



**ANNUAL REPORT AND
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2023**

MAENDELEO BANK PLC

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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ABBREVIATIONS

The following abbreviations are used in these Financial Statements:

ACPA	Associate Certified Public Accountant	IFRS	International Financial Reporting Standard
ALCO	Asset and Liability Committee	ISA	International Standard on Auditing
ATM	Automated Teller Machine	KPI	Key Performance Indicators
BOT	Bank of Tanzania	KYC	Know Your Customer
CDS	Credit Default Swap	LGD	Loss given default
CET 1	Common Equity Tier 1	LTECL	Lifetime expected credit loss
CPA	Certified Public Accountant	MBP	Maendeleo Bank Plc
CSR	Cooperate Social Responsibility	MFI	Microfinance Institutions
CVA	Credit Valuation adjustment	MNO	Mobile Network Operator
DSE	Dar es salaam Stock Exchange	NBAA	National Board of Accountants and Auditors
DVA	Debit Valuation adjustment	OCI	Other comprehensive income
EAD	Exposure at default	PD	Probability of default
ECL	Expected credit loss	PIN	Personal Identification Number
EGM	Enterprise growth market	PLC	Public Limited Company
EIR	Effective Interest Rate	POCI	Purchased or originated credit impaired (financial assets)
ELCT	Evangelical Lutheran Church Tanzania	SACCOS	Saving and Credit Cooperative society
ESG	Environmental, Social and Governance	SIC	Standard Interpretation Committee
EXCOM	Executive Management Committee	SME	Small Medium Enterprises
FCPA	Fellow Certified Public Accountant	SPPI	Solely payments of principle and interest
FVA	Funding Valuation adjustment	UDSM	University of Dar es salaam
FVOCI	Fair value through other comprehensive income	USD	United States Dollar
FVPL	Fair value through profit or loss	12mECL	12 months expected credit loss
FYDP	Five Year Development Plan		
GDP	Gross Domestic Product		
IAS	International Accounting Standards		
IASB	International Accounting Standards Board		
ICT	Information Communication Technology		
IESBA	International Ethics Standards Board for Accountants		
IFRIC	International Financial Reporting Interpretation Committee		

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COMPANY INFORMATION

Name of organization	Maendeleo Bank PLC	
Chief Officers	Dr. Ibrahim Mwangalaba	Managing Director
	CPA Nolasco Charles	Head of Finance
	CPA Peter Tarimo	Head of Risk and Compliance
	CPA Kapilima Saidi	Head of Internal Audit
	Emanuel Mwaya	Head of Business Development
	Mumi Philip	Head of Credit
	George Wandwalo	Head of Operations and ICT
	Richard Mashiku	Head of Human Resources
Directors	Prof. Ulingeta Obadia Mbamba	Chairperson
	CPA Anna T. Mzinga	Vice Chairperson
	Adv. Ayoub Mtafya	Director
	Reverend Dr. Ernest Kadiva	Director
	CPA Leah Kabale	Director
	Reverend Wilbroad Mastai	Director
	Joyce Mapunjo	Ms. Director
	Mr Eliud Betri Sanga	Director
	Dr. Emmanuel Manasseh	Director
	Dr. Ibrahim Mwangalaba	Managing Director
Registered Office	Maendeleo Bank PLC Sokoine Drive P.O.Box 216 Dar es Salaam Tanzania	
Auditors	Auditax International Certified Public Accountants Auditax House, 3 rd Floor Coca cola road, P.O. Box 77949 Dar es Salaam, Tanzania	

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COMPANY INFORMATION (CONTINUED)

Bankers	Bank of Tanzania P.O. Box 2939 Dar es Salaam Tanzania	CRDB Bank Plc P.O. Box 70013 Mbagala Branch Dar es Salaam
	EcoBank (T) Ltd Uhuru Branch P.O. Box 20500 Dar es Salaam Tanzania	Bank of Africa NDC House P.O. Box 3054 Dar es Salaam Tanzania
	Tanzania Commercial Bank Main Branch P.O Box 9300 Dar es Salaam Tanzania.	NMB Plc Ilala Branch P.O.Box Dar es Salaam Tanzania
Bank's Attorney	BM Attorneys 22 nd Floor RITA Tower Makunganya Street PO Box 4681 Dar es Salaam Tanzania	Bwana Attorneys 5 th Floor IPS Building PO Box 20437 Dar es Salaam Tanzania
	VAM Associates Advocates 4 th Floor NIC Life House, P.O Box 75042, Dar Es Salaam. Tanzania.	

MAENDELEO BANK PLC

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

1.0 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 Maendeleo Bank Plc ('the Bank').

1.1 BANK PROFILE

Maendeleo Bank Plc started in September 2013 following the strategic decision made during the Annual General Meeting of the Evangelical Lutheran Church of Tanzania – Eastern and Coastal Diocese in 2008. Maendeleo Bank PLC is targeting to serve individuals, Savings and Credit Cooperative Societies (SACCOS), Micro, Small and Medium Enterprises (SMEs), salaried workers as well as group and corporate customers. The shareholding structure comprises of various companies, church institutions, individuals, Evangelical Lutheran Church of Tanzania (ELCT), ELCT Dioceses and United Evangelical Mission. The broader goal of the bank is to provide banking services to Tanzanian businesses at affordable price to enable the emerging businesses and financially disadvantaged people in the country to access financial services.

1.2 BANK'S VISION

“To become a preferred retail and MSME financial services provider in Tanzania”.

1.3 BANK'S MISSION

“To provide innovative, customer needs driven financial services with competitive returns to our shareholders.”

1.4 BANK'S CORE VALUES

Maendeleo Bank has six (06) basic corporate core values considered specific and related to the bank core business. These core values outlined below state how the employees of the bank should behave while serving customers and other stakeholders.

- Accountability – We are accountable for our own actions and decisions;
- Caring for Community – We are responsive to our community in which we operate;
- Empowerment – We encourage our employees to be innovative and use their skills for the best of the bank;
- Innovation – We are skilled, competent and innovative;
- Integrity – We act with honesty and honour without compromising the truth; and
- Respect for the Individual – We value diversity and unique contributions.

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1.5 PRINCIPAL ACTIVITIES

The Bank is engaged in the business of banking and provision of related services and is licensed under Banking and Financial Institutions Act 2006.

The Bank carries on business of assets and liabilities management through accounts operations and lending to micro, small and medium enterprises including:

- Receiving deposits, including savings and time deposits;
- Lending to individuals, micro small and medium enterprises, Saving and Credit Cooperation Societies (SACCOS), etc.;
- Providing fund transfer services at international and local levels; and,
- Facilitating payment systems through operating current accounts, and other accounts for individuals.

1.6 EXTERNAL ENVIRONMENT ANALYSIS

During 2023, Tanzania focused on strengthening the economic recovery, preserving macroeconomic stability, and supporting sustainable and inclusive growth. Africa and the world were on a journey—from a period marked by the pandemic and high inflation, to a new digital, climate-friendly economy. The unfavorable global economic environment and domestic factors continue to weigh on Tanzania’s economic recovery. The fiscal deficit was wider than expected in FY2022/23, largely reflecting shortfalls in revenue collections, a wide current account deficit, tighter external financial conditions and pressures on the foreign exchange market. The authorities remain committed to their reform program, despite of an unfavorable global economic environment. The authorities’ response to the emerging foreign exchange market pressures focused on interventions and regulatory measures. Addressing the root causes of imbalances called for a more comprehensive policy response that includes exchange rate flexibility, fiscal consolidation, and continued tightening of local currency liquidity. Continuing efforts to modernize the monetary policy framework and complete the ongoing transition to an interest rate-based monetary policy appeared to be the key to enhance the effectiveness of monetary policy.

GDP grew by 5.2% in 2023 on the back of improvements in global economic conditions and domestic reforms to support economic activity and inclusive growth supported by the large infrastructure spending. Improved power supply mainly from natural gas helped to boost performance of other sectors including manufacturing and trade. Revival of the central railway line in standard gauge has also increased the capacity and efficiency of the Dar es Salaam and Tanga ports, which improved the financial deepening, and financial inclusion programs.

According to International Monetary Fund (IMF) and Africa Development Bank (AfDB) Tanzania economy which now stands at around \$85Bn, is set to grow into \$136Bn, economy by 2028 while that of Kenya which is largest in East Africa at \$118Bn, will be \$151Bn by 2028. However based on the economic outlook provided by IMF and AfDB, on the GDP growth trend of the two countries, Tanzania will outpace Kenya’s economic growth and will have a larger economy in the next 10 years. Tanzania GDP projected to grow by 6.4% in 2024 while that of Kenya expected to reach 5.4%.

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1.6 EXTERNAL ENVIRONMENT ANALYSIS (CONTINUED)

Inflationary pressures remained subdued, with twelve-month headline inflation standing at 3 percent in December 2023, a modest decline from 3.2 percent from the previous year. This is consistent with the country's medium-term target, as well as the regional benchmarks of the East African Community and the Southern African Development Community. The moderate inflationary pressure is associated with a less accommodative monetary policy stance, sufficient domestic food supply, and lower imported inflation following the easing of global commodity prices, in particular oil.

Monetary policy: The year 2023 marked the end of conducting monetary policy using money supply growth, commonly referred to as the monetary targeting framework. The framework existed for almost three decades from 1995 and succeeded in maintaining inflation below 5 percent and contributing to strong economic growth. The year 2024 marks the beginning of conducting monetary policy by using interest rate, also known as interest rate (or price)-based monetary policy. This forward-looking framework, a form of inflation targeting, is expected to improve the effectiveness of monetary policy in the modern era. It is also part of the country's compliance to harmonize the agreement of monetary policy frameworks in the regional economic communities in which Tanzania is a member. Key objectives include maintaining stable prices, targeting a 5 percent inflation rate in the medium term, and supporting economic growth.

Banks' lending rate sustained a downward path, partly explained by the decrease in credit risk in the banking sector. The overall lending rates decreased to 15.34 percent in Dec 2023, from 16.06 percent in the corresponding period in 2022. The negotiated lending rates remained almost unchanged at around 13 percent. The overall deposit rates displayed modest hikes to an average of 7.45 percent from 6.99 percent of Dec 2022.

In the year, the banking environment remained sound, stable and resilient with adequate capital to support economic activities.

The Bank of Tanzania (BOT) continued to strengthen risk management practices in the financial sector by implementing various policies and regulatory reforms to safeguard the stability of the industry including directing banks with capital inadequate ratios to implement capital restoration plans and adhering to the regulatory requirements.

Two years ago, BOT issued a circular for Banks to operate within a cost to income ratio of not more than 55% effectively by 31st December 2024. Furthermore, the circular prohibits Banks with either cost to Income ratio of above 55% or NPL ratio of above 5% from paying dividends and bonus from the date of the circular.

During the year 2023, BOT issued three revised regulations namely, The Banking and Financial Institutions (Liquidity Management) Regulations 2023, The Banking and Financial Institutions (Prompt Corrective Actions) Regulations 2023, and The Banking and Financial Institutions (Capital Adequacy) Regulations 2023, through Government Notices No. 724, 726, and 727 of 2023, respectively that were published in the Government Gazette on 6th October 2023. The three revised regulations, have been developed in line with the requirements of Basel II & III standards and revoked the Banking and Financial Institutions (Liquidity Management) Regulations, 2014, the Banking and Financial Institutions (Prompt Corrective Actions) Regulations 2014, and the Banking and Financial Institutions (Capital Adequacy) Regulations, 2014.

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1.6 EXTERNAL ENVIRONMENT ANALYSIS (CONTINUED)

The Banking and Financial Institutions (Prompt Corrective Actions) Regulations 2023, is covering the followings, Mandatory actions for adequately capitalised bank or financial institution which in the opinion of the Bank, is likely to incur a loss which may result in it becoming undercapitalised, or is otherwise conducting its business in an unsafe or unsound manner, Mandatory actions for undercapitalised, significantly/critical undercapitalized, bank, or financial institution, Contents of capital restoration plan, Review and approval or disapproval of capital restoration plans, Failure to submit or implement capital restoration plan, and its sanctions. The bank and Financial institution (capital adequacy) regulations had some few amendments on calculation and reporting the capital position of the bank. The bank and Financial institution (Liquidity Management) regulations had some few amendments on calculation and reporting the liquidity position of the bank.

The central bank also issued three guidelines namely, The Internal Capital Adequacy Assessment Process (ICAAP) guidelines for banks and financial institutions, 2023, The Internal Liquidity Adequacy Assessment Process (ILAAP) guidelines for banks and financial institutions, 2023, and The Market Discipline Guidelines for Banks and Financial Institutions, 2023. Further the Central Bank issued four amendment namely, The Banking and Financial Institutions (Mortgage Refinance Companies) (Amendment) Regulations, 2023, The Banking and Financial Institutions (Development Finance) (Amendment) Regulations, 2023, The Banking and Financial Institutions (Corporate Governance) (Amendment) Regulations, 2023, and The Banking and Financial Institutions (Licensing) (Amendment) Regulations 2023. Eelier on the year the Central bank published corporate governance regulation namely The Banking and Financial Institutions (Corporate Governance) (Amendment) Regulations, 2023 which shall be read as one with the Banking and Financial Institutions (Corporate Governance) Regulations 2021 as only contained editorial to some few parts.

Competitive position

During the year 2023, the banking landscape continues to face competition from other players, mainly Mobile Network Operators (MNOs) and FinTech with technology disruptions becoming a norm. Similarly, the mergers and acquisitions witnessed in the banking industry in recent years will likely create entities that will increase competition in the sector.

MB will continue to drive a digital transformation agenda towards building the Bank of the future and creating value to our society through access to credit, financial inclusion and social responsibility programs. The bank will continue to leverage its competitive advantage through customer centricity, improved technology, wide network of more than 1,820 agency banking, more than 1000 ATMs (300 of Umoja switch and around 700 of NMB), 4 branches in Dar es Salaam and a committed work force to deliver value to all stakeholders. During the year, NMB Bank joined Umoja Switch family and this enabled all Maendeleo Bank clients to access more than 1,000 ATM across the country with no additional cost at any point in time. The Bank continuing to support customer's demand which has been a critical focus of the MB throughout the year. This achievement came through providing banking services to all Tanzanians. We also took steps to support customers who were unable to visit branches by bringing banking services near them through MB mobile.

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1.6 EXTERNAL ENVIRONMENT ANALYSIS (CONTINUED)

Market forces

The Bank serves a diverse customer base with changing needs and ever-increasing demand for more value and convenience.

Technology is highly affecting the banking landscape; clients expect 24/7 banking wherever they are in the world- the same access offered by other service providers. They also expect constant innovation.

To maintain a customer centric focus, innovating business models that meet the customer demands and leverages on cutting edge technology to find solutions for customer needs. We have enhanced capabilities of our core banking system and alternative channels and ensure our footprint presence across the country through Agency Banking to foster an excellent customer experience.

1.7 PERFORMANCE FOR THE YEAR

The Bank has managed to record a profit before tax of TZS 2,625 million for the year ended 31 December 2023 (2022: TZS 1,984 million) which translates to income after tax of TZS 2,348 million being a 66% growth compared to 2022 position of TZS 1,416 million. During the year, enormous efforts happened where the bank's profitability increased because of aggressively pursuing new business lines and continuing to offer competitive services.

Investment initiatives conducted during the year resulted into a 3% increase in interest income. Interest income grew year on year to reach TZS 15,976 million in 2023 from TZS 15,809 million in 2022. The increase in interest income is a result of increase in loans and advances by TZS 13,428 million to TZS 74,086 million in 2023 (2022: TZS 60,658 million). Interest from investment in securities slightly declined by TZS 152 million from TZS 3,824 million in 2022 to TZS 3,672 million in 2023.

Interest and similar expense increased by 9% in 2023 compared to 2022. The cumulative interest and similar expenses by year-end stood at TZS 6,424 Million from TZS 5,898 Million in 2022. The increase was prompted by deposit growth of 17% (TZS 12,959 Million) year on year from TZS 77,829 Million in 2022 to TZS 90,788 Million in 2023, of which TZS 48,486 Million was Time Deposits (2022-time deposit stood at TZS 41,088 Million). Despite this increase in deposits, the average cost of fund for time deposits was maintained at 10% for 2022 and 2023. Efforts to reprice time deposits to the same price or better than the previous deal allowed a relief in the interest expenses incurred during the year.

The Bank's non-interest income grew significantly during the year by 41% from TZS 2,119 Million in 2022 to TZS 2,993 Million by end of year 2023. The Bank's foreign exchange income increased during the year 2023 taking advantage of challenge on availability of USD, from the revaluation gain of TZS 36 Million (2022 had a loss of TZS 20Millions) while the income due to foreign exchange trade stood at TZS 48 Million in 2023 from TZS 42 Million of 2022.

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1.7 PERFORMANCE FOR THE YEAR (CONTINUED)

Customer deposits grew by 17% which is TZS 12,959 Million, from TZS 71,152 Million in 2022 to TZS 83,750 Million in 2023, reflecting improved liquidity environment in the banking industry, coupled with the bank's measures in mobilizing stable and long-term funding options to fuel the predicted balance sheet growth. The bank has continued to strengthen its deposit base by utilizing its innovative digital products that are tailored to the customer needs. Deposits from banks increased from TZS 6,200 Million in 2022 to TZS 6,400 Million in 2023. Loans and Advances to customers increased by TZS 13,428 Million to reach TZS 74,086 Million (2022: TZS 60,658 Million) reflecting the bank's initiatives to strengthen the business ties it has with the customers by providing credit related solutions. This highlights reveals that while the loan book grew by 22%, interest income from loan book grew by only 1% due to deliberate effort done by management to lower the interest rates for some poor performing loans to attract its recoveries. This campaign helped to recover the significant amount of loans in arrears and improved the none-performing loans from 5.2% of 2022 to 4.9% of 2023.

1.8 STRATEGIC OBJECTIVES

During the year, 2023, the Bank continued the implementation of its Five-year Business Strategic plan, which was established in 2022 for the period up to 2026. The Bank continued to strengthen its balance sheet, stakeholder engagement, channel distribution harmonization, portfolio quality management, ICT infrastructure, resource optimization and capacity building. In return, the Bank recorded a high growth evidenced by profit after tax growth of 66%. The key drivers for this growth are; the ability and flexibility of the bank to adapt the new business environment.

Key milestone from 2023 Strategies includes business growth through launched strategic campaigns to drive acquisition and usage of bank products, developed solutions for under-served segments like Wezesha Machinga loans, harmonized service tariffs to increase customer retention and share of wallet, reinforced sales culture by building the capacity of teams, adequately resourcing them and creating networking opportunities in strategic events.

The five-years (2022-2026) strategies based on four strategic pillars of Transformation of Microfinance Business within the bank, Customer Service Transformation, Digitization of products and Improve Governance and Risk Management. The Strategy stems from the framework of the current operating environment, competitive landscape, and internal operating dynamics, which the Bank leverage from its competitive advantage for current and future growth. The strategy also focused on digital transformation towards building the Bank of the future.

Key performance indicators used in assessing progress of the Maendeleo Bank's strategic objectives are:

Key performance indicators	Definition and calculation method	2023	2022
Return on Equity	Net profit/Total equity	11%	8%
Return on Assets	Net profit/Total assets	2%	1%
Cost to Income Ratio	Total cost/Net income	58%	58%
Non-Interest income to Gross Income	Non-interest /Total income	22%	18%
Loans to Deposit Ratio	Total loans to customers /Total deposits from customers	84%	80%

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Non-Performing loans to Gross loans	Total non-performing loans/Gross loans and advances	4.9%	5.2%
Growth on Total Assets	Increase in assets for the year/Total assets opening balance	16%	5%
Growth on Loans and advances from customers	Increase in loans and advances/Opening balances of loans and advances	22%	5%
Growth of Customers Deposits	Increase in customer deposits/Opening balance of customer deposits	17%	11%
Capital Adequacy	Core capital/Risk weighted assets including off balance sheet items	18.3%	19%
Liquidity Ratio	Liquid assets/Demand Liabilities	28%	25%

1.9 KEY STRENGTHS AND RESOURCES

The following are the key strength and resources which assist the Bank in pursuit of its objectives: Sufficient capital base for current and projected growth, good reputation in the market, young and energetic work force, credibility due to high level of transparency required of publicly listed company

For the purpose of discharging its duties the Board of Directors, cooperate with regulator, government and other stake holders. Main stakeholders who integrated with the Bank in executing its responsibilities are:

1.9.1 Shareholders and Investors

These are the initial providers of financial capital, and we disclose to them relevant information to make informed investment decisions as well as seeking their perspectives on our financial performance and strategy.

Key concerns

The key concern raised by shareholders was about business growth prospects in a challenging operating environment, including management's decision to allocate capital in branch expansion as we look forward to grow and have a presence in upcountry regions by 2026. Shareholders are also interested in how we are embedding sustainability considerations into our business practices.

Value we create

Delivering value to our Shareholders by increasing net asset value and net earnings, continuous engagement to ensure full disclosure and open communication to inform their investment decisions. Management adhering to a disciplined process of capital allocation that ensures we venture into growth markets where bank would be profitable and sustainable. Payment of dividends, with the bank dividend payout policy of at least 50% of profit after tax, and maintaining a safe balance sheet by holding adequate provisions and keeping coverage of non-performing loans.

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1.9.2 Customers

Customers remain to be the main reason of our existence. Growing number of customer's results in greater business revenue growth and this can only be achieved by providing superior customer experience. On the other hand, sustainable banking practices and world-class governance and risk management puts the bank safe and creates good trust by the customers.

1.9 KEY STRENGTHS AND RESOURCES (CONTINUED)Key

concerns

They desire banking to become simpler, more intuitive and time efficient. Providing excellent customer service and getting it right for customers the first time and security for their money and information. Customers would like funding to grow their businesses and live up to our promise to transform their lives and allow them to take advantage of funding opportunities for wealth creation.

Value we create

Safeguarding deposits, investments and wealth, providing credit that enables wealth creation, economic development and job creation. Further, facilitating transactions that are the backbone of economic value exchange, enabling financial inclusion by providing access to banking services and products to the under banked with affordable pricing. Finally, providing financial education and advisory services and developing innovative solutions that meet our customers' specific needs.

1.9.3 Employees

Our staffs are key to making Maendeleo Bank a great place to bank and to work. Motivated and skilled staff, together with efficient and value-creating solutions, services and operations offers value adding to our customers. Staff as part of society, contribute materially to the communities in which they live and work.

Key concerns

They aspire to grow as the business grows, open doors for career progression, opportunities to contribute to society and a friendly work environment, safe and conducive for work life balance.

Value we create

Rewarding staff for the value they add, creating job opportunities as we grow, developing our staff to further their careers and improve our services and products, transforming into an inclusive society through employment fairness and gender equality and motivating and energising our workforce.

1.9.4 Society

We engage with the public so as to better understand the role we can play to address the needs of the societies we operate in. It is society that grants us the capital to operate and as such, we must be ever conscious of its interests.

Key concerns

The public is demanding that banks exert greater influence on their customers and employees to act responsibly in environmental, social and governance matters.

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Value we create

Embracing sustainable banking practices and regulatory compliance that enable a safe and stable banking system and a thriving society, playing a meaningful part in the broader society as a procurer of goods and services, making a difference through our corporate social responsibility activities and positively transforming economies and society through our activities and our lending.

1.9.5 Regulators and Policy Makers

We are expected to be a good corporate citizen and a long-term participant in our markets by providing input to and implementing public policies. We are regulated by a wide spectrum of regulators.

Key concerns

Regulation for the banking industry continues to be around key risk areas such as cyber security, business and professional conduct, corporate governance, financial reporting and financial crime.

Value we create

Complying to set rules and regulations to ensure a stable financial sector, collaboration with regulators to deepen financial inclusion and contributing meaningfully to government budgets through paying government taxes.

1.9.6 Regional and International Banking

Maendeleo Bank Plc collaborates with regional and international Banks.

Key concerns

Their key concern is to improve and increase the number of foreign currency transactions especially US dollar to enable allow the Bank to open correspondent Bank account.

Value we create

Continuous marketing follow up with international Banks to allow Maendeleo Bank to open correspondent account.

1.9 RESOURCES

In executing its duties, Maendeleo Bank has the following key resources, some are tangibles and others are intangibles as explained further below

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1.10.1 Financial Resources

Maendeleo Bank deploys its financial resources to support customers and clients achieve their goals. The strong financial position, sustained growth and consistent shareholder returns are a result of disciplined approach towards raising, lending, and managing financial resources/ capital.

1.10 RESOURCES (CONTINUED)

It includes customer deposits, shareholder equity, retained earnings and external borrowings among others. Shareholding and debt funding give the Bank a strong financial capital base that supports its operations and fund growth. Financial capital includes funds invested by customers and stakeholders.

The strong base of financial capital, supports operations and fund growth. The investors, both debt and equity, played a big part in the makeup of the financial capital to execute the Bank's strategy. In 2023, the Bank leveraged on the funding mix of customer deposits, debt, and equity to run operations and execute its strategy. The bank maintained a solid capital-base and diversified funding sources that enabled its solutions competitively across the markets it operate. Bank accessed fund at the competitive rates, to efficiently create and maximize shareholder value.

During the year under review, Interest received on various loans and advances to corporate, individuals, small and medium enterprises as well as government securities and money market accounted for 85% of total income. (2022: 88%) while non-funded income contributed 15% (2022: 12%) of the total income required to finance bank operations.

1.10.2 Equity Resources

The Bank has a paid-up capital of TZS 13,921 Million (2022: TZS.13,921 Million) held by various shareholders who include Church institutions, individuals, ELCT-Eastern and Coastal Diocese, ELCT Dioceses and United Evangelical Mission. Total borrowings increased to TZS 12,681 Million from TZS 9,956 Million in 2022. Through distribution networks and strong financial base, the Bank managed to attract and mobilize a balanced mix of deposits, which supported the lending activities. The retained earning form part of Bank's financial capital used in the execution and growth of strategic investments. The retained earnings stood at TZS 4,730 Million at the end of the period under review (2022, retained earning stood at TZS 3,009 Million).

1.10.3 Human Resources

To deliver on our strategy we have a team of 119 (2022 had 114) employees serving our customers across the business, drawn from diverse backgrounds. Maendeleo Bank is committed to developing an elaborate best-in-class employee value proposition to ensure our staff successfully delivers on the entity's strategies. Maendeleo Bank wants to reinforce a culture of high performance underpinned by ethical conduct and personal responsibility for performance by continually investing on human resource development focusing on training, staff wellness, staff recognition, competitive remuneration and career growth. Our focus on developing a skilled and motivated workforce enables us to acquire, serve and retain our customers.

We are focused on embedding a culture of continuous development, which increases competitiveness and investment in the development of skills required by employees to serve the digital customer of the future.

1.10.4 Intellectual resources

The adoption of data analytics and emerging technologies enables us to increase operational efficiencies. The knowledge and expertise incorporated within our systems, processes and procedures and the equity built in the Bank's brand constitute our intellectual capital. We have invested in a strong brand business, strategic partnerships and innovative products and solutions that we offer to our customers. We have made commendable progress in digital adoption with focus on automation, which is a key driver of delivering our digital strategy.

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1.10.5 Manufactured resources

This incorporates the Bank's physical and digital infrastructure through which it conducts its business activities. It includes our branch network, agency banking, mobile banking, and other ICT domain. Manufactured resources facilitate our engagement with customers, people, the society, and other stakeholders. Our distribution network comprising 4banking outlets, corporate head office, 1,820 Maendeleo Wakala (Agency banking), and more than 1,000 ATMs (300 Umoja ATMs, and around 700 NMB ATMs which came to effect after integration between NMB and Umoja switch).

1.10.6 Social and relationship resources

This is composed of ethical and transparent relationships with our customers, shareholders, investors, suppliers, regulators, government and society. It also includes the skill of sharing value with our stakeholders to improve individual and collective welfare. The bank has a Corporate Social Responsibility (CSR) policy, which provides guidelines for the identification and management of corporate social responsibility programs.

We value the views of our stakeholders because they play a significant role in shaping our response to business and societal issues. Be it with our customers, trade partners or communities, we take a holistic approach to sustainable value creation by nurturing our long-standing relationships and building new ones. Further, through our Business Development department, we work closely with various communities to improve their lives and livelihood opportunities.

1.10.7 Natural Resources

Natural Capital consists of renewable and non-renewable environmental resources, consumed or affected by our business for the prosperity of the organization. Here we are mainly talking about water, soil, ores, forests and biodiversity. We understand that, even though we are a service business, our activities impact the environment in one way or another. Our main sources of electricity and water consumption, for example, come from cooling systems and the use of electronic equipment. Our strategy to increasingly become a more digital bank has strongly contributed to a reduction in paper consumption. We aim to implement large part of our internal processes to no longer use paper, which will be replaced by electronic and digital means. Our operations are highly dependent on the availability of electricity and, therefore, we seek to continually improve our energy efficiency through internal projects and consumption reduction targets.

1.10.8 Other resources

As a leading financial service provider, well positioned in the market we provide competitive and innovative financial solutions through digital transformation, to achieve distinctive customer experience, while caring for our people, and delivering a sustainable contribution to the society. The Bank ensure compliance in all legal and regulatory requirements in providing the financial services to customers. Those charged with governance ensure the availability, quality, and affordability of the above resources to produce flows to meet the customer expectation and future demand.

MAENDELEO BANK PLC

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1.10 RESULTS AND DIVIDEND

The bank recorded a profit after tax of TZS 2,348 million for the year under review (2022: TZS 1,416 million). The profit for the year is mainly attributed to lending activities. The Board of Directors recommends payment of dividend of TZS 1,174million for the year ended 31 December 2023. (2022: TZS 708 million) subject to BOT approval. However, in consideration of the strategy of transforming the bank from the regional bank to commercial bank, The Board of Directors recommend the dividend payment in terms of script issue instead of cash payment.

1.11 CORPORATE GOVERNANCE MATTERS

Corporate Governance Statement

Corporate Governance is the backbone to any organization's strategy and success. It provides a framework within which corporate objectives are set and performance monitored, as well as providing assurance to stakeholders. Governance has proven from time immemorial to be paramount to the success of any institution.

Corporate governance continues to advance, with the focus currently being on environmental, social and governance (ESG) factors and the role of corporate in their attainment. Board of Directors to adopt an ESG lens in guiding performance thereby promoting sustainable practices.

Maendeleo Bank Plc has diversity in its Board of Directors and hence it has ensured that the Board of Directors is well equipped to the new advancement in Corporate Governance in respect to environmental, social and governance (ESG). MBP has ensured its services offerings are aligned with the global best practices on ESG.

Board of Directors' operations and control

Principle on appointment of Board of Directors

The Annual General Meeting appoints board of Directors by voting representing, body corporate, company or individual shareholders after being vetted by Bank of Tanzania, for a term of three years. The Annual General Meeting does after the appointment of the Board of Directors members every three years. Any member of the Board of Directors may, unless he/she resigns or his/her membership is otherwise terminated, hold office for consecutive period of ten years.

Chairman and Managing Director

The Chairman is a non-executive Director, and the roles of the Chairman and the Managing Director are separate, with their responsibilities clearly defined. The Chairman is responsible for leading the Board and ensuring its effectiveness. The Managing Director is responsible for the execution of the Bank's strategy, policies and the day-to-day business of the Bank, supported by management and executive committees, which he chairs.

Structure of the Board of Directors

The Board comprise of ten (10) Directors including Managing Director as executive Director. The Board comprises of three committees namely:

Board Audit and Risk Committee, Board Credit Committee, Board Human Resources and Remuneration Committee

MAENDELEO BANK PLC

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

The Board of Directors continues to oversee implementation of the Bank of Tanzania directives and External Auditor recommendations made during the statutory audit of the financial year 2023. In addition, the Board of Directors continues to oversee with implementation of recommendations made by Independent consultants who are hired by the bank from time to time.

Stakeholder Relations

Board of Directors has identified categories of stakeholders, which are Government, employees, regulators, Regional and International banks, members and the general community. Before making its decisions, the Board of Directors takes the interests of all stakeholders into account to ensure that engagement with stakeholders is deliberate and planned. Furthermore, the Board of Directors wishes to ensure that communication with stakeholders is always transparent and effective.

Ethics and social responsibility

The Board of Directors has identified the following six ethical values, which underpin good corporate governance, to guide all its deliberations, decisions and actions:

Accountability: We are accountable for our own actions and decisions

Caring for Community: We are responsive to our community in which we operate

Empowerment: We encourage our employees to be innovative and use their skills for the best of the Bank.

Innovation: We hire skilled, competent and innovative staff. We create new way of life to our customers.

Integrity: We act with honesty and honour without compromising the truth.

Respect for the Individual: We value diversity and unique contribution.

Board of Directors' operations and control

Maendeleo Bank has developed the Board of Directors' Charter, to ensure that its business is conducted according to the highest ethical standards and in compliance with all the applicable laws and regulations governing the regulation of the entity. The provision of the Charter applies to all and the Board of Directors ensures that all, Senior management and staffs adhere to it.

Risk management and internal control


One of the major roles of the Board of Directors is the Risk management, which about understands the uncertainties facing the Bank, and developing strategies to benefit from them, or minimise their impact on the achievement of the bank's targets and strategic objectives. The Board of Directors performs comprehensive examinations to assess the risks to which the bank is exposed and to determine the materiality of such risks. Thus, the risk-management strategy of the Bank is designed to support the achievement of the bank's strategic objectives as a whole, while identifying and quantifying risks, establishing risk ownership, and maximizing business value, taking into consideration costs in terms of risk, by every responsible function at all levels of the Bank.

The Bank is committed to having a great 'mix' of qualified individuals appointed as Board of Directors, as diversity is not only a strength but also provides great competitive edge. Diversity is observed through differentiation in the age of Directors, their gender, and professional qualifications.



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Composition of the Board of Directors

<p>1. Prof. Ulingeta Mbamba, Chairperson (Age: 62), Male, Tanzanian</p> <p>Prof Mbamba holds a Bachelor of Science in Engineering, a Master of Business Administration, a Licentiate Degree and a PhD in Business Administration. Prof Mbamba has also served and continues to serve on other committees and boards.</p>	
<p>Prof Mbamba is an Associate Professor at the University of Dar es Salaam and has served as Dean of the University of Dar es Salaam Business School (UDBS), Managing Director of the University of Dar es Salaam Computing Centre (UCC), Associate Dean Academic (UDBS), Deputy Director of Undergraduate Studies (UDSM) and Head of Department (Department of General Management, UDBS).</p>	
<p>2. CPA Anna T. Mzinga, Vice Chairperson (Age: 48), Female, Tanzanian. MBA - Finance, Open University of Tanzania (2009); Professional Savings and Credit Societies Management Course, Moshi University College of Cooperatives and Business Studies; Advanced Diploma in Accountancy - Institute of Finance Management (2000); Certified Public Accountant, CPA(T).</p> <p>Anna is a professionally qualified accountant with senior-level experience in accounting, finance and project management. She is currently working with Water Aid Tanzania as Country Director. Prior to holding that position, she worked at Benjamin William Mkapa HIV/AIDS Foundation as Director of Finance and Grants; worked with the Higher Education Student Loans Board as Senior Accountant; with Dunduliza Company Limited in partnership with Desjardins International Development as a Director of Finance and worked with the Open University of Tanzania as Assistant accountant.</p>	

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	<p>3. Ms. Joyce Mapunjo, Director (Age: 65), Female, Tanzanian Joyce holds MBA (International Finance), Loyola University Chicago Masters in Banking, Milan Italy and Bcom (Finance), University of Dar es salaam.</p> <p>Joyce joined the Treasury in March 1982 as a finance specialist. She has served as member of Board of Directors of Tanzania Investment Center (TIC), Tanzania Breweries limited (TBL), Dar Es Salaam water and sanitation organization (DAWASA), College of Engineering at the UDSM (COET), College of Business Education (CBE), Tanzania Institute of Accountancy (TIA), National Development Corporation (NDC), to mention a few.</p> <p>She served as Presidential Appointee since January 1997 in five ministries the last appointment was Permanent Secretary ministry of East Africa cooperation.</p>
	<p>4. Reverend Dr. Ernest William Kadiva, Director (Age:56) Male, Tanzanian</p> <p>Ernest holds Bachelor of Commerce and Management University of Dar-es-Salaam in 1993; Bachelor of Divinity, Makumira University in 2002, Master of Theology and Ecumenical Studies (Geneva University 2011) and PhD degree from Luther Seminary.</p> <p>Reverend Kadiva is currently in Charge of United Evangelical Mission Africa office. Prior to that, Pastor Kadiva occupied varied pastoral and lay positions, including that of Manager, Country General Trading and Marketing and Sales for the Guardian newspaper and the IPP Group.</p> <p>With increasing seniority in his Pastoral service, Reverend Kadiva was appointed Chaplain of the Azania Front Cathedral; Assistant General Secretary of the ELCT-ECD; and Deputy General Secretary Administration, Operation and Estate Affairs.</p> <p>He has also attended numerous courses and seminars in Church leadership and Management Skills in Singapore Haggai Institute; Senior Managers; Course in Governance and Accountability in Tanzania: an Overview of Civil Society” organized by the University of Dar-es-Salaam in 2000. He has written professional papers and research works that were presented in different forum and workshop in Tanzania and overseas.</p>

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	<p>5. CPA Leah Kabale, Director (Age: 50) Female, Tanzanian. Leah has a Diploma in Project Management, Advanced Diploma in Accountancy (TIA) and MBA (Finance) UDSM and has experience working as Board Chairperson for Faraja Fund – Women empowerment group and RTI Tanzania NGO Branch Office.</p> <p>Currently she is working as a Director of Finance and Operations RTI – USAID. She worked as Head of Finance and Business Official – Amref Health Africa Tanzania (Jan 2015 – May 2019). Special assignment for United Nations Population Fund in Malawi – 2023 and as Finance Officer at UNFPA (May 2005 –Dec 2014) She also worked as Assistant Internal Auditor Care International Tanzania 2002 – 2005).</p>
<p>6. Dr. Emmanuel Manasseh, Director (Age: 44), Male, Tanzanian</p> <p>Emmanuel holds BSc. degree in Telecommunications Engineering from the University of Dar Es Salaam, Masters of Engineering (M.Eng.) degree from Hiroshima University, Japan and PhD in Engineering (Dr. Eng.) from Hiroshima University, Japan.</p> <p>Worked with Celtel Tanzania Limited, as a Telecommunications Engineer. He was an Assistant Professor at Hiroshima University in the Department of System Cybernetics before joining Nelson Mandela African Institute of Science and Technology (NM-AIST) Arusha, as a lecturer. Currently working at Tanzania Communications Regulatory Authority (TCRA). as a Director, Industry Affairs Dr. Manasseh is a member of Engineers Registration Board of Tanzania (ERB); Institute for Electrical and Electronics Engineers (IEEE), Signal Processing Society and Communications Society. He is also a member of the Institution of Engineering and Technology (IET) UK, European Signal Processing Society and Asia Pacific Signal and Information Association (APSIPA).</p>	
	<p>7. Reverend Wilbroad S. Mastai, Director (Age: 54), Male, Tanzanian Wilbroad holds MA Intercultural Studies and Diaconic Management, Bethel-Germany, PGD (Social Work), Tumaini University, Masters of Arts in Sociology, University of Dar Es Salaam and Bachelor Divinity, Tumaini University Tanzania.</p> <p>Reverend Mastai is a theologian currently offering pastoral oversight at the Evangelical Lutheran Church in Tanzania (ELCT), Eastern and Coastal Diocese, Kimara Parish which is one of the largest congregational parishes in the Lutheran Church.</p> <p>Reverend Mastai is working with international bodies, among his internationally focused works; Reverend Mastai is an alumni member of the United Evangelical Mission (UEM) on Education and has travelled to various countries in attendance of conferences and trainings by UEM.</p>

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<p>8. Adv. Ayoub Mtafya Director (Age: 53), Male, Tanzanian. He has LLB and LLM (taxation) both from UDSM and Postgraduate Diploma in tax management, He is an Advocate of the High Court of Tanzania and High Court of Zanzibar, a Registered Tax Consultant and a Registered Arbitrator. He has served as one of the Directors of Alios Finance Tanzania Limited.</p> <p>He has experience in the banking industry as Management and Board Directorship (was Board Member of Mkombozi Commercial Bank since October 2015) where he served as the Chairman of HR Board Committee and Member of Board Credit Committee. He has worked with Deloitte & Touche as Senior Legal Advisor in charge of Legal and Company Secretarial Service Line where he attended a number of Board meetings in companies such as East African Cement Processors Association Limited, East African Cables (T) Limited, Kibo Seed Tanzania Limited, Heritage Insurance Limited and Longhorn Tanzania Limited.</p> <p>He is currently serving as Company Secretary for Yara Tanzania Limited and Tanzania International Petroleum Reserve Limited (TIPER). He is a Managing Partner of NexLaw Advocates.</p>	
<p>9. Eliudi Betri Sanga. Director (Age: 63), Male, Tanzanian. He has BA (Economics) from UDSM, Graduate Diploma in Development administration (Australia), Masters in Development Administration (Australia). He is a retired Director General of PSSSF. He also served as Director General of LAPF and Director of Investments of NSSF</p> <p>He is serving as a Board Member for National Housing Corporation. He is Chairman of Board of Directors of Airtel Tanzania PLC, appointed by the Her excellence President of URT. He has served as Board Member for Azania Bank Ltd where he served for two terms. He has served as Council Member of DSE (1997 – 2001) He has served in various capacities as advisor to the United Republic of Tanzania government as Committee Member – implementation of Julius Nyerere Hydro Power Project</p>	
<p>10. Dr. Ibrahim Mwangalaba, Managing Director (Age: 56), Male, Tanzanian Ibrahim holds Masters in Business Administration (MBA) in Finance, Bachelor of Commerce & Management - both from the University of DSM.</p> <p>Ibrahim is a certified Director by the Institute of Directors, Tanzania. Certified Professional Banker (CPB) from Tanzania Institute of Bankers. He is a certified trainer and coach in leadership and entrepreneurial skills by Joseph Business School (USA), certified business coach at Business Development Centre of Regent State University (USA). He is a coach and mentor to number of youths in the country.</p>	

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<p>He served as a Governing Council member of Tanzania Bankers Association for four years Committee Member to finance and budget committee of Tanzania Institute of Bankers.</p> <p>Before joining Maendeleo Bank Plc as a founding Managing Director, he worked with KCB Bank Tanzania Ltd as Head of Operations & Technology, worked with CRDB Bank as a Senior Banking Operations Officer, worked with Mbeya Cement Company Ltd as a Marketing Officer and Stock Controller.</p>	

Attendance of Board of Directors' meetings

The Board of Directors had six Board meetings during the period. The Audit and Risk Committee met eight times and the Credit Committee met nine times during the year under review.

Table 1: Board of Directors Meeting attendance for year ended 31st December 2023

No.	Name	Meeting Attendance	Position	Date of appointment	Date of Resignation
1.	Mr. Amulike S. K. Ngeliama	8/8	Outgoing Chairperson	16 th May 2013	27 th Nov 2023
2.	Adv. Dosca K. Mutabuzi	7/8	Outgoing Vice Chairperson	16 th May 2013	27 th Nov 2023
3.	Prof. Ulingeta O. Mbamba	8/8	Chairperson	1 st Nov 2019	On Going
4.	CPA Anna T. Mzinga	6/8	Vice Chairperson	16 th May 2013	On Going
5.	Mr. Naftal M. Nsemwa	5/8	Director	16 th May 2013	27 th Nov 2023
6.	Ms. Joyce Mapunjo	7/8	Director	22 nd June 2019	On Going
7.	Dr. Emmanuel Manasseh	5/8	Director	22 nd June 2019	On Going
8.	Rev. Dr. Ernest. W. Kadiva	6/8	Director	22 nd June 2019	On Going

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No.	Name	Meeting Attendance	Position	Date of appointment	Date of Resignation
9.	Rev. Wilbroad Mastahi	4/8	Director	3 rd Aug 2020	On Going
10.	CPA Leah Kabale	1/1	Director	27 th Nov 2023	New Member
11.	Adv. Ayoub Mtafya	1/1	Director	27 th Nov 2023	New Member
12.	Eliud Betri Sanga	1/1	Director	27 th Nov 2023	New Member
13.	Dr. Ibrahim Mwangalaba	8/8	Managing Director	16 th May 2013	On Going

The retirement of the above directors was due to elapse of their tenure as per the BOT regulation. The banking and financial institutions (corporate governance) regulations, 2021 requires the board member to hold the office for no more than the consecutive period of 10 years. However, the bank has obtained official waiver for ongoing directors who have served for more than ten years.

Committees of the Board of Directors

The Board of Directors functions through three committees namely:

- a. Board Audit and Risk Committee;
- b. Board Credit Committee; and
- c. Board Human Resource and Remuneration Committee.

Committees of the Board of Directors comprise of members of the Board of Directors. The Board of Directors appointed committee Members who served during the year for a period of three years effective from 27th Nov 2023 following appointment of the new Board Member.

Board Audit and Risk Committee

The Board Audit and Risk Committee reviewed accounting policies and financial reporting systems to ensure that they are adequate and are complied with at all times. It reviewed adequacy of internal control systems and monitored implementation of actions to address issues raised by internal auditors, Bank of Tanzania examination and external auditors. The secretary of the Audit and Risk Committee is Adv. Angela Mwangeni who is a Legal Manager and the Company Secretary.

The Head of Internal Audit functionally reports directly to the Committee. On annual basis, the Committee reviews and approves the internal audit work plan and budget for the year while ensuring that it covers all high-risk areas in the Bank's operations. The Committee also receives reports of findings observed by internal auditors on quarterly basis for review and recommendation to the Board.

The committee had 5 meetings during the year. The external auditors were invited and attended two meetings, to present their audit plan and audited financial statements for the year ended 31 December 2022. The Managing Director and all senior members of staff attended all the meetings as invitees.

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Table 1: Members of the Audit and Risk Committee as at 31st December 2023 and meeting attendance.

No.	Committee Members	Position	Meeting Attendance	Remarks
1.	CPA Anna T. Mzinga	Chairperson	5/7	On going
2.	Prof Ulingeta Mbamba	Member	7/7	On going
3.	Joyce Mapunjo	Member	6/7	On going
4.	Eliud Betri Sanga	Member	n/a	New Member
5.	CPA Leah Kabale	Member	n/a	New Member
6.	Adv. Angela Mwageni	Secretary to the Committee	7/7	On going

The members of Board Audit and Risk Committee are all new who joined the board on 27th November 2023 with exception of Chairperson. The previous members of this committee were Prof. Ulingeta Mbamba, and Joyce Mapunjo who attended all five meetings each. Managing Director and all senior members of staff attended all the meetings as invitees.

Board Credit Committee

The Credit Committee monitors performance and quality of the credit portfolio, appraises and approves loans within its credit approval limit and recommends to the Board for approval facilities beyond its limit. The Committee reviews the Credit Policy and ensures that it contains sound fundamental principles that facilitate the identification, measurement, monitoring and control of credit risk as well as having appropriate plans and strategies for credit risk management.

During the year under review the committee had nine meetings. The Managing Director and Head of Credit participated in all of the meetings as invitees. Adv. Ayoub Mtafya and Joyce Mapunjo joined the committee at the end of the year to replaced Mr Naftal Nsemwa who retired due to elapse of tenor as per regulation.

Table 2: Members of the Credit Committee as at 31st December 2023 and Meeting attendance

No.	Committee member	Position	Meeting Attendance	Remarks
1.	Dr. Emmanuel Manasseh	Chairperson	3/6	On going
2.	Naftal Nsemwa	Out going Chairperson	6/6	Out going
3.	Adv Dosca Mutabuzi	Out going Member	5/6	Out going
4.	Ms. Joyce Mapunjo	Member	n/a	New
5.	Adv. Ayoub Mtafya	Member	n/a	New
6.	Adv. Angela Mwageni	Secretary to the Committee	6/6	On going

1.12.2.1. Board Human Resource and Remuneration Committee

During the year under review Human Resource and Remuneration Committee had 4 meetings which discussed matters pertaining to staff including appointment of executive members, succession planning, review the remuneration of all employees,

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The primary function of the Committee is to assist the Board of Directors in fulfilling its oversight responsibility to shareholders by ensuring that the Bank has coherent remuneration policies and practices that fairly and responsibly reward executives and staff, having regard to performance, governing laws and highest standards of governance. Due to re-organization of the board committee following retirement and appointment of new board members on 27th November 2023, Adv. Ayoub Mtafya, Rev Wilbroad Mastahi and Ms Joyce Mapunjo joined this committee on 27th Nov 2023 and therefore did not attend any meeting in 2023. The previous members of this committee, Mr Amulike Ngeliama and Adv Dosca Mutabuzi attended all four meetings during 2023.

Table 3: Members of the Human Resources Committee as at 31st December 2023

No.	Committee member	Position	Meetings Attendance	Remarks
1.	Adv Dosca Mutabuzi	Out going Chairperson	4/4	Out going
2.	Amulike Ngeliama	Out going	4/4	Out going
3.	Adv Ayoub Mtafya	Chairperson	n/a	New
4.	Reverend Dr. Ernest Kadiva	Member	4/4	On going
5.	Reverend Wilbroad Mastahi	Member	n/a	New
6.	Ms. Joyce Mapunjo	Member	n/a	New
7.	Adv. Angela Mwageni	Secretary to the Committee	4/4	On going

1.13. MANAGEMENT

Management of the bank is under the leadership of the Managing Director and is organized in six Departments as follows:

- Finance Department
- Credit Department
- Human Resources Department
- Information Communication Technology and Operations Department
- Internal Audit Department, and
- Business Development Department
- Risk and compliance department

Legal unit is under the Managing Director's Office.

1.14. LOCAL AND INTERNATIONAL RELATIONS

Maendeleo Bank continued to maintain its relationship with the general public, local and international organizations and regulators. The bank also maintained close working relationships with all other financial institutions including Microfinance institutions and Vikoba.

Maendeleo Bank was the first bank in Tanzania to be registered on the Dar es Salaam Stock Exchange (DSE) on its inception through Enterprise Growth Market (EGM) and hence became Public Limited Company (PLC) right from its start. The bank was listed at DSE effective from 5th November 2013 and to date has maintained its listing.

1.15. SOLVENCY

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The Board of Directors confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. Board of Directors has reasonable expectation that Maendeleo Bank Plc has adequate resources to continue in operational existence for the foreseeable future.

1.16. CAPITAL MAINTENANCE

The capital of the bank includes paid up capital, share premium, regulatory reserves and retained earnings. The bank complied with all requirements relating to maintenance of capital.

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of statement of financial position, includes complying with the capital requirements set by the regulator, Bank of Tanzania. The compliance aims to safeguard the Bank's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders, to maintain a strong capital base to support the development of its business.

The Bank's management monitors the adequacy of its capital and use of regulatory capital are monitored on a quarterly basis by management using the ratios established by the Bank of Tanzania (BOT) which rates are broadly in line with those of Basel Committee. The ratio measures capital adequacy by comparing the Bank's eligible capital with its statements of financial position assets, off balance sheet component and market and other risk position at weighted amounts to reflect their relative risk. The required information is filed with Bank of Tanzania on a quarterly basis.

The Bank manages its capital to meet Bank of Tanzania requirements listed below:

- Hold the minimum level of the regulatory capital of TZS 2 billion;
- Maintain regulatory reserve of not less than 7% of total deposit liabilities; named statutory minimum reserve (SMR); and
- Maintain a ratio of total regulatory capital of not less than the internationally agreed 12% of risk-weighted assets (Basel ratio) plus risk-weighted off-balance sheet items.

1.17 LEGAL AND REGULATORY REQUIREMENTS

Maendeleo Bank Plc is a licensed financial institution and regulated by BOT. Companies Act 2002, BAFIA 2006, BOT Act and its bylaws, guides the operations of Maendeleo Bank Plc. During the year under review, the bank complied with all the applicable laws.

1.18 ENVIRONMENTAL CONTROL PROGRAM

In a bid to enhance the economy and maximize wealth, humans continue to engage in activities that are detrimental to the environment. As a result, the world is faced with the challenges of climate change, such as floods, loss of ecosystem, heat waves and resource shortages as planetary limit are approached. Concern for environment related issues is increasing globally and, recently, among enterprises and institutions, leading to the development of various means of evaluating it. Climate change presents a conspicuous threat to societies as well as natural environments. For Maendeleo Bank, environmental and social sustainability are fundamental aspects of achieving desired outcomes and are consistent with the long-term growth strategy. The credit policy

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of the Bank gives priority to projects that foster environmental and social sustainability. The Bank finances projects and businesses that have a clear strategy of managing social and environmental resources responsibly.

The Bank's policies and procedures has adopted international best practices, (including IFC Performance Standards) and adhere to international treaties and conventions, which have been ratified by the respective governments. Our social investment strategy focuses on creating enablers of social transformation by touching the lives of vulnerable communities. Considering the crucial impact of environmental conservation, the Bank has developed a specific environmental and social policy. The policy articulates the commitments of the Bank to sustainable development, elaborates how the Bank integrates environmental and social issues into its processes and activities, and sets the roles and responsibilities including the requirements to deliver these commitments. The policy defines how the Bank manage the environmental and social risks and impacts, and how it supports the overall sustainability of its operations and investments in line with its obligations under national and international law and other relevant standards. In additional to the developed environmental and social policy, the Bank has also established a unit designated for the assessment and management of Environmental and Social Risks associated with financed projects and advise management accordingly. In carrying out its mandate of promoting sustainable development, the Bank effectively and equitably manage environmental and social risks and impacts and improve outcomes of the financed activities. Through this policy, the bank commits to the followings:

- Examine the environmental and social issues and concerns associated with potential business activities proposed for financing or being financed;
- Identify, evaluate and manage the environmental and social risks and the associated financial implications arising from these issues and concerns; and
- Where avoidance is impossible, mitigate adverse impacts to people and the environment, Give due consideration to vulnerable and marginalised populations, groups, individuals, local communities, indigenous peoples, and other marginalized groups of people and individuals that are affected or potentially affected by the Bank-financed activities.

Maendeleo Bank monitors the impact of operations on the environment for services, which offers to its customers through loan financing. The bank has put in place policies on types of business to finance which are environmentally friendly. Further to support the government effort on the environmental conservation it has introduced a clean energy product including renewable energy product, which aim at financing purchase or installation of solar, gas engine for motor vehicles etc. The Bank is committed to the prevention of environmental pollution and complies with relevant environmental laws in the area it operates as a minimum standard and seeks; to implement best practices wherever possible through a comprehensive Environmental and Social Management System (ESMS).

Further, Maendeleo Bank has independently conducted environmental and Social Impact Assessment (ESIA) based on the Tanzanian Environmental Management Act of 2004 and its EIA & Audit regulations of 2005 (and its revised EIA and Audit-amend Regulation 2018). Before reaching the decision to fund any projects, or launching any product, the Bank always perform the thorough review on the impact in the community we serve. Neither do we cater to any project that has direct adverse impact on the environment, health and safety (EHS)

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aspects nor do we fund businesses that produce ozone-depleting outputs. In the year 2023, we screened the proposed number of projects and products which the Bank were to pursue, and approved only those which were in line with our ESMS framework.

The Bank is committed to promote environmentally sound and sustainable development in full range of its credit products. The Bank believes that environmental and social sustainability is a fundamental aspect of achieving outcomes consistent with its Credit Policy and recognizes that projects which foster environmental and social sustainability rank among the highest priorities of its activities.

The bank in the daily operations observe the following for all businesses it finances;

- Ensure that businesses financed observe environmental safety standards and regulatory requirements in line with country laws and international best practices;
- Observe and mitigate negative impact of business on Biodiversity Conservation and Natural Resources; and
- Observe and mitigate negative impact of business on cultural heritage objects, sites, and structures (e.g., Artefacts, archaeological sites, graves, and sacred forests).

The Bank embraces a culture of responsible living, with the ultimate intention of building a sustainable work environment that has minimal or nil adverse effects on the environment.

Among the efforts done by the Bank to minimize ecological footprint are:

- Implementation of Paper-less withdrawal at branches using Mendeleo Mobile-Banking,;
- Continuing creating awareness to the public on web and mobile - based banking solutions that have cut off the amount of paper used; and
- Use of automated internal memo and approval workflow system to track and control the number of printouts monthly, Adopting collaboration technologies within the Bank's communication systems, such as videoconference kits to cut the number of hours and material resources spent travelling, by air or road for meetings and the use of electronic reports for management meetings. Environmental conservation has become one of the core issues that need to be addressed to battle climate change and global warming.

The Bank has several initiatives to ensure its strategies align with the Sustainable Development Goals (SDGs) through our banking products, processes, and loan investment goals, including various efforts to reduce carbon emissions. The Bank also is investing in environmental sustainability best practices to promote climate change resilience. The Bank is committed to address climate change and its consequences. To ensure our investors and other stakeholders on the initiatives, the bank incorporated sustainability assessment into its investment and credit processes.

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1.19 PRINCIPAL RISKS AND CERTAINITIES

Board of Directors accepts final responsibility for risk management and internal control systems of the bank. It is the task of management to ensure that adequate internal control systems are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding:

- The effectiveness and efficiency of operations;
- The safeguarding of the bank's assets;
- Compliance with applicable laws and regulations;
- The reliability of accounting records;
- Business sustainability under normal as well as adverse conditions; and
- Responsible behaviours towards all stakeholders.

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. 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 2023. The Board believes that the internal control system met acceptable criteria. Operational, credit, interest and liquidity risks are the principal risks that may significantly affect the Bank's strategies and development. Below we provide a description of the risks, which the Bank faces, and the related management controls in place.

1.19.1 Operational risk

This is a risk resulting from the Bank's activities not being conducted in accordance with the formal procedures put in place including non-compliance with Know Your Customer (KYC) and account opening procedures. Management ensures that the Bank complies with KYC and other internal procedures. Management has put in place several controls to mitigate the operational risk including the following:

- The Bank has operational manual for its daily activities, which provides adequately procedures and rules of attending every activity of the Bank;
- The Bank has several policies, which guide the operations of every department and units in a bank; and
- The Bank has a system of making sure every transaction and event concluded has proper supervision and authorization.

1.19.2 Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce profit in the event that unexpected movements arise. The Bank's Asset and Liability Committee (ALCO) sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored regularly by the Bank. More details of the interest risks facing the Bank are provided in Note 37 to the financial statements.

MAENDELEO BANK PLC

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

1.19.3 Liquidity risk

Liquidity risk is the risk that a Bank is unable to meet its 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. The Bank's liquidity management process, as carried out within the Bank and monitored by the Asset and Liability Committee include:

- Day-to-day funding managed by monitoring future cash flows to ensure that requirements can be met. These includes replenishment of funds as they mature or re-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 balance sheet liquidity ratios against internal and regulatory requirements; and Managing the concentration and profile of debt maturities. More details on liquidity risk management are provided under note 37.

1.19.4 Credit risk

Credit risk is the risk that the Bank will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for industry concentrations, and by monitoring exposures in relation to such limits.

The credit risk department under Head of Credit monitors credit risk. It is their responsibility to review and manage credit risk, including environmental and social risk for all types of counterparties. The Bank has established a credit quality review process to provide early detection or identification of possible changes in the creditworthiness of counterparties, including collateral revisions. The credit quality review process aims to allow the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective actions.

The Board of Directors adopted and follows risk management procedures detailed in the risk management framework. Risk management processes are embedded into the Board of Directors' management systems, processes, operations and structures. Also, the Board of Directors regularly reviews and monitors the adequacy and effectiveness of risk management function and processes.

1.19.5 Compliance Risk

Refers to current or prospective risk to earnings and capital arising from violations or non-compliance with laws, rules, regulations, agreements, prescribed practices, or ethical standards, as well as from the possibility of incorrect interpretation of effective laws or regulations.

The Bank manages Regulatory Compliance Risk through a Risk and Compliance function which monitors Regulatory changes and its effects to the business, disseminate the requirements across the Bank to ensure the business is not in violation and make changes to bank's policies and procedures affected by changes in laws and regulations. The function conducts regulatory conformance tests across the bank to detect

MAENDELEO BANK PLC

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

compliance gaps in enforcement of regulatory requirements and reports to the Risk Management Committees of the Management and the Board, on Compliance status for the Bank.

1.19.6 Strategic Risk

Strategic risk concerns the consequences that occur when the environment in which decisions that is hard to implement quickly and reverse result in an unattractive or adverse impact. Strategic risk ultimately has two elements: one is doing the right thing at the right time and the other is doing it well. Strategic risk includes a risk that the Bank's strategy may be inappropriate to support sustainable future growth.

On a quarterly basis, the Department of Risk and compliance performs a Strength, Weaknesses, Opportunities and Threats (SWOT) analysis to determine factors that would affect attainment of the bank's Strategy (This includes assessment of the strategic pillars by looking at both internal and external factors) and reports the same to Management Audit & Risk Committee and the Board.

1.19.7 Reputation risk

The risk that an activity, actions or stance taken by the Bank, or its officials will impair its image in the community, the long-term trust placed in the bank by its stakeholders, and this will result into the loss of business and /or threaten legal actions.

Our Bank reputation is a priceless asset. Damage to our Bank's reputation can have a last and dramatic effect on financial health. In that manner, management and the Board ensure all employees are working in a manner that protects the Bank's reputation.

1.20 FUTURE DEVELOPMENT PLANS AND SUSTAINABILITY APPROACH

The Bank's future strategy is to expand by establishing agency banking in order to have a wide presence that can serve its customers better by providing easier access to banking services. During the five years of its strategic plan, the Bank has planned to increase its branch networks to upcountry regions. As at 31 December 2023, the bank had four branches, i.e. Luther House, Mwenge, Kariakoo and Mbezi Luis branch. The Bank intends to open one new branch in Dar Es Salaam at Mbagala area before end of April 2024 and another branch in Arusha before end of year 2024. The bank is committed to continue to be more profitable in the future. During the period the bank has committed to grow businesses through transformation of Microfinance business, improved customer service to customer experience, digitalization of banking services and improved governance and risk management function.

The Bank focuses to continue being profitable through introduction of innovative products, focusing on value added customer services and selective expansion of its branches while carefully managing both costs and risks. The Bank will continue to focus on improving productivity and introducing new products to the market Sustainability approach.

MAENDELEO BANK PLC

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

1.21 GENDER PARITY

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

As at 31st December 2023 and 2022 the Bank had the following distribution of employees by gender;

Gender	2023		2022	
	No.	Percentage	No.	Percentage
Male	63	53%	64	56%
Female	56	47%	50	44%
Total	119	100%	114	100%

1.22 RELATED PARTY TRANSACTIONS AND BALANCES

Transactions during the year with related parties were conducted at terms and conditions similar to those offered to other clients and in the normal course of business. All related party transactions and balances, including director's emoluments are disclosed under Note 34 of these financial statements.

1.23 CORPORATE SOCIAL RESPONSIBILITY

The bank has a Corporate Social Responsibility (CSR) Policy which guides the bank on management of CSR programs. During the financial year under review the bank donated TZS 213,728,600 (2022: TZS 24,672,000) to different beneficiaries within the region. A total of Tzs 120.0Mn was mobilized through Maendeleo Bank Marathon to support people with autism and children born before maturity 'Njiti'.

1.24 ACCOUNTING POLICIES

Results of the Bank are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of the financial statements. When preparing the financial statements, it is the Directors' responsibility under the Tanzania Companies Act 2002 to select suitable accounting policies and to make judgments and estimates that are reasonable and prudent. The accounting policies that are deemed critical to the results and financial position, in terms of the materiality of the items to which the policies are applied and the high degree of judgment involved, including the use of assumptions and estimation, are described in Notes 2 and 3 to the financial statements. The policies have consistently been applied by the Board of Directors throughout the reporting period.

MAENDELEO BANK PLC

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

1.25 EMPLOYEES WELFARE

1.25.1. Management and Employees' Relationship

There were continued good relations between employees and management for the year 2023. There were no unresolved complaints received by management from the employees during the year. Management took measures to build strong workplace relations by ensuring that employees lived up to the standards of the institutions culture and values while maintaining effective communication at all levels. Staff meetings were conducted at branch, department and corporate levels whereby staffs were able to participate in helping shape the future of the organization.

1.25.2. Training Facilities

During the year, the Bank spent TZS 65,095,602 (2022: TZS 36,713,493) on staff training. A total of 119 (2022: 105) staff benefited from internal and external courses. They acquired new knowledge and skills led to the enhancement of business performance.

1.25.3. Medical Assistance

All Members of staff and their respective spouses together with a maximum number of four beneficiaries (dependants) for each employee were availed with medical insurance with Strategies Insurance Company. The bank spent TZS 223,692,093 on medical (2022: TZS 197,278,750)

1.25.4. Financial assistance to staff

This is available to all confirmed employees depending on the assessment by Management of the need and circumstance and ability to make payment in accordance with the existing Human Resources Policy.

1.26 PERSONS WITH DISABILITIES

Maendeleo Bank Plc is an equal opportunity employer and as a matter of policy, recruitment processes are transparent and competitive. In case of employment applications by persons with disabilities will be considered bearing in mind the aptitude of the applicant concerned. In the event of members of staff becoming disabled, every effort shall be made to ensure that their employment with the bank continues and appropriate training is arranged. It is the policy of the bank that training, career development and promotion in case of staff with disabilities should, as far as possible, be identical to that of other employees.

1.27 CORPORATE GOVERNANCE STATEMENT

The Board of Directors is committed to the principles of effective corporate governance. The Directors also recognise the importance of integrity, transparency and accountability.

1.28 RESPONSIBILITIES OF THE AUDITORS

Auditors' objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes an opinion on the financial statements.

MAENDELEO BANK PLC

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

1.29 STATEMENT OF BOARD OF DIRECTORS’S RESPONSIBILITIES

The Board of Directors is required to prepare financial reports for each financial year that give a true and fair view of the state of affairs of Maendeleo Bank Plc, its operations and sources and applications of the funds obtained during the period.

The Board of Directors accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates in conformity with International Financial Reporting Standards (IFRSs) and in the manner required by applicable laws. The Board of Directors is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of Maendeleo Bank Plc and of its operating results.

The Board of Directors further accept responsibility for the maintenance of the accounting records, which may be relied upon in the preparation of financial statements, as well as adequate systems of internal controls.

Nothing has come to the attention of the Board of Directors to indicate that the bank will not remain a going concern for a foreseeable future from the date of this statement.

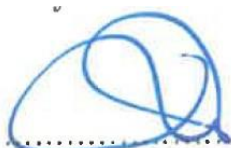
1.30. PREJUDICIAL ISSUES

Maendeleo Bank Plc faces a number of challenges including lack of correspondent bank relationship which make it difficult to retain customers with abroad transfers. This may lead to difficulties to retain customers who are conducting export and import business; however, the Bank is working with various stakeholders to enable it open correspondent accounts with banks abroad.

1.31. AUDITORS

M/s Auditax International, Certified Public Accountants, Dar Es Salaam, were appointed as the independent auditors of Maendeleo Bank PLC for the year ended 31 December 2023. The auditors have expressed their willingness to continue in office, and the Board of Directors believes that they qualify for reappointment. A resolution proposing the reappointment of auditors of the Bank for the year ending 31 December 2024 had been put to the Annual General Meeting.

**This statement was approved by the Board of Directors on.....and signed
on behalf by:**



.....
Prof. Ulingeta Obadia Mbamba Chairperson

Date.....
28 March 2024

MAENDELEO BANK PLC

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

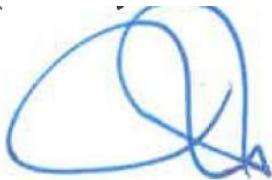
The Companies Act of Tanzania requires the Directors to prepare financial statements for each financial year, which present fairly the state of affairs of the Bank as at the end of the financial year and of the operating results of the Bank for that year. It also requires the Directors to ensure that the Bank keeps proper accounting records, which disclose with reasonable accuracy at any time 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 are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies Act of Tanzania and Banking and Financial Institutions Act, 2006 of Tanzania. 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 operating results. The Directors further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Maendeleo Bank PLC will not remain a going concern for at least the next twelve months from the date of this statement.

Approved by Board of Directors for issue in and signed on its behalf by:



Prof. Ulingeta Obadia Mbamba
Chairperson

Date: 28 March 2024

MAENDELEO BANK PLC

**DECLARATION BY THE HEAD OF FINANCE
FOR THE YEAR ENDED 31 DECEMBER 2023**

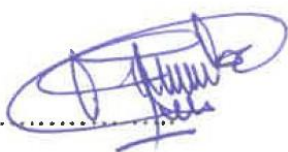
The National Board of Accountants and Auditors (NBAA) according to the power conferred, under the Auditors and Accountants (Registration) Act. No. 33 of 1972, as amended by Act No. 2 of 1995, requires financial statements to be accompanied with a declaration issued by the Head of Finance responsible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

It is the duty of a Professional Accountant to assist Maendeleo Bank Plc to discharge the responsibility of preparing financial statements showing true and fair view of the entity’s financial position and performance in accordance with applicable International Financial Reporting Standards and the requirements of the Companies Act, 2002 and Banking and Financial Institutions Act, 2006 of Tanzania.

Full legal responsibility for the preparation of financial statements rests with the Board of Directors of Maendeleo Bank Plc as indicated under the statement of directors’ responsibilities.

I, **CPA Nolasco Charles**, being the Head of Finance of Maendeleo Bank Plc, hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2022 have been prepared in compliance applicable International Financial Reporting Standards and the requirements of the Companies Act, 2002 and Banking and Financial Institutions Act, 2006 of Tanzania.

I, thus confirm that the financial statements give a true and fair view position of Maendeleo Bank Plc as on that date and that they have been prepared based on properly maintained financial records.

Signed by... 

Position: Head of Finance

NBAA Membership No: ACPA 5530

Date... 28 March 2024

**INDEPENDENT AUDITOR'S REPORT
To the shareholders of Maendeleo Bank PLC
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

Opinion

We have audited the financial statements of Maendeleo Bank Plc (the "Bank"), set out on pages 42 to 139, which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2023, and the financial performance and cash flows of the Bank for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act, 2002 and the Banking and Financial Institutions Act, 2006 of Tanzania.

Basis for Opinion

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

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

Key Audit Matters

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

For each matter below, our description of how our audit addressed the matter is provided in that context. We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provided the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Maendeleo Bank PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

No.	Key audit matter	How our audit addressed the key audit matter
1.	Credit risk and impairment of loans and advances from customers	
	<p>As at 31 December 2023, the provision for impairment on loan and advances at Amortized Cost was TZS 1,847 million as disclosed in note 8(a) in the financial statements. This represents the estimation of expected credit losses at the year-end.</p> <p>The IFRS 9 Expected credit losses (ECLs) approach is applicable to financial assets. ECLs represent management's best estimate of the losses expected to be incurred at the reporting date.</p> <p>The Bank assesses the contractual terms of the financial assets to identify whether they meet the Solely Payments of Principal and Interest test. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit losses), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit losses.</p> <p>The determination of appropriate provisions for impairment is a key audit matter as it requires management judgement, is subject to estimation uncertainty and relies on available data. Areas which involve judgement and estimates include determination of probability of default (PDs), exposure amount given default (EAD) and ascertaining of future cash flows which the Bank will obtain when realizing the assets pledged as collaterals.</p> <p>The management is required to estimate probability and exposures at defaults. This involves consideration of certain factors including macro-economic variables such as inflation and economic growth.</p> <p>There is a risk that the provision for impairment of financial assets does not represent a complete and accurate estimate of expected losses and that the carrying amounts of these items is misstated. This includes the risk that the ECL model is not in compliance with IFRS 9. The accounting policy and key sources of estimation uncertainty in relation to financial asset impairment provisions are disclosed in Note 2.12.1 to the financial statements.</p>	<ul style="list-style-type: none"> • We undertook an assessment of the company's methodology and compared it with the requirements of IFRS 9. • We reviewed the application of the business model to existing portfolios and reviewed the results of the Solely Payments of Principal and Interest test for relevant financial instruments. • We evaluated the design and operating effectiveness of the company's key controls and IT controls around credit management, ECL model and provision assessment. • We tested key controls over completeness and accuracy of data inputs to loan loss provisioning. • We assessed management's judgements and assumptions in relation to 'significant increase or decrease in credit risk' and the allocation of loans to various categories basing on levels of risks. • We tested a sample of loans to ensure that they have been included in the correct stages depending on how they are aged in accordance with the Bank's methodology and IFRS 9. • We reviewed the IFRS 7 disclosures for adequacy.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Maendeleo Bank PLC REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Other Information

The directors are responsible for the other information. The other information comprises the information included in 'Those Charged with Governance' Report page 5-40, Statement of Directors' Responsibilities in page 41 to 143 and the Declaration by the Head of Finance in page 42. The other information does not include the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2002 and Banking and Financial Institutions Act, 2006 of Tanzania, 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 processes.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Maendeleo Bank PLC REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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

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 the directors 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, related safeguards.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Maendeleo Bank PLC REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

- We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
- In our opinion, proper books of account have been kept by the Bank, so far as appears from our examination of those books;
- The Directors' Report is consistent with the financial statements;
- Information specified by law regarding directors' remuneration and transactions with the Bank is disclosed; and The statements of financial position and statements of profit or loss and other comprehensive income are in agreement with the books of account.

As required by the Banking and Financial Institutions (External Auditors) Regulations, 2014 of Tanzania, we report to you, based on our audit, that;

- In our opinion, the capital adequacy ratios as presented in Note 31 to the financial statements have been computed in accordance with the Banking and Financial Institutions Act, 2006, and the Banking and Financial Institutions (Capital Adequacy) Regulations, 2014 of Tanzania.

The engagement partner on the audit resulting in this independent auditor's report is Straton Makundi

Signed by: Straton Makundi (FCPA *2047*)

Auditax International
Certified Public Accountants
Dar es Salaam

Date: 28 MARCH 2024



MAENDELEO BANK PLC

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

		Dec-23	Dec-22
Revenue	Note	TZS'000'	TZS'000'
Interest income calculated using the effective interest method	5	15,976,857	15,808,830
Interest expense calculated using the effective interest method	6	(6,424,390)	(5,897,616)
Net Interest income		9,552,467	9,911,214
Written off bad loans	8(b)	-	-
Impairment losses	8(a)	(1,506,006)	(3,103,502)
Net Interest income after Impairment		8,046,461	6,807,712
Fees, commission and other income	7(a)	3,013,365	2,142,002
Fees, commission and other expenses	7(b)	(19,663)	(22,841)
Net fees, commission and other income		2,993,702	2,119,162
Net operating income		11,040,163	8,926,874
Foreign exchange gain/loss	9	84,748	21,772
Employee benefit expenses	10	(3,813,238)	(3,191,416)
General and administration costs	11	(3,875,141)	(3,013,019)
Depreciation, right of use asset and amortization	22	(811,232)	(760,088)
Operating expenses		(8,414,863)	(6,942,751)
Profit for the year before tax		2,625,300	1,984,124
Income tax	12	(277,636)	(568,575)
Profit for the year		2,347,664	1,415,548
Other comprehensive income		-	-
Total comprehensive income for the year		2,347,664	1,415,548
Basic and diluted earnings per share	13	89.42	53.92

MAENDELEO BANK PLC
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

		Dec-23	Dec-22
ASSETS	Note	TZS'000'	TZS'000'
Cash and balances with Bank of Tanzania	15	7,056,211	10,234,042
Placements and balances with other banks	16	11,623,226	8,898,620
Government securities	17	25,428,332	21,608,473
Loans and advances to customers	18	74,085,924	60,658,224
Inventories	19	24,433	29,142
Other assets	20	2,430,160	1,313,851
Intangible assets	23	139,537	145,922
Property and equipment	22(a)	1,648,148	2,057,949
Leasehold improvements	22(b)	337,749	484,945
Tax receivable (Payable)	21	(31,278)	246,887
Deferred tax	12	1,951,325	1,437,203
Total assets		<u>124,693,768</u>	<u>107,115,258</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	31	13,121,983	13,121,982
Share Premium		799,742	799,742
Advance towards share capital	31	5,494	5,494
Regulatory reserves	29	542,458	542,458
Retained earnings		4,653,333	3,009,563
Total equity		<u>19,108,055</u>	<u>17,479,239</u>
Liabilities			
Deposits	24	90,787,947	77,829,165
Other liabilities	25	2,116,388	1,851,217
Borrowings	27	12,681,379	9,955,637
Total Equity and Liabilities		<u>105,585,713</u>	<u>89,636,019</u>
		<u>124,693,768</u>	<u>107,115,258</u>

Name: ULINGETA O MBAMBA. Title: CHAIRMAN Signature:

Name: IBRAHIM MWANGALABA. Title: MD

Signature:

MAENDELEO BANK PLC

**STATEMENT OF CHANGE IN EQUITY
AS AT 31 DECEMBER 2023**

	Share Capital	Advance towards share Capital	Share Premium	Regulatory Reserve	General reserve	Retained Earnings	Total
	TZS'000'	TZS'000'	TZS'000'	TZS'000'	TZS'000'	TZS'000'	TZS'000'
Balance at 1 January 2023	13,121,983	5,494	799,742	542,458	-	3,009,564	17,479,241
Transfer from advance share capital to share premium	-	(5,494)	-	-	-	5,494	-
Dividend Payment	-	-	-	-	-	(718,850)	(718,850)
Transfer from Regulatory reserve to Retained Earnings	-	-	-	(9,461)	-	9,461	-
Profit for the year	-	-	-	-	-	2,347,664	2,347,664
Advance towards share capital	-	-	-	-	-	-	-
At 31 December 2023	13,121,983	-	799,742	532,997	-	4,653,333	19,108,055
Balance at 1 January 2022	13,121,983	5,494	799,292	1,302,893	-	1,124,328	16,348,495
Transfer from advance share capital to share premium	-	(450)	450	-	-	-	-
Dividend Payment	-	-	-	-	-	(290,748)	(290,748)
Transfer from Regulatory reserve to Retained Earnings	-	-	-	(760,435)	-	760,435	-
Profit for the year	-	-	-	-	-	1,415,548	1,415,548
Advance towards share capital	-	5,944	-	-	-	-	5,944
At 31 December 2022	13,121,983	5,494	799,742	542,458	-	3,009,563	17,479,241

MAENDELEO BANK PLC

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 TZS`000	2022 TZS`000
Cash flows from operating activities			
Profit for the year before tax		2,625,300	1,984,123
Adjustments for:			
Amortization of intangible assets	22(a)(iii)	58,859	66,794
Interest on Lease Liability	6	70,045	73,279
Written Off bad loans	8(b)	-	-
Interest expense on borrowings	6	968,982	1,603,672
Impairment on Financial Assets	8(a)	1,506,006	3,103,502
Depreciation of property and equipment	22(a)(i)	605,177	546,457
Amortization of leasehold improvements	22(a)(ii)	147,196	146,838
		5,981,565	7,524,664
Changes in operating assets and liabilities			
Increase in loans and advances		(13,111,723)	(2,842,577)
Increase in inventories		4,709	(16,255)
Increase in placements with other banks		(2,724,606)	(970,020)
Decrease/(increase) in other assets		(922,301)	655,433
Increase in customer's deposits		12,958,782	7,586,170
Movement in statutory minimum reserve	15	52,869	(1,112,156)
Increase in other liabilities		265,159	160,553
Income tax paid	21	(506,776)	(704,245)
Cash generated from operating activities		1,997,678	10,281,567
Cash flows from investing activities			
Purchase of government securities	17	(28,235,109)	(12,400,000)
Received from matured govt. securities	17	25,174,961	12,821,877
Acquisition of intangible assets	22	(52,474)	(40,446)
Acquisition of property and equipment	22	(198,415)	(412,141)
Leasehold improvements costs incurred	22	-	-
Net cash used in investing activities		(3,311,037)	(35,993)
Cash flows from financing activities			
Increase in Borrowings	27	6,500,000	955,170
Repayment in Borrowings	27	(3,774,259)	(3,910,468)
Interest paid on borrowings	27	(968,982)	(1,603,672)
Dividend paid to shareholders		(718,850)	(290,748)
Repayment of principal portion of lease liabilities	25	(214,154)	(341,666)
Paid up share capital/right Issue			
Net cash generated from financing activities		823,755	(5,191,384)
Net increase/(decrease) in cash		(489,604)	5,054,191
Net foreign exchange difference		36,379	(93,385)
Cash and cash equivalents 1 January	32	19,132,662	14,171,856
Cash and cash equivalents 31 December		18,679,437	19,132,662

MAENDELEO BANK PLC

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2023

1. REPORTING ENTITY

Maendeleo Bank PLC is a public limited company established under Companies Act No. 2 of 2002 with Certificate of Incorporation No. 81006 and domiciled in the United Republic of Tanzania. The shareholding structure comprises various church institutions, Individuals, ELCT-Eastern and Coastal Diocese and United Evangelical Mission. The Bank is engaged in the business of banking and provision of related services.

The address of the registered office is as follows:

Luther House Sokoine Drive,
P.O. Box 216,
Dar es Salaam.

The Bank's shares are listed on the Dar es Salaam Stock Exchange (DSE) under Enterprise Growth Market (EGM).

The Bank's financial statements for the year ended 31 December 2023 were approved for issue by the Board of Directors on 26th March 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

2.1 Statement of compliance

These financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB).

2.2 Basis of preparation

The Bank's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). Additional information required by the Tanzania Companies Act 2002 and the Banking and Financial Institution Act, 2006 has been included where appropriate. The financial statements comprise statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes to the financial statements.

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) and the amounts are rounded to the nearest thousand shillings except where otherwise indicated.

The preparation of financial statements in accordance 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.

MAENDELEO BANK PLC

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)

2.2 Basis of preparation (Continued)

The areas involving a higher degree of judgement, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2.3 Changes in accounting policy and disclosures

(i) New and amended standards and interpretations

The bank has applied a number of new and amended IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective in the accounting period that begins on or after 1 January 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements. The below new and amended standards and interpretations are effective for annual periods beginning on or after 1 January 2023, unless otherwise stated.

IFRS 17 Insurance Contracts

The Bank has adopted IFRS 17 and the related amendments for the first time in the current year 2023. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees. The bank does not have any contracts that meet the definition of an insurance contract under IFRS 17.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements— Disclosure of Accounting Policies

The Bank has adopted the amendments to IAS 1 for the first time in the current year 2023. The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Changes in accounting policy and disclosures (Continued)

**Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—
Definition of Accounting Estimates**

The Bank has adopted the amendments to IAS 8 for the first time in the current year. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. The definition of a change in accounting estimates was deleted.

**Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising
from a Single Transaction**

The Bank has adopted the amendments to IAS 12 for the first time in the current year 2023. The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit. Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

Amendments to IAS 12 Income Taxes—International Tax Reform—Pillar Two Model Rules

The Bank has adopted the amendments to IAS 12 for the first time in the current year. The IASB amends the scope of IAS 12 to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD. The amendments introduce a temporary exception to the accounting requirements for deferred taxes in IAS 12, so that an entity would neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. Following the amendments, the bank is required to disclose that it has applied the exception and to disclose separately its current tax expense (income) related to Pillar Two income taxes.

MAENDELEO BANK PLC

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)

2.4 Foreign currency translation

2.4.1 Functional and presentational currency

The financial statements are presented in Tanzania shillings ('the functional currency') and the amounts are rounded to the nearest thousand shillings except where otherwise indicated.

2.4.2. Transactions and balances

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

Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the spot rate of exchange at the reporting date. All foreign exchange differences arising on non-trading activities are taken to other operating income/expense in profit or loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition.

2.5. Recognition of interest income

2.5.1. The effective interest rate method

Under IFRS 9, interest income is recorded using the EIR method for all financial assets measured at amortised cost, Interest expense is also calculated using the EIR method for all financial liabilities held at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Bank recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges). If expectations of fixed rate financial assets' or liabilities' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset or liability on the balance sheet with a corresponding increase or decrease in Interest revenue/expense calculated using the effective interest method. For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest also alters the effective interest rate, but when instruments were initially recognised at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)

2.5. Recognition of interest income (Continued)

2.5.2. Interest and similar income/expense

Net interest income comprises interest income and interest expense calculated using both the effective interest method and other methods. These are disclosed separately on the face of the statement of profit or loss and other comprehensive income for both interest income and interest expense to provide symmetrical and comparable information.

In its Interest income/expense calculated using the effective interest method; the Bank only includes interest on those financial instruments that are set out in Note 2.5.1 above. The Bank calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial asset. When a financial asset becomes credit-impaired (as set out in Note 2.12.1 and is therefore regarded as 'Stage 3', the Bank calculates interest income by applying the EIR to the net amortised cost of the financial asset. If the financial asset cures (as outlined in Note 2.12.1) and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

2.6. Fee and commission income

The Bank earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services. The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Bank's revenue contracts do not typically include multiple performance obligations.

When the Bank provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time.

The Bank's fee and commission income from services where performance obligations are satisfied over time include the following:

Loan commitment fees: These are fixed annual fees paid by customers for loan and other credit facilities with the Bank. The Bank promises to provide a loan facility for a specified period. As the benefit of the services is transferred to the customer evenly over the period of entitlement, the fees are recognised as revenue on a straight-line basis. Payment of the fees is due and received monthly in arrears.

Fee and commission income from providing services where performance obligations are satisfied at a point in time include the following:

Underwriting fees: These fees are received for underwriting of life and general insurance covers for customers. The Bank's performance obligation is to provide underwriting services to these customers on behalf of the insurance companies. The bank recognises commission income for each insurance cover issued as per the agreement with the insurance companies.

The Bank has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7. Contract balances

The following are recognised in the statement of financial position arising from revenue from contracts with customers: Fees and commissions receivables included under ‘Other assets’, which represent the Bank’s right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). These are measured at amortised cost and subject to the impairment provisions of IFRS 9.

2.8 Financial instruments – initial recognition

2.8.1. Date of recognition

Financial assets and liabilities, with the exception of loans and advances from customers and balances due to customers, are initially recognised on the trade date, i.e., the date on which the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades, i.e., purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances from customers are recognised when funds are transferred to the customers’ accounts. The Bank recognises balances due to customers when funds are transferred to the Bank.

2.8.2. Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in Notes 2.10.1.1 and 2.10.1.2. Financial instruments are initially measured at their fair value (as defined in Note 2.9), except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Bank accounts for the Day 1 profit or loss, as described below.

2.8.3. Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

2.8.4. Measurement categories of financial assets and liabilities

The Bank classifies all of its financial assets based on the business model for managing the assets and the asset’s contractual terms, measured at either:

- Amortised cost, as explained in Note 2.10.1
- FVOCI, as explained in Note 2.10.1.2

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9. Determination of fair value

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as summarised below:

Level 1 financial instruments – Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Bank has access to at the measurement date. The Bank considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the reporting date.

Level 2 financial instruments – Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Bank will classify the instruments as Level 3.

Level 3 financial instruments – Those that include one or more unobservable input that is significant to the measurement as whole. Details of this are further explained in Note 36 Fair value measurement. The Bank evaluates the levelling at each reporting period on an instrument-by-instrument basis and reclassifies instruments, when necessary, based on the facts at the end of the reporting period.

2.10. Financial assets and liabilities

2.10.1. Due from banks, Loans and advances from customers and government securities, financial investments at amortised cost.

The Bank measures Due from banks, Loans and advances from customers and other financial investments at amortised cost only if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10.1.1. Business model assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective:

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)

The expected frequency, value and timing of sales are also important aspects of the Bank's assessment. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

2.10.1.2. The SPPI test

As a second step of its classification process the Bank assesses the contractual terms of the financial asset to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set. In contrast, contractual terms that introduce a more than *de minimis* exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

2.10.2 Borrowed funds

After initial measurement, borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issued funds, and costs that are an integral part of the EIR.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10. Financial assets and liabilities (continued)

2.10.4 Financial guarantees and undrawn loan commitments

The Bank issues financial guarantees and loan commitments. Financial guarantees are initially recognised in the financial statements (within Provisions) at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and an ECL allowance as set out in Note 8 (a). The premium received is recognised in the income statement in Net fees and commission income on a straight-line basis over the life of the guarantee.

Undrawn loan commitments are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position. The nominal values of these instruments together with the corresponding ECL are disclosed in Note 26.1

2.11. Derecognition of financial assets and liabilities

2.11.1. Derecognition due to substantial modification of terms and conditions

The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be Purchases or Originated Credit Impaired (POCI).

When assessing whether or not to derecognise a loan to a customer, amongst others, the Bank considers the following factors:

- Change in currency of the loan;
- Introduction of an equity feature;
- Change in counterparty; and
- If the modification is such that the instrument would no longer meet the SPPI criterion.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11. Derecognition of financial assets and liabilities (continued)

2.11.1. Derecognition due to substantial modification of terms and conditions (continued)

If the modification does not result in cash flows that are substantially different, as set out below, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded. For financial liabilities, the Bank considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent. For financial assets, this assessment is based on qualitative factors.

2.11.2. Derecognition other than for substantial modification

2.11.2.1. Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Bank also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Bank has transferred the financial asset if, and only if, either:

- The Bank has transferred its contractual rights to receive cash flows from the financial asset.
- Or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement

Pass-through arrangements are transactions whereby the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates
- The Bank cannot sell or pledge the original asset other than as security to the eventual recipients
- The Bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents, including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11. Derecognition of financial assets and liabilities (continued)

2.11.2. Derecognition other than for substantial modification (continued)

A transfer only qualifies for derecognition if either:

- The Bank has transferred substantially all the risks and rewards of the asset

Or

- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Bank considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Bank has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Bank's continuing involvement, in which case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Bank could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Bank would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

2.11.2.2. Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12. Impairment of financial assets

2.12.1. Overview of the ECL principles

The Bank records an allowance for expected credit loss for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as financial instruments. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit losses or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit losses (12mECL) as outlined in Note 2.12.2). The Bank's policies for determining if there has been a significant increase in credit risk are set out in Note 37.3.3.3.

The 12mECL is the portion of LTECLs that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The Bank's policy for grouping financial assets measured on a collective basis is explained in Note 37.3.3.4.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in Note 37.3.3.3

Based on the above process, the Bank groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

- Stage 1: When loans are first recognised, the Bank recognises an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved, and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered credit-impaired (as outlined in Note 37.3.2.1.) The Bank records an allowance for the LTECL.
- POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. The ECL allowance is only recognised or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12. Impairment of financial assets (continued)

2.12.2. The calculation of ECL

The Bank assess on a forward-looking basis the expected credit loss ('ECL') associated with its debt instrument assets carried at amortised cost and 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 effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD - The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- EAD - The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD - The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral or credit enhancements that are integral to the loan and not required to be recognised separately. It is usually expressed as a percentage of the EAD.

The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value. Provisions for ECL for undrawn loan commitments are assessed as set out in Note 18.1.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12. Impairment of financial assets (continued)

2.12.2. The calculation of ECL (continued)

The mechanics of the ECL method are summarised below:

- Stage 1: The 12mECL is calculated as the portion of LTECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the four scenarios, as explained above.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECL. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- Stage 3: For loans considered credit-impaired (as defined in Note 18.1), the Bank recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.
- POCI: POCI assets are financial assets that are credit impaired on initial recognition. The Bank only recognises the cumulative changes in lifetime ECL since initial recognition, based on a probability-weighting of the four scenarios, discounted by the credit adjusted EIR.
- Loan commitments: When estimating LTECL for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the four scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan. For credit cards and revolving facilities that include both a loan and an undrawn commitment, ECL is calculated and presented together with the loan. For loan commitments and letters of credit, the ECL is recognised within Provisions.
- Financial guarantee contracts: The Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the ECL provision. For this purpose, the Bank estimates ECL based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the four scenarios. The ECL related to financial guarantee contracts are recognised within Provisions.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12. Impairment of financial assets (continued)

2.12.3. Purchased or originated credit impaired financial assets (POCI)

For POCI financial assets, the Bank only recognises the cumulative changes in LTECL since initial recognition in the loss allowance

2.12.4. Credit and other revolving facilities

The Bank's product offering includes a variety of corporate and retail overdraft and credit cards facilities, in which the Bank has the right to cancel and/or reduce the facilities with one day's notice. The Bank does not limit its exposure to credit losses to the contractual notice period, but instead calculates ECL over a period that reflects its expectations of customer behaviour, the likelihood of default and its future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on past experience and the Bank's expectations, the period over which the Bank calculates ECL for these products, is five years for corporate and seven years for retail products.

The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade, as explained in Note 37.3.3.3, but greater emphasis is also given to qualitative factors such as changes in usage.

The interest rate used to discount the ECL for credit cards is based on the average effective interest rate that is expected to be charged over the expected period of exposure to the facilities. This estimation takes into account that many facilities are repaid in full each month and are consequently not charged interest.

The calculation of ECL, including the estimation of the expected period of exposure and discount rate is made, as explained in Note 8 on an individual basis for corporate and on a collective basis for retail products. The collective assessments are made separately for portfolios of facilities with similar credit risk characteristics.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12. Impairment of financial assets (continued)

2.12.5. Forward looking information

In its ECL models, the Bank relies on a broad range of forward-looking information as economic inputs, such as:

- GDP growth
- Unemployment rates
- Central Bank base rates
- House price indices

The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. There were no overlays as a result of COVID 19.

2.13. Credit enhancements: collateral valuation and financial guarantees

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position.

Cash flows expected from credit enhancements which are not required to be recognised separately by IFRS standards and which are considered integral to the contractual terms of a debt instrument which is subject to ECL, are included in the measurement of those ECL. On this basis, the fair value of collateral affects the calculation of ECL. Collateral is generally assessed, at a minimum, at inception and re-assessed on a quarterly basis.

To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers or based on housing price indices.

Guarantees held are included in the measurement of loan ECLs when either they are specified in the contractual terms of the loan or else are integral to the loan, in that they formed part of the basis on which the loan was extended.

Guarantees that are not integral to the loan's contractual terms are accounted as separate units of accounts subject to ECL. Credit default swaps are not considered to be integral to a loan's contractual terms and are accounted as derivative financial instruments, as set out in Note 8(a)

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14. Collateral repossessed

The Bank's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Bank's policy.

In its normal course of business, the Bank engages external agents to recover funds from the repossessed assets, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the balance sheet.

2.15. Write-offs

Financial assets are written off either partially or in their entirety only when the Bank has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

2.16. Forborne and modified loans

The Bank sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Bank considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Bank would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Bank's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16. Forborne and modified loans (Continued)

When the loan has been renegotiated or modified but not derecognised, the Bank also reassesses whether there has been a significant increase in credit risk, as set out in Note 37.3.3.3. The Bank also considers whether the assets should be classified as Stage 3. Once an asset has been classified as forborne, it will remain forborne for a minimum 24-month probation period. In order for the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

- All of its facilities have to be considered performing
- The probation period of two years has passed from the date the forborne contract was considered performing
- Regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period
- The customer does not have any contracts that are more than 30 days past due

If modifications are substantial, the loan is derecognised, as explained in Note 2.15.

2.17. Cash and cash equivalents

Cash and cash equivalents as referred to in the statement of cash flows comprise cash on hand, non-restricted current accounts with central bank and amounts due from banks on demand or with an original maturity of three months or less and government securities with maturities of less than 3 months.

2.18. Repurchase agreements

Securities sold under agreements to repurchase at a specified future date are not derecognised from the statement of financial position as the Bank retains substantially all of the risks and rewards of ownership. The corresponding cash received is recognised in the statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within cash collateral on securities lent and repurchase agreements, reflecting the transaction's economic substance as a loan to the Bank

2.19. Securities lending and borrowing

Securities lending and borrowing transactions are usually collateralised by securities or cash. The transfer of the securities to counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

Securities borrowed are not recognised in the statement of financial position, unless they are then sold to third parties, in which case, the obligation to return the securities is recorded as a short sale within financial liabilities held for trading and measured at fair value with any gains or losses included in net trading income.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Leases

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

2.20.1 Bank as a lessee

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The right-of-use assets are presented within Note 22 Property, equipment and right-of-use assets and are subject to impairment in line with the Bank's policy as described in Note 2.27 Impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs. Lease liabilities are presented within other liability in the statement of financial position (Note 25) occurs. The incremental borrowing rate is 7.5%.

2.21. Property, equipment and right-of-use assets

Property and equipment is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortisation period or methodology, as appropriate, and treated as changes in accounting estimates. Right-of-use assets are presented together with property and equipment in the statement of financial position. Right-of-use assets are depreciated on a straight-line basis over the lease term.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21. Property, equipment and right-of-use assets (Continued)

Depreciation of owned assets is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

- Leasehold improvements 5 years
- ATM and Generator 5 years
- Motor Vehicle 4 years
- Furniture and fittings, office machine and equipment 4 years
- Computer hardware 3 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition 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 when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate

2.22. Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the effect of the time value of money is material, the Bank determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The expense relating to any provision is presented in the income statement net of any reimbursement in other operating expenses. Detailed disclosures are provided in Note 26.3.

2.23. Taxes

2.23.1. Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rate and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date.

Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income respectively and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate. Detailed disclosures are provided in Note 21.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23.2. Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it becomes probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred taxes are recognised as income tax benefits or expenses in profit or loss.

The Bank only off-sets its deferred tax assets against liabilities when there is both a legal right to offset its current tax assets and liabilities and it is the Bank's intention to settle on a net basis.

2.24. Levies and similar charges

The Bank recognises the liability arising from levies and similar charges (such as City Service Levy) when it becomes legally enforceable (i.e. when the obligating event arises) which is on 31 December each year.

2.25. Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders. Interim dividends are deducted from equity when they are declared and are no longer at the discretion of the Bank.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26. Intangible assets

Intangible assets 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.

The useful lives of intangible assets are assessed to be either finite or infinite. Intangible assets with finite lives are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

Intangible assets with indefinite useful lives are not amortised but are tested for impairment. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable.

The amortization is calculated using straight-line method to write down the cost of intangible assets to their residual value over their estimated useful lives as follows:

Description of item	Useful life
Computer software	3 Years

Gains or losses arising from the de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is de-recognised.

2.27. Impairment of non-financial assets

The Bank assesses, at each reporting date, whether there is an indication that an asset may be impaired. Impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. Impairment losses of continuing operations are recognised in profit or loss in expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Bank estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27. Impairment of non-financial assets

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

2.28. Inventories

Inventories are stated at the lower of cost or net realizable value. Inventory costs are determined on a first in first out basis and comprise all expenditures that have been incurred in the normal course of business in bringing the stocks to their present location and condition.

Net realizable value represents the estimated selling price in the ordinary course of business less estimated cost of disposal

2.29. Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The standard will be effective for annual periods beginning on or after 1 January 2023. The standard will not have an impact to the Bank.

Classification of Liabilities as Current or Noncurrent - Amendments to IAS 1.

IAS 1.75A has been added to clarify that the 'classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period'. That is, management's intention to settle in the short run does not impact the classification. This applies even if settlement has occurred when the financial statements are authorised for issuance. The amendment is effective for annual periods beginning on or after 1 January 2023. The amendment will not have an impact to the Bank.

Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

The amendment to IFRS 16 specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendment does not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The standard is effective for annual periods beginning on or after 1 January 2024. The amendment will not have an impact to the Bank.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.29. Standards issued but not yet effective (Continued)

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments may impact the accounting policy disclosures of entities. Determining whether accounting policies are material or not requires use of judgement. Therefore, entities are encouraged to revisit their accounting policy information disclosures to ensure consistency with the amended standard. The standard is effective for annual periods beginning on or after 1 January 2023. The Bank is assessing the impact of the amendment.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the Board issued amendments to IAS 8, in which it introduces a new definition of ‘accounting estimates. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The standard is effective for annual periods beginning on or after 1 January 2023. The Bank is assessing the impact of the amendment.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28

The amendments address the conflict between IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors’ interests in the associate or joint venture. The standards will not have an impact to the Bank.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12.30. Classes of financial instruments

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability. The standard is effective for annual periods beginning on or after 1 January 2023. The Bank is assessing the impact of the amendment.

MAENDELEO BANK PLC

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

The bank's financial instruments are categorised as follows:

Category (as defined by IFRS 9)		Class (as determined by the Bank)		2023 TZS '000'	2022 TZS '000'
Financial Assets	Debt instruments at amortized cost	Cash and bank balances with Bank of Tanzania		7,056,211	10,234,242
		Placements and balances with other banks		11,623,226	8,898,620
		Loans and Advances from Banks		74,098,800	60,658,224
		Other assets (Note 20)		2,430,160	1,313,851
		Investment in Debt securities	Government securities	25,428,332	21,608,473
Financial liabilities	Financial liabilities at amortised cost	Deposits from Banks and Customers		90,787,947	77,829,165
		Borrowings and other liabilities		12,681,379	9,955,637
		Other liabilities (Note 25)		2,050,020	1,776,974

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Bank's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Bank's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Existing circumstances and assumptions about future developments may change due to circumstances beyond the Bank's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the consolidated financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

3.1. Impairment losses on financial assets

The measurement of impairment losses both under IFRS 9 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's internal credit grading model, which assigns PDs to the individual grades ;
- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It has been the Bank's policy is to regularly review its models in the context of actual loss experience and adjust when necessary (Note 37.1.3). The carrying amounts of the affected assets are included in notes 15,16,17,18 & 20.

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

**3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS
(Continued)**

3.2. Going concern

The Bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future.

At the time of issuing the financial statements, the directors had no reason to believe that this is likely to happen. Furthermore, the directors believed that the Bank will be a going concern for the foreseeable future having considered the available assets and the directors' specific responses and actions.

Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

3.3. Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility. For further details about determination of fair value please see Note 36.

3.4. Effective Interest Rate (EIR) method

The Bank's EIR method, as explained in Note 2.5, recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans and deposits and recognises the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges). This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, as well expected changes to Bank's base rate and other fee income/expense that are integral parts of the instrument.

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

**3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS
(Continued)**

3.5. Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the tax losses can be utilised. Although in Bank tax losses can be utilised indefinitely, judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax-planning strategies (see Note 12)

3.6. Provisions and other contingent liabilities

The Bank operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent t//o its operations. As a result, it is involved in various litigation, arbitration and regulatory investigations and proceedings both in Bank and in other jurisdictions, arising in the ordinary course of the Bank's business.

When the Bank can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Bank records a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed. However, when the Bank is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Bank does not include detailed, case-specific disclosures in its financial statements. Given the subjectivity and uncertainty of determining the probability and amount of losses, the Bank takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates. For further details on provisions and other contingencies see Note33.

**3.7. Determination of the lease term for lease contracts with renewal and termination options
(Bank as a lessee)**

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Bank has several lease contracts that include extension and termination options. The Bank applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g. Construction of significant leasehold improvements or significant customisation of the leased asset).

MAENDELEO BANK PLC

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

3.8. Estimating the incremental borrowing rate

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Bank 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.). The Bank estimates the IBR using observable inputs (such as market interest rates)).

4. SEGMENT INFORMATION

Management considers the Bank as one operating segment for the purpose of financial performance. The Bank revenue is derived from loans and advances issued to customers and banks (as disclosed in note 18) and the Board of Directors relies primarily on revenue from loans and advances to assess performance. The reason for looking at the business as one segment is because of the nature of the products and services they offer. Profitability is discussed, and action plans agreed where necessary to improve performance. Other than revenue, there is no other discrete financial information relating to the revenue streams that the Management Team looks at.

Revenue is derived from interest on loans and advances from customers, interest on placements and balances with other banks and interest on Government Securities.

5. INTEREST INCOME

Interest income calculated using the effective interest method

	2023	2022
	TZS'000'	TZS'000'
Interest on Government Securities	3,672,251	3,824,270
Placements and balances with other banks	481,589	458,822
Loans and advances from customers	11,801,065	11,498,792
Insurance Premium Financing	<u>21,952</u>	<u>26,946</u>
Total interest and similar income	<u>15,976,857</u>	<u>15,808,830</u>

6. INTEREST AND SIMILAR EXPENSE

Interest expense calculated using the effective interest method

	2023	2022
	TZS'000'	TZS'000'
Time deposits	4,828,177	3,918,722
Interest on placement from other banks	436,636	204,370
-Borrowing from banks	968,982	1,603,671
-Savings deposits	120,549	97,574
Right of Use Assets	<u>70,046</u>	<u>73,279</u>
Total interest and similar expense	<u>6,424,390</u>	<u>5,897,616</u>

MAENDELEO BANK PLC

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

7. NET FEES AND COMMISSION INCOME

	2023	2022
	TZS'000'	TZS'000'
a) Fees, commission and other income		
Commission received from insurance services	510,066	367,831
Commission received from other services	973,613	841,956
Application fee	760,904	556,638
Payroll processing fee	45,632	38,180
Other fee-Current Account charges	4,171	3,493
Recovery from charged-off loans	718,979	333,904
	<u>3,013,365</u>	<u>2,142,002</u>

The Bank presented disaggregated revenue based on the type of services provided to customers as follows:

	Retail Banking	Corporate Banking	Total
Dec-23			
Fee income earned from services that are provided over time			
Loan commitment fees	523,875	237,029	760,904
	<u>523,875</u>	<u>237,029</u>	<u>760,904</u>
Fee income from providing financial services at a point in time:			-
Brokerage fees insurance	302,376	207,690	510,066
Payroll processing fees, withdrawal and mobile banking services	601,764	421,652	1,023,416
Recovery from Charged Off loans	718,979		718,979
	<u>1,623,119</u>	<u>629,342</u>	<u>3,013,365</u>

	Retail Banking	Corporate Banking	Total
Dec-22			
Fee income earned from services that are provided over time			
Loan commitment fees	445,310	111,328	556,638
	<u>445,310</u>	<u>111,328</u>	<u>556,638</u>
Fee income from providing financial services at a point in time:			-
Brokerage fees insurance	297,943	69,888	367,831
Payroll processing fees, withdrawal and mobile banking services	534,143	359,406	883,629
Recovery from Charged Off loans	333,904		333,904
	<u>1,611,300</u>	<u>530,702</u>	<u>2,142,002</u>

b) Fees and commission expense	2023	2022
Bank charges	<u>19,663</u>	<u>22,841</u>

MAENDELEO BANK PLC

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

8. IMPAIRMENT LOSSES/WRITE-OFF

a) IMPAIRMENT LOSSES

Dec-23	Stage 1 TZS'000'	Stage 2 TZS'000'	Stage 3 TZS'000'	Total TZS'000'
Due from banks (Note 16)	-	-	-	0
Loans and Advances from customers (Note 18)	953,539	157,075	395,392	1,506,006
Financial guarantees (Note 26)	-	-	-	-
Other assets (Note 20)	-	-	-	-
Total Impairment loss	953,539	157,075	395,392	1,506,006
Dec-22	Stage 1 TZS'000'	Stage 2 TZS'000'	Stage 3 TZS'000'	Total TZS'000'
Due from banks (Note 16)	-	-	-	0
Loans and Advances from customers (Note 18)	444,618	155,674	2,232,805	2,833,097
Financial guarantees (Note 26)	3,039	-	-	3,039
Other assets (Note 20)	267,366	-	-	267,366
Total Impairment loss	715,023	155,674	2,232,815	3,103,502

9. FOREIGN EXCHANGE GAIN/LOSS

	2023 TZS'000'	2022 TZS'000'
Exchange gain on trading	48,369	41,877
Exchange gain/(loss) on valuation	36,379	(20,105)
	84,748	21,772

10. EMPLOYEE BENEFIT EXPENSES

	2023 TZS'000'	2022 TZS'000'
Salaries and allowances	2,956,566	2,517,535
Pension costs- defined contribution plan	385,259	268,109
Skills and Development Levy	123,725	107,183
Leave allowance	221,470	190,207
Workman's compensation	15,393	15,025
Gratuity	110,825	93,357
	3,813,238	3,191,416

MAENDELEO BANK PLC

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

11. GENERAL AND ADMINISTRATION EXPENSES

	2023	2022
	TZS'000'	TZS'000'
Office expenses	3,032,868	2,245,666
City Service Levy	27,116	22,641
Annual general meeting	27,876	29,154
Legal fees	121,032	125,988
Directors' remuneration	18,692	17,613
Board expenses	161,602	136,834
Auditors' remuneration	45,217	67,962
Accounting fees	5,095	3,962
Property and equipment maintenance cost	126,144	197,866
Fuel cost	129,200	104,326
Staff welfare	175,390	53,106
Other expenses	4,909	7,900
	<u>3,875,141</u>	<u>3,013,019</u>

Maendeleo Bank is subject to a city service levy. The levy is applied to total turnover paid on quarterly basis. The levy is applied at a rate of 0.3% and is not deductible for corporation tax.

12. INCOME TAX

The components of income tax expense for the years ended 31 December 2023 and 2022 are as follows:

	2023	2022
	TZS'000'	TZS'000'
Current income tax (Note 21)	791,759	635,420
Deferred tax - current period (Note 12.2)	(514,121)	(66,845)
	<u>277,637</u>	<u>568,575</u>

12.1 Reconciliation of the total tax charge

The tax charge shown in the statement of profit or loss and other comprehensive income differs from the tax charge that would apply if all profits had been charged at corporate rate of 30%. Reconciliation between the tax expense and the accounting profit multiplied by applicable tax rate for the years ended 31 December 2023 and 2022 is, as follows:

	2023	2022
	TZS'000'	TZS'000'
Profit for the year before tax	2,625,300	1,984,124
Tax expense (calculated at statutory income tax rate 30%)	787,590	595,237
Tax effect of:		
Expenses not deductible for tax purposes*	93,095	104,163
Non-taxable income**	(603,048)	(130,824)
Income tax expense	<u>277,637</u>	<u>568,575</u>

* Expenses not deductible for tax purposes relates to depreciation charge on the Right of Use assets which are required to be added back by the Income Tax Act.

** Not taxable income includes commission from Mobile Network Operators (MNOs) which have been charged final withholding tax.

MAENDELEO BANK PLC

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

12. INCOME TAX (Continued)

The effective income rate for 2022 is 36% (2021: 17%)

12.2 Deferred tax

	2023	2021
	TZS'000'	TZS'000'
At 1 January	<u>1,437,203</u>	<u>1,370,359</u>
Credit to statement of profit and loss (Note 12)	514,122	66,844
At 31 December	<u>1,951,325</u>	<u>1,437,203</u>

Deferred income tax asset and deferred income tax credit to the statement of profit or loss and other comprehensive income and statement of changes in equity are attributed to the following items

Deferred income tax

Accelerated capital allowances	883,679	838,484
Accumulated expected credit losses	1,073,678	604,751
Unrealized exchange gains/(loss)	(6,032)	(6,032)
	<u>1,951,325</u>	<u>1,437,203</u>

13. EARNINGS PER SHARE

The calculation of the basic earnings per share was based on the profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares outstanding at the close of the year, calculated as follows:

Profit attributable to shareholders (TZS'000)	2,347,664	1,415,548
Weighted average number of shares in issue (000)	26,431	26,431
Basic and diluted earnings per share (TZS'000)	<u>89.42</u>	<u>53.92</u>

14. DIVIDEND PAID AND PROPOSED

The Bank made a profit after tax of TZS 2,348million during the year ended 31 December 2023 (2022: TZS 1,416 million), the Board of Directors recommend payment of dividends to shareholders in form of script issue, meaning giving additional shares instead of cash dividend.

MAENDELEO BANK PLC

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

15. CASH AND BALANCES WITH BANK OF TANZANIA

	2023	2022
	<u>TZS'000'</u>	<u>TZS'000'</u>
Cash in hand	1,855,999	2,509,792
Current account	512,171	2,983,340
Statutory minimum reserve*	<u>4,688,041</u>	<u>4,740,910</u>
	<u>7,056,211</u>	<u>10,234,042</u>

*Section 44 of the Bank of Tanzania Act of 2006 and Sections 4 and 71 of the Banking and Financial Institution Act of 2006 requires the Bank to maintain a statutory minimum reserve (SMR) on its total deposits and liabilities and funds borrowed from general public. The Statutory Minimum Reserve (SMR) deposit is not available to finance the Bank's day-to-day operations.

16. PLACEMENTS AND BALANCES WITH OTHER BANKS

	2023	2022
	<u>TZS'000'</u>	<u>TZS'000'</u>
Placements and balances with local banks	10,764,411	8,332,300
Balances with local banks and Mobile Network Operators (MNO)	850,749	540,286
Cheques and items for clearance with other bank	30,541	48,509
Total	<u>11,645,701</u>	<u>8,921,095</u>
Less: Allowance for expected credit losses	<u>(22,475)</u>	<u>(22,475)</u>
	<u>11,623,226</u>	<u>8,898,620</u>
As at 1 January	22,475	22,475
Addition during the year	-	-
Write-off	-	-
As at 31 December	<u>22,475</u>	<u>22,475</u>
Maturity analysis		
Redeemable on demand		
- Balances with local banks& Mobile Network Operators	850,749	540,147
- Cheques and items for clearing with other banks	30,541	48,509
- Maturity within 3 months from acquisition	<u>10,764,411</u>	<u>8,322,300</u>
	<u>11,645,701</u>	<u>8,921,095</u>

16.1 Impairment allowance for placements and balances with other banks

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system, 12-month PD range and year-end stage classification. The amounts presented are gross of allowance for ECL. Details of the Bank's internal grading system are explained in Note 37.3.3 and the Bank's impairment assessment and measurement approach is set out in Note 37.3.3.

MAENDELEO BANK PLC

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

16. PLACEMENTS AND BALANCES WITH OTHER BANKS (Continued)

16.1 Impairment allowance for due from banks (Continued)

31-Dec-23		12 month			
Internal rating grade	PD range	Stage 1	Stage 2	Stage 3	Total
High grade	0.00% - 3.00%	11,645,701	-	-	11,645,701
Standard grade	3.00% - 20.00%	-	-	-	-
Substandard	20.00% - 50.00%	-	-	-	-
Low grade	50.00%-100.00%	-	-	-	-
Individually impaired	100%	-	-	-	-
Total		11,645,701	-	-	11,645,701

31-Dec-22		12 month			
Internal rating grade	PD range	Stage 1	Stage 2	Stage 3	Total
High grade	0.00% - 3.00%	8,921,095	-	-	8,921,095
Standard grade	3.00% - 20.00%	-	-	-	-
Substandard	20.00% - 50.00%	-	-	-	-
Low grade	50.00%-100.00%	-	-	-	-
Individually impaired	100%	-	-	-	-
Total		8,921,095	-	-	8,921,095

MAENDELEO BANK PLC

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

16. PLACEMENTS AND BALANCES WITH OTHER BANKS (Continued)

A reconciliation of changes in gross carrying amount and corresponding ECL allowances by stage for amounts/balances due from banks is as follows

	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
1-Jan-2023	8,921,095	22,475	-	-	-	-	8,921,095	22,475
New assets originated	235,320,077	-	-	-	-	-	77,811,372	-
Payments and assets derecognized	(232,595,471)	-	-	-	-	-	(76,841,355)	-
As at 31 Dec- 2023	11,645,701	22,475	-	-	-	-	11,645,701	22,475
	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
1-Jan-2022	7,951,076	22,475	-	-	-	-	7,951,076	22,475
New assets originated	77,811,372	-	-	-	-	-	77,811,372	-
Payments and assets derecognized	(76,841,355)	-	-	-	-	-	(76,841,355)	-
As at 31 Dec- 2022	8,921,095	22,475	-	-	-	-	8,921,095	22,475

MAENDELEO BANK PLC

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

17. GOVERNMENT SECURITIES

	2023	2022
	TZS'000'	TZS'000'
Treasury bills & bonds	24,369,313	20,882,371
Interest Receivable	1,059,019	726,102
	<u>25,428,332</u>	<u>21,608,473</u>

Treasury bills are debts securities issued by the Government of the United Republic of Tanzania. As at 31 December 2023, the bank had Treasury bills of TZS 5,859,821,330 (2022, had TZS 6,030,012,527) and Treasury bonds of TZS 18,509,491,760 (2022: Treasury bond were 14,852,358,640)

Maturity analysis of Government securities is as follows:

Maturity within 3 months from date of acquisition	-	3,785,740
Maturity between 3 to 6 months from date of acquisition	2,500,000	200,000
Maturity after 6 months from date of acquisition	22,928,332	17,622,734
	<u>25,428,332</u>	<u>21,608,473</u>

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

31 Dec 2023	12 months	Stage 1	Stage 2	Stage 3	Total
Internal rating grade	PD range	TZS'000'	TZS'000'	TZS'000'	TZS'000'
High grade	0.00% - 3.00%	25,428,332	-	-	25,428,332
Standard grade	3.00% - 20.00%	-	-	-	-
Substandard	20.00%- 50.00%	-	-	-	-
Low grade	50.00%-100.00%	-	-	-	-
Individually impaired	100%	-	-	-	-
Total		<u>25,428,332</u>	<u>-</u>	<u>-</u>	<u>21,608,473</u>

31 December 2022	12 months	Stage 1	Stage 2	Stage 3	Total
Internal rating grade	PD range	TZS'000'	TZS'000'	TZS'000'	TZS'000'
High grade	0.00% - 3.00%	21,608,473	-	-	21,608,473
Standard grade	3.00% - 20.00%	-	-	-	-
Substandard	20.00%- 50.00%	-	-	-	-
Low grade	50.00%-100.00%	-	-	-	-
Individually impaired	100%	-	-	-	-
Total		<u>21,608,473</u>	<u>-</u>	<u>-</u>	<u>21,608,473</u>

MAENDELEO BANK PLC

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

17. GOVERNMENT SECURITIES(CONTINUED)

A reconciliation of changes in gross carrying amount and corresponding ECL allowances by stage for amounts/balances government securities is as follows

	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
1-Jan-2023	21,608,473	-	-	-	-	-	21,608,473	-
New assets originated	28,235,109	-	-	-	-	-	28,235,109	-
Payments and assets derecognized	(24,415,250)	-	-	-	-	-	(24,415,250)	-
As at 31 Dec-2023	25,428,332	-	-	-	-	-	25,428,332	-

	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
1-Jan-2022	22,030,350	-	-	-	-	-	22,030,350	-
New assets originated	12,400,000	-	-	-	-	-	12,400,000	-
Payments and assets derecognized	(12,821,877)	-	-	-	-	-	(12,821,877)	-
As at 31 Dec- 2022	21,608,473	-	-	-	-	-	21,608,473	-

MAENDELEO BANK PLC

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

18. LOANS AND ADVANCES TO CUSTOMERS

	2023	2022
	TZS'000'	TZS'000'
Corporate lending	16,486,143	13,602,758
Small business lending	51,247,043	40,733,987
Consumer lending	8,030,121	8,168,225
Gross loan and advances	75,763,307	62,651,584
Less: Allowance for ECL	(1,846,746)	(1,993,360)
Add Suspended interest	169,363	146,61
	74,085,924	60,658,224
As at 1 January	1,993,360	2,093,217
Addition during the year	1,524,699	2,836,136
Written-off loans	(1,671,313)	(2,935,993)
As at 31 December	1,846,746	1,993,360

MAENDELEO BANK PLC

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

A reconciliation of changes in **Gross Carrying Amount (GCA)** and corresponding allowance for ECL by stage for total loan book as follows,

Dec-23	Stage 1		Stage 2		Stage 3		Total	
	GCA	ECL	GCA	ECL	GCA	ECL	GCA	ECL
	TZS'000'		TZS'000'		TZS'000'		TZS'000'	
01-Jan-23	49,486,991	234,914	8,337,543	477,585	4,827,048	1,280,861	62,651,582	1,993,360
New assets originated	82,382,353	953,539	9,196,694	157,075	11,573,324	395,392	103,152,371	1,506,005
Payments and assets derecognized	(75,493,918)	105,827	(4,627,627)	(477,585)	(12,628,211)	(1,280,861)	(92,749,756)	(1,652,619)
Transfers to/ stage 2	-	-	(2,567,168)	-	2,567,168	-	-	-
Transfers to stage 3	6,139,337	-	(6,139,337)	-	-	-	-	-
Accrued interest	2,542,187	-	69,100	-	97,822	-	2,709,109	-
31-Dec 23	65,056,950	1,294,279	4,269,204	157,075	6,437,151	395,392	75,763,307	1,846,746

MAENDELEO BANK PLC

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

18.1 Impairment allowance for loans and advances from customers

18.1.1 Corporate lending

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system, 12-month PD range and year-end stage classification. The amounts presented are gross of allowance for ECL.

31 December 2023	12 months	Stage 1	Stage 2	Stage 3	Total
Internal rating grade	PD range	TZS'000'	TZS'000'	TZS'000'	TZS'000'
High grade	0.00% - 3.00%	13,687,988	-	675,577	14,363,565
Standard grade	3.00% - 20.00%	-	-	520,109	520,109
Substandard	20.00%- 50.00%	-	-	-	-
Low grade	50.00%-100.00%	1,602,470	-	-	1,602,470
Individually impaired	100%	-	-	-	-
Total		<u>15,290,458</u>	<u>-</u>	<u>1,195,686</u>	<u>16,486,144</u>

31 December 2022	12 months	Stage 1	Stage 2	Stage 3	Total
Internal rating grade	PD range	TZS'000'	TZS'000'	TZS'000'	TZS'000'
High grade	0.0% - 3.0%	9,069,075	1,197,052	761,518	11,027,645
Standard grade	3.0% - 20.0%	1,068,918	-	-	1,068,918
Substandard	20.0%- 50.0%	1,121,329	-	-	1,121,329
Low grade	50.0%-100.0%	531,480	-	-	531,480
Individually impaired	100%	-	-	-	-
Total		<u>11,790,802</u>	<u>1,197,052</u>	<u>761,518</u>	<u>13,749,372</u>

MAENDELEO BANK PLC

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022**

18. LOANS AND ADVANCES FROM CUSTOMERS (Continued)

18.1 Impairment allowance for loans and advances from customers (Continued)

18.1.1 Corporate lending (Continued)

A reconciliation of changes in gross carrying amount and corresponding allowance for ECL by stage for corporate lending as follows:

Dec-23	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
	TZS'000'		TZS'000'		TZS'000'		TZS'000'	TZS'000'
01-Jan-23	11,790,802	106,828	1,197,052	4,621	761,518	73,012	13,749,372	184,461
New assets originated	19,057,141	3,987	-	-	1,370,000	-	20,427,141	3,987-
Payments and assets derecognized	(16,532,706)	(106,433)	(1,197,052)	(4,621)	(943,029)	(73,012)	(18,672,787)	(184,066)
Accrued interest	(975,221)	-	-	-	7,197	-	982,418	-
31-Dec 23	15,290,458	4,382	-	-	1,195,686	-	16,486,144	4,382

MAENDELEO BANK PLC

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022**

18. LOANS AND ADVANCES FROM CUSTOMERS (Continued)

18.1 Impairment allowance for loans and advances from customers (Continued)

18.1.1 Corporate lending (Continued)

Dec-22	Stage 1 Gross carrying amount TZS'000'	ECL	Stage 2 Gross carrying amount TZS'000'	ECL	Stage 3 Gross carrying amount TZS'000'	ECL	Total Gross carrying amount TZS'000'	ECL TZS'000'
01-Jan-22	11,606,741	106,828	1,012,991	4,621	577,455	-	13,197,187	111,449
New assets originated	7,289,149	116,650	-	-	-	-	7,289,149	-
Payments and assets derecognized	(6,921,027)	(89,675)	-	-	-	-	(6,921,027)	(89,675)
Accrued interest	(184,061)	(4,621)	184,061	4,621	184,063	73,012	184,063	73,012
Amounts written off	-	-	-	-	-	-	-	-
31-Dec-22	11,790,802	106,828	1,197,052	4,621	761,518	73,012	13,749,372	94,786

MAENDELEO BANK PLC

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022**

18. LOANS AND ADVANCES FROM CUSTOMERS (Continued)

18.1 Impairment allowance for loans and advances from customers

18.1.2. Small business lending

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system, 12-month PD range and year-end stage classification. The amounts presented are gross of allowance for ECL.

Dec-23

Internal rating grade	12 month PD range	Stage 1 TZS'000'	Stage 2 TZS'000'	Stage 3 TZS'000'	Total TZS'000'
High grade	0.00% - 3.00%	39,439,665	3,844,559	1,548,186	44,832,410
Standard grade	3.00% - 20.00%	699,110	-	778,045	1,477,155
Substandard	20.00%- 50.00%	2,309,383	7,842	397,795	2,715,020
Low grade	50.00%-100.00%	396,126	23,176	1,803,155	2,222,457
Individually impaired	100%	-	-	-	-
Total		42,844,284	3,875,577	4,527,181	51,247,043

Dec-22

Internal rating grade	12 month PD range	Stage 1 TZS'000'	Stage 2 TZS'000'	Stage 3 TZS'000'	Total TZS'000'
High grade	0.00% - 3.00%	20,990,318	3,117,065	892,027	24,999,410
Standard grade	3.00% - 20.00%	6,893,344	809,108	460,064	8,162,516
Substandard	20.00%- 50.00%	1,381,767	1,273,838	324,149	2,979,754
Low grade	50.00%-100.00%	1,556,728	1,063,495	1,972,083	4,592,307
Individually impaired	100%	-	-	-	-
Total		30,822,157	6,263,506	3,648,323	40,733,987

MAENDELEO BANK PLC

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022**

18. LOANS AND ADVANCES FROM CUSTOMERS (Continued)

18.1.2. Small business lending (Continued)

A reconciliation of changes in gross carrying amount and corresponding allowance for ECL by stage for small business lending as follows

Dec-23	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
	TZS'000'		TZS'000'		TZS'000'		TZS'000'	TZS'000'
01-Jan-23	30,822,157	380,355	6,263,506	195,787	3,648,323	1,113,262	40,733,986	1,689,404
New assets originated	57,962,226	1,246,849	5,678,127	116,841	8,977,419	385,982	72,617,771	1,749,671
Payments and assets derecognized	(52,585,965)	(380,355)	(1,445,107)	(195,787)	(9,469,538)	(1,113,262)	(63,500,611)	(1,689,404)
Transfers to stage 2			(1,283,584)		1,283,584		-	
Transfers to stage 3	5,393,661		(5,393,661)				-	
Accrued interest	1,254,658		56,296		84,941		1,395,895	-
31-Dec -23	42,844,284	1,246,849	3,875,577	116,841	4,524,729	385,982	51,247,043	1,749,671

MAENDELEO BANK PLC

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022**

18. LOANS AND ADVANCES FROM CUSTOMERS (Continued)

18.1.2. Small business lending (Continued)

A reconciliation of changes in gross carrying amount and corresponding allowance for ECL by stage for small business lending as follows

Dec-23	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount TZS'000'	ECL	Gross carrying amount TZS'000'	ECL	Gross carrying amount TZS'000'	ECL	Gross carrying amount TZS'000'	ECL TZS'000'
01-Jan-23	30,033,964	96,402	5,687,706	63,576	3,072,523	1,702,296	38,794,193	1,862,274
New assets originated	14,939,976	363,229	-	-	-	-	14,939,976	363,229
Payments and assets derecognized	(13,000,183)	(428,556)	-	-	-	-	(13,000,183)	(428,556)
Transfers from stage 1	(1,151,600)	(198,317)	1,151,600	198,317	-	-	-	-
Transfers to/from stage 2	-	-	(575,800)	(66,106)	575,800	66,106	-	-
Accrued interest	-	-	-	-	-	-	-	-
Amounts written off	-	-	-	-	-	-	-	-
31-Dec-23	30,822,157	380,355	6,263,506	195,787	3,648,323	1,113,262	40,733,986	1,689,404

MAENDELEO BANK PLC

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022**

18. LOANS AND ADVANCES FROM CUSTOMERS (Continued)

18.1.3. Consumer lending

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system, 12-month PD range and year-end stage classification. The amounts presented are gross of allowance for ECL.

Dec 2023	12 month	Stage 1	Stage 2	Stage 3	Total
Internal rating grade	PD range	TZS'000'	TZS'000'	TZS'000'	TZS'000'
High grade	0.00% - 3.00%	6,895,162	393,627	289,722	7,578,511
Standard grade	3.00% - 20.00%	12,065		264,051	276,116
Substandard	20.00% - 50.00%	-		110,979	110,979
Low grade	50.00% -100.00%	12,531		51,984	64,515
Individually impaired	100%	-	-	-	-
Total		6,919,758	393,627	716,736	8,030,121

Dec 2022	12 month	Stage 1	Stage 2	Stage 3	Total
Internal rating grade	PD range	TZS'000'	TZS'000'	TZS'000'	TZS'000'
High grade	0.00% - 3.00%	4,620,814	393,281	203,159	5,217,255
Standard grade	3.00% - 20.00%	1,467,855	145,343	75,882	1,689,080
Substandard	20.00% - 50.00%	375,391	261,366	138,166	774,922
Low grade	50.00% -100.00%	409,972	76,995	0	486,967
Individually impaired	100%	-	-	-	-
Total		6,874,032	876,985	417,207	8,168,224

MAENDELEO BANK PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

18. LOANS AND ADVANCES TO CUSTOMERS (Continued).

A reconciliation of changes in gross carrying amount and corresponding allowance for ECL by stage for consumer lending as follows

Dec-23	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
	TZS'000'		TZS'000'		TZS'000'		TZS'000'	
Jan-23	6,874,032	(252,269)	876,985	277,177	417,207	94,587	8,168,224	119,495
New assets originated	5,362,987	43,049	3,518,567	40,234	1,225,905	9,410	10,107,459	92,693
Payments and assets derecognized	(6,375,246)	252,269	(1,985,468)	(277,177)	(2,215,644)	(94,587)	(10,576,359)	(119,495)
Transfers to/from stage 1			(1,283,584)		1,283,584		-	-
Transfers to/from stage 2	745,676		(745,676)				-	-
Interest	312,309		12,804		5,683		330,796	-
Dec-23	6,919,758	43,049	393,627		716,736	9,410	8,030,121	92,693

Jan-22	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
	TZS'000'		TZS'000'		TZS'000'		TZS'000'	
Jan-22	7,410,951	528,319	434,775	184,374	730,658	105,751	8,576,384	818,444
New assets originated	15,842,323	-	-	-	-	-	15,842,323	-
Payments and assets derecognized	(15,740,508)	(343,353)	-	-	(310,011)	(290,640)	(16,050,519)	(633,993)
Transfers to/from stage 1	(491,418)	(437,235)	491,418	437,235	-	-	-	-
Transfers to/from stage 2	-	-	(429,775)	(344,432)	429,775	344,432	-	-
Amounts written off	-	-	-	-	(549,841)	(64,956)	(549,841)	(64,956)
Dec-22	6,874,032	(252,269)	876,985	277,177	417,207	94,587	8,168,224	119,495

MAENDELEO BANK PLC

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022**

19. INVENTORIES

	2023	2022
	TZS'000'	TZS'000'
Stationery	24,433	29,142
	<u>24,433</u>	<u>29,142</u>

20. OTHER ASSETS

	2023	2022
	TZS'000'	TZS'000'
Prepaid expenses*	652,607	508,713
Staff salary advances	193,534	187,519
Fees receivable	1,567,035	801,904
Others	90,343	83,081
Less: Impairment	(73,359)	(267,366)
	<u>2,430,160</u>	<u>1,313,851</u>

*Prepaid expenses comprise of prepaid insurance costs with respect to all risks, bankers blanket bond and prepaid medical insurance for staffs.

	2023	2022
	TZS'000'	TZS'000'
Movement on other asset impairment		
As at 1 Jan	267,366	110,141
Additions	73,359	267,366
Writeoff	267,366	110,141
As at 31 Dec	<u>73,359</u>	<u>267,366</u>

21. INCOME TAX RECEIVABLE

At January	(246,887)	(178,061)
Tax charge to profit or loss	791,759	635,420
Tax paid during the year	(506,776)	(704,246)
Overprovision prior Year	(6,817)	-
	<u>31,278</u>	<u>(246,887)</u>

22. (a) DEPRECIATION, ROU AND AMORTIZATION

Depreciation and ROU	22(a)(i)	605,177	546,457
Leasehold Improvement	22(a) (ii)	147,195	146,838
Intangible Asset Amortization	22(a) (iii)	58,859	66,793
		<u>811,231</u>	<u>760,088</u>

MAENDELEO BANK PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

22. b) PROPERTY, EQUIPMENT AND RIGHT-OF-USE ASSETS

	Motor Vehicle	Furniture and fittings	Office Machines and equip.	Computers	ATM & Generators	Right of Use (Buildings)	Total
	TZS'000'	TZS'000'	TZS'000'	TZS'000'	TZS'000'	TZS'000'	TZS'000'
31 December,2023							
At 01 January 2023	396,307	354,174	1,432,776	504,426	251,542	2,103,279	5,042,505
Additions	60,189	17,309	93,439	50,021	-	35,020	255,979
Disposals	(17,744)	(4,800)	-	-	-	(488,100)	(510,644)
At 31 December 2023	438,753	366,684	1,526,216	554,447	251,542	1,650,200	4,787,841
Accumulated Depreciation							
At 01 January 2023	(130,004)	(281,852)	(988,835)	(369,361)	(250,526)	(963,979)	(2,984,556)
Charge for the year	(69,163)	(25,048)	(188,971)	(83,735)	(1,016)	(247,517)	(615,480)
Disposals	-	-	-	-	-	460,343	460,343
At 31 December 2023	(199,197)	(306,900)	(1,177,806)	(453,096)	(251,542)	(751,153)	(3,139,693)
Net carrying amount	239,556	59,783	348,410	101,351	-	899,047	1,648,148
31 December 2022							
At 1 January	(263,181)	332,522	1,353,760	452,755	251,526	1,568,058	4,266,523
Additions	(38,219)	21,653	79,016	51,671	-	535,237	947,378
Disposals	171,396	-	-	-	-	-	(171,396)
At 31 December 2022	(130,004)	354,175	1,432,776	504,426	251,526	2,103,295	5,042,505
Accumulated Depreciation							
At 1 January 2022	(263,181)	(255,838)	(812,350)	(304,737)	(245,357)	(728,032)	(2,609,495)
Charge for the year	(38,219)	(26,014)	(176,484)	(64,624)	(5,169)	(235,947)	(546,457)
Disposals	171,396	-	-	-	-	-	171,396
At 31 December 2022	(130,004)	(281,852)	(988,834)	(369,361)	(250,526)	(963,979)	(2,984,556)
Net carrying amount	266,304	72,322	443,942	135,065	1,000	1,139,316	2,057,949

MAENDELEO BANK PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2022

22. c) PROPERTY, EQUIPMENT AND RIGHT-OF-USE ASSETS(CONTINUED)

The Bank has lease contracts for office buildings (i.e. head office and branches) used in its day to day operations as well as short term leases for office equipment. The lease payments for these equipment are short-term in nature i.e. not in excess of 12months period. The other leases are long-term in nature i.e. more than 12 months. The Bank's obligations under its leases are secured by the lessor's title to the leased assets. The Bank is restricted from assigning and subleasing the leased assets. Set out below are the carrying amounts of lease liabilities (included under 'Other liabilities' in Note 25) and the movements during the year.

22. (d) DEPRECIATION AND ARMOTISATION

	2023 TZS'000'	2022 TZS'000'
Depreciation of property and equipment (22(d)(i))	364,907	310,510
Amortization of intangible (22(d)(ii))	58,859	66,793
Amortization of leasehold assets (22(d)(iii))	147,195	146,838
Right of Use Asset(22(d)(iv))	240,270	235,947
At 31 December	<u>811,231</u>	<u>760,088</u>

23. LEASEHOLD IMPROVEMENTS

	2023 TZS'000'	2022 TZS'000'
At 1 January	1,498,458	1,493,174
Additions	-	5,283
At 31 December	<u>1,498,457</u>	<u>1,498,457</u>
Amortization		
At 1 January	(1,013,512)	(866,674)
Charge for the year	(147,196)	(146,838)
At 31 December	<u>(1,160,708)</u>	<u>(1,013,512)</u>
Net carrying amount	<u>337,749</u>	<u>484,945</u>

24. INTANGIBLE ASSETS

	2023 TZS'000'	2022 TZS'000'
At 1 January	965,024	924,578
Additions	52,473	40,446
At 31 December	<u>1,017,498</u>	<u>965,024</u>
Accumulated amortization		
At 1 January	(819,102)	(752,309)
Charge for the year	(58,859)	(66,793)
At 31 December	<u>(877,961)</u>	<u>(819,102)</u>
Net carrying amount	<u>139,537</u>	<u>145,922</u>

MAENDELEO BANK PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2022

25 DEPOSITS

	2023 TZS'000'	2022 TZS'000'
Current accounts	16,273,978	14,456,885
Savings accounts	18,990,006	15,606,883
Time deposit accounts	48,486,418	41,087,610
Short term deposit from banks	6,400,000	6,200,000
Interest Payable	637,545	477,787
	<u>90,787,947</u>	<u>77,829,165</u>

26 OTHER LIABILITIES

	2023 TZS'000	2022 TZS'000
Accrued expenses	6,916	9,402
Insurance payables	229,438	43,153
Withholding tax payable	66,357	74,243
Others	1,110,724	705,057
Lease liabilities (see below)*	702,953	1,019,362
	<u>2,116,388</u>	<u>1,851,217</u>

	2023 TZS'000'	2022 TZS'000'
Lease liabilities		
Opening Balance as at 1January	1,019,362	752,512
Additional	535,237	535,237
Interest	70,045	73,279
Payments	(386,455)	(341,666)
31 December	<u>702,953</u>	<u>1,019,362</u>

Below are the maturities for lease liability:

31/12/2023	< than 1 yr	1 - 2 yrs	2-5 yrs	5 yrs	Total
Lease liabilities	263,712	252,468	177,865	8,908	702,953
Total	<u>263,712</u>	<u>252,468</u>	<u>177,865</u>	<u>8,908</u>	<u>702,953</u>

31/12/2022

Lease liabilities	311,594	594,632	177,865	8,908	1,092,641
Total	<u>311,594</u>	<u>594,632</u>	<u>177,865</u>	<u>8,908</u>	<u>1,092,641</u>

27 PROVISIONS FOR OFF BALANCE SHEET ITEMS

The movement of provisions during 2022 and 2023 respectively as follows:

	Financial Guarantees	Operational risk	Litigation	Total
1-Jan-23	<u>3,029</u>	-	-	3,029
Changes in ECL	4,198	-	-	4,198
Amounts matured	(3,029)	-	-	(3,029)
31-Dec-23	<u>4,198</u>	-	-	4,198
1-Jan-22	<u>3,029</u>	-	-	3,029
Changes in ECL	3,039	-	-	3,039
Amounts matured	(3,029)	-	-	(3,029)
31-Dec-22	<u>3,039</u>	-	-	3,039

These provisions relate to guarantees issued to customers

MAENDELEO BANK PLC

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2022

27 PROVISIONS FOR OFF BALANCE SHEET ITEMS (Continued)

A reconciliation of changes in outstanding exposures and corresponding allowance for ECL by stage for financial guarantees is, as follows

Dec 23	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
	TZS'000'		TZS'000'		TZS'000'		TZS'000'	
1-Jan-23	2,073,759	3,029	-	-	-	-	2,073,759	3,029
New exposures	2,987,653	4,198	-	-	-	-	2,987,653	4,198
Exposures derecognised / matured/lapsed`	(2,557,065)	(3,029)	-	-	-	-	(2,557,065)	(3,029)
31-Dec-23	2,504,347	4,198	-	-	-	-	2,504,347	4,198
Dec-22	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
	TZS'000'		TZS'000'		TZS'000'		TZS'000'	
1-Jan-22	1,107,066	3,029	-	-	-	-	1,107,066	3,029
New exposures	3,016,574	3,039	-	-	-	-	3,016,574	3,039
Exposures derecognised / matured / lapsed	(2,049,881)	(3,029)	-	-	-	-	(2,049,881)	(3,029)
31-Dec-22	2,073,759	3,039	-	-	-	-	2,073,759	3,039

MAENDELEO BANK PLC

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

27 PROVISIONS FOR OFF BALANCE SHEET ITEMS (Continued)

27.1. Financial guarantees and other undrawn commitments

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees and other commitments to lend. Even though these obligations may not be recognised on the statement of financial position, they contain credit risk and, therefore, form part of the overall risk of the Bank.

Guarantees commit the Bank to make payments on behalf of customers in the event of a specific act, Guarantees carry a similar credit risk to loans. The nominal values of such commitments are listed below:

	2023	2022
	TZS'000'	TZS'000'
Financial guarantees	1,801,334	2,073,759
Other undrawn commitments	<u>703,009</u>	<u>334,124</u>
	<u>2,504,347</u>	<u>2,407,883</u>

27.2 Operational risk

Operational risk provisions exclude litigation and regulatory enforcement and include liabilities arising from the breakdown of internal processes and controls or from external events resulting in economic outflow. The Bank has bankers blanket bond insurance cover that protects a bank against such losses.

27.3 Litigation

Litigation provisions arise out of current or potential claims or pursuits alleging non-compliance with contractual or other legal or regulatory responsibilities, which have resulted or may arise in claims from customers, counterparties or other parties in civil litigations. As of 31 December 2022, the Bank was a defendant in several lawsuits. The plaintiffs are claiming damages and interest thereon for the alleged loss caused by the Bank due to breach of contracts and loss of business. The Directors are of the opinion that no significant liabilities will arise from these claims.

28 BORROWED FUNDS

	2023	2022
	TZS'000'	TZS'000'
BORROWINGS		
TZS 3Bn fixed rate due 2028	3,000,000	3,000,000
TZS 5Bn floating rate due 2024	1,794,571	2,862,514
TZS 3 Bn floating rate due 2023	-	248,447
TZS 3.5 Bn floating rate due 2026	1,807,637	3,844,676
TZS 6 Bn floating rate due 2024	3,500,000	-
TZS 3 Bn floating rate due 2026	<u>2,579,171</u>	<u>-</u>
	12,681,379	9,955,637
<i>Movement in the interest-bearing loans and borrowings:</i>		
At 1 January	9,955,637	13,866,105
Additional loan received	3,500,000	-
Repayment during the year	(774,258)	(3,910,468)
Interest charge for the year	968,982	1,603,672
Interest paid	<u>(968,982)</u>	<u>(1,603,672)</u>
At 31 December	<u>12,681,379</u>	<u>9,955,637</u>

MAENDELEO BANK PLC

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

28 BORROWED FUNDS (Continued)

Terms and conditions for the loan:

CDRB Bank loan

During the year, bank continued to repay loan from CRDB Bank which was granted on 2020 of TZS 5 billion for on-lending to various customers. The loan accrues an interest of 15%p.a. It is secured by a letter of lien over treasury bills and treasury bonds of at least TZS 6.25 billion owned by Maendeleo Bank. The loan is repayable in equal quarterly instalments. For a period of 60 months.

TIB Loan

During the year, bank continued servicing loan from Tanzania Investment Bank which was granted a loan facility of TZS 1 billion on 2020 for on-lending customers involved in agricultural activities only. The loan is secured by Treasury Bond with face value of TZS 1.5 billion. It accrues an interest of 4%p.a charged daily on the outstanding amount. The loan is repayable in 12 equal quarterly instalments for a period of 24 months.

BOT Loan

On 7th August 2018, the Bank of Tanzania granted a loan of TZS 3 billion under Housing Microfinance Fund at a rate of 7.5%. The loan is matured a period of 60 months. Management requested the roll over and the same was granted by the Central bank for another 5 years up to August 2028. The rollover was granted at the rate of 6.5% pa.

SELF Microfinance Loan

On 7th November 2020, Self-Microfinance granted a loan facility of TZS 2 billion for on-lending customers involved in agricultural activities only. The loan is secured by Treasury Bond and Bills with face value of TZS 4 billion. It accrues an interest of 16%p. a charged daily on the outstanding amount. The loan is repayable in a period of 24 months. During the year 2022 SELF granted additional loan amounting to TZS 6 billion for on lending to customers. The loan is secured by Government securities with face value of TZS 4.8 billion, loan portfolio of class A of TZS 2.7 billion, during 2023 SELF MF again granted another loan of TZS 2Bn for two years at the same terms as per the last loan.

29 ISSUED CAPITAL AND RESERVES

	2023 TZS'000'	2022 TZS'000'
Authorized 60,000,000 shares of TZS 500 each	<u>30,000,000</u>	<u>30,000,000</u>
Called up and fully paid up (No of shares)	<u>26,253,121</u>	<u>26,253,121</u>

30 REGULATORY RESERVE

Regulatory reserves represent an amount set aside to cover additional impairment for losses over and above the impairment of loans advances required in order to comply with impairment requirements as per IFRS 9. This reserve is not available for distribution. Impairment for non-performing assets is computed using both IFRS 9 approach and BOT regulatory approach. IFRS 9 provision is charged to profit or loss. Where the IFRS 9 impairment is less than BOT provision, then the excess over IFRS 9 impairment provision is taken to a non-distributable reserve known as Regulatory Reserve. During the year under review, the provisions using both approaches were as follows:

MAENDELEO BANK PLC

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

30 REGULATORY RESERVE (Continued)

	2023	2022
	TZS'000'	TZS'000'
Provisions per Bank of Tanzania approach	2,379,743	2,535,818
Impairment as per IFRS 9 (Note 18)	<u>(1,846,746)</u>	<u>(1,993,360)</u>
Excess over IFRS impairment taken to regulatory risk reserve	<u>532,997</u>	<u>542,458</u>

31 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled. With regard to loans and advances from customers, the Bank uses the same basis of expected repayment behaviour that was used for estimating the EIR.

31 December 2023	1-12 months	More than 1 year	Total
	TZS'000'	TZS '000'	TZS'000'
Cash and balances with Bank of Tanzania	7,056,211	-	7,056,211
Placements and balances with other banks	11,623,226	-	11,623,226
Government securities	7,061,005	18,367,328	25,428,333
Loans and advances from customers	18,228,887	55,869,913	74,098,800
Inventories	24,433	-	24,433
Other assets	-	2,430,160	2,430,160
Intangible assets	-	139,537	139,537
Property, equipment and right of use	-	1,648,148	1,648,148
Leasehold improvements	-	337,749	337,749
Income tax recoverable	-	209,490	209,490
Deferred tax	<u>-</u>	<u>1,437,203</u>	<u>1,437,203</u>
Total assets	<u>43,993,762</u>	<u>80,439,528</u>	<u>124,433,289</u>
LIABILITIES			-
Deposits	81,191,972	9,595,974	90,787,947
Other liabilities	-	2,116,377	2,116,377
Borrowings	<u>1,807,637</u>	<u>10,873,742</u>	<u>12,681,379</u>
Total Liabilities	<u>82,999,609</u>	<u>22,586,093</u>	<u>105,585,702</u>

MAENDELEO BANK PLC

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

31 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (Continued)

31 December 2022	1-12 months TZS'000'	More than 1 year TZS '000'	Total TZS'000'
Cash and balances with Bank of Tanzania	10,234,041	-	10,234,041
Placements and balances with other banks	8,898,620	-	8,898,620
Government securities	7,357,968	14,250,505	21,608,473
Loans and advances from customers	15,808,587	44,849,637	60,658,224
Inventories	29,142	-	29,142
Other assets	1,313,851	-	1,313,851
Intangible assets	-	145,922	145,922
Property, equipment and right of use	-	2,057,949	2,057,949
Leasehold improvements	-	484,945	484,945
Income tax recoverable	216,045	-	216,045
Deferred tax	-	1,370,359	1,370,359
Total assets	<u>43,858,254</u>	<u>63,159,317</u>	<u>107,017,571</u>
LIABILITIES			-
Deposits	70,858,152	6,971,012	77,829,164
Other liabilities	944,991	906,226	1,851,217
Borrowings	3,351,739	6,603,898	9,955,637
Total Liabilities	<u>75,154,882</u>	<u>14,481,136</u>	<u>89,636,018</u>

32 CAPITAL

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

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

The Bank's management monitors the adequacy of its capital and use of regulatory capital are monitored on a quarterly basis by management using the ratios established by the Bank of Tanzania (BOT) which rates are broadly in line with those for Basel Committee. The ratio measures capital adequacy by comparing the Bank's eligible capital with its statements of financial position assets, off balance sheet component and market and other risk position at weighted amounts to reflect their relative risk. The required information is filed with Bank of Tanzania on a quarterly basis.

The Bank manages its capital to meet Bank of Tanzania requirements listed below:

- Hold the minimum level of the regulatory capital of TZS 2 billion;
- Maintain regulatory reserve of not less than 7% of total deposit liabilities; and
- Maintain a ratio of total regulatory capital of not less than the internationally agreed 12% of risk-weighted assets (Basel ratio) plus risk-weighted off-balance sheet items.

MAENDELEO BANK PLC

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

32. CAPITAL (Continued)

32.1. Capital management

The Bank regulatory capital as established by the Bank of Tanzania is divided into two tiers:

- Tier 1 capital which includes ordinary share capital, retained earnings and reserves created by appropriations of retained earnings deduct prepaid expenses and deferred charges
- Tier 2 capital (supplementary capital) which includes the general provisions.

The risk weighted assets are measured by means of a hierarchy, classified according to the nature and reflecting an estimate, of the credit risk associated with each assets and counter party. A similar treatment is adopted for off balance sheet exposure, with some adjustment to reflect the more contingent nature of the potential losses.

During the year, the Bank has complied with all the imposed capital requirements of Bank of Tanzania to which the Bank is subject.

32.2 (a) Regulatory capital

	2023 TZS '000'	2022 TZS '000'
Issued share capital	13,121,982	13,121,982
Share premium	799,742	799,742
Advance towards share capital		5,494
Share capital	<u>13,921,274</u>	<u>13,927,218</u>

32.2 (b) Regulatory capital

	2023 TZS '000'	2022 TZS '000'
Tier 1 Capital		
Share capital	13,921,274	13,927,218
Retained earnings	4,653,334	3,009,563,
Prepaid expenses	(-677,040)	(508,713)
Deferred tax asset	(1,951,325)	(1,437,203)
Intangible assets	(-139,537)	(145,922)
Total qualifying Tier 1 Capital	<u>15,806,704</u>	<u>14,844,943</u>
Total qualifying Tier 2 Capital	<u>15,806,704</u>	<u>14,844,943</u>
Total regulatory capital	15,806,704	14,844,943
Risk - weighted assets		
On balance sheet position	76,797,750	75,670,299
Off balance sheet position	2,504,347	2,407,884
Operational Risk Charge	7,057,684	5,833,952
Market Risk Charge	120,328	204,638
Total risk - weighted assets	<u>86,479,921</u>	<u>84,116,773</u>

MAENDELEO BANK PLC

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

	Required ratios		Bank's	Bank's
	2023	2022	ratio 2023	Ratio 2022
CET 1 capital ratio	12.5%	12.5%	18.28%	17.6%
Tier 1 + Tier 2 Capital	14.5%	14.5%	18.28%	17.6%

During the year, the bank has complied with all the imposed capital requirements as shown below:

31 December 2023	Nominal Statement of Financial Position TZS'000'	Risk %	Weighted Risk TZS'000'
Statement of Financial Position			
ASSETS (Net)			
Cash and balances with Bank of Tanzania	7,056,211	-	-
Placements and balances with other banks	11,592,685	20	2,318,537
Cheques and items for clearing	30,541	50	15,271
Government securities	25,428,332	-	-
Loans and advances from customers (less loans secured by cash/government securities)	71,982,514	100	71,982,514
Loan & advances - secured by cash/gvt securities)	2,116,287	-	-
Other assets	1,777,553	100	1,777,553
Property and equipment	1,648,148	100	1,648,148
Leasehold improvements	337,749	-	-
Prepaid expenses (Deduction from CET)	652,607	-	-
-Intangible assets (Deduction from CET)	139,537	-	-
Inventories	24,433	100	24,433
Tax receivables	209,490	100	209,490
Differed Tax	1,437,203	-	-
TOTAL	<u>124,433,289</u>		<u>86,479,921</u>
31 December 2022	Nominal Statement of Financial Position TZS'000'	Risk %	Weighted Risk TZS'000'
Statement of Financial Position			
ASSETS (Net)			
Cash and balances with Bank of Tanzania	10,234,041	-	-
Placements and balances with other banks	8,850,111	20	1,770,022
Cheques and items for clearing	48,509	50	24,255
Government securities	21,608,473	-	-
Loans and advances from customers	60,658,224	100	60,658,224
Other assets	805,138	100	805,138
Property and equipment	2,057,949	100	2,057,949
Leasehold improvements	484,945	-	-
Prepaid expenses (Deduction from CET)	508,713	-	-
Intangible assets (Deduction from CET)	145,922	-	-
TOTAL	<u>105,402,025</u>		<u>65,315,588</u>

MAENDELEO BANK PLC

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

32. CAPITAL (Continued)

32.3 Capital Structure

	2023 TZS`000		2022 TZS`000
Authorized share capital 60,000,000 shares of TZS 500 each	<u>30,000,000</u>	–	<u>30,000,000</u>
Issued and fully paid-up share Capital 26,243,964 shares of TZS 500 each	13,121,982		13,121,982
Advance towards share capital (9,157 shares of 600 each)	-		-
Premium (5,561,635 rights issue of TZS 10 each)	55,616		55,616
Premium (7,436,760 shares @ 100)	<u>743,676</u>	–	<u>743,676</u>
	<u><u>13,921,274</u></u>	=	<u><u>13,921,274</u></u>

Shareholders	2023		2022	
	Number of Shares	%	Number of Shares	%
United Evangelical Mission	2,980,326	11%	2,980,326	11%
ELCT-ECD Diocese Institutions	2,750,151	10%	2,750,151	10%
ELCT- Eastern & Coast Diocese Companies & Saccos	1,435,407	5%	1,435,407	5%
ELCT – Retirement Scheme	874,134	3%	874,134	3%
Evangelical Lutheran Church of Tanzania	1,207,380	5%	1,207,380	5%
Other Individuals	343,332	1%	343,332	1%
	<u>16,662,391</u>	63%	<u>16,662,391</u>	63%
Total	<u><u>26,253,121</u></u>	100%	<u><u>26,253,121</u></u>	100%

	2023		2022
Opening balance	26,253,121		26,243,964
Additional shares during the year	-	–	9,157
Closing balance	<u>26,253,121</u>	=	<u>26,253,121</u>

32.4 Advance towards share capital

Advance towards share capital represent shares paid up but yet to be approved by the Capital Market Security Authority (CMSA). These will be moved to share capital once approval is obtained from the Capital Market Security Authority (CMSA)

MAENDELEO BANK PLC

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

32. CAPITAL (Continued)

Computation of Operational Risk				
Dec-23	2021	2022	2023	TOTAL
	TZS'000'	TZS'000'	TZS'000'	TZS'000'
A. Qualifying Interest Income	3,068,616	3,190,786	3,890,263	10,149,665
(i). Net Interest Income	7,538,033	9,911,214	10,749,356	28,198,603
(ii). Earning Assets	87,674,741	91,165,317	111,150,359	289,990,417
3.5% of Earning Assets	3,068,616	3,190,786	3,890,263	10,149,665
B. Non-Interest Income	1,682,691	2,119,162	2,993,702	6,795,554
Gross Income	4,751,307	5,309,948	6,883,964	16,945,219
Average Gross Income		-		5,648,406
Alpha	-	-		15%
Capital Charge (Average*risk factor)	-	-		847,261
Multiplier				8.33
Total Required for Operational Risk				7,057,684
Dec-22	2020	2021	2022	TOTAL
	TZS'000'	TZS'000'	TZS'000'	TZS'000'
A. Qualifying Interest Income	2,588,354	3,015,513	3,189,658	8,793,525
(i). Net Interest Income	6,500,016	7,538,033	9,920,696	23,958,745
(ii). Earning Assets	73,952,964	86,157,525	91,133,084	251,243,573
3.5% of Earning Assets	2,588,354	3,015,513	3,189,658	8,793,525
B. Non-Interest Income	1,398,789	1,682,691	2,132,082	5,213,562
Gross Income	3,987,143	4,698,204	5,321,740	14,007,087
Average Gross Income		-		4,669,029
Alpha	-	-		15%
Capital Charge (Average*risk factor)	-	-		700,354
Multiplier				8.33
Total Required for Operational Risk				5,833,952

MAENDELEO BANK PLC

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

32. CAPITAL (Continued)

Market Risk computation	TZS'000'
Dec-23	
Greater of the Net Long Position or Absolute Value of the Net Short Position [Net Open Positions] as calculated under Form 16-4(b) as at the end of the month (Line item 32)	120,376
Absolute Value of Gold Position	-
Total (Item 1 plus 2)	120,376
Risk Factor	12%
Capital Charge (total*risk factor)	14,445
Multiplier	<u>8.33</u>
Total Required for Market Risk	120,328
Dec-22	TZS'000'
Greater of the Net Long Position or Absolute Value of the Net Short Position [Net Open Positions] as calculated under Form 16-4(b) as at the end of the month (Line item 32)	204,720
Absolute Value of Gold Position	-
Total (Item 1 plus 2)	204,720
Risk Factor	12%
Capital Charge (total*risk factor)	24,566
Multiplier	<u>8.33</u>
Total Required for Market Risk	<u>204,638</u>

33. ADDITIONAL CASH FLOW INFORMATION

	2023	2022
	TZS`000	TZS`000
Cash in hand (Note 15)	1,855,999	2,509,792
Current account with Bank of Tanzania (Note 15)	512,171	2,983,340
Placements and balances with other banks (Note 16)	11,623,226	8,898,620
Government securities (Note 17)	<u>2,640,555</u>	<u>3,785,740</u>
Cash and cash equivalents	<u>16,631,951.32</u>	<u>18,177,492</u>

Cash and cash equivalents exclude TZS. 4,688,040.84 (2022: TZS 4,740,909,550) cash reserve requirement held with the Bank of Tanzania. Placements and balances with other banks included those with maturities above 3 months while government securities are only those which matures within 3 months.

34. CONTINGENT LIABILITIES, COMMITMENTS AND LEASING ARRANGEMENTS

34.1 Financial guarantees and other undrawn commitments

The nominal values of Financial guarantees, letters of credit are disclosed together with their ECL impacts in Note 36

MAENDELEO BANK PLC

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

34. CONTINGENT LIABILITIES, COMMITMENTS AND LEASING ARRANGEMENTS (Continued)

34.2. Legal claims

The Bank operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent in its operations. As a result, the Bank is involved in various litigation, arbitration and regulatory proceedings, in Tanzania jurisdictions in the ordinary course of its business. The Bank has formal controls and policies for managing legal claims. Based on professional legal advice, the Bank provides and/or discloses amounts in accordance with its accounting policies described in Note 2.22. At year end, the Bank had several unresolved legal claims. There was no significant legal claim against the Bank, which can bring a financial loss. Accordingly, no provision for any claims has been made in these financial statements based on the legal opinion received from the lawyers which indicates the probability of the bank to lose a case is remote.

34.3. Leases – Bank as lessee

The Bank has entered into commercial leases for premises and equipment. The leases have an average life of between five and ten years. There are no restrictions placed upon the lessee by entering into these. The Bank has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Bank's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term:

	2022	2022
	TZS' 000	TZS' 000
Not later than 1 year	362,215	362,215
Later than 1 year and not later than 5 years	1,503,650	1,503,650
Later than 5 years	<u>8,832</u>	<u>8,832</u>
	<u>1,838,697</u>	<u>1,838,697</u>

The Directors are of the view that these commitments will be sufficiently covered by future net revenues and funding.

35. RELATED PARTY DISCLOSURES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In the normal course of business, a number of banking transactions are entered into with related parties i.e. key management personnel and directors. These include loans and deposits. The volume of related party transactions for the year and the outstanding amounts at the year-end were as follows:

MAENDELEO BANK PLC

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

35. RELATED PARTY DISCLOSURES (Continued)

(a) Loans and advances to related parties	2023	2022
(i) Directors	TZS`000	TZS`000
At 1 January	257,616	305,763
Advanced during the year	1,239,871	30,000
Repayment during the year	<u>(286,616)</u>	<u>(257,634)</u>
At 31 December	1,210,871	78,129
Less: Allowance for ECL	<u>(18)</u>	<u>(18)</u>
	<u>317,816</u>	<u>257,616</u>
Interest earned	<u>260,373</u>	<u>58,095</u>
There were no deposits controlled by Directors or their families (2022: Nil), Interest rate offered to directors is the same as that offered to other clients		
As at 1 January	20	34
Release during the year	<u>(2)</u>	<u>(14)</u>
As at 31 December	<u>18</u>	<u>20</u>
 (ii) Key management		
At 1 January	173,404	212,557
Advanced during the year	200,813	101,500
Repayment during the year	<u>(61,186)</u>	<u>(132,429)</u>
At 31 December	313,031	173,429
Less: Allowance for ECL	<u>(70)</u>	<u>(25)</u>
	<u>312,961</u>	<u>173,404</u>
Interest earned (Interest rate is 7% pa)	<u>29,370</u>	<u>18,432</u>
As at January	25	38
Release during the year	<u>(13)</u>	<u>(13)</u>
As at 31 December	<u>2,190</u>	<u>25</u>
 Key management personnel compensation		
Short term employee benefits	1,081,189	991,355
Post-employment pension and medical benefits	<u>100,871</u>	<u>99,135</u>
	<u>1,182,060</u>	<u>1,090,490</u>
 (iii) Shareholders		
At 1 January	4,819,121	4,589,639
Advanced during the year	2,310,668	1,147,410
Repayment during the year	<u>(3,449,549)</u>	<u>(917,928)</u>
At 31 December	3,680,242	4,819,121
Less: Allowance for ECL	<u>4,118</u>	<u>15,657</u>
	<u>4,803,464</u>	<u>4,803,464</u>
Interest earned	915,632	915,632
As at 1 January	15,657	16,959
Release during the year	<u>(1,302)</u>	<u>(1,302)</u>
As at 31 December	<u>155,364</u>	<u>15,657</u>

MAENDELEO BANK PLC

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

35. RELATED PARTY DISCLOSURES (Continued)

The loans are fully secured by legal mortgage and chattels. There were no guarantees or commitments (including undrawn loan commitments) made to related parties by the bank or on for the banks.

Provision of TZS 15,700,000 has been made in respect of loans given to related parties (2021: 17,017,000). Loans to key management personnel were issued at market interest rate of 17% per annum as per company policy. Loans to directors were issued on commercial terms. In the current year the ECL allowance for related parties is disclosed separately.

As at 31 December 2022, there were no loans issued to companies controlled by Directors or their families (2021: Nil).

	2023	2022
	TZS'000'	TZS'000'
(d) Directors' compensation		
Allowances and remuneration	161,602	136,834
Board expenses	<u>18,692</u>	<u>17,613</u>
	<u>180,295</u>	<u>154,447</u>

Directors' attendance and remuneration is shown below:

Directors	Number of Meetings Attended				Total Allowance Paid TZS'000'
	Board Meeting	BARC	BCC	BHRC	
31-Dec-23				4	
Amulike S. K. Ngeliama	8				9,882
Adv Dosca K. Mutabuzi	3	-	8	4	11,471
Naftal M. Nsemwa	6	-	2	-	6,118
Rev. Dr. Ernest W. Kadiva	6	-		4	7,647
CPA Anna T. Mzinga	6	5			8,412
Prof. Ulingeta Mbamba	8	5			9,941
Ms. Joyce Mapunjo	7	5			9,176
Dr. Emmanuel Manasseh	5		8	0	9,941
Rev. Wilbroad Mastai	4	-			3,059
Dr. Ibrahim Mwangalaba	8	-	8	4	<u>19,118</u>
Total					<u>94,765</u>

MAENDELEO BANK PLC

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

Directors	Number of Meetings attended				Total Allowance Paid (TZS`000)
	Board Meeting	BARC	BCC	BHRC	
31-Dec-22					0
Amulike S.K Ngeliama	7	-	-	-	3 7,878
Adv Dosca K. Mutabuzi	7	-	-	8	3 13,455
CPA Anna T. Mzinga	5	4	-	-	6,728
Reverend Dr Ernest. Kadiva	3	-	-	-	2 3,738
Naftal M. Nsemwa	3	-	-	7	7,475
Prof. Ulingeta Mbamba	7	6	-	-	9,718
Ms. Joyce Mapunjo	7	6	-	-	9,718
Dr. Emmanuel Manasseh	5	-	-	3	5,980
Rev. Wilbroard Mastai	1	-	-	-	747.5
Dr. Ibrahim Mwangalaba	7	6	-	8	3 17,940
Total					<u><u>83,375</u></u>

36. EVENTS AFTER THE REPORTING DATE

There were no events after the reporting period which require adjustment or disclosure in the financial statements.

37 FAIR VALUE MEASUREMENT

This note describes the fair value measurement of both financial and non-financial instruments and is structured as follows:

37.1 Valuation principles

37.2 Valuation governance

37.3 Valuation techniques

37.1. Valuation principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using a valuation technique.

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques.

37.2. Valuation governance

The Bank's fair value methodology and the governance over its models includes a number of controls and other procedures to ensure appropriate safeguards are in place to ensure its quality and adequacy. All new product initiatives (including their valuation methodologies) are subject to approvals by various functions of the Bank including the risk and finance functions. The responsibility of ongoing measurement resides with the business and product line.

MAENDELEO BANK PLC

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

Once submitted, fair value estimates are also reviewed and challenged by the Risk and Finance functions. The independent price verification process for financial reporting is ultimately the responsibility of the independent treasury team within Finance which reports to the Head of Finance.

The treasury team validates fair value estimates by:

- Benchmarking prices against observable market prices or other independent sources
- Re-performing model calculations
- Evaluating and validating input parameters

37.3. Valuation techniques

The treasury unit team also challenges the model calibration on at least a quarterly basis or when significant events in the relevant markets occur. The treasury unit team works together with the Finance function's accounting policy team and is responsible for ensuring that the final reported fair value figures are in compliance with IFRS and will propose adjustments when needed.

When relying on third-party sources (e.g., broker quotes, or other micro or macro-economic inputs), the independent price verification team is also responsible for:

- Verifying and challenging the approved list of providers
- Understanding the valuation methodologies and sources of inputs and verifying their suitability for IFRS reporting requirements

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

37. FAIR VALUE MEASUREMENT (CONTINUED)

Valuation methodologies of financial instruments not measured at fair value

Below are the methodologies and assumptions used to determine fair values for financial instruments which are not recorded and measured at fair value in the Bank's financial statements.

Short-term financial assets and liabilities

For financial assets and financial liabilities that have a short-term maturity (less than three months), the carrying amounts, which are net of impairment, are a reasonable approximation of their fair value. Such instruments include cash and balances with the central bank; due to and from banks; demand deposits; and savings accounts without a specific maturity.

Loans and advances from customers

The fair values of loans and advances are estimated by discounted cash flow models that incorporate assumptions for credit risk, probability of default and loss given default estimates. Credit risk for large corporate and a subset of the small business lending, when appropriate, is derived from market observable data, such as comparable traded debt. Where such information is not available, the Bank uses historical experience and other information used in its collective impairment models.

Off-balance sheet positions

Estimated fair values of off-balance sheet positions are based on market prices for similar instruments or on discounted cash flow models, as explained above, which incorporate the credit risk element through the discount factor.

Investment securities

The fair value for debt instruments held at amortised cost is based on market prices. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

Deposits due to customers

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of interest-bearing deposits not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity. The carrying amount is a reasonable approximation of fair value.

MAENDELEO BANK PLC

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

37. FAIR VALUE MEASUREMENT (CONTINUED)

Borrowings

The estimated fair value of interest-bearing borrowings not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity. Government debt securities are financial instruments issued by sovereign governments and include both long-term bonds and short-term bills with fixed or floating rate interest payments. These instruments are generally highly liquid and traded in active markets resulting in a Level 1 classification. When active market prices are not available, the Bank uses discounted cash flow models with observable market inputs of similar instruments and bond prices to estimate future index levels and extrapolating yields outside the range of active market trading, in which instances the Bank classifies those securities as Level 2. The Bank does not have Level 3 government securities where valuation inputs would be unobservable. The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible.

38 RISK MANAGEMENT

38.1 Introduction and risk profile

Maendeleo Bank is based in Dar es salaam region, Tanzania and has three branches namely Luther House branch, Mwenge branch and Kariakoo branch. Whilst risk is inherent in the Bank's activities, it is managed through an integrated risk management framework, including ongoing identification, measurement and monitoring, and subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to country risk and various operating and business risks.

38.1.1 Risk management structure

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles. The Board has appointed the Board Audit and Risk Committee which is responsible for monitoring the overall risk process within the Bank and fulfils the responsibilities of the audit committee. The Board Audit and Risk Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. The Board Audit and Risk Committee is responsible for managing risk decisions and monitoring risk levels and reports to the Board. The Risk Management Unit is responsible for implementing and maintaining risk related procedures to ensure an independent control process is maintained. The unit works closely with and reports to the Managing Director to ensure that procedures are compliant with the overall framework.

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

38. RISK MANAGEMENT (Continued)

38.1.1 Risk management structure (Continued)

The Risk Management Unit is responsible for monitoring compliance with risk principles, policies and limits across the Bank. Each business unit has its own risk champion who is responsible for the control of risks, including monitoring the actual risk of exposures against authorised limits and the assessment of risks of new products and transactions. It is the Bank's policy that this unit also ensures the complete capture of the risks in its risk measurement and reporting systems. The Bank's policy also requires that exceptions are reported on a daily basis, where necessary, to the Managing Director and the relevant actions are taken to address exceptions and any areas of weakness. The Bank's Treasury unit under Finance department is responsible for managing its assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Bank. The Bank's policy is that risk management processes throughout the Bank are audited annually by the Internal Audit function, which examines both the adequacy of the procedures and the Bank's compliance with them. Internal Audit discusses the results of all assessments with management and reports its findings and recommendations to the Board Audit and Risk Committee.

38.1.2. Risk mitigation and risk culture

As part of its overall risk management, the Bank uses other instruments other than derivatives to manage exposures resulting from changes in interest rates, foreign currencies, credit risks, and exposures arising from forecast transactions. In accordance with the Bank's policy, its risk profile is assessed before entering into transactions which are authorised by the liquidity committee of the Bank which meets daily to discuss Bank's position and obtain approval from Managing Director. The Bank actively uses collateral to reduce its credit risks.

38.1.3. Risk measurement and reporting systems

The Bank's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Bank also runs worst-case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries. In addition, the Bank's policy is to measure and monitor the overall risk-bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Information compiled from all of the branches and units is processed in order to analyse, control and identify risks on a timely basis. This information is presented and explained to the Board of Directors, the Board Audit and Risk Committee, and the head of each business division. The report includes aggregate credit exposure, credit metric forecasts, hold limit exceptions, VaR, liquidity ratios and risk profile changes. On a monthly basis, detailed reporting of industry, customer and risks takes place. Senior management assesses the appropriateness of the allowance for credit losses on a monthly basis during ALCO meeting. The Board Audit and Risk Committee receives a comprehensive risk report once a quarter which is designed to provide all the necessary information to assess and conclude on the risks of the Bank.

MAENDELEO BANK PLC

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

38. RISK MANAGEMENT (continued)

38.1 Introduction and risk profile (continued)

38.1.3. Risk measurement and reporting systems (Continued)

At all levels of the Bank's operations, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive, necessary and up-to-date information.

It is the Bank's policy to ensure that robust risk awareness is embedded in its organisational risk culture. Employees are expected to take ownership and be accountable for the risks the Bank is exposed to that they decide to take on. The Bank's continuous training and development emphasises that employees are made aware of the Bank's risk appetite and they are supported in their roles and responsibilities to monitor and keep their exposure to risk within the Bank's risk appetite limits. Compliance breaches and internal audit findings are important elements of employees' annual ratings and remuneration reviews.

38.2 Risk governance and risk management strategies and systems

38.2.1. Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same locality, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or locality.

In order to avoid excessive concentrations of risk, the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

The following table breaks down the Bank's main credit exposure at their gross carrying amounts, as

Sector	2023		2022	
	Target	Actual	Target	Actual
Agriculture, fishing, forestry and Animal Keeping	4%	5%	4%	4%
Finance, Insurance and Business Services	1%	1%	1%	0%
Real Estate and Construction	12%	9%	12%	12%
Transport and communication	2%	6%	2%	4%
Trade and commerce	44%	42%	44%	44%
Tourism, hotel and restaurants	2%	0%	2%	1%
Personal including employee loans	15%	16%	15%	14%
Education	8%	7%	8%	7%
Others	12%	14%	12%	14%
Total	100%	100%	100%	100%

MAENDELEO BANK PLC

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

38. RISK MANAGEMENT (continued)

38.2 Risk governance and risk management strategies and systems (continued)

38.2.1. Excessive risk concentration (continued)

38.3. Credit risk

Credit risk is the risk that the Bank will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for industry concentrations, and by monitoring exposures in relation to such limits.

Credit risk is monitored by the credit risk department under Head of credit. It is their responsibility to review and manage credit risk, including environmental and social risk for all types of counterparties.

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including collateral revisions. The credit quality review process aims to allow the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective actions.

38.3.1. Credit-related commitments risks

The Bank makes available to its customers guarantees that may require that the Bank makes payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs. Guarantees commit the Bank to make payments on behalf of customers in the event of a specific act. Such commitments expose the Bank to similar risks to loans and are mitigated by the same control processes and policies.

38.3.2. Impairment assessment

The references below show where the Bank's impairment assessment and measurement approach is set out in this report. It should be read in conjunction with the Summary of significant accounting policies.

38.3.2.1. Definition of default impaired and cure

The Bank considers a financial instrument defaulted for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. The Bank considers treasury and interbank balances defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

The Bank has aligned its definition of credit impaired assets under IFRS 9 to the EBA definition of non-performing loans ('NPLs').

As a part of a qualitative assessment of whether an exposure is credit-impaired, the Bank also considers a variety of instances that may indicate unlikelihood to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

MAENDELEO BANK PLC

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

38 RISK MANAGEMENT (continued)

38.3. Credit risk (continued)

38.3.2.1. Definition of default impaired and cure (Continued)

- Internal rating of the borrower indicating default or near-default
- The borrower requesting emergency funding from the Bank
- The borrower having past due liabilities to public creditors or employees
- The borrower is deceased
- A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral
- A material decrease in the borrower's turnover or the loss of a major customer
- A covenant breach not waived by the Bank
- The debtor (or any legal entity within the debtor's group) filing for bankruptcy application/protection
- Debtor's listed debt or equity suspended at the primary exchange because of rumours or facts about financial difficulties

It is the Bank's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition. The Bank's criterion for 'cure' for ECL purposes is less stringent than the 24 months requirement for forbearance which is explained in Note 7.15.

38.3.3. The Bank's internal rating and PD estimation process

The Bank's Risk Department operates its internal rating models. The Bank runs separate models for its key portfolios in which its customers are rated from 1 to 5 using internal grades. The models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilise supplemental external information that could affect the borrower's behaviour. Where practical, they also build on information from Credit Reference Bureau. These information sources are first used to determine the probability of defaults (PDs) within the Bank's framework. PDs are then adjusted for IFRS 9

ECL calculations to incorporate forward looking information and the IFRS 9 Stage classification of the exposure. This is repeated for each economic scenario as appropriate.

Treasury, trading and interbank relationships

The Bank's treasury, trading and interbank relationships and counterparties comprise financial services institutions, banks, broker-dealers, exchanges and clearinghouses. For these relationships, the Bank's risk department analyses publicly available information such as financial information and other external data, and assigns the internal rating, as shown in the table below.

MAENDELEO BANK PLC

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

38. RISK MANAGEMENT (continued)

38.3. Credit risk (continued)

Corporate and small business lending

For corporate and investment banking loans, the borrowers are assessed by credit risk employees of the Bank. The credit risk assessment is based on a credit scoring model that takes into account various historical, current and forward-looking information such as:

- Historical financial information together with forecasts and budgets prepared by the client. This financial information includes realised and expected results, solvency ratios, liquidity ratios and any other relevant ratios to measure the client's financial performance. Some of these indicators are captured in covenants with the clients and are, therefore, measured with greater attention.
- Any publicly available information on the clients from external parties. This includes external information from Credit Reference Bureau, independent analyst reports, publicly traded bond or CDS prices or press releases and articles.
- Any macro-economic or geopolitical information, e.g., GDP growth relevant for the specific industry and geographical segments where the client operates.
- Any other objectively supportable information on the quality and abilities of the client's management relevant for the company's performance.

The complexity and granularity of the rating techniques varies based on the exposure of the Bank and the complexity and size of the customer. Some of the less complex small business loans are rated within the Bank's models for retail products.

Consumer lending and retail mortgages

Consumer lending comprises unsecured personal loans, credit cards and overdrafts. These products along with retail mortgages and some of the less complex small business lending are rated by an automated scorecard tool primarily driven by days past due. Other key inputs into the models are:

- Consumer lending products: use of limits and volatility thereof, GDP growth, unemployment rates, changes in personal income/salary levels based on records of current accounts, personal indebtedness and expected interest repricing.
- Retail mortgages: GDP growth, unemployment rates, changes in personal income/salary levels based on records of current accounts, personal indebtedness and expected interest repricing.

MAENDELEO BANK PLC

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

38 RISK MANAGEMENT (continued)

38.3. Credit risk (continued)

The Bank's internal credit rating grades

Internal rating grade	Description of the grade	12 months PD range	Number of days outstanding	IFRS 9
High grade	Current	0.0%– 3.0%	0-30	Stage 1
Standard grade	Especially Mentioned	3.0% - 20.0%	31-90	Stage 1
Sub-standard grade	Sub-standard	20.0% - 50.0%	91-180	Stage 2
Past due but not impaired	Doubtful	50.0% - 100.0%	181-360	Stage 2
Individually impaired	Loss	100%	361-Above	Stage 3

38.3.3.1. Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too. EAD for credit and other revolving facilities is set out in Note 2.12.2.

To calculate the EAD for a Stage 1 loan, the Bank assesses the possible default events within 12 months for the calculation of the 12mECL. However, if a Stage 1 loan that is expected to default in the 12 months from the reporting date and is also expected to cure and subsequently default again, then all linked default events are considered. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments.

The Bank determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of Bank's models.

For corporate and investment banking financial instruments, LGD values are assessed at least every three months by account managers and reviewed and approved by the Bank's Head of credit department. The credit risk assessment is based on a standardised LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

The Bank segments its retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g., product type, wider range of collateral types) as well as borrower characteristics.

MAENDELEO BANK PLC

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

38. RISK MANAGEMENT (continued)

38.3. Credit risk (continued)

38.3.3.2. Loss given default

Further, recent data and forward-looking economic scenarios are used in order to determine the IFRS 9 LGD rate for each group of financial instruments. When assessing forward-looking information, the expectation is based on multiple scenarios. Examples of key inputs involve changes in, collateral values including property prices for mortgages, commodity prices, payment status or other factors that are indicative of losses in the bank. The Bank estimates regulatory and IFRS 9 LGDs on a different basis. Under IFRS 9, LGD rates are estimated for the Stage 1, Stage 2, Stage 3 and POCI IFRS 9 segment of each asset class. The inputs for these LGD rates are estimated and, where possible, calibrated through back testing against recent recoveries. These are repeated for each economic scenario as appropriate.

38.3.3.3. Significant increase in credit risk

The Bank continuously monitors all assets subject to ECL. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition. The Bank considers an exposure to have significantly increased in credit risk when the IFRS 9 lifetime PD has doubled since initial recognition and has increased by more than 20 bps a year.

The Bank also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming forborne. In certain cases, the Bank may also consider that events explained in Note 37.3.3.3 are a significant increase in credit risk as opposed to a default. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

When estimating ECLs on a collective basis for a group of similar assets (as set out in Note 37.3.3.4), the Bank applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

MAENDELEO BANK PLC

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

38. RISK MANAGEMENT (continued)

38.3. Credit risk (continued)

38.3.3.4. Grouping financial assets measured on a collective basis

As explained in Note 2.12.1 dependant on the factors below, the Bank calculates the allowance for ECL either on a collective or an individual basis.

Asset classes where the Bank calculates ECL on an individual basis include:

- All Stage 3 assets, regardless of the class of financial assets;
- The Corporate lending portfolio;
- The large and unique exposures of the Small business lending portfolio;
- The treasury, trading and interbank relationships (such as Due from Banks, Cash collateral on securities borrowed and reverse repurchase agreements and debt instruments at amortised cost/FVOCI);
- Exposures that have been classified as POCI when the original loan was derecognised, and a new loan was recognised as a result of a credit driven debt restructuring Asset classes where the Bank calculates ECL on a collective basis include;
- The smaller and more generic balances of the Bank's Small business lending; and
- Collateral type.

38.3.4. Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral.

The main types of collateral obtained are, as follows:

- For securities lending and reverse repurchase transactions, cash or securities;
- For corporate and small business lending, charges over real estate properties, inventory and trade receivables and, in special circumstances, government guarantees; and
- For retail lending, mortgages over residential properties.

The Bank also obtains guarantees from directors of companies for loans to their companies.

Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement. In its normal course of business, the Bank engages external agents to recover funds from repossessed properties or other assets in its retail portfolio, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors.

MAENDELEO BANK PLC

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

38. RISK MANAGEMENT (continued)

38.3. Credit risk (continued)

38.3.4. Collateral and other credit enhancements (Continued)

As a result of this practice, the residential properties under legal repossession processes are not recorded on the statement of financial position and not treated as non-current assets held for sale.

	2023		2022	
Credit exposure on balance sheet items	TZS'000	%	TZS'000	%
Cash and balances with bank of Tanzania	7,056,211	6%	10,234,042	10.0
Placements and balance with other banks	11,623,226	10%	8,898,620	8.7
Government securities	25,428,332	21%	21,608,473	21.1
Loans and advances from customers	74,098,800	62%	60,658,224	59.4%
Other assets	1,567,035	1%	805,138	0.9%
	119,773,60	100	101,399,359	100
Off balance sheet items				
Guarantees and performance bonds	1,801,338	100	2,073,759	100
Undrawn credit lines and commitments	703,009	100	334,124	100

*Other assets (excludes prepayments as they are not financial assets)

The total maximum exposure for the Bank is derived from loan and advances to customers at 61.9% (2022:59.4%).

The directors are confident in the ability to continue to control and sustain minimal exposure of credit risk to the Bank resulting from the loan and advances portfolio as corporate loans which represents the greatest group in the portfolio are backed by collaterals as shown below:

Type of Security	Collateral Value	
	2023 TZS'000'	2022 TZS'000'
Cash Cover	5,307,437	960,619
Owner Occupied Mortgages	143,816,859	130,646,591
Salaried Loan	646,882	754,805

MAENDELEO BANK PLC

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

38. RISK MANAGEMENT (continued)

	Max exposure	Cash	3rd party/Employer guarantee	Property	Surplus Collateral	Total collateral	Associated ECL
Dec-23							
Loans and advances from customers							
Corporate lending	16,486,143	-	-	13,987,567	25,339,038	39,326,605	4,382
Small business lending	51,597,042	2,459,696	-	107,987,254	26,423,712	136,870,662	1,749,671
Consumer lending	8,030,121	2,847,741	646,882	11,189,765	1,594,386	16,278,774	92,693
Total	76,113,307	5,307,437	646,882	133,164,586	53,357,136	192,476,041	1,846,746
Financial guarantees	2,504,347	2,504,347	-	-		2,504,347	-
	Max exposure	Cash	3rd party/Employee guarantee	Property	Surplus Collateral	Total collateral	Associated ECL
Dec-22							
Loans and advances from customers							
Corporate lending	13,749,372	-	-	12,557,541	13,076,965	25,634,506	94,786
Small business lending	40,733,987	960,619	-	103,010,571	(44,068,951)	60,063,228	1,796,947
Consumer lending	8,168,224	-	754,805	15,078,479	(12,688,028)	10,727,520	101,627
Total	62,651,583	960,619	754,805	130,646,591	(43,680,014)	96,425,254	1,993,360
Financial guarantees	2,073,759	2,135,000	-	-	(520,051)	2,407,884	-

MAENDELEO BANK PLC

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

38.4. Liquidity risk and funding management

Liquidity risk is defined as the risk that the Bank does not have sufficient liquid financial resources to meet obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to the Bank on acceptable terms. To limit this risk, management has arranged for diversified funding sources in addition to its core deposit base and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis. The Bank has developed internal control processes and contingency plans for managing liquidity risk.

The ALCO is responsible for managing the Bank's liquidity risk through comprehensive policies, governance and review procedures, stress testing, monitoring of limit sets to ensure these are in line with the overall liquidity risk appetite and strategy of the Bank. The treasury department of the bank is responsible for working with other departments within the Bank to ensure the liquidity risk strategy is executed. This incorporates an assessment of expected cash flows and the availability of high-grade collateral which could be used to secure additional funding, if required.

The Bank maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption in cash flow. The Bank also has lines of credit that it can access to meet liquidity needs. Net liquid assets consist of cash, short-term bank deposits and liquid debt securities available for immediate sale, less deposit for banks and other issued securities and borrowings due to mature within the next month. The ratios during the year were, as follows:

38.4.1. Liquidity ratios

Advances to deposit ratios

	2023	2022
Year-end	81.62%	77.94%
Maximum	82.10%	94.10%
Minimum	78.00%	78.00%
Average	80.15%	87.15%

MAENDELEO BANK PLC

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

38. RISK MANAGEMENT (continued)

38.4. Liquidity risk and funding management (continued)

Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR)

The Bank also uses the LCR and NSFR to monitor liquidity as prescribed by the Basel Committee on Banking Supervision to monitor and promote a robust liquidity profile. The Bank calculates the LCR on a daily basis which measures the adequacy of High-Quality Liquid Assets to survive an acute stress scenario over a period of 30 days. The Bank calculates the NSFR on a monthly basis which measures the available amount of stable funding that exceeds the required amount of stable funding required for a 12-month period of extended stress conditions in the market. The LCR and NSFR for the bank at year-end is 105.2% (2021: 105.2%) and 110.3% (2021: 110.3%) % respectively.

38.4.2. Stress Testing

In accordance with the Bank's policy, the liquidity position is assessed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Bank. Additionally, stress testing is performed for a combination of both the market and specific stress factors relating to the Bank. Liquidity mismatch reporting and stress testing results are reported regularly and reviewed by the Risk Management personnel and periodically reviewed by the Asset and Liability Committee (ALCO), Executive Committee and Risk Committee.

38.4.3. Analysis of financial assets and liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Bank's financial assets and the undiscounted cash flows of its financial liabilities as at 31 December 2022.

Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date it could be required to pay and the table does not reflect the expected cash flows indicated by its deposit retention history.

MAENDELEO BANK PLC

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

38. RISK MANAGEMENT (continued)

Liquidity risk analysis	1 - 3 Months TZS`000	4 - 6 Months TZS`000	7 - 12 Months TZS`000	Above 1 Years TZS`000	Total TZS`000
31 December, 2023					
Financial assets					
Cash and balances with Bank of Tanzania	7,056,211	-	-	-	7,056,211
Placements and balances with other banks	4,078,226	3,200,000	4,345,000	-	11,623,226
Government Securities	2,640,555	2,151,895	2,268,555	18,367,328	25,428,332
Loans and advances from customers	1,752,362	6,345,474	10,131,051	55,869,913	74,098,800
Other assets		2,503,519			2,503,519
Total	8,471,143	4,214,175	16,744,606	74,237,241	113,653,877
Financial liabilities					
Deposits	43,987,486	17,875,956	27,854,923	1,069,582	90,787,947
Borrowings		1,807,637	0	10,873,363	12,681,000
Other liabilities	2,116,377	0	-		2,116,377
Total	46,103,863	19,683,593	27,854,923	11,942,945	105,585,323
Liquidity gap as at 31December, 2023	(37,632,719)	(5,482,706)	(11,110,317)	62,294,296	8,068,554

MAENDELEO BANK PLC

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

38. RISK MANAGEMENT (continued)

Liquidity risk analysis	1 - 3 Months TZS`000	4 - 6 Months TZS`000	7 - 12 Months TZS`000	Above 1 Years TZS`000	Total TZS`000
31 December, 2022					
Financial assets					
Cash and balances with Bank of Tanzania	10,234,042	-	-	-	10,234,042
Placements and balances with other Government Securities	8,898,620	-	-	-	8,898,620
Loans and advances from customers	3,785,740	2,00,000	2,777,658	14,845,076	21,608,473
Other assets	4,066,785	3,209,037	5,978,006	47,404,396	60,658,224
		805,138			805,138
Total	<u>26,985,187</u>	<u>4,214,175</u>	<u>8,755,664</u>	<u>62,249,472</u>	<u>93,314,775</u>
Financial liabilities					
Deposits	38,278,111	13,089,979	25,913,494	547,787	77,829,370
Borrowings	1,118,667	1,116,032	1,117,041	6,603,898	9,955,638
Lease liabilities					
Other liabilities	841,775	-	-	1,082,721	1,924,496
Financial Guarantee	1,205,982	528,592	663,310	10,000	2,407,883
Total	<u>41,444,535</u>	<u>14,734,603</u>	<u>27,693,845</u>	<u>8,244,406</u>	<u>92,117,387</u>
Liquidity gap as at 31 December, 2022	(14,459,348)	(10,520,42)	(18,938,18)	54,005,066	1,197,3881

MAENDELEO BANK PLC

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

RISK MANAGEMENT (continued)

38.4. Liquidity risk and funding management (continued)

The table below shows the liquidity position of the bank as at the end of the year 31 December 2022.

	2023	2022
	TZS'000	TZS'000
Total Liability	91,319,947	89,636,020
Total liquid assets held	25,770,066	22,176,409
Liquidity ratio	28.22%	25%
Regulatory requirement	20%	20%

38.4.4 Assets held for managing liquidity risk

The Bank's assets held for managing liquidity risk are as follows:

- Cash and balances held with Bank of Tanzania (excluding SMR);
- Treasury bills;
- Placements with other banks; and
- In normal course of business, a proportion of customers' loans contractually repayable within one year will be extended. The Bank will also be able to meet unexpected net cash flows by selling securities and accessing additional funding sources such as asset backed market.

Liquid Assets held	2023	2022
	TZS'000'	TZS'000'
Cash and Balance with BOT (excl. SMR) Note 15	7,945,066	5,622,774
Placements with other banks	11,120,000	8,898,620
Government securities (maturing within 1 year, non-encumbered)	6,705,000	7,655,015
	25,770,066	22,176,409

38.5. Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The Bank classifies exposures to market risk into either trading (the Trading book) or non-trading (the Banking book) portfolios and manages each of those portfolios separately.

The market risk for the trading portfolio is managed and monitored using value at risk (VaR), that reflects the interdependency between risk variables as set out in [Note 48.6.2](#).

The Bank's risk management strategy for its Banking book is different for each of the following categories of market risk and is set out in the subsequent subsections of these financial statements, as follows:

- Interest rate risk;
- Prepayment risk; and
- Currency risk.

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

38. RISK MANAGEMENT (continued)

38.5. Market risk (continued)

Market risk limits are set and continuously reviewed by the risk department of the Bank's Risk Management Unit. As a part of their established risk management process, the market risk is monitored using early signs of possible changes in market conditions such as: anticipated and actual changes to interest rates; socio-economic factors driving loan prepayment behaviours; and economic and geopolitical factors driving currency and equity price movements. Market risk limits are ultimately approved by the Board.

At an operational level, market risk is primarily managed by the Bank's treasury department, which is responsible for ensuring that the Bank's exposures are in compliance with market risk limits approved by the Board and to take adequate actions when necessary.

a. 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 Bank's Finance department is responsible for the development of detailed risk management policies while Treasury is responsible for day-to-day implementation of those policies. The Bank applies stress testing analysis in measuring exposure to market risk for the purpose of managing and controlling market risk exposures within acceptable limits while optimizing the return on investment.

b. Stress tests

Stress tests provide an indication of the potential size of losses that could arise in extreme or worst-case conditions. The Bank applies risk factor stress testing, where stress movements are applied to each risk category. The Bank carries out stress testing quarterly to determine whether it has enough capital to withstand adverse developments. This is for the purpose of alerting the Bank's Management to unfavourable unexpected outcomes related to various risks and provides an indication of how much capital might be needed to absorb losses should large shocks occur. The results are meant to indicate weak spots in the risks tested at an early stage and to guide preventative actions by the Bank. Stress testing is done to supplement the Bank's other risk management approaches and measures.

38.5.1 Foreign exchange risk

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

The table below summarizes that Bank's exposure to foreign currency exchange rate risk at **31 December 2022**. Included in the table are the Bank's financial instruments at carrying amounts, categorized by currency (all amounts expressed in thousands of Tanzanian Shillings). The following table shows the concentration of currency risk on and off the balance sheet financial instruments:

MAENDELEO BANK PLC

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

38. RISK MANAGEMENT (continued)

38.5. Market risk (continued)

31 December, 2023	USD TZS' 000	EUR TZS'000	Others TZS '000	Total TZS '000
Assets				
Cash and balances with Bank of Tanzania	144,658	24,470	6,462	175,590
Balances with other banks	4,576,987	19,567	20,782	4,617,336
Other assets	-	-	-	-
Total financial assets	4,721,645	44,037	27,244	4,792,926
Liabilities				
Deposits from customers	5,167,898	1,976	298	5,170,172
Other liabilities	26,598	-	-	26,598
Total financial liabilities	5,194,496	1,976	298	5,196,770
Net on-balance sheet position	(472,851)	42,061	26,946	(403,844)

38.5.1 Foreign exchange risk

31 December,2022	USD TZS' 000	EUR TZS'000	Others TZS '000	Total TZS '000
Assets				
Cash and balances with Bank of Tanzania	557,418	193,064	13,444	763,925
Balances with other banks	4,358,775	17,205	1,075	4,377,054
Other assets	-	-	-	-
Total financial assets	4,916,193	210,268	14,519	5,140,980
Liabilities				
Deposits from customers	4,930,090	1,801	215	4,932,106
Other liabilities	2,226	1	1	2,227
Total financial liabilities	4,932,316	1,802	216	4,934,333
Net on-balance sheet position	(16,123)	208,466	14,303	206,647

Foreign exchange sensitivity analysis

At December 2023, if the Tanzania Shilling (TZS) had weakened /strengthened by 10% (2022:10%) against US dollar, with all other variables held constant, Bank`s post-tax profit/(loss)and total Equity for the year would have been weakened/strengthened by TZS 1,781,400 (2022: TZS 1,612,300) and for Euro would have been weakened/strengthened by TZS 19,187,900 (2022: TZS 20,846,600). Higher/lower mainly as a result of foreign exchange losses on transaction of US Dollar denominated cash and balances with the Bank of Tanzania, placements and balances with other banks and customers and deposits from customers and other banks.

38.5.2 Price risk

The Bank is not exposed to equity securities price risk as it currently has no investment in shares.

MAENDELEO BANK PLC

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

38. RISK MANAGEMENT (continued)

38.5.3 Interest rate risk

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

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may produce losses in the event that unexpected movements arise. The Bank's Board sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is regularly monitored by an independent Risk and Compliance department and reported regularly to ALCO and the Board. The interest rate gap is within internal limits.

With all other variables held constant, if the interest rates prevailing during the year shifted by 100 basis points on Bank's interest-bearing assets and liabilities, profit before tax would be lower or higher by TZS. 440,397,000 (2022: TZS 353,552,000) and equity will be impacted by TZS 440,397,000 (2022: TZS 353,552,000)

MAENDELEO BANK PLC

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

38. RISK MANAGEMENT (continued)

38.5.3 Interest rate risk (Continued)

Interest rate sensitivity gap

The table below summarizes the Bank's exposure to interest rate risks. It includes the Bank's financial instruments at carrying amounts, categorized by the earlier of contractual repricing or maturity dates. The Bank does not bear an interest rate risk on off balance sheet items.

At 31 December 2023	1 - 3 Months TZS`000	4 - 6 Months TZS`000	7 - 12 Months TZS`000	Above 1 Year TZS`000	Non- interest Bearing TZS`000	Total TZS`000
ASSETS						
Cash and balances with Bank of Tanzania	-	-	-	-	7,056,211	7,056,211
Placement and Balances with other Banks	10,745,000	0	0	-	878,226	11,623,226
Government securities	2,640,555	2,151,895	2,268,555	18,367,328	-	25,428,332
Loans and advances from customers	1,752,362	6,345,474	10,131,051	55,869,913	-	74,098,800
Other assets					1,567,035	1,567,035
Total financial assets	<u>15,137,917</u>	<u>8,497,369</u>	<u>12,399,606</u>	<u>74,237,241</u>	<u>9,501,472</u>	<u>119,773,604</u>
LIABILITIES						
Deposits from customers	43,987,486	17,875,956	27,854,923	1,069,582		90,787,947
Borrowings		1,807,637	0	10,873,363		12,681,000
Other liabilities	-	-	-	-	1,851,217	1,851,217
Total financial liabilities	<u>43,987,486</u>	<u>19,683,593</u>	<u>27,854,923</u>	<u>11,942,945</u>	<u>1,851,217</u>	<u>105,320,164</u>
Interest rate sensitivity gap as at 31 Dec 2023	(28,849,569)	(11,186,224)	(15,455,317)	62,294,296	7,650,255	14,453,440

MAENDELEO BANK PLC

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

38. RISK MANAGEMENT (continued)

38.5.3 Interest rate risk (continued)

At 31 December 2022	01-Mar Months TZS`000	04-Jun Months TZS`000	07-Dec Months TZS`000	Above 1 Year TZS`000	Non-interest Bearing TZS`000	Total TZS`000
ASSETS						
Cash and balances with Bank of Tanzania	-	-	-	-	10,234,042	10,234,042
Balances with other Banks	8,269,239	0	0	-	629,381	8,898,620
Government securities	3,785,740	200,000	2,777,658	14,845,076	-	21,608,473
Loans and advances from customers	4,066,785	3,209,037	5,978,006	47,404,396	-	60,658,224
Other assets					805,138	805,138
Total financial assets	16,121,764	3,409,037	8,755,664	62,249,472	11,668,561	102,204,497
LIABILITIES						
Deposits from customers	27,580,051	11,644,295	23,600,399	547,787	14,456,839	77,829,370
Borrowings	1,061,954	1,116,032	2,036,484	5,741,168	-	9,955,638
Other liabilities	-	-	-	-	1,851,217	1,851,217
Total financial liabilities	28,642,005	12,760,327	25,636,883	6,288,955	16,308,056	89,636,225
Interest rate sensitivity gap as at 31 Dec 2022	(12,520,241)	(9,351,290)	(16,881,219)	55,960,517	(4,639,495)	12,568,272

MAENDELEO BANK PLC

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

38. RISK MANAGEMENT (continued)

38.5.3 Interest rate risk (continued)

Interest risk sensitivity analysis:

	Change in interest rates	Effect on profit before tax TZS	Effect on profit after tax TZS
Year ended 31 December 2023	5%	537,468	425,217
Year ended 31 December 2022		495,561	353,552

2023 Interest rate sensitivity	Actual	Sensitivity	Sensitivity and Variances	
Impact on 5% change in interest rates	100%	95%	95%	5.0%
Interest rate on Assets (Loans and advances)	23.18%	22.02%	22.02%	1.2%
Interest rate on Liabilities (Cost of funding)	5.25%	4.99%	4.99%	0.3%
Tax rate applied	18.52%	18.52%	18.52%	0.0%
Interest bearing assets (Loan book)	74,435,924	74,435,924	74,435,924	-
Interest bearing Liabilities (Deposits,Borrowings,Equity)	122,653,575	122,653,575	122,653,575	-
Interest income	17,251,881	16,389,287	16,389,287	862,594
Interest expenses	(6,442,096)	(6,119,991)	(6,119,991)	(322,105)
Other items on income statements	(7,945,861)	(7,945,861)	(7,945,861)	-
PBT	2,863,924	2,323,435	2,323,435	540,489
Taxes	(530,366)	(430,273)	(430,273)	(100,092)
PAT	2,333,559	1,893,162	1,893,162	440,397

MAENDELEO BANK PLC

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

2022 Interest rate sensitivity	Actual	Sensitivity	Variances	
Impact on 5% change in interest rates	100%	95%	5.0%	5.0%
Interest rate on Assets (Loans and advances)	26.06%	24.76%	1.3%	5.0%
Interest rate on Liabilities (Cost of funding)	5.60%	5.32%	0.3%	5.0%
Tax rate applied	28.66%	28.66%	0.0%	0.0%
Interest bearing assets (Loan book)	60,658,224	60,658,224	-	0.0%
Interest bearing Liabilities (Deposits, Borrowings, Equity)	105,264,042	105,264,042	-	0.0%
Interest income	15,808,830	15,018,388	790,441	5.0%
Interest expenses	(5,897,616)	(5,602,735)	(294,881)	5.0%
Other items on income statements	(7,927,091)	(7,927,091)	-	0.0%
PBT	1,984,123	1,488,562	495,561	25.0%
Taxes	(568,575)	(426,566)	(142,009)	25.0%
PAT	1,415,548	1,061,996	353,552	25.0%

38.5.4. Market risk – Banking book

The Bank's primary business model is to collect deposits and use these funds to provide loans and other funding products and debt instruments to its customers. Interest rate risk is the impact that changes in interest rates could have on the Bank's margins, profit or loss, and equity. Interest risk arises from the mismatch of interest payable on the Bank's liabilities and the interest earned on its assets.

The Bank's asset-liability profile of its banking book is such that:

- Interest on deposits is primarily either floating or their maturities are so short term that behave/or is similar to floating rate instruments;
- Interest rates payable on issued debt are primarily fixed; and
- The Bank's loan portfolio is a mixture of fixed and floating rates instruments.

As a part of the Bank's risk management strategy, the Board has established limits on the non-trading interest rate gaps for the interest rate sensitivities, as set out in Note 37.5.3. These limits are consistent with the Bank's enterprise risk appetite and the Bank aligns its hedge accounting objectives to keep exposures within those limits.

MAENDELEO BANK PLC

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

38. RISK MANAGEMENT (continued)

The table below shows the contractual expiry by maturity of the Bank's contingent liabilities and commitments

31 December 2023	On demand TZS'000'	1 - 3 months TZS'000'	4 - 12 months TZS'000'	1 - 5 years TZS'000'	Over 5 years TZS'000'	Total TZS'000'
Guarantee and performance bonds	135,193	798,367	857,778	10,000	-	1,801,338
Undrawn credit lines and other commitments	337,022	365,987	-	-	-	703,009
Total Commitments and Guarantee	472,215	1,164,354	857,778	10,000	-	2,504,347

31 December 2022	On demand TZS'000'	1 - 3 months TZS'000'	4 - 12 months TZS'000'	1 - 5 Years TZS'000'	Over 5 years TZS'000'	Total TZS'000'
Guarantee and performance bonds	371,600	834,381	857,778	10,000	-	2,073,759
Undrawn credit lines and other commitments	116,943	217,181	-	-	-	334,124
Total Commitments and Guarantee	488,543	1,051,562	857,778	10,000	-	2,407,883

MAENDELEO BANK PLC

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

38. RISK MANAGEMENT (continued)

The following table summarizes the carrying amounts and fair values of those off statement of financial position financial assets and liabilities as at 31 December 2023 (2022: 2,407,883,000).

At 31 December 2023	Carrying amount TZS`000	Fair Value TZS`000
Guarantee and performance bonds	1,801,338	1,801,338
Undrawn credit lines and other commitments to lend	703,009	703,009
	<u>2,504,347</u>	<u>2,504,347</u>

At 31 December 2022	Carrying Amount TZS`000	Fair Value TZS`000
Guarantee and performance bonds	2,073,759	2,073,759
Undrawn credit lines and other commitments to lend	334,124	334,124
	<u>2,407,883</u>	<u>2,407,883</u>

38.5.5.1. Prepayment risk

Prepayment risk primarily relates to the Bank's loan portfolio and is the risk that the Bank will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected. It includes its borrowers that repay or refinance their fixed rate loans when interest rates fall or the corporate and small business customers with prepayment options with zero or low penalties that refinance their loans when their credit quality improves to a point that they can obtain lower rates.

The Bank uses the same models and inputs that it also uses for ECL models to project the impact of varying levels of prepayment on its net interest income and distinguishes between the different reasons for repayment (e.g., relocation, refinancing and renegotiation). When estimating the prepayment rates, the Bank also takes into account the effect of any prepayment penalties, when applicable, and other socio-economic factors (interest rates house price movements, inflation rate, exchange rate, etc.) on a forward-looking basis. The model is back tested against actual outcomes.

Within its risk management framework, the Bank has introduced various measures to limit its economic losses arising from prepayment risk.

38.6. Operational and business risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, such as the use of internal audit.

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

38. RISK MANAGEMENT (continued)

38.7. Compliance risk

Compliance risk encompasses regulatory and legal compliance risk. Compliance risk is the risk that the Bank incurs financial or reputational risk through imposition of penalties or fines as a result of not adhering to applicable laws; rules and regulations and good market practise (including ethical standards). The Bank's compliance function proactively seeks to enhance compliance risk management and the supporting control framework. The Bank operates in a market where there is a significant level of regulatory change activity; therefore, compliance risk is a key area of focus. The risk and compliance function monitor this risk through reference to metrics relevant to the Bank, review of incident reports and assessments, risk and control assessments pertaining to the first and second lines of defence functions, results of regulatory assessments, and review of results internal audit and external audit reports. Remediation of controls is conducted in a timely manner.

38.8. Climate-related risk

Climate-related risks are potential negative impacts to the Bank, which may arising from climate change. Climate-related risks have an impact on the principal risk categories discussed above (i.e., credit, liquidity, market, and operational risks), but due to their pervasive nature have been identified and managed by the Bank on an overall basis. The Bank distinguishes between physical risks and transition risks. Physical risks arise as the result of acute weather events such as hurricanes, floods and wildfires, and longer-term shifts in climate patterns, such as sustained higher temperatures, heat waves, droughts, and rising sea levels. Transition risks arise because of measures taken to mitigate the effects of climate change and transition to a low-carbon economy – e.g., changes to laws and regulations, litigation due to failure to mitigate or adapt, and shifts in supply and demand for certain commodities, products, and services due to changes in consumer behaviour and investor demand.

The Risk department is responsible for developing policies, processes and controls including climate risks in the management of principal risk categories. The Risk department is therefore responsible for; identifying risk factors and assessing their potential impact on the Group's financial statements; and allocating responsibilities for managing each identified risk factor. The Bank has also set out principles on how to incorporate climate-related risk into stress test scenarios. The Bank has identified the following climate-related risk factors as having an impact on the financial instruments and included them in its principal risk management processes.

Industries exposed to increased transition risks: The Bank has identified industries that are subject to increased risk of climate regulation negatively affecting their business model. The Board Credit Committee has set overall lending limits for these industries.

Physical risk to real estate: The Bank has identified areas in which it operates that are exposed to increased physical risk such as hurricanes or floods. Heightened physical risk is considered in valuing collateral, such as real estate, plant or inventory. The Bank is in the process of developing models that aim to assess how borrowers' performance is linked to climate change. The Group plans to use these models in pricing credit risk and in calculating ECLs