200,359,890**
Net gap of foreign exchange risk	**7,941,698**	**(1,059,708)**	**14,386**	**(76,060)**	**5,625**	**6,825,941**

The bank manages foreign exchange gaps by using currency swap instrument and short-term interbank borrowings.

THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Market risk (continued)

6.2.1 Foreign exchange risk (continued)

2023	TZS'000	USD '000	GBP '000	EURO'000	OTHER '000	Total '000
Off Balance sheet						
Guarantees and indemnities	20,815,791	-	-	-	-	20,815,791
Commitments to extend credit	755,918	-	-	-	-	755,918
Total off-balance sheet	**21,571,709**	**-**	**-**	**-**	**-**	**21,571,709**
Net off balance sheet	**21,571,709**	-	-	-	-	**21,571,709**

2022	TZS'000	USD '000	GBP '000	EURO '000	OTHER '000	Total '000
Assets						
Cash and balances with Bank of Tanzania	15,437,829	3,361,299	42,564	164,054	-	**19,005,746**
Balances due from other banks	2,306,420	1,639,069	7,991	8,285	2,079	**3,963,844**
Government securities held to maturity	41,302,462	-	-	-	-	**41,302,462**
Equity investment	2,040,200	-	-	-	-	**2,040,200**
Loans and advances to customers	110,284,313	10,563,356	-	-	-	**120,847,669**
Other assets exclude prepayment and stationeries	1,799,769	-	-	-	-	**1,799,769**
Total financial assets	**173,170,993**	**15,563,724**	**50,555**	**172,339**	**2,079**	**188,959,690**

THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Market risk (continued)

6.2.1 Foreign exchange risk (continued)

2022	TZS'000	USD '000	GBP '000	EURO '000	OTHER '000	Total '000
Liabilities						
Deposits due to banks	12,653,557	11,280,678	-	-	-	23,934,235
Deposits due to customers	137,089,978	4,851,177	-	49	290	141,941,494
Borrowings	11,900,791	-	-	-	-	11,900,791
Other liabilities	1,468,392	19,622	-	-	-	1,488,014
Total financial liabilities	**163,112,718**	**16,151,477**	**-**	**49**	**290**	**179,264,534**
Net gap of foreign exchange risk	**10,058,275**	**(587,753)**	**50,555**	**172,290**	**1,789**	**9,695,156**

The bank manages foreign exchange gaps by using currency swap instrument and short-term interbank borrowings.

Off Balance sheet						
Guarantees and indemnities	7,986,779	-	-	-	-	7,986,779
Commitments to extend credit	1,779,656	-	-	-	-	1,779,656
Total off-balance sheet	**9,766,435**	-	-	-	-	**9,766,435**
Net off balance sheet	**9,766,435**	**-**	**-**	**-**	**-**	**9,766,435**

THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Market risk (continued)

6.2.1 Foreign exchange risk (continued)

6.2.2 Interest rate risk

The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

Interest margins may increase because of changes in the prevailing levels of market rates but may also decrease or create losses if unexpected movements arise. The Board sets limits on the level of mismatch of interest re-pricing that may be undertaken. Consequently, the interest sensitivity effects on profit or loss would not be significant given the re-pricing frequency.

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the bank's financial assets and financial liabilities to various standard and non-standard interest rate scenarios. Aggregate non-trading interest rate risk positions are managed by treasury, which uses investment securities, advances to banks, deposits from banks and derivative instruments to manage the positions.

The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market rates on its financial position and cash flows. The table below summarizes the exposure to interest rates risks. Included in the table are the Bank's assets and liabilities at carrying amounts categorized by the earlier of contractual re-pricing or maturity dates. The Bank does not bear an interest rate risk on off balance sheet items. The stress test for interest rate risk summaries below.

Year	Risk category	Impact on statement of profit or loss and other comprehensive income	Impact on core capital
2023	Interest rate risk: stress reduce interest margin by 5%	Reduce profit before tax by TZS 284 million	Reduce profit before tax by TZS 284 million
2022	Interest rate risk: stress reduce interest margin by 5%	Reduce profit before tax by TZS 312 million	Reduce profit before tax by TZS 312 million

The table presented here in shows the exposure to interest rate risks.

THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Market risk (continued)

6.2.2 Interest rate risk (continued)

As at 31 December 2023	Up to 1 Month TZS'000	1 - 3 Months TZS'000	3 - 12 Months TZS'000	Over 1 year TZS'000	Non-interest Bearing TZS'000	Total TZS'000
Assets						
Cash and Bank balances with Bank of Tanzania	-	-	-	-	21,576,928	21,576,928
Loans and balance to banks	5,271,278	-	-	-	-	5,271,278
Equity investment	-	-	-	-	2,040,200	2,040,200
Loans and advances to customers	6,579,930	7,993,848	11,749,732	94,080,384	-	120,403,894
Government securities	-	-	14,865,096	42,291,672	-	57,156,768
Other assets	-	-	-	-	736,763	736,763
Total assets	**11,851,208**	**7,993,848**	**26,614,828**	**136,372,056**	**24,353,891**	**207,185,831**
Liabilities						
Due to other banks	13,919	35,960,790	11,684,736	-	4,773	47,664,218
Deposit from customers	29,985,092	21,812,476	55,978,355	10,494,635	21,782,863	140,053,421
Borrowings	-	1,500,000	9,713,836	-	-	11,213,836
Other liabilities	-	-	-	-	1,428,415	1,428,415
Total liabilities and equity	**29,999,011**	**59,273,266**	**77,376,927**	**10,494,635**	**23,216,051**	**200,359,890**
Interest sensitivity gap	**(18,147,803)**	**(51,279,418)**	**(50,762,099)**	**125,877,421**	**1,137,840**	**6,825,941**

THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Market risk (continued)

6.2.2 Interest rate risk (continued)

As at 31 December 2022	Up to 1 Month TZS'000	1 - 3 Months TZS'000	3 - 12 Months TZS'000	Over 1 year TZS'000	Non-interest Bearing TZS'000	Total TZS'000
Assets						
Cash and Bank balances with Bank of Tanzania	-	-	-	-	19,005,746	19,005,746
Loans and balance to banks	3,963,844	-	-	-	-	3,963,844
Equity investment	-	-	-	-	2,040,200	2,040,200
Loans and advances to customers	9,622,062	5,807,773	22,303,789	83,114,045	-	120,847,669
Government securities	501,642	-	13,896,930	26,903,890	-	41,302,462
Other assets	-	-	-	-	1,799,769	1,799,769
Total assets	**14,087,548**	**5,807,773**	**36,200,719**	**110,017,935**	**22,845,715**	**188,959,690**
Liabilities						
Due to other banks	22,090,800	-	1,839,096	-	4,339	23,934,235
Deposit from customers	32,510,354	20,800,529	53,674,002	17,049,028	17,907,581	141,941,494
Borrowings	193,779	-	1,556,221	10,150,791	-	11,900,791
Other liabilities	-	-	-	-	1,488,014	1,488,014
Total liabilities and equity	**54,794,933**	**20,800,529**	**57,069,319**	**27,199,819**	**19,399,934**	**179,264,534**
Interest sensitivity gap	**(40,707,385)**	**(14,992,756)**	**(20,868,600)**	**82,818,116**	**3,445,781**	**9,695,156**

THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Market risk (continued)

6.2.3 Price risk

Equity price risk is the risk that the fair value of equities decreases as the result of changes in the level of equity indices and individual stocks. The non–trading equity price risk exposure arises from equity securities classified as fair value through other comprehensive income (FVOCI). A 10 per cent increase in the value of the Bank's equities at FVOCI at 31 December 2023 would have increased equity by TZS 102Mil (2022:102Mil).

6.3 Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend. Analysis of the Bank's assets and liabilities into relevant maturity groupings is set out in note 6.3.3.

6.3.1 Liquidity risk management

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its obligations when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Institution's reputation.

Treasury department maintains a portfolio of short-term liquid assets, largely made up of short-term liquid Government securities, deposits from institutions and other inter-Bank facilities, to ensure that sufficient liquidity is maintained within the institution as a whole. All liquidity policies and procedures are subject to review by Assets and Liabilities Committee and approval by the Board.

The Bank manages the liquidity structure of assets, liabilities and commitments so that cash flows are appropriately matched to ensure that all funding obligations are met when due. Banking operations are such that mismatch of assets and liabilities according to their maturity profiles cannot be avoided. However, Directors ensure that the mismatch is controlled in line with allowable risk levels and includes:

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

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

6.3.2 Funding approach

Sources of liquidity are regularly reviewed by the Bank to maintain a wide diversification by currency, provider, product and term.

6.3.3 Non derivative financial liabilities and assets held for managing liquidity risk

The table below presents the cash flows payable by the Bank under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the undiscounted contractual cash flow as at 31 December 2023. The bank does not manage liquidity based on undiscounted cash-flows.

THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3. Liquidity risk (continued)

6.3.3 Non derivative financial liabilities and assets held for managing liquidity risk (Continued)

At 31 December 2023	Due on Demand TZS '000	Up to 1 Month TZS '000	1 - 3 Months TZS '000	3 - 6 Months TZS '000	6 - 12 Months TZS '000	Over 1 Year TZS '000	Total TZS '000
Due to other banks	4,773	13,919	35,960,790	-	11,684,736	-	47,664,218
Deposits from customers	51,767,955	-	21,812,476	-	55,978,355	10,494,635	140,053,421
Borrowings	-	355,600	3,564,315	4,353,839	3,244,835	-	11,518,589
Lease liability	-	-	-	-	1,220,380	7,928,913	9,149,293
Other liabilities	413,623	1,014,792	-	-	-	-	1,428,415
Total liabilities	**52,186,351**	**1,384,311**	**61,337,581**	**4,353,839**	**72,128,306**	**18,423,548**	**209,813,936**
Cash and Bank balances with Bank of Tanzania	21,576,928		-	-	-	-	21,576,928
Loans and balance to banks		5,271,278	-	-	-	-	5,271,278
Equity investment	-	-	-	-	-	2,040,200	2,040,200
Loans and advances to customers	-	6,579,930	7,993,848	5,980,984	5,768,748	94,080,384	120,403,894
Government securities	-	195,750	553,700	1,777,130	18,026,580	135,806,943	156,360,103
Other assets	-	736,763	-	-	-	-	736,763
Total assets	**21,576,928**	**12,783,721**	**8,547,548**	**7,758,114**	**23,795,328**	**231,927,527**	**306,389,166**
Net liquidity gap	**(30,609,423)**	**11,399,410**	**(52,790,033)**	**3,404,275**	**(48,332,978)**	**213,503,979**	**96,575,230**
Off Balance Sheet							
Guarantees and indemnities	1,399,200	1,412,955	2,108,797	2,169,384	7,288,617	6,436,838	20,815,791
Commitments to extend credit	-	40,000	50,442	145,078	520,398	-	755,918
Capital commitments	-	-	-	-	-	-	-
Total	**1,399,200**	**1,452,955**	**2,159,239**	**2,314,462**	**7,809,015**	**6,436,838**	**21,571,709**

THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3. Liquidity risk (continued)

6.3.3 Non derivative financial liabilities and assets held for managing liquidity risk (Continued)

At 31 December 2022	Due on Demand TZS '000	Up to 1 Month TZS '000	1 - 3 Months TZS '000	3 - 6 Months TZS '000	6 - 12 Months TZS '000	Over 1Year TZS '000	Total TZS '000
Liabilities							
Due to other banks	4,339	22,090,800	-	-	1,839,096	-	23,934,235
Deposits from customers	45,723,260	4,694,675	20,800,529	15,980,410	37,693,592	17,049,028	141,941,494
Borrowings	-	355,436	63,986	415,037	837,165	11,518,590	13,190,214
Lease liability	-	131,019	-	-	1,097,877	1,654,737	2,883,633
Other liabilities	509,593	978,421	-	-	-	-	1,488,014
Total liabilities	**46,237,192**	**28,250,351**	**20,864,515**	**16,395,447**	**41,467,730**	**30,222,355**	**183,437,590**
Cash and Bank balances with Bank of Tanzania	19,005,746	-	-	-	-	-	19,005,746
Loans and balance to banks	3,963,844	-	-	-	-	-	3,963,844
Equity investment	-	-	-	-	-	2,040,200	2,040,200
Loans and advances to customers	-	9,622,062	5,807,773	7,135,552	15,168,237	83,114,045	120,847,669
Government securities	-	322,050	101,250	1,213,380	15,636,680	86,140,300	103,413,660
Other assets	-	1,799,769	-	-	-	-	1,799,769
Total assets	**22,969,590**	**11,743,881**	**5,909,023**	**8,348,932**	**30,804,917**	**171,294,545**	**251,070,888**
Net liquidity gap	**(23,267,602)**	**(16,506,470)**	**(14,955,492)**	**(8,046,515)**	**(10,662,813)**	**141,072,190**	**67,633,298**
Off Balance Sheet							
Guarantees and indemnities	520,639	815,892	2,176,333	3,802,947	511,087	159,881	7,986,779
Commitments to extend credit	-	-	626,162	326,968	826,526	-	1,779,656
Capital commitments	-	-	-	-	179,476	-	179,476
Total	**520,639**	**815,892**	**2,802,495**	**4,129,915**	**1,517,089**	**159,881**	**9,945,911**

THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3. Liquidity risk (continued)

6.3.4: Assets held for managing liquidity risk

The Bank holds a diversified portfolio of cash and high-quality liquid securities to support payment obligations and contingent funding in a stressed market environment. The Bank's assets held for managing liquidity risk comprise:

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

In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended, accordingly the behavioral pattern does not necessarily follow the contractual pattern. The Bank would also be able to meet unexpected net cash outflows by selling investment securities and accessing additional funding sources such as asset-backed markets.

The bank performs the following to manage its liquidity positions:
- Based on its judgement of financial market trends, the Bank actively adjusts its business strategies to manage liquidity risk.
- The bank performs periodic cash flow projections considering its impact on internal and regulatory limits.
- The bank control of non-earning assets proportion to manage its impact on the Bank's overall financial position.
- Conduct regular liquidity stress tests including testing of contingency plans.
- Monitor diversification of funding sources in order to control concentration risk and ensure a satisfactory funding mix.
- Monitoring the level of undrawn commitments.
- Regular conduct of the Asset and Liability management Committee (ALCO) meetings which focuses on:
- Establishing policies and tolerance levels, from both risk and return perspectives, for liquidity, interest rate and balance sheet valuation management.
- Manage the intra-day liquidity position to ensure that payment and settlement obligations are met on a timely basis.
- Strategic financial position planning from both risk and return perspective.
- Strategically coordinate the management of the Bank's financial position in consideration of changing economic conditions.

6.4 Fair value of financial assets and liabilities

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

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly.
- 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).
- Valuation technique used is comparison with similar instruments for which observable market prices exist. This technique requires use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible.

THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.4. Fair value of financial assets and liabilities (continued)

6.4.1 Bank's financial assets and financial liabilities that are measured at fair value on recurring basis.

2023 Assets	Level 1 TZS '000	Level 2 TZS '000	Level 3 TZS '000
Equity Investments	-	-	2,040,200
Government securities	-	-	-
Total assets	**-**	**-**	**2,040,200**

2022 Assets	Level 1 TZS '000	Level 2 TZS '000	Level 3 TZS '000
Equity Investments	-	-	2,040,200
Government securities – FVOCI	-	27,639,102	-
Total assets	**-**	**27,639,102**	**2,040,200**

6.4.2 Movements in Level 3 financial instruments measured at fair value continued

The following table shows the reconciliation of the opening and closing amounts of level 3 financial assets and liabilities measured at fair value.

Level 3 Equity Investments at FVOCI	2023 TZS '000	2022 TZS '000
At 1 January	**2,040,200**	**2,040,200**
Purchases	-	-
Revaluation gain/(loss)	-	-
At 31 December	**2,040,200**	**2,040,200**

During the year there were no purchase, sales, issues and settlements.

6.4.3 Impact on fair value of level 3 financial instruments measured at fair value of changes to key assumptions.

Investment securities are fair valued based on observable market information, including market prices for debt and equity securities. Where observable market inputs are unavailable, the bank uses valuation techniques to arrive to the fair value, including the use of transaction prices obtained at recent arm's length transactions and discounted cash flow analysis, based on market conditions and risks at the reporting date.
Changes in fair value of equity instruments are measured at the end of each accounting period. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.
The following table summarizes the valuation techniques together with the significant unobservable inputs used to calculate the fair value of the Bank's Level 3 assets as at 31 December 2023.

Instrument	Valuation technique	Significant unobservable inputs	Range	Sensitivity of the inputs to fair value
TMRC	Direct comparison approach	Equivalent equity prices	2023: TZS 1,622 per share (2022: TZS 1,622)	5% increase (decrease) in prices would result in an increase (decrease) in fair value by TZS 89Mil (2022: TZS89 Mil)
Umoja Switch	Direct comparison approach	Equivalent equity prices	2023: TZS 1Mil per share (2022: TZS 1Mil per share)	5% increase (decrease) in prices would result in an increase (decrease) in fair value by TZS 12.8Mil (2022: TZS 12.8Mil)

THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.4. Fair value of financial assets and liabilities (continued)

6.4.4 Financial instruments not measured at fair value:

The following table analyses within the fair value hierarchy the Bank's assets and liabilities measured at amortized cost at 31 December 2023.

31 December	2023			2023	
	Level 1	Level 2	Level 3	Total fair values	Total carrying value
				TZS'000'	TZS'000
Cash and balances with Bank of Tanzania	-	21,576,928	-	21,576,928	21,576,928
Loans and balance to banks	-	5,271,278	-	5,271,278	5,271,278
Government securities	-	55,995,440		55,995,440	57,156,768
Loans and balance with customers	-	120,403,894	-	120,403,894	120,403,894
Other assets (excluding prepayments)	-	736,763	-	736,763	736,763
Total assets	-	**203,984,303**	**-**	**203,984,303**	**205,145,631**
Due to other banks	-	47,664,218	-	47,664,218	47,664,218
Deposit from customers	-	140,053,421	-	140,053,421	140,053,421
Borrowings	-	11,213,836	-	11,213,836	11,213,836
Other liabilities (excluding statutory deductions)	-	1,428,415	-	1,428,415	1,428,415
Total	-	**200,359,890**	**-**	**200,359,890**	**200,359,890**

The fair values and carrying values are the same since most of the financial assets and liabilities are predominantly short term in nature

31 December		2022			2022
	Level 1	Level 2	Level 3	Total fair values	Total carrying value
				TZS'000'	TZS'000
Cash and balances with Bank of Tanzania	-	19,005,746	-	19,005,746	19,005,746
Loans and balance to banks	-	3,963,844	-	3,963,844	3,963,844
Government securities	-	13,663,360	-	13,663,360	13,663,360
Loans and balance with customers	-	120,847,669	-	120,847,669	120,847,669
Other assets (excluding prepayments)	-	1,799,769		1,799,769	1,799,769
Total assets	-	**159,280,388**	-	**159,280,388**	**159,280,388**
Due to other banks	-	23,934,235	-	23,934,235	23,934,235
Deposit from customers	-	141,941,494	-	141,941,494	141,941,494
Borrowings	-	11,900,791	-	11,900,791	11,900,791
Other liabilities (excluding statutory deductions)	-	1,488,014		1,488,014	1,488,014
		179,264,534	-	**179,264,534**	**179,264,534**

THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.4. Fair value of financial assets and liabilities (continued)

6.5 Capital management

The Bank of Tanzania has set, among other measures, the rules, and ratios to monitor adequacy of a Bank's capital, monitored daily and monthly, for supervisory purposes. In implementing current capital requirements, the Bank of Tanzania requires maintenance of a prescribed ratio of total capital to total risk-weighted assets in two tiers:

- Tier 1 capital, which includes ordinary share capital, share premium, retained earnings, after deductions for goodwill and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capitals, which includes qualifying subordinated liabilities and the element of fair value reserve relating to unrealized gains on equity instruments classified as held to collect and sale.

Various limits are applied to elements of the capital base; qualifying tier 2 capital cannot exceed tier 1 capital; and qualifying term subordinated loan capital may not exceed 50 percent of tier 1 capital. Tier 1 capital (Core capital) is also subjected to various limits like limitation in risk weighted assets by 12.5% and investments in movable and immovable assets not to exceed 70% of core capital.

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

- To comply with the capital requirements set by the Bank of Tanzania (BOT) while safeguarding the Bank's ability to continue as a going concern.
- To maintain strong capital base and a strong credit rating to support the development of its business
- Below is the composition of regulatory capital and the ratios of the Bank.

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FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.5 Capital management (Continued)

REGULATORY CAPITAL	2023	2022
Tier 1 Capital	**TZS'000**	**TZS'000**
Share capital	24,061,904	24,061,904
Share premium	4,183,291	4,183,291
Accumulated losses	(4,145,700)	(3,792,602)
Less: Prepaid expenses	(657,030)	(1,013,084)
Less: Deferred income tax asset	(7,053,824)	(5,210,033)
Total qualifying Tier 1 Capital	**16,388,641**	**18,229,476**
Tier 2 capital	478,940	621,482
Total regulatory capital	**16,867,581**	**18,850,958**
Risk - weighted assets		
On balance sheet	104,439,477	107,950,727
Off balance sheet	10,732,099	4,310,907
Total risk - weighted assets	**115,171,576**	**112,261,634**
Minimum capital for market risks	1,265,465	4,243,909
Minimum capital for Operational risks	15,686,967	10,026,682
Total adjusted risk weighted assets	**132,124,008**	**126,532,225**

Bank Ratios			
Tier 1	**Regulatory requirement**		
- Minimum	10.00%	10.0%	10,00%
- Buffer	2.50%	2.40%	4.41%
	12.50%	**12.40%**	**14.41%**
Tier 2		12.77%	14.90%
- Minimum	12.00%	12.00%	12.00%
- Buffer	2.50%	0.77%	2.90%
	14.50%	**12.77%**	14.90%

The Company has not complied with the regulatory requirements regarding capital buffers. The Company's plans to achieve compliance includes:

a. Raising capital – as at the date of the financial statements, the Board of Directors has approved a resolution for the Company to raise capital through a rights issue and has directed management to prepare a comprehensive paper for the Board's review. Once reviewed and approved by the Board of Directors, the rights issue plan will require approval by (i) the shareholders at the Annual General Meeting, (ii) the Bank of Tanzania and (iii) the Capital Market and Securities Authority.

b. Improved financial performance – additional information is provided in Note 30 of the financial statements.

THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

7. SEGMENT REPORTING

The segment reporting format is determined by Bank's risks and rates of returns based on products and services offered. The Chief Operating Decision Maker (CODM) as at 31 December 2023 was the managing director who is responsible for the day to day running of the business.

The business banking segment have credit facilities include business loans and credit lines that earns both interest income and fees from the loans, trade finance and ledger fee and insurance business that drives revenue.

The Personal Banking deals with personal loans, salary advance, mortgage and housing that drive interest income and facility fees, ATM cards fee, monthly ledger fee and transaction fee over several bank channels.

Microfinance segment offers small loans in group, the loans resulted to earning in interest income and fees from facilities.

Treasury segment deals with investment in bond and bills, interbank placement payable and receivable that drives interest income; Foreign exchange trading and bond trading that contributed to fee and commission.

The geographical areas where the bank operates are 8 branches in Dar es Salaam (2022: 8 branches) and 1 branch in Dodoma. The head office of the bank is located in Dar es Salaam.

THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

7. SEGMENT REPORTING (CONTINUED)

The segment information provided to Bank's senior management for the reportable segments for the year ended 31 December 2023 is as follows:

31 December 2023 Statement of profit or loss and other comprehensive income	Business Banking TZS'000	Personal Banking TZS'000	Microfinance TZS'000	Treasury TZS'000	Other TZS'000	Total TZS'000
Interest income	8,001,459	11,684,860	2,515,280	5,633,827	-	27,835,426
Interest expense	(4,353,019)	(7,369,826)	(3,630)	(3,032,528)	(326,917)	(15,085,920)
Fees, commission, and other income	1,331,408	668,518	232,561	-	2,648,134	4,880,621
Foreign exchange income	-	-	-	364,191	-	364,191
Other operating income	-	-	7,447	379,590	845,860	1,232,897
Income	**4,979,848**	**4,983,552**	**2,751,658**	**3,345,080**	**3,167,077**	**19,227,215**
Loan impairment credit (charge)	(1,441,788)	(29,146)	(1,638,616)	-	-	(3,109,550)
Personnel expenses	(3,107,212)	(855,609)	(2,521,795)	(135,096)	(3,422,436)	(10,042,148)
Depreciation and amortization	(1,191,953)	(328,219)	(967,382)	(51,825)	(1,312,876)	(3,852,255)
Administrative and other operating expenses	(2,109,362)	(580,840)	(1,711,946)	(91,711)	(2,323,356)	(6,817,215)
Total Operating expenses	**(6,408,527)**	**(1,764,668)**	**(5,201,123)**	**(278,632)**	**(7,058,668)**	**(20,711,618)**
Profit/(Loss) before tax	**(2,870,467)**	**3,189,738**	**(4,088,081)**	**3,066,448**	**(3,891,591)**	**(4,593,953)**
Income tax credit	-	-	-	-	975,721	975,721
Profit for the year	**(2,870,467)**	**3,189,738**	**(4,088,081)**	**3,066,448**	**(2,915,870)**	**(3,618,232)**

The geographical areas where the bank operates are 8 branches in Dar es Salaam and 1 branch in Dodoma. The head office of the bank is located in Dar es Salaam.

THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

7. SEGMENT REPORTING (CONTINUED)

31 December 2022 Statement of profit or loss and other comprehensive income	Business Banking TZS'000	Personal Banking TZS'000	Microfinance TZS'000	Treasury TZS'000	Other TZS'000	Total TZS'000
Interest Income	7,029,426	11,915,269	4,415,513	4,733,614	513,483	28,607,305
Interest Expense	(4,381,080)	(6,931,542)	(15,194)	(1,810,218)	(242,244)	(13,380,278)
Fees, commission, and other income	2,216,212	1,800,395	379,692	-	1,355,416	5,751,715
Foreign exchange income	-	-	-	386,107	-	386,107
Other operating income	-	-	31,900	3,611,269	501,222	4,144,391
Income	**4,864,558**	**6,784,122**	**4,811,911**	**6,920,772**	**2,127,877**	**25,509,240**
Loan impairment credit (charge)	(1,114,217)	(4,136,417)	1,375,769	-	-	(3,874,865)
Personnel expenses	(2,658,129)	(2,412,139)	(779,887)	(368,479)	(3,775,014)	(9,993,648)
Depreciation and amortization	(197,754)	(98,877)	(766,299)	(37,079)	(1,521,149)	(2,621,158)
Administrative and other operating expenses	(607,784)	(303,892)	(2,355,161)	(113,959)	(4,671,425)	(8,052,221)
Total operating expenses	**(3,463,667)**	**(2,814,908)**	**(3,901,347)**	**(519,517)**	**(9,967,588)**	**(20,667,027)**
Profit before tax	**286,674**	**(167,203)**	**2,286,333**	**6,401,255**	**(7,839,711)**	**967,348**
Income tax expense	-	-	-	-	(219,645)	(219,645)
Profit for the year	**286,674**	**(167,203)**	**2,286,333**	**6,401,255**	**(8,059,356)**	**747,703**

The geographical areas where the bank operates are 8 branches in Dar es Salaam and 1 branch in Dodoma. The head office of the bank is located in Dar es Salaam.

THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

7. SEGMENT REPORTING (CONTINUED)

Statement of financial position as at 31 December 2023 in TZS'000	Business Banking	Personal Banking	Microfinance	Treasury	Other	Total
Assets						
Cash and balances with Bank of Tanzania	-	-	-	21,576,928	-	21,576,928
Loans and balances to banks	-	-	-	5,271,278	-	5,271,278
Government securities	-	-	-	57,156,768	-	57,156,768
Equity investment	-	-	-	-	2,040,200	2,040,200
Loans and advances to customers	59,768,866	58,399,670	2,235,358	-	-	120,403,894
Property and Equipment	-	-	-	-	2,981,231	2,981,231
Intangible assets	-	-	-	-	3,631,022	3,631,022
Corporate tax recoverable	-	-	-	-	975,000	975,000
Right of use Assets	-	-	-		6,890,965	6,890,965
Deferred tax asset	-	-	-	-	7,053,824	7,053,824
Other assets	-	-	-	-	3,001,042	3,001,042
Total assets	**59,768,866**	**58,399,670**	**2,235,358**	**84,004,974**	**26,573,284**	**230,982,152**
Equity						
Share capital	-	-	-	-	24,061,904	24,061,904
Share premium					4,183,291	4,183,291
Advance toward share capital	-	-	-	-	-	-
Retained earnings	-	-	-	-	(4,145,700)	(4,145,700)
General banking risk reserve	-	-	-	-	130,043	130,043
Fair valuation reserve	-	-	-	-	478,940	478,940
Total equity	**-**	**-**	**-**	**-**	**24,708,478**	**24,708,478**
Liabilities						
Deposit from banks	-	-	-	47,664,218	-	47,664,218
Deposits from customers	59,593,405	78,843,742	1,616,274	-	-	140,053,421
Borrowings	-	-	-	11,213,836	-	11,213,836
Lease liability	-	-	-	-	4,479,246	4,479,246
Other liabilities	-	-	-	-	2,862,953	2,862,953
Total liabilities	**59,593,405**	**78,843,742**	**1,616,274**	**58,878,054**	**7,342,199**	**206,273,674**
Total Equity and liabilities	**59,593,405**	**78,843,742**	**1,616,274**	**58,878,054**	**32,050,677**	**230,982,152**

Items reported under other are those, which are used by all segment and cannot be specifically allocated to any of the segments.

THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

7. SEGMENT REPORTING (CONTINUED)

Statement of financial position as at 31 December 2022 in TZS'000'	Business Banking	Personal Banking	Microfinance	Treasury	Other	Total
Assets						
Cash and balances with Bank of Tanzania	-	-	-	19,005,746	-	19,005,746
Loans and balances to banks	-	-	-	3,963,844	-	3,963,844
Government securities	-	-	-	41,302,462	-	41,302,462
Equity investment	-	-	-	-	2,040,200	2,040,200
Loans and advances to customers	40,227,736	72,481,935	8,137,998	-	-	120,847,669
Property and Equipment	-	-	-	-	3,646,824	3,646,824
Intangible assets	-	-	-	-	5,067,216	5,067,216
Corporate tax recoverable	-	-	-	-	2,095,060	2,095,060
Right of use Assets	-	-	-	-	5,494,196	5,494,196
Deferred tax asset	-	-	-	-	5,210,033	5,210,033
Other assets	-	-	-	-	3,230,825	3,230,825
Total assets	**40,227,736**	**72,481,935**	**8,137,998**	**64,272,052**	**26,784,354**	**211,904,075**
Equity						
Share capital	-	-	-	-	24,061,904	24,061,904
Share premium	-	-	-	-	4,183,291	4,183,291
Advance toward share capital	-	-	-	-	-	-
Accumulated losses	-	-	-	-	(3,792,602)	(3,792,602)
General banking risk reserve	-	-	-	-	3,395,177	3,395,177
Fair valuation reserve	-	-	-	-	621,482	621,482
Total equity	**-**	**-**	**-**	**-**	**28,469,252**	**28,469,252**
Liabilities						
Deposit from banks	-	-	-	23,934,235	-	23,934,235
Deposits from customers	65,927,731	71,406,026	3,170,342	-	1,437,395	141,941,494
Borrowings	-	-	-	11,900,791	-	11,900,791
Lease liability	-	-	-	-	2,883,633	2,883,633
Other liabilities	-	-	-	-	2,774,670	2,774,670
Total liabilities	**65,927,731**	**71,406,026**	**3,170,342**	**35,835,026**	**7,095,698**	**183,434,823**
Total Equity and liabilities	**65,927,731**	**71,406,026**	**3,170,342**	**35,835,026**	**35,564,950**	**211,904,075**

Items reported under other are those, which are used by all segment and cannot be specifically allocated to any of the segments.

THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

7. SEGMENT REPORTING (CONTINUED)

	2023 TZS 000	2022 TZS 000
8.INTEREST INCOME		
Loans and advances	22,201,599	23,873,691
Government securities	5,373,240	4,628,412
Placements	260,587	105,202
	27,835,426	**28,607,305**
9. INTEREST EXPENSE		
Time deposits	11,378,518	10,786,789
Long term borrowing (note 31)	984,669	929,893
Interbank borrowing	2,047,859	880,325
Savings deposits	180,912	190,900
Current accounts	167,045	102,840
Finance cost lease liability (note 36 (ii))	326,917	242,244
Commission expense on deposits	-	247,287
	15,085,920	**13,380,278**
10. FEES AND COMMISSION INCOME		
Loan commitment fees	1,431,226	1,739,416
Ledger fees	753,723	879,014
Commission on insurance fees	471,978	571,730
Withdrawal fees	219,292	256,485
Commission charged on transfers	54,157	48,117
Commission on Western Union Transfers	23,487	23,780
Commission on ATM withdrawal charges	25,493	190
Commission on mobile banking	464,385	445,763
Other fees and commissions	418,626	695,783
Drafts and transfers	38,103	56,949
Guarantee and indemnities	980,151	1,034,488
	4,880,621	**5,751,715**
11. FOREIGN EXCHANGE INCOME		
Foreign exchange dealings gains	**364,191**	**386,107**
12. OTHER OPERATING INCOME		
Gain on sale of bonds	379,590	3,611,269
Other income	853,307	533,122
	1,232,897	**4,144,391**

THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

13. STAFF COSTS

	2023 TZS 000	2022 TZS 000
Wages and salaries	5,823,460	5,977,364
Pension and retirement benefits	900,183	927,997
Other staff costs	3,318,505	3,088,287
	10,042,148	**9,993,648**

14. GENERAL AND ADMINISTRATIVE EXPENSES

	2023 TZS 000	2022 TZS 000
Lending expenses	663,299	727,387
Bank charges	30,179	28,389
Legal expenses	82,065	47,671
Consultancy expenses	139,881	609,981
Security expenses	454,556	483,744
Electricity expenses	184,328	200,793
Cleaning, gardening, and water expenses	148,159	179,144
Telephone expenses	217,006	229,152
Insurance expenses	263,657	262,256
Office rent expenses	125,103	482,792
Stationery and consumables	616,420	922,666
Auditors' remuneration	292,517	142,072
Donations & subscriptions	107,533	77,237
Recruitment expenses	119,712	3,493
Other operational losses	28,575	7,589
Maintenance expenses (Note 16)	2,496,446	2,350,262
Charge for other assets provisions/allowance	71,000	80,228
Marketing and promotion (Note 17)	413,621	799,558
Corporate governance (Note 18)	362,305	416,889
Other expenses	853	918
	6,817,215	**8,052,221**

15. DEPRECIATION AND AMORTISATION

	2023 TZS 000	2022 TZS 000
Amortization of leasehold improvement	346,638	343,055
Depreciation of motor vehicles	352	12,124
Depreciation of Computer and IT equipment	293,111	261,623
Depreciation furniture & fittings, machinery and generator	362,993	349,101
Depreciation Right of Use Assets	1,095,857	828,536
Amortization of intangible assets	1,753,304	826,719
	3,852,255	**2,621,158**

THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

16. MAINTENANCE EXPENSES

	2023 TZS 000	2022 TZS 000
Maintenance premises, furniture & equipment	394,213	262,216
Motor vehicle fuel and repair	229,556	287,563
Software maintenance expenses	1,849,619	1,765,602
Computer and IT equipment	23,058	34,881
	2,496,446	**2,350,262**

17. MARKETING AND PROMOTION

Publications	48,720	25,890
Advertisement	-	9,586
Magazine and journal	11,185	12,397
Promotion	353,716	751,685
	413,621	**799,558**

18. CORPORATE GOVERNANCE

Shareholder's meeting expenses	104,273	114,465
Directors' fees	60,588	52,311
Director's allowance	197,444	250,113
	362,305	**416,889**

19. INCOME TAX (CREDIT)/CHARGE

Income tax (credit)/expense:		
- Current year	-	286,992
- Prior year assessment	91,921	-
- Prior year unrecoverable	715,060	-
Deferred income tax - Current year	(2,770,727)	(134,412)
- Prior year under provision	988,025	67,065
	(975,721)	**219,645**

Reconciliation of accounting (loss)/profit to tax charge:		
Accounting (loss)/profit before income tax	(4,593,953)	967,348
Tax (credit)/charge at 30%	(1,378,186)	290,204
Disallowed expenditure	51,040	47,562
Prior year tax assessment	715,060	-
Prior year income tax	91,921	-
Prior year under provision of deferred tax	988,025	67,065
Tax effect of unreconciled balance on assets	(9,167)	-
Exempt income	(1,434,414)	(185,186)
	(975,721)	**219,645**

THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

20. CASH AND BALANCES WITH BANK OF TANZANIA

	2023 TZS 000	2022 TZS 000
Cash in hand	2,662,211	3,573,818
Balance with Bank of Tanzania	7,939,893	5,599,897
Cheques in the-course of collection	155,923	112,302
Statutory minimum reserve (SMR)	10,818,901	9,719,729
	21,576,928	**19,005,746**
Current	**21,576,928**	**19,005,746**

The SMR deposit is not available to finance the day-to-day operations and is hence excluded from cash and cash equivalents for the purpose of the statement of cash flows (see Note 35). Cash in hand and balances with Bank of Tanzania and SMR are non-interest bearing.

19. INCOME TAX (CREDIT)/CHARGE

Balances with other banks	5,267,297	3,963,449
Accrued interest	3,981	395
	5,271,278	**3,963,844**
Current	**5,271,278**	**3,963,844**

22. GOVERNMENT SECURITIES AT AMORTISED COST

Treasury bills with more than three months original maturity	14,481,100	13,400,495
Accrued interest	383,996	262,865
	14,865,096	**13,663,360**
Treasury bonds with more than three months original maturity	41,420,972	-
Accrued interest	870,700	-
	42,291,672	-
Total	**57,156,768**	**13,663,360**
GOVERNMENT SECURITIES AT FAIR VALUE THROUGH OCI		
Treasury bonds with more than three months original maturity	-	26,907,744
Accrued interest	-	527,726
Fair value gain	-	203,632
		27,639,102
Comprising:		
Current	14,865,096	14,398,571
Non-current	42,291,672	26,903,891
TOTAL GOVERNMENT SECURITIES	**57,156,768**	**41,302,462**

As at 31 December 2023, the bank had pledged treasury bonds of TZS 40.245 billion to obtain interbank short-term borrowings and long-term borrowings with maximum tenure of 12 months and 5 years respectively. No conditions have been attached on these collaterals.

THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

23. LOANS AND ADVANCES TO CUSTOMERS

	2023 TZS'000	2022 TZS'000
Loans to individuals and Corporates	118,200,083	115,270,360
Loans to solidarity groups	3,460,334	9,685,349
Overdraft facility	3,291,656	5,410,019
	124,952,073	**130,365,728**
Allowance for credit losses	**(4,548,179)**	**(9,518,059)**
At 31 December	**120,403,894**	**120,847,669**
Loan Maturity analysis		
With maturity of 3 months or less	14,573,778	15,429,835
With maturity of between 3 months and 1 year	11,749,732	22,303,789
With maturity of more than 1 year	94,080,384	83,114,045
	120,403,894	**120,847,669**

Additional provision as per Bank of Tanzania Regulations

Regulatory impairment		
At the beginning of the year	3,395,177	3,606,802
Decrease during the year	(3,265,134)	(211,625)
At the end of the year	**130,043**	**3,395,177**

General banking risk reserve represent additional allowance for losses charged to retained earnings. The reserve is not available for distribution.

24. EQUITY INVESTMENTS AT FVOCI

	Interest held	2023 TZS'000	2022 TZS'000
Tanzania Mortgage Refinancing Company	5.0%	1,784,200	1,784,200
Umoja Switch Co. Ltd	37.54%	256,000	256,000
		2,040,200	**2,040,200**

The Bank has investments in ordinary shares in Tanzania Mortgage Refinancing Company Limited (TMRC) valued at Fair value and Umoja Switch Co. Ltd being founder member of the Switch.

These shares do not have a quoted market price in an active market. The Bank uses share price information provided by TMRC and Umoja Switch to determine the fair value of the investments at the reporting date.

THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

25. PROPERTY AND EQUIPMENT

	Machinery and equipment	Furniture, fixture and fitting	Computers and IT equipment	Generator	Motor vehicle	Leasehold improvement	Work in progress	Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Cost								
As at 1 January 2023	2,991,385	1,261,057	2,160,553	452,943	793,564	3,824,193	299,261	11,782,956
Additions	37,581	449	81,235	-	-	116,993	34,023	270,281
Transfer in/(out)	15,125	1,638	162,648	-	-	217,625	(397,036)	-
Transfer from intangible	-	-	-	-	-	-	97,774	97,774
Written off	-	(3,439)	-	-	-	(38,425)	-	(41,864)
At 31 December 2023	**3,044,091**	**1,259,705**	**2,404,436**	**452,943**	**793,564**	**4,120,386**	**34,022**	**12,109,147**
Depreciation								
As at 1 January 2023	2,422,934	736,213	1,460,904	379,931	793,212	2,342,939	-	8,136,133
Charge for the year	215,037	134,868	293,111	13,088	352	346,638	-	1,003,094
Written off	-	(1,777)			-	(9,534)	-	(11,311)
At 31 December 2023	**2,637,971**	**869,304**	**1,754,015**	**393,019**	**793,564**	**2,680,043**	**-**	**9,127,916**
Net Book Value	**406,120**	**390,401**	**650,421**	**59,924**	**-**	**1,440,343**	**34,022**	**2,981,231**

THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

25. PROPERTY AND EQUIPMENT (CONTINUED)

	Machinery and equipment	Furniture, fixture and fitting	Computers and IT equipment	Generator	Motor vehicle	Leasehold improvement	Work in progress	Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Cost								
As at 1 January 2022	**2,824,626**	**907,265**	**1,952,322**	**400,732**	**793,564**	**3,779,095**	**358,325**	**11,015,929**
Additions	130,855	303,552	117,099	10,343	-	1,514	203,664	767,027
Transfer in/(out)	35,904	50,240	91,132	41,868	-	43,584	(262,728)	-
At 31 December 2022	**2,991,385**	**1,261,057**	**2,160,553**	**452,943**	**793,564**	**3,824,193**	**299,261**	**11,782,956**
Depreciation								
As at 1 January 2022	**2,184,242**	**639,176**	**1,199,281**	**366,559**	**781,088**	**1,999,884**	**-**	**7,170,230**
Charge for the year	238,692	97,037	261,623	13,372	12,124	343,055	-	965,903
Written off	-	-	-	-	-	-	-	-
At 31 December 2022	**2,422,934**	**736,213**	**1,460,904**	**379,931**	**793,212**	**2,342,939**	**-**	**8,136,133**
Net Book Value	**568,451**	**524,844**	**699,649**	**73,012**	**352**	**1,481,254**	**299,261**	**3,646,824**

THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

25. INTANGIBLE ASSETS

	Intangible assets TZS'000	Work in progress TZS'000	Total TZS'000
COST			
At 1 January 2023	**9,812,750**	**745,189**	**10,557,939**
Additions	291,583	123,301	414,884
Transferred to PPE	-	(97,774)	(97,774)
Work in progress capitalized	527,135	(527,135)	-
At 31 December 2023	**10,631,468**	**243,581**	**10,875,049**
ACCUMULATED AMORTIZATION			
At 1 January 2023	**5,490,723**	**-**	**5,490,723**
Amortization for the year	1,753,304	-	1,753,304
At 31 December 2023	**7,244,027**	**-**	**7,244,027**
Net book value	**3,387,441**	**243,581**	**3,631,022**

Work in progress (WIP) includes assets relating to unfinished projects. These projects are still in progress as at 31 December 2023.

	Intangible assets TZS'000	Work in progress TZS'000	Total TZS'000
COST			
At 1 January 2022	9,335,165	439,660	9,774,825
Additions	184,320	598,794	783,114
Work in progress capitalized	293,265	(293,265)	-
At 31 December 2022	**9,812,750**	**745,189**	**10,557,939**
ACCUMULATED AMORTIZATION			
At 1 January 2022	4,664,004	-	4,664,004
Amortization for the year	826,719	-	826,719
At 31 December 2022	**5,490,723**	**-**	**5,490,723**
Net book value	**4,322,027**	**745,189**	**5,067,216**

THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

27. OTHER ASSETS

	2023 TZS'000	2022 TZS'000
Prepaid expenses	657,030	1,013,084
Stationery and consumables	340,245	417,972
Fair value on staff loans	1,267,004	-
Sundry assets	1,346,557	2,350,099
	3,610,836	**3,781,155**
Allowance for other assets	(609,794)	(550,330)
	3,001,042	**3,230,825**
Current	**3,001,042**	**3,230,825**

Movement in allowance for other assets is as follows.

At 1 Jan	**550,330**	**399,743**
Additional provision	59,464	150,587
At 31 December	**609,794**	**550,330**

28. INCOME TAX RECOVERABLE

At 1 January	2,095,060	2,085,031
Tax charge current year	-	(286,992)
Tax charge prior year	(91,921)	-
Tax refund	(313,079)	-
Tax paid during the year	-	297,021
Unrecoverable prior year taxes	(715,060)	-
At 31 December	**975,000**	**2,095,060**

29. DEPOSITS

29.a DUE TO OTHER BANKS

Term deposits	47,645,526	23,916,027
Savings	13,919	13,869
Call deposits	4,773	4,339
	47,664,218	**23,934,235**

As at year end the bank pledged bonds worth TZS 27.89 billion to secure part of interbank short-term borrowings.

THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

29. DEPOSITS (CONTINUED)

	2023 TZS'000	2022 TZS'000
29.b DEPOSITS FROM CUSTOMERS		
Current accounts	21,782,863	17,907,581
Savings deposits	24,360,638	25,477,477
Time deposits	93,909,920	98,556,436
	140,053,421	**141,941,494**
Current	129,558,786	124,892,466
Non-current	10,494,635	17,049,028
	140,053,421	**141,941,494**

30. DEFERRED INCOME TAX ASSET

Deferred income taxes are calculated on all temporary differences under the liability method, using the enacted tax rate of 30%

		(Charged)/Credited to:		
	At start of year	Profit or loss	OCI	At end of year
	TZS'000	TZS'000	TZS'000	TZS'000
Year ended 31 December 2023:				
Property and equipment	437,802	291,850		729,652
Provisions – loans and advances	2,855,418	(1,490,964)		1,364,454
Provisions – other Assets	165,099	17,839		182,938
Loss carried forward	982,953	3,331,899		4,314,852
Interest in suspense	526,155	(348,294)		177,861
Commitment fee	334,633	(80,876)		253,757
IFRS 16 temporary differences	174,322	61,248		235,570
Fair value gain on bond held for sale	(61,089)	-	61,089	-
Fair value gain on equity instruments	(205,260)	-	-	(205,260)
	5,210,033	**1,782,702**	**61,089**	**7,053,824**

THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

30. DEFERRED INCOME TAX ASSET (CONTINUED)

		(Charged)/Credited to:		
	At start of year	Profit or loss	OCI	At end of year
	TZS'000	TZS'000	TZS'000	TZS'000
Year ended 31 December 2022:				
Property and equipment	432,148	5,654	-	437,802
Provisions – loans and advances	2,104,798	750,620	-	2,855,418
Provision – other Assets	141,031	24,068	-	165,099
Loss carried forward	1,718,476	(735,523)	-	982,953
Interest in suspense	526,155	-	-	526,155
Commitment fee	364,657	(30,024)	-	334,633
IFRS 16 temporary differences	124,650	49,672	-	174,322
Fair value gain on bond held for sale	-	-	(61,089)	(61,089)
Fair value gain on equity instruments	(205,260)	-	-	(205,260)
	5,206,655	**64,467**	**(61,089)**	**5,210,033**

THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

30. DEFERRED INCOME TAX ASSET (CONTINUED)

Management has done an assessment on the recoverability of the deferred tax asset recognized as at 31 December 2023. Management is comfortable that future tax profits will be available to utilize the tax assets. The assessment is based on expected future performance as summarised below:

	Year ending on / ended 31 December:					
	2026	**2025**	**2024**	**2023**	**2022**	**2021**
Interest income growth	13%	15%	10%	-3%	4%	22%
Earning assets growth	17%	13%	8%	9%	17%	6%
Average rate of interest earned	16%	17%	16%	16%	18%	20%
Net interest income/(expense) %	51%	49%	46%	46%	53%	58%
Interest expense growth	9%	8%	10%	13%	17%	18%
Interest bearing liabilities growth	13%	10%	10%	12%	12%	15%
Average cost of funds	8%	8%	8%	8%	8%	8%
Non interest income growth	25%	24%	20%	-37%	49%	49%
Total expenses growth before ECL	10%	5%	-9%	0%	10%	11%
Cost to income ratio	67%	73%	86%	108%	81%	81%
Mix of earning assets						
Treasury bills	9%	9%	8%	8%	8%	20%
Treasury bonds	25%	24%	24%	23%	16%	0%
Sub total	**34%**	**33%**	**32%**	**31%**	**25%**	**20%**
Loans and advances	66%	67%	68%	66%	72%	80%
Others	0%	0%	0%	3%	3%	0%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Interest bearing liabilities mix						
Deposits due to banks	7%	12%	15%	24%	13%	16%
Deposits due to customers	83%	78%	73%	71%	80%	79%
Borrowings	9%	11%	12%	6%	7%	5%
	100%	**100%**	**100%**	**100%**	**100%**	**100%**
Non performing loans ratio	5%	5%	5%	5%	12%	11%
ECL provision to gross loans ratio	6%	5%	5%	4%	7%	6%
Earning assets to interest bearing deposits	96%	93%	90%	91%	94%	91%
Loans to deposits due from customers	75%	80%	84%	85%	85%	92%

THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

31. BORROWINGS

	2023 TZS'000	2022 TZS'000
Tanzania Mortgage and Refinance Corporation (TMRC) (a)	7,641,827	7,641,827
BOT term loan (b)	3,010,850	3,010,358
CRDB Bank (c)	561,159	1,248,606
	11,213,836	**11,900,791**
Current	11,213,836	1,750,000
Non - Current	-	10,150,791
	11,213,836	**11,900,791**
Movement of borrowings:		
At start of year	11,900,791	8,426,352
Proceeds from borrowings	-	4,000,000
Interest expense (Note 9)	984,669	929,893
Interest repayment	(997,428)	(846,153)
Principal repayment	(674,196)	(609,301)
At end of year	**11,213,836**	**11,900,791**

The bank pledged government bonds worth TZS 12.3 billion to secure the borrowing, all borrowings are fully covered except TMRC loans worth TZS 7.5 billion with bond collateral of TZS 1.0 billion. Detailed analysis for each loan is as provided herein below:

a) TMRC term loan

On 15 July 2019, the Bank renewed a mortgage refinancing loan from TMRC of TZS 2.0 billion. The tenor of the loan is five years and bears interest of 7.50% maturing on 15 July 2024. The Bank also renewed another loan of TZS 1.5 billion from TMRC on 26 February 2019 at the annual interest rate of 9.00% with maturity date of five years to 26 February 2024. On 12 April 2022, the bank received a loan of TZS 4.0 billion at the rate of 10.82% maturing on 11 April 2024.The bank is servicing interest on the loans where principal is fully paid on maturity.

At 1 January	7,641,827	3,545,781
Addition	-	4,000,000
Interest expense	717,800	596,853
Interest repayment	(717,800)	(500,807)
At 31 December	**7,641,827**	**7,641,827**

b) BOT term loan

On 31 July 2015, the bank received a 5-year housing microfinance loan amounting to TZS 1 billion from the Bank of Tanzania bearing annual interest rate of 10%. On 31 July 2020, the bank rolled over this loan with new maturity date of 31 July 2024. Effective from September 2021, the interest rate was changed from 10% to 6%.
On 31 March 2016, the bank received another 5-year loan amounting to TZS 2 billion from the Bank of Tanzania bearing annual interest rate of 10%. On 31 March 2021 the bank rolled over this loan with new maturity of 31 March 2024. Effective from August 2021 the BoT reduced the borrowing rate from 10% to 6% prospectively.

At 1 January	**3,010,356**	3,010,687
Interest expense	180,000	180,000
Interest repayment	(179,506)	(180,329)
At 31 December	**3,010,850**	**3,010,358**

THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

31. BORROWINGS (CONTINUED)

c) CRDB bank - term loan

On 22 July 2019 the Bank received loan of TZS 3 billion from CRDB bank Plc, the loan carries an annual variable interest rate of 182 T-Bill plus 5% margin (Approx. 10.25% pa) for 5 years repayable on Quarterly basis. The facility maturity date is 22 July 2024.

	2023 TZS'000	2022 TZS'000
At 1 January	**1,248,608**	1,869,886
Interest expense	86,869	153,038
Interest repayment	(100,122)	(165,017)
Principal repayment	(674,196)	(609,301)
At 31 December	**561,159**	**1,248,606**

As at 31 December 2023, the bank was compliant with all debt covenants attached to the loans.

32. OTHER LIABILITIES

Accrued expenses	605,032	740,411
Withholding tax and other indirect taxes	588,682	171,214
Sundry creditors	176,491	235,887
Deferred commitment fees	845,856	1,115,442
Dividend payable	238,425	253,729
Account's payables	408,467	257,987
	2,862,953	**2,774,670**

33. SHARE CAPITAL

Authorized		
400,000,000 (2023:400,000,000) ordinary shares of TZS 250/= each	100,000,000	100,000,000
Issued and fully paid ordinary shares		
97,646,913(2023:97,646,913) shares of TZS 250/= each	24,411,729	24,411,729
Rights issue expenses	(349,825)	(349,825)
Share capital as per the statement of financial position	**24,061,904**	**24,061,904**

THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

34. EARNINGS PER SHARE

Basic (loss)/earnings per share

Basic (loss)/earnings per share amounts are calculated by dividing net (loss)/profit for the year attributable to ordinary equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year. The :calculation is based on

	2022 TZS'000	2022
(Loss)/profit attributable to ordinary shareholders (TZS'000)	(3,618,232)	747,703
Weighted average number of ordinary shares	97,646,913	97,646,913
Basic (loss)/earnings per share - TZS	**(37.05)**	**7.66**

Diluted earnings per share was the same as basic earnings per share as the Bank had no potentially dilutive ordinary .shares in issue

35. CASH AND CASH EQUIVALENTS

Cash and balances with Bank of Tanzania (excluding SMR and items in the course of collection) (Note 20)	10,602,104	9,173,715
Balances with other banks (Note 21)	5,271,278	3,963,844
Cheques in the course of collection (Note 20)	155,923	112,302
	16,029,305	**13,249,861**

THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

36 LEASES

	2023 TZS' 000	2022 TZS' 000
(i) Right-of-use assets		
At start of the year	8,931,791	8,897,773
Revaluation	207,502	-
Additions	2,374,586	34,018
Derecognition	(1,418,495)	-
At the end of year	**10,095,384**	**8,931,791**
Accumulated Depreciation		
At start of the year	3,437,595	2,592,273
Revaluation forex	89,462	16,786
Depreciation charge for the year	1,095,857	828,536
Derecognition	(1,418,495)	-
	3,204,419	**3,437,595**
Net book value at the end of year	**6,890,965**	**5,494,196**
(ii) Lease liabilities		
At start of the year	2,883,633	3,546,595
Additions	2,374,586	-
Revaluation forex	123,006	12,747
Finance cost (included in interest expense)	326,917	242,244
Payment during the year	(1,228,896)	(917,953)
At the end of year	**4,479,246**	**2,883,633**
Current	1,220,380	1,228,896
Non-current	3,258,866	1,654,737
	4,479,246	**2,883,633**

THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

37. RELATED PARTY DISCLOSURES

The Bank is owned by UTT AMIS (23.69%), Dar es Salaam City Council (10.65%), Ilala Municipal Council (8.12%), Kinondoni Municipal Council (5.74%), Temeke Municipal Council (3.49%), National Health Insurance Fund (6.12%), Ubungo Municipal Council (2.96%), Kigamboni Municipal Council (2.33%) and the General Public (36.89%).

	2023 TZS'000	2022 TZS'000
Loans to key management personnel:		
Loans outstanding at the beginning of the year	**965,568**	**916,103**
Loan additions during the year	704,000	203,640
Loan repayments during the year	(1,069,728)	(154,175)
Loans outstanding at the end of the year	**599,840**	**965,568**
Interest income earned	**47,987**	**77,245**
Deposits from Directors and key management personnel:		
Deposits at the beginning of the year	**112,922**	**126,613**
Deposits received during the year	1,750,792	1,983,747
Deposits repaid during the year	(1,763,077)	(1,997,438)
Deposits as at the end of the year	**100,637**	**112,922**
Interest expense	**1,510**	**1,694**
Deposits from shareholderS		
Deposits at the beginning of the year	**8,414,181**	**9,424,482**
Deposits received during the year	20,831,401	16,003,432
Deposits repaid during the year	(16,829,343)	(17,013,733)
Deposits as at the end of the year	**12,416,239**	**8,414,181**
Interest expense	**1,005,629**	**757,276**
Key management compensation		
Salaries and other short-term benefits	1,750,792	1,983,747
Post-employment benefits – Social security costs	239,110	292,465
	1,989,902	**2,276,212**

Key management personnel are described as those people who have authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly.

Business relationship with the anchor shareholders

The Bank continues to strengthen its relationship with the Municipal Councils, UTT and NHIF via different deposits products. Deposits received and paid from these shareholders during the year is as indicated above.

THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

37. RELATED PARTY DISCLOSURES (CONTINUED)

	2023 TZS'000	2022 TZS'000
Directors' remuneration		
Directors' remuneration- short term benefits	**258,032**	**302,424**

38. CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities		
Guarantees and indemnities	20,815,791	7,986,779
Undrawn balance	755,918	1,779,656
	21,571,709	**9,766,435**
Capital expenditure	**13,398**	**179,476**

No capital commitment in 2023, commitment for the year 2022 comprises capital expenditure software

Commitments to extend credit and guarantees

Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiry dates, or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements. However, the potential credit loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific standards.

Legal claims

Litigation is a common occurrence in banking industry due to the nature of the business. The Bank has established protocol for dealing with such legal claims. Once professional advice has been obtained and the number of damages reasonably estimated, the bank adjusts account for any adverse effects which the claims may have on its financial standing. At year end the bank had no legal claims that can be reasonably estimated

39. DIVIDEND PER SHARE

Dividends are not recognized as a liability until they have been approved at the Annual General Meeting. In 2023 no dividend is proposed (2022: NIL).

40. EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any other matter or event arising since the end of the financial period that requires disclosure in or adjustment to the financial statements.

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