



Integrated Annual Report

For the year ended 31 December 2023

TOUCHING LIVES
EMPOWERING COMMUNITIES



TOUCHING LIVES EMPOWERING COMMUNITIES

About this Report

Purpose of this report

This report aims to clearly explain our dedication to creating sustainable value for our stakeholders. We strive to present a complete perspective of our role as a financial service provider and a responsible contributor to our community.

The report provides a detailed account of our business operations, strategic approach, and financial and non-financial performance throughout the year. Additionally, we shed light on corporate governance, risk management, and the overall context in which we operate.

The report, covering the period from 1 January 2023 to 31 December 2023, highlights our progress in alignment with our key objectives and emphasizes our unwavering commitment to positively impacting crucial areas central to our bank's focus.

Our goal is to transparently communicate our efforts and accomplishments, as well as our ongoing dedication to responsible banking practices. We aim to ensure that stakeholders have a comprehensive understanding of our journey towards creating sustainable value.

Reporting Boundary

NMB Bank Plc's comprehensive reporting encompasses financial and non-financial information detailing the bank's core banking activities, performance metrics, and strategic narrative aligned with the bank's robust business model.

Reporting Framework

The Financial information in this report has been prepared as per the International Financial Reporting Standards (IFRS). Our reporting procedures are guided by the current guidelines and regulations set forth by various governing bodies, such as the Bank of Tanzania's (BOT) prudential guidelines, the National Board of Accountants and Auditors (NBAA), the Capital Market and Securities Authority (CMSA), and the Dar es Salaam Stock Exchange (DSE) rules. To ensure the quality of our content, we have incorporated principles from the Integrated Reporting Framework. We are dedicated to continuously improving our reporting process to align with the latest guidelines and international best practices, with the ultimate aim of achieving full adherence to Integrated Reporting Framework.

Combined Assurance

Both management, internal audit, and external audit conducted comprehensive reviews to guarantee accuracy in reporting and disclosures. The Board and Board Committees played their respective roles in overseeing this process. The report includes specific details extracted from the consolidated annual financial statements audited by Deloitte & Touche.

Reporting Period

The annual Report covers the period from 1 January 2023 to 31 December 2023 and is published annually. Any material events occurring after this timeframe and up to the report’s approval by the Board of Directors of NMB Bank have been duly considered and communicated.

Financial and non-financial reporting

The Report goes beyond just financial reporting by offering an analysis of the organisation’s non-financial performance and its positioning in relation to key stakeholders, who play a crucial role in its value-creation capabilities.

Report content and materiality.

The inclusion of information in this Report is determined by our application of the materiality concept. We deem any subject to be material if it has the potential to greatly influence revenue generation, value creation, and the corporate culture of the Bank.

Director’s Responsibilities

The Board prepared and presented the information in the report and acknowledges its responsibility for ensuring its integrity. The report provides relevant stakeholders with material information. The Board approved this Annual Report on 24 May 2024.

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Abbreviations

ACCA	Association of Chartered Certified Accountants	EPS	Earnings per Share	LC	Letters of Credit	SADC	Southern African Development Community
ACPA	Associate Certified Public Accountant	ERP	Entreprise Resource Planning	LDR	Loans to Deposits Ratio	SICR	Significant Increase in Credit Risk
AGM	Annual General Meeting	ESG	Environment, Social and Governance	LGD	Loss Given Default	SME	Small and Medium Enterprises
ALCO	Assets and Liabilities Committee	FMO	Financierings - Maatschappij voor Ontwikkelingslanden N.V	LIBOR	London Interbank Offered Rate	SMR	Statutory Minimum Reserve
ALM	Assets and Liabilities Management	FVOCI	Fair Value through Other Comprehensive Income	LTFR	Long-term Funding Ratio	SORF	Secured Overnight Financing Rate
BARCC	Board Audit, Risk and Compliance Committee	FVTPL	Fair Value through Profit or Loss	MBA	Master's Degree in Business Administration	SPPI	Solely Payments of Principle and Interest
BIA	Basic Indicator Approach	FYDP	Five Year Development Plan	MNO	Mobile Network Operator	SPV	Special Purpose Vehicles
Bn	Billion	GCRI	Global Climate Risk Index	Mn	Million	SWL	Salaried Workers' Loan
BOT	Bank of Tanzania	GDPR	General Data Protection Regulation	MTN	Medium Term Note	TFRS-1	Tanzania Financial Reporting Standards Number -1
CASA	Current and Savings Accounts	GDP	Gross Domestic Product	MTP	Medium Term Plan	TMRC	Tanzania Mortgage Refinance Company Limited
CCPs	Cash Collection Points	GePG	Government Electronic Payment Gateway	MSE	Micro and Small Enterprises	Tn	Trillion
CDIoDT	Certified Director by the Institute of Directors of Tanzania	GHG	Greenhouse Gases	MSME	Micro, Small and Medium Enterprises	TSI	Tanzania Stock Index
CEO	Chief Executive Officer	HVAC	Heating, Ventilation and Air Conditioning	NAV	Net Asset Value	TZS	Tanzanian Shillings
CIA	Certified Internal Auditor	IASB	International Accounting Standards Board	NDC	National Development Council	UJVC	Upanga Joint Venture Company
CPA	Certified Public Accountant	ICT	Information and Communication Technology	NGO	Non Governmental Organization	UNDP	United Nations Development Programme
CSI	Corporate Social Investment	IESBA	International Ethics Standards Board for Accountants	NHIF	National Health Insurance Fund	UTT	Unit Trust Tanzania
DSEI	Dar es Salaam Stock Exchange or Share Index	IFC	International Finance Corporation	NMB	NMB Bank Plc	USD	United States Dollars
DSS	Direct Sales Staff	IFRS	International Financial Reporting Standards	NPL	Non-Performing Loan	USSD	Unstructured Supplementary Service Data
EAC	East African Community	IMF	International Monetary Fund	NSSF	National Social Security Fund	WEO	World Economic Outlook
EXCO	Executive Committee	ISA	International Standards on Auditing	OCI	Other Comprehensive Income		
EAD	Exposure at Default	ISIN	International Securities Identification Number	PD	Probability of Default		
ECL	Expected Credit Losses			POCI	Purchased or Originated Credit-Impaired		
EIB	European Investment Bank			PDPA	Personal Data Protection Act		
				PSSSF	Public Service Social Security Fund		
				QR	Quick Response		

Overview

We are Tanzania’s leading financial solutions provider, renowned for our consistent financial achievements and significant value generation. Our remarkable transformation and impactful operations journey in Tanzania has spanned over 25 years.

Record Revenue
1.4
TZS Trillion

Record Profit After Tax
545
TZS Billion

Largest Customer Base
7+
Million

Non Funded Income
468
TZS Billion

Cost to Income Ratio (CIR)
39%



NMB at a Glance

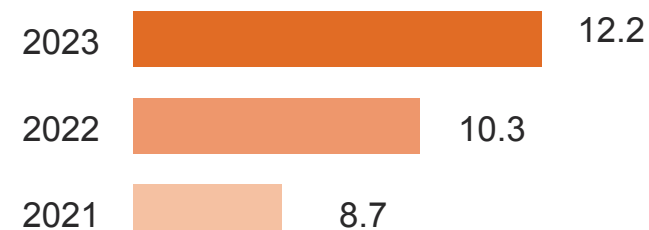
NMB is the leading and most profitable financial institution in Tanzania. We play a pivotal role in driving inclusive and sustainable socioeconomic growth in Tanzania. Sustainability is a core facet of our operations and strategic focus. We remain committed to supporting our valued customers, employees, shareholders, and the community for shared prosperity towards a more sustainable future.

Scale and stability

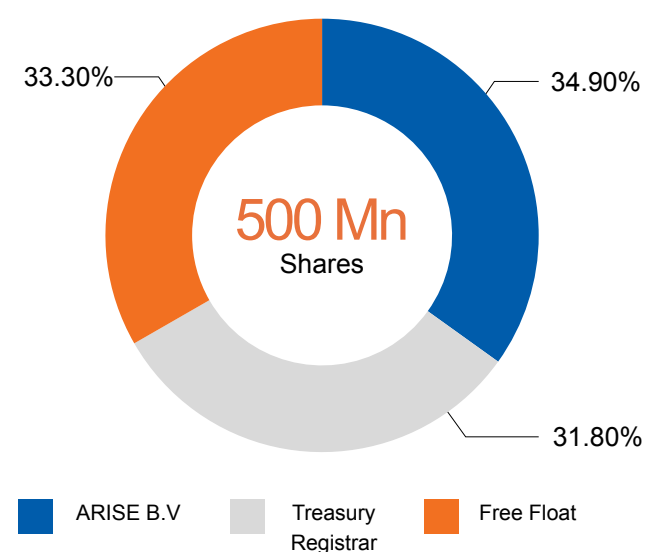
A Vast Network



Total Assets (TZS Tn)



Stable ownership structure with 33% Free Float (Public Investors)



A leading market position in Tanzania

TZS 2.25 Tn

Market capitalisation (as at 31 December 2023)

84%

Customers onboarded digitally in 2023

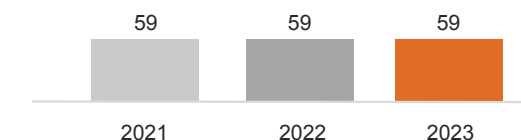
24.1%

Market Share in Net Loans

21.8%

Market Share in Customer Deposits

Net Promoter Score (NPS)



Organisational strength

- Robust governance structure with a well-experienced Board.
- Stable and experienced Executive Management driving the effective execution of the bank's strategy.
- Highly engaged and motivated workforce with diverse skills and expertise.
- Committed to diversity, inclusion, and equity. Ranked as the Best Employer: Gender Equality and Equity (Association of Tanzania Employers).

Awards

Named as the Safest Bank in Tanzania 2023

(Global Business & Finance Magazine)

Named the Best Bank in Tanzania

- Euromoney Banking excellence awards 10x times in 11 years
- Global Business & Finance Magazine
- Banking excellence awards
- Business and Finance Magazine

80%

Employee Engagement Score

48%

Female employees

4x

Best Bank Awards

1

Best Digital Bank Award

3x

Best Retail Bank Awards

Best-practice to Sustainability

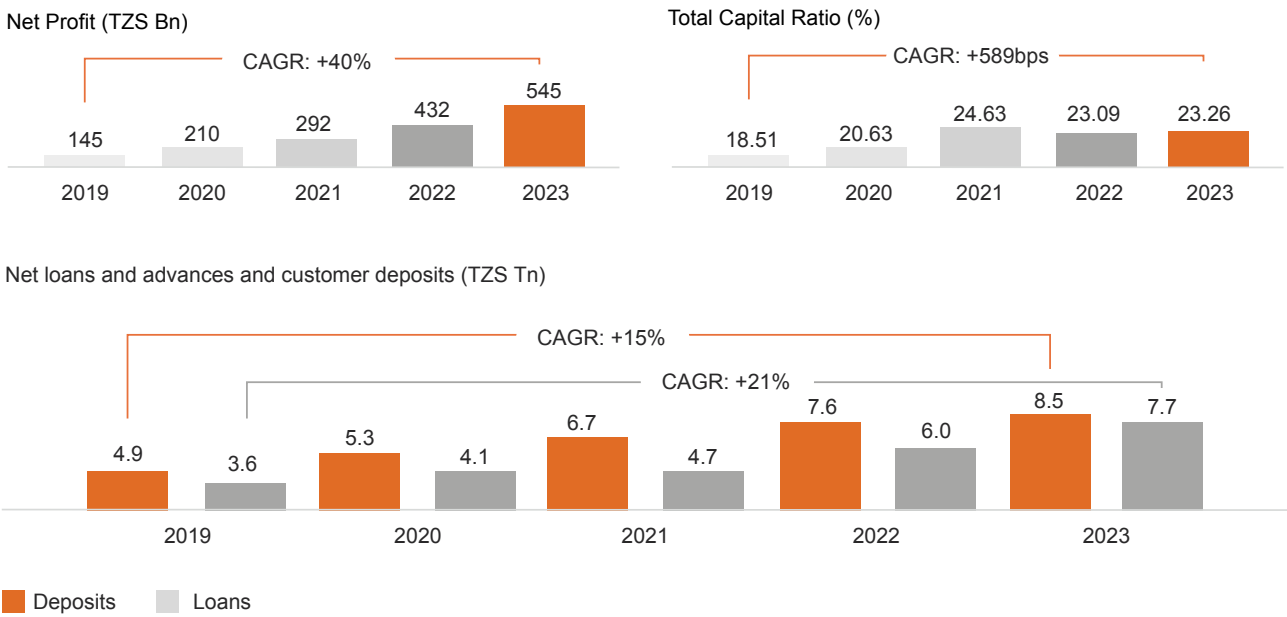
- Support the transition to a net zero economy and manage climate change risks.
- Operate a responsible business with the highest ethical standards to preserve integrity and trust.
- Inaugural Sustainable bond issued to finance sustainable projects.

TZS 400 Bn

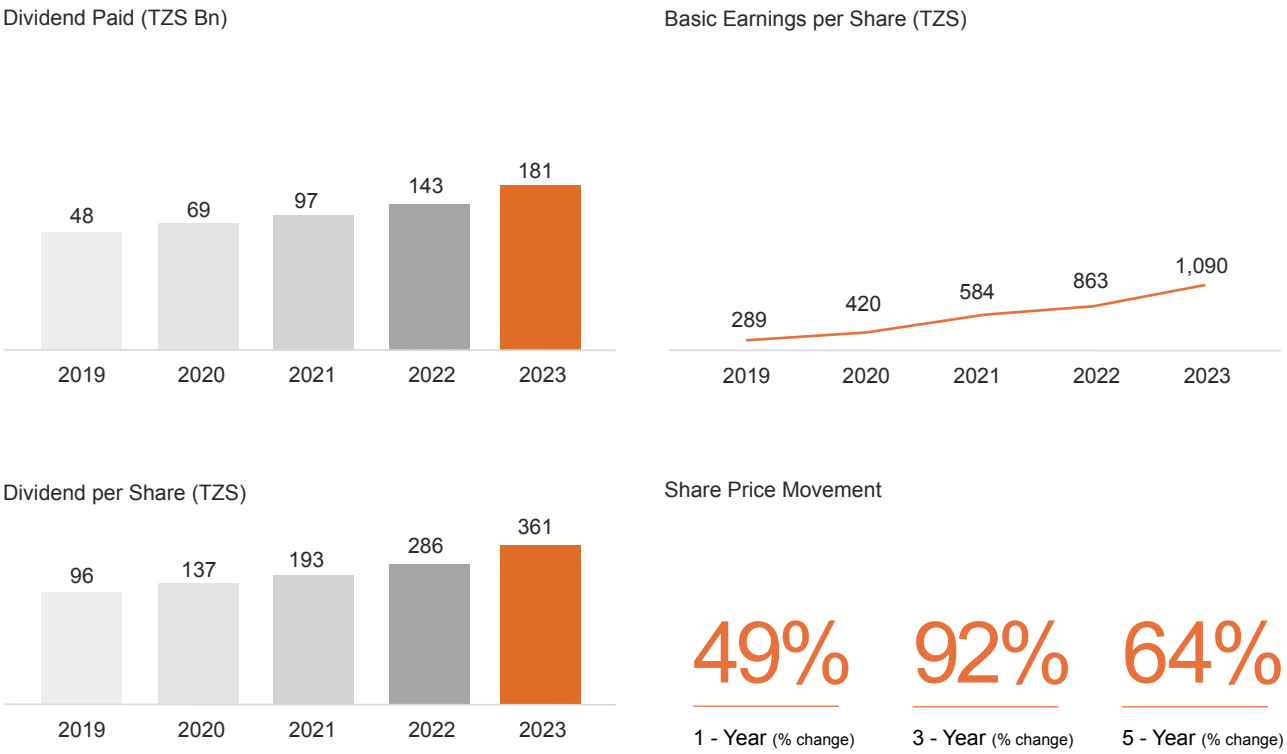
The sustainable finance pledge involves the funds raised from issuing Jamii Bonds for sustainable credit-linked projects.

Creating Long-Term Value for Shareholders

Growing Institutional Strength



Long -Term Shareholder Value Creation



Differentiators

1

Client-focused: At NMB, our core values are embedded in understanding and catering to our clients' needs. Our distinct value proposition is delivering personalised financial solutions aligning with their goals and aspirations. Through continuous engagement and feedback, we ensure our services evolve in tandem with our clients' requirements.

2

Distinct Value Proposition: Our deep-rooted local presence, unique understanding of our client's needs, world-class technology, and digital innovations allow us to offer tailored propositions.

3

Focus on Operational Efficiency and Prudent Cost Management: We pride ourselves on managing costs judiciously while maintaining an unwavering focus on operational efficiency. This approach allows us to optimise resources, enhance service quality, and provide our clients with competitive services without compromising on excellence.

4

A socially responsible business: Our ethos embraces social responsibility. We are committed to making a positive impact in the communities we serve. Our initiatives encompass sustainable practices, community development programs, and ethical investment strategies to create a better future for all stakeholders.

5

A highly performing and engaged workforce: Our success stems from our people. We cultivate a culture of performance excellence, fostering an engaged and motivated workforce. By investing in their growth, development, and well-being, we ensure that our team delivers the highest standards of service and innovation.

6

Robust risk management: Mitigating risks is at the heart of our operations. We employ robust risk management frameworks, leveraging cutting-edge technology and comprehensive strategies, which safeguards our clients' interests and the bank's long-term stability.

Assets

12.2

TZS Trillion

ROE

29%

ROA

5%

About NMB

Our Vision

To be the preferred financial services partner.

Our Mission

To be the Bank of choice, delivering an innovative and transformative customer experience that promotes financial inclusion and wellbeing.

Our strategic goals

Create long-term Customer Experience.

Our values

- Integrity
- Compliance
- Customer Focus
- Teamwork
- Innovation

Our Strategic Pillars

- Winning Proposition
- Operational Efficiency
- Innovate For the Future

Business Segments

Retail Banking

Wholesale Banking

Treasury Banking

Ways of Banking



Branches & ATMs

With a widespread physical presence spanning the country, we operate



Branches

ATMs

231 715



Agency Banking (WAKALA):

Our extensive agency banking network complements our robust physical channels.

Agent outlets

28,295



Mobile Banking (NMB Mkononi):

Access various banking services, money transfers, and payments easily via *150*66# or the NMB Mkononi App



Internet Banking (NMB Direct):

Our Internet Banking platform ensures the seamless fulfillment of our customers' banking needs.



Cards, POS, QR Codes:

We offer diverse payment solutions, including over 111,000+ QR codes

Cards

POS devices

4.1 Million +3,300



Call Center, chat banking:

Customers benefit from our Call Center for inquiries, service, sales, and Interactive Voice Response (IVR) features. Secure banking via WhatsApp chat is also available.

Our strengths



Leadership

NMB leverages the expertise of a seasoned Board of Directors, backed by a proficient Executive Management Team, that actively foster a thriving organizational culture and guarantee strategy execution.



Talent

The Bank has a diverse workforce of more than 3,600 individuals, brought together by shared principles and a culture that promotes inclusivity and excellence.



Innovation and partnerships

NMB consistently improves its technological base, including digital capabilities to enhance accessibility, streamline processes, and ensure utmost security in banking.



Service Excellence

NMB is devoted to grasping customer needs and utilizing data-driven insights and innovation to offer an exceptional customer experience.



Governance

The Bank possesses a robust and efficient governance structure founded on the most global benchmarks. This structure serves as the bedrock for achieving sustained prosperity and showcases the honesty and openness that our stakeholders deserve.



Resilience

We are a domestic, systemically important bank with total assets exceeding TZS 12.2 trillion, robust liquidity, and strong credit ratings.



A responsible bank

The Bank strongly emphasizes sustainability within its strategic priorities. We are dedicated to enhancing NMB's role in supporting Tanzania's goal of fostering an inclusive and environmentally friendly economy through various CSI and ESG projects.



Brand

NMB possesses significant brand equity and entices an expanding customer base of 7.1 million individuals.

Delivering Stakeholder Value



Employees

Rewarding careers, competitive remunerations and rewards with professional development.



Customers

Safeguarding and expanding the financial assets of individuals, private and public institutions



Community

Contributing to the nation's socio-economic progress, the Bank is dedicated to supporting endeavors that foster a robust and enduring economy under the guidance of Tanzania's leadership vision.



Regulators and the Government

Engaging with relevant authorities to support a conscientious regulatory framework.



Investors

Providing robust returns and long-term value to investors.



Suppliers

Collaborating with our suppliers, providing them with avenues for shared prosperity.



Creating Stakeholders Value

Investors



How We Create Value

NMB Bank is committed to delivering robust returns and fostering long-term sustainable value for our esteemed investors.

How We Serve & Engage

Our business model thrives on capital from debt and equity investors, which is pivotal in executing our strategic vision. We ensure transparency by providing investors with comprehensive progress updates against our strategic and financial frameworks, whether within short - or long - term horizons. Furthermore, our footprint and sustainability initiatives, such as Jamii Bond, expose investors to emerging market opportunities.

Looking ahead to 2024, our engagement with investors will continue, updating on our strategic priorities, financial framework progress, and our trajectory towards target returns.

Their Interests

- Safe, strong, and sustainable financial performance.
- Sustainable finance aligned with the UN Sustainable Development Goals.
- Progress on ESG matters, including advancements in climate-related issues.

TZS 361

Dividend Per Share

9.5%

Jamii Bond Coupon Rate TZS Tranche

8.5%

Jasiri Bond Coupon Rate

Jamii Bond Coupon Rate - 6 Month USD Term SOFR + 2.5% for USD Tranche

Employees



How We Create Value

We deeply acknowledge that our workforce is the cornerstone of our performance and productivity. Our commitment to fostering a diverse tapestry of cultures and experiences sets us apart. We're nurturing a future-ready workforce to adapt to evolving client needs and technological advancements.

Collaborating with our employees, we're co-creating an inclusive, innovative, and client-centric culture that fuels ambition, action, and accountability.

How We Serve & Engage

Our regular engagement with employees through multiple channels is the bedrock for superior client service and upholding our Purpose and Values. A culture embedded in inclusivity and ambition enables us to unlock innovation and execute our business strategy.

Their Interests

- Meaningful and impactful roles
- Opportunities for innovation within diverse markets and clientele
- Cultivation of a brand that sustains commerce, offering enriching careers and growth
- Support from exceptional people leaders, underpinned by competitive rewards and a positive work-life balance.

TZS 386 Mn

Productivity per staff

80%

Employee Engagement Score

Customers



How We Create Value

We aim to generate value by providing easily accessible banking solutions that cater to everyday needs while ensuring affordability and exceptional customer service. We empower individuals to nurture and safeguard their finances, assist businesses in various operations, such as trading, transactions, investments, and growth, and extend our support to various financial institutions, including banks, the public sector, and development organizations.

How We Serve & Engage

Our approach revolves around innovative products and seamlessly integrated digital services, which are fundamental to achieving an unparalleled client experience. This involves enhancing our capabilities to safeguard clients against emerging risks in the ecosystem, such as fraud and cybersecurity, accompanied by robust education initiatives and enhanced communication channels.

Looking ahead to 2024, we remain committed to actively listening to and addressing customers feedback and concerns, furthering our digital transformation and innovation endeavors, and aiding our clients as they transition towards sustainable practices, including pursuing net-zero objectives.

Their Interests

- Offering unique and differentiated products and services
- Providing digitally driven and enriching customer experiences
- Promoting sustainable finance initiatives
- Facilitating access to financial resources

1.2 Mn

New Customers

59

Net Promoter Score

4

New Branches

Suppliers



How We Create Value

NMB Bank is dedicated to fortifying our operations by consistently providing efficient, sustainable, and value-driven goods and services through supplier engagements.

How We Serve & Engage

Our supplier engagement strategies are guided by stringent selection, due diligence, and contract management processes that align with our policies and standards. Strengthening our supplier governance underscores our proactive risk mitigation and regulatory compliance stance. Furthermore, our Procurement policies shade our unwavering commitment to ethics, human rights, diversity and inclusion (D&I), and environmental performance. Incoming suppliers align with these principles, reinforced through standard contract templates and periodic engagements emphasizing on ethics, compliance, and sustainability.

Their Interests

- Sustainability and diversity
- Fair and Transparent tendering processes
- Encouragement of supplier-driven innovations
- Timely and accurate payments.
- Timely dispute resolution



Creating Stakeholders Value

Regulators & The Government

How We Create Value

NMB Bank proactively collaborates with public authorities to fortify the financial system's effectiveness and promote stability and sustainable growth.

How We Serve & Engage

Throughout 2023, we engaged with governments, regulators, and policymakers, focusing on sustainability, digital innovation, cybersecurity, and regulatory frameworks. Our Compliance and Regulatory Affairs team ensures alignment between advocacy and business strategies. In November 2023, NMB Bank Plc emerged as the national overall winner, recognised as the largest taxpayer in Tanzania and the most compliant taxpayer for the second year.

Their Interests

- Strong capital and liquidity positions
- Stringent standards for conduct and combating financial crime
- Healthy economies and competitive markets
- Positive, sustainable development
- Digital innovation in financial services
- Operational resilience and customer protection.

Community

How We Create Value

NMB Bank is steadfast in its commitment to operate as a socially responsible and sustainable entity. By collaborating with local partners, we actively contribute to fostering social and economic development within our communities.

How We Serve & Engage

Engagement forms the cornerstone of our strategy, where we actively collaborate with a diverse spectrum of civil society, international partners, and local NGOs. This collaboration spans a multitude of areas, ranging from environmental and public policy concerns to community-driven initiatives. Constructive dialogues enable us to comprehend alternative viewpoints while ensuring a mutual understanding of our business approach. Our engagements address specific client needs, transactions, or policy concerns highlighted by partnering development partners.

Their Interests

- Climate change and environment
- Human rights
- Financial inclusion
- Social Impact

TZS 4.2 Bn

CSI Spent

TZS 2 Bn

Climate Action Budget

TZS 436 Mn

Amount on Nuru Yangu Scholarship

Our Value Creation Model

Capital Input

Financial Capital

Our financial capital forms the bedrock for sustaining and expanding our business operations. It fuels our growth initiatives, generates sustainable returns, and enhances stakeholders value.

Human Capital

Comprising our skilled workforce, ingrained organisational culture, and collective expertise, our human capital is pivotal in innovating solutions tailored to our customers’ needs. Our people are the driving force behind realising our Bank’s vision.

Intellectual Capital

Our intellectual capital encompasses technological innovations, robust systems and processes, and a heritage-backed strong brand identity.

Manufactured Capital

Our manufactured capital provides a competitive edge, including physical assets like property and digital assets such as IT systems, enabling us to deliver enhanced value to stakeholders.

Social & Relationship Capital

Our social and relationship capital thrives on fostering diverse relationships within our communities and across stakeholders, nurturing an ecosystem for mutual growth.

Natural Capital

Referring to the resources we utilise to sustain operations, our natural capital reflects our commitment to responsibly leveraging resources to create lasting value for our stakeholders.

Trade Offs

Financial Capital

Shareholder value surged through a substantial increase in net profits, driving robust returns for our investors. Our strategic focus remains on striking a delicate equilibrium between maximizing immediate financial gains for shareholders and the imperative investment required for our sustained long-term growth.

Human Capital

Investing in our workforce constitutes a significant yet essential cost, vital for attracting, retaining, and nurturing talent. While these investments impact short-term financial capital, they yield substantial long-term returns across various other capitals.

Intellectual Capital

Balancing increased automation of solutions, which impacts both intellectual and manufactured capital, against driving client adoption of digital solutions that elevate client experiences poses a trade-off. This challenge intersects with the need for human interaction, a critical aspect of our human capital.

Manufactured Capital

Efforts to automate solutions and drive digital adoption for superior client experiences through digital platforms present a trade-off. We recognize the importance of direct human interaction, particularly through physical branches, in complementing these digital advancements.

Social & Relationship Capital

Strategically managing diverse stakeholder relationships involves navigating trade-offs to uphold various stakeholders’ interests while maintaining quality relationships across all fronts.

Natural Capital

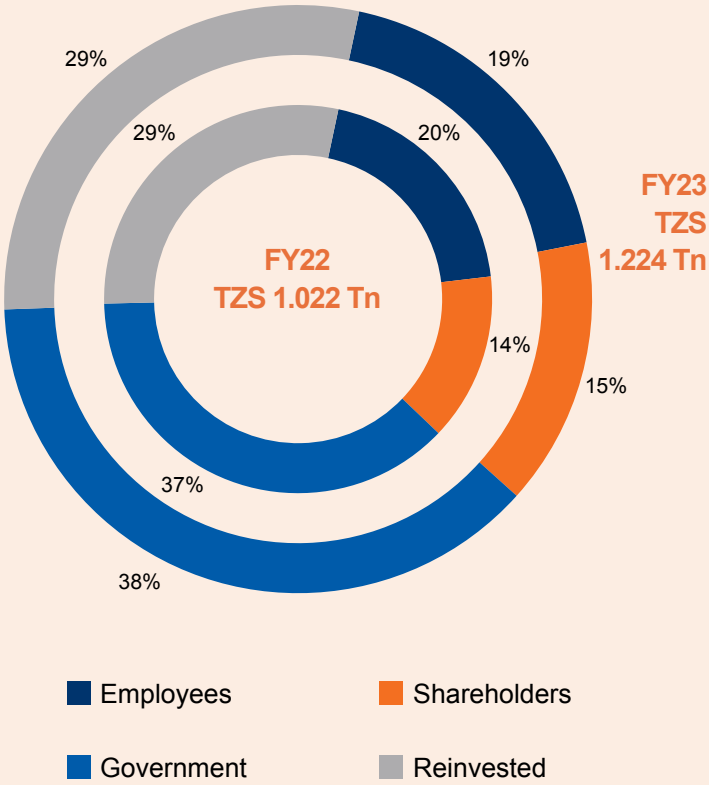
Balancing the utilisation of natural resources, which sometimes negatively impacts human and social capital, remains a critical trade-off. Our commitment lies in minimizing environmental impacts while striving to deliver positive environmental outcomes for society.



Our Value Creation Model

	Inputs		Outputs		Outcomes	
Financial	Customer Deposits	Total Equity	Total Revenue	Net Profit After Tax	Superior returns for shareholders	
	8.47 TZS Trillion (11.47% YoY)	2.09 TZS Trillion (23.8% YoY)	1.40 (TZS Trillion)	545 TZS Billion (26% YoY)	Return on Equity 29% (2022: 25%)	Dividend per Share 361 (2022: 286)
Employees	Staff Training Budget	Staff Benefits	Employee Engagement Score	Staff Attrition	Productive, efficient, and effective workforce	
	5.3 TZS Billion	298 TZS Billion	80% 2022:75%	3.5%	Staff Productivity 6.2x 2022:5.4x	Revenue per FTE 386 (TZS Million)
Intellectual	Intellectual Capital		Intellectual Capital		Intellectual Capital	
	#1 Most Innovative	2x Best Innovation in Retail Banking in Tanzania	96% Share of transactions performed on digital channels	99% Stable digital platforms-Service Uptime	0 Major Cyber Security Incidents	+20 Digital & Technology initiatives launched
Manufactured	Branches	ATMs	Customer Accounts	Net Promoter Score	- Optimised resource utilisation and maximised financial utility	
	231	715	7.1+ Mn (2022: 6+ Million)	59		
Social & Relationship	CSI & Climate Action Budget	Sustainable Fund Raised	Tax Payment	Scholarship	- Customer service excellence - Contribution to community empowerment - Employment and Entrepreneurship - Financial Inclusion	
	6.2 TZS Billion	400 TZS Billion	555 TZS Billion (21% YoY)	130 Funded Students		
Natural	Air, Water, Land, Mineral & Forest		Premises retrofitted with LED lights		- Mitigating our carbon emissions and minimising our ecological footprint	
			175 Premises/Facilities/Branches			

CONSOLIDATED VALUE ADDED STATEMENT



Value Added Statement

Value added is the wealth the bank has been able to create by providing clients with a quality and value added service.

	2023 TZS' Million	2022 TZS' Million
Value Added		
Income earned by providing banking services*	1,750,815	1,450,073
Interest expense paid to third party funding	(73,697)	(38,363)
Other depositors	(172,380)	(128,944)
Fee and commission expense	(102,819)	(94,260)
Impairment	(84,485)	(81,180)
Total cost of banking service	(433,381)	(342,747)
Value added by banking services	1,317,434	1,107,326
Other operating income and expenditures	(93,114)	(85,053)
Value added from banking services	1,224,320	1,022,273
Value allocated		
<i>To Employees:</i>		
Salaries and other benefits	227,450	202,428
<i>To Shareholders:</i>		
Dividend to other shareholders	123,198	97,639
Government	57,392	45,486
<i>To Government:</i>		
Corporate Tax	238,571	186,720
PAYE	61,356	55,083
Skills development levy	9,117	8,785
Excise Duty	47,770	42,838
VAT on services	93,813	84,373
Other taxes	11,887	5,484
	462,515	383,283
<i>To Expansion & Growth:</i>		
Depreciation, deferred tax and retained earnings	353,765	293,437
	1,224,320	1,022,273

* Income earned by providing banking services = Interest Income + Fees and Commission Income + Realised Gain on Investment Securities + Foreign Exchange Income + Other Income





Multi Award Winning Bank

Our performance has received both domestic and international acclamations. In 2023, NMB Bank received 31 awards, and recognition for excellent performance an increase of 35% year-on-year.

31



Awards



Tanzania Revenue Authority

- Overall, Winner
Largest Taxpayer in Tanzania (All Sectors)
- Overall, Winner
Most Compliant Taxpayer in Tanzania
- Largest Taxpayer in the category of Financial Institutions in Tanzania

Association of Tanzania Employers

- Runner-Up in the overall winner category
Best Employer of the Year 2023
- Runner-up
Best Private Sector Employer 2023
- Quality, Productivity, and Innovation Award
- Best Employer
Gender Equality and Equity Award

Global Business & Finance Magazine

- Best Bank in Tanzania 2023
- Safest Bank in Tanzania 2023
- Best Corporate Social Responsibility Initiative Tanzania 2023
- Best Retail Bank Tanzania 2023

Euromoney Awards for Excellence 2023

- Best Bank for Digital Solutions in Tanzania
- Best Bank for CSR in Tanzania 2023
- Best Bank in Tanzania 2023
- Best Private Bank for High-Net-Worth Individuals in Tanzania

Global Business Magazine

- Best Innovation in Retail Banking in Tanzania
- Best Retail Bank Tanzania 2023

International Business Magazine

- Best Retail Bank Tanzania 2023
- Best SME Bank Tanzania 2023

African Banking Awards: EMEA Finance

- Best Bank in Tanzania

International Bankers Awards

- Best Innovation in Retail Banking in Tanzania

Global Brands Magazine

- Best Investment Bank Tanzania 2023

Africa Bank 4.0 Awards

- African's Banking CEO of the year 2023 (Tanzania)
- Best Bank in Tanzania 2023 Award

International Banker 2023

- Best Commitment to ESG Principles Tanzania 2023

Global SME Finance Awards 2023

- SME Financier of the Year Award

World Economic Magazine

- Best SME Bank Tanzania
- Best ESG Bank Tanzania 2023
- Best Bancassurance Provider Tanzania 2023
- Best Banking CEO Tanzania 2023



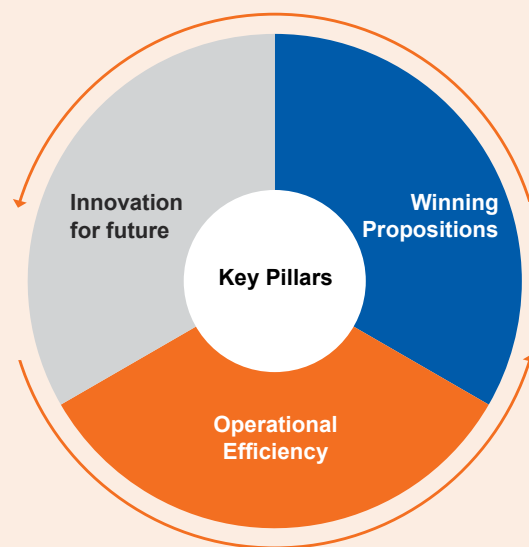


Strategy
Review



Bank Strategy

To ensure seamless strategy execution, the bank continues to focus on the following strategy pillars and enablers.



1 Drive Loyalty with Mass:
By focusing on growth in market share, increasing 'share of wallet', and providing the best-in-class customer experience

2 Boost Branch Productivity & Cost Efficiency:
By continuous investment in our work force and disciplined implementation of cost optimisation measures.

3 Enhance Credit Risk Management:
Driven by prudent risk management framework coupled with enhanced focus on loan origination.

4 Enhancing our digital Capabilities:
By focusing on delivering innovative technological and digital customer - centric propositions.

5 Deepen Penetration in Wholesale, Win in SME and Agri
By strengthening strategic relationships and partnerships while unlock growth potentials.

Progress Against Our Key Strategic Areas of Focus

We continued to make good progress against our key strategic areas of focus in the third year of executing our Medium-Term Plan (2021-2025):



Delivering winning proposition

- Customer Base grew by 1.2 million accounts YoY to 7.1 million accounts
- Customer deposits up 11% YoY to TZS 8.5 trillion
- Digital solutions deepening financial inclusion: Mshiko Fasta (Digital Micro Loan), NMB Pesa Wakala (Agency Banking), Lipa Mkononi (QR)
- MSME portfolio up 13% YoY to TZS 777 billion
- Agri loans up 40% YoY to TZS 779 billion
- Corporate loans up 48% YoY to TZS 582 billion

Driving Operational Efficiency

- Cost to Income Ratio (CIR) down to 39% (2022:42%)
- Productivity up 15% YoY – TZS 386 million revenue/Full Time Employees
- Strengthened credit risk management improving portfolio quality – NPL ratio 3.2% (2022: 3.1%)
- Share of Transactions on Alternative Channels – 96% (2022: 94%)



Innovating for the Future

- Net Promoter Score of 59 – one among industry best
- Stable digital platforms – 99% service uptime
- On-going investments in significant technology platforms – Core Banking System, Data Management, Loan Management System



Financial Highlights

Selected financial metrics for FY'23

Net Profit



545.2

TZS Billion

Return on Average Equity



28.6%

Capital Adequacy Ratio



23.26%

Liquid Asset Ratio



33.2%

Cost of Risk



1.06%

Cost to Income Ratio

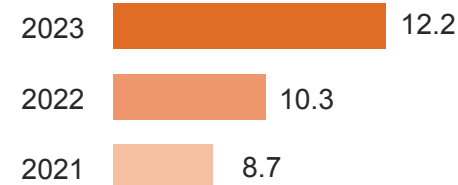


39%

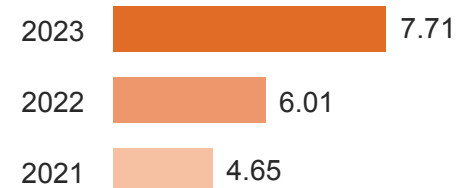
Robust balance sheet



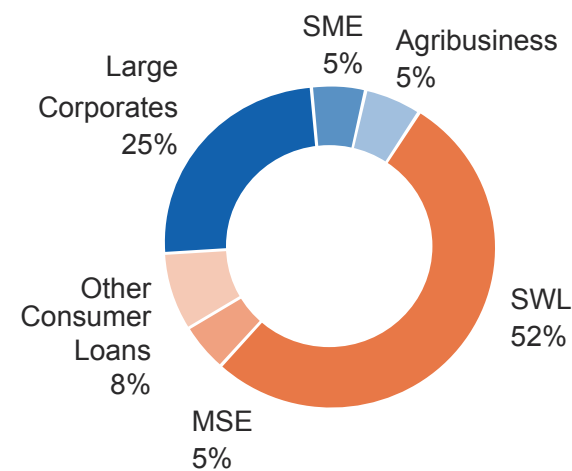
Total Assets (TZS Tn)



Net Loans (TZS Tn)



Diversified Loan Portfolio



85%

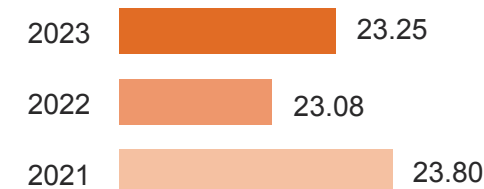
CASA deposits as % of total customer deposits

Solid Balance Sheet



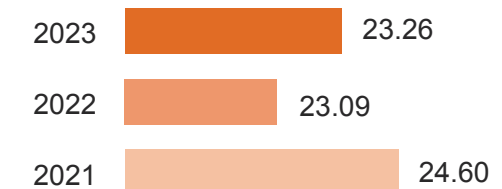
23.25%

Core Capital (%)



23.26%

Total Capital Ratio (%)



NPL Ratio

3.2%

2022: 3.1%

Liquidity Ratio

33.2%

2022: 26.4%

LDR

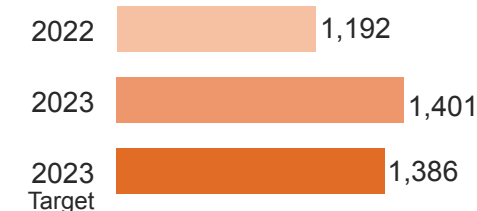
94.8%

2022: 82%

Strong financial performance

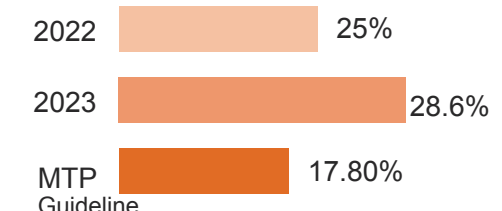


Revenue* (TZS Bn)



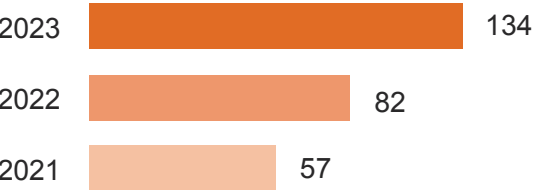
*Total Revenue before Impairment charges.

Return on Average Shareholders Fund (%)



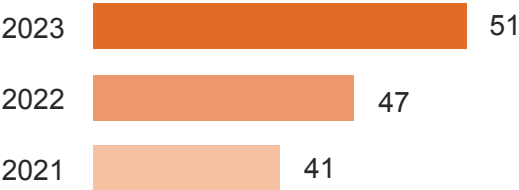
134 Mn

Volume of transactions executed through NMB Mkononi and USSD, the banking platform in millions



51 Mn

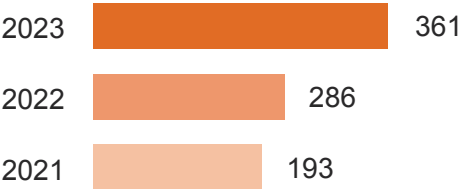
Volume of transactions executed on the bank's ATM machines in millions



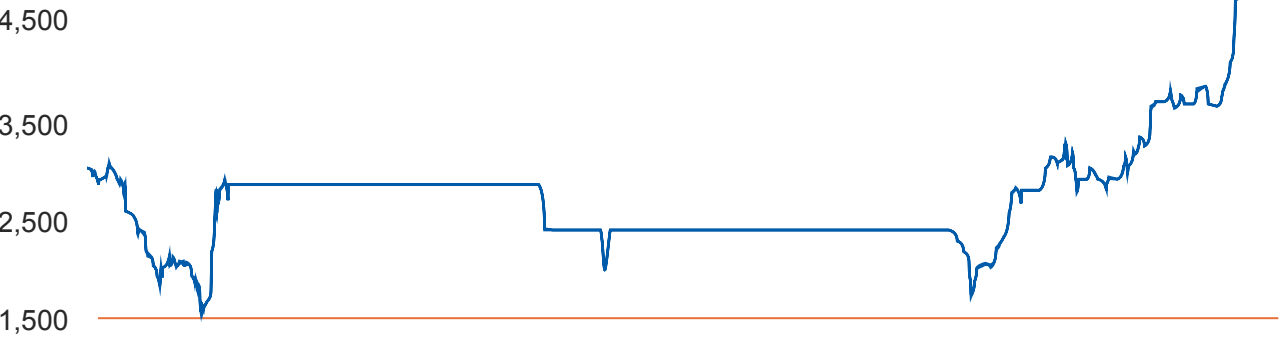
Share Price Performance



Dividend per share (TZS)



Share Price



Chairman's Statement

“The strength of our governance principles, unwavering commitment to serve towards significant value creation and a sharpened focus on the ESG agenda continues to catalyze a sustainable growth path for NMB Bank today and for many more years to come.”

Dr. Edwin Mhede
Chairman



On behalf of the Board of Directors, I am pleased to state that, 2023 was another year of robust and solid performance for NMB Bank, attributed to a well-executed strategy, effective leadership, and a committed workforce across the entire network. The Board of Directors expresses satisfaction and confidence with the bank's strategic trajectory for the years ahead.

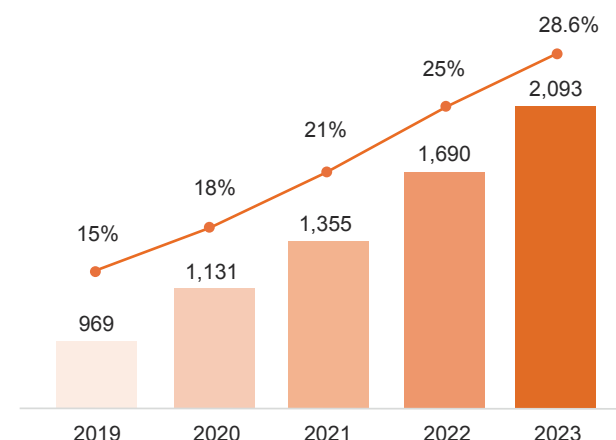
NMB sustained its path of strong growth, delivering an all-time high financial result in the history of the Bank and the Tanzanian banking sector at large. This historic performance is a testament to the resilience of the Bank's business model and the quality of its strategy, which propelled the Bank to sustain its path to prosperity amidst ongoing global macroeconomic headwinds.

Our strong performance marked exponential business growth across all our businesses, as evidenced by broad-based balance sheets and income growth.

Since embarking on the execution journey of our 5 year Medium-Term Plan (MTP), we have also

observed a remarkable transformation in multiple facets of our Bank. Our investment in technology, corporate governance, human capital, and our focus on addressing customers' evolving financial needs continue to provide solid momentum for our sustainable growth. Our shareholders' returns have also significantly improved during this period, reaching all-time highs in our bank's history.

Shareholders' Fund (TZS Bn) & ROE (%)



Key Highlights



DPS
361
TZS

26% increase from
TZS 286 in 2022



ROE
28.6%

40bps up from
25% in 2022



Shareholders' Fund
2.09
TZS Trillion

24% up from
TZS 1.7 Trillion in 2022

Sustained Superior Results

Three years into implementing our medium-term strategy, I am pleased to report record and remarkable results for the Bank and the highest profit ever recorded by any financial institution in Tanzania. The net profit increased by 26% to TZS 545 billion, with the return on equity increasing to 28.6% from 25% in 2022. This has been accompanied by significant efficiency gains as the cost-to-income ratio improved by 30 basis points to reach 39% in 2023. The balance sheet has also experienced sustainable growth, with loans and advances increasing by 28% to cross the TZS 7.7 trillion mark.

The quality of our asset portfolio has improved significantly despite the underlying macroeconomic challenges. Our NPL is well below the regulatory threshold of 5% (at 3.2% in 2023), and the annualized cost of risk is improving YoY, owing to prudential portfolio management standards introduced as part of our refreshed end-to-end Credit Risk Management and increased emphasis on the quality of our credit origination.

Our mass account opening strategy and best-in-class customer propositions continue to yield positive outcomes, with our customer base reaching 7.1 million customer accounts, further deepening NMB's impact and leadership in driving Tanzania's financial inclusion agenda.

The Bank's performance gives us confidence in our progress and strategic ambitions. As we progress along our strategic journey, we intend to invest more profoundly in our clients' needs and build on what we have done successfully over the last few years to further improve outcomes for our stakeholders.

Sharpened Focus on Sustainability and ESG Agenda

In remaining steadfast to our aspirations of being a responsible bank, we continued to sharpen our focus on sustainability. We gained momentum in embedding sustainability within the organization and as a core facet of our strategy. This is reflected through the commitment of the Board to dedicate and set aside TZS 2 billion in 2023 to support Climate and Sustainability initiatives, which saw



the Bank planting and nurturing 1.2 million trees in the year 2023 countrywide. This commitment signifies the Bank's leadership's towards nature and environmental conservation.

Further, as Tanzania ventures in the Sustainability journey, we have continued to play a crucial role in helping to deliver the country's sustainable finance agenda by issuing the first sustainability bond in East Africa, to the tune of TZS 400 billion. The issuance of the Jamii Bond further reinforces the position of NMB Bank as the market leader and a pioneer in sustainability.

The year's achievements underscore NMB's continuing role as one of the engines for broad-based economic prosperity, acting as a pillar for unlocking NMB's continuing role as an engine for economic well being and enabling new opportunities for clients and stakeholders across Tanzania. Indeed, we have made solid progress against this vision over the course of the year under reference.

Committed to our purpose of being a responsible employer, we also maintained a keen focus on our people-centered culture by driving a highly engaged and diverse workforce. We continued to invest in our people to future-proof the Bank. The productivity and engagement scores continue to provide the Board with a great sense of optimism for the future.

As we continue making gradual progress, the Board's role in strategic oversight of sustainability will continue to be multifaceted and crucial for ensuring that the Bank integrates sustainability considerations into its strategy, operations, and risk management. The Board will continue to play a critical role in embedding sustainability into the Bank's operation, driving long-term value creation, and safeguarding the interests of stakeholders and the broader society to whom we serve.

The Board

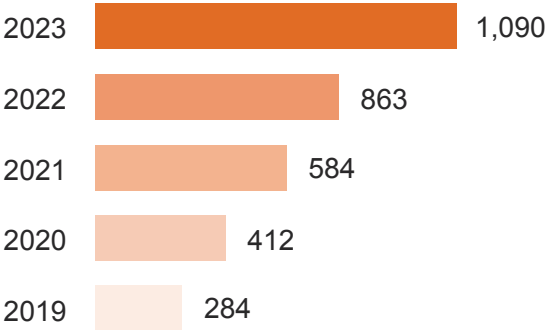
During the year, the Board's focus remained unchanged. Collectively, we remained steadfast in our commitments towards strengthening good governance practices, championing long-term growth, and enhancing organizational capabilities to serve the business, customers and shareholders needs. While delivering all these, we continued to exercise an entrepreneurial approach to strategic oversight.

To this end, our overall philosophy reflects sustainability and best practices as the core foundation principles of this Bank.

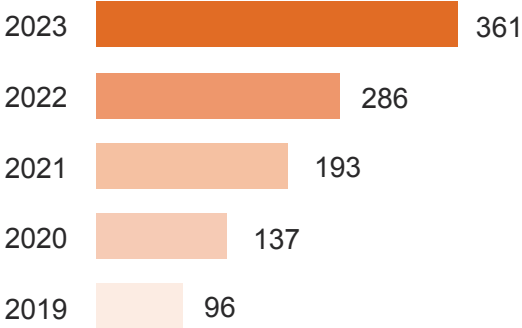
About Dividend

For the 2023 financial year, the Board has proposed a cash dividend of TZS 361 per share, translating to a total dividend pay-out of TZS 181 billion, which is 1/3 of net profit in line with NMB's dividend policy. The proposed dividend per share is a 26% increase from the TZS 286 per share paid for the previous year. This dividend is subject to approval at the Bank's Annual General Meeting in June 2024.

Earnings Per Share (TZS)



Dividend Per Share (TZS)



Appreciations

I sincerely thank the NMB shareholders, distinguished customers, and our partners for their unwavering support of the Bank over the years. The Board is very grateful to the Bank of Tanzania (BOT) and the Government of the United Republic of Tanzania for creating an enabling environment that fosters business growth. To our customers, we value your continued trust and making NMB your preferred financial solutions partner.

I also thank my fellow Directors and our Company Secretary, Ms. Mwantumu Salim for consistently committing to Board duties and the Bank's affairs. Your individual and collective contribution in making NMB the leading bank in Tanzania is highly appreciated.

My deep appreciation goes to the CEO, Ruth Zaipuna, and the Management Team for their continued focus and disciplined execution of our strategy. Further, I would like to sincerely acknowledge the remarkable efforts of our colleagues, especially the frontline workers across the entire network. Your impressive dedication to our customers and the communities that we serve helps to build our strong brand for shared prosperity.

As we look forward, we remain steadfast to our commitment of delivering superior financial results and solid returns to our stakeholders. The Board will continue to provide necessary oversight, and challenge the Management to further deepen NMB's value creation.



Taarifa ya Mwenyekiti

“Uimara wa misingi ya uongozi na utawala bora, dhamira yetu katika kutengeneza thamani endelevu kwa wadau wote, pamoja na msisitizo mkubwa katika ajenda ya uendeleu, ni baadhi ya nyenzo muhimu zinazoendelea kuchochea ukuaji endelevu wa Benki ya NMB kwa sasa na miaka mingi ijayo.”

Dkt. Edwin Mhede
Mwenyekiti wa Bodi



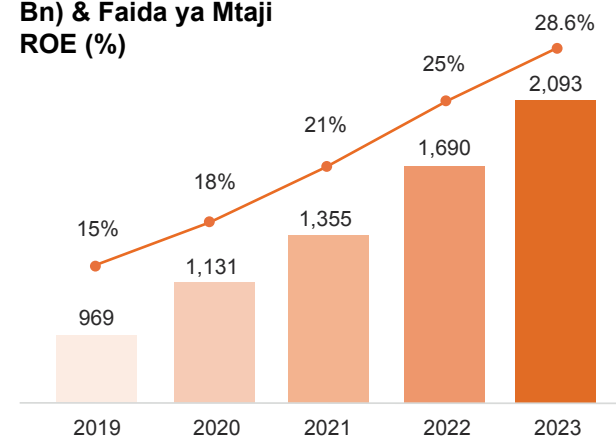
Kwa niaba ya Bodi ya Wakurugenzi, ninayo furaha kuwajulisha ya kuwa, mwaka 2023 ulikuwa mwaka wa mafanikio ya kihistoria kwa Benki ya NMB. Mafanikio haya yalitokana na utekelezaji madhubuti wa mipango ya kimkakati, pamoja na uwekezaji mkubwa katika rasimali watu, teknolojia, mifumo ya kidijitali, na misingi ya uongozi na utawala bora. Bodi ya Wakurugenzi inaridhishwa na mwenendo mzuri wa kiutendaji na mafanikio ya Benki kwa miaka ya hivi karibuni. Bodi ya Wakurugenzi ina imani na mikakati na uelekeo wa Benki kwa miaka ijayo.

Mnamo mwaka 2023 Benki ya NMB iliendelea kuweka historia ya kiutendaji katika sekta ya kibenki Tanzania. Matokeo haya ya kihistoria ni kiashiria cha uimara na ubora wa mpango mkakati wa Benki yetu. Kwa miaka takribani minne sasa, Benki yetu imeendelea kuwa kinara wa kiutendaji na kiufanisi nchini Tanzania na imeendelea kukua kwa kasi licha ya sekta ya kibenki duniani kugubikwa na changamoto mbalimbali.

Ukuaji wetu wa kihistoria unadhihirishwa na ukuaji mkubwa katika idara zetu zote za kibiashara, sanjari na ukuaji wa Mizania ya Benki, na Jumla ya mapato.

Tangu kuanza kwa safari ya utekelezaji wa Mpango wetu wa Muda wa Kati (MTP), tumeshuhudia mabadiliko makubwa katika nyanja mbalimbali za kimkakati ikiwemo, uwekezaji kwenye teknolojia, rasilimali watu na misingi ya utawala bora. Mabadiliko haya yameendelea kuwa chachu ya ukuaji endelevu wa Benki ya NMB. Katika kipindi hiki cha utekelezaji wa Mpango wetu wa Muda wa Kati, tumeweza kuboresha huduma kwa wateja wetu kupitia masuluhisho yanayoakisi mahitaji yao, na pia tumeweza kukuza maradufu faida ya mtaji na gawio kwa wanahisa wetu na kufikia viwango vya juu zaidi katika historia ya Benki ya NMB.

Mtaji wa Wanahisa (TZS Bn) & Faida ya Mtaji ROE (%)



Vidokezo Muhimu



Gawio kwa kila Hisa

TZS

361

Ongezeko la 26% kutoka shilingi 286 mwaka 2022



Faida ya Mtaji

28.6%

40bps ongezeko kutoka 25% mwaka 2022



Mtaji wa Wanahisa

TZS

2.09

Trilioni

24% ongezeko kutoka shilingi trilioni 1.7 mwaka 2022

Matokeo Mazuri na Endelevu

Katika kipindi cha Miaka mitatu ya utekelezaji wa mkakati wetu wa muda wa kati, ninayo furaha kuwajulisha kuwa Benki imeendelea kuwa na ukuaji imara na bora zaidi katika sekta ya kibenki nchini. Katika kipindi hiki, Benki imeendelea kuweka historia ya kiutendaji na kiufanisi.

Kwa mwaka 2023, Benki ilipata Faida Baada ya Kodi ya shilingi bilioni 545, ikiwa ni ongezeko la asilimia 26 (mwaka hadi mwaka), huku Faida ya Mtaji ikiongezeka na kufikia asilimia 28.6, ukilinganisha na asilimia 25 ya Mwaka 2022. Mafanikio haya ya Kiutendaji, yanakwenda sambamba na mafanikio makubwa ya kiufanisi kwani uwiano wa gharama kwa mapato uliimarika kwa alama 30 kufikia asilimia 39 mwaka 2023. Mizania ya Benki pia imeendelea kuwa na ukuaji imara, ikichagizwa na ukuaji wa mikopo kwa asilimia 28 hadi kufikia shilingi 7.7 trilioni.

Benki imeendelea kuimarisha usimamizi wa mikopo inayotolewa kwa wateja na hivyo kushuhudia matokeo chanya katika eneo hili. Uwiano wa mikopo chechefe kwa mikopo ghafi umeendelea kuimarika

kufikia asilimia 3.2 ikiwa chini ya Kiwango cha juu cha udhibiti cha asilimia 5 kilichowekwa na Benki kuu ya Tanzania, pia gharama za udhibiti hasara itokanayo na mikopo imeendelea kuimarika zaidi mwaka hadi mwaka hadi mwaka.

Dhamira yetu ya kuongeza ujumuishaji wa wataanzania kwenye sekta rasmi ya kibenki kupitia huduma bora na nafuu imeendelea kupata matokeo chanya. Kwa mwaka 2023 tuliweza kuongeza wigo wa wateja na kufikia wateja milioni 7.1 ikiwa ni idadi kubwa zaidi ya wateja katika Benki nchini Tanzania. Tuna imani ya kuwa juhudi zetu katika kurahisisha upatikanaji wa huduma nafuu za kibenki zitaendelea kuchochea ukuaji wa kiuchumi wa taifa letu na mtu mmoja mmoja pamoja na ustawi wa jamii zinazo tuzunguka.

Utendaji wa Benki yetu unatupa imani katika kufikia malengo yetu. Tunapoendelea na safari yetu ya kimkakati, tunadhamiria kuwekeza zaidi kwenye matakwa ya wateja wetu na kuendeleza kile ambacho tumefanya kwa mafanikio katika miaka iliyopita ili kuboresha zaidi thamani ya mchango wa Benki kwa wadau wote.



Dhamira yetu katika maendeleo endelevu

Katika kutimiza dhamira yetu ya kuijenga Benki yenye misingi imara inayozingatia ajenda ya maendeleo endelevu, tumeendelea kutilia mkazo swala zima la uendelevu. Katika kudhihirisha hili kwa sasa ndani ya Benki ya NMB ajenda ya uendelevu ni moja ya nguzo muhimu katika mpango mkakati wetu.

Sanjari na dhamira hii, Bodi ya wakurugenzi iliidhinisha utengwaji wa kiasi cha zaidi ya shilingi bilioni 2 mnamo mwaka 2023 zilizoelekezwa kwenye kusaidia maswala ya mabadiliko ya tabia nchi na uendelevu. Kiasi hiki kiliweza kusaidia utekelezwaji wa maswala mbalimbali ya kimkakati ikiwemo gharama za upandaji miti zaidi ya milioni moja na laki mbili nchini kote Tanzania.

Ni Imani yetu ya kuwa juhudi hizi zote kwa ujumla zitaendelea kuchagiza mafanikio katika utunzaji wa mazingira na kupunguza matokeo hasi yatokanayo na ongezeko la gesi ya ukaa duniani.

Pia wakati serikali ya Jamhuri ya Muungano wa Tanzania ikiendeleza ajenda ya uendelevu, Benki ya NMB imeendelea kubeba jukumu muhimu katika kusaidia kuendeleza ajenda hii kwa kutoa na kuorodhesha kwenye soko la hisa la Dar es salaam hatifungani yenye thamani ya shilingi bilioni 400 yenye sera na misingi endelevu. Kutolewa kwa hatifungani hii kunaimarisha nafasi ya Benki ya NMB ya kuwa Benki kiongozi nchini.

Bodi

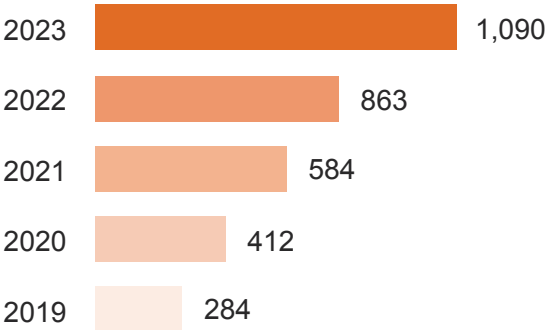
Mwaka huu, mwelekeo wa Bodi haujabadilika. Kwa pamoja, tulibaki kuwa imara katika kutimiza ahadi yetu ya kuimarisha utawala bora, kusimamia ukuaji endelevu na kuimarisha uwezo wa Benki ili kukidhi mahitaji ya biashara, wateja na wanahisa wetu. Wakati tukiendelea kufanya yote haya tumeendelea kutumia mbinu za kijasiriamali katika usimamizi wa kimkakati.

Kwa maana hii, falsafa yetu kwa ujumla inaonyesha uendelevu na utendaji bora, ambazo ni kanuni za msingi za Benki hii.

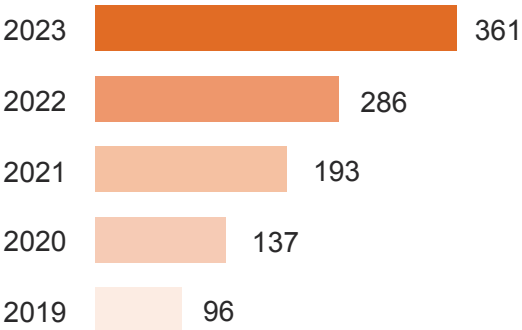
Kuhusu Gawio

Bodi imeridhia gawio la shilingi 361 kwa kila hisa kwa mwaka 2023 litakaloidhinishwa kwenye mkutano mkuu ujao wa mwaka wa wanahisa. Gawio linalopendekezwa kwa kila hisa limeongezeka kwa asilimia 26 kutoka shilingi 286 kwa hisa lililolipwa mwaka 2022.

Pato kwa Kila Hisa (TZS)



Gawio kwa Kila Hisa (TZS)



Shukrani

Kwa unyenyekevu mkubwa, natoa shukrani zangu za dhati kwa wanahisa, wateja na washirika wa Benki ya NMB kwa msaada wao usioyumba kwa miaka yote iliyopita. Bodi inawashukuru sana wasimamizi, Benki Kuu ya Tanzania kwa mwongozo wao wenye thamani na Serikali kwa mazingira wezeshi ya kibiashara. Kwa wateja wetu, kwa namna ya kipekee tunawashukuru kwa kuendelea kuiamini na kuichagua Benki ya NMB kuwa mdau wenu katika huduma za kifedha.

Pia, nawashukuru Wakurugenzi wenzangu wa Bodi ya NMB, pamoja na Katibu wa Kampuni, Bi. Mwantumu Salim, kwa utendaji wao thabiti na utekelezaji wa majukumu kwenye Bodi kwa manufaa ya Benki na wadau wote.

Shukrani zangu za kipekee zinakwenda kwa Afisa Mtendaji Mkuu, Bi. Ruth Zaipuna na Menejimenti kwa jukumu muhimu sana wanalotimiza katika utekelezaji wa mkakati wetu na kuhakikisha kuwa biashara inakwenda vizuri. Matokeo mazuri ya Benki yanajionyesha yenyewe. Kwa wafanyakazi wetu kwenye Benki, nawashukuru kwa ufanyaji kazi kwa ari na mchango wenu makini katika kutusaidia kuwa chaguo la kwanza la huduma za kifedha. Kwa msaada wenu, tumekua na kuwa taasisi inayoongoza na endelevu, iliyojengwa kwa viwango bora vya maadili na utawala bora. Tunakusudia kudumisha viwango hivi tunapoendelea zaidi kuelekea kwenye azimio letu la kimkakati kwa ujumla.

Tunapouanza mwaka 2024 na kuendelea, Bodi ya Wakurugenzi inaendelea kutilia mkazo adhama ya Benki yakuendeleza muenendo wa mafanikio bora, na ukuaji wa tija kwa wadau wote. Tunaahidi kuendelea kuisimamia vyema Menejimenti ili kuhakikisha ukuaji endelevu wa Benki ya NMB kwa miaka mingi ijayo.



Operating Environment

Macro-Economic Overview

Economic Growth (in %)

Global Economy



Main Driver

Global recoveries remained slow, as the global economy growth rate decreased to 3.1% from the 3.5% recorded in 2022 due to geopolitical tensions and stringent financial circumstances, resulting in sluggish trade expansion, and diminished consumer spending. Despite the headwinds, the progress in the post-pandemic environment offered some support. Global inflation is forecasted to decline from 8.7 % in 2022 to 6.8 % in 2023 and 5.8 % in 2024 due to tighter monetary policy aided by lower international commodity prices.

Emerging Markets



Emerging economies are displaying indications of returning to normalcy following supply-chain disruptions and prevailing global macro challenges. Regional disparities in recovery are becoming more pronounced, leaving room for policy mismatch. Resource-dependent nations and leading commodity exporters are anticipated to perform strongly, benefiting from fierce competition and elevated commodity prices. This includes emerging Asian economies like India, Indonesia, and Thailand. Latin American and Eastern European nations are also positioned for a rebound.

Africa Economy



The economic growth for Africa in 2023 indicates a slight expansion, as per the IMF 2024 report, estimating an average GDP rise of 4% from 3.3%. Nevertheless, this development is foreseen to come with challenges linked to debt sustainability, fiscal constraints, inflationary trends in certain nations and climate issues.

East Africa



East Africa is projected to experience the highest regional economic growth on the continent for 2023 and 2024. The region's growth is driven by several factors, including the services sector, which contributed almost half of the economic growth in 2023.

Tanzania



Following a slowdown to 4.7% in 2022, GDP growth rebounded in 2023 and is estimated to have grown by 5.3%, according to the Bank of Tanzania. This resurgence was predominantly fueled by robust expansion in the service sectors, notably financial and insurance services.

Operating Environment

Tanzania's economic performance in 2023 was robust, with a GDP growth rate of 5.3% (BOT, 2023), primarily propelled by expanding service sectors like financial and insurance services and information and communication. Despite global economic challenges impacting overall economic activities and exerting inflationary pressures, Tanzania has demonstrated remarkable resilience, a testament to its stable economic environment.

Inflation displayed a downward trend, primarily due to the cooling of global inflation and a less accommodative monetary policy stance by the central bank. The annual headline inflation rate decreased to 3% in December 2023 from 4.7% (2022), falling below the targeted level of 5%.

Tanzania's achievements are a testament to its enduring macroeconomic stability and government structural reform agenda, fostering growth and leveraging its vast resources and strategic geographical location. Over the past ten years, Tanzania has consistently maintained an impressive average GDP growth rate of 5.5%, showcasing its robust and resilient economic performance.

This growth, underpinned by political stability, a growing workforce, and abundant natural resources, positions Tanzania as an attractive investment destination. Projections from the IMF and other institutions indicate that Tanzania is poised for even stronger economic growth, further solidifying its position as a favorable business and investment destination.

Tanzania's economic potential is further bolstered by its rapidly growing population, one of the world's fastest-growing. The 2022 Population and Housing Census results reveal that Tanzania's population reached 61.7 million in August 2022. The census data indicates a 37% increase in population between 2012 and 2022, reflecting an average annual growth

rate of 3.2%. This places Tanzania as the third-highest country in terms of population growth rate globally, indicating a significant potential consumer market for investors.

Strengths that make Tanzania an attractive investment destination

Tanzania is an attractive place for business and investment due to several factors including:

- Government Support and Economic Reforms:** The Tanzanian government has worked on economic reforms to create a more investor-friendly environment. The government's capacity to support investment and the financial service sector remains high, indicated by a positive outlook on the sovereign rating and structural reforms. The Government's Tanzania Development Vision 2025 and the Five-Year Development Plan (FYDP III) set ambitious goals for reducing poverty and industrializing the country to achieve middle-income status by 2025.
- Political stability:** Tanzania is politically stable, which creates a conducive environment for businesses to operate and prosper.
- Population Demographics:** According to the 2022 census, Tanzania has a population of about 61+ million people. It has the largest population in East Africa and is Africa's fourth-most populous country. The country's population has been increasing (3% per annum), with over 60% aged under 25 years.
- Market access:** Tanzania's strategic geographic location provides access to markets in neighboring countries and beyond. The country is a gateway to six (6) Landlocked Countries: Uganda, Rwanda, Burundi, DR Congo, Zambia & Malawi.



- **Natural resources:** Tanzania is rich in natural resources such as gas, minerals, and uranium, which are yet to be fully exploited.
- **Agricultural land:** Tanzania has vast arable land for agricultural investment, accounting for 44% of the country's 945,087 km².
- **Availability of workforce:** The labor market in Tanzania is readily available with skilled and semi-skilled workers who are ready and available to work in various industries.
- **Room for further expansion:** Tanzania is part of the East African Community, offering opportunities for businesses to grow and expand beyond its borders into countries like the Democratic Republic of Congo, Burundi, Rwanda, and Uganda
- **Moody's Rated B2 Positive Outlook:** Moody's Investors Service revised the outlook on Tanzania to positive from stable and affirmed the "B2" (LT- foreign currency) credit rating.

Key Outlook

Tanzania's medium-long-term outlook remains positive, with the country set to continue to benefit from a stable political environment and macroeconomic policies that have allowed it to sustain 6% to 7% growth rates in previous years. The World Economic Outlook Update by the International Monetary Fund (IMF) for January 2024 indicates a positive economic outlook for Tanzania in 2024. The IMF projects that the country's real GDP will experience a growth rate of 6.1% in the same year. Additionally, consumer prices are expected to increase to 4%. This growth is primarily driven by an increase in the cost of goods and services and the expansion of the services sector on the supply side. The strong growth of the private sector, public investment, improved business climate, favorable global macroeconomic conditions, and supply chain constraints are expected to reinforce output growth further.

Climate Changes Issues

Climate change poses significant challenges to various sectors, namely agriculture, manufacturing, and energy. These sectors are particularly vulnerable to the impacts of climate change, such as droughts that directly affect agricultural productivity and reliable power supply. In the 2021 Global Climate Risk Index (GCRI), Tanzania ranks 67th, highlighting its exposure to climate-related risks. The 2015 National Development Council (NDC) review estimated that climate shocks impose economic costs equivalent to approximately 1% of the country's GDP. The Tanzanian government has implemented policies to enhance climate resilience to address these challenges. Notable initiatives include the National Climate Change Strategy 2021–2026, the Zanzibar Climate Change Strategy, and the Environmental Management Act Cap. 191. Tanzania's NDC targets reducing greenhouse gas (GHG) emissions by 10–20% by 2030, focusing on promoting clean technologies. This commitment aligns with the objectives outlined by the African Development Bank.



The Banking Sector

The banking sector demonstrated resilience against shocks as banks maintained adequate capitalization, liquidity, and profitability. Banks experienced growth in assets and deposits, indicating a positive business and digital penetration trend. As a result, Tanzania's banking sector registered an after-tax profit of TZS 1.6 trillion in 2023, a 70% growth compared to the previous year. The non-performing loan ratio declined to 4.3%, and the Cost to income ratio stood at 50.7% (2022: 54%). Loan and advance growth accelerated to reach TZS 36.1 trillion. Strong

economic growth, increased credit, and an improved operating environment contributed to the sector's solid performance.

The sector is anticipated to sustain its growth trajectory, supported by prudent policies and regulatory measures implemented by the Bank of Tanzania. The government's unwavering commitment to fostering a favorable business and investment environment will also contribute to its continued growth.

NMB Market Share Compared Against the Overall Banking Sector (TZS Bn)



Overall Banking (Assets) #2



Total Deposits #1



Net Loans and Advances #2



Total Income #1



Net Profit Before Tax #1



NMB Banking Sector



CEO's Statement

“The year’s achievements underscore NMB’s continuing role as one of the engines for economic prosperity and unlocking new opportunities for clients and stakeholders. We are indeed humbled and honored by our clients and shareholders’ trust and the dedication of our employees, who have propelled us to achieve these historical milestones.”

Ruth Zaipuna
Chief Executive Officer



Record Breaking Performance



Net Profit

545

TZS Billion

up 26% from TZS 432 billion in 2022



Total Revenue

1.4

TZS Trillion

up 18% YoY



Total Assets

12.2

TZS Trillion

up from 19% YoY

Record performance

On behalf of the Management and colleagues, I am pleased to state that, 2023 was a year of solid performance, with profit before tax of TZS 775 billion (26% up compared to 2022) and a 29% ROE. Our total revenue increased by 18% compared to the previous year, reaching TZS 1.4 trillion in 2023. We also saw substantial efficiency gains, with the Cost-to-income ratio decreasing 30bps to 39%. The growth pace for main income drivers is accelerating, and we have observed increased revenue momentum across all business segments.

The Bank’s balance sheet strengthened further, as our total assets reached an all-time high of TZS 12.2 trillion, an 18% increase compared to TZS 10.2 trillion in 2022. We attained this growth through a broad-based balance sheet growth driven by a combination of high loan growth, prudent investment in government securities coupled with commendable customer deposit growth. We remain well-capitalized and have a solid capital position. Our Total Capital Adequacy ratio of 23.26% provides a sufficient buffer to undertake our strategic initiatives and implement

our medium-term plan smoothly. We strengthened our credit risk management, maintaining our loan portfolio quality stable, with an NPL ratio of 3.2%, well below the regulatory threshold of 5%.

Strategic focus and milestones

The execution of our 5 years medium-term plan is well on track, evidenced by solid progress along strategic initiatives. To drive loyalty and accelerate the financial inclusion agenda, we expanded our network coverage by opening four new branches and onboarding over 11,000 new agents, reaching 28,295 Agents in 2023. In turn, we were able to onboard over 1.2 million new customer accounts.

Our effort to create a future-proof, technologically driven bank, NMB continues to yield positive results. Consequently, 96% of all transactions are currently being conducted through alternative banking channels, and remarkably, 84% of the newly onboarded retail customers’ accounts were opened digitally through our DSS Onboarding App.

In 2023, significant strides were achieved in advancing our key strategic projects, characterized by ambitious goals spanning all business segments and a steadfast commitment to meticulous execution. Our unwavering dedication to disciplined implementation of our Medium-Term Plan 2025 remains unwavering as we strive to meet and exceed our financial and non-financial targets for 2024 and beyond.

Creating a better place to work

Our commitment to developing and retaining a highly skilled workforce is crucial for accomplishing our Strategy. We have intensified our efforts in talent acquisition, nurturing growth, and fostering development by continuously enhancing our staff’s skills through ongoing learning opportunities. During the year, we increased the staff budget for learning and career development by 8% to support our colleagues’ educational and professional development. The calibre of our employees can be demonstrated through internal promotions, with internal appointments accounting for 59% of total hires. Thus, productivity per full-time employee (FTE) increased to TZS 386 million in 2023 (TZS 342 million: 2022).

Sustainability at forefront

At NMB Bank, we believe that the Sustainability agenda is not just a corporate responsibility but a strategic imperative integral to driving business resilience, innovation, competitiveness, and long-term value creation. By embracing sustainability as a core business principle, we continue supporting sustainable and responsible growth, including delivering the UN Sustainable Development Goals (SDGs) and purposefully championing the transition to a net zero economy.

In 2023, we invested over TZS 6.2 billion in our community and sustainability-related initiatives. The bank dedicated TZS 4.2 billion, equivalent to 1% of the bank’s 2022 Profit After Tax, to support a range of Corporate Social Investment (CSI) initiatives in health, education, entrepreneurship, and financial literacy areas. Additionally, a separate allocation of TZS 2 billion was explicitly earmarked for advancing climate change and sustainability projects, demonstrating the bank’s commitment to social responsibility and environmental stewardship.



We also continued to lead the sustainability agenda by issuing the first sustainability bond in East Africa, amounting to TZS 400 billion, to finance eligible green and social projects. In recognition, we have been named “The Best Bank for CSR (Euromoney)” and “The Best Commitment to ESG Principles” in 2023 (the International Banker).

The quality of our governance principles also continues to improve markedly and remains a distinguishing factor for us. In 2023, the Global Business & Finance Magazine named NMB “The Safest Bank in Tanzania,” while the Tanzania Revenue Authority named us “the Largest and Most Compliant Taxpayer in Tanzania.”

These achievements undoubtedly highlight our continued market leadership status. Euromoney has again (10x times in 11 years) named us “the Best Bank in Tanzania,” further underscoring NMB’s market leadership position.



African’s Banking CEO of the year 2023 (Tanzania)

awarded by Africa Bank 4.0 Awards

Best Banking CEO Tanzania 2023

awarded by World Economic Magazine

Outlook

Delivering our Strategic Plans in 2024 and Beyond

Our commitment remains unwavering in 2024 and beyond. We seek to create sustainable value beyond financial returns through our banking products, solutions, and operations. We will continue to take a long-term view in our decision-making, focusing on delivering superior results and solid returns. We will champion a practical transition to a low-carbon economy while balancing Tanzania’s unique needs for continuous economic growth, poverty reduction, and financial inclusion. With the opportunities that lie ahead, we believe we are on course to continue being a force for positive impact in Tanzania and beyond.

Appreciations

I would like to express my sincere gratitude to our Board, shareholders, regulators, the Government, our valued customers and staff. Thank you all for your continued support.

As we look ahead to the future, I am filled with excitement and optimism. We will remain focused on our strategy, innovation, community involvement, and providing our customers with the highest level of service.



Taarifa ya Afisa Mtendaji Mkuu

“Mafanikio ya mwaka huu yanadhihirisha mchango na jukumu endelevu la NMB katika ustawi wa kiuchumi na kufungua fursa mpya kwa wateja na wadau wote. Kwa hakika tunajivunia imani ya wateja na wanahisa wetu pamoja na kujitoa kwa wafanyakazi wetu, ambao wametusaiaid kufikia hatua hizi muhimu za kihistoria.”

Ruth Zaipuna
Afisa Mtendaji Mkuu



Mafanikio ya Utendaji Imara



Faida Baada ya kodi

TZS

545

Bilioni

Imeongezeka kwa 26% kutoka Shilingi 432 bilioni mwaka 2022



Jumla ya Mapato

TZS

1.4

Trilioni

Imeongezeka kwa 18% kutoka mwaka 2022



Jumla ya Mali

TZS

12.2

Trilioni

Imeongezeka kwa 19% kutoka mwaka 2022

Mafanikio ya kiutendaji

Kwa niaba ya Menejimenti na Wafanyakazi wenzangu, napenda kuwafahamisha ya kwamba, mwaka 2023 ulikua mwaka wa mafanikio makubwa kwa Benki yetu ya NMB. Faida ya Benki kabla ya Kodi imeongezeka kwa asilimia 26 hadi kufikia Shilingi bilioni 775 ikilinganishwa na mwaka 2022, huku uwiano wa faida na mtaji ukifikia asilimia 28.6. Kuongezeka kwa faida katika mwaka 2023, ni matokeo ya kuongezeka kwa jumla ya mapato halisi kwa asilimia 18 na kufikia kiasi cha shilingi trilioni 1.4 mwaka 2023. Tumeweza kuongeza ufanisi kwa kiasi kikubwa, uwiano wa gharama za uendeshaji kwa jumla ya mapato umeimarika na kufikia asilimia 39. Menejimenti itaendelea kuwekeza katika teknolojia ili kuleta tija katika utoaji wa huduma kwa wateja.

Mizania ya Benki imeimarika zaidi huku ikiongezeka kwa asilimia 18 na kufikia Shilingi trilioni 12.2 ukilinganisha na shilingi trilioni 10.3 mwaka 2022. Kuongezeka kwa mali kulitokana na kuongezeka kwa amana za wateja, kuongezeka kwa mikopo iliyotolewa kwa wateja wetu pamoja na uwekezaji katika dhamana za Serikali.

Benki imeendelea kuwa na mtaji wa kutosha huku ikiwa na utoshelevu wa mtaji wa asilimia 23.26 ikiwa ni juu ya asilimia 14.5 inayotakiwa na Benki Kuu. Utoshelevu wa mtaji wetu unatupa nafasi ya kutosha kuendelea kuwekeza zaidi kwenye kukuza biashara ya Benki yetu. Menejimenti inaendelea kusimamia na kudhibiti viashiria vya hatari, kwa mwaka 2023 tumeweza kudhibiti kiwango cha mikopo chechefu huku uwiano wa mikopo chechefu na jumla ya mikopo ghafi ukishuka na kufikia asilimia 3.2 chini ya kiwango cha udhibiti cha asilimia 5 kilichowekwa na Benki Kuu.

Mafanikio ya Mipango ya Kimkakati

Utekelezaji wa Mpango Mkakati wetu wa muda wa kati umeendelea kuwa thabiti, nidhamu yetu katika utekelezaji wa malengo yetu imeendelea kutupa matokeo chanya, mafanikio yetu yamekua ya kujivunia kwa kila mmoja wetu na tumeendelea kuwa mstari wa mbele kabisa katika kuwajumuisha wataanzania wote katika sekta rasmi ya kifedha. Mwaka 2023 tumefanikiwa kuongeza takribani

akaunti mpya milioni 1.2 katika huduma za kibenki na ili kuwafikishia Watanzania huduma za kifedha karibu, tulifanikiwa kufungua matawi mapya manne na kuongeza idadi ya mawakala wetu wanaotoa huduma za kibenki hadi kufikia 28,295.

Sambamba na utekelezaji wa mkakati wetu wa miaka mitano tumeendelea kuwekeza kwenye teknolojia ili kurahisisha upatikanaji wa huduma zetu. Hadi kufikia Disemba 2023, asilimia 96 ya miamala yote ya wateja wetu ilikua ikifanyika nje ya matawi yetu kupitia huduma zetu za kidijitali. Sambamba na hilo tumefanya maboresho makubwa kwenye mifumo yetu ya usajili wa wateja na hivyo ninayo furaha kwamba asilimia 84 ya wateja tuliowafungulia akaunti, zilifunguliwa kwa njia ya kidijitali kupitia maafisa mauzo wetu.

Mazingira bora ya kazi

Ahadi yetu ya kuendeleza na kuwa na wafanyakazi wenye upeo na weledi wa hali ya juu imeendelea kuwa msingi wa utekelezaji wa mpango mkakati

wetu. Tumeendelea kuimarisha juhudi katika kutafuta na kuendeleza vipaji vya watu wetu. Mwaka 2023 tuliongeza bajeti ya mafunzo kwa asilimia 8 ili kuwawezesha wafanyakazi wetu kujiendeleza kitaaluma na kielimu. Tija ya watu wetu iliongezeka hadi kufikia kiasi cha shilingi milioni 386 kwa kila mfanyakazi ukilinganisha na shilingi milioni 342 mwaka 2022. Hii ni ishara ya kwamba uwekezaji tunaoufanya kwa watu wetu umeendelea kuzaa matunda.

Uendeleu na Uwekezaji kwa Jamii

Ndani ya Benki ya NMB tunaamini ya kwamba ajenda ya uendeleu si tu uwajibikaji katika jamii bali pia ni mkakati katika kuimarisha biashara, uvumbuzi, ushindani na uendelezaji thamani wa muda mrefu. Kama Benki kiongozi tunaendelea kuwa mstari wa mbele kwenye agenda ya uendeleu na kwa kufanya hivyo tumeweza kusaidia katika kutimiza ajenda ya Umoja wa Mataifa kuhusu maendeleo endelevu na kuchangia katika kupunguza uzalishaji wa hewa ya ukaa.



Mwaka 2023, tuliendelea na sera yetu ya kutenga asilimia moja ya faida yetu kuisaidia jamii inayo tuzunguka, tulitenga jumla ya shilingi bilioni 6.2 kutumika katika uwekezaji kwenye uendelevu na huduma za jamii, kati ya hizo jumla ya shilingi bilioni 4.2 zilitumika katika uwekezaji kwa jamii ikijumuisha hospitali, mashule na Elimu ya kifedha na ujasirimali, huku shilingi bilioni 2 zikitumika kugharamia shughuli za utunzaji mazingira na Uendelevu ikijumuisha upandaji wa miti milioni 1.2 nchi nzima.

Mwaka 2023 ulikua wa kipekee pia kwani tuliweza kutoa hati fungani ya kwanza ya uendelevu katika ukanda wa Afrika Mashariki. Kupitia hati fungani hii, tuliweza kukusanya jumla ya kiasi cha shilingi bilioni 400 zitakazo tumika katika kukopesha miradi ya uendelevu. Katika kutambua juhudi zetu kwenye uendelevu jarida la Euromoney liliitaja Benki ya NMB kama Benki bora Tanzania katika uwajibikaji kwa jamii (CSR) huku jarida la 'The International Banker' likikutambua kama Benki Bora katika ufuataji wa misingi ya Mazingira, Jamii na Utawala bora.

Ubora wa kanuni na sera zetu kuhusu utawala bora zimeendelea kuimarika kwa kiasi kikubwa na hilo ndio limekua jambo linalo tutofautisha na wengine. Mwaka 2023 jarida la 'Global Business & Finance' liliitaja Benki ya NMB kama Benki salama zaidi Tanzania huku Mamlaka ya Mapato Tanzania ikitupatia tuzo ya Mlipa kodi mkubwa zaidi na anayejali kanuni na sheria za kodi Tanzania.

Mafanikio haya bila shaka yanaonesha nafasi na ukubwa wetu katika soko, aidha jarida la Euromoney tena kwa mara ya 10 ndani ya miaka 11 limetutaja NMB kama Benki bora zaidi Tanzania hii ni uthibitisho wa uimara na ubora wetu katika soko.

Mustakabali wetu

Tunapiga hatua katika kuiboresha Benki kuwa na ufanisi mzuri wa kibiashara unaochangia kuboresha utendaji. Dhamira yetu ni kuendelea kuifanya NMB kuendelea kuwa Benki kinara na kuongeza thamani kwa watu wetu na washirika wetu huku tukiendelea kuongeza faida kwa wawekezaji wetu. Tutaendelea kuwa mstari wa mbele katika kufanikisha upunguzaji wa uzalishaji wa hewa ya ukaa na kuendelea kutilia mkazo katika uwekezaji kwenye uendelevu. Fursa nyingi ziko mbele yetu tunaahidi kuendelea kuwa kinara katika kugusa jamii ya wataanzania.

Shukrani

Napenda kutoa shukrani zangu za dhati kwa bodi yetu, wanahisa, mamlaka za usimamizi, Serikali, wateja wetu na wafanyafakzi wenzangu, kwa kuwa chachu ya mafanikio ya Benki yetu ya NMB.

Tunapotazama mbele katika siku zijazo, ninayo imani ya kuwa, Benki yetu itadumisha muenendo bora wa kiutendaji na kiufanisi, huku tukiendelea kuimarisha mchango wa Benki katika maendeleo endelevu ya kiuchumi na kijamii kwa manufaa mapana ya Taifa letu.



CFO's Statement

“In 2023, the Bank’s total income reached a staggering TZS 1.4 trillion, a remarkable 18% increase from TZS 1.2 trillion in 2022. This earned growth was primarily driven by the robust expansion of our net interest income (NII), which surged by 19% to TZS 937.2 billion from TZS 786.4 billion in 2022.”

Juma Kimori
Chief Financial Officer



Since we set our 2023 targets in November 2022, the global economy has experienced significant macroeconomic headwinds, with foreign exchange liquidity and rising interest rates impacting the banking industry. Despite the challenges, the Bank has made significant progress against its strategic objectives, achieving growth in its core businesses, and maintaining balance sheet strength while advancing digital transformation and its Sustainability agenda.

Thanks to the quality of our business model and the disciplined execution of our strategy, we have achieved historic results that we can all be proud of. Our record profit was driven by exponential loan book growth, double-digit deposit growth, solid portfolio quality, and significant efficiency gains. Profit Before Tax grew by 26% to TZS 775 billion, and Profit after tax increased by 26% to TZS 545 billion from TZS 432 billion in 2022. These profitability levels mark a historic new high for the bank and the Tanzania financial services sector, reinforcing our commitment to delivering value to our stakeholders.

Our balance sheet remains a pillar of strength, with total assets reaching TZS 12.2 trillion by the end of 2023, marking a robust 19% YoY increase. This growth is primarily attributed to the Bank’s expanding deposit base and loan book, which have grown by 11% and 28%, respectively.

Strong income momentum

In 2023, the Bank’s total income reached a staggering TZS 1.4 trillion, a remarkable 18% increase from TZS 1.2 trillion in 2022. This impressive growth was primarily driven by the robust expansion of our net interest income (NII), which surged by 19% to TZS 937.2 billion from TZS 786.4 billion in 2022. Our non-funded income (NFI) also experienced a healthy growth of 16% YoY, reaching TZS 468.4 billion compared to TZS 402.1 billion in 2022.

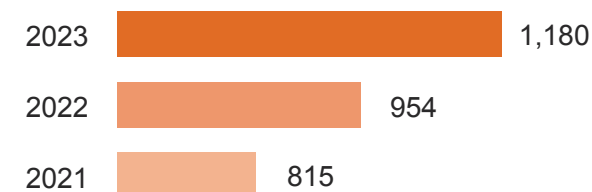
Net Interest income

The NII had robust performance in 2023, primarily due to 42% growth in earning assets to TZS 9.3 trillion from TZS 6.6 trillion in 2022; this is the highest net interest earned by a bank since its inception in 1997.

The Bank continues to optimize its balance sheet to increase earnings from its assets. Interest earned from Loans and Advances to customers amounted to TZS 958.8 billion, up 24% from 2022. Interest earned from investments in Government securities grew by 24% YoY to TZS 208.8 billion, following a TZS 17% YoY increase in investments in debt securities.

Interest expenses significantly increased in 2023, to TZS 246 billion from TZS 167 billion (47% YoY), due to the rising interest rate environment in Global markets. This pushed the cost of deposits and borrowing higher in the industry than the previous year. The bank continues to deploy several deposit mobilization initiatives geared towards further fortifying our funding base and maintaining liquidity position within acceptable levels for sustainable growth momentum.

Interest Income (TZS Bn)



Non-funded income

In 2023, we made tangible progress against our revenue diversification strategy and improved our digital delivery platforms, allowing our clients to access services conveniently, quickly, and seamlessly.

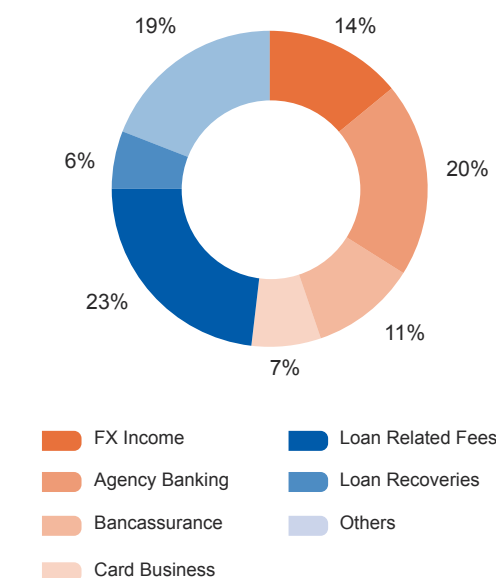
As a result, non-interest income increased by 16% to TZS 468.4 billion, significantly contributing to the bank’s revenue and representing 33% of total income in 2023.

The following highlights the significant changes across NFI segments.

- Forex trading income increased by 37% to TZS 65.8 billion, primarily driven by increased client

activity on foreign currency transactions and the rise in cross-border activities.

- Agency banking income rose by TZS 6.5 billion, primarily driven by improving the service delivery model and revamping the agency banking channel. Thus, onboarding more than 11,000 new agents/wakala, closing the year with 28,295 nationwide and bringing our banking services closer to our customers.
- The revitalization of NMB Mkononi resulted in a 28% income growth, reaching TZS 86.9 billion.
- Card business income increased by 11% to TZS 33 billion.



Significant efficiency gains

Top-line growth saw total operating expenses increase by 10% YoY, based on broad-based investment in the business’s growth. Meanwhile, we improved our cost-to-income ratio by 30 basis points to 39%, maintaining disciplined cost management and enhancing productivity.

In implementing our Medium-Term Plan (2021-2025), we have increased our efficiency in the past five years by adopting a cost-optimization approach encompassing digitalization and investment in our people to increase productivity.

Robust liquidity, funding, and Resilient 2023 Performance

Net Profit



545.2

TZS billion
up 26% from TZS 432 billion in 2022

Return on Equity



28.6%

up from 26% in 2022

Total Capital Adequacy Ratio



23.26%

up from 23.09% in 2022

Dividend Per Share



361 TZS

up from TZS 286 in 2022

Net Asset Value Per Share



4,185 TZS

up 24% from TZS 3,375 in 2022

3-Year Total Share Performance

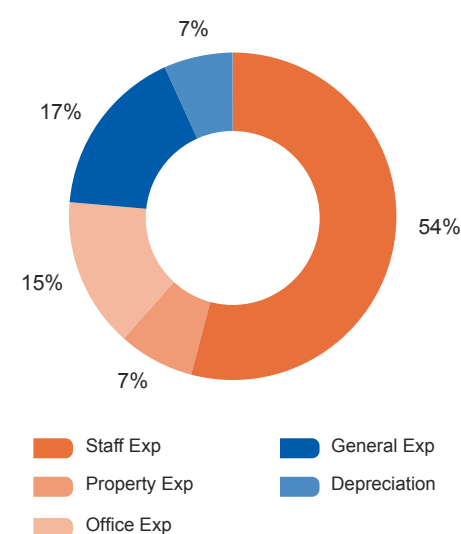


+92%

Continuously refining our Cost-to-Income ratio has been a strategic focus, with a notable emphasis on optimizing operational efficiencies.

Consequently, our cost-to-income ratio has significantly improved compared to the period before the MTP, when it peaked at 59% in 2018.

To enhance productivity, over 50% of our operational costs are dedicated to investing in our workforce.

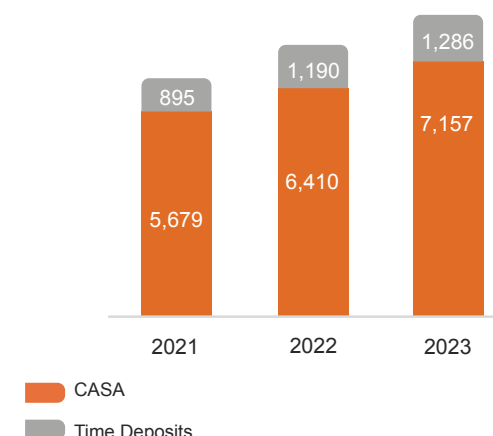


Well-managed and Optimised balance sheet with Robust Asset Quality

Total assets increased significantly to TZS 12.2 trillion, driven by increased customer Loans and Advances and prudent investment in Government securities. Our portfolio remains healthy and of high quality. Customer Deposit growth in the Retail and Wholesale segments remained strong throughout the year, albeit slower than our loan velocity.

Despite the deceleration of the overall credit growth to the private sector in the economy from 23% in 2022 to 17% in 2023, our loan portfolio grew by 28% YoY in 2023, reaching TZS 7.7 trillion driven by loans growth.

Total deposits amounted to TZS 8.5 trillion in 2023, representing an 11% YoY growth from TZS 7.6 trillion in 2022. This growth reflects the positive results of improved customer experience and disciplined execution of our deposit mobilization strategies during the year. Robust Customer deposits growth was mainly supported by wholesale banking customer deposits growth of 21%, amounting to 3.7 trillion. CASA continues to account for a large share of total Customer deposits.



Capital position

We remain highly liquid and well-capitalized with a stable funding mix. The Bank's liquidity surplus continues to comfortably exceed both regulatory requirements and our prudent internal risk appetite metrics, ensuring a substantial buffer in the event of any outflows.

We also further improved our funding mix. Low-cost current and savings account (CASA) balances comprise 85% of our total Customer Deposit base, up from 84% in 2022. Current and savings account balances grew strongly by over 12.5% YoY to TZS 7.2 trillion.

We maintained a strong capital position with a Tier 1 capital ratio of 23.25% (2022: 23.08%) and a total capital ratio of 23.26% (2022: 23.09%). Therefore, the bank retains a significant capital management buffer over the regulatory minimum requirement of 12.5% for core capital and 14.5% for total capital. Overall, our balance sheet continued to be supported by high levels of capital and liquidity, enabling us to grow our business with customers while meeting additional regulatory requirements.

Asset Quality

Asset quality remained strong as net charge-offs remained low. Impairment charges closed the year 4% higher than that recorded in 2022 on account of the accelerated growth of our loan book. The non-performing loan-to-gross loans ratio remains stable at 3.2% compared to 3.1% in 2022, and it is below the industry level of 4.3% and the regulatory minimum of 5%. The stability in the NPL ratio was due to the disciplined execution of our prudent credit risk management strategies. NPL coverage remains strong at 96%, and the cost of risk remains low at 1.06%.

Taxation

We paid TZS 555.4 billion in taxes during the year, a 19% increase compared to TZS 467.3 billion last year. Furthermore, we were named the country's largest and most compliant taxpayer. It is the second year we have been named the largest and most compliant taxpayer in Tanzania by tax authorities, reflecting our commitment to regulatory compliance.

Sustainability and governance

Our commitment to responsible banking practices and high governance standards continues to set us apart. In 2023, our bank was honored as 'The Safest Bank in Tanzania' and received four sustainability and three taxpayer awards. Additionally, we have effectively raised and introduced the NMB Jamii Bond, marking a milestone in our sustainability initiatives.



Bank's Financial Highlights

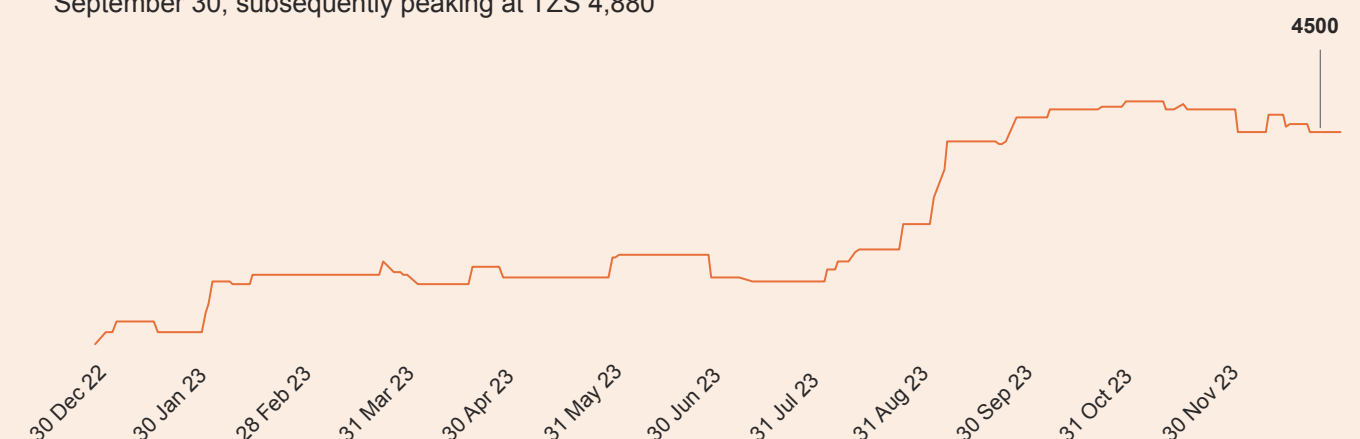
Bank's Five-Year Summary	2023	2022	2021	2020	2019
<i>Selected Income Statement Items (TZS million)</i>					
Non-Funded Income	468,380	402,132	305,838	268,295	204,409
Total Income	1,405,618	1,191,768	985,678	839,460	726,784
Total Operating income	1,321,183	1,110,588	872,549	720,148	626,374
Total Operating expenses	546,382	495,423	454,524	418,868	410,513
Total Impairment Charges	84,435	81,180	113,129	119,312	100,410
Total profit After Tax	545,207	431,672	292,149	210,300	144,739
<i>Selected Balance Sheet Items (TZS million)</i>					
Net loans and advances to customers	7,706,925	6,014,603	4,653,933	4,108,891	3,590,006
Customer deposits	8,465,608	7,594,832	6,662,889	5,325,450	4,916,551
Total assets	12,179,562	10,234,552	8,681,421	7,058,631	6,417,427
Total risk-weighted Assets	8,311,135	6,708,624	5,209,540	5,310,036	4,988,790
Total shareholders Fund	2,092,577	1,690,030	1,354,566	1,131,145	969,102
Total liabilities	10,086,985	8,544,522	7,326,855	5,927,486	5,448,325
<i>Returns to shareholders</i>					
Basic earnings per share (TZS)	1,090	863	584	420	289
Dividend per share (TZS)	361	286	193	137	96
Dividend cover	3	3	3	3	3
Net asset value per share (TZS)	4,185	3,380	2,709	2,262	1,938
<i>Ratios (%)</i>					
Return on average Shareholders Fund	29	25	21	18	11
Return on average Total assets	5	4	3	3	2
Return on average Risk-weighted assets	7	6	6	4	3
Earning Assets To Total Assets	83	80	77	79	73
NPL Ratio	3	3	4	5	7
Gross loans and advances to Total Deposits	95	82	73	78	73
Cost-to-income ratio	39	42	46	50	57
Non-interest income to gross income	33	34	31	32	28
<i>Capital adequacy ratios</i>					
Tier 1 Capital	23.3	23.1	23.8	19.3	17.1
Total Capital	23.3	23.1	24.6	20.6	18.5

Creating Investor Value

The year ended positively for NMB's share price, with a remarkable 49% increase YoY to TZS 4,500 from TZS 3,020 as of December 31, 2022 (37% YoY in USD terms). This exceptional performance surpassed market indices, with DSEI declining by 6.8%, TSI expanding by 10.9%, and the Banking and Investment Market Index registering a growth of 34%. The robust upswing in NMB's shares can be ascribed to the strong performance and dividend payout —following the impressive results in the first half of 2023, there was a significant 33% increase in share price during Q3 2023, reaching TZS 4,600 on September 30, subsequently peaking at TZS 4,880

and finally settling at TZS 4,500 by the end of the year. As a result, NMB's market capitalization soared to TZS 2.25 trillion in 2023.

NMB shares maintained high liquidity within the marketplace. Throughout the year, an aggregate of 6.4 million NMB shares exchanged hands, amassing a total turnover of TZS 26.16 billion and constituting 12% of the overall market turnover. Over this review period, trading prices fluctuated between the highest at TZS 4,880 and the lowest at TZS 3,000.



	2019	2020	2021	2022	2023
Share Price (TZS)					
Highest	2,340	2,340	2,340	3,140	4,880
Lowest	1,980	2,340	1,680	2,000	3,000
Average	2,330	2,340	2,209	2,769	3,859
Closing price	2,340	2,340	2,000	3,020	4,500
Volume traded	90,042	28,001,182	14,984,202	11,341,919	6,404,816
Market Capitalisation (TZS billion) (Based on Closing price)	1,170	1,170	1,000	1,510	2,250
Ratios					
Price-to-earnings ratio (Based on average price)	8.06	5.57	3.78	3.31	3.54
Price-to-NAV (number of times) (Based on Average price)	1.2	1.03	0.82	0.82	0.92
Dividend yield (%) (Based on Average price)	4.12	5.85	8.74	10.33	N/A



Taarifa ya Afisa Mkuu wa Fedha

“Katika mwaka wa Fedha wa 2023, Benki ilifikia rekodi mpya ya mapato, ambapo, mapato ya jumla yaliongezeka kwa asilimia 18 kutoka shilingi trilion 1.2 mwaka 2022 hadi kufikia shilingi trilion 1.4 mwaka 2023. Mapato haya yamechangiwa na ongezeko la mikopo kwa wateja na uwekezaji kwenye dhamana za Serikali, pamoja na ongezeko la miamala ya kibenki.”

Juma Kimori
Afisa Mkuu wa Fedha



Tangu tulipoandaa mkakati wa Benki na kupanga malengo yetu kwa mwaka 2023, uchumi wa dunia umepitia changamoto mbalimbali huku kupanda kwa riba kukiathiri sekta ya kibenki duniani kote. Pamoja na changamoto hizo Benki yetu ya NMB imeweza kufanya vizuri katika utekelezaji wa mpango mkakati wake, huku tukishuhudia ukuaji mzuri wa biashara yetu, uliochagizwa na ukuaji bora na kuimarika kwa mizania ya Benki. Katika kipindi hiki, pia Benki ilifanikiwa kuongeza uwekezaji katika mageuzi ya teknolojia na ajenda nzima ya maendeleo endelevu.

Hivyo basi, katika nyanja mbalimbali za kiutendaji na kiufanisi, mwaka 2023 ulikua mwaka wa kipekee na wa kujivunia kwa kila mmoja wetu. Kutokana na dhamira yetu ya kuhakikisha tunaendelea kukuza thamani ya mchango wa Benki kwa wadau wote, tumeshuhudia matokeo bora na ya kihistoria, huku Benki ikiendelea kukua zaidi ikilinganishwa na mwaka 2022. Katika kipindi hiki, Faida ya Benki kabla ya kodi imekua kwa asilimia 26 kufikia shilingi bilioni 775, huku Faida baada ya kodi ikifikia shilingi bilioni 545 kutoka shilingi bilioni 432 kwa mwaka 2022. Faida hii inatokana na kuongezeka kwa ufanisi, kukua kwa mizania ya Benki, ubora na umakini katika kusimamia mikopo, na kuongezeka kwa miamala ya wateja katika kipindi hiki cha nusu ya kwanza ya mwaka.

Matokeo haya yanaifanya Benki kuweka historia nyingine ya kuongoza wa kiutendaji nchini Tanzania, kwa kupata faida kubwa zaidi kuwahi kutokea katika sekta ya kibenki nchini Tanzania, na hivyo kuivunja rekodi tuliyoiweka mwaka 2022. Msisitizo na dhamira yetu ni kuhakikisha tunaendelea kupata matokeo bora, yenye mchango chanya katika uchumi wa taifa letu, wanahisa na wadau wengine wote wa Benki, ikiwemo jamii inayo tuzunguka. Katika kuhakikisha hili, Benki imeendelea kuweka misingi imara itakayo hakikisha tunaendelea kukua na kutoa gawio la kutosha kwa wanahisa wetu.

Mizania ya Benki pia imeendelea kukua hadi kufikia shilingi trilion 12.2 kwa mwaka 2023 ikiwa ni ongezeko la asilimia 19 ukilinganishwa na mwaka 2022. Ukuaji huu ulichagizwa zaidi na ukuaji wa asilimia 28 wa mikopo kwa wateja, pamoja na ongezeko la asilimia 11 la amana za wateja.

Mwenendo thabiti wa mapato

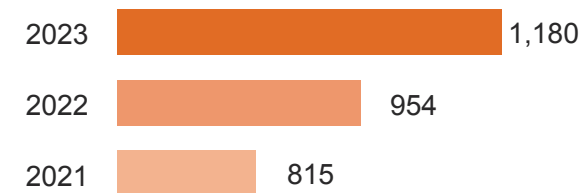
Katika mwaka wa fedha wa 2023, Benki ilifikia rekodi mpya ya mapato, ambapo, mapato ya jumla yaliongezeka kwa asilimia 18 kutoka shilingi trilion 1.2 mwaka 2022 hadi kufikia shilingi trilion 1.4 mwaka 2023. Mapato haya yamechangiwa na ongezeko la mikopo kwa wateja na uwekezaji kwenye dhamana za Serikali, pamoja na ongezeko la miamala ya kibenki.

Mapato Halisi ya Riba

Kutokana na ukuaji wa mikopo kwa wateja na uwekezaji kwenye dhamana za Serikali, mapato yatoakanayo na riba yameendelea kukua mwaka hadi mwaka. Ndani ya mwaka 2023 mapato ya riba yatoakanayo na mikopo yalikuwa kwa asilimia 24, na kufikia shilingi bilioni 958.8, huku mapato ya riba yatoakanayo na uwekezaji kwenye dhamana za Serikali yalikuwa kwa asilimia 14 na kufikia shilingi bilioni 208.8.

Gharama za riba kwa mwaka 2023 zilishuhudia ongezeko la asilimia 47 hadi kufikia shilingi bilioni 246 ukilinganisha na shilingi bilioni 167 mwaka 2022, hii ni kutokana na kuongezeka kwa viwango vya riba katika masoko ya kifedha hivyo kusababisha kuongezeka kwa gharama za riba kwenye amana na mikopo kwenye sekta ya kibenki ukilinganisha na kipindi kilichopita. Benki imeendelea kuchukua hatua mbalimbali za kimkakati zenye lengo la kukuza amana za wateja zenye gharama nafuu na hivyo kupunguza ukuaji wa gharama za riba.

Mapato ya Riba (TZS Bn)

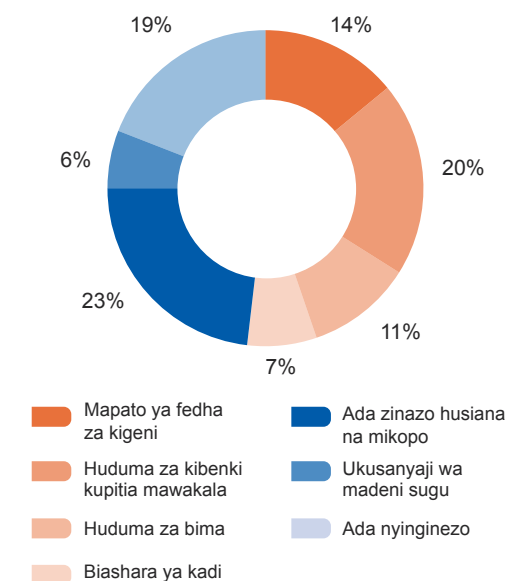


Mapato yasiyo ya Riba

Benki imeendelea kufanya vizuri katika utoaji wa huduma mbalimbali na uboreshaji wa mifumo yetu ya Kidijitali ili kuhakikisha wateja wetu wanaendelea kupokea huduma zetu kwa uharaka na urahisi zaidi bila changamoto yoyote. Mwaka 2023 tumeshuhudia ongezeko la matumizi mbadala ya njia za Benki kidijitali hivyo kupelekea ongezeko la mapato yasiyo ya riba kwa asilimia 16 hadi kufikia shilingi bilioni 468, ikiwa na hivyo kuchangia zaidi ya asilimia 34 ya mapato yote ya Benki kwa mwaka 2023.

Vidokezo vifuatavyo vinaangazia mabadiliko makubwa ya Mapato yasiyo ya Riba:

- Kuongezeka kwa mapato yasiyo ya riba mwaka 2023 kumechangiwa zaidi na ongezeko la asilimia 37 ya faida itokanayo na miamala ya fedha za kigeni hadi kufikia shilingi bilioni 65.8.
- Baada ya kufanya mapitio ya mfumo wetu wa NMB wakala tumeweza kuongeza idadi ya mawakala zaidi ya elfu kumi na moja (ongezeko la asilimia 42 mwaka hadi mwaka) hivyo kupelekea kuongezeka kwa mapato yatoakanayo na huduma za NMB wakala kwa kiasi cha shilingi bilioni 6.5 (ongezeko la asilimia 19 mwaka hadi mwaka).
- Vile vile, mapato yatoakanayo na huduma za NMB Mkononi yaliongezeka kwa asilimia 28 hadi kufikia shilingi bilioni 86.9. Ongfezeko hili linatokana na maboresho ya kidijitali tuliyoyafanya mwaka 2023.
- Mapato kutokana na matumizi ya kadi yameongezeka kwa asilimia 11 na kufikia shilingi bilioni 33.



Mafanikio makubwa ya ufanisi

Benki imeendelea kuwa na ufanisi mzuri wa kifedha, sanjari na juhudi zake za kuendelea kuboresha ufanisi katika maeneo yote ya uendeshaji Benki. Mwaka 2023, gharama za uendeshaji ziliongezeka kwa asilimia 10 kutokana na mkakati wetu wa



Ukwasi Imara, Ufadhili na Unyumbulifu katika Utendaji kwa mwaka 2023

Faida halisi



TZS
545.2
Bilioni

Imeongezeka kwa 26% kutoka shilingi 432 bilioni mwaka 2022

Faida ya Mtaji



28.6%

Imeongezeka kutoka 26% mwaka 2022

Uwiano wa mtaji wa Jumla



23.26%

Imeongezeka kutoka 23.09% mwaka 2022

Gawio kwa kila Hisa



TZS
361

Limeongezeka kutoka shilingi 286 mwaka 2022

Thamani Halisi ya Mali kwa kila Hisa



TZS
4,185

Imeongezeka kwa 24% kutoka shilingi 3,375 mwaka 2022

Jumla ya Malipo ya Wanahisa ya Miaka 3



+92%

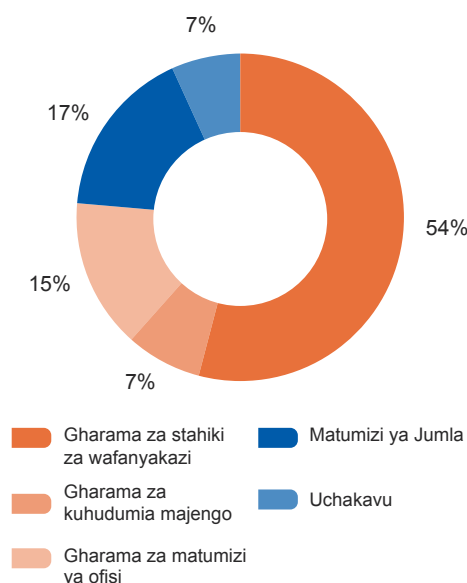
Ongezeko la Bei ya Hisa ndani ya miaka 3

kuwekeza kwenye ukuaji wa biashara, teknolojia na uwekezaji kwa watu wetu. Nidhamu yetu katika udhibiti wa matumizi umeendelea kuleta matokeo Chanya huku uwiano wa gharama za uendeshaji na jumla ya mapato ukiimarika kwa alama 30 hadi kufikia asilimia 39 mwaka 2023 kutoka asilimia 42 mwaka uliopita.

Benki inaendelea kuwekeza kwenye maeneo ya kimkakati huku ikitilia mkazo nidhamu ya matumizi na kuimarisha zaidi ufanisi wa utendaji wetu.

Tangu kuanza utekelezaji wa Mpango Mkakati wetu wa muda wa kati, Benki imeshuhudia kuimarika kwa hali ya juu kwa ufanisi na nidhamu ya matumizi. Mafanikio haya yanatokana na uwekezaji mkubwa tunaoufanya kwenye mageuzi ya kidijitali, rasilimali watu, hivyo kushusha gharama za uendeshaji kutokana ongezeko la tija, lakini pia kuchagiza ongezeko zuri la mapato, hivyo kusababisha kuimarika kwa ufanisi na kupunguza uwiano wa gharama za uendeshaji na jumla ya mapato kutoka kiwango cha juu cha asilimia 59 mwaka 2018.

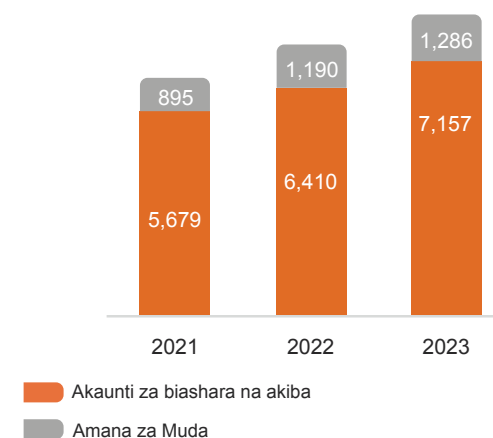
Ili kuongeza tija, zaidi ya asilimia 50 ya gharama zetu za uendeshaji mwaka 2023 zilitumika kwenye kuwekeza kwa wafanyakazi.



Mizania imara

Mizania ya Benki iliongezeka kwa kiasi kikubwa na kufikia jumla ya shilingi trilion 12.2. Ukuaji huu wa mizania umechangiwa na ongezeko la thamani ya mali na dhima pamoja na uwekezaji kwenye dhamana za Serikali. Ubora wa mikopo yetu kwa wateja imeendelea kuimarika zaidi. Mwaka 2023, mikopo iliyotolewa kwa wateja iliongezeka na kufikia shilingi trilion 7.7 mwaka 2023 sawa na ongezeko la asilimia 28 ikilinganishwa na mwaka uliotangulia.

Pia tumeendelea kushuhudia kuimarika kwa ukuaji wa amana za wateja, ikiwa ni kiashiria cha ubora wa huduma zetu, na ukaribu wetu kwa wateja. Amana za wateja ziliongezeka kwa asilimia 11% na kufikia trilion 8.5 mwaka 2023 zinazodhihirisha matokeo ya juhudi tunazozifanya katika kuboresha huduma kwa wateja. Benki inaendelea na juhudi mbalimbali katika kuimarisha huduma na kutoa masuluhisho mbalimbali ili kuendelea kuifanya Benki ya NMB kuwa chaguo namba moja kwa Watanzania katika mahitaji ya huduma za kibenki.



Mtaji Madhubuti

Benki imeendelea kuwa na mtaji madhubuti, pamoja na ukwasi wa kutosha. Hali hii inatokana na ubora wa udhibiti wa sera zetu za udhibiti wa viashiria vya hatari ili kuhakikisha tunakuwa na mtaji na ukwasi wa kutosha wakati wote. Mtaji wa Benki umeendelea kuwa madhubuti kwani uwiano wa utoshelevu wa mtaji mkuu ulikua asilimia 23.25 huku uwiano wa

utoshelevu wa mtaji jumla ukiwa asilimia 23.26, yote ni juu ya asilimia 12.5 na asilimia 14.5 mtawalia inayohitajika kikanuni. Mtaji wetu unatupa nafasi ya kutosha kufanikisha malengo yetu ya kukua na kuhimili changamoto yoyote ya kiudhibiti inayoweza kujitokeza.

Ubora wa Mikopo

Ubora wa mali kwa ujumla umeendelea kuwa mzuri huku tendo la mikopo isiyolipika likipanda kidogo kwa asilimia nne ukilinganisha na mwaka 2022. Benki inaendelea kuimarisha mahusiano na wateja na ukusanyaji wa madeni sambamba na uimarishaji wa taratibu za utoaji wa mikopo. Uwiano wa mikopo chechefu kwa mikopo ghafi ulikua asilimia 3.2 mwaka 2023 karibia sawa na kiwango cha asilimia 3.1 kilicho rekodiwa mwaka 2022, uwiano huu umebakia chini ya uwiano wa sekta na matakwa ya kikanuni ya asilimia 4.3 na asilimia 5 yaliyowekwa na Benki Kuu ya Tanzania.

Kodi

Katika mwaka 2023 tumelipa kodi jumla ya shilingi bilioni 555.4 ikiwa ni ongezeko la asilimia 19 ukilinganisha na shilingi bilioni 467.3 ya mwaka 2022. Aidha, tulitajwa kuwa mlipa kodi mkubwa zaidi na anaefuata kanuni na sheria za kodi Tanzania. Huu ni mwaka wa pili mfululizo Benki inatajwa kuwa mlipakodi mkubwa zaidi na wanaofuata sheria na kanuni zaidi na Mamlaka ya Mapato, hivyo kudhihirisha dhamira yetu ya kufuata kanuni na taratibu.

Ajenda ya uendeleu na utawala bora

Azma yetu ya kuwa Benki inayowajibika kwa Jamii na yenye utawala bora inaendelea kutupambanua. Mwaka 2023, Benki yetu ilipata tuzo ya 'Benki Salama Zaidi Tanzania' na kupokea tuzo nne za uthabiti na nyingine tatu za mlipa kodi. Zaidi ya hayo, tumefanikiwa kutoa hati fungani ya NMB Jamii, ikiwa ni hatua muhimu katika mipango wetu wa uendeleu.



Makadirio ya Kifedha ya Benki

Muhtasari wa Miaka Mitano wa Benki	2023	2022	2021	2020	2019
<i>Vipengele Vya Taarifa ya Mapato Vilivyochaguliwa (TZS milioni)</i>					
Mapato yasiyo ya Mtaji	468,380	402,132	305,838	268,295	204,409
Jumla ya Mapato	1,405,618	1,191,768	985,678	839,460	726,784
Jumla ya mapato ya uendeshaji	1,321,183	1,110,588	872,549	720,148	626,374
Jumla ya gharama za uendeshaji	546,382	495,423	454,524	418,868	410,513
Jumla ya tengo la mikopo isiyolipika	84,435	81,180	113,129	119,312	100,410
Jumla ya faida baada ya Kodi	545,207	431,672	292,149	210,300	144,739
<i>Vipengele Vya Mizania Vilivyochaguliwa (TZS milioni)</i>					
Mikopo Halisi kwa wateja	7,706,925	6,014,603	4,653,933	4,108,891	3,590,006
Amana za wateja	8,465,608	7,594,832	6,662,889	5,325,450	4,916,551
Jumla ya mali	12,179,562	10,234,552	8,681,421	7,058,631	6,417,427
Uwiano wa Mikopo Isiyo na Vihatarishi	8,311,135	6,708,624	5,209,540	5,310,036	4,988,790
Jumla ya Mtaji wa wanahisa	2,092,577	1,690,030	1,354,566	1,131,145	969,102
Jumla ya Dhima	10,086,985	8,544,522	7,326,855	5,927,486	5,448,325
<i>Mapato kwa Wanahisa</i>					
Mapato kwa kila hisa (TZS)	1,090	863	584	420	289
Gawio kwa kila Hisa (TZS)	361	286	193	137	96
Uwezo wa Gawio	3	3	3	3	3
Thamani halisi ya mali kwa kila hisa (TZS)	4,185	3,380	2,709	2,262	1,938
<i>Uwiano (%)</i>					
Uwiano wa Faida baada ya Kodi na Wastani wa mtaji wa Wanahisa	29	25	21	18	11
Uwiano wa Faida baada ya Kodi na Wastani wa Mali	5	4	3	3	2
Wastani wa Uwiano wa Mikopo Isiyo na Vihatarishi	7	6	6	4	3
Uwiano wa mali zinazozalisha na Jumla ya Mali	83	80	77	79	73
Uwiano wa mikopo chechefu	3	3	4	5	7
Uwiano wa mikopo na amana	95	82	73	78	73
Uwiano wa Gharama na Mapato	39	42	46	50	57
Uwiano wa mapato yasiyo ya riba na Mapato ghafi	33	34	31	32	28
<i>Uwiano wa Utoshelevu wa Mtaji</i>					
Uwiano Mtaji Mkuu	23.3	23.1	23.8	19.3	17.1
Uwiano wa mtaji wa Jumla	23.3	23.1	24.6	20.6	18.5

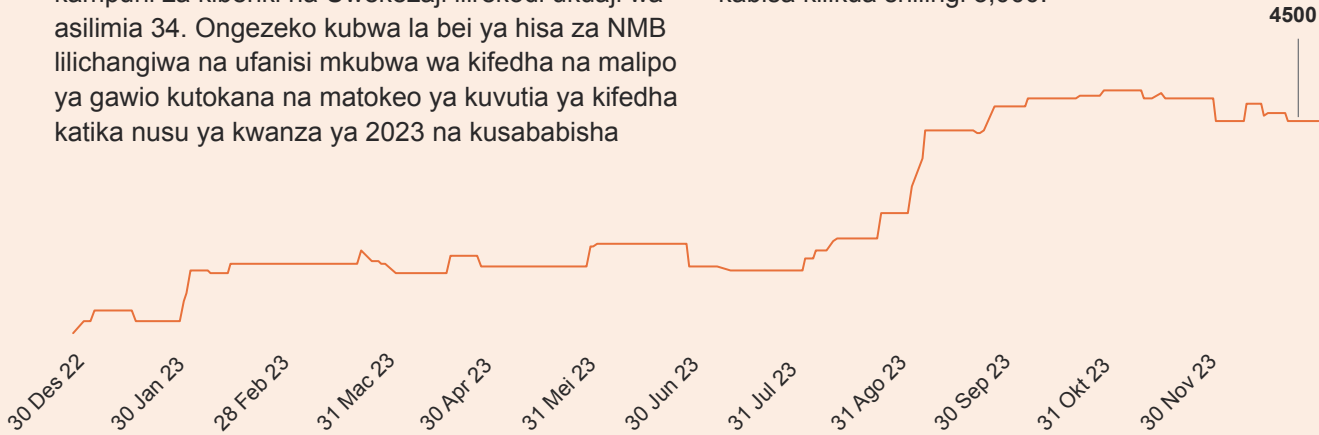
Kuongeza thamani kwa wanahisa

Ufanisi na matokeo ya kihistoria ya kiutendaji, vimekuwa na matokeo Chanya kwenye bei ya hisa za NMB na ukubwa wa mtaji katika soko la hisa na hivyo kuleta matumaini makubwa kwa wanahisa wetu.

Mwaka ulimalizika vema kwa bei ya hisa za NMB ikiongezeka kwa asilimia 49 mwaka hadi mwaka kufikia shilingi 4,500 kutoka shilingi 3,020 Desemba 31, 2022 (37% mwaka hadi mwaka kwa viwango vya Dola ya Marekani). Ongezeko hili lilizidi viashiria vya soko ambapo fahirisi ya soko jumla (DSEI) ilipungua kwa asilimia 6.8, wakati fahirisi ya kampuni za ndani (TSI) iliongezeka kwa asilimia 10.9, huku fahirisi ya kampuni za kibenki na Uwekezaji ilirekodi ukuaji wa asilimia 34. Ongezeko kubwa la bei ya hisa za NMB lilichangiwa na ufanisi mkubwa wa kifedha na malipo ya gawio kutokana na matokeo ya kuvutia ya kifedha katika nusu ya kwanza ya 2023 na kusababisha

ongezeko kubwa la asilimia 33 la bei ya hisa katika Robo ya Tatu ya mwaka 2023 kufikia shilingi 4,600, Septemba 30. Bei ya hisa ilifikia kiwango cha juu cha shilingi 4,880 kabla ya kupungua hadi kufikia shilingi 4,500 mwishoni mwa mwaka. Matokeo yake, mtaji wa soko wa NMB ulipanda hadi shilingi trilioni 2.25 mwaka 2023.

Hisa za NMB ziliendelea kuwa na ukwasi mkubwa sokoni. Kwa mwaka mzima, kulikuwa na jumla ya hisa za NMB milioni 6.4 zilizouzwa na kukusanya jumla ya mauzo ya shilingi bilioni 26.16 ikiwa ni 12% ya mauzo yote ya soko. Mwaka 2023, kiwango cha juu kabisa cha bei kilifikia shilingi 4,880 na cha chini kabisa kilikua shilingi 3,000.



	2019	2020	2021	2022	2023
Bei ya Hisa (TZS)					
Bei ya juu zaidi	2,340	2,340	2,340	3,140	4,880
Bei ya chini	1,980	2,340	1,680	2,000	3,000
Wastani wa bei ya hisa kwa mwaka	2,330	2,340	2,209	2,769	3,859
Bei ya kufungia hisa	2,340	2,340	2,000	3,020	4,500
Kiasi kilichouzwa na kununuliwa	90,042	28,001,182	14,984,202	11,341,919	6,404,816
Thamani ya mtaji (TZS bilioni)*	1,170	1,170	1,000	1,510	2,250
Uwiano					
Uwiano ya bei ya hisa kwa pato la kila hisa**	8.06	5.57	3.78	3.31	3.54
Uwiano ya bei ya hisa kwa thamani ya kila hisa**	1.2	1.03	0.82	0.82	0.92
Faida ya gawio kwa bei ya hisa	4.12	5.85	8.74	10.33	N/A

*Kulingana na bei ya kufungia

**Kulingana na wastani wa bei ya hisa kwa mwaka



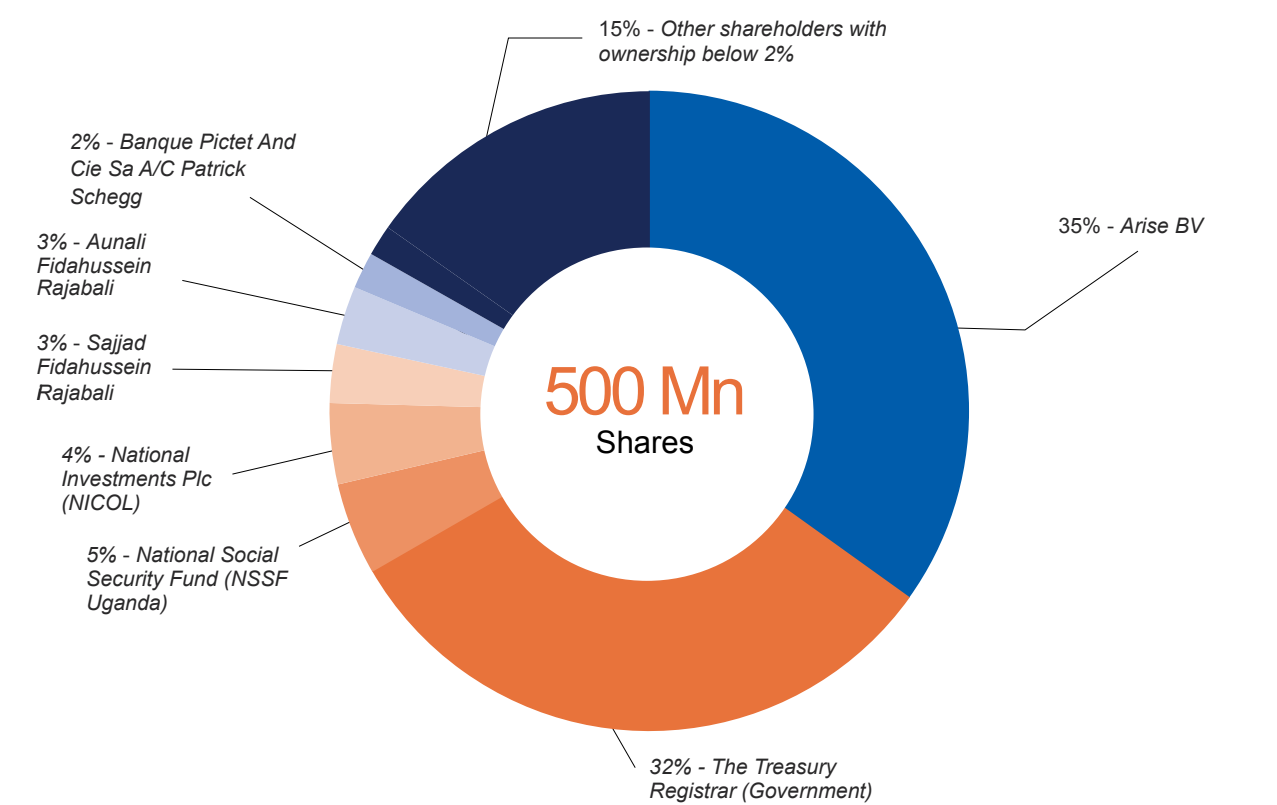
Market Capitalization

As of 31 December 2023, NMB had a market capitalisation of TZS 2.25 trillion, making it the largest bank and fifth-largest listed company in East Africa, after Safaricom (TZS 8.9 trillion), Tanzania Breweries Ltd. (TZS 3.2 trillion), and MTN Uganda (TZS 2.5 trillion). This success reflects solid financial stability and leadership, which has garnered significant confidence from the investment community.

#Rank	Company name	Country	Industry	Market cap (TZS bn)
1	Safaricom Plc	Kenya	Telecommunication	8,920
2	Tanzania Breweries Limited	Tanzania	Manufacturing & Allied	3,216
3	MTN Uganda Ltd	Uganda	Telecommunication	2,527
4	Airtel Uganda	Uganda	Telecommunication	2,482
5	NMB Bank plc	Tanzania	Banking	2,250
6	Equity Group Holdings Plc	Kenya	Banking	2,034
7	Vodacom Tanzania Plc	Tanzania	Telecommunication	1,725
8	Tanzania Cigarette Company Plc	Tanzania	Manufacturing & Allied	1,700
9	East African Breweries Ltd	Kenya	Manufacturing & Allied	1,444

Ownership

The total number of shareholders as of 31 December 2023 is estimated to be 17,014 (2022: 17,078, 2021: 17,358). None of the Directors holds significant shares in the Bank.



Distribution based on December 2023 share ownership.

Dividend Policy

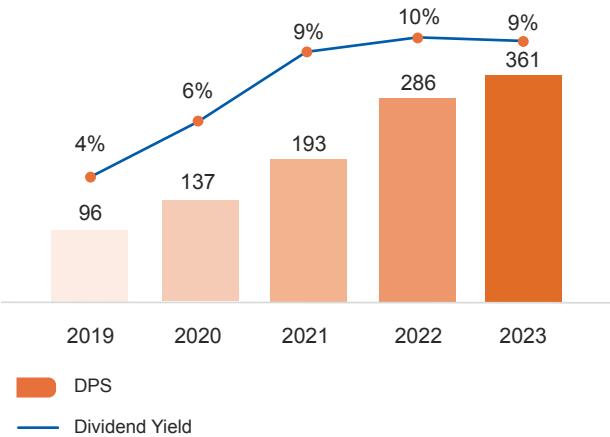
The Bank has established a Dividend Policy which governs dividend payout. Dividend payout is proposed by the Board in line with the Policy, and approved by its shareholders at the Annual General Meeting. The directors also consider the provisions of the Companies Act 2002 and the Banking and Financial Institutions Act 2006 regarding dividend payouts.

Dividend Payout

The Directors proposed a dividend payment of TZS 361 per share amounting to TZS 180,975 million out of 2023 profit. In 2023, a dividend of TZS 286 per share, amounting to TZS 143,125 million, was approved and paid for the year ended 31 December 2022.

The dividend payout ratio for NMB Bank remained unchanged, being 1/3 of profit after tax. The bank's dividend payments have shown stability and growth over the past 10 years, and its dividend yield averaging 6.36%.

Dividend Overview



Our Shares

NMB Bank PLC's shares are listed on the Dar es Salaam Stock Exchange (DSE). It is a publicly listed company under the NMB ticker. NMB Bank PLC holds a license under the Capital Markets and Securities Act of 1994, allowing it to be traded on the Dar Es Salaam Stock Exchange. The share registration for NMB Bank Plc. is identified by the ISIN number TZ1996100222.

Our Corporate Bonds

Information regarding the trading tickets of listed NMB Corporate bonds in the Dar es Salaam Stock Exchange and Luxemburg Stock Exchange.

NMB JAMII BOND_TZS

NMB-2023/26. T1A
ISIN: TZ1996105270
NMB BOND TRANCHE 1 (SUSTAINABLE/JAMII)
Interest rate: 9.5%

NMB JAMII BOND_USD

NMB-2023/26.T1B
ISIN: TZ1996105213
NMB BOND TRANCHE 1 (SUSTAINABLE/JAMII)
Interest Rate: 6-Month USD Term SOFR + 2.50%

NMB JASIRI BOND

NMB-2022/25.T4
ISIN: TZ1996104463
NMB JASIRI BOND TRANCHE 4
Interest Rate: 8.50%





Recognition in 2023

Most compliant taxpayer
awarded by TRA.

**Largest Taxpayer in the category of
Financial Institutions in Tanzania**
awarded by TRA.

**Institution paying the largest taxes in
Tanzania (All Sectors)**
awarded by TRA.

Best Bank for CSR in Tanzania 2023
awarded by Euromoney.

**Best Commitment to ESG Principles
Tanzania 2023**
awarded by International Banker

**Best Corporate Social Responsibility
Initiative Tanzania 2023**
awarded by Global Business & Finance
Magazine

Safest Bank in Tanzania 2023
awarded by Global Business & Finance

Proactive Engagement with Our Investor Community

We have conducted over

20+

interactions with investors, analysts, and rating agencies through a combination of virtual discussions, conference calls, and face-to-face meetings. These interactions have aimed to present our strategy, highlight our performance, and provide valuable insight into our prospects.

Conducted quarterly results briefings for the investment community and media.

Annual General Meeting held in June 2023 with all resolutions passed with an average approval rate above

90%

Coverage by over

10

research analysts.

Timely and relevant disclosures of financial performance, corporate information, and material announcements on NMB's website

Stable Credit rating

B2+

Stable

2024 Investors Calendar

The following were key events to engage the investment community in 2024.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2024	4Q and FY23 results briefing, press conference and live webcast.	2023 Annual General Meeting	AFSIC Conference 2024	3Q results briefing
	FY'23 Investors Call	1Q23 Results Briefing, Investor call and live webcast.	2Q and 1H23 results briefing, Investor Call and live webcast	Post results meeting with investors
	ARISE B.V Annual Conference	Investors Breakfast		
		Integrated Annual Report Issuance		

Investor Relations Contacts

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While outside Tanzania +255 808 002 002





Business
Segments



Retail Banking

Flibert Mponzi
Chief Retail
Banking



Retail Banking Total Income



1.05

TZS Trillion
Up 17.8% from TZS 893 Bn in 2022

Retail Banking Total Loans



5.9

TZS Trillion
Up 16% from TZS 5.2 Tn in 2022

Retail Banking Total Deposits



5.3

TZS Trillion
Up 10% Year on Year

Delivering excellent results

NMB's Retail Banking had a strong year in 2023, delivering strong income and balance sheet growth while continuing to strengthen its customer base through strategic investments in digital infrastructure and technology.

We prioritize delivering an unmatched customer experience by carefully assessing customer requirements and introducing proposals that align with their expectations. Consequently, we have accomplished a remarkable 17.8% growth in overall revenue, surging from TZS 893 billion in the previous year to TZS 1.05 trillion in 2023. Additionally, we have achieved strong operational efficiency gains by leveraging resources like technology and human capital while maintaining a prudent approach to cost management and implementing disciplined risk management strategies.

Retail loans and advances grew 15% YoY to TZS 5.9 trillion in 2023. Asset growth levels were sustained in line with the strategy, with strong double-digit growth in the portfolio reflecting deepened customer engagements, improved customer value propositions, and enhanced customer acquisition and retention strategies. Retail deposits also grew steadily, increasing by 10% YoY to TZS 5.3 trillion, with continued enhancements in product development and propositions supporting further strengthening the deposit base.

Maintaining our dedication to a customer-centric ethos is at the heart of our strategy and subsequent success. Our continued commitment to technological and digital investment has paved the way for a seamless, integrated Customer Journey, streamlining the banking process while ensuring security for our customers. The enhancement of our State-of-the-art Mkononi app in 2023 marked another milestone, offering Strong security and convenience on our digital banking platforms. It also

facilitated more expedient processes and provided more optimal payment services. Our digital services continued to attract interest among new customers, evidenced by a 6% uptick in NMB Mkononi App users tallying over 5 million by year-end and clinching an impressive rate with 96% of all retail-related transactions performed digitally.

We sustained a strong Net Promoter Score for our Retail banking at 59 for the year as a testament to our ongoing efforts to uplift service standards and Quality. This focus has yielded strong growth in our customer base, welcoming 1.2 million new customers, resulting in impressive double-digit growth of low-cost customer deposits. Retail Banking total deposits have had a considerable ascent along with robust expansion in Retail Banking's overall loan portfolio compared to last year.

In our Private Banking business tailored for High-net-worth clients, we've launched innovative offerings and strategies to leverage emerging market prospects effectively. By enhancing the expertise of our relationship managers via specialized training and workshops, we have attracted additional clientele while bolstering our digital offerings. This arm of the business has been recognized as Tanzania's premier provider of quality private banking services based on client experience and earned the title of Best Private Bank in Tanzania for the year 2023 from Euromoney and International Bankers Award.

We launched the NMB-Kwetu (Diaspora) proposition, a proposition of its Kind in the country. NMB-Kwetu caters to both Tanzanian and non-Tanzanian diaspora members by offering a variety

of customized online banking experience that allows Diaspora clients to open Bank Accounts with NMB Bank, access their accounts, transfer funds, and manage personal finances from anywhere around the globe. NMB-Kwetu Proposition offers a seamless digital document collection portal, the first of its kind for a Tanzanian bank that provides the quickest account opening turnaround time for diaspora clients from anywhere in the world.

Digital and Technology

Our digitization agenda has demonstrated notable achievements, with our digital banking propositions increasingly facilitating the integration of digital solutions into our banking services a testament to our dedication to streamlining and enhancing banking services. This has resulted in a marked shift over recent years towards alternative banking channels. In 2023, 96% of customer transactions by volume were conducted digitally and 84% of our new customers were onboarded digitally.

In alignment with the trend toward cashless payment, we've capitalized on our digital payment system, NMB-Lipa Mkononi. This QR code-based payment method simplifies transactions for our customers, allowing them to make payments through QR scanning or via a payment reference number on their mobile devices. Our QR-code base increased by 22% in 2023. To continue leading in the cashless payment industry, we refined our merchant onboarding processes and enhanced POS terminal functionalities while strengthening and establishing strategic merchant partnerships culminating in a 5% and 13% year-over-year growth in merchants and POS terminals, respectively.

Our card solutions portfolio remains robust due to increased penetration rates, resulting in a total of 4.8 million cards, a 16% growth year-over-year and sustained advancement across all card products. We are committed to establishing strategic partnerships to further expand our card business.

Retail Non-Funded Income to Retail Total Income

31.2%

Down 70 bps from 31.9% in 2022





Awards

Best Private Bank for HNWI in Tanzania 2023 by Euromoney

Best Innovative retail Banking in Tanzania 2023 by Global Business Magazine

Best Retail Bank Tanzania 2023 by Global business Magazine

Best Private Bank in Tanzania 2023 by International Banker Awards

Best Innovation in Retail Banking in Tanzania 2023 by International Bankers Awards

Best Retail Bank 2023 by Global Banking & Finance awards

Best SME Bank in Tanzania 2023 by Global SME Finance Awards 2023



Bank for MSMEs: Leveraging MSMEs as Catalyst for Inclusive Growth

The backbone of the economy and society MSMEs in Africa are remarkably abundant and garner attention due to their significant economic impact. They play a crucial role in Africa's economic aspirations, with 95% of registered businesses falling under the MSME category.

These MSMEs contribute to 83% of private sector employment, making them a vital source of job opportunities. Additionally, micro companies employ 50% of all private sector workers in Africa and contribute to 50% of the region's GDP. Despite their importance, the MSME sector in Africa currently faces a funding gap of 331 billion dollars according to IFC (2018).

The MSME sector is crucial in driving the country's economic growth. At NMB, we take a proactive approach in supporting MSMEs through our business banking services. We offer a wide range of tailor-made products, services, advice, platforms, and solutions to cater for the unique needs of SMEs. We aim to help them achieve their vision, create employment opportunities, and generate wealth.

NMB products include loans, overdrafts, working capital finance, cash management products, trade finance solutions, and asset financing.

Loan Portfolio (TZS Bn)	2023	2022	2021
SME	213	299	213
MSE	379	68	379

Overall, the MSME asset book grew by 61% YoY.

Special Agriculture Fund

A Special Agriculture fund finances the agriculture value chain at an interest rate of 9% per annum, almost half the current market interest rate. Over TZS 250 billion has been issued as a revolving fund. The bank has taken this initiative to improve further access to credit for SMEs in the value chain, bridge the financing gap, drive sustainable growth of the sectors, boost productivity along the agriculture-value chains, manage post-harvest losses, and stimulate job creation.

Jasiri Bond's Impact to MSMEs

Initiatives such as Jasiri Bond have facilitated to reach more SMEs through sustainability credit-linked facilities.

Jasiri Loans	Number	2023	Number	2022
		TZS Bn		TZS Bn
Disbursed	3,078	57	3,205	74
To MSE	2,994	42	3,116	57
To SME	84	15	89	17

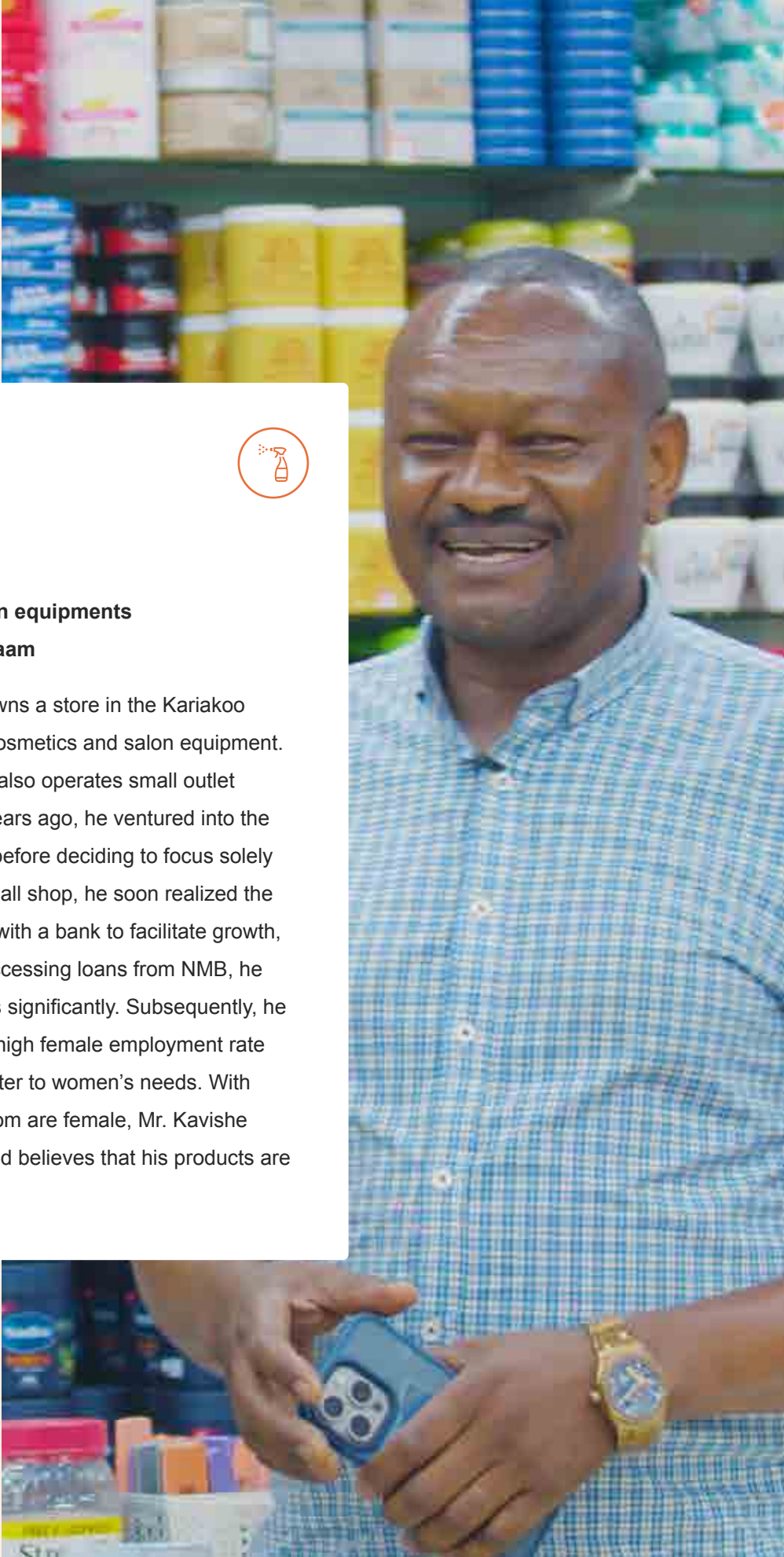
MSME beneficiaries of Jasiri Bond 2023 - 2022

Story



Name: **Lucas Kavishe**
 Business: **Cosmetics and Salon equipments**
 Location: **Kariakoo, Dar es Salaam**

Mr. Kavishe, an entrepreneur, owns a store in the Kariakoo area that specializes in selling cosmetics and salon equipment. In addition to his main store, he also operates small outlet shops in various locations. 15 years ago, he ventured into the cereal and cosmetics business before deciding to focus solely on cosmetics. Starting with a small shop, he soon realized the need to establish a relationship with a bank to facilitate growth, leading him to NMB Bank. By accessing loans from NMB, he was able to expand his business significantly. Subsequently, he obtained Jasiri funds due to his high female employment rate (over 33%) and products that cater to women's needs. With around 30 employees, 18 of whom are female, Mr. Kavishe takes pride in serving women and believes that his products are meeting their needs effectively.



Private Banking

The Private Banking continued to acquire new clients and deepen existing relationships in 2023. We closed 2023 with total client deposits of TZS 344 billion and a total loan book of TZS 172 billion.

We support our clients holistically by delivering unique and relevant products and solutions, including a full range of lending products and customized solutions for the private banking segment, to reflect the growing and emerging affluent market niche in rapidly developing Tanzania.

We also improved existing client relationships responsibly by continuing leveraging partnerships with other lines of business across the bank to continue to improve customer experience. Our partnership with Treasury banking, Wholesale Banking and Other Business segments in Retail Banking continues to yield benefits for our clients, helping us serve entire clients by delivering the full spectrum of our banking capabilities to each client.

Customer experience remains one of our major priorities and we have continued to demonstrate a relentless focus on our digital and people agenda. We continuously strive to serve our clients with greater speed, security, seamless and convenient banking services. In 2023, we launched new online and mobile features, such as the NMB-Kwetu a new proposition of its kind in the Tanzania Banking Industry, catering the needs of Our Diaspora clients, helping them to easily open an account digitally and access a growing number of banking services online anywhere around the world.

Today, we're proud to record 96% of clients' transactions were conducted digitally. We continue to introduce new features to help clients conduct their financial transactions digitally and seamlessly transfer funds. Furthermore, we continue to invest in our people to equip them with modernized and world class relationship skills.

To ensure smooth relationship management, Private Banking clients are assigned personal Relationship Managers. Clients can also connect in person to obtain specialised services in Private Banking lounges, which are strategically located across the country. Within the branch premises, a Private Banking personnel is assigned to assist clients in their immediate vicinity.



Awards

Best Private Bank for HNWI in Tanzania 2023 by Euromoney

Best Private Bank in Tanzania 2023 by International Banker Awards



Net Promoter Score

59

Strong brand, Customer advocacy, Accessibility, Competitive solutions

Customer Effort Score (CES)

93

High financial service experience and utility due to accessibility, financial ecosystem, and pan-banking initiatives

Customer Centricity

90

Top customer focus ethos

Customer Satisfaction

87

Strong positive feedback from customers

Complaints handling and redress management

Our goal is to provide exceptional solutions and services that meet our customers' expectations. We have invested in tools that help us better understand and serve our customers. While the number of complaints is small compared to the huge volumes of transactions, our strong governance, policies and checks to safeguard our goals, with procedures in place to handle complaints as per the Financial Consumer Protection Regulations 2019.

Creating better customer experiences

In our commitment to "delight customers", in 2023, we embarked on creating a customer experience framework (Customer Journey Mapping) to govern the identification, prioritisation, and implementation of customer experience improvements that will positively contribute to customer growth by removing barriers to customer onboarding, driving seamless transactions and customer engagement to enhance our service delivery and operational excellence.

Digital customer service support

The growth of digital products; as well as more customers transacting outside the branch, customers are also shifting to relying on digital service support; with 2M+ calls received in 2023 through FREE Contact Center # 0800 002 002 and over 1,000 social media messages per day.

Business Partners service support

In line with our aspiration to grow Wakalas and Merchants, we launched a dedicated FREE Partner Contact Center # 0800 002 001.

Diaspora service support

As part of NMB Kwetu (Diaspora customer proposition), we launched a dedicated Diaspora Contact Center # 0808 002 002.

Customer Experience Delivering Excellent Results



Wholesale Banking

Alfred Shao
Chief Wholesale
Banking



“Throughout 2023, Wholesale Banking sustained a consistent growth trajectory, showcasing commendable advancements in strategy execution while remaining flexible to adapt to evolving business landscapes while subscribing to a sustainability agenda.”

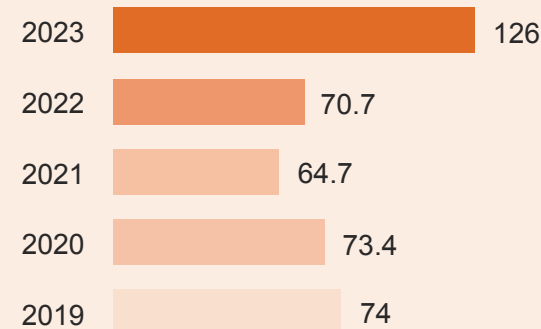
Total Interest Income



126

TZS Billion
Growth 78% YOY, 14% CAGR

Total Income
(TZS Bn)



Overview

NMB Bank is a prominent financial institution in Tanzania, serving a wide range of sectors and customers, including private and public institutions such as multinational corporations, agribusiness, mining, development partners, and government institutions. Our strength lies in our PanBanking approach, which aims to deliver a comprehensive set of services customized to address the unique requirements of our clients. These services include diverse solutions, such as structured financing, global digital transaction services (such as remittance, collections, payments, and integrations), cash management solutions, trade finance options, project financing, and deposit services. With our wide-ranging network, a diverse range of banking products, a strong presence in the domestic market, rich heritage, and profound industry knowledge, we harness these formidable capabilities to strengthen our commitment to becoming the favored financial service partner for Wholesale Banking customers.

Loans

In 2023, Wholesale Banking continued to grow steadily, achieving notable progress in implementing its strategies. We placed even greater emphasis on vital economic sectors, supporting our clients' expansion efforts. Our loan portfolio increased by 88% year-on-year to TZS 1.97 trillion, surpassing the five-year compound annual growth rate of 30%, thus enabling businesses to contribute to the country's overarching socioeconomic goals development.

While nurturing healthy loan book growth, we maintained a vigilant approach to asset quality through diligent liquidity and credit risk management efforts. This resulted in enhanced portfolio health and positive improvements in our asset book throughout 2023.

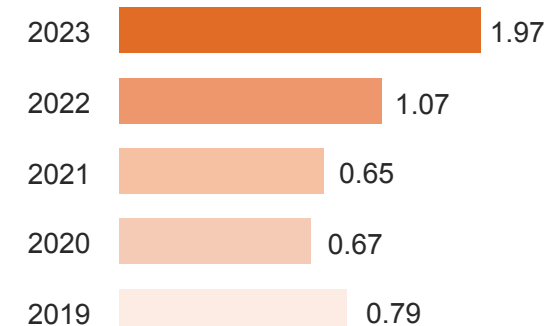
Loans



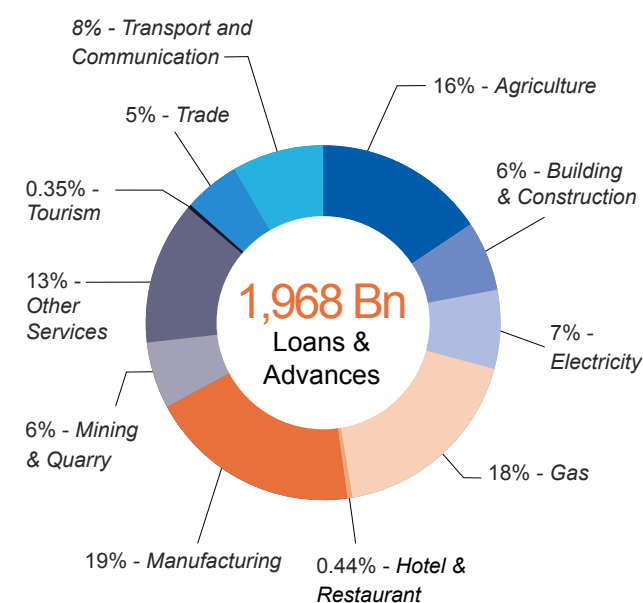
1.97

TZS Trillion
Growth 88% YOY, 30% CAGR

Loans
(TZS Tn)



Sector Coverage



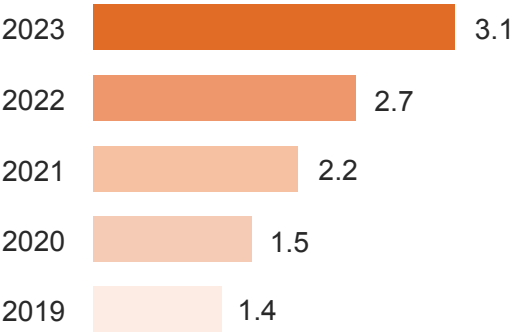
Deposits

Deposits increased by 14.8% YoY, reaching 3.1 trillion, reinforcing a robust foundation to support our sustainable growth initiatives. This growth reflects our dedication to fostering deeper customer relationships, crafting tailor-made solutions, and gaining a comprehensive understanding of their needs.

Deposits

3.1
TZS Trillion
Growth 14.8% YoY, 22% CAGR

Deposits (TZS Tn)



Product and Service Offerings

Full suite of wholesale banking solutions, including corporate lending, deposit-taking, trade-finance, and transactional banking.

- Structured Financing
- Syndications
- Asset Financing
- Project Financing
- Trade Finance
- Global Digital Transaction Services
- Term Deposits
- Chinese Desk

- Trust Accounts
- Call Accounts
- Internet Banking (NMB Direct)

Technology and Digital Initiatives

We upheld our commitment to delivering extensive client-centric solutions by leveraging innovative technology and seamless digital capabilities. Throughout 2023, we remained dedicated to advancing our digital agenda, aiming to elevate our ability to meet our clients' evolving needs.

Our internet banking platform, 'NMB Direct,' underwent continual enhancements, enriching functionalities and catering to our clients' banking requisites. The platform's integration with corporate clients' ERP systems augments user experience and convenience. Further augmenting the Internet banking platform remains a top priority, aligning with our vision of delivering unparalleled digital experiences and encouraging wider adoption of the solution.

Our integration with Hospital Management Systems is a prime example of revolutionizing payment processes. This advancement underlines our dedication to leveraging technology for the betterment of critical industries, ensuring swift, secure, and efficient payment collections.

Meanwhile, we're developing a comprehensive regional trade platform to address Africa's unique and evolving trade landscape. These initiatives aim to optimize financial transactions, increase efficiency, facilitate smoother cross-border trade, and stimulate economic growth within our region while leveraging Tanzania's strategic geographical position as a trade gateway.

Simultaneously, our integration with the insurance ERP system is another testament to our commitment to streamlining financial processes across industries. This initiative enables efficient collection of insurance premiums, providing convenience and reliability for insurers and policyholders.

Strategic Objectives and Future Outlook

- Focused efforts on fostering sustainable growth within Wholesale Banking.
- Driving sector-specific strategies to deepen market penetration and capitalise on growth prospects.
- Emphasis on end-to-end digital and technological enhancements to elevate client experiences, introduce new products, and streamline operations for greater efficiency.
- Strengthening collaboration with other businesses through an ecosystem approach to unlock opportunities within corporate supply and value chains.
- Prioritize ongoing professional development initiatives to empower our workforce and nurture a culture of growth and development within our workforce.
- Fortifying key strategic relationships and partnerships for mutual benefit.
- Focus on enhancing and revolutionising the client experience.
- Striving for operational efficiency and excellence in service delivery.
- Commitment to sustainable business practices that create enduring value.



Awards

Best Investment Bank Tanzania 2023 by Global Brands Magazine



Treasury

Aziz Chacha
Treasurer



Key Highlights

- Strong Growth in Government securities portfolio and Interest income.
- Raised Approximately TZS 400 billion in Jamii Bond Issuance.
- Disciplined execution of Treasury strategy.

Treasury Total Income



287.6

TZS Billion
Up 29% from TZS 223.5 billion in 2023

Treasury Non-Funded Income



73.0

TZS Billion
Up 36% from TZS 53.4 billion in 2022

Overview

The Treasury Business segment demonstrated a remarkable performance, supported by strong performance in various areas of the Treasury business, including investments in Government Securities, Interbank Placements, fixed-income trading, and a strategic increase in the utilization of alternative currencies for importation beyond the US dollar.

The Treasury Division has remained committed to effective Assets and Liabilities management and maintaining a sound investment portfolio thus far.

This wholesome strategic approach allowed us to manage the challenges posed by the headwinds of volatile global market conditions.

As a result, Treasury income increased by 29% to TZS 287.6 billion in 2023, up from TZS 223.5 billion the previous year.

The Treasury's Net interest income closed in 2023 at TZS 215 billion, a 26% increase from the preceding year. Non-interest income rose 36% to TZS 73.0 billion, with foreign currency dealings and translations income comprising 89% of total non-interest income gains of Treasury businesses. The overall outcome results from strategic investments in money market instruments and government securities amidst liquidity difficulties.

Total Treasury Assets



3.95

TZS Trillion
Up 6% from TZS 3.72 trillion in 2022

Liquid Assets Ratio



34%

Above 20% Regulatory Minimum

We also maintained a prudent investment portfolio to increase interest and trading income.

Guided by our robust assets and liability management, we continued diversifying our funding sources to protect our portfolio against high risk and market volatility. The Bank closed the year with relatively stable funding and liquidity positions within the regulatory limits.

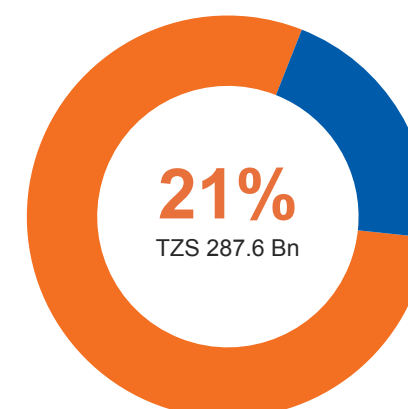
Borrowings remain well diversified over a range of currencies and maturities; total borrowings account for 14% of the Bank's total liabilities as of December 31, 2023.

Total Investment increased to TZS 2.3 trillion as of the end of 2023 from TZS 1.9 trillion a year earlier, with most of it being high-quality, low-risk government securities.

Our New MTN Programme

We successfully launched a 10-year Medium Term Note Programme. Under this Programme, we plan to raise TZS 1 trillion for on-lending activities, including conventional and sustainable projects. This will deepen NMB's impact in driving inclusive socio-economic and sustainable growth in Tanzania while positively driving the country's transition towards a green economy.

Contribution to the Bank's Total Income



Acquisition of Yetu Microfinance:

We completed the acquisition and integration of Yetu Microfinance Bank's assets and liabilities, which was under the statutory supervision of the Bank of Tanzania; meanwhile, our operations remained without disruption. The acquisition and integration process, encompassing customer base transition and assets and liabilities transfers, transpired smoothly without impacting existing customer service continuity.

Looking Forward

The outlook for 2024 remains positive. Economic indicators suggest sustained recovery from the pandemic and the spilling impact of recent geopolitical tensions. Inflation is projected to remain moderate, and interest rates are forecasted to normalize further. The investment climate and business confidence are expected to continue improving markedly.

We are committed to utilizing our resources and robust capabilities effectively, maximizing our solid balance sheet, and strengthening our client relationships to provide top-notch customer value propositions.

Championing the Sustainable Financing Agenda:

Jamii Bond

At NMB Bank, we firmly believe that business success and building a sustainable future must go hand in hand.

In line with our vision to champion a sustainable future through financing, in 2023, through the first tranche of our TZS 1 trillion Medium-Term Note (MTN) Program, we issued a dual-tranche sustainability bond, dubbed the NMB Jamii Bond. The inaugural sustainable bond raised TZS 212.9 billion and USD 73 Million, making the Jamii Bond the largest Sustainability Bond ever issued in the East African region.

The collective amount received from the Jamii Bond (TZS 400 billion in total) is more than three times the amount that was earlier approved by the Capital Markets and Securities Authority (CMSA) to raise at least TZS 75 billion with a green shoe of TZS 25 billion on the TZS Tranche and USD 10 million with a green shoe of USD 5 million on the USD Tranche.

Extraordinary Success of our Jamii Bond

- The landmark transaction marks our first Sustainability Bond under its current MTN, following the global award-winning, TZS-denominated 'debut Social Bond' (Jasiri Gender Bond) issued in 2022 under the previous MTN.
- The dual-tranche sustainability bond received robust demand from a wide range of investors, including local retail investors and

impact investors worldwide, further diversifying NMB's investor base and demonstrating the bond's broad appeal.

- The Target at the Opening was TZS 75 billion with a greenshoe option of up to TZS 25 billion in TZS Tranche and USD 10 Million with a green shoe option of up to USD 5 Million.
- The TZS tranche marked 284% oversubscription, mobilizing TZS 212.9 billion from the initial TZS 75 billion, while the USD Tranche marked 730% oversubscription, mobilizing USD 73 Million from the initial USD 10 Million
- Attracted over 5,600 Investors and collectively collected a historic amount of TZS 400 billion from both TZS and USD Tranche. This marks the largest Sustainability Bond ever listed in the history of our market.

"The success of our landmark dual-tranche and inaugural Sustainability Bond offering is even more exceptional against the volatile global market backdrop. Through this issuance and subsequent issuances under our Sustainable Financing Framework, we seek to embrace green financing and further demonstrate our unwavering commitment to making a positive environmental and social impact so that we can build a more resilient and brighter future for our country and the globe together."

We are very much aware that the market for sustainability bond issuance is growing at an impressive rate, and we look forward to unlocking new sustainability funding avenues in the future."

Aziz Chacha
Treasurer

Jasiri Bond Testimony



Name: **Amina Hamidu Mwakai**
Business: **Small Scale Fishing**
Location: **Manga Pwani Zanzibar**

Amina Hamidu Mwakai, a resident of Manga Pwani Zanzibar, successfully accessed a loan from NMB through Jasiri proceeds in 2023. Utilizing the loan, she ventured into the fish business specifically sardines, procuring two small fishing boats and employing six individuals, including two women. This enabled her to initiate and efficiently manage her business operations. Amina and her team, fish, prepare, and sell fried fish to both wholesale and retail customers. As a result of her new venture, Amina is now capable of offering improved financial assistance to her family and has accomplished the construction of her long-awaited dream house.

Allocation Status

Amount allocated as of Dec 2023

Since its issuance, Jasiri Bond has had a tremendous socio-economic impact.



Total Loans Disbursed

3,078

Total MSE Loans

2,994

Total SME's Loans

84

Total Agri Loans

47





Total App
downloads

1

Million

NMB Mkononi
Transactions

+61%

Increase to
134 million

Internet Banking
Transactions

+8%

Increase in Volume

Investing in
Digital Transformation



Technology Review

Kwame Makundi
Chief Technology &
Digital Transformation



“Digitalization remains our pivotal area of focus to ensure our customers receive the best-in-class services by delivering reliable and seamless technology and innovation that fit their needs and provide convenience to our customers.”

IT Systems Availability



99.76%

Transactions through digital channels



96%

Overview

In 2023, NMB Bank remained steadfast in its commitment to digital innovation, investing strategically to enhance our technological capabilities. Our primary goal was to elevate customer experiences and streamline internal operations through digitalization.

Throughout the year, significant efforts and investments were directed towards improving mobile and payment services for our retail customers. By expanding our digital payments ecosystem with embedded financial solutions, we aim to meet customer needs seamlessly and securely.

Recognising the importance of a seamless customer experience, we continued to invest in our strategic corporate, trade, and forex platforms. These investments were intended to ensure that both local and multinational corporate clients had access to top-notch services facilitated by agile platforms and operational solutions.

Internally, we underwent a continuous transformation, focusing on cybersecurity and enhancing employee productivity through digital solutions.

Looking forward, our strategic focus remains on leveraging technology to enhance customer solutions through digitization, robust technology architecture, data analytics, and cybersecurity. These technological advancements serve as the backbone for delivering winning propositions, operational efficiencies, and future innovation.

This unwavering commitment to digital innovation underscores our dedication to delivering exceptional value to our customers and stakeholders.

Investing in Key Projects

We've channelled significant investment into critical projects, including:

- Enhancing digital experiences through initiatives such as digital channel transformation and NMB Mkononi.
- Leveraging data as a strategic asset through our enterprise data management initiative.
- Continuously evolving our technology architecture, particularly in payments, branches, and ATMs.
- Strengthening trust and security through robust cybersecurity measures.

Widening Financial Inclusion

We recognise the importance of partnerships in widening digital inclusion, mainly through DSS platforms and collaborations with startups. Firstly, the new DSS onboarding application advances NMB towards the digital bank vision by providing our customers with a seamless, omnichannel onboarding experience, with the channel currently accounting for +80% of accounts being opened. Secondly, the bank has embraced the embedded finance revolution wholeheartedly by forging solid partnerships with fintech companies to test and scale services thoroughly. In 2023, NMB achieved remarkable success by actively engaging and supporting various fintechs such as Laina, Cellulant, Ongeza Tanzania, Habari Node, Wakandi, and Digicash.

Evolving Bank Technology Infrastructure

Technology Investment

Investing in technology remains a top priority for NMB Bank. In 2023, we focused on upgrading our server infrastructure, the core banking system and updating the network.

- **Server Infrastructure Upgrade:** We successfully implemented a new Virtualized technology-based server system, replacing outdated standalone servers. This upgrade improves performance and security, minimizing vulnerabilities associated with previous setups.
- **Network Update:** Implementing Software Defined Wide Area Network (SDWAN) enhances network performance, reliability, security, and operational cost efficiency.
- **Core Banking System Upgrade:** The upgrade is designed to streamline complex banking processes and facilitate smoother operations across various bank functions, thereby enhancing the efficiency and effectiveness of our services.

Cyber security

As outlined in the bank's Information Technology Risk Management Policy, cybersecurity is recognised as one of the principal risks. The Enterprise Risk Management Framework ensures effective cybersecurity risk management through robust lines of defence, including the Technology team as the first line, the Risk Management team as the second line, and the Internal Audit as the third line.

To address cybersecurity risks comprehensively, the bank has developed its Cybersecurity Strategy, considering emerging technologies such as Artificial Intelligence (AI) and cloud computing, geopolitical impacts, evolving cyber threats like Ransomware,

and changing legal and regulatory compliance requirements such as Data Protection Law, GDPR, SWIFT Customer Security Program, and PCI DSS.

Data Privacy and Protection

In adherence to the Data Protection Law of Tanzania and international regulations like PDPA and GDPR, respectively, the bank has focused on data privacy mechanisms. A Data Governance Committee oversees data management, including privacy and protection initiatives. Privacy policies, procedures, and standards are established to safeguard customer privacy, incorporating the latest legal and regulatory requirements.

To ensure customer privacy, the bank conducts data protection assessments on each product and service, including digital services. It implements security controls such as access control, data anonymisation, and encryption and adheres to global standards.

Enhancing Service Management

Ensuring high-quality service, including availability, reliability, and security, remains a top priority. Throughout 2023, we focused on maintaining high uptime for critical systems by promptly addressing any issues. This proactive approach resulted in an average uptime of 99% for critical systems. We prioritize optimal network performance and service availability to ensure uninterrupted access to essential banking services.

Enhanced Monitoring Capabilities

The bank has prioritised automation to enhance system monitoring capabilities, notably implementing cellular robots. These robots detect events not captured on monitoring dashboards, promptly notifying us of service disruptions, augmenting proactive response mechanisms, and ensuring an uninterrupted banking experience. Throughout the fiscal year, our organisation achieved commendable

levels of operational stability, with the IT system boasting 99.76% availability, the ATM network maintaining a robust 96.62% availability, and the branch network demonstrating a resilient 99.64% availability, underscoring our commitment to providing reliable services.

Medium-Term Strategic Focus 2023 Overview

Enhancing the Winning Proposition

In 2023, NMB Bank launched several digital initiatives to offer improved and novel banking experiences. These initiatives have attracted new clients and retained existing ones while simultaneously reducing turnaround times and expanding self-service and value-added offerings.

In the retail banking segments, we introduced a range of new services, including:

- A revamped Mobile Banking Platform (app and USSD).
- Customer Onboarding platform (DSS application).
- International Money Transfer (Outbound and Inbound) partnerships with Thunes and Terra-Pay.
- Mobile Device Financing in collaboration with Tigo and Vodacom.
- Automation of Government Salary Workers Loan.
- Banc assurance sales application.
- Instant Card Issuance.

These additions have contributed significantly to the bank's growth, with the Mobile Banking platform alone witnessing a remarkable 94% of total transactions conducted digitally and over 1 million downloads of the new app.

In the wholesale business, we continued to offer robust integration capabilities, automating payments

and collections for our clients. Integrating with over 20 wholesale clients, including corporate clients, government institutions, and fintechs, has significantly enhanced our ability to facilitate collections, exemplified by the governments over TZS 3 trillion collection through the New GEPG v2.0 integration.

Elevating User Experience with the New Mobile Banking Platform

The newly designed Mobile Banking Platform offers an enriched user interface, prioritising customer experience and functionality. The platform's design ethos centered on simplicity, placing users at the forefront by embracing their local culture, values, and needs. This approach has resulted in a platform that elevates digital banking experiences and transforms users' interactions with their finances.

Expansive Offering

The new platform offers extensive services, including digital loan solutions, fund transfer options, bill payments, investment opportunities, digital savings, cash withdrawals, merchant payments, insurance solutions, and discovery features.

Embracing New Technology to Meet Client Demands

In response to shifting client preferences, NMB Bank made significant technology advancements on the Mkononi Platform by integrating the React Native framework. This move allowed us to develop native apps that provide seamless user experiences across Android and iOS devices. Clients benefit from seamless, user-friendly interactions using a unified codebase and synchronised features. Moreover, our adoption of containerisation technology within the new Enterprise Architecture Framework ensures scalability, flexibility, and reliability, thereby enhancing clients' digital experiences.



Driving Innovation for the Future

In 2023, NMB Bank achieved a significant milestone in its innovation journey by developing and deploying services to support the proof of concept (POC) of deposit ATMs for one branch. Since its pilot launch on June 8th, 2023, these ATMs have facilitated over TZS 19 billion collections, showcasing their potential to increase deposit mobilisation through automated channels. The continuous innovation of our core banking system further enhances resource productivity and human capital.

Improving Operational Efficiency

NMB Bank continues to prioritise operational efficiency, streamlining processes to enhance the overall customer experience. Significant progress was made in automating banking processes, including Standing Instructions, Term Deposits, Fund Transfers, and Account Management. This automation, supported by the latest technology deployments, has significantly reduced turnaround times, with processes like Standing Instructions now taking only 10 minutes compared to 2 hours. This synergy between the Business, Operations, and Technology teams underscores our commitment to transforming operations and enhancing customer service delivery.

Investing in Team’s Capabilities

Throughout the year, our significant investment persisted in upskilling our workforce. Concurrently, our efforts centred on fortifying our teams by reinforcing attraction and retention strategies. This emphasis aimed to cultivate a robust cohort of IT and engineers, pivotal in meeting the evolving needs.

Building Team Capacity

In our commitment to fostering a skilled workforce, NMB Bank has undertaken significant training initiatives. Specifically, we have trained 15 staff members in offensive security, 4 in defensive security, 42 in agile methodologies, 85 in ITIL practices, and 8 in data science. The bank remains dedicated to building capacity in emerging technology areas such as Data Science, Artificial Intelligence (AI), and Machine Learning. Through continued investment in our people, we aim to stay at the forefront of technological advancements and ensure our team is equipped with the knowledge and skills necessary to drive innovation and success in the digital age.

Future Trends and 2024 Key Focus Areas

The financial services industry is undergoing profound transformations, driven by emerging technologies like blockchain and artificial intelligence, which are now poised to create exponential impacts. As we anticipate these shifts, NMB Bank is strategically aligning its focus areas for 2024 to capitalize on these technological advancements.

Key Technology Changes:

- 1. Blockchain, Robotic Process Automation (RPA), Artificial Intelligence, and Machine Learning: These technologies will continue revolutionising financial services sector operations, enhancing efficiency, security, and customer experiences.
- 2. Adoption of Hybrid, Multi-cloud Infrastructure: Enabling scalable and flexible infrastructure will be critical to meet evolving demands and ensure seamless operations across multiple cloud environments.
- 3. Platform Modernization: We will prioritise modernising our applications in alignment with our Enterprise Architecture, enhancing agility, scalability, and interoperability.
- 4. Accelerated Data Ingestion: By rolling out Data Science capabilities in terms of skilled personnel and advanced technology, we aim to expedite data analysis and derive actionable insights.
- 5. Implementation of New Core Banking System: Introducing a new Core Banking System will streamline workflows and provide a user-friendly workbench, enhancing operational efficiency and agility.

- 6. Enhanced Customer Journey: We are committed to simplifying and optimising every step of the customer journey across digital platforms, ensuring seamless and intuitive experiences.
- 7. Talent Acquisition and Training: We will enhance our talent acquisition pipeline by collaborating with universities to acquire top talent. Additionally, extensive future-ready training programs are implemented for our IT employees, aligning with global standards and industry best practices.

NMB Bank aims to stay ahead of the curve by focusing on these key areas, leveraging technology to drive innovation, efficiency, and superior customer experiences in the dynamic financial services landscape.



Our Digital Story

Our digital platforms gained further momentum in 2023. We are utilizing our digital and technological investment across the bank to enhance capabilities and productivity while driving growth in the customer base and service excellence.

Mkononi subscriptions



4.95 Mn

Agency Banking Agents



28,295

Digitally onboarded retail customers



84%

Digital as an enabler of growth

In 2023, we revamped our Mobile banking platforms and reinforced data protection and cybersecurity as part of an ongoing risk management culture. We strengthened our digital security to safeguard our customers against financial engineering threats and identity theft and ensure that we remain the safest Bank in Tanzania. We also rolled out our digital penetration campaign to attract customers to use digital platforms to manage their finances.

In 2023, the NMB-Mkononi subscription increased 6% to more than 4 million customers at December end. In a standout achievement, we continue to see an increased number of new digitally onboarded accounts, with a record of more than 924,000 accounts opened digitally in 2023, representing 84% of all new-to-bank retail customers. In 2023, 96% of customer transactions were conducted through digital channels.

Digital service activity continued to increase, with Transactions on the NMB Mkononi (USSD & App) increasing by 61% to 134 million in 2023, while internet banking (NMB-Direct) transactions were up 8% from 5 million in 2022 to 6 million in 2023. WhatsApp Banking, launched in late 2021, gained strong momentum during the year, complementing the growing role of our social media platforms in providing real-time information.

At the same time, NMB continues to develop strategic partnerships, advancing its activities in the application programming interface (API) to provide customers with more choice and embedding banking services in partner apps.

NMB Mkononi

NMB Bank Mkononi users have significantly increased over the past year, with millions utilizing it daily. The platform has approximately 5 million registered users. This increase in user engagement has resulted in a notable monthly revenue increase, skyrocketing from TZS 6 billion to TZS 9 billion during this period.

Over the past five years, the NMB Mkononi application has introduced numerous new services, including an investment gateway for Investing in Fixed Deposits and UTT AMIS. Through NMB Mkononi, customers can access multiple products, services, and solutions available in the bank's branches at their fingertips.

New Mkononi Users



+270k

NMB Mkononi Transaction volume



134 Mn

Active Daily users



1 Mn

NMB Mkononi Revenue Generated

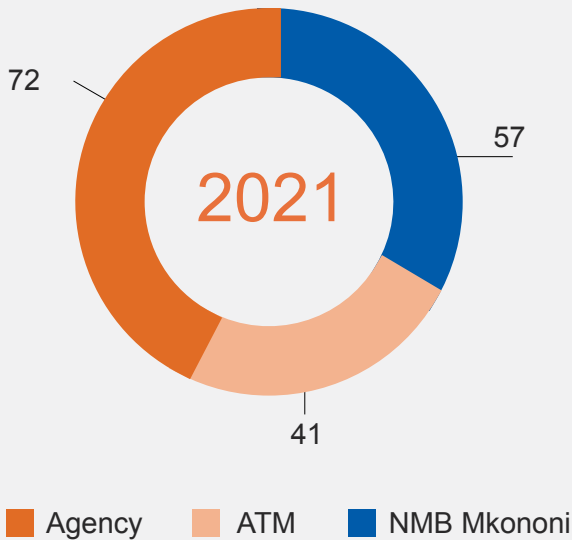
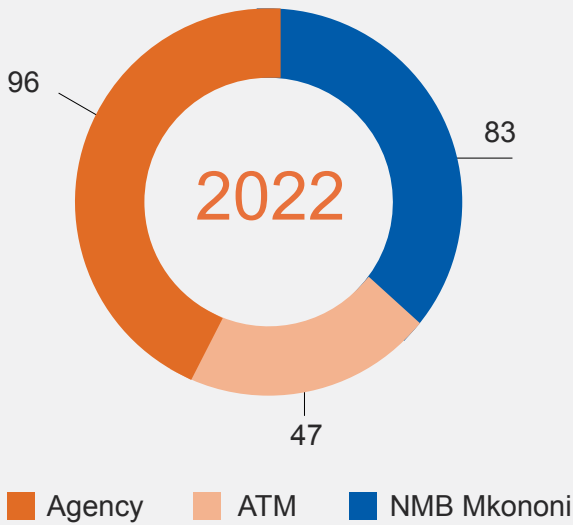
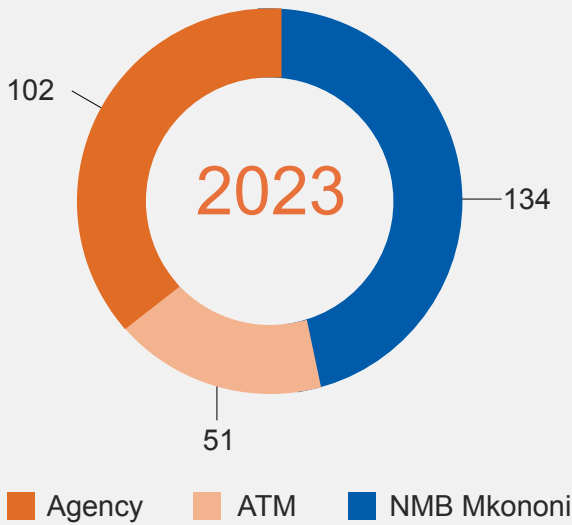


86.9 Bn



NMB Mkononi significant growth underscores its status as a compelling alternative channel

Transaction in Million over the years



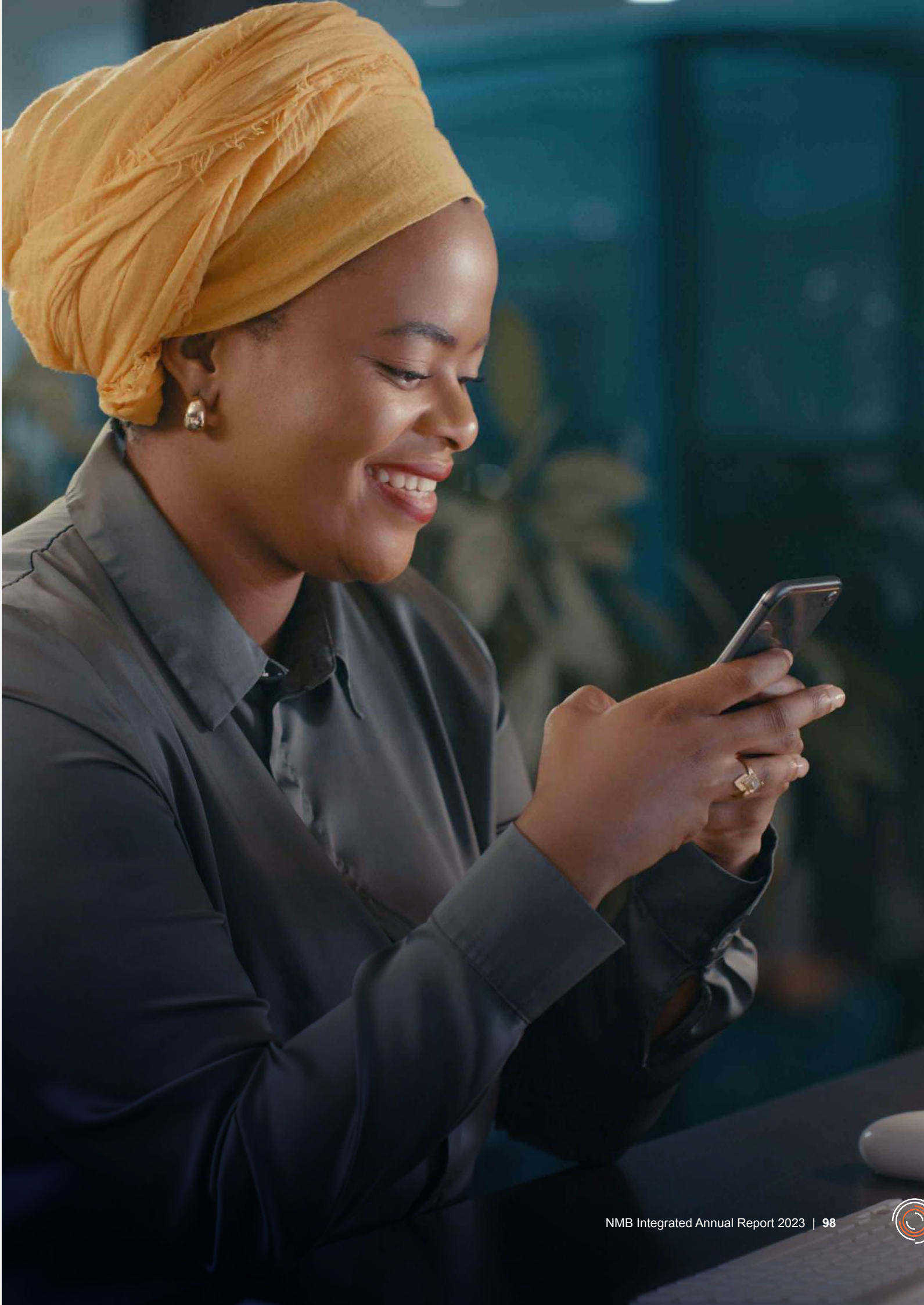
Awards

Best Bank for Digital Solutions in Tanzania by Euromoney

Best Innovation in Retail Banking in Tanzania by Global Business Magazine

Best Innovation in Retail Banking in Tanzania by International Bankers awards

Quality, Productivity and Innovation award by ATE



Our Digital Solutions

Flex Malipo

Allows organizations (schools, churches, mosques etc.) to monitor all payments and contributions to their organizations conveniently and securely.

UmeBima App

Enables DSS, SFE, and all staff to sell insurance products to both NMB and Non NMB customers.

NMB Mkononi

Digital portal streamlining customer’s business finances with services such as pooling, netting, reconciliations etc.

NMB Lipa Mkononi

Mobile payment solution contained a QR code that stores merchant information to receive payment through scanning or a LIPA number for normal feature phones.

NMB Pesa Wakala

NMB Agent using a mobile phone to offer banking services.



Real-time digital payments

Transfer funds to any other bank account in real time.

Pesa Fasta

Allows our customers to send money to anyone who has a mobile phone number in the country.

NMB Wakala

NMB Agents are equipped with point of Sale (POS) devices to provide banking services to our customers on our behalf.

NMB Internet Banking

Allows our customers to have full control of their business banking in terms of user and access permissions in a simple, convenient and secure manner.

NMB ATMS

A wider range of ATM network, access ATM service on more than 700 ATMs across the Country.

NMB Kwetu

Designed to meet financial needs of diaspora community, Diaspora can now Digitally sign and submit relevant documentation without needing to visit a branch.





Human Resources Overview

Emmanuel Akonaay
Chief Human
Resources Officer



“Our HR team has been instrumental in aligning our workforce with the company’s strategic objectives, driving performance, and fostering a culture of excellence.”

Employees



TZS 386 Mn

Productivity

48%

Women

3,642

Staff

32%

Women in Leadership

Employees

NMB Bank proudly sustains a diverse workforce of 3,642 employees, comprising various talents and expertise. Our workforce breakdown demonstrates a commitment to inclusivity, with 48% female representation and 52% male representation. Additionally, we value diversity in leadership roles, with women holding 31% of senior management positions.

At NMB Bank, diversity defines our organization’s fabric and underscores our commitment to inclusivity and innovation. We take pride in being more than just an employer; we’re dedicated partners in fostering career growth.

Our distinctive strength lies in creating an environment ripe with opportunities for growth, nurturing talent, and empowering each individual to realise their potential. Beyond conventional roles, we aspire to be catalysts for professional advancement. For example, 37 staff benefited from a Bursary scheme whereby the bank spent TZS 258 million in 2023. These staff members were sponsored to study multifaceted programs including undergraduate and masters/post graduate degree, and professional certifications.

Moreover, we champion continuous learning by providing relevant and impactful opportunities for upskilling. In 2023, the Management and Board of Directors approved an 8% increase in the 2022 Training Budget, making it TZS 5.3 billion in 2023, for staff development. 227 training programs were implemented, with 6,439 trainees, both from the Head Office and Branch Network, an average of 28 staff per program.

The bank also invests in e-learning through its LMS (Learning Management System). This year, we surpassed the assigned licenses for usage, with 1,117 users and 89,000 eBook downloads.

Our Talent Strategy



222

New hires

59%

Internal appointment
(2022:64%)

96.5%

Employee Retention Rate:
(2022: 98%)

Talent Acquisition and Retention

In the pursuit of excellence, NMB Bank has implemented innovative recruitment strategies to attract top-tier talent. We hired 222 new employees from the market throughout the year, leveraging digital platforms and targeted recruitment campaigns. This includes 11 new technical employees working across the technology space, from cybersecurity to IT infrastructure, and data scientists in functions like risk, compliance, and credit.

Our focus on retention strategies resulted in a commendable retention rate of 97%, while the attrition rate stands at 3.46%, emphasising our commitment to nurturing and retaining our exceptional workforce.

Employee Training and Development (Future-fit-workforce)

Investing in our employees’ growth remains a cornerstone of our HR initiatives. We’re proud to report a 54% increase in employee participation in our professional development programs compared to the previous year. Notable outcomes were highlighted for the 2023;

- Through the Female Future program, 1 female staff member was promoted to cluster manager, 1 was promoted to Senior Manager, 1 was promoted from Branch Manager (BM) grade 3 to BranchManager (BM) grade 2 and 1 was promoted to Senior Human Resources Business Partner (HRBP).
- Trust but Verify training marked below significant achievements;
 - Declining operational Losses: Witnessing a consistent decline in operational losses.
 - Enhanced Branch Vigilance: Specific branches displayed remarkable vigilance, detecting and preventing fraud incidents.
 - Process Enhancements: Tangible improvements in customer onboarding, Internet Banking, and teller transaction processes.
- Through the Relationship Manager’s academy, 2 candidates from the academy were promoted to become Relationship Managers.
- Through Branch Manager’s academy, 35 employees were promoted to become Branch Managers.
- Overall, 308 employees were promoted, some through a direct promotion as per the bank’s promotion policy and others through a competitive recruitment process.

Workforce Development



5.3 Bn 227

Training Budget
(8% Increase)

Training Programs

TZS 258 Mn

Bursary Scheme



Employee Compensation and Benefits

At NMB Bank, we prioritize our employees' well-being and offer competitive benefits & compensation packages. This year, we enhanced our staff loan benefit, improved parental leave policies, and revamped our incentive structures to align with individual and team achievements. Our comprehensive benefits package contributed to a lower attrition rate of 3.5%.

Performance Management

Performance evaluation at NMB Bank is a collaborative process to foster growth and recognition. Our robust performance management system integrates regular feedback sessions and goal-setting exercises. In line with our commitment to transparency, 92% of employees participated in performance reviews, fostering a culture of continuous improvement and accountability.

Diversity, Equity, and Inclusion (DE&I)

NMB Bank remains dedicated to fostering a diverse and inclusive workplace within its institutional framework. Our Diversity, Equity, Inclusion and Belonging policy and initiatives, including training programs and resource groups, have driven positive outcomes. We are proud to report a 6% increase in women in top management positions, reaffirming our commitment to equity and inclusivity. This commitment is not merely a statement but a continual process, evidenced by ongoing initiatives that extend through 2023.

Each passing year marks significant advancements in fostering gender diversity, with female representation comprising over 48% of our total workforce and exceeding 31% in leadership roles. These statistics reflect our commitment and tangible progress in creating an environment where diverse voices are heard and respected, propelling us toward a more inclusive and representative future.

Wellbeing, Health, and Safety

Employee well-being and safety are paramount at NMB Bank. We bolstered our health and safety protocols throughout the year, ensuring compliance with occupational health and compliance requirements and standards.

Corporate Culture and Values

The core values of integrity, collaboration, and innovation continues to shape NMB Bank's corporate culture. We actively promote a culture of inclusivity, respect, and ethical behaviour. Our values resonate throughout our HR practices, contributing to a harmonious and productive work environment.

In adherence to our strategic priorities, we've placed significant emphasis on transforming our workplace into an inspiring and dynamic hub, pivotal for delivering unparalleled customer experiences and driving exceptional performance. Throughout 2023, we intensified our focus on the culture transformation journey, achieving significant milestones (an 89% completion rate) across critical strategic dimensions. This means that out of the 56 interventions designed to address different gaps, 50 were closed by the end of 2023.

Future HR Strategies

Looking ahead, NMB Bank remains committed to furthering our HR initiatives. We aim to introduce a revised mentorship framework, expand remote work policies, and implement agile HR practices to adapt to evolving workplace dynamics. These strategies align with our vision to empower our workforce and drive sustainable growth.

Looking Ahead

As we stride into 2024, our vision remains resolute: to propel our organisation towards greater heights of excellence and innovation. Building upon the strong foundation laid in the previous year, we are poised to embark on an ambitious trajectory of growth, transformation, and resilience.

Our primary focus will be further amplifying our employee-centric approach. We are committed to nurturing an environment that fosters productivity, creativity, and empowerment. We aim to elevate our employee engagement scores to new heights, nurturing a workplace where every individual feels valued, motivated, and empowered to contribute their best.

The cornerstone of our strategy for 2024 is centered on talent, innovation, and adaptability. We are primed to attract and retain the brightest minds in the industry, further augmenting our talent pool. Investing in cutting-edge technology and fostering a culture of innovation will be pivotal in maintaining our competitive edge and enhancing customer experiences across our services.



Awards

NMB Bank achieved remarkable recognition at the recent awards in 2023 ceremonies:

NMB Bank was honoured as the **overall runner-up for the Employer of the Year Award** by the esteemed Association of Tanzania Employers (ATE).

Securing the **runner-up position in the Private Sector for the ATE Employer of the Year Award 2023** further highlighted NMB Bank's dedication to excellence.

Notably, our commitment to Gender Empowerment was acknowledged as NMB Bank was honoured as the **Overall Winner at the Tanzania Gender Equality Awards 2023** by the ATE.

Celebrating our leadership, Ms. Ruth Zaipuna, our CEO, was bestowed with the esteemed title of **Best Tanzania Banks CEO** of the year 2023 by Africa 4.0.

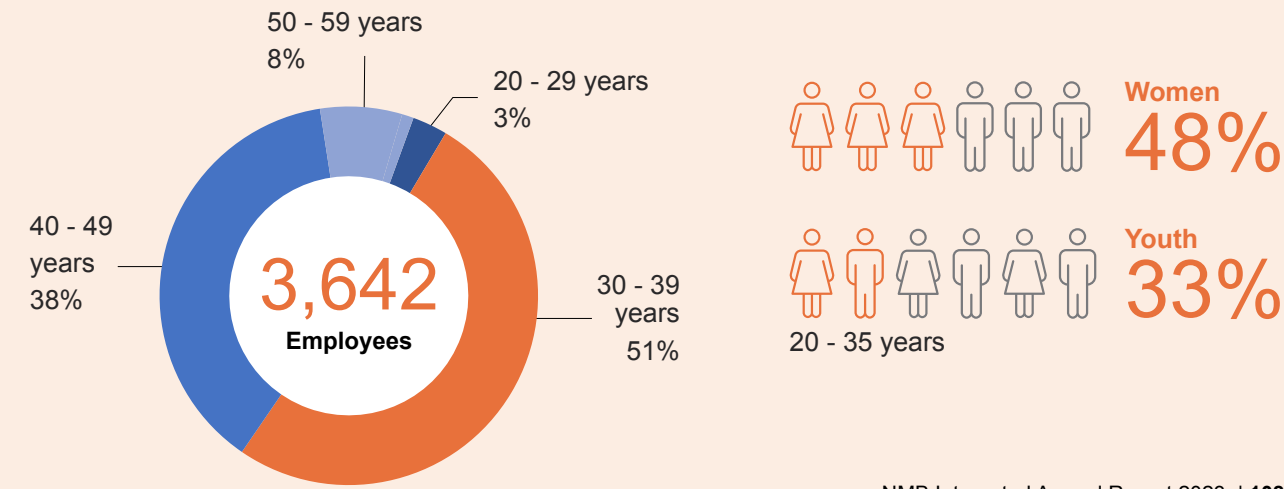




Key Employee Figures

	2023	2022	2021	2020	2019
Female staff (in %, Headcount) 1					
Female ExCo	31	25	25	25	22
Female Head of Department	30	29	32	33	36
Female Senior Managers	30	26	21	25	31
Female Managers	33	32	31	30	30
Female Officers	52	52	52	52	51
Total female staff in %	48	48	48	48	47
Age (in %, headcount) 2					
20 - 29 years	3	2	1	1	0.2
30 - 39 years	51	50	50	47	47
40 - 49 years	38	38	39	40	42
50 - 59 years	8	10	10	11	10.8
Division (in %, Headcount) 3					
Retail Banking	81	81	81	82	82
Wholesale Banking	2	2	2	2	2
Treasury Banking	1	1	1	1	1
Other	16	16	16	15	15
Total in %	100	100	100	100	100
Employment type/Contract (in % of total staff)					
Permanent-term Employment	79	84	86	88	87
Fixed-term Employment	21	16	14	12	13
Total in %	100	100	100	100	100
Other Metrics					
Employees	3,642	3,544	3,482	3,471	3,452
Women in Leadership %	32	31	31	30	30
Internal mobility/hires %	59	64	64	57	47
Internal Hires by gender (women) %	36	40	30	26	39
Employee retention rate %	97	98	97	97	95

Age Cluster in % Headcount





Sustainability Agenda



Our long-term value creation purpose

At NMB Bank, we believe that Sustainability consideration is not just a corporate responsibility but a strategic imperative that is integral to driving business resilience, innovation, competitiveness, and long-term value creation. By embracing sustainability as a core business principle, NMB impacts the community and positions the bank for success in an increasingly complex and interconnected global landscape.

The communities that we serve and businesses alike, face several challenges. These challenges include, environmental challenges, and more so the threat of irretrievable harm being done to our planet. Other pressing issues are developmental and social, including poverty, unemployment, gender inequality, and the impact of new technologies on data privacy.

As a leading bank in Tanzania, it is our firm belief that companies such as ours have a central role to play in seeking to find solutions to these challenges. We firmly believe that by ensuring the sustainability of our operations, strengthening our clients' relations, and accelerating our social impact investments, we will continue to be an important vehicle for long-term value creation in Tanzania. Our ambition is to be the region's leading bank, driving the Sustainability agenda.

Our approach to sustainability is therefore guided by this sense of purpose: to create value for the long term, by managing our business in an ethical, balanced and responsible way, with long termism at the center of all our decisions.

Our priorities are:

- To be an organization that contributes positively to the country's sustainable economic growth agenda.
- To be a responsible organization with a great sense of social and environmental responsibility and stewardship.
- To drive shared value through community impact investments

Coverage and Reporting Principles:

This Sustainability Report is approved by the Board and is prepared in consideration with the following regulations, standards and guidelines:

- Tanzania Financial Reporting Standards I (TFRS1)
- Dar es Salaam Stock Exchange Listing Rules 74 (8) on Sustainability Report, and per the Guidelines specified under Attachment 4 to the Third Schedule.
- The Global Reporting Initiative (GRI) Standards – Core Option, issued in October 2016 and the G4 Financial Services sector disclosures by the GRI Global Sustainability Standards Board
- Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in June 2017

Reporting principles

The content of this report follows the GRI Standards Reporting principles.

Principle 1 - Stakeholder Inclusiveness

We identify key stakeholders, engage them and respond to the key topics and feedback received.

Principle 2 - Sustainability Context

We present performance in the broader context of sustainability.

Principle 3 - Materiality

We focus on matters that impact on business growth and are of importance to our stakeholders.

Principle 4 - Completeness

We include coverage of material topics and their boundaries to reflect significant ESG impact, and to enable stakeholders to assess our performance in the reporting period.

We have structured this Sustainability section by looking at our Entity model in terms of the inputs; material issues driving our strategy, our impacts (positive and negative), and how they respond to the needs of our key stakeholders. It is our great hope that this report will be useful to our stakeholders.



Sustainability Model & Strategy

Our sustainability strategy is based on our GRI materiality assessment and guided by the UN SDGs.



Purpose

To create sustainable value for our stakeholders

Strategic Pillars

Ambition

Sustainable Operations



Operate a responsible business with the highest ethical standards to preserve integrity and trust

Sustainable Financing



Provide inclusive and innovative financial services to drive sustainable economic growth, whilst reducing own GHG emissions

Climate Risk



Support the transition to a net zero economy and manage climate change risks

Financial Inclusion



Drive financial inclusion agenda in Tanzania

Focus Area

1. Corporate governance, compliance and code of conduct
2. Risk management and cybersecurity
3. Community investment
4. Tax transparency
5. Best employment Practices

1. Grow portfolio of green and social eligible loans
2. Gradual reduction of exposure in high-risk sectors

1. Strengthening Climate Risk Governance
2. Environmental and social risk management (ESRM)
3. Reducing impact of operations

1. Mass Account Opening
2. Micro credit
3. Extending our Wakala footprint

Commitments

- Drive best in class governance in the region, and continue to enhance ethical banking practices
- Maintain industry leading data privacy and information security

- Enhance efforts to mobilize funds to finance transition to low carbon economy
- Accelerate environmental stewardship efforts

- Finalize on-going emissions baselining and setting future decarbonization targets

- Continue to lead and champion the financial inclusion agenda in Tanzania
- Onboarding of more than 1.5 million customers in 2024



Enablers

Sustainability governance and policies

Targets, KPIs and rewards

Training and upskilling

Stakeholder management and communications

External partnerships and commitments

Reporting and disclosures



Sustainable Operations Summary

Expanding Digital and Technological Offerings & Capabilities

+84%

of clients on-boarded digitally

96%

of transactions made outside the Branch

Sustainable Operations (Responsible practices)



Best Bank in Tanzania 2023
Euromoney Excellence Awards 2023

Best Bank in Tanzania 2023
Global Business and Finance Magazine

Employment Practices



Best Employer of the Year 2023, Runner-Up in the overall winner category

Best Private Sector Employer 2023, Runner-up

Quality, Productivity, and Innovation Award

Best Employer - Gender Equality and Equity Award

Creating Social Impact

CSI spend

4.2

TZS Billion (2022: TZS 2.9 billion)

Employment Volunteerism

186

Branches

2,516

Staff

20,300+

Impacted Tanzanians

participated in community work through the CSI matching up initiative

Nuru Yangu scholarships (2022/2023)

130

Responsible Tax Management



Overall, winner: Largest Taxpayer In Tanzania

Overall, winner: Most Compliant Taxpayer in Tanzania

Largest Taxpayer: Financial Institutions category

Community Impact Awards



Best Corporate Social Responsibility Initiative Tanzania 2023 *Global Business & Finance Magazine*

Best Bank for CSR in Tanzania 2023 *Euromoney Awards for Excellence 2023*

Sustainable Financing Summary

Jasiri Bond Dashboard

100%

of net proceeds disbursed by Dec. 2022

197%

oversubscription before listing in the Dar es Salaam Stock Exchange (DSE)

#1

Bank in sub-Saharan Africa to list its gender bond in the Luxembourg Stock Exchange

Sustainable Financing (Responsible Banking)

100%

of Jasiri Bond allocated to Women-led or Owned Businesses

74.26

TZS Billion

raised against a target of TZS 25 billion and a green shoe option of TZS 15 billion

6,100+

loans disbursed to women led MSMEs in the last 2 years

70%

of loans guaranteed to women entrepreneurs through the partnership with Africa Guarantee Fund

Jamii (Sustainability) Bond Dashboard

Debut Issuance of a Dual tranche Sustainability Bond. Dubbed Jamii Bond.

TZS tranche mobilized

212.94 → 284%

TZS Billion

Oversubscription

USD tranche mobilized

73 → 730%

USD Million

Oversubscription

The net proceeds will be used to finance eligible green and social assets in line with the Bank's sustainability Financing Framework (in adherence to the ICMA Sustainability Bond Guidelines)



Climate Risk Summary

- ✓ Climate Risk has been Integrated as one of Principle Risk types in the ERMF
- The Bank is in the final stages of enhancing its Environmental and Social Policy (E&S) framework to address climate-related risk
- Finalizing emissions baselining and setting future decarbonization targets
- Finalizing the creation of the Sustainability Governance Framework

Environmental stewardship commitment

1.2 
Million trees planted

Financial Inclusion Summary

New Accounts onboarded in 2023

1.2
Million customer accounts

MSMEs Loans

47,181 777
Total Number of loans Amount in TZS Billion
(2022: TZS 690 Billion)

Financial Inclusion Awards:



Best Retail Bank Tanzania & Most Innovative Retail Bank Tanzania
Global Business Magazine

Best Retail Bank in Tanzania
Global Banking & Finance Awards

Best Retail Bank & Best SME Bank in Tanzania
International Business Magazine

Best SME Financier of the Year
Global SME Finance Awards 2023

Governance Summary

- ✓ Cyber Security: No material instances of data loss
- ✓ Preventing Financial Crime: No material instances
- ✓ No material instances of non-compliance concerning fair dealing
- ✓ Enhanced Board oversight

Governance Awards:



Overall, Winner: Most Compliant Taxpayer in Tanzania

Safest Bank in Tanzania *Global Business and Finance Magazine*

Best Commitment to ESG Principles Tanzania 2023
International Banker Banking Awards 2023



Sustainable Operations

At NMB Bank, our core belief lies in conducting ethical practises that are environmentally and socially responsible. We believe in creating value for all stakeholders, while meeting the environmental, social and governance challenges. Our decisions and operations are guided by a strict sense of long-termism and take into account environmental and societal considerations in our day- to-day business operations. We pride ourselves in complying with the law and do not take any business decisions that are seen or perceived to be seen violating the letter or spirit of the law. Strong internal controls and governance practices are in place to ensure, we remain compliant.

We provide an inclusive work environment which fosters innovation and nurtures talent for professional and personal growth for all our employees.

We are aware of our responsibility to manage our direct environmental footprint and remain ever so committed to reduce the impact of our operations on the environment. We seek to adapt sustainable practices that will reduce the impact of own operations, whilst also influencing our supply chain towards sustainable practices.

We are committed to paying our share of taxes and we continue to make impactful social-economic contributions to the communities in which we operate through community investments.

Sustainable Financing

As a leading bank in Tanzania, we believe we have an essential role in facilitating and promoting a sustainable future. Supporting sustainable and responsible growth, including delivering the UN Sustainable Development Goals ('SDGs'), represents a significant opportunity for the bank. In pursuing this opportunity, we continue to provide products and services that promote sustainable development and conduct our business in a fair and responsible manner. This includes advancing responsible financing and facilitating a just transition to net zero carbon emissions.

Climate Risk

We recognise climate change as one of the most significant risks facing our planet. Climate risk is central to our sustainability agenda at NMB as we look to limit the impacts that result from the transitional or physical effects of climate change. We continue to work on the measures required to address climate change, to mitigate the impact of our operations on climate and to support a transition towards lower-carbon operations and products.

The Bank is in the final stages of enhancing its Environmental and Social Policy (E&S) framework to address climate-related risk. The Bank's Enterprise Risk Management Framework for risk identification, mitigation, and reporting (including socio-environmental) identifies risk elements and assigns overall mitigation and risk management responsibilities within the Bank. The E&S Policy to be enhanced will ensure climate-related factors are given due consideration in lending decision-making and clearly articulates mitigants to address identified climate-related risks. The policy will also provide relevant criteria against which clients and transactions are screened, as well as excluded sectors that the bank will not finance.

So far, the Bank has established a dedicated unit within the Credit Directorate to manage Environmental and Social Risks associated with lending operations.

The Bank continues to strengthen capabilities to support our overall ambitions and to deploy relevant tools that enable the Bank to measure and monitor our portfolios and alignment towards supportive climate efforts consistently. The Bank aims to adopt relevant, applicable standards wherever possible to allow for compatibility and efficiency across industry peers as much as possible.

Financial Inclusion

Over the years, NMB bank has remained a champion in promoting financial inclusion in the country by reaching out to the unbanked communities. Since our inception in 1997, we have been instrumental in making sure that those who are banked are benefiting from— and where those who aren't included have an opportunity to join, the financial mainstream, participate in the formal economy, and build more self-determined lives.

Leveraging on technology and our vast network which touches every corner of our country, each year we bring millions of Tanzanians into the formal banking sector. Our financial literacy program equips Tanzanians with important knowledge that is critical for accelerating the financial inclusion for the unbanked.



Progress on Sustainable Development Goals (SDGs)

NMB's business contributes directly to the SDGs Agenda 2030. We have a firm commitment towards the Sustainable Development Goals. We play a crucial role in promoting sustainable development in Tanzania and across the East Africa region. With our vast resources and expertise, we have been instrumental in addressing key challenges related to financial inclusion, poverty reduction, agriculture development, MSMEs financing, personal financing, employment generation, and recently environmental sustainability.

With our operations touching real lives, communities and the economy, we therefore remain ever so committed to driving progress towards achieving SDGs. We have chosen to focus on the following SDGs which we believe we can make meaningful contributions to, and after taking into account the markets we operate in.



Sustainability & ESG Metrics Monitoring

Climate and Environment Impact Metrics

ESG Category	ESG Metric Monitored	Progress 2023	Progress 2022	SDG Mapping
Climate Action	Dedicated Sustainability and Climate Budget Commitment	TZS 2 Billion	0	   
	Climate Action Conferences / Events supported	3	1	 
	Number of dustbins supported to enhance clean environment	>200	>150	
	Climate /ESG Collaborations and partnerships	Partnership with TFS	N/A	
	Value of Disaster Recovery support to the Community	> TZS 70 Million	N/A	 
Tree Planting	Tree Planted	1,200,000	N/A	 
	Dedicated Sustainability and Climate Budget Commitment to tree planting intuitive	TZS 155 Million	N/A	 
Beekeeping	Beehives donated to beekeeping groups	500	N/A	 
	Beekeeping groups supported	15	N/A	 
Energy Efficiency	Electrical energy consumption reduction	14%	12%	 
	Number of branches using LED lighting	175	150	 
	Use of LED lighting adoption at HQ and Training Centre	100%	100%	 
Clean Energy transition	Number of Motor Vehicles converted to use CNG	8	2	 
	Number of Branches piloting using Solar Energy	1	N/A	 



Sustainability & ESG Metrics Monitoring Continued

Climate and Environment Impact Metrics Continued

ESG Category	ESG Metric Monitored	Progress 2023	Progress 2022	SDG Mapping
Waste management	Volume of paper waste recycled	32 tons	N/A	
GHG Assessment	Total Greenhouse gases emitted by internal operations	14,812 tons	12,173 tons	
Climate Governance	Introduction of Climate Risks Management Policy	1	N/A	 
	Establishment of Environmental and Social Credit Risk unit	1	N/A	 

Social and Community Impact Metrics

Impact to the Community	Value of Corporate Social Responsibility budget spent	TZS 4.2 Billion	TZS 2.9 Billion	 
	NMB Marathon Donation toward Fistula treatment to women	N/A	TZS 600 Million	 
	Donation toward Muhimbili Maternity Ward	TZS 350 Million	N/A	 
	Donation toward Building of School in Zanzibar (Makunduchi Nursery School)	TZS 600 Million	N/A	 
Education Support	Number of Scholarship offered	65	64	 
	Value of Scholarship support offered	TZS 436 Million	TZS 286.5 Million	 
	Number of School Desks Donated	15,500	68,850	 
	Number of schools that received the Desks Donations	247	459	 

Sustainability & ESG Metrics Monitoring Continued

Social and Community Impact Metrics Continued

ESG Category	ESG Metric Monitored	Progress 2023	Progress 2022	SDG Mapping
Diversity, Equality and Inclusion	Percentage of Women employees in the total workforce	48%	48%	  
	Percentage of women in Senior Leadership positions	32%	31%	  
	Percentage of Youth in the workforce (Below 35 years)	33%	32%	
	Number of Staff with Disabilities	13	11	
	Certified as EDGE Access for upholding Gender Equality	Edge (Assess) Certified	Edge (Assess) Certified	  
Youth and Women Economic Empowerment	Number of NMB customers who are women	2,450,300	1,964,048	 
	Percentage of Women Customers in the NMB customer base	37%	32%	 
	Value of loans disbursed to women	TZS 1,565 Billion	TZS 1,295 Billion	  
	Number of youth customers	3,252,808	2,765,106	
	Percentage of Youth active customers	70%	46%	
	Number of youth reached through the GO NMB programme	Over 652,000	Over 503,000	
	Number of women reached through the Jasiri Business Clubs and provided Financial Literacy	+7,000	+4000	 



Sustainability & ESG Metrics Monitoring Continued

Social and Community Impact Metrics Continued

ESG Category	ESG Metric Monitored	Progress 2023	Progress 2022	SDG Mapping
Financial Inclusion	Total number of NMB customers	7,100,000	5,978,886	 
	Total Number MSME customers	386,417	233,603	 
	Total value of loans to MSME customers	TZS 777 Billion	TZS 690 Billion	 
	Total Number of NMB Agents	28,295	19,870	 
	Total Value of transaction through Agents (Wakala)	TZS 55 Trillion	TZS 25 Trillion	 
	Total Volume of transactions through Alternate Channels	96%	94%	
Working Conditions	Upholding the Equal Pay Policy	Continuous	Continuous	 
	Upholding the Flexible working Policy	Continuous	Continuous	
	Upholding the Diversity and Inclusion Policy	Continuous	Continuous	  
	Upholding the Non-Discrimination Policy	Continuous	Continuous	 
	Tanzania Employers Association Awards	4	2	

Sustainability Governance

The Board has the responsibility for the overall direction toward sustainability, with the role and responsibility to approve the Bank's sustainability policy and strategic direction.

Board's Role

The Board defines ESG/sustainability in the context of its fiduciary duty which is to oversee the long-term success and viability of the organization while considering its impact on the bank itself, stakeholders, and the broader society (who form part of our clients-the reason for our being in the market), and environment. This definition guides the NMB Board's decision-making processes and strategic direction, ensuring that the factors related to ESG (including its emerging opportunities and challenges) are integrated into corporate governance practices and business operations.

Role of the Board in the oversight of Sustainability

The role of the Board in the strategic oversight of sustainability is multifaceted and crucial for ensuring that the organization integrates sustainability considerations into its strategy, operations, and risk management. The Board plays a critical role in embedding sustainability into the DNA of the NMB, driving long-term value creation, and safeguarding the interests of stakeholders and the broader society.

Roles and Responsibilities

The Executive Committee, chaired by the Chief Executive Officer, is tasked with the following roles and responsibilities:

1. Endorsing policy and strategy and proposing them to the Board of Directors for approval.
2. Overseeing the Bank's sustainability policy, plans and implementation.
3. Endorsing sustainability performance before reporting to the Board of Directors, at least on an annual basis.

The Sustainability Steering Committee, chaired by the CFO (and Treasurer as Co-Chair), is tasked with the following responsibilities:

1. Reviewing strategic direction before presenting them to the Executive Committee or other relevant committees.
2. Supporting and overseeing implementation of sustainability initiatives and providing guidance for improvement.
3. Monitoring and assessing performance against targets on a quarterly basis and reporting to the Executive Committee
4. Appointing special task forces to manage new and emerging sustainability issues as appropriate.

Performance measurement

Progress in our sustainability related initiatives is reflected directly in the balanced scorecards of the CEO and relevant Executives. The balanced scorecard is used to set objectives, drive behaviors, measure performance and determine the remuneration of our people.





Material ESG matters

Identify

We identify ESG matters that may impact the execution of our strategy and those that are pertinent to the market we operate in line with stakeholders' expectations and our license to operate.



Prioritise

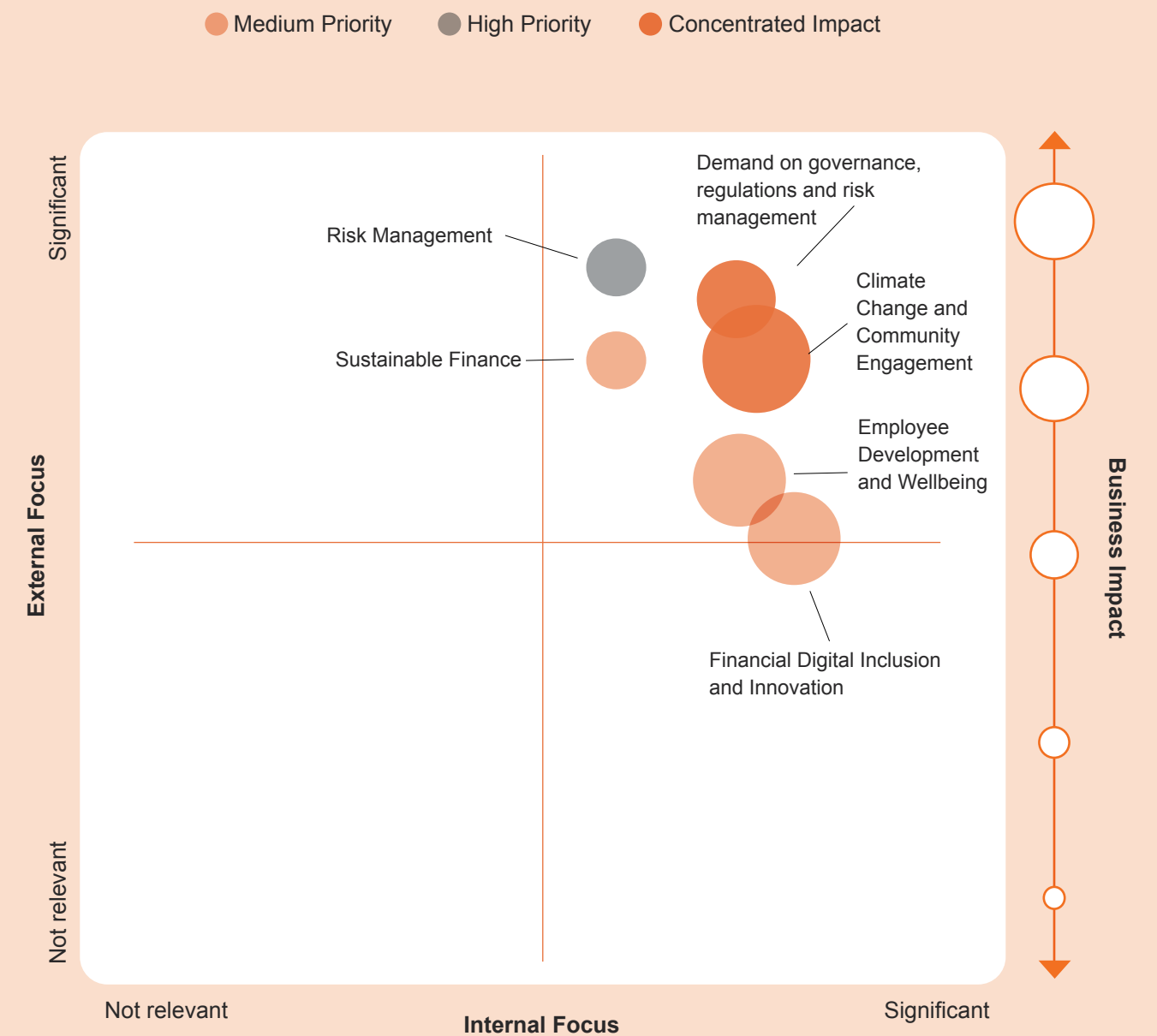
From the list of identified ESG matters, we prioritise those that most significantly impact our ability to successfully execute our strategy and deliver long-term value to our stakeholders.



Integrate

Those ESG matters that are material to value creation are integrated into our balanced scorecard, which is used to set objectives, drive behaviours, measure performance and determine the remuneration of our people.

Materiality to the Business



Sustainability Pillars

Sustainable Operations (Business practices)

Our responsible business practices have a direct, positive impact on two areas critical to our growth: our strength and stability as a leading financial institution; and our capacity to meet the needs of our key stakeholders. To achieve this, we take into account economic, environmental and societal considerations in our day-to-day business operations.

Our Approach

Embracing Good Governance

The Bank actively embraces effective corporate governance through well-defined governance structures, recognized as vital support for our capacity to create and preserve value. Our governance approach not only propels the achievement of strategic objectives but also harmonizes the interests of all stakeholders, fostering sustainable value creation. Moreover, our Board maintains an unwavering commitment to advancing corporate governance principles and practices by staying abreast of regulatory changes and best practices.

Our corporate governance approach ensures that the bank:

- Adheres to applicable legal, regulatory, and effective corporate governance practices.
- Delivers sustainable impact to the bank’s stakeholders.
- Cultivates an ethical and risk-awareness culture.
- Promotes transparency, accountability, and empathy in managing relationships with stakeholders.

Continual improvement in corporate governance principles and practices remains a key focus, ensuring the bank’s resilience in a dynamic regulatory landscape and adherence to the highest standards of ethical conduct and responsible business practices.

Status Report

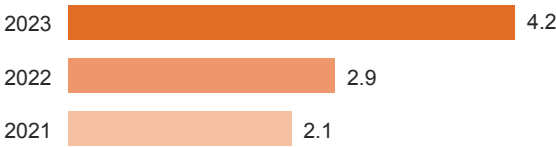
A strong governance and compliance culture is necessary for long-term and sustainable growth and value creation.

Target	Progress / Achievements	Awards & Recognition
Achieve no material instances of non-compliance or regulatory breaches.	✓ Regulatory penalties: NIL ✓ Cyber Security: No material instances of data loss ✓ Preventing Financial Crime: No material instances of financial crimes compliance breaches ✓ No material instances of non-compliance concerning fair dealing.	🏆 Tax Compliance: Overall, Winner: Most Compliant Taxpayer in Tanzania 🏆 Safest Bank in Tanzania <i>Global Business and Finance Magazine</i> 🏆 Best Commitment to ESG Principles Tanzania 2023 <i>International Banker Banking Awards 2023</i>

Championing thriving communities (community investments)

The Bank’s Corporate Social Investment (CSI) Strategy is being implemented to ensure the generation of shared value and inclusive growth with a dedicated focus on promoting and advancing socio-economic development within the Tanzanian community. The Bank has committed to making positive contributions to society and maintaining an inspired stance that aligns with the United Nations’ Sustainable Development Goals (SDGs) and the 2025 Tanzania Vision.

CSI Spend (TZS Billions)



The Bank sets aside one percent (1%) of profit after tax to holistically address the diverse challenges faced by communities. In 2023, the Bank allocated TZS 4.2 billion to implement its CSI initiatives, focusing on thematic areas of education, health, financial capability, and disaster recovery. The agenda intends to create value and positive socio-economic and business impact.

Nuru Yangu Scholarship

Following completion of the selection process, the first cohort of beneficiaries were identified for the program, comprising 65 registered students. The program is now in the process of selecting its second cohort of students, which is expected to comprise 65 students, bringing the total number of sponsored students to 130. Currently, the on-boarding process of the scholarship awardees is at final stages. Once students have been on-boarded, payments are made to cover their tuition, direct, accommodation and allowance costs, of which approximately TZS 436 million has been spent.



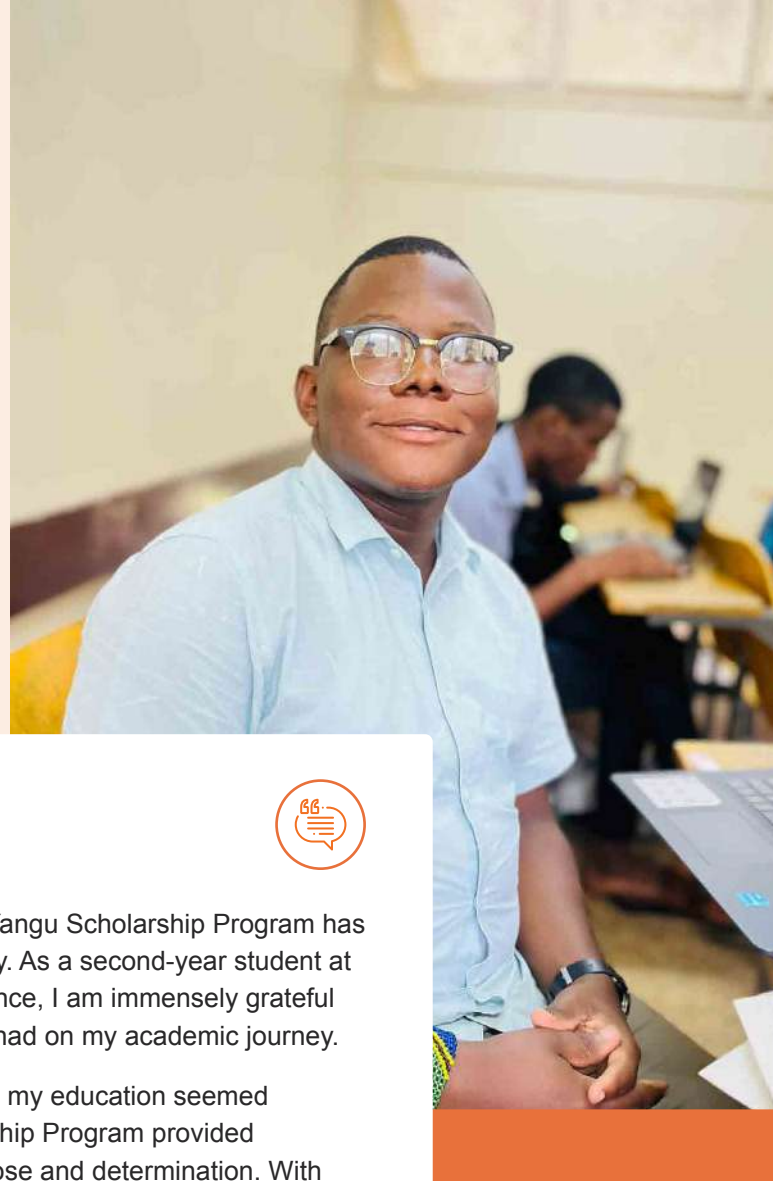
Empowering Dreams through the NMB Nuru Yangu Scholarship Program

Name: David Benedicto Mbinji

Age: 23

Program: Bachelor of Science in Accounting and Finance

University: Mzumbe University



Testimonial



In my pursuit of higher education, the NMB Nuru Yangu Scholarship Program has been a beacon of hope amidst financial uncertainty. As a second-year student at Mzumbe University, studying Accounting and Finance, I am immensely grateful for the transformative impact this scholarship has had on my academic journey.

Coming from a working class household, financing my education seemed overwhelming. However, the Nuru Yangu Scholarship Program provided financial assistance and a renewed sense of purpose and determination. With the assurance that my fees are covered, I can now focus wholeheartedly on my studies, knowing that my future is secure.

I first learned about the scholarship during a time of personal hardship, and the prospect of joining university seemed uncertain. Thanks to the timely intervention of a friend who informed me about the NMB advert, I was able to apply and secure the scholarship just days before the deadline.

The impact of this scholarship extends beyond my academic pursuits; it has alleviated a significant financial burden on my family.

While expressing my deepest gratitude to the Management of NMB Bank and NMB Foundation for their visionary initiative, I also urge consideration for expanding the program's reach. By extending its reach to more deserving candidates, we can ensure that every aspiring scholar has the opportunity to fulfill their potential.

Impact in the community through Employee Volunteerism

NMB encourages a giving culture, and its employees voluntarily contribute funds to support a cause of their own as a means of making a difference in the lives of the underprivileged in the community. In this year, 186 branches and 2,516 staff members participated in community work through the CSI matching up initiative and positively impacted the lives of over 20,300 people with different needs across the country.

Championing Diversity and Inclusion

NMB Bank PLC is an equal opportunity employer aiming at promoting an inclusive culture through diversity, equality, and inclusion in all aspects within the workplace from resourcing, rewarding, career growth, training and development programs. This does not only end with employees but also revolves around our customers who are the source of us existing in the business environment that we are operating with high levels of excellence.

Diversity and Inclusion in the workplace

To ensure that our colleagues feel valued, and integral to our success, we developed the 'Diversity, Equity, Inclusion and Belonging Policy.' The policy ensures that our unique differences are respected and celebrated, leading to a place where fairness prevails and everyone has access to opportunities.

Our Diversity, Equity, Inclusion and Belonging policy supports a varied workforce and respects diversity of perspective. It also aims to make our organization adaptable while acknowledging the diverse nature of our stakeholders. It is based on four key principles.

1. **Equity** – we promote equity by removing barriers, eliminating discrimination and ensuring equal opportunity and access for all groups of people, both within NMB as well as with partner organizations.
2. **Diversity** – We recognize each individual's uniqueness. Our success and competitiveness

are built on our ability to embrace diversity – and we believe that everyone should feel valued for their contributions. By working together, we will deliver the best possible services and solutions for our customers.

3. **Inclusion** – We foster a company culture where differences are not just accepted but valued, where everyone can grow aligned with our Bank's vision and values. We strive for a workplace where people feel connected and influential in our shared success.
4. **Belonging** – the feeling of security and support when there is a sense of acceptance, inclusion, and identity for a member of a certain group or place. When people feel a sense of belonging, they can share ideas, confidently speak up, and fully contribute.

Initiatives

1. **NMB Balance:** To further champion Gender Diversity, Inclusion and Equity, we launched NMB Women Arise, a beacon calling forth women to seek top management positions. This initiative did more than inspire it has increased the number of women leaders to 32%, with an overall gender representation of 52% male and 48% female. In 2020, we expanded this initiative and renamed it "NMB Balance" to include men and youth more broadly. NMB balance (Internal Diversity and Inclusion forum) consists of representation from Board, ExCo different departments with a special focus on women men and youth empowerment through several programs including ATE Female Future, Women CEOs Roundtable, WIMA, and this quarter a special team of 60 Women Leaders are scheduled for a program on Women Leadership Development by either Strathmore University/ GIBS/ESAMI.
2. **SIKIKI Forum:** Chaired by the CEO, the NMB SIKIKA forum is an open employee platform where NMB staff express their opinion about their welfare and working environment. .



3. Other Internal initiatives

- Enforcing trust to employees through trust and open communication empowerment and engagements.
- Embedding a culture of learning from mistakes that are not intentional by taking corrective actions such as mentoring, coaching, providing constructive feedback etc.
- Promoting fair treatment regardless of job level, gender, age, workstations and ethnic backgrounds.
- Maintaining the zonal mentorship program by the mentor leaders through frequent staff engagement to closely guide and empower the zonal/branch staff.
- Increasing transparency of management decisions making, and empowering middle managers to cascade across the Bank.

Status Report

Equal opportunity for all.

Target	Progress / Achievements	Awards & Recognition
Creating a positive, diverse, and productive workforce	✔ We have made progress on gender parity as of December 2023. Female staff at NMB accounted for 48% of total full-time employees, and 49% of total staff include fixed-term staff.	🏆 Best Employer of the Year 2023, Runner-Up in the overall winner category
	✔ 25% of Top Executive Committee positions are held by women while Women hold 32% of Senior Management positions and 30% of other managerial control lines positions.	🏆 Best Private Sector Employer 2023, Runner-up
	✔ In 2022 we became the 1st Financial Institution in Africa to be awarded EDGE Gender Certification.	🏆 Quality, Productivity, and Innovation Award
		🏆 Best Employer - Gender Equality and Equity Award

Sustainable Financing (Responsible Banking)

We deliver products and services that promote sustainable development and conduct our banking business with a greater sense of responsibility to the environment that we operate in, and the communities that surround us.

Why it matters

Sustainable finance plays a key role in promoting the transition to a carbon neutral and sustainable economy. As a duty to society and shareholders, we support our customers' transition to more sustainable models of doing business by supporting projects that prioritize resource efficiency, healthy ecosystems and promote the circular economy. Through the integration of environmental, social, and governance (ESG) factors into our credit decision, we believe we are able to play a more purposeful role in Tanzania's transition to a low carbon future and contribute to a more resilient economic and social development.

Our Approach

NMB Bank is on a significant change journey to integrate sustainability in all functions and business areas. Promoting businesses and innovations with sustainability considerations as a core facet of our organization purpose and focus is a priority in our investment and lending policies and guidelines. The Bank's Sustainable Financing Framework, which was approved in 2023, represents a further step in our effort to incorporate environmental and social considerations in our operations.

Currently, through our lending strategy, we ensure that our clients adequately comply with the required statutory environmental and social regulations as periodically stated through the National Environment Management Council (NEMC), the specific sectoral regulatory agencies and the Office of the Vice President's Union and Environment.

To further govern our environmental stewardship and social impact commitments, we have put in place a comprehensive and specific set of guidelines that are referred to as part of our sustainability risk management process. The Policies and Guidelines, inter alia, guides us when making end-to-end environment and social impact risk assessments as part of the Bank's lending business, from the point of credit origination to business appraisal processes, approvals and monitoring stages.



NMB’s Sustainable Financing Framework:

This framework which is now in operation aims to provide a foundation under which the Bank can execute and, where applicable, list green, social and/or sustainable liabilities (sustainable instruments) including, but not limited to, bonds, loans, and deposits. NMB’s sustainable instruments offer investors an opportunity to invest in assets that create positive environmental and social impact in Tanzania.

The framework is aligned with international best practice and guidance issued by the International Capital Markets Association (ICMA) and Loan Markets Association (LMA), namely:

- Green Bond Principles (GBP) 2021
- Social Bond Principles (SBP) 2023
- Sustainability Bond Guidelines (SBG) 2021
- Green Loan Principles (GLP) 2023
- Social Loan Principles (SLP) 2023

Status Report

Initiatives/ Programme	Additionality & Impact
Signed financing contracts/ agreements with EIB worth EUR 100M for gender and blue facilities in February 2023	The aim is to enhance access to finance for SMEs, Midcaps, and Co-operatives across various eligible sectors, focusing on the blue economy and businesses managed or owned by women, thus promoting gender equality and women’s economic empowerment. • On-lending activities to contribute to improving access to credit to mostly SMEs, especially in the two thematic sectors that suffer from constrained access to longer-term financing. • Therefore, through issued loans to eligible private sector businesses, NMB will address the market challenges of asymmetric information that SMEs are confronted with when applying for finance, as well as environmental and climate externalities associated with the blue economy, for instance, pollution reduction and protection of maritime life. • Furthermore, the proceeds address gender gaps in finance SMEs and support women’s inclusion and position in supply chains, including the blue economy.

Under this framework, NMB may issue 3 types of instruments:

- Green bonds/loans etc. where an amount equal to the net proceeds will be exclusively used to finance and/or refinance eligible loans falling within the Eligible Green criteria,
- Social bonds/loans etc. where an amount equal to the net proceeds will be exclusively used to finance and/or refinance eligible loans falling within the Eligible Social criteria,
- Sustainability bonds/loans etc. where an amount equal to the net proceeds will be exclusively used to finance and/or refinance eligible loans falling within both Eligible Green and Social criteria.

Status Report Continued

Initiatives/ Programme	Additionality & Impact
Signed a senior loan of up to US\$100 million with a tenor of 2-year renewable for one more year with International Finance Corporation (IFC), under the COVID-19 Emergency Response WCS Envelope (WCS Envelope)	The loan helped the Bank meet the COVID-19-related working capital and trade-related needs of its clients, all of which are small and medium enterprises (SMEs). • The loan provides additional liquidity support amidst prevailing global economic headwinds to meet the post-COVID-19 related working capital and trade-related needs of NMB clients, many of which are SMEs. • Working capital and trade finance loans to SMEs expedited post-crisis recovery.
Issued and Listed Jamii Bond in Q3 2023, being the 1st tranche under the newly approved MTN Programme.	The landmark transaction marks NMB’s first Sustainability Bond under its current TZS 1 trillion Medium-Term Note, following the global award winning, TZS denominated debut Social Bond (Gender issuance) issued in 2021 under the previous Medium-Term Note. The issuance of this sustainable bond further reinforces the position of NMB Bank as the market leader and a true pioneer in sustainability. The net proceeds of the Jamii bond will be used to finance activities that align to the Bank’s updated Sustainability Financing Framework • The TZS 400 billion raised from the Jamii bond, which matures in 2025 and was eight times oversubscribed, will be used to support projects that create positive social, economic, and environmental benefits as aligned to selected SDG targets. These could include green projects, Renewable energy, Gender, Education, affordable housing. • The issuance of Jamii Bond is a testament of NMB’s longstanding commitment to sustainable development and its ambition to play a leading role in sustainable finance.



Climate Risk

We recognize climate change as one of the most significant risks facing our planet. Climate risk is central to our sustainability agenda at NMB Bank, as we look to limit the impacts that result from the transitional or physical effects of climate change. We continue to work on the measures required to address climate change, to mitigate impact of our operations on climate and to support a transition towards lower-carbon operations and products.

Our Approach

We believe that Banks have a unique role to play in tackling the pressing agenda of climatic change and related risks. At NMB we believe that we can play a purposeful role in combating climate change through a combination of several initiatives all aiming at reducing bank’s own emissions, emissions through bans finance and capital flows, coupled with advocacy initiatives geared towards advancing climate friendly practices across the value chain.

Reducing impact of our operations

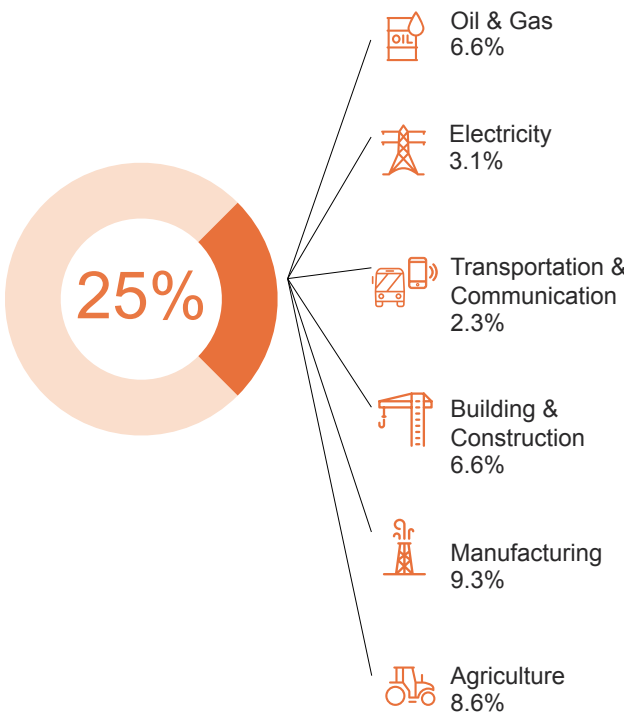
All functions of the bank have been engaged in reducing carbon emissions from our operations. Some of the initiatives include:

- In the year 2022, the Bank fully implemented LED lighting at the head office and NMB Academy facility. In 2023, NMB Bank successfully reduced electricity consumption by 14%, thanks to the collective efforts in adopting LED lighting at the branch level. This transition has now been extended to 175 branches, an increase from the previous 150 branches in 2022.
- As of December 2023, one bank branch conducted a pilot project on the utilization of solar energy.
- In the year 2023, a total of 8 vehicles underwent conversion to CNG, which is a significant increase compared to the 2 vehicles converted in 2022. This continuous remarkable progress in the CNG conversion of our fleet leads us to anticipate a substantial 30% reduction in associated operating expenses.
- Since 2021, the HR department has undertaken significant initiatives to automate processes, resulting in an impressive 80% decrease in paper usage.

Sector deep dive for Six priority sectors

NMB Bank proactively identifies sectors that may pose risks to its business and its community. In alignment with this commitment, NMB Bank has expanded its analysis and disclosure of climate-related risks, particularly focusing on sectors with high carbon footprints. Utilising a specialised unit within the Credit Directorate, the bank has pinpointed specific sectors within its loan portfolio that exhibit heightened exposure to climate-related risks for action. The identified sectors represent 25% of the total loan portfolio.

The maximum exposures in the table below encompass loans and advances to customers at amortised cost on both On-Balance and Off-Balance sheets. It’s important to note that the full exposure does not encompass private loans. As reporting standards evolve towards harmonising around green, sustainable, and transition taxonomies, we will adapt our reporting methodologies accordingly.



Initiatives

We believe that NMB can make the greatest difference by supporting our clients in climate sensitive sectors to transition to a low-carbon economy, rather than by simply phasing out support for them. The Bank is therefore committed to its role in enabling climate mitigation and adaptation efforts of the country through both its lending activities, and by reducing the carbon footprint of its operations.

Key focus areas include:

- Sustainable agriculture and food security
- Sustainable infrastructure
- Renewable energy
- Clean transportation
- Sustainable Fisheries
- Climate Adaptation
- Waste and water management

Loans and advances to CO2 related and Climate-Sensitive Sectors

TZS billion	On-balance sheet		Off-balance sheet	
Sector	2023	2022	2023	2022
Agriculture	513	732	18	115
Building and Construction	147	150	281	496
Energy: Electricity	11	142	152	161
Energy: Oil & Gas	34	365	624	282
Manufacturing	249	387	166	533
Transportation & Communication	124	168	100	63
Total	1,079	1,944	1,341	1,650



Financial Inclusion

Efforts to promote and facilitate financial literacy, inclusiveness, and accessibility to financial services for the underserved or unserved individuals and businesses, alleviating financial hardships and thus expanding access to formal banking services for all.

Our Approach

In the last 12 months, the Bank has introduced innovative products and services and continued to meet its customer and clients' savings, transactional and financing needs in urban and rural areas.

Driving Inclusive Growth through Financing

The 2023 FinScope survey shows that formal banking services are used by just 22% of adults in Tanzania, with key groups like women, youth, SMEs, and small-scale farmers being largely underserved and excluded. As a leading financial institution in the country, NMB bank is committed to supporting Tanzania's journey toward financial inclusion. We have launched different propositions to fit the needs of Women, Youth, and small-scale farmers.

Initiatives

- **Women Proposition:** We launched a unique Women Proposition, dubbed NMB Jasiri Women Proposition in 2020. The Jasiri Program/ Initiative with the main objective of Drive Economic Empowerment of women through creation of a unique market proposition for women.
- **Award winning Social Bond:** In 2022 we successfully Issued the first gender bond in the whole of Sub-Saharan Africa (SSA), debuted "Jasiri Bond" the bond set new benchmark for issuance of gender-based instruments. including an oversubscription of 197%. The bond aimed at financing Women owned Agri, SME's and MSME businesses which addressed SGD goals 1, 5 and 10 i.e. No Poverty, Gender equality and Reduced Inequalities. This initiative addresses SGD goals 1, 5 and 10

- i.e. No Poverty, Gender equality and Reduced Inequalities.
- **Expanding access to finance to SMEs, and Small-scale farmers:**
 - We have established a TZS 200 billion Agriculture Value Chain fund that facilitates loans at low-interest rates (9%) and supports at least 38 agricultural value chains. With an annual growth rate of around 40%, our agricultural loan portfolio is one of the fastest-growing segments of our lending activities. Our innovative "360° Food Supply Ecosystem Solutions" approach connects all participants in the agricultural sector from farm to fork, fostering synergies within the value chain.
 - A total of TZS 20 Bn (\$7.9 Mil)has been set aside for supporting Government's Building Better Tomorrow agriculture program for youth and women.
 - All these initiatives address SDG goals 1,2,5 and 10 i.e. No Poverty, Zero Hunger, Gender equality and reduced inequalities.
- **Youth Propositions:** We also introduced 'Mshiko Fasta', an innovative mobile loan service without the need for collateral. It offers up to TZS 500,000 to support small business cash flows for women and youth entrepreneurs. This has been a success, with over TZS 46.4 billion disbursed.
- **Expansion of our network:**
 - Revamped our Agency banking services to bring banking services closer to our customers. Through the new, in 2023 we were able to expand our agency footprint to 28,295 banking agents across Tanzania, from 19,870 in 2022, hence expanding access to banking services in rural and remote areas.
 - We also opened 4 new branches and relocated 2 branches.



Status Report

Outreach	2023	2022
Number of branches	231	228
Number of branches in rural areas	155	153
Number of agents	28,295	19,854
Number of agents in rural areas	12,733	8,736
Number of ATM's	715	781
Number of ATMs in rural areas	350	346
Number of mobile banking subscriptions (active users)	4,952,822	4,677,020
Number of internet banking subscriptions (active users)	41,652	25,020
Total number of customers	6,945,767	5,840,589
1. 'Of which are mass market consumer retail	6,374,124	5,520,578
2. 'Of which rural retail customers	3,604,249	2,942,468
3. 'Of which are rural female retail customers	1,204,209	888,625
4. 'Of which Private Retail Banking	32,827	
5. 'Of which Corporates	72,949	7,378
6. 'Of which Micro, Small and Medium Enterprises (MSMEs)	367,664	226,211
7. 'Of which any Other category of customer not listed above	98,203	86,422
8. 'Of which are business customers (SMEs, corporates, special Agri-purpose account holders etc.) active in the Food and Agri value chain	69,252	120,868
8.1 'Of which are Corporates	8,335	5,528
8.2 'Of which are MSMEs	60,917	115,340
8.3 'Of which are farmers	805,113	117,092
9. 'Of which are farmer cooperatives	3,483	3,166
10. 'Of which are Agri-processors	982	610

Definitions

Corporates (as applied to the data in this questionnaire):

Turnover TZS 20 billion and above. Borrowing limit TZS 5 billion and above

MSMEs (as applied to the data in this questionnaire):

SME: turnover between TZS 150 million - TZS 15 bln. Borrowing limits TZS 50 million < x < TZS 5 billion

MSE: turnover up to TZS 150 million. Borrowing limits TZS 500,000 < x < TZS 50 million

Women-owned business:

Women owned business is considered by:

- Ownership - more than 51%
- Management - 20-30% women in management position
- Staff composition - employs 30% or more women
- At times - product/service impact

Status Report Continued

Indicator	Our Initiative
A dedicated team/unit focused on Women-owned MSME banking	The team seats under Retail Products, Pricing and Insights. Sales and specific relationships are handled by Relationship officers/managers in both business banking and agri business units
Dedicated products/services customized for the women owned MSME segment	The following products have preferential features such as rate and requirements for women: - Jasiri Loans - Special rate Fanikiwa Loans - Family banking (Mtoto, Chipukizi, Mwanachuo account)
Dedicated team/unit focused on women retail banking	The team seats under Retail Products, Pricing and Insights.
Products specifically designed for the low-income retail segment	The following products are specifically - NMB Pesa (Mobile Based account) - Micro savings wallets: Spend 2 save - Group account - Pamoja account - Loans: - Mshiko Fasta (Micro digital loan) - Fanikiwa Loan - Machinga loans
Dedicated products/services customized for women in the retail segment	The following products have preferential features such as rate and requirements for women: - Jasiri Loans - Special rate Fanikiwa Loans
products specifically for low-income business traders / microenterprises	The following products are specifically for low-income businesses: - Chap chap Fanikiwa account - Fanikiwa account - Fanikiwa Loans - Machinga Loans
Microfinance loans	We offer micro loans such as: Digital Loans (Mshiko Fasta) from TZS 1,000 to TZS 500,000





Corporate
Governance



Dear Shareholders

Throughout 2023, we remained true to our principles and maintained a firm conviction that robust corporate governance is essential for our bank's lasting prosperity. Our resolute dedication to making long-term decisions to generate lasting value for all stakeholders remains the cornerstone of our approach.

We maintained a stringent governance framework throughout the year, aligning with the Bank of Tanzania's Principles of Good Governance and Corporate Governance Guidelines. Adhering to the Code of Corporate Governance Practices for Listed Companies and the Companies Act Cap 212 (as amended) underscores our dedication to transparency and accountability.

In 2023, we continued to invest in the diversity of skills and competencies within the Board, balancing continuity with the infusion of experience and expertise essential for steering our long-term success. The re-appointment of the Chairman, Dr. Edwin Mhede, and one Non-Executive Director, Juma Kisaame, enriches our Board with diverse skills in finance, risk management, and governance.

Aligned with our strategic vision, the Board sustained its focus on digitalization, making prudent investments in technology. We observed significant progress in digital adoption, with alternative channels accounting for 96% of total transactions by volume as of December 2023. This underscores our commitment to enhancing customer experience through innovation.

We acknowledge both the positive and negative consequences of our operations' impact on the economy, community, and environment. The Board manages and mitigates adverse impacts while championing environmental and socio-economic sustainability. Our Sustainability Programme, initiated in 2022, aims to integrate sustainability considerations into our decision-making processes comprehensively. Such initiatives take a forefront in our decision-making as we integrate sustainability into every decision, from the boardroom to the front lines.

The Board reaffirms its commitment to upholding exemplary governance practices, recognizing their pivotal role in our long-term success. We will continue collaborating closely with management to ensure that these high standards permeate every aspect of our business and drive the successful execution of our strategic priorities.

We're capitalizing on good governance, digitalization, and sustainability, and with your continued support, our achievements are limitless.

In closing, I extend my sincere gratitude to our shareholders for your continued trust and support. Together, we will navigate the evolving landscape with resilience and determination, positioning NMB for sustained growth and prosperity.

Dr. Edwin Mhede
Chairman



Our Board of Directors



Dr. Edwin P. Mhede - 45
Chairman
Economist, CDIoDT

Appointed on 5th June 2020
Re-appointed on 2nd June 2023



Juma Kisaame - 60
Non-Executive
Banker, CDIoDT

Appointed on 5th June 2020
Re-appointed on 2nd June 2023



George Mandepo - 48
Non-Executive
Lawyer, CDIoDT

Appointed on 15th June 2019
Re-appointed on 3rd June 2022



Hendrik Reisinger - 59
Non-Executive
Economist/ Banker

Appointed on 15th June 2019.
Re-appointed on 3rd June 2022



Benson Mahenya - 55
Independent - Non-Executive
CPA (T), CDIoDT

Appointed on 15th June 2021



Aziz Dachi - 48
Non-Executive
ICT, Auditor, CDIoDT

Appointed on 3rd June 2022



Clement Mwinuka - 60
Independent - Non-Executive
CPA (T), CDIoDT

Appointed on 3rd June 2022



Ramadhani Mwikalo - 69
Independent - Non-Executive
IT Expert, CDIoDT

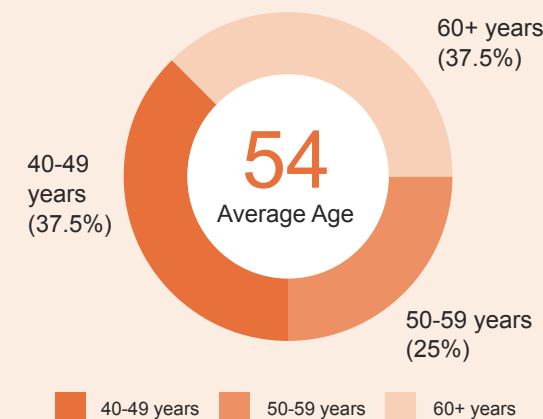
Appointed on 3rd June 2022

2023 Focus Areas

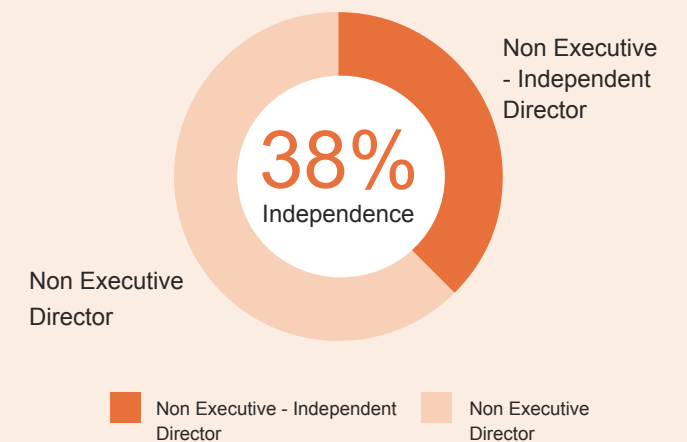
- Reviewing progress on Medium-Term Plan (2021-2025) and relevant strategic initiatives
- Reviewing and approving Governance policies
- Overseeing performance and risk
- Overseeing the execution of the Banks Transformation journey

The Board guides the strategic direction of the Bank by approving and monitoring effective strategy execution by Management. Our Board composition embodies a wide range of diversity, including age, race, ethnicity, country of origin, culture, educational background, skills, experience, and knowledge. This diversity fosters meaningful discussions, valuable input, constructive challenges, and thoughtful outcomes. We are fully committed to fulfilling our governance, social, and regulatory responsibilities. Additionally, we continuously monitor and report on various diversity measures, such as skills, educational qualifications, and age.

Age



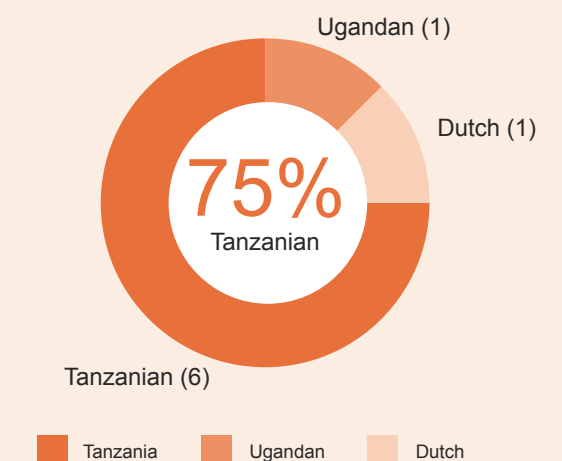
Independence



Tenure



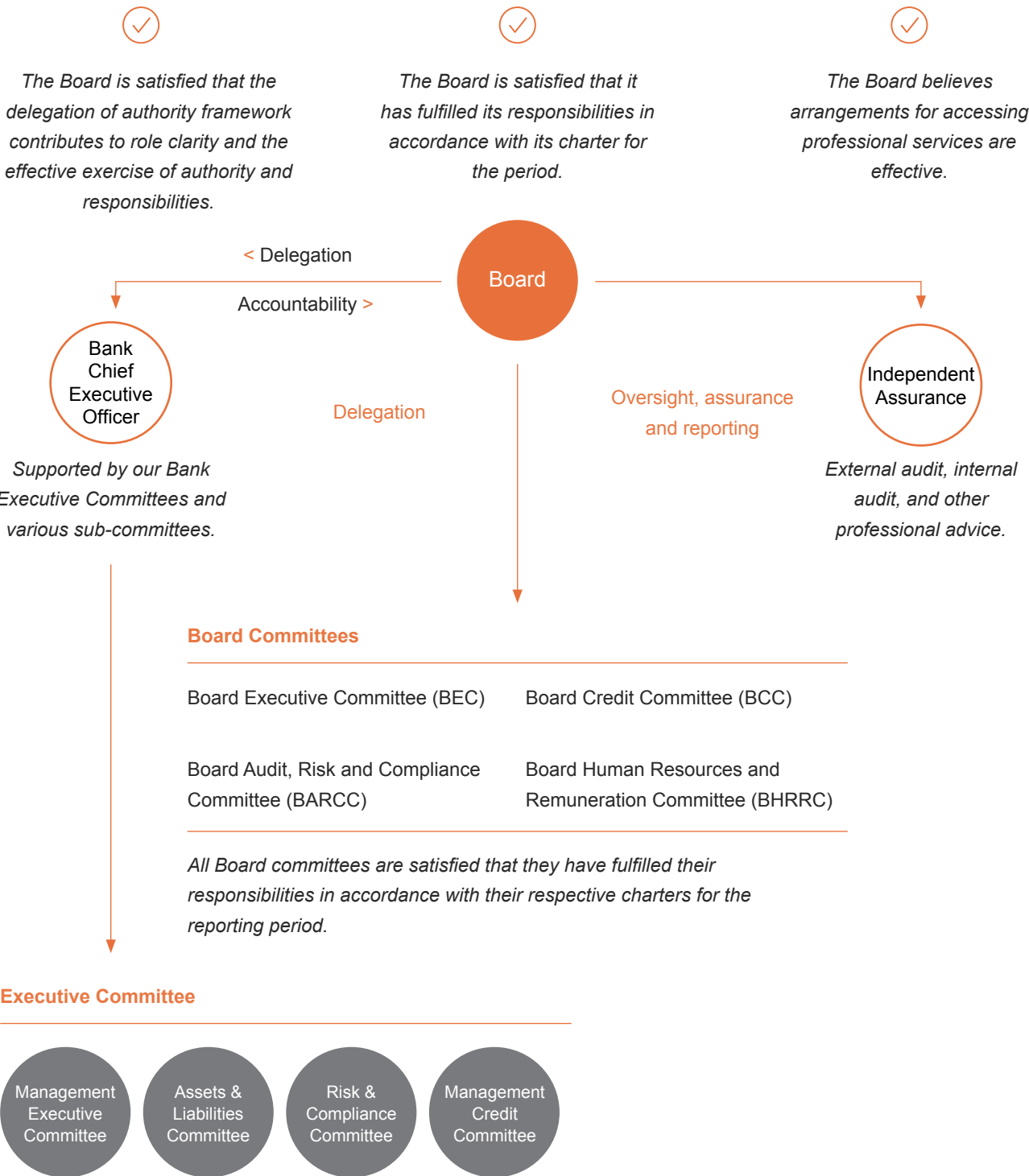
Nationality



Number of Board
Committee Meetings **41**
2022: 45

Board Committee
Attendance **99.5%**
2022: 89.3%

The Bank's Governance Framework



Board Committee Focus Areas

Committee	2023 focus area and material decision	2024 focus area
Board Executive Committee (BEC)  Juma Kisaame Non-Executive	- Reviewed and approved policies. - The Board continued to oversee the bank's governance, smooth operation, and oversight. - Received updates on the bank's performance, including business-level performance updates. - Reviewed and approved rebased Medium-Term Plan. - Regulatory relations (top-of-mind matters, fines and penalties, and regulatory commitments and relationships) - Evaluation regarding the effectiveness of the Board and its committees (outcomes were presented, with actions introduced, where relevant)	- Integrating the ESG strategy within the Bank; developing the various climate-related standards; and achieving substantial and tangible results towards the Bank's sustainability commitments. - Board effectiveness actions evaluations. - Board composition (to achieve optimal composition in terms of the number of members, respective skillsets, and gender) and succession planning. - Executive management succession planning - Board governance objectives (approve objectives and monitor the work performed)
Board Human Resource and Remuneration Committee (BHRRC)  George Mandepo Non-Executive	- Appointments and progress of on-going key recruitments (senior and middle management vacancies) - Extending participation in our long-term incentive arrangements to increase coverage for scarce and critical skills and align with peers' market practices. - Taking additional steps in fair and responsible pay, predominantly regarding fixed remuneration increases and short-term incentive allocation for frontliners, as well as addressing pay differentials. - The Board approved exponential training budget growth to further accelerate the upskilling agenda for the bank. - Overseeing cost-benefit analysis and related implications of changes of the emolument's adjustments. - The Committee received regular updates on the progress of the Culture Transformation project and key labor cases.	- Attracting and retaining top talent, scarce and critical skills, and mitigating the impact of increased sectoral competition for local talent. - Fair and responsible remuneration in the context of fair pay practices and evolving market dynamics. - Ongoing evaluation of the impact of our evolving remuneration frameworks and their outcomes ensure that they remain locally relevant and competitive and effectively balance stakeholder interests.



Board Committee Focus Areas Continued

Committee	2023 focus area and material decision	2024 focus area
Board Credit Committee (BCC)  Hendrik Reisinger Non-Executive	- Discussed and approved Risk Appetite and Sectoral Limits. - Reviewed, and approved credit portfolio strategies. - The Committee continues to monitor the credit risk exposure, sector, and single name concentration of the corporate loan book. - Material limit increases in 2023 for several significant single-name exposures were reviewed and approved, - The overall portfolio health of the lending book, the related loan loss ratios, vintages, and related matters were considered. - Deep dives were conducted on higher risk sectors and portfolios (including the agriculture, and transportation sectors), considering the global macroeconomic environment, resultant heightened risks, and the impact of climate risks.	- The Bank's loans and advances growth in the context of concentration risks and exposures, in particular to the higher risk sectors of the economies. - Close monitoring of the sectors affecting our ESG ambitions and targets regarding gross loans, losses, returns, and emissions management.
Board Audit, Risk and Compliance Committee (BARCC)  Clement Mwinuka Independent - Non-Executive	- Receive internal and external Audit reports and oversight to management on improving control environment. - Liquidity simulation (with the participation of ExCo) and assess capital adequacy. - Evaluated risk appetite and principal risk profiles. - Deep dives into market and liquidity risks including FX liquidity and overall impact to clients and the business. - Update on Policy changes including Compliance Risk Management Policy, Financial Consumer Protection Policy, and Strategic Risk Management Policy. - Received, reviewed, and approved financial results. - Received regular risk reports focused on the bank's risk and control operating environment. - Approved the risk appetite validation of the 2024 Budget. - Considered external legislative and governance developments and received regulatory updates.	- Internal capital adequacy assessment process (ICAAP) - Internal liquidity adequacy assessment process (ILAAP) - The macroeconomic environment, including economic recovery, headwinds and volatility, and customer stress to assess possible impacts on the Bank's risk appetite. - Processes for screening sensitive and ESG financing transactions. - The macroeconomic environment, including economic recovery, headwinds, volatility, risks, and opportunities. - Regulatory developments (a) as part of the Basel III finalisation, appropriate courses of action to manage cost and capital impact and ensure regulatory compliance and (b) appropriate risk processes to respond to the direct and indirect impacts of climate change.

Note: This is a summarization of key committee activities; detailed highlights can be found on Those Charged with Governance Report.

Categories of Directors and Balance of Skills



Evaluation and Performance of the Board

The Board ensures that the evaluation of its performance, and that of its committees, its chair and its members supports continued improvement in its performance and effectiveness

Assessing the Board’s effectiveness

The Board assesses its performance and that of its committees in several ways:

1

Mandate self-reviews

The Board conducts a formal and rigorous annual evaluation of its collective performance, the individual Directors’ contributions, and the Board Committees’ performance against their respective mandates to constructively identify achievements and improvement areas.

2

Effectiveness evaluation

The Board, its Committees and individual Board members in accordance with the section 21 (i) of the Bank of Tanzania Corporate Governance Regulations 2021, undergo a comprehensive evaluation periodically to assess the effectiveness of the Board, its committees and its members.

3

Peer to Peer evaluation

Evaluation of individual director performance is carried out by an Independent External evaluator in one-one-one discussions with each Board member.



The Board Committees are evaluated on effectiveness in discharging their responsibilities, diligence, and responsiveness to the Board. Additionally, the Committees self-evaluate on annual basis their abilities to carry out the responsibilities set out in their respective Terms of Reference.

In 2023, the Board engaged KPMG East Africa, an independent external evaluator, to conduct the Board performance and evaluation with the Company secretary overseeing the process and the BHRRC providing guidance.

The evaluation process took the form of a series of questions that allowed the Board to review its effectiveness in 2023, with the opportunity to provide free text comments or observations throughout the questionnaire. The evaluation also focused on the Board’s effectiveness in overseeing new and emerging themes and the bank’s strategic priorities.

Key areas in the 2023 review included:

- Board Composition and Structure
- Board Operations and Meetings
- Governance and ethics
- Cooperation with management
- Strategic Leadership
- Team player
- Strategic alignment and the Board mandate
- Diligence and commitment

Key Findings:

The Board performed very well in the overall evaluation based on responses received from the questionnaires for evaluating Board effectiveness.

Overall, the Board has shown resilience, through facing and confronting complex issues. The Board sub-committees are an effective element of the overall oversight and governance framework.

The Board has been proactive in addressing the areas of improvement identified in the previous assessment.

There is a solid relationship of mutual respect and trust between Board members that enable robust interactions. The executive management team is appropriately empowered to execute the strategy, with the Board playing an oversight role.

The chairman is a team player, and has ability to unite the Board members to a common purpose for the achievement of the bank’s strategy.

Board Evaluation Score

2023

92%



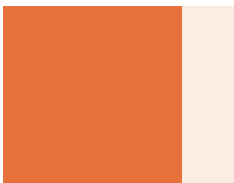
2022

88%



2021

82%



Driving the strategy of the bank

Our Executive Team



Ruth Zaipuna - 50
Chief Executive Officer
ACPA (T), MBA, CDIoDT

Appointed on 18th August 2020



Juma Kimori - 45
Chief Financial Officer
ACPA (T), MBA, CDIoDT

Appointed on 12th March 2021



Filbert Mponzi - 48
Chief Retail Banking
ACPA (T), MBA, CDIoDT

Appointed on 01st June 2019



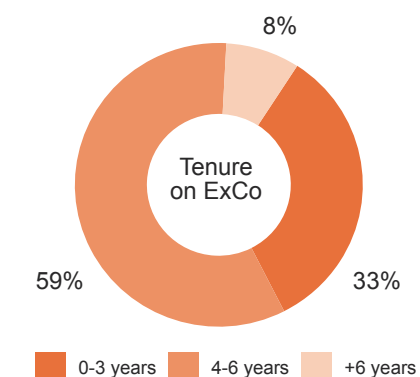
Doreen Joseph - 41
Chief Risk Officer
MBA

Appointed on 12th September 2022



Ezekiel Herman - 43
Chief Compliance Officer
CPA (T)

Appointed on 03th October 2022



Alfred Shao - 48
Chief Wholesale Banking
ACCA, MBA, CDIoDT

Appointed on 17th February 2020



Aziz Chacha - 42
Treasurer
MBA, ACI

Appointed on 27th August 2011



Nenyuata Mejooli - 50
Chief Shared Services
MBA, CDIoDT

Appointed on 01st June 2019



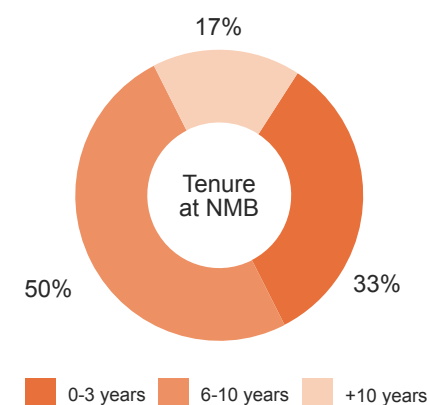
Benedicto Baragomwa - 40
Chief Internal Auditor
ACPA, MSc, CISA, CDIoDT

Appointed on 15th November 2021



Mwantumu Salum - 54
Company Secretary
LLB (Hons), LLM Certified Compliance Officer

Appointed on 11th October 2023



Nishad Jinah* 46
Acting Chief Credit Officer
BSc Banking and Finance

Appointed on 13th December 2023



Emmanuel Akonaay - 42
Chief HR Officer
MBA, Certified Reward and HR Practitioner, CDIoDT

Appointed on 06th August 2020



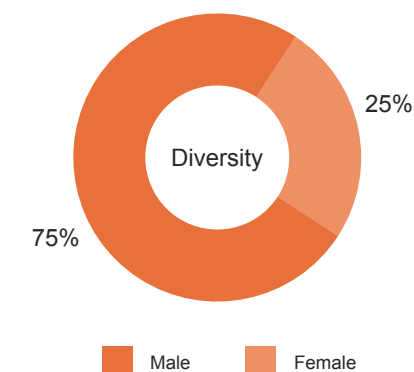
Kwame Makundi - 42
Chief Technology & Digital Transformation
MBA

Appointed on 01st November 2021



2023 focus areas

- Execution of key strategic initiatives in line with our MTP
- Making sound investment choices in critical strategic areas
- Enhancing our risk management and governance framework
- Advancing the bank's sustainability agenda
- Investing and empowering our people to create a fit for purpose and fit for growth organization.
- Expand and deepen our customer offerings in line with our 'customer first commitment'.



*Nishad Jinah was appointed Acting Chief Credit, succeeding Daniel Mbotto, effective from December 2023.



Long-Term Viability and Going Concern Statement

Dr. Edwin P. Mhede
Chairman



“NMB Bank presents its Integrated Annual Report for the year ended 2023, highlighting our commitment to transparency, resilience, and long-term sustainability. In line with regulatory requirements and best practices in corporate governance, we provide a comprehensive assessment of our long-term viability and ability to operate as a going concern.”

In an ever-evolving financial landscape, NMB Bank remains steadfast in its mission to deliver value to stakeholders while navigating challenges and seizing opportunities. Our viability statement for 12 months to 31 December 2024 reflects our proactive approach to risk management, strategic planning, and operational resilience.

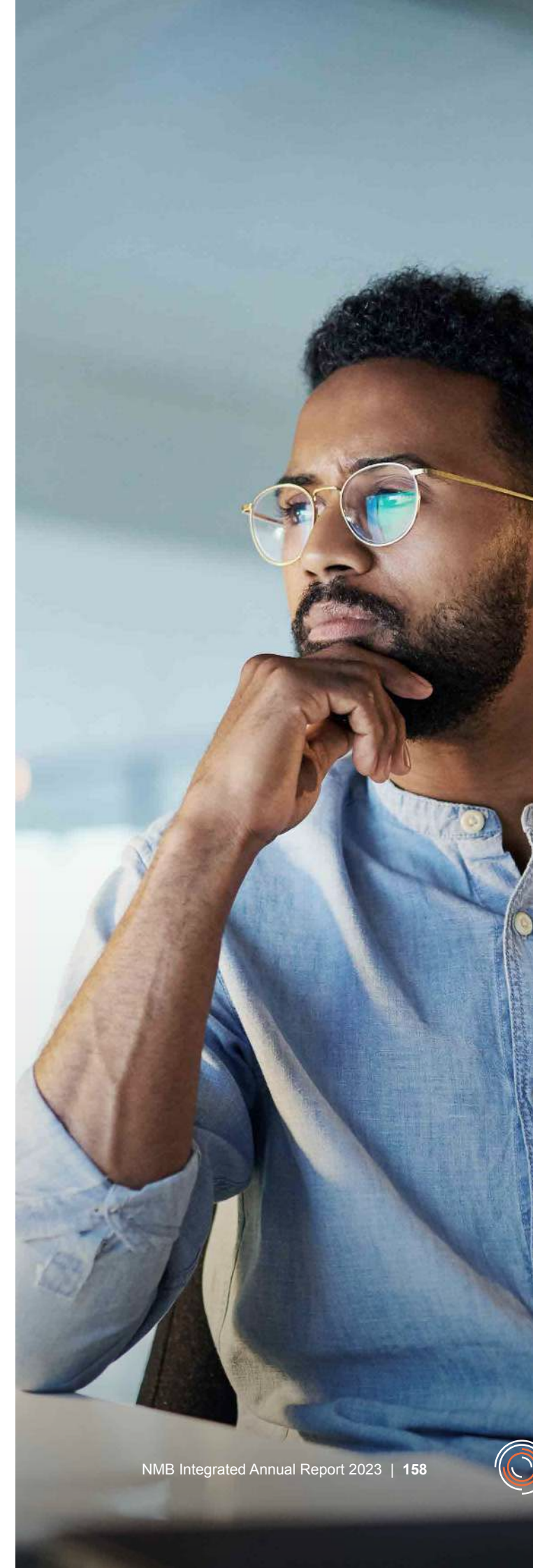
- Our Medium-Term Plan for 2021–2025 serves as a strategic roadmap, outlining initiatives to enhance profitability, manage risks, and ensure sustainable growth. By aligning our operations with long-term objectives, we mitigate uncertainties and position ourselves for success in the years ahead.
- NMB Bank conducts rigorous stress testing exercises and internal projections to assess our resilience to adverse scenarios. These assessments, covering profitability, capital adequacy, and liquidity, form the foundation of our viability assessment and strategic decision-making process.
- We continuously monitor and manage principal risks, including geopolitical tensions, macroeconomic uncertainties, digitalization, technological advancements, and environmental, social, and governance (ESG) risks. Implementing robust mitigation strategies safeguards our long-term viability and ensures prudent risk management. (see page 190, 213-222)
- A comprehensive analysis of our financial position considers key metrics such as profitability, regulatory capital requirements, liquidity funding, and minimum own funds and eligible liabilities. Maintaining adequate levels of capital and liquidity is paramount to supporting our operations and withstanding potential shocks. (see page 207, 215)

- We assess the potential impact of external factors, such as geopolitical events, economic uncertainties, and regulatory developments, on our operations and financial stability. Our proactive approach and contingency plans enable us to mitigate adverse effects and maintain business continuity in challenging environments.

NMB Bank remains committed to regulatory compliance and upholding the highest governance standards. Our robust regulatory compliance framework ensures that we adapt to evolving regulatory requirements and maintain the trust and confidence of our stakeholders.

Operational resilience is a key priority for NMB Bank. We continuously enhance our operational infrastructure and processes to withstand disruptions and maintain the continuity of critical services. By focusing on operational resilience, we mitigate operational risks and ensure the stability of our operations.

In conclusion, NMB Bank is well-positioned to navigate the challenges and opportunities that lie ahead. Based on our comprehensive assessment of present and potential conditions, we reasonably expect to continue operations and meet liabilities over the next 12 months. We remain committed to delivering sustainable value to our stakeholders and upholding our status as a responsible corporate citizen.





Risk
Report



Risk Update

Doreen Joseph
Chief Risk Officer



“2023 was a challenging year for the credit and financial markets globally; increasing geopolitical tension and weak and uneven global economic growth had resulted in a tightening monetary stance amongst developed economies, which in turn affected interest rates in global financial markets. Against the backdrop of all these challenging environments, we have managed to maintain a high-quality and robust loan portfolio; we remain well capitalized with sufficient liquidity position.”

Loan Book Quality

Our loan book remained resilient, and our Non-performing loan ratio, asset quality, value at risk and loan provision coverage ratios were at healthy levels. We safeguarded our asset quality with robust risk controls and measures. We adopted a risk-based approach to focus on high-risk sectors, tightened credit lending criteria, intensified portfolio reviews and stress tests on sectors and targeted portfolios.

Total credit impairment charges were TZS 84.4 billion in 2023 compared to TZS 81.2 billion (2022). While net recoveries of TZS 28 billion were also above TZS 23 billion a year ago. The year-on-year net increase in NPLs mainly comprised corporate accounts, which drove the increase in the non-performing loans ratio to 3.2% from 3.1% (2022). Nonetheless, the Bank continued to retain a healthy coverage ratio, with non-performing loan allowances covering 41.8% of the non-performing loans.

Market Risk

Global market risk increased in 2023, mainly due to increasing interest rate risk in the banking book and inflation risk during the year. The overall market risk remains moderate and well within the Bank's risk appetite.

Central banks have continued with the ambition of pushing inflation down with significantly higher rates. As a result, the trend of interest rate volatility continued to accelerate during 2023. The year has also been characterised by significantly higher market volatility compared to 2022. In 2023, NMB Bank's risk exposure amount for market risk was TZS 46.1 billion (2022: TZS 14.1 billion). This change was, to a large part, driven by increased exposure to interest rate risk in the trading book.

Operational risk

As our customers expect seamless and continuous access to NMB Bank's services in a secure, convenient, and uninterrupted manner, regardless of the channel they choose, it is our responsibility to ensure efficient, secure, stable, and resilient operating systems. NMB continues to closely monitor risks and recurring incidents that may potentially result in service disruptions affecting our customers and operations. The overall level of operational risk remained acceptable throughout the year and stayed within the risk appetite limits. The number of material incidents remained stable compared to 2022, and our risk exposure related to operational risk, calculated using the Basic Indicator Approach, was TZS 708.1 billion (2022: TZS 574 billion).

In 2023, we launched the “Shaping a Risk-Resilient Organizational Culture” program, resulting in a decrease in the number of risk events compared to 2022. Most of the recorded operational risk events occurred with minimal financial loss to the bank.

Liquidity and Capital Risk

The Bank continued to maintain a robust liquidity position with all liquidity metrics within regulatory limits; at the year-end of 2023, NMB's Liquidity ratio was 32.95%.

The loan-to-deposit ratio was 95% at the end of 2023 compared to 83% at the end of 2022, on account of increased customer deposits and proceeds from the issuance of the Jamii bond. The loan-to-deposit ratio is predicted to remain in this range, and deposits will continue to be the largest source of funding for the Bank in the years ahead.

The Bank continued to maintain a strong funding position and was well-capitalised. As of the end of December 31, 2023, customer loans and Advances of TZS 7.71 trillion were up 28% compared to TZS 6.01 Trillion in 2022, driven by Corporate loans and other consumer-related loans and loans to the SME&MSE. Customer deposits rose by 11% to 8.47

Resilience performance 2023

NPL Ratio



3.2%

Up 10 bps from 3.1% in 2022

NPL Impairment Cover



41.8%

12.1pp down from 53.9% in 2022

Cost of Credit risk



1.06%

Down From 1.2% in 2022

Liquid Asset Ratio



33%

UP 10.68 Pps from 22.27% in 2022

Total Capital Adequacy Ratio



23.26%

Above regulatory requirement of 14.5%



trillion and represented 83% of the Bank's funding composition. The growth in deposits was on account of an 11% rise in current account and savings ("CASA") deposits, and the CASA to total Customer deposits ratio improved to 85% from 84% in 2022.

The Bank's Tier 1 Capital adequacy ratio and Total Capital adequacy ratio were 23.25% and 23.26%, respectively. These ratios remained well above the regulatory minimum thresholds of 12.5% and 14.5%.

As of December 31, 2023, the FX Net Open Position stood at 0.70%, showcasing a substantial reduction from the previous year's 3.89%. It is crucial to highlight that this level remains well within both internal and regulatory limits, which is 10%.

Risk Governance

Our risk management approach ensures consistent and effective risk management within our Board-approved risk appetite and provides for appropriate accountability and oversight.

We take a holistic, forward-looking view of the risks we face, assessing both the prevalent and emerging threats in our operating environment. Our well-developed framework supports a consistent approach to risk and capital management throughout the Bank.

Our Risk Framework

The Board's mandate includes determining the bank's risk appetite and risk tolerance as well as monitoring risk exposures to ensure that the nature and extent of the main risks we face are consistent with our overall goals and strategic objectives. The Board is accountable for reviewing the effectiveness of the system and processes of risk management and internal control, with the Audit, Risk and Compliance Committee assisting in discharging this responsibility. At the Board, Committee and Management levels, we develop formal policies and procedures that define how risks are systematically

identified, assessed, quantified, managed and monitored.

Each business line engages in the risk management process by identifying the key risks applicable to its business. The principal risks and uncertainties faced by the bank are identified through this bottom-up process. On a day-to-day basis, the Bank's Risk Management Committees are responsible for the implementation of the Bank's risk management and internal control policies and procedures. In line with our risk culture, managers "own" the risks originating in their respective business processes. For each material risk identified at any level of the business, the risk is assessed, mitigated (via set of viable controls) and monitored in accordance with our policies and procedures. In regard to such risks, managers (risk owners) are required to report on identified issues and risk responses in a timely, consistent, and systematic manner. The Risk Management Committees regularly reviews and challenges the output from the bottom-up process as it receives reports regarding the assessment of the effective implementation of the controls as itemised by the SOPs (Standard Operating Procedure) and policies of risk management and internal control. Our reporting process enables key risks to be escalated to the appropriate level of authority and provides assurance to the Committees and the Board.

Key developments affecting our principal risks and associated mitigating actions are reviewed quarterly (or more often, if necessary, on an ad hoc basis, outside of the regular reporting process) by the Audit, Risk and Compliance Committees, as appropriate, and the Board. The emerging risks and uncertainties are addressed in the same manner and identified through the above processes.

The Enterprise Management Framework

The Enterprise Risks Management Framework sets the strategic approach for risk management by defining standards, objectives, and responsibilities across NMB Bank's Operations. It is approved by Board and then adopted by the Bank with

modifications as needed. The framework supports Executive Management in effective risk management and in maintaining a strong risk culture.

The ERMF outlines:

1. Segregation of duties: The ERMF defines a Three Lines of Defence model.
2. Principal risks faced by the Bank: This list guides the organization of the risk management function, and the identification, management and reporting of risks.
3. Risk appetite requirements: This defines the level of risk the Bank is willing to undertake in its business.
4. Roles and responsibilities for risk management: The ERMF outlines the accountabilities of the Bank's CEO and other Members of the Executive Management.
5. The ERMF is complemented by frameworks, policies and manuals that are primarily aligned to individual Principal Risk.

Our Risk Management Strategy involves

Our strategy in risk management entails:

- **Risk identification:** Conducting an impact analysis of risks arising from growth plans, strategic initiatives, and business model vulnerabilities.
- **Risk appetite:** Performing an impact analysis to confirm that growth plans and strategic initiatives are within the Board Approved Risk Appetite.
- **Stress Testing:** Utilizing the outcomes of the risk identification process to develop scenarios for stress tests, and using the results of stress tests to recommend strategic actions.

Risk Governance

Ultimate responsibility for setting our risk appetite and for the effective management of risk rests with the Board.

Acting within an authority delegated by the Board, the Board Audit, Risk and Compliance Committee (BARCC), whose membership is comprised exclusively of non-executive directors, has the responsibility for oversight and review of prudential risks including, but not limited to, credit, market, capital, liquidity and operational. It reviews the bank's overall risk appetite and makes recommendations thereon to the Board. Its responsibilities also include reviewing the appropriateness and effectiveness of the bank's risk management systems and controls, considering the implications of material regulatory change proposals.

The BARCC receives regular reports on risk management, including our portfolio trends, policies and standards, stress testing, liquidity, and capital adequacy. It is authorized to investigate or seek any information relating to an activity within its terms of reference.

The Board

The Board has ultimate responsibility for the effective management of risk and approving Bank's risk appetite. It is responsible for delineating the overall risk management strategy and supervising the risk management framework of the Bank, directly or through the Audit, Risk and Compliance Committee.

Main duties of the Board of Directors around risk management are:

- Establishing the risk appetite and risk capacity framework of the Bank.
- Approving a risk-management policy consistent with the risk-appetite framework, including the establishment of risk limits in the various areas of activity and main risk areas.
- Providing clear guidance to senior management with regard to risk management, based on the recommendations of the executive committee, headed by the CEO, and ensuring that senior management takes the necessary actions in order to identify, measure, monitor, and control risks.



- Approving methodologies for risk assessment and control, and for the allocation of capital in respect of risks.
- Supervising and monitoring the implementation of the established risk- management policy; examining the Bank's actual risk profile and examining the processes and actions that the Bank must apply to comply with all regulatory directives concerning risk management.



Risk Committees

To facilitate strong risk oversight, the following risk committees have been established.

At the Board level, there are three Board-level committees which oversee the application of the ERMF and review and monitor risk across NMB Bank. These are: the NMB Bank Board Audit Risk and Compliance Committee; Board Credit Committee and the Board Human Resources and Remuneration Committee which oversees among other things, pay practices focusing on aligning pay to sustainable performance in line with policies. Finally, the NMB Bank Board receives regular information on the risk profile of the Bank and has ultimate responsibility for risk appetite and capital plans, within the parameters set by the Board.

- **The Board:** One of the Board's responsibilities is the approval of the risk appetite of the Bank. The NMB Bank Board is also responsible for the adoption of the ERMF.
- **Board Credit Committee:** The Committee assists the full Board on the management of credit risk by reviewing continuously the credit portfolio, credit standards and Credit Policy.
- **Board Human Resources and Remuneration Committee (BHRRC):** The BHRRC receives a detailed report on HR related risk management performance and risk profile, and proposals on ex-ante and ex-post risk adjustments remunerations. These inputs are considered in the setting of performance incentives. The primary function of the 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 the highest standards of governance.
- **The Board Audit, Risk and Compliance Committee (BARCC):** The BARCC oversees

the identification, monitoring, management and reporting of credit, market, liquidity, operational, capital and reputational risks.

- The BARCC also reviews certain key risk methodologies, the effectiveness of risk management, and NMB Bank's risk profile, including the material issues affecting each business portfolio and forward risk trends. The committee also commissions in-depth analyses of significant risk topics, which are presented by the Chief Risk Officer and Chief Compliance Officer or senior risk managers in the businesses.
- It also receives regular reports on the effectiveness of internal control systems, on material control issues, and on accounting judgements (including impairment), and a quarterly review of the adequacy of impairment allowances, relative to the risk inherent in the portfolios, the business environment, and NMB Bank's policies and methodologies.

Internal Control Framework

Our Three Lines of Defence

Roles and responsibilities for risk management are defined under a 'three lines of Defence' model. Each line of Defence describes a specific set of responsibilities for risk management and control.

This model delineates management accountabilities and responsibilities for risk management and the control environment. The model underpins our approach to risk management by clarifying responsibilities and encouraging collaboration, as well as enabling efficient coordination of risk and control activities. As such, all NMB Bank's employees are responsible for understanding and managing risks within the context of their individual roles and responsibilities, as set out below:



- 1. First line of Defence: all employees are required to ensure the effective management of risks within the scope of their direct organizational responsibilities. The first line is responsible for identifying and managing the risks they generate, establishing a control framework, and escalating risk events to Risk and Compliance.
- 2. Second line of Defence: this comprises the Risk Control Owners, supported by their respective control functions. Risk Control Owners are responsible for ensuring that the risks within the scope of their responsibilities remain within appetite. The scope of a Risk Control Owner's responsibilities is defined by a given Risk Type and the risk management processes around that Risk Type.
- 3. Third line of Defence: the independent assurance provided by the Internal Audit (IA) function. Its role is defined and overseen by the Board Audit, Risk and Compliance Committee.

Management Committees

Executive Management Committees As the overall executive body regarding strategy, performance, and risk matters. From a risk perspective the Executive Committee oversees NMB's risk management and control environment.

Each of the committees reports to the Executive Committee, individually and collectively they serve as executive forums to discuss and implement NMB's risk management.

Overall responsibilities of Management Committees:

- Oversee NMB's risk management infrastructure, which includes frameworks, decision criteria, authorities, people, policies, standards, processes, information, and systems.
- Approve risk policies and procedures, stress testing scenarios (including macroeconomic variable projection) and the evaluation and endorsement of risk models.
- Assess and monitor specific credit concentration.
- Assess and approve risk-taking activities.
- Oversees new product approvals, assessing risks and their mitigating risk within the Bank and the appropriate systems to monitor and manage the resulting risks.
- Achieve sustainable and stable profits within a framework of acceptable financial risks and controls and to maximize the value generated from active management of balance sheet and financial risks, within agreed risk parameters.
- Review and approve credit applications as per mandated credit thresholds.

Asset and Liability
Committee

Wholesale Credit
Committee

Retail Credit
Committee

Product Approval
Committee

Management Audit,
Risk and Compliance
Committee

Loan Portfolio Quality
Committee

Risk and Compliance
Committee

Risk Appetite and Risk Thresholds

Risk appetite is an expression of the amount of risk we are willing to take in pursuit of our strategic objectives, reflecting our capacity to sustain losses and continue to meet our obligations arising from a range of different stress trading conditions.

Our Risk Appetite is set by the Board and governed by the Risk Appetite Statement. This seeks to reinforce our risk culture and provide clarity on the risks that we are willing to accept. A robust organizational risk and governance culture, helps us to further embed our Risk Appetite. We define our risk appetite in terms of both volatility of earnings and the maintenance of adequate regulatory capital requirements under stress scenarios. We also define a risk appetite with respect to liquidity risk, operational risk, and reputational risk. Our quantitative risk profile is assessed through a bottom-up analytical approach covering all of major businesses and products. It is also assessed against a range of exposure concentration thresholds.

The bank's risk appetite statement is approved by the Board and forms the basis for establishing the risk parameters within which the businesses must operate, including policies, concentration limits and business mix. We will not compromise adherence to our risk appetite in order to pursue revenue growth or higher returns.

Stress Testing

Stress testing is an integral part of NMB's risk management processes and is used to evaluate the Bank's potential vulnerability to certain unlikely but plausible events or movements in financial variables. It includes both sensitivity analysis and scenario analysis and is conducted regularly. Additional stress tests are carried out in response to microeconomic and macroeconomic conditions or portfolio developments. Every stress test is documented, and

the results are discussed at the BARCC.

Stress testing and scenario analysis are used to assess the financial and management capability of the bank to continue operating effectively under extreme but plausible operating conditions. Such conditions may arise from economic, regulatory, legal, political, environmental, and social factors.

Our stress testing framework is designed to:

- Contribute to the setting and monitoring of risk appetite.
- Identify key risks to our strategy, financial position, and reputation.
- Support the development of mitigating actions and contingency plans.
- Ensure effective governance, processes and systems are in place to co-ordinate and integrate stress testing.
- Ensure adherence to regulatory requirements.

Our stress testing activity focuses on the potential impact of macroeconomic, geopolitical, and physical events on relevant customer segments, product lines and asset classes.

NMB Bank's Risk Culture and Code of Conduct:

All NMB Bank's staff must attest to the Bank's Code of Conduct, and comply with all frameworks, policies, and standards applicable to their roles. The Code of Conduct outlines the purpose and values which govern our way of working. It constitutes a reference point covering the aspects of colleagues' working relationships, with other NMB employees, customers and clients, governments and regulators, business partners, suppliers, competitors, and the



broader community.

NMB Bank PLC is committed to maintaining a robust risk culture in which:

- Management expect, model, and reward the right behaviors from a risk and control perspective.
- Staff identify, manage, and escalate risk and control matters, and meet their responsibilities around risk management.
- Specifically, all NMB Bank’s employees regardless of their positions, functions or locations must play their part in the Bank’s risk management. All employees are required to be familiar with risk management policies which are relevant to their responsibilities, know how to escalate actual or potential risk issues, and have a role-appropriate level of awareness of the risk management process as defined by the ERMF.

Our Principal Risks

The ERMF identifies eight principal risks and sets out associated responsibilities and expectations around risk management. The principal risks are credit risk, market risk, liquidity and solvency risk, technology risk, operational risk, compliance risk,

climate risk and strategic risk.

Each of the principal risks is overseen by an accountable executive within the Bank who is responsible for the framework, policies and standards that detail the related requirements. Risk reports to executive and Board committees are clearly organised by principal risk. In addition, certain risks span more than one principal risk; these are also subject to the ERMF and are reported to executive and Board committees namely reputational risk.

Principal Risk	Definition	Approach	Oversight
Credit Risk	Potential for financial loss due to the failure of a customer to meet the agreed obligations to pay the Bank. This also includes concentration risk (large exposure to specific client groups, sectors, or geographies) and decreases in credit quality.	• Credit risk is managed through a deep analysis and understanding of our corporate customers' business activities, risks, returns and needs together with the industry and economy in which they operate. • We apply a set of criteria and policies to lending. • We have established risk appetite per sector, assigned credit ratings and set lending limits. Risk appetite statements are set and approved by the Board. • We use our internally built Risk rating models using Bank's loss data to assign Rating for Corporate and Higher end Retail Portfolios. • We regularly monitor credit exposures, portfolio performance, and external trends that may impact risk management outcomes. • Internal risk management reports are presented to risk committees, containing information on key environmental, political, and economic trends across major portfolios. • Independent credit risk management function that reports to the CRO is responsible for developing and maintaining a robust credit stress testing programme.	Accountable executives: Chief Credit Office Chief Risk Officer Chief Retail Banking Chief Wholesale Banking Accountable Committees Board Committees • BARCC • BCC Management Committees • RCC • LPQ



Our Principal Risks Continued

Principal Risk	Definition	Approach	Oversight
Market Risk	The risk of loss arising from potential adverse changes in the value of the NMB's assets and liabilities from fluctuation in market variables including, but not limited to, interest rates, foreign exchange, equity prices, commodity prices, credit spreads, implied volatilities, and asset correlations. Primary categories of Market risks are Liquidity Risk, Interest Rate Risk, Currency Risk, and Capital Risk.	- We apply a set of market Risk policies to obtain the best balance of risk and return whilst meeting customers' requirements. - We actively manage our liquidity and funding base to ensure that the Bank always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to bank's reputation. - We control our Treasury Banking activities to ensure that losses related to market risk do not cause material Impact to the Bank. - The Bank's Treasury Policy sets our overall approach towards market risk management. Treasury Policy consist of Guidelines that provides more details on each market Risk type and set overall approaches, Standards and Controls governing Market Risk Stress Testing within NMB Bank. - We measure the risk of losses arising from future potential adverse movements in market rates, prices and volatilities using the VaR methodology. - Robust Internal Controls, processes and systems which are reviewed regularly have been assigned and implemented to support our Risk Management Approach.	Accountable executives: Treasurer Chief Risk Officer Accountable Committees Board Committees • BARCC - Management Committees • ALCO • RCC

Principal Risk	Definition	Approach	Oversight
Operational Risks	The potential risk of loss arising from inadequate or failed internal processes, systems and technology, poor management, human error, or external events. Operational Risk subtypes includes Process failure, External rules and Regulations, Liability, Legal enforceability, Damage to Assets, Safety and Security, Internal Crime or Dishonest and External Financial Crimes	- Operational risks can arise from all business lines and all activities carried out by the Bank. We seek to systematically identify and manage operational risk by segmenting all our activities into manageable units. - Each unit undertakes self-risk control assessments regularly by evaluating the effectiveness of its risk and control environment, including compliance with legal and regulatory requirements. - Each unit conducts a Key risk indicators assessment conducted to detect early warning signals and drive appropriate management actions before the risks materialise. - We manage operational risk by ensuring accountability and ownership across the Bank. - We have adopted five levels of operational risk severity ratings — insignificant, Minor, Moderate, Major and Catastrophic —The Bank mitigates these risks at all times, balancing the cost of maintaining a controlled environment against the impact and likelihood of a risk occurring. - We monitor the stability of our systems, the effectiveness of business continuity planning and disaster recovery to ensure the level of service we offer customers, and regulators' expectations are never compromised.	Accountable executives: Chief Risk Officer Accountable Committees Board Committees • BARCC - Management Committees • RCC



Our Principal Risks Continued

Principal Risk	Definition	Approach	Oversight
Climate Risk	The potential adverse effects that climate change and the transition to a low-carbon economy can have on financial institutions, businesses, and investment portfolios.	- We have developed a new Climate Risk Management Policy in line with the Bank of Tanzania guidelines. The policy assigns clear roles and responsibilities for managing climate-related financial risks, establishes lines of authority, and requires that material risks are embedded into policies, processes, and controls. - A comprehensive NMB Climate Risk Management Policy has been developed to effectively manage climate-related risks. This policy serves as a guiding document for decision-making, ensuring strict adherence to the provided guidelines. - We have reviewed our Stress testing policy to integrate climate-related risks.	Accountable executives: Chief Risk Officer Accountable Committees Board Committees • BARCC • BCC Management Committees • RCC • LPQ
Technological Risk	The potential for technology-related events or issues to harm the bank's ability to achieve its objectives. It encompasses a wide range of potential challenges and uncertainties that can arise in the context of technology use and application.	- The bank has adequate oversight of technology risks at the Senior Management and Board of Directors levels through governance committees such as the Risk and Compliance Committee, Executive Committee as well as Board, Audit, Risk and Compliance Committee. - The bank manages technology risks through adequate implementation of technology risk policies that address all key areas of cybersecurity, vendor risk, IT operations, and third-party risks.	Accountable executives: Chief Risk Officer Accountable Committees Board Committees • BARCC Management Committees • RCC

Top and Emerging Risks

Economic Risk	NMB Bank is exposed to Tanzania and Global economic and political risks, including Foreign-currency liquidity challenges and a rising interest rate environment. These risks could impact customer resilience and funding affordability. The outlook for the Tanzania economy remains relatively stable. However, it may be affected by Global development, including falling economic activity in developed markets and China, a high inflation environment, rising interest rates across developed markets, elevated energy prices, and developing and emerging Geopolitical conflicts. These risks are monitored closely with strategic plans adapted as appropriate. We conduct stress tests on possible scenarios to forecast impact of certain market risks on our performance, and ensure we take correct mitigating actions.
Regulatory Risk	Future changes in economic policies, laws and regulations may have an impact on the bank's strategy. These changes could also affect the volatility and liquidity of financial markets, and more generally the way we conduct business and manage capital and liquidity. The evolving regulatory and reporting landscape – including Basel reforms, overhaul of accounting standards, financial crime risks (encompassing money laundering and sanction risks), emerging privacy, cyber security, and conduct legislation – may affect our business model and give rise to compliance risks. The Bank implements new regulatory requirements and incorporates the implications of related changes in its strategic and financial plans. Also, we continue to work with regulators to ensure the Bank meets all obligations
Cyber attacks	The prevalent threat of cyber-attacks on financial institutions remains one of our top concerns. NMB operates a multi-layered approach to its defences and continues to invest significant resources in developing cyber security controls and capabilities designed to minimise the potential effect of cyber-attacks.
Climate related Risk	Climate Change poses increasing serious threats to the global economy. Transition to a low carbon economy may entail extensive policy, legal, technology and market changes which can give rise to credit, Operational and reputational risks. We have embedded climate risk into our risk framework, and adapting NMB Bank's operations and business strategy to address the risks aligns with our Sustainability strategy and Medium-term plan.
Competitive Environment	NMB Bank operates in highly competitive markets, raising the threat of a loss of market share and reduced revenue and profitability. The risks mainly relate to changes in regulation, developments in financial technology, new entrants to the market and shifts in customer behavior. The Bank closely monitors the competitive environment and adapts strategy as appropriate to deliver innovative and compelling propositions for customers.



Top and Emerging Risks

Data stewardship	NMB Bank relies on the effective use of accurate data to support operations and deliver its strategy. Failure to produce high-quality data and the misuse, incomplete, non-protected or absence of such data could result in a significant risk to implementing the Bank's strategy, including reducing costs, and meeting customer expectations. The Bank has a comprehensive framework of control in place to manage and mitigate data risks, with continued investment into data management capabilities.
Fraud Risk	The risk of fraud and other criminal activities is growing as criminals become more sophisticated and as they take advantage of the increasing use of technology in society. Controls are embedded in our policies and procedures across a wide range of the Bank's activities, such as Origination, recruitment, physical and information security.
ICT System Resilience	NMB Bank continues to invest in Digital and Information technology infrastructure to prevent customer service disruption, which could result in financial, reputational, and regulatory damage. We have invested more in our digital and technology capabilities to mitigate these risks and minimise service disruption.
Change Risk	Implementing NMB Bank's Medium-Term Plan and focusing on transformation can result in heightened execution, operational, and people risks. NMB continues to manage and implement change per its Medium-term plans while assessing implementation risks and taking appropriate mitigating action. Furthermore, the Bank continues to monitor and strengthen its control environment through robust governance and control frameworks. Managing change sustainably, efficiently, and agilely is a priority for the Bank.
Geopolitical Events	We face a risk that escalating Geopolitical events or conflicts could further impact trade flows, exert further inflationary pressures, and impact some of our clients' ability to pay their obligations. We actively monitor the global political situations and conduct regular stress test of impact of such events on our portfolios, which inform assessments of risk appetite and any need to take mitigating actions.
People Risk	NMB's success depends on its ability to attract, retain, and develop highly skilled, qualified, and highly performing personnel despite a highly competitive labour market and internal cost reduction pressures. Detailed resource planning and close monitoring of staff well-being and attrition levels, including industry benchmarks. We have introduced our "Employee proposition" to help support colleagues and strengthen our proposition in the market.
Reputational Risk	The risk that the bank's reputation is damaged by one or more reputational events and causes a negative publicity to NMB's business, products, practices, staff and/or financial condition. This kind of publicity whether true or not, may impair the public and market confidence of NMB and may result in costly litigation, decline in customer base, business or revenue.





**REPORT OF THOSE
CHARGED WITH
GOVERNANCE AND
AUDITED FINANCIAL
STATEMENTS**



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CORPORATE INFORMATION

DIRECTORS

Name	Remarks
Dr. Edwin P. Mhede	Chairman
Benson Mahenya	Independent Non-Executive Director
Hendrik Reisinger	Non-Executive Director
Juma Kisaame	Non-Executive Director
George Mandepo	Non-Executive Director
Clement Mwinuka	Independent Non-Executive Director
Ramadhani Mwikalo	Independent Non-Executive Director
Aziz Dachi	Non-Executive Director

BOARD EXECUTIVE COMMITTEE

Name	Remarks
Juma Kisaame	Chairman
Dr. Edwin P. Mhede	Member
Ramadhani Mwikalo	Member

BOARD AUDIT, RISK AND COMPLIANCE COMMITTEE

Name	Remarks
Clement Mwinuka	Chairman
Aziz Dachi	Member
Benson Mahenya	Member

BOARD HUMAN RESOURCES AND REMUNERATION COMMITTEE

Name	Remarks
George Mandepo	Chairman
Ramadhani Mwikalo	Member
Hendrik Reisinger	Member

BOARD CREDIT COMMITTEE

Name	Remarks
Hendrik Reisinger	Chairman
Juma Kisaame	Member
George Mandepo	Member

COMPANY SECRETARY

Mwantumu Salim

REGISTERED OFFICE

NMB Head Office
Ohio/Ali Hassan Mwinyi Road
P.O. Box 9213
Dar es Salaam



CORPORATE INFORMATION (CONTINUED)

AUDITOR Deloitte & Touche
Certified Public Accountants (Tanzania)
3rd Floor, Aris House
Plot 152, Haile Selassie Road
P.O. Box 1559
Dar es Salaam

LAWYERS	Galati Law Chambers Advocates P.O. Box 11317 Mwanza	Adca Veritas Law Group P.O. Box 63238 Dar es Salaam
	CSB Law Chambers P.O. Box 375 Morogoro	Nexlaw advocates P.O. Box 75578 Dar es Salaam
	K&M Advocates P.O. Box 71394 Dar es Salaam	Apex Attorneys P.O. Box 34674 Dar es Salaam
	Baistar Advocates P.O. Box 1854 Mbeya	Locus Attorney P.O. BOX 4110 Dar es Salaam
	Derost Attorneys & Law Counsellors P.O. Box 1481 Mtwara	CLYDE & CO P.O Box 80512 Dar es Salaam
	Goldmark Attorneys P.O. Box 1605 Dodoma	Dexter Attorneys P.O. Box 1976 Arusha
	MM Attorneys P.O. Box 7281 Dar es Salaam	Vemma Consult Attorneys P.O. Box 7297 Dar es Salaam
	Breakthrough Attorneys P.O. Box 72838 Dar es Salaam	Kemi Advocates P.O. Box 106196 Dar es Salaam
	Eastwoods Attorneys P.O. Box 72432 Dar es Salaam	KZR Law Chambers P.O. Box 988 Mwanza
	Luno Law Chambers P.O. Box 75045 Dar es Salaam	

NMB BANK PLC

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

1 INTRODUCTION

Those charged with governance, the Board of Directors (the “Directors”), are honoured and have the pleasure to submit their report and the audited financial statements for the year ended 31 December 2023, which discloses the state of affairs of NMB Bank Plc (the “Bank” or “NMB” or “Entity”) and its subsidiary, Upanga Joint Venture Company Limited (“UJVC”) together hereinafter referred to as, the “Group”.

This report has been prepared in compliance with the revised TFRS 1: The Report by Those Charged with Governance issued by the Tanzania’s National Board of Accountants and Auditors (NBAA), effective on 1 January 2021.

2 INCORPORATION

The Bank is incorporated in Tanzania under The Companies Act, Cap 212 (as amended), as a public company limited by shares with the International Securities Identification Number (ISIN) TZ1996100222. The Bank was established in 1997 and listed on the Dar es Salaam Stock Exchange (DSE) in 2008.

3 VISION

To be the preferred financial services partner.

4 MISSION

To be the Bank of choice, delivering an innovative and transformative customer experience that promotes financial inclusion and wellbeing.

5 ENTITY OPERATIONS

NMB is a fully-fledged commercial bank incorporated in the United Republic of Tanzania and licensed under the Banking and Financial Institutions Act, 2006 to conduct banking business in Tanzania. The Bank is regulated by the Bank of Tanzania (BoT) and is subject to the provisions of the Banking and Financial Institutions Act, 2006 and its regulations.

The Bank is a Public Company limited by shares that were incorporated in the United Republic of Tanzania in 1997 under the Companies Act, Cap 212 (as amended) and was listed on the Dar es Salaam Stock exchange (DSE) in 2008, under the ticker symbol NMB.

The Bank takes customer deposits, provides credit facilities, and offers other commercial banking services and related financial solutions. Through its three main business divisions, Retail, Wholesale and Treasury, NMB provides a suite of financial services and products to retail customers, farmers, industrialists, small businesses, corporations, institutions, and the Government. As of 31 December 2023, the Bank has 231 branches, 715 ATMs, 54 cash collection points (CCPs), 2 stand-alone Bureau de Change outlets and 28,295 active agents nationwide.

The Bank’s subsidiary, Upanga Joint Venture Company Limited (UJVC), specializes in property development and leasing to potential tenants.



6 EMPLOYEES' WELFARE

Gender Parity

As of 31 December 2023, the Bank had 3,642 employees (in comparison of 3,544 employees in 2022), out of which 52% were male and 48% were female. The Bank's Diversity and Inclusion (D&I) policy continues to drive the diversity, equity, and inclusion agenda. Gender diversity in the total workforce composition of NMB from 2019 to 2023 is provided in the table below:

Key Employee Figures	2023	2022	2021	2020	2019
Total Employees	3,642	3,544	3,482	3,465	3,450
Total % of Women	48%	48%	48%	48%	47%

Management and Employees' Relations

The employee relations landscape across the bank's network has remained very stable, as evidenced by the healthy working relations between management and trade unions with regular interactions and engagements between the parties.

Employee engagement continues to be a strategic focus for the bank due to its direct impact on productivity, quality of service embodied in customer satisfaction, and overall business success. The Bank leverages on various initiatives geared towards driving engagement. These initiatives include SIKIKA Forums (quarterly employee engagement forum with key management personnel), Quarterly CEO Townhall Meetings, an open-door policy, engagement through Human Resources champions, and ExCo Zonal Mentorships.

The Bank remains steadfast in its vision of being the employer of choice in Tanzania by attracting and retaining best talents in the market. In this spirit, NMB is committed to policies, standards and practices that provide equality of opportunity for all, protect the dignity of employees, and promote an environment that fosters innovation and growth.

Performance Management

NMB's robust performance management system integrates regular feedback sessions and goal-setting exercises. The Bank's inclusive performance management stems from the bottom-up approach as evidenced by 99% of employees who actively participated in performance reviews, fostering a culture of continuous improvement and accountability.

Training

The Bank allocated TZS 5.3 billion in 2023 for staff training, representing an 8% increase from the previous year (2022), to enhance the much-needed employees' technical skills and overall performance. A total of 227 training programs were conducted, with an average of 2 trainings per staff member and an average of 28 staff members participating in each program. Training programs have been and are continually being developed to ensure employees are adequately trained at all levels. All employees have an annual training plan to upgrade skills and enhance development.

Medical Assistance

All staff and their dependents (spouses and up to four children) are provided with medical services by the bank through an external service provider. Staff's parents and their in-laws are included under medical insurance with the current external service provider.

6 EMPLOYEE'S WELFARE (CONTINUED)

Diversity, Equity, and Inclusion (DE&I)

NMB is an equal-opportunity employer, and we hire based on merit, competencies, and organizational fit, regardless of gender, ethnicity, background, or physical attributes.

The Bank gives equal opportunities to all and creates a conducive working environment where individuals are respected, supported, empowered, and included. The Bank's commitment to diversity and equal opportunity is covered through its Diversity and Inclusion Policy which seeks to promote diversity and an inclusive culture within the organization.

Currently, females represent over 48% of the bank's workforce and 31% of all leadership roles. While there is more work to be done, these figures represent good progress along the Bank's efforts in ensuring equitable representation of women across the organization.

In recognition of the Bank's commitment to gender equality, in October 2022, NMB became the first financial institution in Africa to gain workplace gender equality certification using a global assessment methodology, the Economic Dividends for Gender Equality (EDGE).

Financial Assistance to Staff

Loans are available to all confirmed employees depending on the eligibility assessment per the bank's policies. Loans provided to employees include personal loans, vehicle loans, mortgage loans, and other advances. Below is a summary of total staff loans outstanding balance in 2023 and 2022:

	TZS' Millions 2023	TZS' Millions 2022	% Change
General Staff loan	285,358	245,981	16%
Staff Mortgage Loan	12,953	8,767	48%
Staff Car Loan	2,333	1,715	36%
Staff Annual Loan	171	189	-10%
IPF Loans	92	122	-25%
Prepaid House allowance	1,263	1,244	2%
Total	302,170	258,018	17%

Physically-Challenged Persons

Applications for employment by physically-challenged persons are always considered, bearing in mind the aptitude of the applicant concerned. In the event of staff members becoming physically-challenged persons, every effort is made to ensure that their employment with the bank continues, and appropriate training is arranged. The Bank's policy is that training, career development and promotion of physically-challenged persons should, as far as possible, be identical to that of other employees.

Employees Benefit Plan

The Bank is obligated to make mandatory contributions to publicly administered pension plans, which are considered well-defined contribution plans. Various pension legislations and regulations determines these plans. For example, PSSSF offers employee pension plans, where a pension allowance contribution of 20% is made. NMB has made a deliberate decision to support staff under this person scheme where employees contribute only 5% and the bank contributes 15% of the basic salary. The financial statements, note 16, reveals that a total of TZS 21 billion was paid under pension plans for the year 2023 (2022: TZS 19 billion).



7 OPERATING STRUCTURE

NMB Bank's Operating Model

The Bank's operating model enables the bank to manage resources and relationships responsibly to deliver the best outcomes for stakeholders. The business is anchored by a corporate philosophy that is centered around customer focus and agility to change while encouraging for a robust and economic transformation.

The Bank develops and distributes a wide range of solutions, products, and services tailored to our market segments in a secured and accessible channel and runs a strong customer care program. These activities help to ensure sustainable business growth and high levels of financial output. In turn, the Bank uses the financial output to reinvest in the resources and relationships we rely on to do business and deliver our core purpose.

Our Offerings: Solutions, Products, and Services

The Bank has grown to become the most innovative and preferred financial solutions and services partner, supported by unique and updated services such as agency banking, mobile banking, and Internet banking. The core solutions and services provided by the bank include retail banking, consumer banking, payment solutions, corporate banking, treasury services, business banking, agribusiness, bancassurance services, custody services and advisory services.

Resources Management

The Bank's relevance today and in the future, along with our ability to create long-term value for our stakeholders, is dependent on our readiness and ability to effectively manage and leverage the forms of capital available to us.

Financial Capital

This capital enables us to deliver sustainable funding for our business activities. The Bank maintains a strong level of capital to support its business growth strategies and to meet regulatory requirements. We deploy this capital to productive opportunities to sustain our business, leverage growth, achieve sustainable returns, and create value for the Bank's shareholders and our stakeholders (including the community in which we operate).

The Bank has pursued a balanced funding strategy that enables us to reward shareholders while at the same time providing funds to support our business growth ambitions. The balance sheet has recorded a steady growth over the years to TZS 12.2 trillion (18.9% YoY) as of the end of the year 2023, with shareholders' funds growing to TZS 2.1 trillion (23.6% YoY) as of the end of December 2023. The Bank paid shareholders dividends in June 2023 to TZS 143.1 billion for the year ended 31 December 2022.

In addition to the retained earnings, most of the bank's funding comes from customer deposits, which comprises the majority (83%) of our funding base. In 2023, through the Bank's wide distribution networks, enhanced customer propositions, and solid financial footing, we attracted and mobilized a good mix of deposits to support our business growth ambitions. Our customer deposits grew by 11.5% year-on-year to TZS 8.5 trillion, with the majority comprised cost-effective deposits, which supported a 28.1% growth in our loan book to TZS 7.7 trillion. The borrowed funds, mainly from our key strategic and development partners, stood at TZS 1.4 trillion at the end of December 2023.

7 OPERATING STRUCTURE (CONTINUED)

Resources Management (Continued)

Financial Capital (Continued)

The Bank has robust internal policies for capital and liquidity management, in line with regulatory requirements, which ensure all its obligations to stakeholders are met on a timely basis and that strong returns are achieved from these investments. With a Liquid Assets Ratio (LAR) of 33% as of the end of December 2023, our balance sheet can adapt to the current and emerging opportunities and changes in our external context, enabling us to respond appropriately to borrowers and new prospects when these arise.

Cost efficiency also guides the bank's financial decision-making, ensuring we manage our operating costs with necessary effectiveness. The Bank has pursued various strategies and initiatives aimed at cost optimization, with further efficiency gains during the year, resulting in a cost-to-income ratio of 39.0% as of the end of December 2023 (2022: 41.7%).

Asset quality continues to be an area of emphasis, with further improvements seen in overall credit quality during the year. The Bank's NPL ratio for the year stood at 3.2%, below the regulatory threshold of 5%, with the performance anchored on proactive and close customer relationship management. In addition, we have robust risk management measures and credit underwriting policies that underpin our approach to lending.

The Bank will continue to enhance its balance sheet to remain agile and adapt to any changes in the business operating environment as enabled by stable funding position, adequate capital position, and improved asset quality. The Bank will continue to invest in automating our business algorithms, by using information and communication technologies (ICT), for increased operational efficiency, convenience to our customers, and diligently oversee the utilization of financial resources in the bank's operations.

Human Capital

People remain the critical factor in deriving positive results from all other capitals as they carry the vision of the bank. Therefore, human capital (embodied in people) is at the core of the bank's strategic ambitions. To deliver on our strategic ambitions, we have a team of 3,642 employees drawn from diverse professional backgrounds, serving our customers across the business networks. The Bank continues to buttress its human capital by investing in human resource development, focusing on, but not limited to, training, staff wellness, staff recognition, competitive remuneration, and career growth.

Fostering a performance-driven culture

NMB is committed to having a strong 'high performance' culture, whereby an extrinsic rewarding of good performance is one of the key elements of the bank's remuneration philosophy and policy. To embed the high-performance culture across the network, the bank reviews performance through financial and non-financial lenses and assess individual performance on 'what' is achieved. This approach applies equally to executives and all other employees. In 2023, the People agenda continued to focus on enhancing staff productivity across the bank, in line with the bank's goal of being customer-centric and highly performing. Annualized income per staff in 2023 was TZS 386 million (2022: TZS 342 million). This is an increase of 12.9% year-on-year. During the year, the bank undertook various programs, including both virtual and in-person training courses, to build the capacity of staff to be able to position the bank to achieve its strategic goals and deliver its mission.



7 OPERATING STRUCTURE (CONTINUED)**Resources Management (Continued)*****Human Capital (Continued)******Investing in our People***

A key pillar of the bank's people strategy is to develop and nurture talents across the NMB network. To achieve this, the bank has continued to invest significantly in staff Learning & Development (L&D), welfare, rewards, and benefits. In 2023 the Bank invested over TZS 298 billion in staff related costs (an increase of 12.0% from TZS 266 billion in 2022). Staff costs currently contribute more than 54% of the bank's total costs, further highlighting the bank's unwavering commitment towards employees' welfare.

Diversity and Inclusion

Diversity, equity, and inclusion are cornerstones for the bank as they provide a competitive advantage by enriching the composition of the talented team. The Bank continues to support all staff (in line with our diversity and inclusion agenda) to achieve their career goals in the bank through deliberate efforts around performance management, coaching, and mentoring. To this end, the bank continues to implement initiatives that drive this agenda.

Intellectual Capital

Intellectual capital comprises the bank's brand perception, its intellectual property, and its overall capacity to be innovative in the provision of its products and services. At NMB, our intellectual capital includes highly talented human capital, leading technological innovations, our systems and processes, our rich heritage, and a strong brand that resonates with over 7 million customers in Tanzania.

Brand and Reputation

NMB brand is supported by marketing efforts, investor relations, well-trained personnel, and customer advocacy. The Bank is geared to create positive customer experiences at every touch point. The Bank periodically undertakes a review of brand health, identifying top brand drivers and the stress points with specific remedial actions. To this end, NMB has invested in various products and solutions and has a contact center that handles a high volume of customer engagements. Furthermore, the Bank ensures its reputation remains solid, driven by rigorous and professional stakeholders' engagement, compliance with regulatory requirements, and a strategic communications approach. The Bank maintained a positive tonality level of 99% during the year 2023.

Innovation

Products and services need to be reflective of the ever-evolving customer needs to remain relevant. During the year, our innovation teams continued to work on different projects to enhance customer propositions through continued innovation and development of our platforms. The ongoing innovation has resulted in better customer experience, improved system efficiencies, and helped unlock big data potential for future product development.

7 OPERATING STRUCTURE (CONTINUED)**Resources Management (Continued)*****Technology***

Technology plays a pivotal role in driving our growth, performance, and operations. To drive the digital transformation agenda, we have recruited specialists in key areas, including Data Analytics, Data Architecture, and Systems Development, to enhance our technological capabilities. We have also made several enhancements to our technological infrastructure, resulting in improved stability, connectivity, and service availability. Nonetheless, an upsurge in the usage of digital channels and technology means an increase in potential risks that target technology solutions and clients on various platforms. To enable us to protect against potential attempts, we enhanced our overall cyber-security environment to safeguard our information and technological assets. We regularly carry out tests on our systems for cyber risks and security as we continue to prioritize the safeguarding of our client's information. Our customers entrust us with confidential and personal information that we keep safe and aim to always comply with respective data protection requirements.

Manufactured Capital

Manufactured capital consists of equipment, physical facilities and infrastructure, digital channels such as ATMs, and technology whose value is realized in the delivery of products and services. Our equipment and facilities primarily provide comfort, convenience, and security to our customers and employees. Our wide distribution network and innovative digital platforms, including the mobile banking, cards, and agents, provide competitive differentiation and are key delivery channels which support the widening of access to financial services in the country – over 96% of all our customer transactions are carried out on our alternative channels. We invest constantly to improve our infrastructure, which is essential for the efficiency of our business model.

Bank's Channels:

To complement the wide branch distribution, the bank has invested heavily in innovative delivery channels, which have played a critical role in improving access to financial services and widening financial inclusion.

- **NMB Mkononi:** NMB Mkononi is a mobile banking service that enables customers to enjoy easy access to various banking services, including money transfer and payment services. NMB Mkononi has continued to reach many customers who would have remained unbanked. In 2023, the mobile banking (NMB Mkononi) users increased by 5.9%, reaching 4,952,822 users from 4,677,020 in 2022.
- **Agency Banking:** The Bank has been at the forefront of widening financial inclusion by implementing the agency banking model. Through agents, the bank can extend banking services in areas where banking services are unavailable or not easily accessible. With 28,295 agents as of the end of December 2023, agency banking also creates business opportunities for service providers, allowing them to create income and employment where it is most needed. Agents enable customers to access banking services, including deposits, withdrawals, and bill payments beyond official banking hours. Due to the greater geographical area covered by agents, customers also enjoy greater convenience as services come closer to their most accessible location.



7 OPERATING STRUCTURE (CONTINUED)

Resources Management (Continued)

Bank's Channels (Continued)

- **Internet Banking (NMB Direct):** NMB Direct is the bank's internet-banking solution, which enables customers to do end-to-end banking through a secure and feature-rich platform. The platform continues to be enhanced to improve the overall customer experience and see good growth year on year in the number of users. In 2023, the number of Internet Banking users increased by 66.5% reaching 41,652 users from 25,020 in 2022. More details are shared under Note 10 to Those Charged with Governance.
- **Branch Network and ATM:** Our footprint across the country consists of 231 branches and 715 ATMs, which support service delivery to our customers nationwide. Services accessed by customers in our ATMs include cash withdrawals and deposits, balance inquiries, and cardless cash withdrawals. More details are shared under Note 10 to Those Charged with Governance.
- **Cards and Merchants:** We have a widely recognised range of card-based payment products, including debit cards, credit cards, prepaid cards, and QR codes as cash-free payment solutions. Our debit and credit cards can also be used for online e-commerce transactions. Our cards feature industry PCI security standards to safeguard our customers' transactions. We have partnered with various merchants to offer card discounts to our customers to support cash displacement.

ICT infrastructure

The Bank invests optimally in ICT to improve the overall customer experience. Various robust digital platforms enable us to offer enhanced digital experiences to our customers. As a result of the continued investment in the digital space, we remained a top-tier financial institution in the country, providing innovative solutions, improving ease of access to banking services, and ensuring system availability and reliability.

We are also upgrading the Core Banking System (CBS) to ensure continued stability and enhanced customer satisfaction.

We are keen to ensure that we remain a pacesetter for the progressive modernization of the infrastructural and manufactured capital, improving efficiency and enhancing our multi-channel customer engagement while creating a scalable and resilient infrastructure. Our investments in these areas will deliver a more efficient, scalable, and flexible infrastructure to support our strategic ambitions.

Natural Capital

Natural capital encompasses the natural resources that we employ in our value creation for our stakeholders. We are committed to responsibly employing natural resources, ensuring that we minimize negative impacts on the resources. The Bank recognizes its responsibility to achieve global climate goals and is investing optimally to ensure systemic change. Internally, the bank is committed to reducing its carbon footprint by continuing to install energy-efficient LED lighting and HVAC systems across the network. We will continue to identify effective ways to use and manage the natural resources that are available to us more efficiently and support our customers to elevate ESG compliance.

7 OPERATING STRUCTURE (CONTINUED)

Resources Management (Continued)

Social and Relationship Capital

At NMB, we firmly believe that we can only prosper if the communities that have given us the social license to operate thrive. This is what forms the basis of our social and relationship capital. The social and relationship capital broadly represents the bank and the relationships within and between communities, various stakeholders, and the ability to enhance individual and collective well-being. To champion socio-economic development, the bank implements various social impact initiatives through its Corporate Social Investment arm, which serves as its corporate philanthropy vehicle.

The social investment programs are guided by the key pillars of Education, Health, Natural Disaster Recovery, and Financial Skills-building for various groups. To deepen its impact on communities, the NMB Foundation was established as a vehicle to broaden social impact. A core facet of the revamped model seeks to leverage the bank's strategic partnerships with local and international stakeholders, including development organizations and the private sector, to advance social and economic change for Tanzanians further.

We maintain strong and positive working relationships with our industry regulators and key stakeholders, including the Government of the United Republic of Tanzania and Revolutionary Government of Zanzibar. The relationships have been deepened through enhanced engagements to support the bank's overall mission.

8 OPERATING ENVIRONMENT

Global Macro Landscape and Economic Overview

In 2023, the world economy grew at a modest pace and uneven across countries and regions. The global economy is estimated to have expanded by 3.1% in 2023, a slight dip from 3.5% in 2022 (IMF WEO Update January 2024). In Advanced Economies, economic growth slowed from 2.6% in 2022 to 1.6% in 2023 on the back of subdued economic activity in the Euro area and the UK due to high inflation, which continued to limit household spending. In developing countries, however, economic growth remained at 4.1% in 2023 as in the previous year due to lagging effects from COVID-19 and the Russia-Ukraine conflict.

While global economic growth is projected to remain at 3.1% in 2024, a slight growth recovery is anticipated to be at 3.2% in 2025 (IMF WEO, January 2024), aligning with the resurgence of global demand, easing financial conditions, and the restoring of inflation rates within Central Banks targets. Economic growth is expected to slow down among developed economies such as the Euro bloc, the UK, and the US. The monetary policies are anticipated to exert downward pressure on growth, while external factors like geopolitical tensions, climate change, tightening credit conditions, commercial real estate challenges, and high mortgage rates may contribute to inflationary pressures.

Furthermore, China faces challenges such as growth deceleration in 2024 and 2025 due to supply and distribution disruptions, funding difficulties after real estate developer defaults, and home buyer confidence issues. The property sector remains a potential weak point, though ongoing policy support may sustain recovery hopes. The International Monetary Fund (IMF) predicts that India's GDP output growth will experience a marginal uptick to 6.7% in 2024, followed by a 6.5% increase in 2025. These projections indicate a sustained growth path, positioning the country as one of the G-20 nations with the highest economic expansion.



8 OPERATING ENVIRONMENT (CONTINUED)

Global Macro Landscape and Economic Overview (Continued)

Despite global economic challenges, inflation has generally trended downward in recent months, remaining below the target levels set by various central banks. Global inflation is estimated to have decreased from 8.7% in 2022 to 6.8% in 2023 (IMF WEO Update January 2024), mainly due to lower food and oil prices, tightening monetary policies, and reduced household spending. The decrease in oil prices was driven by restrained demand in advanced economies, subdued economic activity in China and the increase in shale oil inventories in the US, which exerted downward pressure on oil prices. Lower inflation is expected in 2024 across many economies, particularly in developed economies where effective monetary policy has contributed to disinflation.

Central banks have maintained interest rates steady to mitigate risks associated with reduced economic growth, inflation, property market challenges, decreased consumption, and heightened geopolitical tensions. A continued decline in global inflation is projected, however, a longer duration is anticipated for inflation rates to return to target levels in numerous economies, necessitating a delicate balance between inflation mitigation and recession prevention.

Africa Region Highlights

Africa's economic growth has been hampered by persistent challenges, including the long-lasting impact of the COVID-19 pandemic, the Russia-Ukraine conflict, rising energy and food prices, climate change, fiscal structural issues, monetary policy tightening, and increased borrowing costs.

In 2024, Africa is projected to experience modest economic growth of 4% from 3.3% (IMF World Economic Outlook Update, 2024), with most countries in the continent showing an acceleration compared to the previous year. Among the different regions, the East Africa bloc is expected to outperform others in terms of economic growth. However, it is important to note that major African economies, including the Sahel region, Algeria, Ghana, and South Africa, face potential political risks due to upcoming major elections. These elections could have an impact on the economic stability of these countries.

One of the emerging challenges that some African countries will face in 2024 is the financial strain caused by Sovereign debt and the burden of repayment. According to IMF, the region's ratio of interest payments to revenue, a key metric to assess debt servicing capacity and predict the risk of a fiscal crisis, has more than doubled since the early 2010s and is now close to four times the ratio in the advanced economies. These trends sparked concerns of a looming debt crisis in the region. However, resource-intensive economies and major commodity exporters are expected to fare well due to the intense competition and high prices for Africa's hydrocarbons, mining sector output, and agricultural produce. This will continue to attract substantial investment in Africa, especially in the energy sector, as well as minerals and metals that play a crucial role in the global energy transition and digital transformation.

The Inflationary pressures are expected to ease in the most African countries in 2024, compared to the elevated levels recorded in 2023. Admittedly, however, analysts indicate generally that few countries, including Angola, the Democratic Republic of Congo (DRC), Ethiopia, Egypt, Ghana, Nigeria, Sudan, and Zimbabwe, will continue to potentially face double-digit inflation. This inflationary environment can pose challenges to these economies and may require specific measures to address.

8 OPERATING ENVIRONMENT (CONTINUED)

Africa Region Highlights (Continued)

Exchange rates in African countries are expected to face modest depreciatory pressure in 2024, except in the CFA franc zone, where currencies will remain pegged to the euro, leading to appreciation. Additionally, states with excessively high inflation rates will experience a more substantial depreciation in their exchange rates. These exchange rate dynamics will have implications for trade and economic stability.

Sub-Saharan Region

The Sub-Saharan Africa (SSA) region growth is predicted to accelerate to 3.7% in 2024. Excluding 2021, the peak year for post-COVID-19 recovery, this is the fastest rate of growth in a decade and positions SSA as a global outperformer, given slowing growth in developed markets. However, faster headline growth masks underlying vulnerabilities, with inflation remaining sticky and elevated debt-servicing costs putting pressure on fiscal balances and foreign reserves.

East Africa Bloc Outlook

Despite the slowdown, East Africa remains the fastest-growing region in Africa. GDP growth is expected to outpace its counterparts (The Economist Unit, 2023). This will be supported by a full recovery of the services sector, private consumption, and improved export performance.

East African FX rates were broadly stable from 2016-20 but showed weakness in 2021-23 as the US Dollar strengthened. Thus, currency weakness has, until recently, not been an issue faced by most.

Table 1: Currency devaluation of the East Africa major economies:

Country	5 Years	10 Years	20 Years
Kenya	9%	6%	4%
Tanzania	2%	5%	4%
Uganda	0%	4%	3%
Rwanda	7%	6%	4%

Tanzania Focus: Operating Environment, Market Overview and Outlook

Tanzania's economy demonstrated resilience against domestic and external shocks, yet it faced challenges from an unfavorable global economic setting and domestic factors that exerted pressure on its growth trajectory.

Following a slowdown to 4.7% in 2022, GDP growth rebounded in 2023 and is expected to grow 5.3%, according to the Bank of Tanzania. This resurgence was predominantly fueled by robust expansion in the service sectors, notably financial and insurance services, along with information and communications. The mining and quarrying sectors witnessed a 10% expansion, attributed to increased activities in coal extraction.

Agriculture, constituting approximately 27% of the total domestic gross production, was the primary contributor to GDP. With favorable weather conditions in 2023, the agriculture sector is poised for continued growth in 2024. The Government projects a 10% growth in the agriculture sector by 2030.



8 OPERATING ENVIRONMENT (CONTINUED)

Tanzania Focus: Operating Environment, Market Overview and Outlook (Continued)

Inflation:

Inflation peaked at 4.9% in January 2023 and decelerated to 3.0% by December 2023, comfortably below the bank of Tanzania's 5.0% target. Factors contributing to this decline included a significant drop in non-core inflation, less accommodative monetary policies, diminishing inflationary pressures, the positive impact of improved weather conditions on crop harvests, and alongside government policy responses in agricultural sector.

Liquidity and Monetary Stance

The private sector experienced robust credit growth in 2023, surging to 17.1%, surpassing the 16.4% target, driven by increased economic activities, an upsurge in demand for capital spending, and a generally optimistic economic outlook. While overall lending rates remained relatively stable at 15.34% as of December 2023, deposit rates marginally increased by 4.52 basis points to 7.45% in 2023 compared to 6.94% % in 2022.

Within Tanzania's economic blueprint, specifically under the 'Agenda 10/30,' agriculture is a pivotal growth driver. The overarching objective of this initiative is to realize a 10% expansion in the agricultural sector by the year 2030. Critical factors integral to its success includes fiscal and monetary policy support, augmenting the labour force and land allotments, prioritizing irrigation schemes, implementing a 'block farm' model, and incorporating advancements in seed multiplication techniques.

Looking ahead: According to the International Monetary Fund (IMF), Tanzania's economy is projected to grow by 6.1% in 2024, buoyed by a tourism rebound, an improved business environment, and agricultural growth supported by a favorable harvest season. Inflation is expected to stay within the Bank of Tanzania's 5% target.

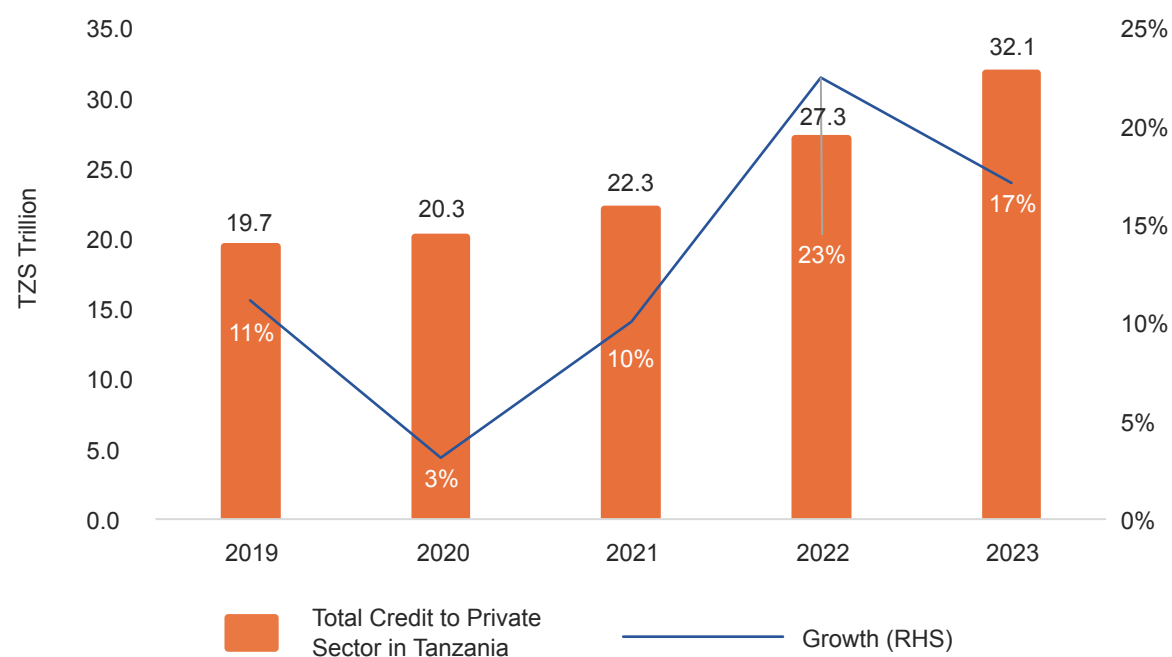


Figure 1: Bank of Tanzania (BOT) Monthly Economic Review - January 2024

8 OPERATING ENVIRONMENT (CONTINUED)

Regulatory Environment in Tanzania Financial Services Sector

The oversight role of the Bank of Tanzania in supervising financial institutions remains paramount for fortifying the stability and soundness of the financial sector. The regulatory environment stands as a bastion of stability, and our ongoing engagements with regulators exemplify our unwavering commitment to achieving optimal compliance.

In 2023, the Bank of Tanzania introduced new regulations. The new regulations include the Foreign Exchange (Bureau De Change) Regulations 2023, The Banking and Financial Institutions (Capital Adequacy) Regulations 2023, The Banking and Financial Institutions (Liquidity Management) Regulations 2023 and The Banking and Financial Institutions (Prompt Corrective Actions) Regulations 2023.

The new liquidity management and capital adequacy regulations signify the broader adoption of Basel II and Basel III reporting frameworks requirements of the Basel Committee on Banking Supervision (BCBS), aimed at ensuring that commercial banks have sufficient liquidity and capital levels to be resilient in times of crisis or internal and external shocks and maintain public confidence in the banking sector.

The new regulations require banks and financial institutions to maintain a Common Equity Tier1 (CET1) ratio of not less than 8.5%, a leverage ratio of not less than 7%, a stock of unencumbered high-quality liquid assets (LCR) amount not less than 100% of total net cash outflows, and a net stable funding ratio (NSFR) of not less than 100% at all times.

Banks are accorded between 18 to 54 months moratorium periods to ensure compliance with the new regulations. Notably, as of December 31, 2023, NMB has conducted a gap analysis on the new regulatory requirements, and we are on course to ensuring compliance.

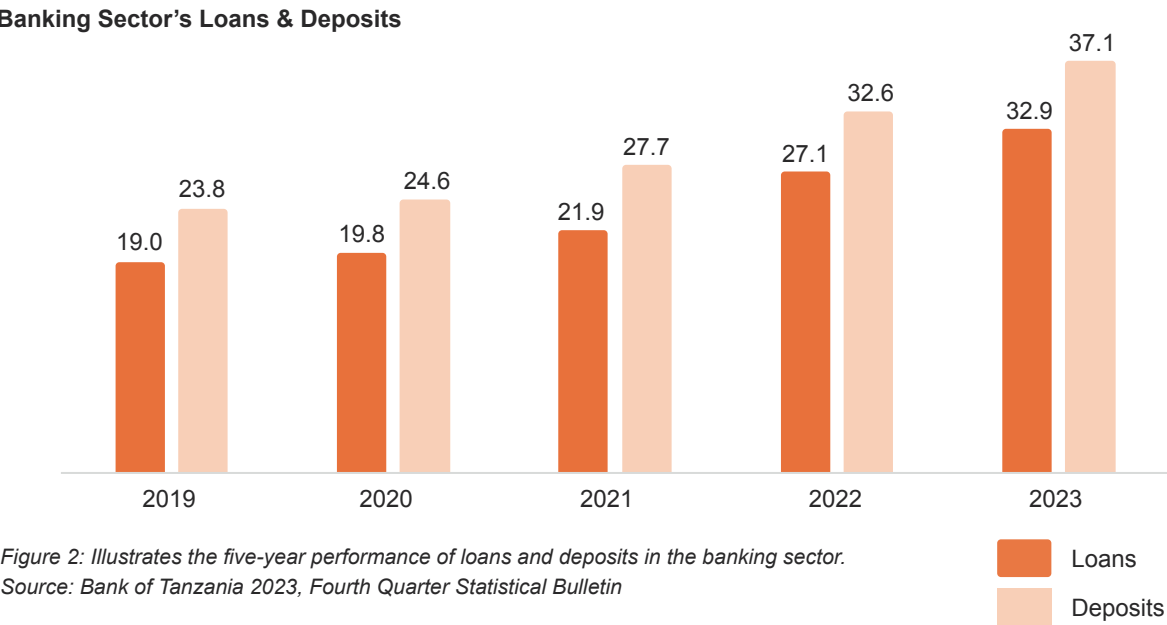
Tanzania Banking Sector: Higher Credit Growth and Rising Profitability.

The accommodative business environment in Tanzania supported banks' financial results in 2023 through increased credit portfolio expansion, elevated total revenue, and significant increase in profitability. Despite a slight softening, credit growth in the private sector persisted with double-digit increases due to post-pandemic pent-up demand for credit.



8 OPERATING ENVIRONMENT (CONTINUED)

Tanzania Banking Sector: Higher Credit Growth and Rising Profitability (Continued)



The Tanzanian banking sector recorded robust performance and remained stable and resilient to short-term internal and external shocks, mainly on account of a stable macroeconomic landscape.

Overall, Tanzania’s banking sector registered profit after tax of TZS 1.6 trillion in 2023, a 70% rise compared to the previous year. The non-performing loan ratio declined to 4.3%, indicating improved banking sector loan portfolio quality, whereby strong economic growth and an improved operating environment contributed to ongoing reductions in non-performing loans and loan loss provisions. The cost-to-income ratio stood at 50.7% (2022: 54.0%), highlighting significant efficiency gains across the sector. Loans and advances growth accelerated to reach TZS 32.9 trillion, further highlighting increased private sector credit appetite.

The banking sector also has robust capital adequacy levels, with capital above regulatory requirements.

8 OPERATING ENVIRONMENT (CONTINUED)

Tanzania Banking Sector: Higher Credit Growth and Rising Profitability (Continued)

Selected Financial Soundness Indicators as Per Bank of Tanzania (BOT)					
Financial Ratios (%)	NMB Bank	Industry Position*			
	2023	2022	2021	2020	2019
Core Capital/TRWA+OBSE	23.3	18	20	17	17
Total capital/TRWA+OBSE	23.3	19	20	18	18
Liquid assets to demand liabilities	33.2	27	29	31	32
Gross NPLs to gross loans	3.2	6	8	9	10
Return on assets	4.7	3	3	2	2
Return on equity	28.6	15	12	8	8
Net open positions to total capital	2.0	3	8	9	9

Source: Bank of Tanzania; Financial Sector Supervision Annual Report FSSA 2022, and NMB computation
Note: *The 2023 FSSA 2023 is expected to be issued in September 2024, OBSE is off-balance sheet exposure, and TRWA is total risk-weighted assets.

According to industry benchmarks, NMB remains the top performer in its class. As stated in the Tanzania Financial Sector Supervision Annual Report 2022, which assesses the financial sector’s sustainability, NMB has consistently surpassed the industry standard, highlighting its exceptional financial soundness indicators.

NMB Performance in the Banking Industry

The Bank maintains its position as the leading bank in Tanzania, demonstrating superior profitability metrics across various dimensions. The bank achieved an outstanding profit after tax of TZS 542 billion, securing the highest market share at 34.4%. Notably, the Bank’s efficiency ratio surpassed the industry average, establishing it as the foremost performer in this category. Refer to the table below.

Key performance indicators of the bank in comparison with the industry in 2023.

KPI	Industry Average	NMB Bank Plc
Non-Performing Loans	4.3%	3.2%
Return on Asset	2%	4.8%
Return on Equity	13%	28.7%
Cost to Income Ratio	51%	39.0%
Net Interest Margin (NIM)	6%	10.0%
Cost of Funds	3%	2%
Loan-to-Deposit Ratio (LDR)	87%	94.8%

Looking Ahead: The banking sector outlook remains positive, with anticipated sustained growth and enhanced performance. The favourable sector outlook aligns well with the positive operating environment, the resilience of a well-diversified Tanzania economy, and structural soundness of the sector, especially the strength of the systemically important banks in the country. The Bank recognizes liquidity challenges and has put in place key initiatives to address those challenges in order to operate within acceptable limits.



8 OPERATING ENVIRONMENT (CONTINUED)

Tanzania Banking Sector: Higher Credit Growth and Rising Profitability (Continued)

Competition

The Tanzanian banking sector continues to be competitive. In this situation, banks aggressively launch various products to retain customer deposits and provide adequate funding to meet increasing credit demands.

To secure sturdy growth in our main target segments, we continue to develop best-in-class propositions and experiences to target robust growth in our key target segments. We focus on deepening the customer experience and launching new propositions to achieve above-market average growth. In the credit, our focus remains on maintaining a high portfolio quality and better pricing, considering the competitive yet subdued market conditions. Our success includes targeting relationship deposits and new current accounts while remaining cost-effective for term deposits as we optimize our cost of funding.

We expect the credit market to sustain its competitive nature, so we are exploring expanding opportunities in underserved market segments. We also expect that deposit markets will maintain their competitiveness as customers continue to seek favourable returns on their funds.

Technology Dynamics

The banking sector, recognizing the transformative potential of technology, has shifted gears to serve customers with enhanced efficiency and convenience. The evolution from traditional brick-and-mortar structures to a click-based approach has revolutionized service delivery across various channels. NMB is strategically aligned to leverage technological advancements, catering to customers' evolving demands while maintaining a competitive edge. We are steadfast in our commitment to adopting emerging technologies and business models that foster growth and drive digital adoption. Investments in technological and digital capabilities will remain an area of strategic investment focus for the bank in 2024 and for years to come.

The advent of online banking has not only transformed operational methodologies but has also introduced new risk dimensions. Heavy reliance on technology exposes banks to potential risks, including information and cybersecurity threats. Unauthorized access or cyberattacks leading to data leakage and confidentiality breaches pose legal challenges and can inflict severe damage on a bank's reputation. NMB has proactively established a comprehensive cyber risk management framework to fortify its network against cyber-attacks. Since our core business spans physical and online outlets, safeguarding information security remains paramount. In demonstrating the robustness of our risk management capabilities, NMB has been recognized as the Safest Bank in Tanzania by Global Business and Finance Magazine (2023).

8 OPERATING ENVIRONMENT (CONTINUED)

SWOC Analysis

Item	Description
Strengths	The Bank boasts a robust brand presence, establishing itself as a leading financial institution. With a substantial asset size, NMB holds a systematic market position in Tanzania. A commitment to digitalization and innovation places us at the forefront, facilitating outstanding customer experiences and fostering growth.
	Customer focus, extensive network, operational excellence, and strong governance foundations are integral components of NMB's competitive edge. Our unwavering commitment to customer-centric practices distinguishes us as the bank that listens and is closer to its customers. With the largest network of branches and agents, we maintain an extensive footprint.
	The Bank has forged strong relationships with diverse stakeholders, including the Government, and has demonstrated a commitment to Corporate Social Investment (CSI), contributing to community development.
Weakness	To further differentiate ourselves, there is a need to enhance our competitive model, focusing on product offerings, customer experience, and pricing strategies.
Opportunities	Amidst a growing and vibrant population, there are significant opportunities to tap into the youth segment. The underserved segments of women, informal businesses, and SME sectors present areas for expansion. Exploring the unexploited potential in agriculture value chains can yield fruitful outcomes. The rural population, remains largely excluded from formal financial services and this also presents a significant growth opportunity for the bank.
	Strategic partnerships with diverse stakeholders will offer a pathway for growth and expedited execution. There is also an opportunity to position NMB Bank as a pan-African bank, solidifying its status as a crucial regional player.
Challenges	The landscape presents challenges in the form of cyber risks, macroeconomic and geopolitical uncertainties, climate-related risks, disruptions caused by evolving technology, and market competition. Addressing and mitigating these challenges will be crucial for sustained success.

Environmental Challenges and Bank's Climate Actions

According to the Intergovernmental Panel on Climate Change (IPCC), human carbon dioxide and other greenhouse gas emissions are a primary driver of climate change and present one of the world's most pressing challenges. Greenhouse gas emissions have increased since the pre-industrial era, driven largely by economic and population growth, and are now higher than ever. A changing climate has a range of potential ecological, physical, and health impacts, including extreme weather events (such as floods, droughts, storms, and heatwaves), sea-level rise, altered crop growth, and disrupted water systems.

Economic activities produce or result in accelerated climate change by releasing additional CO₂ into the atmosphere. The effects of climate change, in turn, impact the communities and environment in which corporations operate.

As a vehicle for sustainable socio-economic development in Tanzania, the bank recognizes the impact of climate change and its role in addressing overall environmental challenges. The Bank is committed to ensuring lasting prosperity for society and the environment in which the bank operates. By engaging in the positive transformations of businesses and society, our teams work daily to build, together with our stakeholders, a better and more sustainable future through responsible and innovative financial solutions.



8 OPERATING ENVIRONMENT (CONTINUED)

Environmental Challenges and Bank’s Climate Actions (Continued)

Our Environment and Social Policy (E&S Policy) and the Climate Risk Policy are critical tools we use to assess and review the risks of our lending activities. The policies provide relevant criteria against which clients and transactions are screened, as well as excluded sectors that the bank will not finance. The policy, along with accompanying tools, is applied and embedded into our credit approval process. The Bank continues to strengthen capabilities to support our overall ambitions and to deploy relevant tools that enable the bank to consistently measure and monitor our loan portfolios and alignment towards supportive climate efforts.

Social, Political Context and Prospects

According to the 2022 census, Tanzania’s population stands at around 62 million people, experiencing a growth rate of 37% since 2012. The country’s demographic makeup reveals a predominantly youthful population, with over 60% being under the age of 25. From a political standpoint, Tanzania maintains stability as a unitary republic, featuring both a national government and a decentralized government in Zanzibar, granting autonomy for non-union matters. The country operates within a multi-party system. Since independence, the country has undergone impressive political and economic developments and improvements in social welfare. It remains as a model of political stability within the region.

The overarching policy goals of the current government align with the Tanzania Development Vision 2025 and its corresponding five-year development plans. Looking ahead, the Government is gearing up for the next phase, Development Vision 2050, which aims to propel the nation toward enduring social and economic prosperity while adapting to the evolving technological landscape.

In its diplomatic endeavours, the Government actively collaborates with the multilateral and bilateral development partners. Evidently, the Government prioritizes an export-led-and-inclusive industrialization and job creation through public and private sector partnership by emphasizing the private sector as a key driver of broad-based economic growth.

Stakeholders’ Issues and Engagement

Stakeholders’ engagement formed part of the Board’s extensive agenda in 2023 and 2024 going forward. NMB has a wide range of stakeholders with differing interests. The Board has different mechanisms to ensure effective engagement with key stakeholders and that the interests of those stakeholders are considered duly in Board deliberations and informed decision-making processes.

We regularly liaise with other key stakeholders, including the Government, regulators, and policymakers (at national, regional, and global levels) to share insights and support the development of best practices across our markets.

As part of our regular engagement with the regulator, we discuss bank-specific and system-wide issues and use the Tanzania Bankers Association (TBA) platform and other banks to discuss broader banking systems issues, such as regulations and macro issues.

During the year, the Board continued to engage with stakeholders and was informed about relevant stakeholder matters through management updates. The Board engaged with or received views from its key stakeholders during the year are provided below.

8 OPERATING ENVIRONMENT (CONTINUED)

Stakeholders’ Issues and Engagement (Continued)

Table 2: Stakeholders Engagement Summary 2023

Stakeholders And How We Engage	Stakeholders Expectations	How We Meet Stakeholders’ Expectations	Our Efforts In 2023
Customers			
• Face-to-face interactions • Interactions at our branch network. • Social media and website channels. • Call centre interactions. • Customer satisfaction surveys	• High quality and seamless service. • Customer privacy and data protection • Strong cyber risk management. • Reasonable service fees. • Innovative financial solutions and services. • Convenient access to banking services through digital channels • Knowledgeable employees • After-service care. • Minimal service disruptions.	• Maintaining the highest professional and ethical standards when dealing with our customers. • Focusing on both the personal and business financial needs of our customers when developing our products and services. • Strengthening cyber risk management and data privacy policy. • Improving our digital banking channels to enhance seamless accessibility. • Ensuring that our people are equipped with relevant knowledge on service delivery and committed to giving advice and acting in the best interests of our customers.	• Revamped our Mkononi platform to add more features. • Revamped our Agency banking services to bring banking services closer to our customers. • Opened 4 new branches and relocated 2 branches. • Launched NMB Kwetu to suit the needs of Diaspora Customers. • Launched NMB Hekima plan to suit the needs of pensioners. • Added 2 new deposits accepting automated teller machines. • Signed collaboration agreements with government, trade, and commercial organisations to help facilitate the expansion plans of our corporate clients
Community			
• University scholarships (Nuru Yangu Scholarship). • Participate in the Government’s employment creation initiatives. • Supporting financial inclusion initiatives.	• Good corporate citizen • Inclusive and equal employment opportunities. • Responsible financing. • Contributing to job creation. • Partnership to address social and environmental issues. • Support for communities and access to financing for societal needs.	• Integrating ESG factors into our risk framework and credit decision processes. • Giving back to the community through corporate social investment programs focused on Education, Health, and Environment. • Creating an inclusive workforce and work environment.	• Providing financing to sustainable projects. • 62 Scholarships were offered to students through the Nuru Yangu Scholarship costing 286,559,200. • NMB has supported 247 schools with 15,500 desks to benefit over 46,500 students and teachers. Also, provided 34 schools with 1,480 double-decker beds to accommodate 2,960 boarding students. • The Bank has embarked on building a modern pre-primary school in Makunduchi, South Unguja Zanzibar. • The bank allocated TZS 350 million to rehabilitate and modernise Muhimbili National Hospital’s medical facilities.

8 OPERATING ENVIRONMENT (CONTINUED)

Stakeholders’ Issues and Engagement (Continued)

Table 3: Stakeholders Engagement Summary 2023

Employees	Stakeholders Expectations	How We Meet Stakeholders’ Expectations	Our Efforts In 2023
• Periodic engagement initiatives such as SIKIKA platform, BM meetings, Townhall. • HR Support services. • HR policies and procedures. • Periodic performance reviews. • Team building, games, and recreation activities. • Training, seminars, and workshops. • Employee annual feedback and satisfaction survey. • HR business partnering support.	• Continuous training and career development. • Safe and healthy work environment. • Job satisfaction and recognition. • Competitive benefits. • Trust, respect, and fair employment practices. • Safe and healthy work environment. • Embracing equity, diversity, and inclusiveness.	• Ensuring fair HR policies and processes • Ensuring transparent and objective performance appraisals and performance-based rewards and recognition. • Providing opportunities for training and development to build skills. • Offering health and wellness benefits • Ensuring fair and equitable opportunities for all colleagues. • Promoting teamwork and supporting one another to achieve shared goals.	• Increased basic salary by 5% - 10%. • Increased the minimum pay for our fixed term staff. • Increase the training budget by 7.9% for the career development of our colleagues across the network. • Conducted credit attachment programme for potential Branch Managers. • Conducted training to equip RMs with loan syndication, tourism financing and wealth management skills. • 3 staff were nominated to take part in the CEO Apprenticeship Program.
Regulatory Authorities and Government			
• Regular meetings. • Mandatory filings and reporting with regulators. • Policy updates and directives. • Consultative meetings with regulators. • Audited annual reports. • Report of those charged with governance.	• Strong corporate governance and ethical practices. • Compliance, including policy formulation and enforcement. • Prevention of financial fraud, terrorism financing and money laundering. • Compliance with tax laws. • Adhering to the laws of the land. • Maintaining financial stability with robust liquidity and capital adequacy ratios. • Supporting economic development. • Respect for human rights and labour laws. • Deeper engagement and collaboration on ESG issues.	• Continuous compliance with laws, policies, regulations, frameworks, and guidelines. • Maintaining a robust risk and control framework. • Maintaining strong capital and liquidity levels. • Performing regular internal and external audits to check the effectiveness of controls. • Regular compliance training for the bank’s staff. • Issuing products for SMEs, MSEs, Agribusiness, Start-ups, and Women.	• Supported Government initiatives on SMEs, Women business financing, MSEs financing and Agribusiness financing. • Conducted AML/CFT training for all new staff. • Contributed to Economic development. • Continuous engagement with the bank of Tanzania and other regulatory bodies including TRA, CMSA, TIRA and BRELA.

8 OPERATING ENVIRONMENT (CONTINUED)

Stakeholders’ Issues and Engagement (Continued)

Table 4: Stakeholders Engagement Summary 2023

Investment Community	Stakeholders Expectations	How We Meet Stakeholders’ Expectations	Our Efforts In 2023
• Quarterly financial results publications. • Annual reports. • Annual general meeting. • Quarterly Investors breakfast. • Presentations, conferences, meetings, and roadshows. • Periodical meetings with Credit rating agencies.	• Competitive return on investment/Equity • Strong corporate governance and ethical practices. • Timely disclosure and compliance with laws and regulations. • Sustainable growth. • Strong profitability and well-capitalised. • Strong and resilient balance sheet. • Responsible banking practices.	• Ensuring timely disclosure and reporting • Implementing sustainability framework. • Ensuring robust risk culture, governance, and management. • Disciplined execution of the bank’s strategy. • Ensure a high standard of corporate governance and ethical practices. • Ensuring strong oversight and accountability by the Board and Executive management team. • Continuous business performance enhancements.	• Held more meetings with analysts, credit rating agencies and investors to share our corporate strategy, financial performance, and macroeconomic and financial performance outlook. • Paid dividends consistently, (TZS 286.25 per share for 2022 financial year). • Enhanced our Investor Relations department to improve engagement with shareholders. • Issued a sustainability bond debuted Jamii Bond adding more than 6,000 new investors. • Participated in COP-28. • Finalized the Sustainability Framework, which will guide our operations toward archiving our strategic sustainability goals. • Conducted training for Board members, Executive management team, Heads of departments and the entire network with respect to environmental, social, and governance aspects, as well as sustainability.
Suppliers			
• Regular vendor meetings. • Purchase contracts. • Request for proposal and quotation.	• Fair and transparent bidding and selection process. • Timely settlement. • Strong Governance and ethical conduct. • Timely communication and settlement of disputes.	• Regular engagement and reconciliations of supplier accounts. • Whistle-blower policy implementation • Timely settlement of vendors’ claims. • Adhering to contract and agreement terms. • Ensuring integrity in all procurement processes.	• The Bank conducted a detailed review of the Procurement Policy and related Operating Procedures with the support of an independent external consultant with a view to, - o To align the policy with the bank’s evolving needs - o To align the Procurement Policy with best practices • The revised procurement policy will govern due diligence and contract management process, as well as addressing key topical sustainability issues including Ethics, Human rights, Diversity & Inclusion and Environmental related considerations. • Revised Procurement Policy, and it is currently in final draft mode and shall be tabled in BARCC for review and subsequently to the Board for approval.



9 BANK'S OBJECTIVE AND STRATEGY

Strategic Objectives

The Bank’s mission that drives its short-term, medium-term, and long-term strategic focus is to be the bank of choice, delivering an innovative and transformative customer experience that promotes financial inclusion and well-being. While fulfilling the mission, NMB Bank seeks to maintain its leadership in financial performance, leading in digital and innovation and keeping a stronghold in the retail and wholesale markets. The Bank has re-imagined its Medium-Term Plan focusing on three pillars namely Winning Propositions, Operational Efficiency, and Innovating for the Future. Under each strategic pillar, there are strategic thrusts to guide the bank’s execution going forward.

Strategic Framework

	Banks Objective	Strategic Goals 1	Strategic Goals 2	Strategic Goals 3
Strategic	Achieve superior results through delivering key strategic initiatives.	Deliver Distinctive Proposition: Develop and implement unique value propositions.		
		Attract and retain customers through innovative offerings.		
Economic	Economic objectives focused on financial performance and prudent management.	Deliver Solid Returns on Shareholders' Funds: Maximize returns to shareholders.	Drive Efficiency Gains Through Improved Efficiency Ratios: Enhance operational efficiency	Sustainable Loan Book Growth: Achieve responsible growth in the loan book.
		Optimize utilization of funds and deploy effective investment strategies.	Implement measures to reduce costs and improve efficiency ratios.	Identify and tap into viable lending opportunities and manage associated risks.
Operational	Operational excellence, efficiency, and adaptability through strategic initiatives.	Accelerate Ongoing Digital Transformation Efforts: Propel digital transformation.	Sustain Investments in People Through Training: Invest in employee skills.	Fast Track Manual to Automation Initiatives: Streamline operations.
		Stay at the forefront of technological advancements.	Foster a skilled and motivated workforce.	Expedite transition from manual to automated systems.
Social	Emphasize social responsibility and inclusivity	Responsible Community Investments: Contribute to communities.	Drive Financial Inclusion: Expand access to financial services.	Maintain the Employer of Choice Status: Cultivate a positive work environment.
		Targeted and impactful social investments.	Promote economic participation in underserved communities.	Provide fulfilling and rewarding employee experience.
Environmental	Commitment to environmental stewardship.	Drive Environmental Stewardship:	Leveraging on sustainable instruments to support a range of environmentally impactful projects.	Reduce own carbon footprint.
		By embedding Environmental and Climatic considerations in strategy and operations.		

9 BANK'S OBJECTIVE AND STRATEGY (CONTINUED)

Implementation of Strategic Objectives

The oversight of the bank’s operations rests with those entrusted with governance. This responsibility involves vigilant monitoring of Key Performance Indicators (KPIs) established annually and tracked on a quarterly basis. Management presents comprehensive performance reports during these intervals to those charged with governance, shedding light on the successful realization of each KPI. These reports also articulate any challenges encountered within the internal or external environment. In addition, they outline the requisite support needed to navigate and accomplish the predetermined objectives.

Bank’s Medium-Term Plan (MTP) Strategic Pillars to Drive and Sustain Growth

Winning proposition

- Enhance Mass Customer Loyalty: Continue increasing mass customer base and gaining loyalty. The Bank has been able to grow its mass customer base by 20% year on year, commanding leadership in customer base across the industry. This has been possible through enhanced propositions such as NMB Pesa, Mshiko Fasta and spending to save that add value to our customers.
- Excel in the Core Middle Segment: The Core Middle segment is expected to drive 25% of overall market growth, with NMB market share estimated at 20%. Leveraging its experience serving government workers, the bank plans to engage corporates through bundled employer schemes and foster direct relationships, emphasising digital experiences for customer acquisition.
- Lead in SME (Focus in Agriculture): SME, being the backbone of NMB performance, has recorded a remarkable loan portfolio growth of 26% YoY, while Agribusiness recorded a growth of 22% YoY, backed by enhanced customer relationships, value solutions such as the Agri marketplace, and competitive pricing.
- Deepen Penetration in Wholesale: Wholesale portfolio growth has been well supported by enhanced customer relationships and well-trained and equipped staff. Capacity building, exposure, and enhancement of Internet banking have been key agendas in spearheading overall wholesale growth. The wholesale business recorded loan growth of 87.7% YoY.

Operational efficiency

- Enhance branch productivity: The transaction migration agenda has consistently been successful, with 96% of transactions performed outside physical branches through the bank’s alternative channels. This has enabled the bank to continue improving its efficiency and overall customer experience.
- Optimize organisational productivity: Strong efficiency gains, with the Cost-to-Income ratio reducing to 39% from 42% in 2022. This resulted from factors such as revenue per FTE improving by 15% YoY, reaching TZS 385Mln/FTE, driven by increased efficiency by our people in generating revenue.
- Strengthen end-to-end Credit Risk Management: Investments such as Loan Management systems and enhanced IFRS9 systems are all geared towards improving credit management, and the result is observed in continuously decreasing the Loan Loss ratio (LLR) to 1.1% by the end of 2023.



9 BANK'S OBJECTIVE AND STRATEGY (CONTINUED)

Bank's Medium-Term Plan Strategic Pillars to Drive and Sustain Growth (Continued)

Innovate for the future.

- The Bank invested TZS 1 billion during the year in Data management to ensure that we have clean, accurate and reliable data infrastructure to support the overall Bank's decision-making.
- Exceed customer expectations: 87% of the Bank's customers are satisfied with the Bank's services as per the recent customer satisfaction survey (CSAT) conducted in 2023. The Bank has also achieved a 59% Net Promoter Score (NPS), indicating a positive outlook towards enhancing overall customer experience.
- Augment IT infrastructure: Recognizing the critical role of IT infrastructure estate as a vital support system, the bank is committed to ongoing reviews to keep pace with changes in technology and business dynamics. While traditional banking systems have been product-oriented, current market dynamics emphasise real-time processing and visibility across multiple platforms in a customer-centric approach. The Bank has consistently invested in upgrading IT infrastructure and cybersecurity hardening to ensure our customers are able to access our services conveniently, reliably, and securely.

Spotlight on the Execution of the Five-Year Strategy MTP

The Bank embarked on a comprehensive five-year business strategy in 2021, spanning until 2025. This strategic framework centered around three core areas: Delivering Winning Propositions, Driving Operational Efficiency, and Innovating for the Future. These pillars were strategically aligned with the Bank's growth ambitions, considering market challenges and stakeholders' aspirations.

By 2023, marking the third year of strategy implementation, the bank remained steadfast in pursuing its strategic aspiration of "customer first, innovative mind, and efficiency at the core." During this phase, the bank proactively addressed internal obstacles hampering performance goals and sought to build long-term business sustainability while placing the customer at the forefront of its endeavors. The overarching objective was to bring about holistic transformation, ultimately shaping the bank into an institution poised for the future.

Since the inception of this strategy, the bank has made commendable strides in implementation, achieving significant gains that position it for sustained growth. The Bank's progress is evidenced through a comprehensive financial and non-financial performance evaluation against strategic value drivers from 2021 to 2025.

The Bank's strategic progress has been marked by noteworthy achievements, including:

- Expanded customer base and transaction channels.
- Increased financial inclusion, accessibility, and penetration through digital channels.
- Efficiency gained through technological enhancements.
- Strong market presence with a household brand
- Reinforced compliance and commitment to good corporate governance
- Enhanced portfolio quality.

9 BANK'S OBJECTIVE AND STRATEGY (CONTINUED)

Spotlight on the Execution of the Five-Year Strategy MTP (Continued)

The performance trend of Key Performance Indicators for the Medium-Term Plan Strategy underscores the Bank's success in navigating market dynamics and consistently outperforming strategic financial KPIs. This robust performance is attributed to the meticulous enhancement of balance sheet efficacy, seamless digital experiences for customers, addressing efficiency and productivity gaps, overhauling the distribution model, and maximizing strategic partnerships and stakeholder engagement. As the Bank moves towards the culmination of its strategic journey, it stands as a testament to its commitment to innovation and sustainable growth.

Those charged with governance oversee the Bank's operations through quarterly performance reviews. These reviews highlight key performance indicators (KPIs), identify potential internal and external challenges, and outline necessary support to attain set goals.

KPI	Target 2023	Actual 2023	2022	2021	2020	2019
Return on Equity	25%	28.8%	25.5%	22%	19%	15%
Return on Assets	5.0%	4.7%	4.2%	3%	3%	2%
Cost to Income Ratio (CIR)	40%	39.0%	41.7%	46.3%	50.2%	56.9%
Growth in customer deposits	15.0%	11.5%	14.2%	22.1%	10.2%	14.2%
Non-performing loans to total loans	4.0%	3.2%	3.1%	4%	5%	4.8%
Growth in loans and advances to customers	18.0%	28.1%	29.2%	13.3%	14.5%	10.8%
Growth in total assets	18.0%	18.9%	17.8%	22.9%	8.3%	15.4%
Total Capital Adequacy Ratio	20.0%	23.2%	23.1%	24.6%	20.6%	18.5%

Factors Impacted Our Ability to Create Value

Material Matters	Risks to Value Creation	Our Response
Increasing Competition	Potential market share loss and revenue pressure due to competitiveness.	Innovate products/services in an automated, digitized environment to sustain competitiveness.
Disruptive Technologies & Digital Adoption	Business landscape evolution via digital transformation.	Strengthen partnerships between business and technology for adaptability to changes.
Rising Stakeholder Expectations	Stakeholder sentiments are impacting reputation and funding access.	Engage stakeholders, incorporate their expectations into strategic planning, and adopt transparent value creation through integrated reporting.
Ongoing Regulatory & Policy Changes	Escalating compliance costs affecting customer expenses and shareholders returns.	Allocate substantial investments towards compliance and risk mitigation. Engage policymakers for regulatory reforms. Foster proactive relationships with regulators.
Current & Emerging Risks	- Cyber-attacks disrupting services and compromising confidential information. - Climate change risks.	Maintain robust cybersecurity frameworks. Integrate long-term ESG criteria into business decisions for sustainable stakeholder benefits.

Our operational landscape is distinctly defined amidst heightened competition, technological disruptions, evolving consumer trends, and shifts in regulations. The Bank effectively navigates several significant concerns within the framework of our ongoing strategic, cultural, and digital advancements.



10 PERFORMANCE FOR THE YEAR

2023 Financial Highlights:

Statement of financial position

Total assets of the bank increased to TZS 12.2 trillion (2022: TZS 10.3 trillion); representing 18.9% growth year on year.

- The Bank's net loans and advances grew by TZS 1.7 trillion (28.1%) year on year, driven by an increase in both Retail (15.9% up year on year) and Wholesale loans (87.8% up year on year) on account of high credit demand in the economy.
- Government securities increased by TZS 330 billion (17.0%), which is attributed to yield improvement from 8.6% in 2022 to 9.2% in 2023. Placements and balances with banks increased by TZS 150 billion (80.1%), while cash and balances with the Bank of Tanzania decreased by TZS 210 billion (-13.6%). The Asset growth was funded by customer deposits, which grew by TZS 870 billion (11.5%) and net additional borrowings of TZS 631 billion from FMO and BOT.
- There was a decrease in the Bank's non-earning assets by 8% year on year, mainly attributable to a decrease in other assets and right-of-use assets, which decreased on account of depreciation. Property and Equipment, however, increased by TZS 5.7 billion (3%).

Statement of profit or loss and other comprehensive income

- During the year, the Group recorded a net profit after tax of TZS 545.2 billion (2022: TZS 431.6 billion), while the bank earned a net profit of TZS 541.8 billion (2022: TZS 429.4 billion), an increase of 26.3% year-on-year. This increase in profit was attributed to growth in net interest income and net fees and commission income by TZS 225.9 billion and TZS 50 billion respectively. Strong loan disbursements drove the increase in Net interest income, while the net fees and commission income were driven by an increase in customer activity coupled with a significant increase in the Bank's foreign exchange dealing income.
- The Bank's total operating income grew 19.0% year on year to TZS 1.3 trillion (2022: TZS 1.1 trillion). The growth is from the bank's net interest income, which increased by 18.7% following growth in loans and advances, while non-interest income increased by 16.5%, attributed to an increase in transaction volumes in Agency Banking, Mobile Banking (NMB Mkononi), Card Business, and FX Income.
- The Bank's operating expenses increased moderately by 10.4% during the year due to cost-efficiency initiatives deployed by the bank during the year on operating and capital expenditures.
- The Bank's subsidiary, Upanga Joint Venture Company (UJVC) Limited, made a Profit of TZS 2.3 billion (2022: TZS 1.0 billion). The increase in profit is attributable to a decrease in operating expenses. As of 31 December 2023, its total assets were TZS 43.1 billion (2022: TZS 40.6 billion). Year-on-year total assets increased by TZS 2.3 billion.

The audited financial statements and Notes for the year 2023 are set out on pages 272 to 411.

10 PERFORMANCE FOR THE YEAR (CONTINUED)

CASH FLOW

During the year, the Group used TZS 52 billion (2022 generated: TZS 53 billion) in its operating activities. This was mainly attributed to the growth of loans and advances to customers by TZS 1.78 trillion (2022: TZS 1.4 trillion) and the net cash flow used in investments in investing activities was TZS 388 billion (2022: TZS 248 billion) and cash generated from deposits from customers amounted to TZS 871 billion (2022: TZS 931 billion) respectively. Bank's deposits growth reflects industry-wide phenomenon whereby loans grew faster than deposits. In 2023, banking sector loans grew by 22.8%, while loans grew by 18.6%, indicating negative funding jaws for the industry.

Other major generation of the cash flow was from financing by TZS 441 billion (2022: TZS 150 billion), while major cash use was mainly in investment in property plant and equipment of TZS 41 billion (2022: TZS 20 billion) and payment of dividend of TZS 143.1 billion (2022: TZS 96.7 billion).

The Bank's cash projections indicate that future cash flows will mostly be generated from deposits. The Bank will continue implementing different strategies to mobilize deposits by targeting individual depositors, offering competitive rates for fixed deposits, and improving cash collection solutions for corporate customers, Government institutions, non-Government organizations, and other agencies.

DIVIDEND

As of 31 December 2023, the Bank complied with BOT requirements on dividend payment, specifically recording a Cost-to-Income Ratio of 39.0% and a Non-Performing Loans ratio of 3.2% against regulatory requirements of 55% and 5%, respectively. A formal dividend payment proposal considering capital requirements will be presented in the May 2024 Board meeting. The Annual General Meeting held in June 2023 approved the Board's Dividend proposal of TZS 286.25 per share from the total dividend of TZS 143 billion, which was 1/3 of the profit after tax for the year ended 31 December 2022 in line with the bank's dividend payout ratio.

BORROWING

The Bank maintains strong relationships with various Development Finance Institutions (DFIs), who, through close engagement, continue to demonstrate confidence in the bank by providing us with long-term facilities in the form of borrowed funds. These funds are used to lend to final beneficiaries to support overall economic development and the growth of key business segments. As of 31 December 2023, the Bank's borrowings balance amounted to TZS 1.4 trillion (2022: TZS 749.6 billion). The Bank complied with all lender's covenants as of 31 December 2023 (2022: Compliant).

LIQUIDITY

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have adequate liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. To support adequate levels of liquidity, the bank has in place arrangements for diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity daily. The Bank has developed respective internal control processes and contingency plans for managing liquidity risk.



10 PERFORMANCE FOR THE YEAR (CONTINUED)

LIQUIDITY (Continued)

Within the Bank, the Treasury function maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank. The daily liquidity position is monitored, and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies are subject to review and approval by the Board.

In 2023, the Bank's Loans to Deposits Ratio (LDR) increased to 94.8% from 82.4% in the previous year, hence trending above the bank's internal LDR limit of 75.0%. However, the bank's Liquid Asset Ratio (LAR) improved to 33.2% in 2023 from 26.4% in 2022. This is well above the regulatory minimum threshold of 20.0%.

The Bank's LDR position was largely contributed by market wide sharp loan velocity compared to deposits growth. The Bank continues to monitor the trend of these ratios to ensure they are maintained at healthy levels.

KEY PERFORMANCE INDICATORS FOR THE BANK

The oversight body actively supervises and sanctions the execution of the Bank's Key Performance Indicators (KPIs) aligned with strategic goals. This occurs quarterly through the management's presentation of a performance report. This report outlines KPI achievements, potential challenges arising from internal and external environments, and any support required to attain the established objectives.

In managing these KPIs, the bank follows a structured process:

- Management proposes bank KPIs endorsed by the Board of Directors.
- The CEO cascades these KPIs to senior management, engaging in discussions to ensure effective implementation.
- Senior management disseminates KPIs to department heads, facilitating the creation of departmental balanced scorecards that align with the bank KPIs.
- Monthly reviews within each department ensure adherence to set KPIs aligned with the bank's strategic objectives. Quarterly reports on these reviews are presented to the Board.
- The Board ensures availability of resources necessary for successful KPI implementation.
- The impact, both positive and negative, on stakeholders due to KPI implementation is assessed to meet their expectations.

Both financial and non-financial KPIs serve as evaluation tools for those overseeing governance, allowing an assessment of the bank's performance vis-à-vis its strategic goals.

10. PERFORMANCES FOR THE YEAR (CONTINUED)

KEY PERFORMANCE INDICATORS FOR THE BANK (CONTINUED)

The financial KPIs as of December 31st are detailed below.

KPI	Formula	2023	2022	Purpose
Return on Equity (ROE)	= (Net Profit / Total Equity) * 100%	28.6%	25.5%	Measures the Bank's profit generation capability from shareholders' funds.
Return on Assets (ROA)	= (Profit Before Tax / Total Assets) * 100%	4.7%	4.2%	Evaluate the Bank's efficiency in utilizing assets to generate profit.
Operating Expenses to Operating Income Ratio (CIR)	= Operating Expenses / (Net Interest Income + Non-Interest Income) * 100%	39.0%	41.7%	Measure operational cost against income generation; how much the bank spends out of income generated.
Gross Loans to Customer Deposits Ratio	= (Gross Loans to Customers / Total Deposits from Customers) * 100%	94.8%	82.4%	Assess bank liquidity by comparing total loans to total deposits.
Growth in Customer Deposits	(Increase in Customer Deposits / Opening Balance of Customer Deposits) * 100%	11.5%	14.2%	Measure growth in customer deposits from the previous year.
Non-Performing Loans to Total Loans Ratio	(Non-Performing Loans / Gross Loans and Advances) * 100%	3.2%	3.1%	Evaluate the loan portfolio quality.
Growth in Loans and Advances to Customers	(Increase in Loans and Advances / Opening Balance of Loans and Advances) * 100%	28.1%	29.2%	Measures the growth of loans and advances to customers from the previous year.
Growth in Total Assets	(Increase in Assets for the Year / Total Asset Opening Balance) * 100%	18.9%	17.8%	Assess the growth of total assets from the previous year.
Tier 1 Capital Ratio	Core Capital / Risk-Weighted Assets * 100%	23.3%	23.1%	Measure the Bank's financial capital position against risk-weighted assets.
Total Capital Ratio	Total Capital / Risk-Weighted Assets * 100%	23.3%	23.1%	Evaluate supplementary capital position against risk-weighted assets.
Earnings per Share (EPS)	Profit attributable to equity shareholders / Number of ordinary shares in issue (TZS)	1,084	859	Indicate earnings generated per share invested in the bank.
Net Interest Margin (NIM)	(Interest Income - Interest Expense) / Average Earning Assets * 100%	10%	12%	Measure the difference between interest income generated and interest paid out.
Cost of Funds	Interest Expense / Average Interest-Bearing Liabilities * 100%	3%	3%	Indicate the cost a bank incurs to gather funds, especially through deposits and borrowings.
Loan Loss Provision Ratio	Loan Impairment Charge / Total Loan Portfolio * 100%	1.1%	1.2%	Assess the amount set aside to cover potential losses from non-performing loans.
Deposit Mix	Composition of Low-Cost Deposits vs Higher-Cost Deposits	84.8%	84.3%	Analyses the distribution of deposits to strategic funding sources.
Customer Retention Rate	(Number of Customers at the End - New Customers) / Number of Customers at the Start	118%	120%	Gauge customer satisfaction and loyalty.

During the year, there were no changes to either KPIs or the methodologies that needed to be disclosed in the underlying accounting policies adopted in the financial statements compared to previous financial years. The Bank KPI targets for 2023 are disclosed in note 23 of those charged with governance report.

10 PERFORMANCE FOR THE YEAR (CONTINUED)

KEY PERFORMANCE INDICATORS FOR THE BANK (CONTINUED)

Table 5: Performance of Non-Financial KPIs

Description in (Million)	2023	2022	YoY
NMB Mkononi (USSD & App)			
Volume of transaction	133.8	83.2	60.8%
Number of registered accounts	4.95	4.68	5.8%
Internet Banking			
Volume of transaction	6	5	20%
Number of registered accounts	0.042	0.025	68.0%
Agency Banking			
Volume of transaction	101.6	96.1	5.7%
Number of registered agents	0.028	0.020	40.0%
ATMs			
Volume of transaction	50.6	46.8	8.1%

DEVELOPMENT FOCUS

In 2024, the Bank’s focus remains on sustaining growth and driving revenue momentum. The objective is to achieve broad-based optimal balance sheet growth and deepen customer relations, contributing to further revenue growth. The Bank’s strategy, although largely unchanged, will explore new growth frontiers such as mass account opening, rural banking, bancassurance and digital transactions, presenting animating opportunities for revenue growth. Additionally, the Bank will maintain its focus on cost discipline, efficiency, productivity, and portfolio quality, which are areas of distinguished advantage.

The overall macro and business environment outlook remains favourable, further supporting the bank’s growth optimism. Nonetheless, the Bank remains vigilant of emerging risks and prioritizes greater risk management and policies to safeguard its business from any potential risks on the horizon. Furthermore, the Bank will continue to prioritize investments in people, technology, and governance, recognizing their importance in driving growth. Specifically, the Bank will concentrate on process optimization and digital investment initiatives which will contribute to the bank’s continued quality growth, particularly in agribusiness and SME businesses.

Investment in Capital Expenditure in 2024

In 2024, the Bank committed to investing in capital expenditures of approximately TZS 62 billion (excluding Core banking System-related costs), an increase from TZS 45 billion in 2022. These investments will be made in establishing new branches, remodeling existing branches, acquiring equipment, and enhancing information technology.

10 PERFORMANCES FOR THE YEAR (CONTINUED)

DEVELOPMENT FOCUS (CONTINUED)

Key Trends Impacting Future Development Plans in Banking

The banking industry is undergoing transformative shifts driven by increasing competition, embedded finance, evolving customer expectations, regulatory dynamics, and disruptive technologies. FinTech and non-bank startups are reshaping the competitive landscape, prompting traditional institutions to reconsider their business strategies. Below is a summary of the challenges facing the banking sector and how NMB is addressing them in order to thrive in this new environment.

- Continuous Innovation: To succeed in the current fast-evolving landscape, banks are required to embrace innovations that meet customer demands and enhance the overall experience. Investments in advanced analytics, risk control, and overall digital transformation are also critical in sustaining the bank’s long-term existence. At NMB, innovation is not only a strategic focus but also one of our core Values. We continue to innovate in areas of competitive advantage, including overall customer experience, operational efficiency, analytics, and risk management. The progress we have made in the innovation space has received domestic and international recognition (see note 22 of Those charged with Governance Report).
- Emerging Risk - Climate Change: Climate change emerges as a significant risk, impacting the economy. The bank must assess its effects on strategy and operations while assisting customers and societies in navigating the complexities of a transitioning market towards a low-carbon economy.
- Increased Competition: Intense competition from digital solutions and embedded finance targeting lucrative segments is expected to divert revenue from traditional banks. Banks must explore partnerships and acquisitions to stay competitive while prioritising a streamlined customer experience. We continue to explore opportunities for inorganic growth whilst continuously leveraging on strategic partnerships which seek to generate shared value.
- Technology Shift: Manual processes are becoming obsolete in the digital era. Banks must adopt technology-driven solutions to optimise efficiency. Establishing a culture of innovation is crucial for leveraging technology to address industry challenges. We continue to invest in our technological infrastructure, systems, and people to shape our organisation for the fast-evolving digital world.
- Regulatory Compliance: The evolving regulatory landscape poses challenges, requiring banks to incur additional costs to stay compliant. Overcoming these challenges necessitates fostering a culture of compliance, implementing formal structures, and staying abreast of regulatory changes.
- Evolving Customer Expectations: Informed and tech-savvy customers expect personalised and convenient banking experiences. Millennials prefer digitised interactions, emphasising the need for a hybrid banking model catering to both older and younger generations. We continuously engage our customers to identify their needs, and we respond to them through ongoing investments in relevant products and solutions.



11 PRINCIPAL RISKS AND UNCERTAINTIES

The Bank faces a variety of risks that can impact its short-to-medium-term strategy, including Credit, Operational, Compliance, Information and Communication Technology (ICT), Market, Liquidity, Strategic, and Reputational risk.

Risk Management Principles and Internal Controls

NMB emphasizes effective risk management principles to align with its objectives. This involves a continuous review of processes and integrated risk management structures at both operational and strategic levels. Decision-makers rely on proactive risk management to make informed choices and address uncertainties. The framework recognizes the role of human and cultural factors, emphasizing stakeholder engagement throughout the risk management process. The Bank actively takes risks within defined appetite and tolerance levels, considering regulatory requirements. Risk management is a core function, with policies and procedures ensuring alignment with best practices.

The overall risk management responsibility lies with those charged with governance (Board). The Board sets the tone, approves strategies and risk management framework, oversees risk management, and regularly monitors the risk profile. The senior management team facilitates framework development and ensures compliance with the policies, laws, and regulations. The focus is on establishing effective internal controls and maintaining a dynamic approach to identify and address emerging risks.

Operating Environment: Navigating Uncertainties

In our operating setting, unforeseen circumstances create unpredictable uncertainties, posing a risk of negative economic events. NMB employs a robust risk management process with deployed tools to address these uncertainties proactively.

The Bank diligently monitors the economic landscape, adapting processes and systems to navigate changes while ensuring customer protection through enhanced value propositions and strategic contingencies.

We believe proactive risk prevention adds shareholder value by optimizing earnings, ensuring stability, and protecting against unexpected losses. Our risk management processes aim to safeguard the bank's solvency through high asset quality, efficient operations, and prudent capital management, resulting in sustained earnings, regulatory compliance, and enhanced market reputation.

TYPES OF RISK

Operational risk

Operational risk arises from inadequate or failed internal processes, people, or systems and external events, including legal risks. It encompasses a wide range of potential incidents, such as fraud, human error, technology failures, and natural disasters.

Fraud Risk: A subset of operational risk, both internal and external, is mitigated by stringent controls, including preventive and detective measures such as a code of ethics and business conduct, policies, and processes to address fraud incidents.

11 PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

TYPES OF RISK (CONTINUED)

Operational risk (Continued)

Risk Management Approach:

The Bank implements various measures to mitigate operational risk as part of its Enterprise Risk Management (ERM) framework:

- People: Code of ethics and business conduct guide staff behaviour and ensure the right skills and resources are available.
- Processes: Internal policies and procedures, Risk and Control Self Assessments (RCSA), and regular control evaluations are conducted. Management committees, including the Risk and Compliance Committee (RCC), discuss risk events and mitigating measures.
- Systems: Investment in new technology platforms improves risk reporting, aggregation, and visibility. The adoption of international best practices guides the protection of information assets.

Compliance risk

Compliance risk is the current or prospective risk to earnings, capital, and reputation arising from violations or non-compliance with laws, rules, regulations, agreements, prescribed practices, ethical standards, and incorrect interpretation of relevant laws or regulations. NMB is exposed to Compliance risk due to its relations with multiple stakeholders, such as regulators, customers, tax authorities, and other authorized agencies.

Risk Management Approach:

Risk Management Approach: Managed within the bank's Enterprise Risk Management (ERM) framework, compliance risk is supported by various policies and procedures aligned with relevant standards and industry best practices. The Bank ensures regulatory monitoring and assurance reviews to ensure continuous compliance with internal policies, procedures, guidelines, and regulatory requirements.

NMB uses a range of tools and processes to ensure effective management of Compliance risks.

The Bank adequately oversees the Compliance risks at Senior Management and Board levels. Compliance risks and issues are escalated and deliberated on in various committees such as the management Risk and Compliance Committee (RCC), Executive Committee, and Board Audit, and Risk and Compliance Committee (BARCC).



11 PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)**TYPE OF RISK (CONTINUED)****Credit risk**

This is the risk resulting from the possibility that an asset in the form of a monetary claim against a counterparty may not result in a cash receipt (or equivalent) as per the terms of the contract. The Bank has robust controls to manage exposure to credit risk, including intensive appraisal, approval process, disbursement controls, continuous monitoring, collection and recovery, and a robust risk appetite statement.

Risk Management Approach:

Responsible lending is critical to a well-functioning bank. This means considering each customer's long-term financing needs, ability to repay and resilience. A range of tools and measures are used to manage credit risk within the approved risk appetite.

From a governance perspective, the apex credit decision-making committee is the Board of Directors, which works through the Board Credit Committee and other Management committees, including the Wholesale Credit Committee, Retail Credit Committee, Loan Portfolio Quality (LPQ) Committee, and Watchlist and Special Assets Management (SAM) Committee to review credit applications, loan-related controls, as well as loan portfolio quality. The BARCC reviews compliance with the credit risk appetite on a quarterly basis. Branches also have some discretion to autonomously approve certain credits up to closely monitored internal limits. Stress testing is regularly done to monitor the bank's liquidity and solvency risks, incorporating stress scenarios for all key risk factors (liquidity, solvency, market, credit, operational risk, as well as a black swan combined stress scenario), with measures to deal with all stress outcomes ranging from mild to severe in place.

ICT risk

ICT risk is associated with the use of Information and Communication Technology to support business processes/standards. It results from inadequate or failed ICT Strategy, ICT Project and Program, or ICT Operations. The Bank has robust checks in place to limit its exposure to ICT risk and performs regular monitoring to validate the efficacy of its ICT risk controls.

Risk Management Approach:

The Information Technology Risk Management Policy governs the protection of the bank's information assets from all threats, whether internal or external, deliberate or accidental, to ensure business continuity, minimize business damage and maximize return on investments and business opportunities. The policy's objective is to protect the bank, its staff, customers, and other third parties from information risks that have significant likelihoods of occurrence and consequences. The policy also stipulates key risk management principles with respect to managing IT Risk across the bank, including continuous assessment and monitoring that is done using key risk indicators, risk and control self-assessments, and other reviews performed by the second and third line of defence.

11 PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)**TYPE OF RISK (CONTINUED)****Market risk**

Market risk is the risk of losses in on- and off-balance sheet positions caused by adverse changes in market prices, such as interest rates, foreign exchange rates, equity prices, and commodity prices. Market risk exists in both trading and banking books. A trading book consists of positions in financial instruments and commodities held either with trading intent or to hedge other elements of the trading book.

Risk Management Approach:

Market risk at NMB is overseen day-to-day by the Market Risk Team in close collaboration with the Treasury team. Several tools are used to control this risk, e.g., system limits, dealer mandates, etc. There is also close monitoring and tracking of market risk issues in the monthly Asset and Liability Committee (ALCO) and other key Management Committees.

Stress testing is used to monitor market risks. Four comprehensive rounds of stress testing were performed in 2023, incorporating stress scenarios for all key risk factors (liquidity, solvency, market, credit, operational risk, and a black swan combined stress scenario).

Liquidity risk

The risk of having insufficient stable or diverse sources of funding to meet financial obligations as they fall due, without raising funds at unfavourable rates or resorting to distressed sale of assets or central bank support.

Risk Management Approach:

Liquidity risk at NMB is overseen day-to-day by the Treasury function in close consultation with the Market Risk team. The bank has deployed various tools to manage this risk, including system limits and dealer mandates. Liquidity risk issues are closely monitored and tracked via the monthly Asset and Liability Committee (ALCO) forum.

Stress testing is another tool used to monitor the bank's liquidity risks. It incorporates stress scenarios for all key risk factors (liquidity, solvency, market, credit, operational risk, and a black swan combined stress scenario).

Strategic risk

Strategic risks are the possible losses a business may incur based on decisions made at the strategic level. These include failures in business strategy or a business plan as they relate to either internal or external forces. Internal events that could cause the failure of a business strategy include poor communication, low cash flow, poor execution of stated initiatives, or a change in senior management. External events, such as changes in consumer demand, new technologies, and new market entrants, can also undermine a business's ability to meet its core strategic objectives.



11 PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)**TYPES OF RISK (CONTINUED)****Strategic risk (Continued)***Risk Management Approach:*

The Bank is focused on executing the Medium-Term Plan. Key risks associated with our long-term growth aspirations have been identified, and periodic reviews and measurements are performed to provide assurance.

Reputational risk

The risk is that an activity, action, or stance taken by the bank's officials will impair its image in the community and/or the long-term trust placed in the bank by its stakeholders, resulting in the loss of business or legal actions against the bank. The Bank has stringent reputation risk controls, including very tight controls on corporate communications and messaging.

Risk Management Approach:

The Bank proactively seeks to enhance its overall reputation and manages potential reputational risks in line with its overall control framework. Reputational risk is monitored and managed through a review of respective incident reports and assessments, risk and control assessments pertaining to the first and second lines of defence functions, as well as results of respective surveys covering the bank's overall brand health and their respective action plans.

NMB BANK PLC
THE REPORT OF THOSE CHARGED WITH GOVERNANCE (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

11 PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)**Risk Register**

Principal Risk	Cause/ Circumstance	Key Risk Indicators (KRI)	Likelihood	Magnitude/ Impact	Opportunities and Mitigations
Operational Risk	Potential incidents include fraud, human error, technology and process failures, and natural disasters.	Losses due to operational risk events, number of fraud incidences and losses.	High	Severe - could lead to financial loss, reputational damage, and operational disruptions.	Code of ethics, business conduct, talent management strategies, and international best practices for safe processes, systems, and assets.
Compliance Risk	Non-compliance with laws/regulations, incorrect interpretations, late submissions, fines, and penalties.	Late submission of returns/payments, fines, and penalties.	High	Severe - could result in financial losses (penalties and fines) and reputational damage.	Daily monitoring of regulatory changes, staff awareness, conformance tests, and engagement with policymakers to resolve jurisdictional contradictions.
Credit Risk	Changes in borrowers' environment or business activities, including borrower death or bankruptcy.	Significant increases in credit risk and default.	High	Severe - increases impairment losses affecting profitability and liquidity.	All credit facilities are insured, thorough assessment from origination to recovery, and continuous monitoring.
Market Risk	Adverse market rate/price movements include interest rates, forex, and equity prices.	Adverse movements in interest rates, forex, and equity prices.	High	Severe - impacts profitability.	Matching sensitivity of assets/liabilities, diversification of funding sources, and closely monitoring equity price movements.
Liquidity Risk	Insufficient cash/cash equivalents due to mismatches between loans/deposits or asset/liability maturities, and decreased money supply.	Decrease in liquidity ratio below regulatory and internal limit.	High	Severe - may lead to fines i.e. liquidity ratios, failure to meet obligations, and operational disruptions.	Daily monitoring and adherence to liquidity limits, diversification of funding sources, and close tracking of cash flow patterns.
Strategic Risk	Failures in strategic decisions, changes in consumer demand, new technologies, and market w	Identified through strategic reviews and assessments.	Medium	Moderate - may hinder long-term growth objectives.	Scenario planning, robust risk assessments, and strategic initiatives aligned with organizational objectives.
ICT Risk	Insufficient or unsuccessful ICT Strategy, and ICT Operations.	Business interruptions frequencies, malware presence, unpatched and misconfigured systems.	High	Severe - could lead to operational disruptions and data breaches	Implementing robust ICT governance framework, regular security assessments, and adherence to best practices in ICT management.
Reputational Risk	Negative publicity following operational failures, compliance breaches, or customer dissatisfaction.	Media coverage, customer complaints, social media sentiment.	Low	High - could damage brand reputation and customer trust.	Proactive communication strategies, crisis management plans, and focus on delivering exceptional customer service.

11 PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)**CLIMATE-RELATED RISKS****General classification of climate-related risks**

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

Climate-related risks have potential negative impacts on the bank's business and community at large. The Bank may be exposed to physical risks (risks that arise from severe or acute climatic events and longer-term shifts in climate patterns) and transition risks (risks that arise from measures taken to mitigate the effects of climate change and transition to a low-carbon economy).

The Bank has enhanced its Environmental and Social Policy (E&S) framework to address climate-related risk. The Bank's Enterprise Risk Management Framework for risk identification, mitigation, and reporting (including socio-environmental) identifies risk elements and assigns overall mitigation and risk management responsibilities within the bank. The E&S Policy provides guidance to ensure that climate-related factors are given due consideration in lending decision-making and clearly articulates mitigants to address identified climate-related risks. In addition, the policy provides relevant criteria against which clients and transactions are screened, as well as excluded sectors that the bank will not finance.

So far, the Bank has established a dedicated unit within the credit department to manage Environmental and Social Risks associated with lending operations.

The Bank continues to strengthen capabilities to support our overall ambitions and deploy relevant tools that enable the bank to consistently measure and monitor our portfolios and alignment towards supportive climate efforts. The Bank aims to adopt relevant, applicable standards wherever possible to allow for compatibility and efficiency across industry peers as much as possible.

Climate Risk Review

Our risk processes enable us to take account of the potential wider implications of our business activities and products and services on the environment and society.

To assess risks to the environment, to people and to society, NMB pursues a risk-based approach. The current focus is on lending, capital markets and advisory transactions where NMB plays a significant role, as opposed to flow trading business, which is more dynamic in nature. Certain industry sectors, client operations or projects, or financial services have been identified as carrying higher risks and are prioritized for due diligence.

11 PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)**CLIMATE-RELATED RISKS (CONTINUED)****Exposures to Carbon-Related and Climate-Sensitive Sectors**

On this basis, we have identified the client sectors in our portfolio that we believe face the most elevated exposure to climate risk or present the most significant potential for climate-related opportunities. As a starting point, we have identified the following sectors:

- Agriculture
- Building and Construction
- Electricity, Oil, and gas
- Manufacturing
- Transport and Communication

Bank's exposure to identified sectors with elevated levels of climate risk on both its On-Balance and Off-Balance loan book portfolios.



11 PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

CLIMATE-RELATED RISKS (CONTINUED)

Exposures to Carbon-Related and Climate-Sensitive Sectors (Continued)

Sector	Loan % Contribution to Gross Loan Amount	Climate-Related Risk
Agriculture	8.6%	"The Network for Greening the Financial System (NGFS) Net Zero 2050 scenario projects an 80% increase in agricultural demand in Africa by 2050. Despite its contribution to climate change, agriculture is essential to the economy, accounting for over 20% of the GDP, ensuring food security, and employing over 65% of the population. This underscores the urgent need for a transition to a sustainable economy to mitigate climate risks."
Building and Construction	6.6%	As the nation progresses, the rate at which buildings and infrastructure are being constructed also accelerates. According to research conducted by McKinsey, the construction value chain is directly or indirectly responsible for nearly 40% of global CO ₂ emissions from fuel combustion and 35% of overall greenhouse gas (GHG) emissions. Cement, the most used construction material worldwide, plays a significant role in contributing to climate change. The chemical and thermal combustion processes involved in cement production are a major source of carbon dioxide (CO ₂) emissions. Annually, over 4 billion tons of cement material are manufactured, accounting for approximately 8% of global CO ₂ emissions. https://www.chathamhouse.org/2018/06/making-concrete-change-innovation-low-carbon-cement-and-concrete
Energy Sector:		The NGFS Net Zero 2050 scenario shows oil & gas demand in Africa continuing to rise to 2050. Development of Africa's gas reserves will help to balance economic development and social upliftment with emissions reduction, by facilitating the switch from higher emitting energy sources such as wood and coal, to lower- carbon fuels.
Electricity	3.1%	
Oil & Gas	6.6%	However, we have identified the energy sector as a sector with elevated levels of climate risk. The combustion of coal, oil, and natural gas represents 89% of global CO ₂ emissions. <i>PBL, Netherlands Environmental Assessment Agency. 'Trends in global CO₂ and total GHG emissions:2020 report'.</i>
Manufacturing	9.3%	While the manufacturing and production sectors are key drivers for economic growth, comprising 16% of global GDP, activity from these sectors also poses serious environmental risks. Manufacturing activities generate direct emissions resulting from diverse processes, including the on-site combustion of fossil fuels for heat and power, non-energy use of fossil fuels, and chemical processes used in iron, steel, and cement production. In addition, manufacturing generates indirect emissions from the centrally generated electricity it consumes. We have identified the sector as having elevated levels of climate risk, with global manufacturing and production centers responsible for one-fifth of carbon emissions according to recent publications. <i>World Economic Forum: Reducing the carbon footprint of the manufacturing industry through data sharing.</i>
Transport and Communication	2.1%	The transport and logistics sectors are pivotal for both the economy and society. It is, however, a sector that has elevated levels of climate risk, with a relatively large carbon footprint and approximately 24% of global emissions. (<i>International Energy Agency</i>)

11 PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

RISK MANAGEMENT AND INTERNAL CONTROL

The Board accepts final responsibility for the bank's risk management and internal control systems. It is a responsibility of the Board through delegation to senior management to ensure that adequate internal financial and operational control systems are developed and maintained on an ongoing basis 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. There is always a risk of non-compliance with such measures by staff. Whilst no system of internal control can provide absolute assurance against misstatement or losses, the bank's system is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively.

The Board carries out risk and internal control assessment through the Board Audit, Risk and Compliance Committee. The Board assessed the internal control systems throughout the fiscal year ended 31 December 2023 and is of the opinion that they met the accepted criteria.

12 TREASURY POLICY

The Bank maintains a well-documented treasury that articulates how various risks arising from dealings, together with other banking activities, are identified, measured, and managed. These, among others, include liquidity risk, foreign exchange risk and interest rate risk.

Regulatory ratios and internal limits on the above-stated risks are stipulated in the policy to enable efficient monitoring of compliance. Moreover, to combat any losses that may result from dealing activities, the policy allows for the establishment of dealer limits, counterparty limits and stop-loss limits that are reviewed regularly and kept up to date. The policy also assigns responsibilities for specific roles, including Treasury staff, the Market Risk unit, the Executive Committee, and members of the Assets and Liabilities Committee (ALCO).

The Asset and Liabilities Management (ALM) team, in collaboration with the Market risk unit, provides monthly reports to ALCO to confirm compliance with the policy requirements. From a risk and governance perspective, the second and third lines of defense are tasked with the governance responsibility of ensuring bank's compliance with Policy guidelines. Operationally, any incident where a guideline has been breached is reported by the treasury functions to the Treasurer, who then escalates the breach to ALCO members and bank Management for immediate action. The following sections are covered in the Treasury policy:



12 TREASURY POLICY (CONTINUED)

(i) Liquidity Management

Liquidity management evaluates the bank's ability to meet its commitments as they fall due whilst maintaining confidence in the market to be able to replace funds when they are withdrawn.

The Bank's sound and robust liquidity management process, as carried out within the bank and monitored by ALCO, encompasses the following:

- Day-to-day funding is managed by monitoring future cash flows to ensure that daily obligations can be met. This includes replenishment of funds as they mature or are borrowed by customers. The Bank maintains an active presence in money markets to enable this to happen.
- Maintaining a portfolio of highly liquid and marketable securities that can easily be liquidated as protection against any unforeseen interruption to cash flows.
- Monitoring balance sheet liquidity ratios, i.e., Liquid Asset Ratio (LAR), Loan Deposit Ratio (LDR) and Long-term Funding Ratio (LTFR) against internal and regulatory requirements.
- Managing the concentration and profile of debt maturities.
- Diversification of depositor base.
- Performing liquidity stress and scenario tests; and
- Maintaining a robust and effective contingency funding plan.

(ii) Foreign Exchange Risk Management

Foreign exchange risk is a current or prospective exposure to earnings and capital arising from adverse movement in the currency exchange rate. The Treasury policy mainly focuses on foreign exchange risk that arises from trading activities whose management principles are as outlined below:

- Identification of foreign exchange risks in the trading and banking book.
- Risk appetite specification in the form of limits and triggers.
- Breach management.
- Price validation and profit recognition.
- Sign off positions and profit or loss.

The policy further outlines the roles and responsibilities of ALCO, the Market risk unit and foreign exchange traders in managing this risk for the bank.

(iii) Interest Rate Risk Management

Interest rate risk is the risk that arises from mismatches between the re-pricing dates on interest rate-sensitive assets and liabilities in the normal course of business activities. Treasury policy explains the types of interest rate risk together with methods for measuring and managing it. The policy additionally outlines the roles and responsibilities of ALCO and Treasury in their involvement with managing the risk. All these are disclosed both internally via reports to ALCO (monthly) and to the Board Audit Risk and Compliance Committee (BARCC) every quarter and publicly through annual financial reports.

12 TREASURY POLICY (CONTINUED)

(iii) Interest Rate Risk Management (Continued)

In addition to liquidity management, the bank manages its interest expenses through regular review of the fixed deposit rates and other savings account rates, as well as striving to obtain reasonable and fair borrowing rates from the interbank and multilateral lenders.

All borrowings have been disclosed under notes 35 to the financial statements. Interest rate sensitivity analysis is disclosed under note 9.2.2.

(iv) Contingency Funding Plan

Treasury policy puts together a contingency funding plan that is aimed at providing a framework within which an effective plan of action can be put in place in response to an adverse liquidity event. The plan stipulates:

- The points that will trigger the implementation of the plan.
- Roles and responsibilities of management.
- Team members identified during impending crisis likely to happen in the near term (phase 1) situation and crisis likely to lead into default within next to 48 hours (phase 2); and
- an updated communication channel during the liquidity crisis.

13 CAPITAL STRUCTURE AND FUNDING MIX

CAPITAL STRUCTURE

The Bank's capital structure for the year under review is disclosed in note 37 of the financial statements. The Banks capital structure for the year under review is as follows:

- Authorized: 625,000,000 ordinary shares of TZS 40 each.
- Issued and fully paid: 500,000,000 ordinary shares of TZS 40 each.

The capital structure remained consistent with the preceding financial year, indicating stability. The Bank has maintained a robust capital structure that strikes the right balance between debt and equity financing providing sufficient funds for growth while minimizing the cost of capital and financial risk. The conclusion of the fiscal year revealed that a capital ratio stood at 23.25% for Tier 1 and 23.26% for Total Capital, which is well above the regulatory threshold of 12.5% and 14.5%, respectively. The Bank has robust strategies in place to continue upholding the solid capital position to support growth ambition and regulatory compliance. More details are shared under note37 in the financial statements.

FUNDING MIX

The Bank's primary source of funding during the year was deposits from customers, with focus on current accounts and savings accounts (CASA), including demand deposits, savings deposits, and time/ fixed deposits, as sources of funds to finance lending to customers.



NMB BANK PLC

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FOR THE YEAR ENDED 31 DECEMBER 2023

13 CAPITAL STRUCTURE AND FUNDING MIX (CONTINUED)**FUNDING MIX (Continued)**

The balance between debt and equity was as follows;

	Group		Bank	
Figures in TZS' Million	2023	2022	2023	2022
Equity				
Issued Capital	20,000	20,000	20,000	20,000
Retained Earnings	2,066,586	1,664,821	2,062,118	1,663,475
Other Reserves	1,550	1,086	1,550	1,086
Non-Controlling interest	4,441	4,123	-	-
Total	2,092,577	1,690,030	2,083,668	1,684,561
Debt				
Customer Deposits	8,465,608	7,594,832	8,474,678	7,600,147
Borrowings - Current	333,496	295,440	333,496	295,440
Borrowings - Non-Current	1,046,697	453,914	1,046,697	453,914
Total	9,845,801	8,344,186	9,854,871	8,349,501

Through our wide branch distribution network, enhanced customer propositions, and solid financial footing, we were able to attract and mobilize a good mix of deposits to support our business growth ambitions. Customer deposits grew by 11.5% year on year to TZS 8.4 trillion as of December 2023, with the majority being comprised of low-cost deposits. CASA commands 84.8% of the bank's total funding, with the funding mix remaining broadly similar on a year-on-year basis.

Funding Strategy:

Customer deposits serve as the primary and principal source of funding for the bank. This funding approach prioritizes a diversified and stable funding base, encompassing current/demand, savings, and time deposits. Ensuring the stability of these deposits is imperative for the bank, which can be achieved through robust retail banking activities and fostering depositor confidence in the bank's business strategies and financial resilience.

To address short-term liquidity needs, the bank engages in borrowing from the interbank market through transactions with other banks. As part of the contingency funding plan, the bank has established funding lines with both local and foreign banks, providing flexibility for short-term funding requirements. This strategy effectively enhances the bank's adaptability to different liquidity scenarios.

MAJOR FINANCING TRANSACTIONS

During the year, the Bank obtained additional unsecured borrowing totaling TZS 400 billion through issuance of three-year Jamii Bond at an interest of 9.5% per annum. The bond was issued in two tranches, USD amounting to 73 million and TZS amounting to 212.9 billion. The proceeds from these borrowings will be deployed to facilitate lending to eligible green and social projects.

NMB BANK PLC

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

13 CAPITAL STRUCTURE AND FUNDING MIX (CONTINUED)**FUNDING MIX (CONTINUED)**

Borrowings as of 31 Dec 2023	TZS bn
Bond issuance	471
Borrowings from Abroad	721
BOT- Borrowings	158
TMRC-Borrowings	17
Accrued interest	14
Total	1,381

SOLVENCY

Solvency risk is the risk of insufficient capital available in relation to the amount of capital required to carry out the NMB's strategy and to satisfy regulatory capital adequacy requirements. Solvency risk is monitored and overseen by ALCO and other key Management Committees. The Bank continues to be adequately capitalized.

Stress Testing:

In adherence to the Bank's policy, the assessment of liquidity position involves a thorough examination across various scenarios, with careful consideration given to stress factors affecting both the market at large and, specifically, the bank. Stress-testing serves as a valuable tool for monitoring the bank's solvency risks. In 2023, the Bank conducted four comprehensive rounds of stress-testing, encompassing stress scenarios for key risk factors such as liquidity, solvency, market conditions, credit, operational risk, and a combined black swan stress scenario. Stress tests results indicate that the bank remains resilient against different scenarios, albeit notable challenges under certain extreme scenarios with low likelihood of occurrence.

Furthermore, stress testing evaluates the impact of a combination of market and specific stress factors pertinent to the bank. The liquidity mismatch reporting and stress testing results undergo regular reporting and review processes by the Asset and Liability Committee (ALCO), Executive Committee, and Board Risk Committee. This thorough evaluation ensures a proactive approach to identifying and mitigating potential risks, contributing to the bank's overall risk management framework.

Going Concern:

Those charged with governance confirm that applicable accounting standards have been followed and that the financial statements have been prepared on a going-concern basis. The Board of Directors has a reasonable expectation that the bank has adequate resources to continue in operational existence for the foreseeable future.

14 STOCK EXCHANGE INFORMATION, SHAREHOLDERS INFORMATION

NMB Bank Plc is a listed public company under the ticker symbol NMB. NMB Bank PLC is licensed under the Capital Markets and Securities Act, 1994 to be traded in the Dar Es Salaam Stock Exchange. NMB Bank Plc. share registration is ISIN: TZ1996100222.



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14 STOCK EXCHANGE INFORMATION, SHAREHOLDERS INFORMATION (CONTINUED)

SHAREHOLDERS OF THE BANK

The total number of shareholders as of 31 December 2023 was 17,014 (2022: 17,078). None of the Directors holds a significant number of NMB shares.

The following is a Shareholding structure of NMB Bank Plc.

Major Shareholders (Above 10% Shareholding)

Investor type	No. of shares held	%
Arise B.V.	174,500,000	34.90%
The Treasury Registrar (Government of United Republic of Tanzania)	158,901,800	31.78%
Grand Total	333,401,800	66.68%

Shareholders by Categories:

Category	No. of shareholders	% No. of shareholders	No. of shares held	% No. of shares held
Tanzania Retail Investors	16,803	98.76%	42,484,751	8.50%
Tanzania Permanent Residents	6	0.04%	29,580,048	5.92%
Tanzania Institutional Investors	162	0.95%	209,279,557	41.86%
Foreign Retail Investors	28	0.16%	319,937	0.06%
Foreign Institutional Investors	15	0.09%	218,335,707	43.67%
Grand Total	17,014	100.00%	500,000,000	100.00%

Shareholders by Tranche:

Tranche	No. of shareholders	No. of shares	%
1 to 200	5,137	654,579	0.13%
201 to 1,000	5,620	3,654,297	0.73%
1,001 to 3,000	2,773	5,476,610	1.10%
3001 to 30,000	3,338	21,690,028	4.34%
30,001 to 400,000	117	11,434,000	2.29%
more than 400,000	29	457,090,486	91.42%
Grant Total	17,014	500,000,000	100%

NMB BANK PLC

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

14 STOCK EXCHANGE INFORMATION, SHAREHOLDERS INFORMATION (CONTINUED)

SHAREHOLDERS OF THE BANK (CONTINUED)

The following is a list of shareholders who own 0.5% or more of the shares of the NMB Bank.

Name of the Shareholder	%	2023 Number of Shares	%	2022 Number of Shares
Arise B.V.	34.90	174,500,000	34.90	174,500,000
The Treasury Registrar (Government)	31.78	158,901,800	31.78	158,901,800
National Social Security Fund (NSSF Uganda)	4.68	23,400,000	4.68	23,400,000
National Investments Plc (NICOL)	4.08	20,395,130	4.08	20,395,130
Sajjad Fidahussein Rajabali	2.96	14,775,300	3.11	15,534,030
Aunali Fidahussein Rajabali	2.96	14,775,000	3.11	15,533,731
Banque Pictet And Cie Sa A/C Patrick Schegg	1.84	9,222,017	1.80	9,000,390
Public Service Social Security Fund (PSSSF)	1.56	7,790,451	1.56	7,790,451
Duet Africa Opportunities Master Fund Ic	0.90	4,498,923	0.90	4,498,923
Umoja Unit Trust Scheme	0.86	4,322,460	0.86	4,322,460
Abbasi Exports Limited	0.76	3,775,800	-	-
African Lions Fund Ltd*	-	-	0.60	2,984,588
BNYM Re Frontaura Global Frontier Fund Llc	0.62	3,098,772	0.54	2,716,630
Zanzibar Social Security Fund*	-	-	0.59	2,050,919
TCCIA Investment Company Ltd	0.52	2,590,919	0.52	2,590,919
National Social Security Fund	0.51	2,535,414	-	-
General Public	11.08	55,418,014	10.98	54,880,622
Total	100.00	500,000,000	100.00	500,000,000

Table 6: Largest shareholders of NMB Bank Plc according to company's information.

*Shareholders who dropped in the top list in 2023.

STOCK EXCHANGE INFORMATION

In 2008 the Bank was listed on the Dar es Salaam Stock Exchange. As of 31 December 2023, NMB was the largest bank in Tanzania and in the EAC region in terms of market capitalization (TZS 2.250 trillion) and ranked within top 30 of the largest listed companies in Sub-Saharan Africa (Excluding South Africa). During 2023, a total of 6,404,816 million NMB shares were traded during the year for a total cash amount of TZS 26.16 billion. The price per share as of 31 December 2023 was TZS 4,500 (2022: TZS 3,020).

NMB Bank Plc Stock Snapshot	2023*	2022	2021	2020
Share Price (TZS)				
Highest	4,880	3,140	2,340	2,340
Lowest	3,000	2,000	1,680	2,340
Average	4,085	2,769	2,209	2,340
Closing price	4,500	3,020	2,000	2,340
Volume traded ('000)	6,405	11,342	14,984	28,001
Market Capitalization in billions (Based on Closing price)	2,250	1,510	1,000	1,170
Ratios				
Price-to-earnings ratio*	3.78	3.31	3.78	5.57
Price-to-NAV* (number of times)	0.98	0.82	0.82	1.03
Dividend yield (%)*	NA	10.33	8.74	5.85

Table 7: NMB Bank Plc share five-year share performance. Source: Dar es Salaam Stock Exchange

* Based on average price



NMB BANK PLC

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

14 STOCK EXCHANGE INFORMATION, SHAREHOLDERS INFORMATION (CONTINUED)

STOCK EXCHANGE INFORMATION (CONTINUED)

2023 NMB Bank Plc. Stock Market Snapshot

- Since January of 2023, NMB's share price increased by 49.0% from TZS 3,020 to reach TZS 4,500 at the end of December 2023 (with an all-time-high price of TZS 4,880). This surge in share price has raised NMB's market capitalization to TZS 2.25 trillion as of December 2023 from TZS 1.5 trillion in December 2022, positioning NMB as:
 - o The Largest listed bank in Tanzania and the entire East Africa (by market capitalization).
 - o The fourth largest listed company in East Africa.
- A Total of 6,404,816 NMB shares were traded during the year generating a total of TZS 26.16 billion, making NMB among the top contributor to total market activities, contributing 12.0% of total market activities.

Corporate Bonds Market Snapshot

Jasiri Bond:

NMB Jasiri bond remains the most liquid corporate bond in the market compared to other listed corporate bonds. During the year 2023, the NMB Jasiri bond had 76 total transactions with a value of TZS 904.8 million, traded at an average price of 89.0259; the Yield for Jasiri bond averaged 15.38%.

Jamii Bond:

On the other front, the Jamii bond, which was listed in December 2023, had a total of 3 transactions at a value of TZS 52 million, traded at an average price of 100 (Par value) with a yield remaining at 9.5%.

Information regarding the trading tickets of listed NMB Corporate bonds in Dar es Salaam Stock Exchange and Luxemburg Stock Exchange.

NMB JAMII BOND_TZS

NMB-2023/26. T1A

ISIN: TZ1996105270

NMB BOND TRANCHE 1 (SUSTAINABLE/JAMII)

NMB JAMII BOND_USD

NMB-2023/26.T1B

ISIN: TZ1996105213

NMB BOND TRANCHE 1 (SUSTAINABLE/JAMII)

NMB JASIRI BOND

NMB-2022/25. T4

ISIN: TZ1996104463

NMB JASIRI BOND TRANCHE 4

NMB BANK PLC

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

15 CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STATEMENT

The Bank is committed to maintaining high standards of corporate governance which enhance performance, reduce risks, and promote the protection of our shareholders' interests. The Board recognizes that sound and effective corporate governance is essential to the long-term success of the organization, creating trust and ensuring positive relationships with our stakeholders. The Bank has therefore put in place a comprehensive range of governance committees, policies and procedures designed to ensure alignment with sound corporate governance practices and principles.

The Board of Directors ("Board") of NMB sees governance as promoting strategic decision making that balances short, medium, and long-term outcomes, and safeguarding interests of the Organization, and its stakeholders. The Board has the overall responsibility for governance and is accountable to its shareholders.

This Governance report describes how during 2023 the Board has applied the main principles and complied with the relevant provisions of Guidelines on Corporate Governance Practices by Public Listed Companies in Tanzania (1994) and the Banking and Financial Institutions (Corporate Governance) Regulations, 2021.

Code of Good Governance

The Board is committed to the principles of good corporate governance. We regularly review our corporate governance arrangements and practices and have continued to evolve our governance framework and underlying governance structures to reflect evolving good corporate governance norms as well as meeting the needs of the business.

Dedicated to fostering robust corporate governance practices, the Board seeks to strengthen confidence in the bank, thereby contributing to sustained long-term value for shareholders and other stakeholders. Acknowledging its collective responsibility for the enduring success of the bank, the Board unwaveringly commits to compliance with all relevant laws and regulations. Additionally, the Board places a high priority on adherence to non-binding rules, codes, and standards, with compliance consistently on the agenda for all Board and Committees' meetings.

We have undertaken steps to ensure ongoing compliance with the Corporate Governance Code and related Guidelines during the year. Throughout the year ended 31 December 2023, the Company has endeavored to apply the core governance principles and to comply with the provisions of the Code of Conduct. This statement, and the reports from the Board Committees, set out how we applied and adhered to the Corporate Governance laws, regulations, and standards. The Directors' report also contains information required to be disclosed under the Code of Corporate Governance Practices for Listed Companies (1994) and Disclosure Guidelines and Transparency Rules (DSE Rules, 2022). To the extent necessary, certain information is incorporated into this Report by reference.

Through the Board Audit, Risk and Compliance Committee, the Board takes a proactive approach to identifying and monitoring all regulations relevant to the bank, ensuring vigilance toward changes and new regulations impacting the organization.



15 CORPORATE GOVERNANCE (CONTINUED)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Value Creation through Effective Corporate Governance

The Bank actively embraces effective corporate governance through well-defined governance structures, recognized as vital support for our capacity to create and preserve value. Our governance approach not only propels the achievement of strategic objectives but also harmonizes the interests of all stakeholders, fostering sustainable value creation. Moreover, our Board maintains an unwavering commitment to advancing corporate governance principles and practices by staying abreast of regulatory changes and best practices.

Our corporate governance approach ensures that the bank:

- Adheres to applicable legal, regulatory, and effective corporate governance practices.
- Delivers sustainable impact to the bank's stakeholders.
- Cultivates an ethical and risk-awareness culture.
- Promotes transparency, accountability, and empathy in managing relationships with stakeholders.

Continual improvement in corporate governance principles and practices remains a key focus, ensuring the bank's resilience in a dynamic regulatory landscape and adherence to the highest standards of ethical conduct and responsible business practices.

OUR CORPORATE GOVERNANCE FRAMEWORK

Our corporate governance framework enables the Board to oversee the strategic direction of the bank, its financial goals, resource allocation, and risk appetite.

This section details the key corporate governance arrangements and practices of NMB Bank Plc and its affiliate companies (hereinafter, the "Bank"). The statement sets out the key components of NMB Bank Plc's corporate governance framework, which provides guidance to the Board, management and employees and defines the roles, responsibilities and expected behaviors and conduct standards.

The Bank's Governance Framework

NMB operates within a well-defined corporate governance framework, ensuring the delegation of specific mandates and delineating clear lines of responsibility while maintaining the Board's oversight role. Our governance philosophy is rooted in our ability to foresee and adeptly respond to changes, serving as a cornerstone for accelerating our strategic initiatives. This extends to how the Board offers guidance and supervision. Our governance framework, endorsed by the Board, is integrated into all bank operations, providing strategic guidance for responsive decision-making, and upholding responsible conduct.

15 CORPORATE GOVERNANCE (CONTINUED)

OUR CORPORATE GOVERNANCE FRAMEWORK (CONTINUED)

The Bank's Governance Framework (Continued)

We apply the guiding principles of our framework to;

- Establish controls that prove effective in preventing financial losses or damage to reputation resulting from misconduct or unethical conduct.
- Ingrain the principle of conducting business ethically and responsibly.
- Ensure the exploration of strategic opportunities within the risk appetite approved by the board, fostering a judicious equilibrium between risk and reward. Uphold our standing as a conscientious corporate entity.
- Through the framework, the Board sets out the strategic direction of NMB while entrusting the day-to-day management of the business and the implementation of the bank's strategy to the Executive Management Team led by the Chief Executive Officer ("CEO"). The Board operates through four committees mandated to review specific areas and assist the Board to undertake its duties effectively and efficiently.

The Board:

NMB is governed by the Board of Directors ("Board"). The appointment of directors is regulated by the Memorandum and Articles of Association of the Company (MEMARTS), as well as the guidelines issued by the Bank of Tanzania (BOT) and the Capital Markets and Securities Authority, pursuant to the Banking and Financial Institutions Act 2006, and the Capital Markets and Securities Act 1994, respectively.

The Board is accountable to the shareholders for the overall bank's performance and is collectively responsible for the long-term success of the bank. The Board is responsible and accountable for providing effective corporate governance, direction, and control of the bank. The Directors have a duty to exercise leadership, enterprise, integrity, and judgment based on transparency, fairness, accountability, and responsibility.

The Board is composed of nine Directors, three of whom are Independent Non-Executive Directors. The Board is assisted in fulfilling its responsibilities by four principal committees: Executive Committee, Human Resources and Remuneration Committee, Audit, Risk, and Compliance Committee, and Credit Committee. The Committee charters are reviewed annually to ensure they are aligned with the most recent version of Corporate Governance Laws, Regulations, and Guidelines and that the Committees function effectively. The relevant Committee recommends any amendments to the Board.

The Board Charter

The Board Charter is reviewed regularly by the Board and provides a clear definition of the roles and responsibilities of the bank's Chairman, Directors, and Company Secretary. The roles and responsibilities of the Board Chairman and the Chief Executive Officer are separate and distinct with a clear division of responsibility between the running of the Board and the executive responsibility of strategy execution and running of the business.



15 CORPORATE GOVERNANCE (CONTINUED)

OUR CORPORATE GOVERNANCE FRAMEWORK (CONTINUED)

The Bank's Governance Framework (Continued)

The Board Charter (Continued)

The Board Charter is also used for the following purposes:

- As an orientation tool for new Directors.
- As a reference document for Directors to learn more about the Board
- As a reference document to external stakeholders (including regulators, development finance institutions, etc.) with a view to gaining further insights on the Board's functioning, mandate, and guiding principles.

The Board Charter is structured to align seamlessly with regulatory frameworks, including but not limited to the Banking and Financial Institutions Act 2006 (BFIA), CMSA Act & Guidelines, the bank's Memorandum and Articles of Association (MEMARTS), and other pertinent legal provisions. Regular reviews are conducted annually or as deemed necessary to maintain its relevance and ensure consistent alignment with the Board's overarching objectives.

The Revised Charter of the Board of Directors:

In line with good corporate governance practice of annual and regular review of the Board Charter, the Charter has recently been reviewed and revised to:

1. Align it with prevailing best standards including incorporation of ESG agenda as one of the key responsibilities of the board to demonstrate our continued commitment to sustainability.
2. Incorporate recommendations for sustainable path to continuous governance improvement, as informed by periodic Corporate Governance Assessment and Review on the bank.

Revised Board Charter was reviewed by the BARCC and approved by the Board in 2023. The approved Board Charter further aligns the bank's governance standards with:

- The Banking and Financial Institutions (Corporate Governance) Regulations 2021,
- Risk Management Guidelines for Banks and Financial Institutions, 2010 and
- Corporate Governance Guidelines for Listed Companies.

The Board is confident that, in line with the approved Board Charter, no circumstances existed during the reporting period that impaired the objective judgment of any individual Non-Executive Director. This commitment to independence reflects the Board's dedication to ensuring transparency, accountability, and high standards of corporate governance.

15 CORPORATE GOVERNANCE (CONTINUED)

OUR CORPORATE GOVERNANCE FRAMEWORK (CONTINUED)

The Bank's Governance Framework (Continued)

Code of Conduct for the Board of Directors ("The Code")

With a view to enhance integrity, ethics, and transparency in governing the affairs of the bank, the Board of Directors approved the code of conduct for the Board of Directors in August 2023.

The Code has been adopted to set principles and ethical standards for Board Members in connection with, or having a bearing upon, their status and responsibilities in the bank. It governs Directors' personal and professional conduct to ensure the highest ethical standards.

Prior to the adoption of this Code, the conduct of Directors was governed by the NMB Code of Conduct which was applicable to both employees and Directors of the bank.

Board Structure

To enhance its effectiveness, the Board establishes specialized committees, each assigned specific duties and responsibilities aimed at supporting and enhancing its functions. These committees serve both monitoring and advisory roles, recognizing that the Board retains collective responsibility for decision-making. Every Committee comprises directors possessing relevant skills, and their terms of reference are meticulously reviewed annually, to ensure ongoing relevance, alignment and compliance with applicable regulations and best practices.

The Board diligently monitors these responsibilities to guarantee comprehensive coverage and control over the bank's operations. Committee Chairs provide regular written and verbal feedback during quarterly Board meetings. This structured approach reflects our commitment to robust corporate governance and effective oversight.

BOARD'S ROLE AND DIRECTORS' RESPONSIBILITIES

The Board is responsible to shareholders for creating and delivering sustainable shareholder value through the management of the bank's business. Among our responsibilities are developing and overseeing the execution of the bank's strategy within a framework of effective risk management and internal controls, demonstrating ethical leadership, and upholding corporate governance best practices.

The Board recognizes its duties under the Tanzania's Companies Act, 2002 (Companies Act, 2002) to promote the long-term success of the Company, considering not only the views and interests of our shareholders but also our various stakeholders, such as our employees, our customers, the environment, and our community.

Each Director individually recognizes that they have a statutory duty to consider and represent the Company's various stakeholders in deliberations and decision-making.

The Board delegates authority for the day-to-day management of the business to the CEO. The CEO, in turn, delegates authority, as permitted under the corporate governance framework, to the Executive Management of the bank.



15 CORPORATE GOVERNANCE (CONTINUED)

BOARD’S ROLE AND DIRECTORS’ RESPONSIBILITIES (CONTINUED)

Operation of the Board

The Board held 12 meetings in 2023, 4 ordinary Board meetings and 8 Special Board meetings. As set forth in the Board Charter, a minimum of four standard meetings must be held annually, with at least one each quarter. The Board adheres to an established yearly calendar and follows an agenda outlining topics for discussion. Board members are duly informed of any Changes to the calendar or the agenda of matters to be discussed.

The Board’s responsibilities include:

- Promoting the bank’s long-term success and delivering sustainable value to shareholders.
- Establish and approve the bank’s strategic and financial plans to be implemented by management.
- Setting the Bank’s risk appetite and monitoring the bank’s risk profile.
- Overseeing the Risk Management Framework and its operation by management.
- Approving capital expenditure for material transactions.
- Reviewing succession planning for the Senior management team and makes senior executive appointments, organizational changes, and high-level remuneration issues.
- Providing oversight over performance against targets and strategic objectives
- Providing oversight over reporting to shareholders on the direction, governance, and performance of the bank as well as other material events that require reporting and disclosure.
- Managing Environmental, Social and Governance (ESG) and Sustainability reporting.

Separation of Roles and Responsibilities

The role of Board Chairman is separate from that of the Chief Executive Officer. There is a clear division of responsibilities between the leadership of the Board by the Board Chairman, and the executive responsibility for day-to-day management of the bank’s business, which is undertaken by the bank’s Chief Executive Officer.

Board Chairman is responsible for the strategic leadership of the Board and is pivotal in creating conditions for the overall effectiveness of the Board. The Chairman plays a pivotal role in fostering constructive dialogue between shareholders, the Board and management at the Annual General Meeting and other shareholder meetings.

This governance model emphasizes a collaborative leadership approach between the Chairman and the CEO. A precise division of responsibilities safeguards against unilateral decision-making, fostering transparency and accountability.

15 CORPORATE GOVERNANCE (CONTINUED)

BOARD’S ROLE AND DIRECTORS’ RESPONSIBILITIES (CONTINUED)

Separation of Roles and Responsibilities (Continued)

Chairman	• Responsible for leading the Board, its effectiveness and setting high governance standards. • Cultivating effective relationships, fostering transparent communication, and facilitating constructive debates. • Guiding the board in formulating and determining the bank’s strategic direction and policies. • Ensuring the Chief Executive Officer rigorously implements board-approved strategies and policies. • Upholding and promoting the highest standards of integrity, probity, and corporate governance. • To ensure effective communication with shareholders and, where appropriate, the stakeholders. • Upholding rigorous standards of preparation for meetings and ensuring that decisions by the Board are executed.
Non-Executive Directors	• Responsible for ensuring that the bank has in place proper internal controls as well as a robust system of risk management. • To support the development of proposals on strategy, hold management to account and ensure that they discharge their responsibilities properly, while creating the right culture to encourage constructive challenge.
Chief Executive Officer	• Responsible for the executive responsibility for day-to-day management of the bank’s business • Recommending bank strategy to the Board and ensuring that the strategic objectives and Board’s directives are implemented with the support of the management team. • Implementing the board-approved strategies and polices as directed by the Chairman and the Board. • Conducting the bank’s affairs in strict accordance with board-adopted practices and procedures, championing integrity and corporate governance excellence. • Maintaining robust relationships with the Chairman and the Board through regular reviews of key developments.
Company Secretary	• Provides support and guidance to the Board in matters relating to governance and ethical practices. • Also responsible for induction programs of new directors, keeping Board members abreast of relevant changes in legislation and governance principles, and training for the Board members. • Provides a link to ensure effective communication between the Board and Chief Executive Officer.



15 CORPORATE GOVERNANCE (CONTINUED)

BOARD'S ROLE AND DIRECTORS' RESPONSIBILITIES (CONTINUED)

Director Independence

Director independence is fundamental for effective corporate governance, with the Board relying on impartial, objective, and independent judgment on all issues under the Board's remit of consideration.

To ensure Independence, the Board Charter, prepared in line with the Banking and Financial Institutions (Corporate Governance) Regulations, 2021 issued by the Bank of Tanzania (BOT), provides that;

- All members of the Board shall be Non-Executive Directors, and one third (1/3) shall comprise of Independent Directors with the requisites experience in Banking, Finance, Accounting, Auditing, Law or Economics.
- Chairmanship of the Board is reserved exclusively to Non-Executive Directors.
- The Chairman of the Board is restricted from being a member of the Audit Committee or Credit Committee of the Board.
- The Chairman of the Board is restricted from being a Chairman of any Committee of the Board.
- An independent director is expected to be devoid of any relationships that could potentially impair, or create the appearance of impairing, their capacity to exercise unbiased judgment.
- Members of the Board Audit, Risk and Compliance Committee (BARCC) are restricted from being a member of any other Board committee.

Assessing Independence:

When evaluating a director's independence, the Board meticulously considers all facts and circumstances. This assessment concentrates on whether the director maintains any relationships, whether direct or indirect, with the company, senior management, or fellow directors that could impact actual or perceived independence. This encompasses associations with entities holding substantial business connections with the company or not-for-profit organizations substantially supported by the company.

The board's independence undergoes an annual evaluation based on regulations set by the National Board of Accountants and Auditors, Tanzania (NBAA). Additionally, the regulator, Bank of Tanzania (BOT), conducts assessments of all Board members. During the year, the Board reflected on the topic 'independence of mind', in context of the periodic Board evaluation, and it was identified that throughout the reporting period, there was neither an incidence where independence of mind was impaired, nor complaints regarding Board Independence were received by the Board from NBAA.

Restrictions on Insider Trading:

The Bank enforces a policy wherein directors and employees deemed to possess privileged knowledge of material facts or changes in the affairs of the bank, undisclosed to the public, are prohibited from buying or selling ("trading") bank securities, except in strict adherence to the bank's policy.

NMB's Insiders are barred from trading bank securities, whether on their behalf or on behalf of others, during closed trading windows. It is mandatory for insiders to maintain confidentiality and ensure adequate protection from unauthorized disclosure or access to any unpublished and non-public sensitive information received by them in the course of their employment or office.

15 CORPORATE GOVERNANCE (CONTINUED)

BOARD NOMINATION, APPOINTMENT, INDUCTION, AND TRAINING

BOARD'S ROLE AND DIRECTORS' RESPONSIBILITIES (CONTINUED)

Board Nomination, Appointment, and Re-Election of Directors

As prescribed in the bank's MEMARTS, shareholders with more than a 10% stake in the share capital are entitled to nominate one director for every 10% of the shares held by them. The names of the nominated Non-Executive Directors are presented to the Annual General Meeting (AGM) for approval and further submitted to the Bank of Tanzania for the final vetting and approval.

Directors not nominated by the Shareholders with more than 10% stake in the bank's share capital, shall be identified by an independent firm of good repute which shall take action to identify and attract the best candidates for directorship for the remaining 1/3 of Board positions. Identified candidates will also undergo interview by the BHRRC and subsequently by the main Board.

Board members are appointed based on merit, and candidates undergo a thorough assessment against objective criteria, with a keen awareness of the advantages of fostering diversity within the Board. The appointment process adheres to rigorous standards, especially concerning Directors and specific senior roles. The Board Charter provides that, in selecting Directors, primary consideration shall be given to the following guideline qualifications:

- Professional competency.
- Personal qualities and experience.
- Contribution they can make to the smooth running of the Company and its Governance, including the ability and willingness to commit adequate time to Board and Committee matters.
- Consistency with the standards of independent judgment, ethics, and integrity, which they are expected to observe.
- Commitment to represent the Company's shareholders.

The Board recommends Directors for appointment by the shareholders at the Annual General Meetings (AGMs). Independent Non-Executive Directors (INEDs) shall be appointed as per regulatory requirements.

The current Board structure comprises nine Non-Executive Directors, including the Board Chairman. The Board determines its size and composition, subject to the Company's Articles of Association, Board Charter and applicable guidelines, laws, and regulations.

The Board composition is driven by the following principles, pursuant to the Banking and Financial Institutions (Corporate Governance) Regulations, 2021 and the international norms of good corporate Governance:

- The Board must comprise of non-executive directors.
- The Board should consist of directors with a broad range of skills, experience and expertise and be from a diverse range of backgrounds.
- The Chairman of the Board must be a non-executive director.
- All directors are obligated to disclose external directorships, business interests, and conflicts of interest annually. They must promptly inform the Company Secretary of any changes to such directorships and conflicts of interest.
- A Board member elected or appointed by shareholders cannot attend Board meetings or assume any responsibilities until obtaining approval from the Bank of Tanzania.



15 CORPORATE GOVERNANCE (CONTINUED)

BOARD'S ROLE AND DIRECTORS' RESPONSIBILITIES (CONTINUED)

BOARD NOMINATION, APPOINTMENT, INDUCTION, AND TRAINING (CONTINUED)

Succession Planning

Succession planning is an on-going process, with the Board discussing the same regularly and robustly. The process to appoint a new director (Independent Non-Executive Directors) is overseen by the Board Human Resources and Remuneration Committee (BHRRC). The Committee is responsible for recommending the procedure for the selection of new directors, and the proposed criteria for the selection of candidates with reference to the current mix of skills, knowledge, and experience.

The Committee identifies and nominates a shortlist of candidates and may engage the services of a professional intermediary (recruitment agent) to assist in identifying and assessing potential candidates. The preferred candidates meet with the members of the Board Human Resources and Remuneration Committee before a final decision is made. Prior to confirmation of appointment, all Directors are required to meet the "Fit and Proper" requirements set out in the Regulatory Guidelines issued by the Bank of Tanzania. The key terms and conditions of a director's appointment are documented in a letter of appointment.

Board Induction and Training

New Board members undergo a comprehensive induction program tailored to familiarize them with the bank's business, organizational structure, subsidiaries, the roles of the Board and its committees, strategy, objectives, policies, procedures, operations, senior management, and the business environment.

The BHRRC is committed to ensuring continuous training and development of its members, addressing identified needs, and keeping them well-informed on critical information pertinent to the business and corporate governance environment. An annual review is conducted by the Board to identify training needs for each member regularly, facilitating upskilling and continuous development.

In 2023, the Board successfully completed planned training and development sessions as follows:

- Corporate Governance and Leadership in Banks and Financial Institutions:
- Africa's Directors Conference:
- Central Bank Digital Currency (CBDC) Masterclass:
- Customer Experience Operational Excellence:
- The 10th Annual Governance Forum:
- Africa Investment Event 2023:
- Board and EXCO Development Program: and
- Sustainability training for the Board.

Study Tour in Brazil:

Board Members also attended a comprehensive study tour in Brazil, where the Board and the Management Team visited Sicred, a cooperative financial institution committed to the financial life of its members and communities.

15 CORPORATE GOVERNANCE (CONTINUED)

BOARD'S ROLE AND DIRECTORS' RESPONSIBILITIES (CONTINUED)

BOARD NOMINATION, APPOINTMENT, INDUCTION, AND TRAINING (CONTINUED)

Board performance and evaluation

The BHRRC makes an assessment at least once a year to determine whether the Board and Board committees are performing effectively and identify steps for improvement. We believe that it is important to obtain an independent perspective on the Board's performance during execution of a Medium-Term Plan (3-5 years), and to gain insights on the Board's performance against peer boards and best practices.

An independent external evaluator is engaged to conduct the Board performance evaluation for the financial year.

On 29 November 2023, the Board engaged KPMG East Africa, an independent external evaluator, to conduct the Board performance evaluation for the year 2023. The Board evaluation report was tabled for discussion in the Board and subsequently submitted to the Bank of Tanzania in January 2024 in compliance with the Regulator's requirements. The results of the Board evaluation indicate improvement in Board's operations and effectiveness with a score of 92% in 2023 compared with 82% in 2021. The Board considers the external evaluation report critically and is committed to address all recommendations to improve effectiveness of the Board in discharging its responsibilities.

Access to Information

Those charged with governance have unrestricted access to timely and comprehensive information on material strategic, operational, risk management, and financial matters of the bank. The Board Secretariate, through the Company Secretary, offers guidance on governance matters, and independent professional advice is accessible when needed, covered by the bank's expense.

Board Engagements and Relationships

Regular shareholder outreach and ongoing dialogue are essential for effective investor relations. The Board maintains regular dialogue with analysts and investors, emphasizing transparency in informing shareholders about the bank's financial performance. Relevant information is continuously published on the bank's website and the Dar es Salaam Stock Exchange website.

The Board recognizes, respects, and protects shareholder rights, ensuring equitable treatment. It provides shareholders with required information under applicable law and establishes mechanisms for effective communication, including the media. The Board takes a stakeholder-inclusive approach, considering the legitimate interests of the bank's stakeholders in its deliberations, decisions, and actions.

While diverse shareholder interests are considered, the Board acts in the long-term best interests of the bank and all shareholders, exercising independent judgment.



15 CORPORATE GOVERNANCE (CONTINUED)

Board Engagements and Relationships (Continued)

Table 8: Board Stakeholders Engagement

Investors	- Directors held virtual and in-person meetings with investors, analyst community and peers to understand evolving views, trends, and sentiment. Key meetings with the bank's shareholders include: - Investors' Breakfast Meeting. The Meeting was held in May 2023 and provided an opportunity for the Board to meet with shareholders, the Diplomatic community, Regulators, and Analysts. The bank's strategic direction and commitment to long-term value creation were presented during the meeting. - The 23rd Annual General Meeting. The AGM was held virtually in June 2023. During the Meeting: - The shareholders approved a record dividend pay-out of TZS 286/- per share, up from TZS 193/- dividend per share that was approved and paid out in 2022. - Proposed changes to Directors' Remuneration were also approved by the shareholders during the meeting. - Planned visits to strategic shareholders. During the year, the Board Chairman held one-on-one meetings with the bank's strategic shareholders, including a meeting with the Arise BV CEO, Mr. Garvin Tipper, and the Treasury Registrar, Mr. Nehemiah Mchechu. - During, our historic 25 years' commemoration event, Board members had an opportunity to meet and interact with top government officials notably, the President of the United Republic of Tanzania, H.E Samia Suluhu Hassan, Honourable Ministers, Shareholders, Clients, and Employees. - The Chairman also attended the Arise Annual conference in Cape Town, South Africa, where he met the Board of Arise B.V. The Key area of discussion was the bank's exemplary financial results and continued solid value creation to shareholders and the community.
Employees	Those charged with governance also held a number of engagements with the employees with a view of boosting morale, engagement, productivity and communicating on expected ethical standards. Examples of the Board's engagement with the bank's employees in 2023 included: - Directors engaged with employees at the Head Quarters, during quarterly Board meetings. - Directors engaged with the Branch network during branch visits. - Board Chairman held a series of periodic meetings with the Management Team members, with a view to fostering deepened relations and healthy collaboration between the Board and the management team. - The Chief Executive Officer reported to the Board on her engagement with colleagues, including discussions about strategy, performance, conduct and culture, and risk governance.
Customers	With a view to drive customer centricity agenda, those charged with governance held several engagements with the bank's customers. Examples of Board engagement with customers in 2023 included: - The Board Chairman met with customers for a variety of reasons, including to hear customer feedback, and deepen value adding relationship. - Management provided reports to the Board, which contained updates on client relations and sentiments, net promoter scores, value generated from key client relations and related ring-fencing strategies.

NMB BANK PLC

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

15 CORPORATE GOVERNANCE (CONTINUED)

COMPOSITION OF THE BOARD OF DIRECTORS DURING THE YEAR ENDED 31 DECEMBER 2023

The Bank is committed to ensuring the overall effectiveness of the Board and that it achieves the appropriate composition and balance of Directors. The Board is comprised of Non-Executive Directors who bring a diversity of skills, experience, and knowledge to the discussion, and play an important role in supporting the Board. The Non- executive Directors are expected to have a clear understanding of the strategy of the bank as well as knowledge of the industry and the operating market.

The Board, through the Human Resources and Remuneration Committee regularly reviews the skills, knowledge, experience, and diversity represented on the Board against the skills and experience needed to deliver the strategy and continues to make efforts to further diversify.

The current Board composition is as follows:

As of 31 December 2023, the Board comprised the Board Chairman, and eight (8) Non-Executive Directors. One Board position remained vacant during the year pending recruitment. The table below sets out the roles and responsibilities of the existing directors as at end of the year.

No	Name	Position	Gender	Age	Nationality	Qualification discipline	Date of Appointment/ Retired
1	Dr. Edwin P. Mhede	Chairman	Male	45	Tanzanian	Economist, CDoLoDT	Appointed on 5 June 2020. Re-appointed on 2 June 2023
2	Juma Kisaame	Non-Executive	Male	60	Ugandan	Banker, CDoLoDT	Appointed on 5 June 2020. Re-appointed on 2 June 2023
3	George Mandepo	Non-Executive	Male	48	Tanzanian	Lawyer, CDoLoDT	Appointed on 15 June 2019. Re-appointed on 3 June 2022
4	Hendrik Reisinger	Non-Executive	Male	59	Dutch	Economist/ Banker	Appointed on 15 June 2019. Re-appointed on 3 June 2022
5	Benson Mahenya	Independent - Non-executive	Male	55	Tanzanian	CPA (T), CDoLoDT	Appointed on 15 June 2021
6	Aziz Dachi	Non-Executive	Male	48	Tanzanian	ICT, Auditor, CDoLoDT	Appointed on 3 June 2022
7	Clement Mwinuka	Independent - Non-Executive	Male	60	Tanzanian	CPA (T), CDoLoDT	Appointed on 3 June 2022
8	Ramadhani Mwikalo	Independent - Non-Executive	Male	69	Tanzanian	IT Expert, CDoLoDT	Appointed on 3 June 2022

15 CORPORATE GOVERNANCE (CONTINUED)

Those Charged with Governance

The Board expresses confidence in its composition, affirming the presence of an adequate number of members possessing a diverse mix of skills, experiences, and knowledge. This diversity equips the Board to effectively challenge and contribute to the development of strategic proposals while also offering independent judgment on matters related to performance and risk. Notably, the Board includes Independent Non-Executive Directors who provide unbiased opinions on various board-related matters, enhancing the overall objectivity and robustness of decision-making processes.

Board of Directors’ Compensation

The remuneration for all Directors undergoes an annual assessment to ensure alignment with industry benchmarks in terms of compensation and benefits. Non-Executive Directors are not eligible for pension scheme enrollment and do not partake in the bank’s remuneration program. The total Board compensation and remuneration for the year amounted to TZS 1,447 million (2022: TZS 752 million). Further details can be found in note 43 of the financial statements.

Company Secretary

The Company Secretary as of 31 December 2023, Ms. Mwantumu Salim provides support and guidance to the Board in matters relating to governance and ethical practices. She is also responsible for induction programs of new Directors, keeping Board members abreast of relevant changes in legislation and governance principles changes. The Secretary plays a key role in ensuring good governance by helping the Board and its Committees to function effectively and in accordance with terms of references and best practices.

Conflict-of-Interest and Related Party Transactions

In November 2023, the Board approved the Conflict-of-Interest Policy in compliance with the requirements of Regulation 20 (2) of the Banking and Financial Institutions (Corporate Governance) Regulations, 2021, that requires the Board to establish policies for identification and monitoring of potential conflicts of interests.

Those charged with governance are expected to refrain from any action, position, or interest that conflicts with the bank’s interests or appears to be a potential conflict. In this context, directors are obligated to:

- Declare any interests that might lead to potential or perceived conflicts, such as holding multiple directorships or having business relationships that could compromise objective judgment.
- Disclose, as soon as they become aware, if a subject to be discussed at a Board or Committee meeting may result in a conflict of interest. The conflicted director is prohibited from further participation in the discussion or voting on the matter.
- Consider resigning from the Board if they have a continuing material conflict of interest.

The Board is responsible for evaluating all declared potential or perceived conflicts of interest and approving appropriate transactions with the bank. The Company Secretary diligently maintains a register documenting declared conflicts of interest.

During the year, none of the Directors had a material interest, either directly or indirectly, in any significant contracts with the bank.

16 BOARD COMMITTEES

The Board has delegated authority to various Board committees to enable them to oversee certain specific responsibilities based on their terms of reference. The terms of reference of each Board Committee set out the responsibilities of the Board Committee, conduct of meetings including quorum, voting requirements and qualifications for Board Committee membership. All our Board committees are comprised of Non-Executive Directors only. Any change to the terms of reference for any Board Committee requires Board approval. The minutes of Board Committee meetings, which record the key deliberations and decisions taken during these meetings, are circulated to all Board members for their information.

Mechanisms are in place to facilitate these linkages, including ensuring that there are no gaps or unnecessary duplications between the remit of each Committee and overlapping membership between Board committees where necessary. Further details on each committee, including their oversight and focus during 2023, can be found in the next section of this report.

During the year, the Board had the following Board Committees to ensure a high standard of corporate governance throughout the bank.

- i. Board Executive Committee (BEC)
- ii. Board Audit, Risk and Compliance Committee (BARCC)
- iii. Board Human Resources and Remuneration Committee (BHRRC)
- iv. Board Credit Committee (BCC)

16.1 Board Executive Committee (BEC)

The Committee assists the Board in fulfilling its oversight responsibilities in accordance with the Articles of Association of the Company. The Committee, which is a steering committee for the full Board, has an oversight role over the execution of the bank’s strategy, critical key projects of the bank, provides guidance, supports, and mentors management during transitional periods as well as being involved in any crisis that may arise within the bank.

It is the general intention that all substantive matters in the ordinary course of business are brought before the full Board for action and/or ratification, but the Board recognizes the need for flexibility to act on substantive matters where action may be necessary between Board meetings.

This Committee met four (4) times during the year. It comprised of the following members;

	Name	Position	Nationality	Qualification
1	Juma Kisaame	Chairman	Ugandan	Banker
2	Dr. Edwin P. Mhede	Member	Tanzanian	Economist
3	Ramadhani Mwikalo	Member	Tanzanian	IT Expert

16. 2 Board Audit, Risk, and Compliance Committee (BARCC)

The Committee assists the Board in fulfilling its oversight responsibility relating to the integrity of the bank’s financial statements and financial reporting process, systems of accounting and financial controls; the annual external audit of financial statements, reporting and internal controls; performance of the Internal Audit, Risk and Compliance Functions; compliance with legal and regulatory requirements; adequacy of the risk management function; the oversight responsibility on planning and conduct of audits to determine that the bank’s financial statements and disclosures are complete and accurate and are in accordance with International Financial Reporting Standards and applicable laws, rules and regulations.



16 BOARD COMMITTEES (CONTINUED)

16.2 Board Audit, Risk, and Compliance Committee (BARCC) (Continued)

Audit Functions:

The BARCC assists the Board by providing oversight of the bank's financial reporting responsibilities including external audit independence and performance. The Audit Committee comprises of three Non-executive Directors. The Committee's responsibilities include the following:

- Reviewing the quarterly and full- year statutory financial reports for recommendation to the Board.
- Reviewing significant accounting estimates and judgments used for the preparation of the financial reports.
- Advising the Board on the bank's financial reporting requirements to ensure that the Board has exercised oversight of the work carried out by management, Internal Audit Function, and the external auditor.
- Reviewing and approving any new or proposed changes in the bank accounting policies.
- Monitoring developments in statutory reporting and accounting and disclosure requirements.
- Reviewing the effectiveness of and ensuring that management has appropriate internal controls over financial reporting.
- Reviewing and monitoring the relationship with the external auditor and oversees its appointment, tenure, rotation, remuneration, independence, and engagement for non-audit services; and
- Overseeing the work of the Internal Audit and monitoring and assessing the effectiveness, performance, resourcing, independence and standing of the function.

BARCC also has overall non-executive responsibility for oversight of risk-related matters and the risks impacting the bank.

Risk and Compliance Functions:

- Advising the Board on risk appetite-related matters, and key regulatory submissions.
- Overseeing and advising the Board on all risk-related matters, including operational risk, financial risks, non-financial risks, and the effectiveness of the bank's Enterprise Risk Management framework.
- Undertaking a review and challenge of the bank's stress testing exercises.
- Reviewing the effectiveness of the bank's enterprise risk management framework and internal controls systems.
- Reviewing the Bank's overall Risk Appetite Statement and makes recommendations to the Board.
- Reviewing the appropriateness and effectiveness of the bank's risk management systems, considering the implications of material regulatory change proposals, reviewing reports on principal risks to the bank's business.
- Maintaining an oversight of all risk-related matters and the risks impacting the bank.
- Monitor the changes in the external regulatory environment to make sure that we continue to have appropriate financial, compliance, and internal controls in place.
- Continue to provide assurance to the Board that controls, and compliance culture fully support the bank's strategy.
- Ensure that the policies, processes, and systems align with the regulatory requirement and reflect changing regulatory landscape.
- To ensure that the bank is fully compliant to applicable laws, regulations, and prevailing requirements within the operating jurisdiction.

16 BOARD COMMITTEES (CONTINUED)

16.2 Board Audit, Risk, and Compliance Committee (BARCC) (Continued)

This Committee met eleven (11) times during the year. Among the 11 meetings, 4 are ordinary and 7 are special meetings. It comprised of the following members;

	Name	Position	Nationality	Qualification
1	Clement Mwinuka	Chairman	Tanzanian	CPA (T)
2	Benson Mahenya	Member	Tanzanian	CPA (T)
3	Aziz Dachi	Member	Tanzanian	ICT, Auditor

16.3 Board Human Resources and Remuneration Committee (BHRRC)

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.

Committee's Functions:

- The critical role of the Committee is to ensure robust succession planning is in place and that the composition of the Board and its committees continue to evolve, providing effective oversight of the bank's strategy.
- To ensure the Bank has a diverse Board comprising individuals with a range of skills, backgrounds, experience, and perspectives.
- The Committee has oversight of the process by which the Board, its committees and individual Directors assess their effectiveness.
- The Committee is responsible for Board Members and Senior Executive appointment process.
- The Committee is responsible for overseeing the remuneration of Senior Management, determining the framework and policies for remuneration and overseeing workforce remuneration, for alignment of reward, incentives, and culture.

This Committee met four (4) times during the year. It comprised of the following members:

	Name	Position	Nationality	Qualification
1	George Mandepo	Chairman	Tanzanian	Lawyer
2	Hendrick Reisinger	Member	Dutch	Economist/ Banker
3	Ramadhani Mwikalo	Member	Tanzanian	IT Expert

16.4 Board Credit Committee (BCC)

The Committee assists the full Board in the management of credit risk by reviewing continuously the credit portfolio, credit standards, and credit policy.

Committee functions:

- The Committee is tasked with the supervision of the bank's credit performance.
- It conducts reviews of loans issued, monitors credit metrics, and provides reports on loan performance.
- The Committee approves credit policies, individual lending authorities, and methodology.
- It evaluates the quality of the credit portfolio and analyses trends that may impact it.
- The Committee also collaborates with other board committees such as the Audit Committee or Risk Committee. Reviewing and ensuring that the bank complies with regulatory requirements regarding the grant of credit facilities; and
- Handling such other issues referred to the Committee from time to time by the Board.



NMB BANK PLC

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

16 BOARD COMMITTEES (CONTINUED)

16.4 Board Credit Committee (BCC) (Continued)

This Committee met ten (10) times during the year. It comprised of the following members:

	Name	Position	Nationality	Qualification
1	Hendrik Reisinger	Chairman	Dutch	Economist/ Banker
2	Juma Kisaame	Member	Ugandan	Banker
3	George Mandepo	Member	Tanzanian	Lawyer

17 BOARD ACTIVITIES DURING THE YEAR

The Board held 12 Board meetings during the year out of which 4 were ordinary and 8 were special meetings. There were also:

- Four (4) Board Executive Committee meetings.
- Eleven (11) Board Audit, Risk and Compliance Committee meetings; and
- Ten (10) Board Credit Committee meetings.
- Four (4) Board Human Resources and Remuneration Committee meetings.

The following table shows the number of Board and Committee meetings held during the year and the attendance by directors:

Directors	Board (12)	BARCC (11)	BCC (10)	BHRRC (4)	BEC (4)
Dr Edwin P. Mhede	12	n/a	n/a	n/a	4
Juma Kisaame	12	n/a	10	n/a	4
George Mandepo	11	n/a	10	4	n/a
Hendrik Reisinger	12	n/a	10	4	n/a
Benson Mahenya	12	11	n/a	n/a	n/a
Aziz Dachi	12	11	n/a	n/a	n/a
Clement Mwinuka	12	11	n/a	n/a	n/a
Ramadhan Mwikalo	12	n/a	n/a	4	4

Key Board Activities in 2023

The Board adhered to an annual schedule of rolling agenda items designed to ensure that all matters are considered and reviewed at the appropriate point in the financial and regulatory cycle. The Board had an extensive agenda during 2022 with considerable focus on reviewing progress of the Medium-Term Plan (2021-2025) and relevant strategic initiatives, reviewing and approving governance policies and overseeing performance and risk.

NMB BANK PLC

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

17 BOARD ACTIVITIES DURING THE YEAR (CONTINUED)

Key Board Activities in 2023 (Continued)

What was on the Board's agenda during 2023:

Financial and corporate reporting	• Reviewed and approved quarterly, half-year and full-year results. • Received quarterly financial performance updates. • Declared proposed dividend in respect of the period ended 31 December 2022. • Annual Report discussion and updates and recommendations (from the Board Audit, Risk and Compliance Committee). • Reviewed and approved the bank's annual report and accounts. • Reviewed and approved the notice of AGM.
Strategy and Business Performance	• The Board received progress and monitored the progress made on key strategic initiatives (under year 3 of MTP) and financial commitment, with the overall progress on strategy commended across the Board. Board approved rebased Medium-Term Plan. • Monitored and assessed the strength of the bank's capital and liquidity positions. • Received updates on bank's performance, including business level performance updates. • Reviewed potential scenarios with probable material impact on performance. • Received an update on the progress of the Operations strategy, including the focus on Operations re-engineering through Simplification, Automation and Migration. • Received an update on the priorities and progress against the cross-border strategy including a focus on the strategic opportunities and initiatives across the region. • Received updates on key projects (e.g. Digital transformation strategy and related projects). • Received CSI activities report from the CEO. • The Board reviewed and approved 2024 Budget and Strategy.
Financial decisions	• The Board approved key financial decisions throughout the year and approved the Annual Report and Accounts 2022. • The Board passed a proposed dividend payout of TZS 286.25/- per ordinary share. A total dividend payout of TZS 143.1 billion was approved by the Board, which was subject to Shareholders' approval at the Annual General Meeting.
Governance and Policies	• Considered external legislative and governance developments and received regulatory updates. • The Board continued to oversee the governance, smooth operation, and oversight of the bank. • The Board continued to review its skills and experience to ensure it comprises the relevant skills, experiences, and competencies to discharge its responsibilities effectively. • The Board monitored its compliance with the Principles of Good Corporate Governance Practices and the Companies Act 2002 throughout the year. • Reviewed and approved bank policies. - Compliance Risk Management Policy - Financial Consumer Protection Policy - Strategic Risk Management Policy • Considered Board and Committees' effectiveness.



17 BOARD ACTIVITIES DURING THE YEAR (CONTINUED)

Key Board Activities in 2023 (Continued)

What was on the Board's agenda during 2023: (Continued)

Budget and Performance	- Approved the Bank's 2024 budget. - Monitored the Bank's financial performance. - Approved the full year and half year results and considered the key internal and external factors in determining payment of a final and interim dividend. - Monitored the Bank's Competitor and Market position and performance for the full year 2023. - Noted management's presentation to the regarding the 2023 risk scenario stress test and assesses its potential material impact on performance.
Risk, Regulatory and Legal Considerations	- Received regular risk reports from the Chief Risk and Compliance Officer focused on the bank's risk and control operating environment. - Approved the risk appetite validation of the 2024 Budget.
Digital and Technology	Throughout the year, the Board received regular updates on technology from the Chief Technology and Digital Transformation Officer including implementation status of digital and technology related initiatives.
People, Culture and Values	- Received an update on Management Team succession planning and an overview of the refreshed People Strategy for 2024. - Received an update on the implementation of critical training interventions linked to MTP and culture transformation program. - Received updates on progress on implementation of cultural transformation intervention.
Stakeholder Engagement	Received periodic updates from the management on key stakeholder engagements.
Sustainability agenda	In line with the multifaceted Board's role of ensuring that the organization integrates sustainability considerations into its strategy, operations, and risk management. The Board received periodic sustainability reports and covered the topic as part of its discussion agenda.

NMB BANK PLC

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

17 BOARD ACTIVITIES DURING THE YEAR (CONTINUED)

What was on the Board's agenda during 2023: (Continued)

Main Topic	Sub-topic	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Strategy	Bank Strategy		■						■			■	
	CSI & ESG		■			■			■			■	
Business and Financial Performance	Local/Region/global business		■			■			■			■	
	Financial performance	■	■		■			■	■		■		
	Other		■			■			■			■	
Financial	Results and accounts		■			■			■			■	
	Dividends		■			■			■			■	
Risk	Bank financial resource planning		■			■						■	
	Risk Function		■			■			■			■	
Regulatory	Risk Appetite		■			■			■			■	
	Capital and liquidity adequacy		■			■			■			■	
External	Regulatory and legal matters		■			■			■			■	
	External Insights		■			■			■			■	
Technology	Strategic and operational		■			■			■			■	
	Purpose, engagements		■			■			■			■	
People and Culture	Policies		■			■			■			■	
	Performance		■			■			■			■	
Governance	Other		■			■			■			■	
	Policies and Terms of Reference		■			■			■			■	
	Board/Committee effectiveness		■			■			■			■	
	Appointment and succession		■			■			■			■	
	AGM and resolution		■			■			■			■	
							■						

NMB BANK PLC

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

18 CORPORATE GOVERNANCE AND MANAGEMENT OF THE SUBSIDIARY

The subsidiary (Upanga Joint Venture Company Limited) is 86.22% owned by the bank. The Board of Directors (the "Board") consists of three (3) Directors. Two Directors hold executive positions in the bank. The Board takes overall responsibility for the company, including responsibility for identifying key risk areas, considering, and monitoring investment decisions, considering significant financial matters, and reviewing the performance of management business plans and budgets. The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative, and for compliance with sound corporate governance principles.

The Board is required to meet at least four times a year. The Board delegates the day-to-day management of the business to the Executive Directors, assisted by parent company professionals in the areas of accounting and secretarial services as per the management service agreement. No sub-committee has been formed for the subsidiary Board.

The Management of the Company is under the Executive Directors. Due to the minimal number of transactions, the Company has no employees. The secretarial and other accounting services have been outsourced to the parent company as per the management service agreement. As the volume of transactions increases, the company shall review its structure and fill any identified gaps accordingly.

The following were the Board members of the Upanga Joint Venture Company Limited during the year ended 31st December 2023

	Name	Other Key Positions	Age	Nationality	Date Appointed
1	Ruth Zaipuna	Chief Executive Officer, NMB Bank Plc.	50	Tanzanian	15 July 2021
2	Robert Mwita	Head; Finance and Reporting, NMB Bank Plc.	41	Tanzanian	15 July 2021
3	Mafuru Majura	Director, Nyumba ya Sanaa and Culture Limited.	61	Tanzanian	15 July 2021

NMB BANK PLC

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

19 EXECUTIVE COMMITTEE

The Management of the Bank is led by the Chief Executive Officer (CEO) assisted by the Executive Committee (EXCO). Management of the bank at the date of the report consisted of the following:

Title	Gender	Qualification	Responsibilities
Chief Executive Officer Ruth Zaipuna	Female	ACPA (T), MBA, CDIoDT	Overall responsible for driving the bank's corporate strategy to deliver sustainable business growth.
Chief Financial Officer Juma Kimori	Male	ACPA (T), MBA, CDIoDT	Overall responsible for the financial management, regulatory reporting, tax compliance, general ledger reconciliations, strategy and research, investor relations, and accounting of the bank.
Chief Retail Banking Filbert Mponzi	Male	ACPA (T), MBA, CDIoDT	Overall responsible for development and execution of the Retail Banking Strategy for the bank, with focus on delivering the best in-class innovative, customer centric financial services for Individual, MSME and Agribusiness customers that promote financial inclusion.
Chief Wholesale Banking Alfred Shao	Male	ACCA, MBA, CDIoDT	Overall responsible for large corporate customers and business, transactional business, government, and international trade.
Treasurer Aziz Chacha	Male	MBA, ACI	Leads the treasury department and supports the bank in foreign exchange business, investment in securities and market and liquidity risk management.
Chief Credit Officer Daniel Mbotto*	Male	Bachelor, Business Management Finance Certified Lender	Overall responsible for all credit department which includes the appraisal of loans, portfolio management, and collection of bad debts, ensuring a sound portfolio quality and training of credit department staff.
Chief Human Resources Officer Emmanuel Akonaay	Male	MBA, Certified Reward and HR Practitioner, and a CDIoDT	Overall responsible for development and execution of Human Resource strategy in support of the overall business plan and strategic direction of the bank and providing the necessary guidance to the HR team in strategy implementation.
Chief Technology and Digital Transformation Kwame Makundi	Male	MBA	Overall responsible for driving the bank's digital and technology strategy.
Chief Shared Services Nenyuata Mejooli	Female	MBA, CDIoDT	Overall responsible for shared services support ensuring conducive workplace across the bank, strategically and operationally managing customer experience, facilities, Business Continuity Management, operational transformation, and management and execution of strategic projects in the bank.
Chief Risk Officer Doreen Joseph	Female	MBA	Overall responsible for sound monitoring, mitigating, and reporting of the bank's business risks in line with the bank's overall strategic ambitions.
Chief Compliance Officer Ezekiel Herman	Male	CPA (T)	Overall responsible for overseeing compliance monitoring in line with prevailing internal policies, procedures, guidelines, and respective laws and regulations.
Chief Internal Auditor Benedicto Baragomwa	Male	ACPA, MSc, CISA, CDIoDT	Overall responsible for managing Internal Audit and other assurance activities of the bank and reports to the Board of Directors.
Acting Chief Credit Officer Nishad Jinah*	Male	Bachelor of Science in Banking and Finance	Overall responsible for all credit department which includes the appraisal of loans, portfolio management, and collection of bad debts, ensuring a sound portfolio quality and training of credit department staff.
Company Secretary Mwantumu Salum	Female	LLB (Hons), LLM Certified Compliance Officer	Supporting the Board in ensuring the effective functioning of the Board and its committees, and transparent engagement with senior management.

*Nishad Jinah was appointed Acting Chief Credit, succeeding Daniel Mbotto, effective from December 2023.



19 EXECUTIVE COMMITTEE (CONTINUED)

Executive Committee Key KPI as per CEO’s Scorecard

Title	KPI																								
Chief Executive Officer Ruth Zaipuna	Customers Perspective: The strategic focus on creating a superior customer experience has led in 2023 to an increase of primary customers of 1.2 million, which is well above the MTP target. The total number of customers that choose NMB as their primary bank is 7.1 million, which is 20% higher than the year-end 2022. People Perspective: Create a well engaged workforce with high productivity. Bank’s engagement scores trend at around 80%, in line with global benchmarks. Productivity per staff has increased by 15% YoY to TZS 385m/FTE. Financial Perspective: Drive solid business growth, with sustainable returns and value creation. <table><tr><th></th><th>KPI 2023</th><th>Actual 2023</th></tr><tr><td>Profit After Tax</td><td>TZS 521 billion</td><td>TZS 542 billion</td></tr><tr><td>Return on Equity</td><td>25%</td><td>28.8%</td></tr><tr><td>Return on Assets</td><td>5%</td><td>4.7%</td></tr><tr><td>NFI Contribution</td><td>33%</td><td>33.4%</td></tr><tr><td>Income Jaws</td><td>6%</td><td>7.6%</td></tr><tr><td>NPL</td><td>5%</td><td>3.2%</td></tr><tr><td>CIR</td><td>40%</td><td>39%</td></tr></table> 1. Risk & Regulatory: Maintain a stable risk and control environment. 2. Sustainability: Increase sustainable products Sustainability: In line with the bank’s sustainability financing ambitions, the bank issued a debut sustainable bond instrument of TZS 400 billion (dual tranche bond), dubbed Jamii Bond. Attracting over 5,608 applicants, the TZS tranche was oversubscribed by 283%, while the dollar tranche also had a historic oversubscription of over 739%. This historic mobilization makes the Jamii bond, the largest sustainability bond ever issued in East and Central Africa region. The bond’s net proceeds will be used to finance eligible green and social assets in line with the bank’s Sustainable Financing Framework (in adherence to the ICMA Sustainability Bond Guidelines). Risk and Governance Perspective: The bank maintained a stable risk and control environment with key risk parameters trending within risk appetite thresholds. There were no regulatory penalties during the year		KPI 2023	Actual 2023	Profit After Tax	TZS 521 billion	TZS 542 billion	Return on Equity	25%	28.8%	Return on Assets	5%	4.7%	NFI Contribution	33%	33.4%	Income Jaws	6%	7.6%	NPL	5%	3.2%	CIR	40%	39%
	KPI 2023	Actual 2023																							
Profit After Tax	TZS 521 billion	TZS 542 billion																							
Return on Equity	25%	28.8%																							
Return on Assets	5%	4.7%																							
NFI Contribution	33%	33.4%																							
Income Jaws	6%	7.6%																							
NPL	5%	3.2%																							
CIR	40%	39%																							

19 EXECUTIVE COMMITTEE (CONTINUED)

Training and Development Program for the Management

The training covers fiduciary duties, responsibilities, and any unique aspects relevant to the business. The primary goal is to ensure that the management has a clear understanding of their role in corporate governance, enabling them to exercise sound and objective judgment about the bank’s affairs.

In 2023, the Executive Committee successfully completed planned training and development sessions.

- Central Bank Digital Currency (CBDC) Masterclass
- Customer Experience Operational Excellence
- The 10th Annual Governance Forum
- Africa Investment Event 2023
- Board and EXCO Development Program
- Brazil Study Tour

Compensation of Key Management Personnel

Annually, the Board conducts a thorough review and approval process for the compensation of key management personnel. The remuneration for key management personnel in the current year amounted to TZS 8.2 billion (compared to TZS 7.3 billion in 2022). Further details can be found in note 43 of the financial statements.

20 STRATEGY AND BUDGETARY PERFORMANCE

Budget Process

Governing the overall budget process, the Budget and Strategy Guidelines prescribe the overall objectives, timing, process, and methodologies that were used to formulate the bank’s budget for 2023. The key objectives for the 2023 budget included providing business and financial commitments within strategic pillars and optimizing the use of bank resources and productivity.

Budget approval process

The Bank adopts a collaborative approach to budget processes, which encompasses a consolidation of bottom-up and top-down budget processes. The process starts with revenue, NPL and impairment, and cost budget discussions at the Functional Level. Once a draft is finalized at functional levels, the budget and strategy document undergo a three-layered approval process, namely;

1. Review and Approval of ExCo
2. Review and Approval by BARCC
3. Board Review and Approval

Budgetary Performance at Glance

Performance relative to the budget in 2023 showcased exceptional results and consistent expansion despite market fluctuations. The Bank’s accomplishments stemmed from effectively aligning planned activities with the bank’s overarching strategy, prevailing business conditions, and underlying assumptions.



NMB BANK PLC

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

20 STRATEGY AND BUDGETARY PERFORMANCE (CONTINUED)

Budgetary Performance at Glance (Continued)

The global dynamics highlighted heightened business challenges; despite that, the bank's balance sheet and revenue growth projected in 2023 strategy and budget was driven by:

- Continued focus on account opening, improving digital subscriptions and growth in the channel to ensure optimal reachability of banking service. Account opening trending at 1.2 million new accounts and over 8,000 new Wakala were onboarded during the year.
- Improved usage in digital platforms (Mkononi App, NMB Wakala and Internet Banking) and uptake on value-add products (Mshiko Fasta, Lipa Mkononi and General insurance). This has been highly driven by consistent digital and insurance campaigns (UMEBIMA & Teleza Kidijitali).
- Strengthened relationships with government, corporates, and SME customers, leading to execution excellence in both credit and deposit mobilisation.
- Prudence in deals execution to ensure all risks are well mitigated, and the non-performing loan is maintained below the regulatory limit of 5%.
- Continued investment in Technology and Human Capital through CAPEX investment of about TZS 26.7bn in Technology and capacity building for staff.
- The bank has continued to manage its operations efficiently, closing the year with a Cost to Income Ratio of 39.0%.

NMB BANK PLC

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

20 STRATEGY AND BUDGETARY PERFORMANCE (CONTINUED)

Budgetary Performance at Glance (Continued)

Given the above considerations, the bank's performance against the budget was as follows:

Key Performance Indicator	Actual (TZS' billion)	Target (TZS' billion)	Variance	Remarks
Revenue	1,401	1,386	+1.1%	The Bank surpassed the revenue target by TZS 18 billion to deliver TZS 1,401 billion in total revenue against budgeted revenue of TZS 1,386 billion. and delivered an 18.0% year-on-year growth.
Profit after Tax	541.7	521.4	+3.9%	Record PAT of TZS 546.4bn largely driven by strong revenue momentum, with a total income up 1% YoY, coupled with prudent cost management and improved portfolio quality.
Total Assets	12,220	11,866.4	+3.0%	Growth is attributed to broad based balance sheet growth driven loans and advances increased by 28.1% YoY and deposits growth of 11.5% YoY.
Total Deposits	8,489.7	8,576.6	-1.0%	Driven by an 8.1% increase in term deposits, 10.8% in personal account deposits, and 13.8% in current account deposits due to various deposit mobilization campaigns.
Net Loan & Advances	7,706.9	7,015.7	+9.9%	Growth is attributed to a 87.7% increase in Wholesale loans, a 15.9% rise in retail loans.
Return on average Asset	4.8%	4.8%	0bps	Remarkable performance throughout the year, contributing to profit growth.
Return on Average Equity	28.8%	25.4%	+340bps	Exceptional performance driven by increased profits.
Cost to Income Ratio	39.0%	40.0%	-10bps	The bank demonstrated strong efficiency levels owing to good progress along several cost optimization initiatives, coupled with solid revenue growth momentum.
Non-Performing Loan Ratio	3.2%	3.8%	-60bps	Overall improvement in NPL is credited to the growth of the quality portfolio. Strong credit risk management performance ensured a commendable NPL, keeping us well below the regulatory threshold of 5%, and furthermore managed to contain impairment charges within budget.
Off-Balance sheet	2,416	2,100.4	15.03%	Off-balance sheet growth of 23% year-on-year driven by 84% YoY growth in Guarantees from increased sales across the network.



NMB BANK PLC

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

20 STRATEGY AND BUDGETARY PERFORMANCE (CONTINUED)

Awards and Achievements

Our performance has received both domestic and international acclamations. In 2023, NMB Bank received 31 awards, and recognition for excellent performance, an increase of 35% year-on-year.

Below are the Awards won;

SN	Awards	From
1	Overall, Winner: Largest Taxpayer in Tanzania (All Sectors)	Tanzania Revenue Authority
2	Overall, Winner: Most Compliant Taxpayer in Tanzania	Tanzania Revenue Authority
3	Largest Taxpayer in the category of Financial Institutions in Tanzania	Tanzania Revenue Authority
4	Best Employer of the Year 2023, Runner-Up in the overall winner category	Association of Tanzania Employers
5	Best Private Sector Employer 2023, Runner-up	Association of Tanzania Employers
6	Quality, Productivity, and Innovation Award.	Association of Tanzania Employers
7	Best Employer - Gender Equality and Equity Award	Association of Tanzania Employers
8	Best Bank in Tanzania 2023	Global Business & Finance
9	Safest Bank in Tanzania 2023	Global Business & Finance Magazine.
10	Best Bank for Digital Solutions in Tanzania	Euromoney Awards for Excellence 2023
11	Best Innovation in Retail Banking in Tanzania	Global Business Magazine
12	Best Retail Bank Tanzania 2023	International Business Magazine
13	Best Retail Bank Tanzania 2023	Global Business Magazine
14	Best Private Bank in Tanzania	International Bankers Awards
15	Best Bank in Tanzania	African Banking Awards: EMEA Finance
16	Best Innovation in Retail Banking in Tanzania	International Bankers Awards
17	Best SME Bank Tanzania 2023	International Business Magazine
18	Best Investment Ban Tanzania 2023	Global Brands Magazine
19	African's Banking CEO of the year 2023 (Tanzania)	Africa Bank 4.0 Awards
20	Best Bank in Tanzania 2023 Award	Africa Bank 4.0 Awards
21	Best Bank for CSR in Tanzania 2023	Euromoney Awards for Excellence 2023
22	Best Corporate Social Responsibility Initiative Tanzania 2023	Global Business & Finance Magazine.
23	Best Commitment to ESG Principles Tanzania 2023	International Banker 2023
24	Best Bank in Tanzania 2023	Euromoney Awards 2023
25	Best Private Bank for High-Net-Worth Individuals in Tanzania	Euromoney Private Banking Awards
26	Best Retail Bank Tanzania 2023	Global Banking & Finance Awards
27	SME Financier of the Year Award	Global SME Finance Awards 2023.
28	Best SME Bank Tanzania*	World Economic Magazine
29	Best ESG Bank Tanzania 2023*	World Economic Magazine
30	Best Bancassurance Provider Tanzania 2023*	World Economic Magazine
31	Best Banking CEO Tanzania 2023*	World Economic Magazine

Table10: Awards won in 2023, highlighted in grey, are locally won.

* NMB Bank was named a winner in four awards by the World Economic Magazine, which are yet to be delivered.

NMB BANK PLC

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

21 CORPORATE SOCIAL INVESTMENT (CSI)

We remain committed to supporting socioeconomic development by continuously investing and addressing the most pressing challenges faced in society to create a sustainable and positive imprint. In 2023, the bank allocated TZS 4.2 billion, 1% of the bank's 2022 Profit After Tax, towards various CSI initiatives across the pillars of education, health, financial literacy training, and disaster recovery.

Education Initiatives

The Bank's commitment to fostering conducive learning environments in primary and secondary schools nationwide remained steadfast in the reporting year. A significant milestone was achieved through the provision of 15,500 desks to 247 schools, benefiting over 46,500 students. Roofing materials were also supplied to 75 schools, including educational and healthcare facilities, aiding in the completion of construction and renovation projects. Additionally, 34 schools received 1,480 double-decker beds, positively impacting 2,960 boarding students. Furthermore, 140 computers were distributed to 25 schools, addressing fundamental ICT needs for students.

In addition, the NMB Foundation launched the Nuru Yangu Scholarship, which provided sponsorship to 65 students. This initiative involved an expenditure of around TZS 435.5 million, encompassing various expenses such as tuition fees, health insurance, accommodation, peripherals, and allowances.

Moreover, the Bank allocated TZS 600 million towards the construction of Makunduchi Nursery School. This noteworthy project was inaugurated by Her Excellency, the President of the United Republic of Tanzania, HE. Dr. Samia Suluhu Hassan, during the Kizimkazi Festival in August 2023. The project comprises five classrooms, a playground, a kitchen, and a canteen, with completion anticipated in February 2024.

Healthcare Support

Investment in quality hospital items, including hospital beds, delivery beds, bedsheets, and blood pressure machines, underscored the bank's commitment towards driving universal maternal health coverage. A total of 55 public health facilities, including prominent institutions like Muhimbili National Hospital, MOI, Bugando Hospital, and KCMC, received support, benefiting over 300,000 patients.

Muhimbili National Hospital

We successfully handed over the renovation project at Muhimbili National Hospital in 2023, where Minister of Health, Hon. Ummu Mwalimu, graced the event. We signed the MOU to renovate the maternity block, which is now called the NMB Maternity block. We spent TZS 350 million towards the renovation of the maternity block followed by the provision of normal hospital beds, delivery beds, electrical ICU beds, bed covers, ward separators, blood pressure machines and other important equipment in demand. We have signed a three-year agreement toward renovation and maintenance of the maternity block.

Financial Literacy Initiatives

NMB continued to empower vulnerable groups - youth, women, and small businesses lacking knowledge and access to financial services. The dissemination of financial literacy extended to school programs and business club training, reaching over 260,000 youth and adults.



21 CORPORATE SOCIAL INVESTMENT (CSI) (CONTINUED)

Natural Disaster Recovery Efforts

Responding to adverse climate conditions causing disasters, the bank allocated over TZS 70 million for recovery efforts. Immediate support was extended to victims of heavy floods and landslides in Hanang, Manyara, and Kilosa in Morogoro. Relief items such as mattresses, blankets, and food were provided. Additionally, rehabilitation support was extended to Hasnuu Makame Secondary School in Zanzibar, which was recovering from a fire outbreak, and Mihingo Primary School in Mara, where heavy rains damaged the roofing.

Supporting Persons with Disability

Assisting individuals with disabilities stands as a pivotal pillar in cultivating a society that is both inclusive and equitable. Throughout the year, the bank dedicated TZS 17.9 million to procure assistive devices, extending crucial support to Persons with Disabilities. Our commitment is demonstrated through providing essential tools such as white canes, sunscreen, wheelchairs, sunhats, and hand magnifiers specifically designed for individuals with albinism. These efforts aim to generate a positive impact by enriching their access to vital resources, thereby contributing to an overall improvement in their well-being.

Employee Volunteerism and Engagement

We recognize the contributions of our staff to the creation of value that helps strengthen our business relations with customers and the communities. NMB encourages a giving culture, and its employees voluntarily contribute funds to support causes through their own as a means of making a difference in the community. In 2023, 180 branches and departments participated in community work through the CSI Matching Up Initiative and positively impacted the lives of over 20,300 people with different needs across the country.

NMB Equality Initiative

NMB Equality Initiatives reflect a commitment from Dr Samia Suluhu Hassan, the President of the United Republic of Tanzania, to spearhead the implementation of the Generation Equality Forum (GEF), specifically under the second action coalition on Economic Justice and Rights, established in 2021. The nation is dedicated to achieving milestones in gender equality and women’s empowerment. In September 2021, the Tanzania Generation Equality Program (TGEP) 2021-2026 was inaugurated, with Hon. Angellah Kairuki appointed as the Chairman and Ms. Ruth Zaipuna, the CEO of NMB Bank, serving as a member of TGEP.

Within NMB, the NMB Balance initiative drives the agenda. NMB Balance operates as an internal forum, concentrating on cultivating a workplace environment that nurtures diversity and inclusion. Its primary focus lies in advancing aspects such as work-life balance, welfare, talent, and skills, reaffirming the bank’s dedication to establishing an inclusive and equitable environment by harnessing diversity both within and beyond the organization.

As of July 2023, TGEP marked the midway point in the five-year GEF commitments. The committee, overseen by the Ministry for Gender, compiled a comprehensive report outlining the progress made, identifying opportunities, and addressing challenges encountered during the review period. This report was presented at the UN GEF Summit held in New York on September 17, 2023. Additionally, NMB submitted a report to the Ministry responsible for Gender, detailing initiatives crafted to uphold Generation Equality’s commitment.

22 ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG)

NMB, through its efforts seek to fulfill its goal of being a strategic ally in the economic, environmental, and social development of Tanzania. 2 billion was budgeted and approved by the board to embark on climate change and sustainability projects.

In recognition of our responsibilities as a vehicle for sustainable social-economic prosperity in Tanzania, our goals extend beyond economic and financial dimensions, to include environmental, social, and governance challenges. Observing the principles of sustainable banking, NMB as a responsible bank, aims to promote the United Nations’ Sustainable Development Goals (SDGs) through provision of products and services and its business operations, all undertaken with a sense of social and environmental responsibility and stewardship.

ESG Key metrics and progress reproduced from the Annual Report subject to Independent Limited Assurance:

2023 ESG And Sustainability Highlights

Category	Parameter measured/monitored	Progress made
Environmental/Climate Change		
Climate Action	Value of Climate & Sustainability projects budget	TZS 2 million
	Climate Action Conferences supported COP28, NBS	2
	Number of trees planted of tree planting initiatives supported	1.2 million
	Beehives donated to beekeeping groups	500
	Beekeeping Groups supported	15
Energy Efficiency	Electrical energy consumption reduction	14%
	Number of branches using LED lighting	Over 175
	Percentage of branches and training center using LED lighting	100%
	Water management- percentage of water use reduction	n/a
Clean Energy transition	Number of Motor Vehicles converted to use CNG	8
Recycling and Waste management	Volume of paper waste recycled	n/a
Agricultural Support	Number of Agricultural Loans provided	10,734
	Value of Agricultural loans	TZS 558 billion
	Value of Special Agriculture Fund at 9% interest rate	TZS 250 billion
Community/Social		
Impact to the Community	Value of Corporate Social Responsibility budget spent 2023	TZS 4.2 billion
	Donation toward Muhimbili Maternity Ward	TZS 350 million
Education Impact through Foundation	Number of Scholarship offered	64



NMB BANK PLC

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

22 ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG) (CONTINUED)*2023 ESG And Sustainability Highlights*

Diversity, Equality, and Inclusion (DEI)	Percentage of Women employees in the total workforce	48%
	Percentage of women in Senior Leadership positions	32%
	Percentage of Youth in the workforce	34.80%
	Percentage of Staff with Disabilities	11
	Certified as EDGE Access for upholding Gender Equality at workplace	Edge (Assess) Certified.
Women Proposition (Jasiri) statistics	Number of NMB customers who are women	2,405,138
	Percentage of Women Customers in the NMB customer base	35%
	Value of loans disbursed to women	TZS 953 billion
	Number of youth customers	3,252,808
	Percentage of Youth active customers	70%
	Number of youths reached through the GO NMB program	Over 652,000
	Number of women reached through the Jasiri Business Clubs and provided Financial Literacy	7,000
Jamii Bond Issuance	Sustainable Framework developed	1
	Jamii bond proceeds collected	TZS 400 billion
Financial Inclusion	Total number of NMB customers	7.2 million
	Total Number MSME customers	386,417
	Total value lends to MSME customers	TZS 980 billion
	Total Value of transaction through Wakala	TZS 55 trillion
	Total Value of transaction through Alternative Channels	95%
Working Conditions	Introduction of Equal Pay Policy	Continuous
	Upholding the Flexible working Policy	Continuous
	Upholding the Diversity and Inclusion Policy	Continuous
	Upholding the Non-Discrimination Policy	Continuous
	ATE 2023 awards	4
Governance		
Training and Capacity Building	Number of bank's leaders trained on Executive Sustainability	408
	Staff received Senior Women Leadership training in 2022	66
Ethical Standards	Number of staff trained on Anti Money Laundering	4005
	Number of staff trained on the Code of Conduct	4048
Board Independence and Composition	Percentage of Board Members who are independent	33%
Sustainability Governance	Sustainability Steering Committee in Operation.	Operational
	Periodic Sustainability Updates to the Board	On track

NMB BANK PLC

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

23 RELATED PARTY TRANSACTIONS

All related party transactions and balances are disclosed in note 43 to the financial statements.

24 SERIOUS PREJUDICIAL MATTERS

In the opinion of the Directors, there are no serious unfavourable matters that can affect the bank (2022: NIL).

25 POLITICAL CONTRIBUTIONS AND DONATIONS

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

26 BANK COMMUNICATION/PUBLIC RELATIONS POLICY

The primary objective of the bank Communication/Public Relations Policy is to ensure that information originating from the bank is accurate and complete, reflects the official position of the bank, and is released to the media and targeted public consistently and in a timely manner. The overarching goal is to cultivate a mutually beneficial relationship between the bank and the public. The Board has established effective communication channels with the bank's stakeholders, including the media and other relevant channels.

Key stakeholder communication initiatives encompass the bank's Annual Report, quarterly financial reports, Investor presentations, and various publications. Stakeholders can access comprehensive information, including general details about the bank and its subsidiaries, through the bank's official website: www.nmbbank.co.tz. This platform serves as a centralized resource for stakeholders to review all publications and stay informed about the bank's activities.

27 ACCOUNTING POLICIES

The material accounting policies of the bank disclosed in Note 6 to the financial statements have been approved by the Board. The material accounting policies have been updated to reflect the new and revised International Financial Reporting Standards (IFRSs) in Note 5.

28 INTERNAL AUDIT FUNCTION

The Bank has an independent Internal Audit function reporting to the Board Audit Risk and Compliance Committee (BARCC).

29 STATEMENT OF COMPLIANCE WITH TFRS-1

This report on Those Charged with Governance complies with the provisions of TFRS-1.



NMB BANK PLC

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

30 REMUNERATION POLICIES

The Bank places a greater emphasis on a well-defined approach to remuneration, encompassing not only its staff but also its directors. The Remuneration Policy is embedded in the bank's overarching strategy and linked to individual performance metrics. This alignment ensures that the policy not only reflects the current market demands and industry benchmarks but also remains adaptive to the dynamic nature of the business landscape. To maintain its relevancy and competitiveness, the policy undergoes a meticulous annual review, providing the necessary flexibility to address emerging trends and evolving market conditions.

In the customary process, the Management conducts an extensive market survey to prepare a proposal delineating fees and other emoluments for the Directors. This proposal undergoes a rigorous evaluation by the Board to ensure alignment with the bank's strategic objectives and is subsequently presented for approval at the Annual General Meeting (AGM).

31 WHISTLEBLOWING POLICY

NMB Bank's Whistleblowing Policy plays a pivotal role in cultivating an unwavering ethical and conduct culture. The bank is resolutely committed to upholding the pinnacle of standards in ethical and legal conduct across its projects, programs, and businesses. In perfect alignment with this unwavering commitment and to underscore its dedication to good governance and transparency, the Policy establishes a well-structured mechanism for raising concerns related to fraud, corruption, or any other misconduct, without fear of victimization. Significantly, it ensures unequivocal protection for individuals disclosing information related to such misconduct, unequivocally shielding them from any form of retaliation.

The policy precisely outlines the procedures for both employees and non-employees to report concerns or suspicions regarding potential violations of laws, rules, or regulations, as well as suspected wrongdoing in internal bank policies, standards, or procedures. It is imperative to underscore that the Whistleblower and Witness Protection Act of 2015 categorically prohibits employers from retaliating against whistleblowers.

Staff members receive periodic training, including during induction and ongoing development, emphatically underscoring the paramount importance of bringing forth information that profoundly contributes to the enforcement of sterling corporate governance practices. The bank also provides a dedicated whistleblower section on its website, where customers and other stakeholders are resolutely encouraged to report misconduct through a diverse array of channels, whether internal or external. Independent third parties, known for their impartiality, are readily available for reporting. Importantly, whistleblowers are empowered with the unequivocal option to disclose their identity or choose to remain anonymous, thereby granting them a formidable voice in upholding the ethical standards within the bank.

32 RESPONSIBILITIES OF AUDITORS

The auditor is responsible to consider material and consistency of the information in the report of those charged with governance with the financial statements, or their knowledge obtained in the audit or otherwise and report any material inconsistency.

NMB BANK PLC

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

33 AUDITORS

Our external auditor (Deloitte & Touche) has been appointed in accordance with Section 170(2) of the Companies Act, No.12 of 2002 and as per the 'Banking and Financial Institutions (External Auditors) Regulation, 2014, section 5. Deloitte & Touche was appointed for a three-year period from 2022 following a competitive bidding process as required by Banking and Financial Institutions (External Auditors) Regulation, 2014, subject to annual assessments.

Following assessments for their performance for the year ended 2022, Deloitte & Touche was approved at the Annual General Meeting held in June 2023 to continue as external auditor for the year ending 2023.

Deloitte & Touche, with PF No 025 and TIN 100-148-692, is an audit firm registered by the National Board of Accountants and Auditors of Tanzania (NBAA).

Deloitte & Touche,
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Website: www.deloitte.com
Tin Number: 100-148-692

34 STATEMENT OF RESPONSIBILITY BY THOSE CHARGED WITH GOVERNANCE

It is the solemn duty of those charged with governance to prepare the financial statements of the bank. These statements are mandated to present a true and fair view, adhering strictly to applicable standards, rules, regulations, and legal provisions. This responsibility encompasses the entirety of the financial year, commencing from its initiation until the date of approval of the audited financial statements by those charged with governance. The obligation extends to all individuals who assumed the role of those charged with governance at any point during the period covered by the financial statements.

BY ORDER OF THE BOARD OF THOSE CHARGED WITH GOVERNANCE

SIGNED ON ITS BEHALF BY:



Dr. Edwin P. Mhede
Chairman

27th March 2024

Date



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

The Companies Act, Cap. 212 (as amended) requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the bank and of the Group at the end of the financial year and of the profit or loss for the year. It also requires the Directors to ensure that the bank and its subsidiary keep proper accounting records that disclose, with reasonable accuracy, the financial position of the bank and the group. They are also responsible for safeguarding the assets of the bank and the group and hence taking reasonable steps for the prevention and detection of fraud, error, and other irregularities.

The Directors accept responsibility for the financial statements herein, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with the International Financial Reporting Standards (IFRS) and a manner required by the power conferred upon The Companies Act, Cap. 212 (as amended), and The Banking and Financial Institutions Act, 2006.

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

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

Signed on behalf of the Board of Directors by:



Dr. Edwin P. Mhede
Chairman

27th March 2024

Date

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

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

It is the duty of a Professional Accountant to assist the Board of Directors in discharging the responsibility of preparing financial statements of an entity showing a true and fair view of the entity's financial position and performance in accordance with applicable International Financial Reporting Standards (IFRS) and statutory financial reporting requirements. Full legal responsibility for the preparation of financial statements rests with the Board of Directors as per the Statement of Directors' Responsibility on page 265.

I, Juma A. Kimori, being the Chief Financial Officer of NMB Bank Plc, hereby acknowledge my responsibility of ensuring that the bank and the group's financial statements for the year ended 31 December 2023 have been prepared in compliance with the International Financial Reporting Standards (IFRS), the requirements of the Companies Act, Cap. 212 (as amended) and the Banking and Financial Institutions Act, 2006.

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



CPA Juma Ajuang Kimori

Chief Financial Officer
NBAA Membership number: ACPA 3755

27th March 2024

Date



INDEPENDENT AUDITOR’S REPORT TO THE SHAREHOLDERS OF NMB BANK PLC

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the separate financial statements of NMB Bank Plc (the “Bank”) and the consolidated financial statements of the Bank and its subsidiary (together, the “Group”) set out on pages 272 to 411, which comprise the consolidated and separate statements of financial position at 31 December 2023 and consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2023 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”), the requirements of the Companies Act, 2002 and the Banking and Financial Institutions Act, 2006.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Group and the Bank in accordance with the National Board of Accountants and Auditors (NBAA) Code of Ethics which is consistent with the International Ethics Standards Board for Accountants’ *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Tanzania and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key Audit Matters

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



Partners: F.J. Kibiki Y.F. Kasenge M.R. Richard

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

INDEPENDENT AUDITOR’S REPORT (CONTINUED)

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the matter
<i>Estimation of Expected Credit Losses on loans and advances to customers</i> Loans and advances to customers constitute a significant portion of the total assets of NMB Bank Plc. As disclosed in notes 6(f), 7(l), 9.1 and 23 of the consolidated and separate financial statements, management exercise significant judgment when determining both when and how much to record as Expected Credit Losses. This is because a number of significant assumptions and inputs go into the determination of Expected Credit Loss (ECL) amounts on loans and advances to customers as required by IFRS 9, <i>Financial Instruments</i>. The key areas where we identified greater levels of management judgment and therefore increased levels of audit focus in the Bank’s implementation of IFRS 9 include: - The judgments made to determine the categorisation (staging) of individual loans and advances accounts in line with IFRS 9. In particular, the identification of a Significant Increase in Credit Risk (“SICR”) and Default require consideration of quantitative and qualitative criteria. This is a key area of judgement as this determines whether a 12-month or lifetime Probability of Default is used; - Where there is uncertainty in respect of the respective models’ ability to address specific trends or conditions due to inherent limitations of modelling based on past performance, the timing of model updates, and macroeconomic events, additional provisions are made via management overlays. Significant judgement was made in determining the management overlays; - Identification and measurement of economic scenarios to measure ECLs on a forward-looking basis reflecting a range of future economic conditions; and	Our audit of the Expected Credit Losses of loans and advances to customers included, amongst others, the following audit procedures performed together with the assistance of our internal credit risk specialists: - Obtained an understanding of the Bank’s methodology for determining Expected Credit Losses (ECL), including enhancements in the year, and evaluated it against the requirements of IFRS 9, <i>Financial Instruments</i>; - Testing the design and implementation of critical controls on ECL-related processes, particularly the allocation of assets into stages and management overlays; - On a sample of contracts, we assessed the identification of loans and advances that had experienced a significant increase in credit risk or met the Bank’s default definition criteria for classification purposes. This was completed by reviewing documentation and credit performance to determine whether the staging of such facilities was in accordance with Bank’s policy and IFRS 9 standards; - Assessed the reasonableness of management overlays, taking into account industry and client-specific risk. We recalculated the management overlays and assessed their completeness in light of our understanding of the model and data limitations; - Tested the assumptions, inputs and formulae used in the ECL models with the support of our internal credit risk specialists (including assessing the appropriateness of model design and formula used, considering alternative modelling techniques and recalculating the Probability of Default, Loss Given Default and Exposure at Default; - We corroborated the assumptions used for the determination of forward-looking information (FLI) in the models using publicly available information; - Tested the data used in the ECL calculation by reconciling to source systems; and - Assessed the adequacy and appropriateness of disclosures for compliance with IFRS and requirements of Bank of Tanzania.



INDEPENDENT AUDITOR’S REPORT (CONTINUED)

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the matter
- Modelling for estimation of ECL parameters: - Probabilities of Default (PDs) - Loss Given Default (LGD); and - Exposure at Default (EAD). Because of the significance of these estimates, judgments and the size of loans and advances to customers portfolio, the audit of Estimation of Expected Credit Losses on loans and advances to customers is considered a key audit matter.	Based on the procedures described above, our audit evidence was consistent with the inputs in the ECL on loans and advances to customers which were found to be within an acceptable range in the context of IFRS 9.

Other Information

The Directors are responsible for the other information. The other information comprises Index to the Notes, List of Abbreviations, Corporate Information, The Report of Those Charged With Governance, Statement of Directors’ Responsibilities and Declaration of the Chief Financial Officer but does not include the consolidated and separate financial statements and our auditor’s report thereon, which we obtained prior to the date of this auditor’s report, and the Annual Report, which is expected to be made available to us after that date.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

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

The Directors are responsible for overseeing the Bank and the Group’s financial reporting process.

INDEPENDENT AUDITOR’S REPORT (CONTINUED)

Auditor’s Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate 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 Group’s and 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 Group’s and 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 consolidated and separate 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 Group and the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate 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 entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group 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, actions taken to eliminate threats or safeguards applied.



INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated and separate 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 Requirements

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

- i) we have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purpose of our audit;
- ii) in our opinion, proper books of account have been kept by the Group and the Bank, so far as appears from our examination of those books; and
- iii) the Bank's consolidated and separate statement of financial position (balance sheet) and consolidated and separate statement of profit or loss and other comprehensive income (profit and loss account) are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor's report is F.J. Kibiki.

Deloitte & Touche

Certified Public Accountants (Tanzania)



Signed by: F.J. Kibiki

NBAA Registration No. ACPA-PP 3214

Dar es Salaam

28 March 2024

NMB BANK PLC

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2023 TZS' Millions	2022 TZS' Millions
Interest income	10	1,179,592	953,656
Interest expense	11(a)	(242,354)	(164,020)
Net interest income		937,238	789,636
Credit/(charges) – loans and advances	12(a)	(84,350)	(81,067)
Credit/(charges) – other	12(b)	(85)	(113)
Total credit/(charges)		(84,435)	(81,180)
Net interest income after impairment		852,803	708,456
Fee and commission income	13	469,306	419,189
Fee and commission expense	13	(102,819)	(94,260)
Net fee and commission income		366,487	324,929
Realized gain on Investment Securities	24	7,527	5,353
Foreign exchange income		65,835	48,071
Other income	14(a)	28,531	23,779
Total operating income		1,321,183	1,110,588
Employee benefits expense	15	(297,923)	(266,296)
Other operating expenses	16(a)	(199,015)	(175,489)
Depreciation and amortization	17(a)	(49,444)	(53,638)
Total operating expenses		(546,382)	(495,423)
Profit before tax		774,801	615,165
Income tax expense	18(a)	(229,594)	(183,493)
Profit for the year		545,207	431,672
Attributable to			
Owners of the Bank		544,890	431,531
Non-controlling interests		317	141
Profit for the year		545,207	431,672



NMB BANK PLC
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2023 TZS' Millions	2022 TZS' Millions
Other comprehensive income, net of tax			
<i>Items that may subsequently be reclassified to profit or loss:</i>			
Fair value gain on debt instruments at FVOCI – net of tax	37 (iii)	464	522
Total comprehensive income for the year		545,671	432,194
Attributable to:			
Owners of the Bank		545,354	432,053
Non-controlling interests		317	141
Total comprehensive income for the year		545,671	432,194
		TZS/share	TZS/share
Basic and diluted earnings per share	19(a)	1,089.78	863.06

NMB BANK PLC
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
BANK'S STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2023 TZS' Millions	2022 TZS' Millions
Interest income	10	1,179,592	953,656
Interest expense	11(b)	(246,077)	(167,307)
Net interest income		933,515	786,349
Credit/(charges) – loans and advances	12(a)	(84,350)	(81,067)
Credit/(charges) – other	12(b)	(85)	(113)
Total Impairment charge		(84,435)	(81,180)
Net interest income after impairment		849,080	708,456
Fee and commission income	13	469,306	419,189
Fee and commission expense	13	(102,819)	(94,260)
Net fee and commission income		366,487	324,929
Realised gain on Investment Securities	24	7,527	5,353
Foreign exchange income		65,835	48,071
Other income	14(b)	28,556	23,804
Total operating income		1,317,485	1,107,326
Employee benefits expense	15	(297,923)	(266,296)
Other operating expenses	16(b)	(198,866)	(174,910)
Depreciation and amortization	17(b)	(50,329)	(54,509)
Total operating expenses		(547,118)	(495,715)
Profit before tax		770,367	611,611
Income tax expense	18(b)	(228,599)	(182,235)
Profit for the year		541,768	429,376



NMB BANK PLC
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
BANK'S STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2023 TZS' Millions	2022 TZS' Millions
Other comprehensive income, net of tax			
<i>Items that may subsequently be reclassified to profit or loss:</i>			
Fair value gain on debt instruments at FVOCI – net of tax	37 (iii)	464	522
Total comprehensive income for the year		542,232	429,898
		TZS/share	TZS/share
Basic and diluted earnings per share (TZS)	19(b)	1,083.54	858.75

NMB BANK PLC
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

	Note	2023 TZS' Millions	2022 TZS' Millions
Assets			
Cash and balances with Bank of Tanzania	21	1,340,934	1,551,341
Placements and balances with other banks	22	336,759	186,941
Loans and advances to customers	23	7,706,925	6,014,603
Investment securities			
- At amortised cost	24(a)	2,245,260	1,915,254
- At FVOCI	24(b)	28,345	28,778
Equity investment at FVOCI	25(a)	2,920	2,920
Other assets	26(a)	145,701	200,868
Current tax assets	18(c)	10,969	3,882
Property and equipment	27(a)	180,846	175,137
Intangible assets	28	37,347	18,290
Right-of-use assets	29(a)	25,232	27,063
Deferred income tax assets	30(a)	118,324	109,475
Total assets		12,179,562	10,234,552
Liabilities			
Deposits due to other banks	32	15,008	12,445
Deposits from customers	31(a)	8,465,608	7,594,832
Other liabilities	33(a)	194,044	148,206
Lease liabilities	29(c)	28,844	30,586
Provisions	34	2,431	2,079
Borrowings	35	1,380,193	749,354
Current tax liabilities	18(c)	-	5,602
Deferred income tax liability	30(b)	857	1,418
Total liabilities		10,086,985	8,544,522
Capital and reserves			
Share capital	37(i)	20,000	20,000
Retained earnings		2,066,586	1,664,821
Fair valuation reserve	37(iii)	1,550	1,086
Capital and reserves attributable to owners of the parent		2,088,136	1,685,907
Non-controlling interest		4,441	4,123
Total equity		2,092,577	1,690,030
Total equity and liabilities		12,179,562	10,234,552

The financial statements on pages 272 to 411 were approved and authorised for issue by the Board of Directors and were signed on its behalf by:



Dr. Edwin P. Mhede
Chairman

27th March 2024



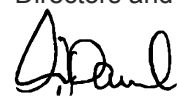
NMB BANK PLC

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

BANK'S STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

	Note	2023 TZS' Millions	2022 TZS' Millions
Assets			
Cash and balances with Bank of Tanzania	21	1,340,934	1,551,341
Placements and balances with other banks	22	336,759	186,941
Loans and advances to customers	23	7,706,925	6,014,603
Investment securities			
- At amortised cost	24(a)	2,245,260	1,915,254
- At FVOCI	24(b)	28,345	28,778
Equity investment at FVOCI	25(a)	2,920	2,920
Investment in subsidiary	25(b)	39,639	39,639
Other assets	26(b)	143,260	199,061
Current tax assets	18(d)	7,783	-
Property and equipment	27(b)	153,056	145,316
Intangible assets	28	37,347	18,290
Right-of-use assets	29(b)	60,325	65,072
Deferred tax assets	30(a)	118,324	109,475
Total assets		12,220,877	10,276,690
Liabilities			
Deposits due to other banks	32	15,008	12,445
Deposits from customers	31(b)	8,474,678	7,600,147
Other liabilities	33(b)	199,706	153,769
Lease liabilities	29(d)	65,193	68,733
Provisions	34	2,431	2,079
Borrowings	35	1,380,193	749,354
Current tax liabilities	18(d)	-	5,602
Total liabilities		10,137,209	8,592,129
Capital and reserves			
Share capital	37 (i)	20,000	20,000
Retained earnings		2,062,118	1,663,475
Fair valuation reserve	37 (iii)	1,550	1,086
Total equity		2,083,668	1,684,561
Total equity and liabilities		12,220,877	10,276,690

The financial statements on pages 272 to 411 were approved and authorised for issue by the Board of Directors and were signed on its behalf by:



Dr. Edwin P. Mhede
Chairman

27 March 2024

NMB BANK PLC

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent				Total equity TZS' Millions
	Share capital TZS' Millions	Retained earnings TZS' Millions	Fair valuation reserve TZS' Millions	Non- controlling interest TZS' Millions	
At 1 January 2023	20,000	1,664,821	1,086	4,124	1,690,031
Profit for the year	-	-	-	-	-
Other comprehensive income (OCI)	-	544,890	-	317	545,207
Gain of fair valuation	-	-	663	-	663
Deferred tax on OCI	-	-	(199)	-	(199)
Total comprehensive income	-	544,890	464	317	545,671
Transactions with owners	-	(143,125)	-	-	(143,125)
Dividends paid for the year 2022	-	-	-	-	-
At 31 December 2023	20,000	2,066,586	1,550	4,441	2,092,577

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent				Total equity TZS' Millions
	Share capital TZS' Millions	Retained earnings TZS' Millions	Fair valuation reserve TZS' Millions	Total TZS' Millions	
At 1 January 2022	20,000	1,330,091	564	1,350,583	1,354,566
Profit for the year	-	431,531	-	431,531	431,672
Other comprehensive income (OCI)	-	-	790	790	790
Gain of fair valuation	-	-	(268)	(268)	(268)
Deferred tax on OCI	-	-	-	-	-
Total comprehensive income	-	431,531	522	432,053	432,194
Transactions with owners	-	(96,729)	-	(96,729)	(96,729)
Dividends paid for the year 2021	-	-	-	-	-
At 31 December 2022	20,000	1,664,821	1,086	1,685,907	1,690,031

NMB BANK PLC
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

BANK'S STATEMENT OF CHANGES IN EQUITY

	Share capital TZS' Millions	Retained earnings TZS' Millions	Fair valuation reserve TZS' Millions	Total equity TZS' Millions
At 1 January 2023	20,000	1,663,475	1,086	1,684,561
Comprehensive income				
Profit for the year	-	541,768	-	541,768
Other comprehensive income (OCI)				
Gain of fair valuation	-	-	663	663
Deferred tax on OCI	-	-	(199)	(199)
Total comprehensive income	-	541,768	464	542,232
Transactions with owners				
Dividends paid for the year 2022	-	(143,125)	-	(143,125)
At 31 December 2023	20,000	2,062,118	1,550	2,083,668

At 1 January 2022	20,000	1,330,828	564	1,351,392
Comprehensive income				
Profit for the year	-	429,376	-	429,376
Other comprehensive income (OCI)				
Gain of fair valuation	-	-	790	790
Deferred tax on OCI	-	-	(268)	(268)
Total comprehensive income	-	429,376	522	429,898
Transactions with owners				
Dividends paid for the year 2021	-	(96,729)	-	(96,729)
At 31 December 2022	20,000	1,663,475	1,086	1,684,561



NMB BANK PLC
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2023 TZS' Millions	2022* TZS' Millions
Cash (used in)/generated from operations	39(a)	(51,850)	53,422
Interest received	24(a) & (b)	212,093	157,116
Interest paid	29(c) & 35	(66,301)	(42,721)
Tax refund	18(c)	-	11,746
Tax paid	18(c)	(251,330)	(188,256)
Net cash used in operating activities		(157,388)	(8,693)
Cash flows from investing activities			
Proceeds from government securities	24(a)	607,278	505,734
Investment in government securities	24(a)	(932,548)	(721,384)
Purchase of property and equipment	27(a)	(41,041)	(20,690)
Purchase of intangible assets	28	(22,903)	(9,394)
Proceeds on disposal of property and equipment		691	592
Lease acquisition		-	(3,368)
Dividends received	14	55	50
Net cash used in investing activities		(388,468)	(248,460)
Cash flows from financing activities			
Proceeds received from borrowings	35	785,238	427,518
Principal repaid on borrowings	35	(190,353)	(174,141)
Dividends paid	21	(143,125)	(96,729)
Repayment of lease liabilities	29(c)	(13,228)	(8,532)
Net cash generated from financing activities		440,516	150,164
Net decrease in cash and cash equivalents		(105,340)	(106,989)
Cash and cash equivalents at beginning of the year		1,277,542	1,406,497
Balances with mobile network operators		-	(21,966)
Cash and cash equivalents at end of the year	38	1,172,202	1,277,542
Analysis of cash and cash equivalents at end of the year:			
Cash in hand		549,108	474,888
Balances with Bank of Tanzania (excluding SMR)		286,335	615,713
Placements and balances with other banks		336,759	186,941
		1,172,202	1,277,542

*Comparative figures are reclassified. Refer to note 39.

NMB BANK PLC
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

BANK'S STATEMENT OF CASH FLOWS

	Note	2023 TZS' Millions	2022* TZS' Millions
Cash (used)/generated from operations	39(b)	(47,228)	56,905
Interest received	24(a) & (b)	212,093	157,116
Interest paid	29(d) & 35	(63,399)	(45,920)
Tax refund	18(d)	-	11,746
Tax paid	18(d)	(251,031)	(186,721)
Net cash used in operating activities		(155,565)	(6,874)
Cash flows from investing activities			
Proceeds from government securities	24(a)	607,278	505,734
Investment in government securities	24(a)	(932,548)	(721,384)
Purchase of property and equipment	27(b)	(41,041)	(20,690)
Purchase of intangible assets	28	(22,903)	(9,394)
Proceeds on disposal of property and equipment		691	590
Lease acquisition		-	(3,462)
Dividend received	14	55	50
Net cash used in investing activities		(388,468)	(248,556)
Cash flows from financing activities			
Proceeds from borrowings	35	785,238	427,518
Principal paid on borrowings	35	(190,353)	(174,141)
Dividends paid	21	(143,125)	(96,729)
Repayment of lease liabilities	29(d)	(13,067)	(8,207)
Net cash generated from financing activities		438,693	148,441
Net decrease in cash and cash equivalents		(105,340)	(106,989)
Cash and cash equivalents at the beginning of the year		1,277,542	1,406,497
Balances with mobile network operators		-	(21,966)
Cash and cash equivalents end of the year	38	1,172,202	1,277,542
Analysis of cash and cash equivalents at end of the year:			
Cash in hand		549,108	474,888
Balances with Bank of Tanzania (excluding SMR)		286,335	615,713
Placements and balances with other banks		336,759	186,941
		1,172,202	1,277,542

*Comparative figures are reclassified. Refer to note 39.



1. REPORTING ENTITY

NMB Bank Plc (the “Bank or “NMB”) is a public limited liability company and is incorporated and domiciled in the United Republic of Tanzania. The address of its registered office is as disclosed under corporate information.

The Bank is listed on the Dar es Salaam Stock Exchange (DSE). The Bank has equity investments in Tanzania Mortgage Refinance Company Limited (TMRC) and a subsidiary company named Upanga Joint Venture Company (UJVC) Limited.

The Bank’s financial statements and its subsidiary, UJVC (together, the “Group”) consolidated financial statements for the year ended 31 December 2023 were approved for issue by Those Charged with Governance on 15 March 2024. Neither the entity’s owners nor others have the power to amend the financial statements after issue.

2. BASIS OF PREPARATION

The consolidated and separate financial statements have been prepared on a historical cost basis, except for derivative financial instruments, other financial assets and liabilities held for trading and financial assets and liabilities designated at fair value through profit or loss (FVPL) and debt and equity instruments at fair value through other comprehensive income (FVOCI) all of which have been measured at fair value.

These consolidated and separate financial statements are directed at primary users, being investors who lend or provide equity capital to the reporting entity. These consolidated and separate financial statements assume that the primary users have a reasonable knowledge of business and economic activities and review and analyze the information diligently.

In the preparation of financial statements, the Bank has considered the impact of macro-economic and geopolitical uncertainty especially on areas which need significant estimates and judgements and considered materiality assessments.

The financial statements are presented in Tanzania shillings (TZS) which is the functional currency, and the amounts are rounded to the nearest million, except where otherwise indicated.

The Bank has prepared its consolidated and separate financial statements on the basis that it will continue to operate as a going concern.

3. STATEMENT OF COMPLIANCE

The Group’s consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

The Group’s consolidated and separate financial statements, except for cashflow statement, have been prepared using the accrual basis of accounting.

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 Group’s accounting policies.

3. STATEMENT OF COMPLIANCE (CONTINUED)

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 Group’s financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 7.

4. PRESENTATION OF FINANCIAL STATEMENTS

The Consolidated and Bank financial statements of NMB Bank Plc have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The Consolidated and Bank financial statements have been prepared under the historical cost convention, as modified by the revaluation of debt and equity instruments designated at fair value through other comprehensive income.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s and Bank’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Consolidated and Bank financial statements are disclosed in Note 7.

5. ADOPTION OF NEW AND REVISED STANDARDS

(a) Changes in material accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below.

(i) New standards and amendments to published standards effective for the year ended 31 December 2023

The following were new and revised IFRSs that have been effective in the current year. The Group’s and Bank’s application of the new and revised standards did not have material impact on the disclosures or on the amounts reported to these financial statements.

Amendments to IAS 12 In-come taxes: International Tax Reform – Pillar Two Model Rules (issued 23 May 2023)	In May 2023, the IASB issued narrow-scope amendments to IAS 12, ‘Income Taxes’. This amendment was introduced in response to the imminent implementation of the Pillar Two model rules released by the Organization for Economic Co-operation and Development’s (OECD) as a result of international tax reform.
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5. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

(a) Changes in material accounting policies (Continued)

(i) *New standards and amendments to published standards effective for the year ended 31 December 2023 (Continued)*

Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules (issued 23 May 2023) (Continued)	The amendments provide a temporary exception from the requirement to recognize and disclose deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar Two model rules. Companies may apply the exception immediately, but disclosure requirements are required for annual periods commencing on or after 1 January 2023. The amendment did not have a material impact on these consolidated and separate financial statements.
Amendments to IAS 1 and IFRS Practice Statement 2: Making material judgments, Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).	IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments resulted in changes in the presentation of these consolidated and separate financial statements, primarily by removing certain accounting policies that do not represent material accounting policy information that require disclosure based on assessment done by Management.
Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023), Deferred tax related to assets and liabilities arising from a single transaction.	The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognizing deferred tax when they recognize assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which both an asset and a liability are recognized. The amendments clarify that the exemption does not apply and that entities are required to recognize deferred tax on such transactions. The amendments require companies to recognize deferred tax on transactions that, on initial.

5. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

(a) Changes in material accounting policies (Continued)

(i) *New standards and amendments to published standards effective for the year ended 31 December 2023 (Continued)*

Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023), Deferred tax related to assets and liabilities arising from a single transaction. (Continued)	The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendment did not have a material impact on these consolidated and separate financial statements.
Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023).	The amendments include a number of clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard. The following amendments to IFRS 17 were made: • <i>Effective date:</i> The effective date of IFRS 17 (incorporating the amendments) has been deferred by two years to annual reporting periods beginning on or after 1 January 2023; and the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 has also been deferred to annual reporting periods beginning on or after 1 January 2023. • <i>Expected recovery of insurance acquisition cash flows:</i> An entity is required to allocate part of the acquisition costs to related expected contract renewals, and to recognise those costs as an asset until the entity recognises the contract renewals. Entities are required to assess the recoverability of the asset at each reporting date, and to provide specific information about the asset in the notes to the financial statements. • <i>Contractual service margin attributable to investment services:</i> Coverage units should be identified, considering the quantity of benefits and expected period of both insurance coverage and investment services, for contracts under the variable fee approach and for other contracts with an 'investment-return service' under the general model. Costs related to investment activities should be included as cash flows within the boundary of an insurance contract, to the extent that the entity performs such activities to enhance benefits from insurance coverage for the policyholder.



5. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

(a) Changes in material accounting policies (Continued)

(i) New standards and amendments to published standards effective for the year ended 31 December 2023 (Continued)

Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023). (Continued)	• Reinsurance contracts held – recovery of losses: When an entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or on addition of onerous underlying contracts to a group, an entity should adjust the contractual service margin of a related group of reinsurance contracts held and recognise a gain on the reinsurance contracts held. The amount of the loss recovered from a reinsurance contract held is determined by multiplying the loss recognised on underlying insurance contracts and the percentage of claims on underlying insurance contracts that the entity expects to recover from the reinsurance contract held. This requirement would apply only when the reinsurance contract held is recognised before or at the same time as the loss is recognised on the underlying insurance contracts.
Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023). (Continued)	• Other amendments: Other amendments include scope exclusions for some credit card (or similar) contracts, and some loan contracts; presentation of insurance contract assets and liabilities in the statement of financial position in portfolios instead of groups; applicability of the risk mitigation option when mitigating financial risks using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss; an accounting policy choice to change the estimates made in previous interim financial statements when applying IFRS 17; inclusion of income tax payments and receipts that are specifically chargeable to the policyholder under the terms of an insurance contract in the fulfilment cash flows; and selected transition reliefs and other minor amendments.
The adoption of the standard did not have a material impact on these consolidated and separate financial statements.	
IFRS 17 “Insurance Contracts” (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023).	IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in

5. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

(a) Changes in material accounting policies (Continued)

(i) New standards and amendments to published standards effective for the year ended 31 December 2023 (Continued)

IFRS 17 “Insurance Contracts” (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023). (Continued)	the group of contracts (the contractual service margin). Insurers are now recognizing the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity recognizes the loss immediately.
Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).	The amendment did not have a material impact on these consolidated and separate financial statements. The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates. The amendment did not have a material impact on these consolidated and separate financial statements.
Transition option for insurers applying IFRS 17 – Amendments to IFRS 17 (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023).	The amendment to the transition requirements in IFRS 17 provides insurers with an option aimed at improving the usefulness of information to investors on initial application of IFRS 17. The amendment relates to insurers’ transition to IFRS 17 only and does not affect any other requirements in IFRS 17. The transition requirements in IFRS 17 and IFRS 9 apply at different dates and result in the following one-time classification differences in the comparative information presented on initial application of IFRS 17: accounting mismatches between insurance contract liabilities measured at current value and any related financial assets measured at amortized cost; and if an entity chooses to restate comparative information for IFRS 9, classification differences between financial assets derecognized in the comparative period (to which IFRS 9 will not apply) and other financial assets (to which IFRS 9 will apply). The amendment helps insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets. When initially applying IFRS 17, entities are, for the purpose of presenting comparative information, permitted to apply a classification overlay to a financial asset for which the entity does not restate IFRS 9 comparative information. The transition option is available, on an instrument-by-instrument basis; allows an entity to present comparative information as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset, but not require an entity to apply the impairment requirements of IFRS 9; and require an entity that



5. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

(a) Changes in material accounting policies (Continued)

(i) *New standards and amendments to published standards effective for the year ended 31 December 2023 (Continued)*

Transition option for insurers applying IFRS 17 – Amendments to IFRS 17 (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023). (Continued)	applies the classification overlay to a financial asset to use reasonable and supportable information available at the transition date to determine how that financial asset is to be classified applying IFRS 9 The amendment did not have a material impact on these consolidated and separate financial statements.
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The application of the above amendments had no material impact on the Bank’s consolidated and separate financial statements.

(ii) *Impact of new amended standards and interpretations in issues but not yet effective standards and amendments for the year ended 31 December 2023*

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2024 or later, and which the Bank has not early adopted.

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024).	The amendments relate to the sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to subsequently measure liabilities arising from the transaction and in a way that it does not recognize any gain or loss related to the right of use that it retained. This means deferral of such a gain even if the obligation is to make variable payments that do not depend on an index or a rate.
Classification of liabilities as current or non-current – Amendments to IAS 1 (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024.	The Bank is currently assessing the impact of the amendments on its financial statements. These amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. The October 2022 amendment established that loan covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Management’s expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. A liability is classified as current if a condition is breached at or before the reporting.

5. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

(a) Changes in material accounting policies (Continued)

(ii) *New standards and amendments to published standards effective for the year ended 31 December 2023 (Continued)*

Classification of liabilities as current or non-current – Amendments to IAS 1 (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024 (continued).	date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. ‘Settlement’ is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity’s own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.
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Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Issued on 25 May 2023).

The Bank is currently assessing the impact of the amendments on its financial statements.
In response to concerns of the users of financial statements about inadequate or misleading disclosure of financing arrangements, in May 2023, the IASB issued amendments to IAS 7 and IFRS 7 to require disclosure about entity’s supplier finance arrangements (SFAs). These amendments require the disclosures of the entity’s supplier finance arrangements that would enable the users of financial statements to assess the effects of those arrangements on the entity’s liabilities and cash flows and on the entity’s exposure to liquidity risk. The purpose of the additional disclosure requirements is to enhance the transparency of the supplier’s finance arrangements. The amendments do not affect recognition or measurement principles but only disclosure requirements. The new disclosure requirements will be effective for the annual reporting periods beginning on or after 1 January 2024.

The Bank is currently assessing the impact of the amendments on its financial statements.

IFRS S1 (*General Requirements for Disclosure of Sustainability-related Financial Information*)

IFRS S1 - Sets out overall requirements with the objective to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to the primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.

IFRS S1 was issued in June 2023 and applies to annual reporting periods beginning on or after 1 January 2024.

The Bank is currently assessing the impact of the amendments on its financial statements.



5. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

(a) Changes in material accounting policies (Continued)

(ii) *New standards and amendments to published standards effective for the year ended 31 December 2023 (Continued)*

IFRS S2- (Climate-related Disclosures) (Continued)	IFRS S2 - Sets out the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity IFRS S2 was issued in June 2023 and applies to annual reporting periods beginning on or after 1 January 2024. The Bank is currently assessing the impact of the amendments on its financial statements.
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Unless otherwise described above, the new standards and interpretations are not expected to materially affect the Bank’s consolidated and separate financial statements.

6. MATERIAL ACCOUNTING POLICIES

(a) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Bank’s Executive Committee, which is the chief operating decision maker. Information about segment operations is provided under Note 8.

(b) Principles of consolidation and equity accounting

The consolidated financial statements incorporate the financial statements of the Bank and an entity controlled by the Bank, Upanga Joint Venture Company (UJVC) Limited (its subsidiary). The financial statements of the Bank and its subsidiary are made up to 31 December 2023.

(i) *Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Bank has control. The Bank controls an entity when the Bank is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. They are deconsolidated from the date that control ceases.

6. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(b) Principles of consolidation and equity accounting (Continued)

(i) *Subsidiaries (Continued)*

The acquisition method of accounting is used to account for business combinations by the Bank. Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

The accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Bank.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position respectively.

(ii) *Changes in ownership interests in subsidiaries without change of control*

The Bank treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Bank. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Bank.

(iii) *Disposal of subsidiaries*

When the Bank ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Bank had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

(iv) *Separate financial statements*

In the separate financial statements, investment in the subsidiary is accounted for at cost less impairment.



6. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(c) Interest income and expense

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

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

Interest income and expense for all interest-bearing financial instruments are recognized within 'interest income' or 'interest expense' in profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(d) Fee and commission income and expense

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

Fees and commission on other services such as ATMs, MNO, Agency banking and bancassurance are recognized at an amount which reflects the consideration which the Bank expects to be entitled in exchange for providing the services. All fees and commissions are generally recognized on an accrual basis when the service has been provided. The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. Commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognized as an adjustment to the effective interest rate on the loan.

6. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(d) Fee and commission income and expense (Continued)

Loan syndication fees are recognized as revenue when the syndication has been completed and the Bank has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party - such as the arrangement of the acquisition of shares or other securities, or the purchase or sale of businesses - are recognized on completion of the underlying transaction.

(e) Foreign currency translation

i. Functional and presentation currency

Items included in the financial statements of the Group and the Bank are measured using the currency of the primary economic environment in which the Group and the Bank operate (the "functional currency"). The financial statements are presented in Tanzania Shillings (TZS) rounded to the nearest million, which is the Group and Bank's functional currency.

ii. Transactions and balances

Foreign currency transactions are translated into Tanzania Shillings using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currency are translated with the closing rate as at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit or loss. All other foreign exchange gains and losses are presented in the statement of profit or loss and other comprehensive income on a net basis within other income or other expenses.

(f) Financial assets and financial liabilities

Initial recognition and measurement

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

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



6. MATERIAL ACCOUNTING POLICIES (CONTINUED)**(f) Financial assets and financial liabilities (continued)*****Initial recognition and measurement (Continued)***

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

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

Financial Assets**(i) Classification and subsequent measurement**

The Group classifies its financial assets in the following measurement categories:

- Fair Value through profit or loss (FVPL);
- Fair Value through Other Comprehensive Income (FVOCI); and
- Amortised cost.

The classification requirements for debts and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Classification and subsequent measurement of debt instruments depend on:

- (i) The Group's business model for managing the asset; and
- (ii) The cash flow characteristics of the asset.

6. MATERIAL ACCOUNTING POLICIES (CONTINUED)**(f) Financial assets and financial liabilities (continued)****Financial Assets (continued)****(i) Classification and subsequent measurement (continued)****Debt instruments (continued)**

Based on these factors, the Bank and Group classifies its debt instruments into one of the following three measurement categories:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 9. Interest income from these financial assets is included in 'Interest income' using effective interest rate method.
- **Fair value through other comprehensive income (FVOCI):** Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principals and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit and loss. When the financial asset is derecognised, interest income from these financial assets is included in 'interest income' using the effective interest rate method.
- **Fair value through profit or loss:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement within 'Net trading income' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in 'Net investment income'. Interest income from these financial assets is included in interest income' using the effective interest rate method.



6. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets and financial liabilities (continued)

Financial Assets (continued)

(i) Classification and subsequent measurement (continued)

Debt instruments (continued)

Business model: the business model reflects how the Bank and Group manages the assets in order to generate cash flows. That is, whether the Bank's and Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of the assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Group in determining the business model for group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. For example, the Bank's and Group's business model for the mortgage loan book is to hold to collect contractual cash flows, with sales of loans only being made internally to a consolidated SPV for the purpose of collateralising notes issued, with no resulting derecognition by the Bank and Group. Another example is the liquidity portfolio of assets, which are held by the Bank and Group as part of liquidity management and is generally classified within the hold to collect and sell business model. Securities held for trading are held principally for the purposes of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. These securities are classified in the 'other' business model and measured at FVPL.

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

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

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

Equity instruments

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

6. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets and financial liabilities (continued)

Financial Assets (continued)

(i) Classification and subsequent measurement (continued)

Equity instruments (continued)

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

Gains and losses on equity investments at FVPL are included in the 'Net trading income' line in the statement or profit or loss.

(ii) Impairment

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

- An unbiased and probability – weighted amount that is determined by evaluating a range of possible outcomes.
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or efforts at the reporting date about past events, current conditions and forecast of future economic conditions.

Details of the Group's impairment policy and disclosures are provided under Note 9.1.3 and 9.1.5.

(iii) Modifications of loans

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:



6. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets and financial liabilities (continued)

Financial Assets (continued)

(iii) Modifications of Loans (Continued)

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

If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of the initial recognition for impairment calculation purposes, including for the purposes of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as gains or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The Bank monitors the subsequent performance of modified assets. The Bank may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). The loan will remain in its original stage until it meets the criteria as described in Note 6 (f) (iv) on the next page.

6. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets and financial liabilities (continued)

Financial Assets (continued)

(iv) Curing of non-performing financial assets including restructured facilities.

An instrument is considered to no longer have SICR or be in default (i.e. to have cured) when it has been established that the obligor is able to meet the requirements of the agreed terms and conditions.

IFRS 9 allows credit exposures to migrate from higher credit risk categories to lower credit risk categories, that is, from stage 3 to stage 2 and from stage 2 to stage 1.

Under migration from stage 3 to stage 2, the Bank shall consider criteria for upgrade of credit accommodations as follows:

- in the case of overdraft facilities, the account has satisfactorily performed for a minimum period of two consecutive quarters; and
- In the case of term loans, the obligor has timely paid four consecutive installments.

On the other hand, credit exposures may migrate from stage 2 to stage 1 when there is a significant improvement of the credit exposure. In determining whether an exposure should shift backward from stage 2 to stage 1, The Bank shall consider the following;

- All outstanding payments on the credit facility are made on time and there are no payments in arrears.
- There is improvement of the quantitative and qualitative factors that caused significant increase of the credit risk.

Upgrade from stage 2 to stage 1 shall be subject to a monitoring period of 90 days for conventional loans and 30 days for Microfinance loans to confirm if the risk of default has decreased sufficiently before upgrading such exposure.

(v) Derecognition other than on a modification

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



6. MATERIAL ACCOUNTING POLICIES (CONTINUED)**(f) Financial assets and financial liabilities (continued)****Financial Assets (continued)****(v) Derecognition other than on a modification (continued)**

The Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Group:

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

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

Financial Liabilities**(i) Classification and subsequent measurement**

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

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to Changes in market conditions that give rise to market risk) and partially in profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expense incurred on the financial liability; and
- Financial guarantee contracts and loan commitments.

6. MATERIAL ACCOUNTING POLICIES (CONTINUED)**(f) Financial assets and financial liabilities (continued)****Financial Liabilities (continued)****(ii) Derecognition**

Financial liabilities are derecognized when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

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

Financial guarantee contracts and loan commitments

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

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance; and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

Loan commitments provided by the Group are measured as the amount of the loss allowance. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

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



6. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets and financial liabilities (continued)

Offsetting financial instruments

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

Financial guarantees

Financial guarantees are initially recognized in the consolidated and Bank financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guaranteed obligation.

Acceptances and letters of credit

Acceptances and letters of credit are accounted for as off-balance sheet transactions and disclosed as contingent liabilities.

Undrawn commitments

These are commitments the Bank has made to extend credit to customers and are accounted for as off-balance sheet transactions and disclosed as contingent liabilities.

(j) Borrowings

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

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates. The valuation gain and losses on the borrowings are recognized as part of foreign exchange income in the statement of profit and loss.

(k) Current and deferred income taxes

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate in accordance with the Income Tax Act, 2004 adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

6. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(h) Current and deferred income taxes (continued)

The current income tax charge is calculated based on the tax laws enacted or substantively enacted at the end of the reporting period in Tanzania where the Bank and its subsidiary operate and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with the Income Tax Act, 2004 interpretation. It establishes provisions where appropriate based on amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

(i) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as an interest expense.



6. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(j) Non-financial assets

i. Property and equipment

Property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent expenditures are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is provided on the straight-line basis so as to write down the cost of assets to their residual values over their useful economic lives, at the following rates:

	%
Building	5
Leasehold improvements	5-50
Brand New Motor vehicles	20
Used Motor vehicles	33.3
Furniture, fittings and equipment	20
Computer equipment	33.3

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the assets fair value, less costs to sell and value in use. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in other operating income in the profit or loss.

ii. 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 initially measured at amount of lease liability and subsequently adjusted with accumulated amortization and impairment losses, and any re-measurement 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 subject to impairment in line with the Bank's policy as described in Note 6(k).

iii. Intangible assets

The Bank's intangible assets have definite useful life and primarily include capitalized computer software. Acquired computer software licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with identifiable and unique software controlled by the Bank are recorded as intangible assets if the inflow of incremental economic benefits

6. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(j) Non-financial assets (continued)

iii. Intangible assets (continued)

exceeding costs is probable. Capitalized costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred.

(k) Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably.

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period. No indicators of impairment were identified therefore no non-financial assets were impaired in 2023 (2022: Nil).

(l) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less. For the Bank, cash and cash equivalents include cash and non-restricted balances with Bank of Tanzania, Investment securities and amounts due from other banks. Cash and cash equivalents exclude the cash reserve requirement held with the Bank of Tanzania. Cash and cash equivalents are carried at amortized cost.

(m) Employee benefits

i. Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.



6. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(m) Employee benefits (continued)

ii. Other long-term employee benefit obligations

The liabilities for gratuity payments to employees on a contract employment basis are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

iii. Post-employment obligations

The Bank has a statutory requirement to contribute to the Public Service Social Security Fund (PSSSF) and National Social Security Fund (NSSF), which are defined contribution schemes.

The Bank contributes 15% of the required 20% of gross emoluments to the scheme and the contributions are recognized as an expense in the period to which they relate. The remaining 5% is deducted from employees. The subsidiary of the Bank does not have any employees. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expenses when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(n) Share capital

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

(o) Dividend

Dividend distribution to the Bank's shareholders is recognized as a liability in the consolidated and separate financial statements in the period in which the dividends are approved by the Bank's shareholders.

(p) Earnings per share

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

6. MATERIAL ACCOUNTING POLICIES (CONTINUED)

(q) Leases

The Group 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 in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. The policy on recognition and measurement of right-of-use assets is presented on note 6(j(ii)).

Lease liabilities

At the commencement date of the lease, the Group recognizes 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 recognized as expenses in the period in which the event or condition that triggers the payment occurs.

(r) Contingencies and commitments

Transactions are classified as contingencies where the Bank and its subsidiary obligations depend on uncertain future events. Items are classified as commitments where the Bank and its subsidiary commit themselves to future transactions if the items will result in the acquisition of assets.

(s) Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

7. ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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



7. ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

I. Critical accounting judgement and estimates

Measurement of the expected credit loss allowance

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

- Determination criteria for significant increase in credit risk;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Estimating Probability of default, Exposure at Default and Loss Given Default

Detailed information about the judgement and estimates made by the Group are explained under note 9.

II. Other accounting judgements and estimates

a) Property and equipment, leased premises refurbishments and intangible assets

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

b) Business model assessment

The business model reflects how the Group manages the financial assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVPL.

7. ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

c) Assessment of whether contractual cash flows are Solely Payments of Principal and Interest (SPPI)

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

d) Taxes

The Group is subjected to several taxes and levies by various government and quasi- government regulatory bodies. As a rule of thumb, the Group recognizes liabilities for the anticipated tax/levies payable with utmost care and diligence. However, significant judgement is usually required in the interpretation and applicability of those taxes /levies. Should it come to the attention of management, in one way or the other, that the initially recorded liability was erroneous, such differences will impact on the income and liabilities in the period in which such differences are determined.

The recognition of deferred tax asset relies on an assessment of the probability and sufficiency of future taxable profit, future reversals of existing taxable temporary differences and ongoing tax planning and strategies. The judgment takes into consideration the effect of both positive and negative evidence, including historical financial performance, projections of future taxable income and future reversals of existing taxable temporary differences.

e) Provisions

The Bank and Group have provided for the liabilities arising out of contractual obligations. Professional expert advice is taken on establishing litigation provisions. Provisions for legal proceedings and regulatory matters typically require a higher degree of judgements than other types of provisions. When cases are at an early stage, accounting judgements can be difficult because of the high degree of uncertainty associated with determining whether a present obligation exists because of past event, estimating the probability of outflows and making estimates of the amount of any outflows that may arise. As matters progress through various stages of the cases, Management together with legal advisers evaluate on an ongoing basis whether provisions should be recognised, and the estimated amounts of any such provisions, revising previous judgements and estimates as appropriate.



7. ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)**f) Fair valuation of financial instruments**

The fair value of financial instruments traded in active markets at the financial reporting date is based on their quoted bid market price or dealer price quotations without any deductions for transaction costs. For all other financial assets not listed in an active market, the fair value is determined by using appropriate valuation techniques.

In determining the fair value of government securities that are designated as fair value through other comprehensive income, the Bank uses yields of similar instruments traded in Bank of Tanzania's auctions. Changes in valuation assumptions could affect the reported fair value of financial instruments. For example, to the extent that the Directors increased the yield rate by 1 basis point, the fair values would be estimated at TZS 28,392 million (2022: TZS 22,799 million) as compared to their reported fair value of TZS 28,345 million as at 31 December 2023 (2022: TZS 28,778 million). If the yield rate had decreased by 1 basis point the fair value would be estimated at TZS 28,298 million (2022: TZS 22,799 million).

In determining the fair value of unquoted equity investment in TMRC, the Bank used the price of recent transaction of the shares of the Company. If the price of the shares would have increased/decreased by 10% the fair value of the investments would have been increased/decreased by TZS 292 million (2022: TZS 292 million).

g) Leases - Estimating the incremental borrowing rate

Except for leases where the Group had sufficient information to identify the rate implicit in the lease, the Group utilizes Incremental Borrowing Rate (IBR) on nearly all of its leases. The IBR is the rate of interest that the Group 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 Group and Bank estimate the IBR starting internal borrowing rates as a base rate or using observable inputs (such as market interest rates) when available, and then adjust that rate for relevant factors which include Lessee-specific credit risk, amount of the lease payments, Collateralized nature of the lease, Quality of the lessee's collateral, lease term and Economic environment of the lease.

If the discount rate used would have increased by 10%, the lease liability of the Group and Bank would have decreased by 1,786 TZS million (2022: TZS 1,703 million). If the discount rate used would have decreased by 10%, the lease liability would have decreased by TZS 1,451 million (2022: TZS 1,867 million).

8. SEGMENT REPORTING

The Group has the following business segments: Treasury, Retail banking, Wholesale banking, and UJVC (the Bank's subsidiary). The operating segments are reported in a manner consistent with the internal reporting provided to the Bank's Executive Committee (The Chief Operating Decision-Maker), which is responsible for allocating resources to the reportable segments and assessing their performances. All operating segments used by the Group meet the definition of a reportable segment under IFRS 8.

8. SEGMENT REPORTING (CONTINUED)**Operating segments**

The Group comprises the following main operating segments:

- (i) **Wholesale Banking** - includes loans & advances to customers, customers deposits and borrowings from abroad that are used to finance lending to corporate customers in wholesale banking;
- (ii) **Retail Banking** - includes loans & advances to customers, customers deposits, public borrowings like sustainable bond, TMRC borrowings and borrowings from abroad used to facilitate lending in retail banking;
- (iii) **Treasury** - undertakes the Bank's funding and centralized risk management activities through borrowings, issues of debt securities, use of derivatives for risk management purposes and investing in liquid assets such as short-term placements and corporate and government debt securities. The segment includes cash and balances with Bank of Tanzania, placements and balances with other banks, investments in equity, government and debt securities and public bonds likes of Sukuk Bond and Shareholders fund;
- (iv) **UJVC** – includes operations of Upanga Joint Venture Company, a subsidiary of the Bank.

Assets and liabilities that don't fall under these categories are classified as unallocated balances.

Revenue and assets reported to the Bank's Executive Committee are measured in a manner consistent with that of the financial statements.

In arriving at segmented net interest income, an internal allocation of interest income and interest expenses between businesses has been done to recognize and measure how much each source of funding and each user of funding is contributing to overall profitability of the Bank. Operating expenses for the Bank have also been allocated to the business using an internally agreed allocation ratio.

All customers are based in Tanzania, except for interbank placements with corresponding banks. There was no income derived from transactions with a single external customer that amounted to 10% or more of the Bank's total income.



NMB BANK PLC
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. SEGMENT REPORTING (CONTINUED)

The segment information provided to the Bank's Executive Committee for the reportable segments for the year ended 31 December 2023 is as follows;

(All amounts in TZS million):

GROUP						
2023	Treasury	Whole-sale banking	Retail banking	UJVC	(Elimination)/ Consolidation	Total
Interest income	219,395	126,006	834,191	-	-	1,179,592
Interest expense	(4,438)	(130,623)	(111,016)	-	3,723	(242,354)
Net Interest Income	214,957	(4,617)	723,175		3,723	937,238
Loan impairment charges	-	(17,546)	(66,889)	-	-	(84,435)
Net fees and commission, trading, foreign exchange and other income*	73,025	67,328	328,027	-	-	468,380
Employee benefits expense	(26,813)	(56,605)	(214,505)	-	-	(297,923)
General and administrative expenses	(17,893)	(37,774)	(143,200)	(173)	24	(199,016)
Depreciation and Amortization	(4,529)	(9,562)	(36,237)	(2,031)	2,916	(49,443)
Profit /(loss) before tax	238,747	(58,776)	590,371	(2,204)	6,663	774,801
Income tax expense	(70,845)	17,441	(175,194)	(996)	-	(229,594)
Profit after tax	167,902	(41,335)	415,177	(3,200)	6,663	545,207

GROUP 2023	Treasury	Wholesale banking	Retail banking	UJVC	(Elimination)/ Consolidation	Total
Segment assets, liabilities and equity						
Segment assets	3,946,077	1,973,690	5,982,692	43,096	(84,412)	11,861,143
Unallocated assets	-	-	-	-	-	318,419
Total assets	3,946,077	1,973,690	5,982,692	43,096	(84,412)	12,179,562
Segment liabilities	194,439	4,288,393	5,418,959	1,658	(41,782)	9,861,666
Unallocated liabilities	-	-	-	-	-	225,319
Equity	2,092,577	-	-	41,439	(41,439)	2,092,577
Total liabilities and equity	2,287,016	4,288,393	5,418,959	43,097	(83,221)	12,179,562

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. SEGMENT REPORTING (CONTINUED)

The segment information provided to the Group's Executive Committee for the reportable segments for the year ended 31 December 2022 is as follows; (all amounts in TZS million):

GROUP (Continued)

2022	Treasury	Wholesale banking	Retail banking	UJVC	(Elimination)/ Consolidation	Total
Interest income	177,780	70,707	705,169	-	-	953,656
Interest expense	(7,735)	(62,128)	(97,444)	-	3,287	(164,020)
Net Interest Income	170,045	8,579	607,725	-	3,287	789,636
Loan impairment charges	-	(24,308)	(56,872)	-	-	(81,180)
Net fees and commission, trading, foreign exchange and other income	53,425	63,765	284,967	4,921	(4,946)	402,132
Employee benefits expense	(23,966)	(50,596)	(191,734)	-	-	(266,296)
General and administrative expenses	(15,741)	(33,232)	(125,937)	(603)	24	(175,489)
Depreciation and amortization	(4,905)	(10,356)	(39,248)	(2,032)	2,903	(53,638)
Profit /(loss) before tax	178,858	(46,148)	478,901	2,286	1,268	615,165
Income tax expense	(53,292)	13,750	(142,693)	(1,258)	-	(183,493)
Profit after tax	125,566	(32,398)	336,208	1,028	1,268	431,672

Segment assets, liabilities and equity						
Segment assets	3,719,911	1,078,768	5,194,447	40,741	(86,760)	9,947,107
Unallocated assets	-	-	-	-	-	287,445
Total assets	3,719,911	1,078,768	5,194,447	40,741	(86,760)	10,234,552
Segment liabilities	11,815	3,096,885	5,122,789	2,179	(42,473)	8,191,195
Unallocated liabilities	-	-	-	-	-	353,327
Equity	1,690,030	-	-	38,563	(38,563)	1,690,030
Total liabilities and equity	1,701,845	3,096,885	5,122,789	40,742	(81,036)	10,234,552



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FOR THE YEAR ENDED 31 DECEMBER 2023

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. SEGMENT REPORTING (CONTINUED)

The segment information provided to the Bank's Executive Committee for the reportable segments for the year ended 31 December 2023 is as follows;

(All amounts in TZS million):

BANK	Treasury	Wholesale banking	Retail banking	Total
2023				
Interest income	219,395	126,006	834,191	1,179,592
Interest expense	(4,438)	(130,623)	(111,016)	(246,077)
Net Interest Income	214,957	(4,617)	723,175	933,515
Loan impairment charges	-	(17,546)	(66,889)	(84,435)
Net fees and commission, trading, foreign exchange and other income	73,025	67,328	328,052	468,405
Employee benefits expense	(26,813)	(56,605)	(214,505)	(297,923)
General and administrative expenses	(17,893)	(37,774)	(143,199)	(198,866)
Depreciation and Amortization	(4,529)	(9,562)	(36,238)	(50,329)
Profit /(loss) before tax	238,747	(58,776)	590,396	770,367
Income tax expense	(70,845)	17,441	(175,195)	(228,599)
Profit after tax	167,902	(41,335)	415,201	541,768
Segment assets, liabilities and equity				
Segment assets	3,946,077	1,973,690	5,982,691	11,902,458
Unallocated assets	-	-	-	318,419
Total assets	3,946,077	1,973,690	5,982,691	12,220,877
Segment liabilities	194,653	4,273,203	5,402,023	9,869,879
Unallocated liabilities	-	-	-	267,330
Equity	2,083,668	-	-	2,083,668
Total liabilities and equity	2,278,321	4,273,203	5,402,023	12,220,877

*Included in net fees and commission, trading, foreign exchange and other income is:

Treasury – TZS 28 million from fees and commission income, TZS (364) million from fees and commission expense, TZS 7,527 million from trading income and TZS 65,835 million from foreign exchange income.

Wholesale banking – TZS 70,255 million from fees and commission income and TZS (2,927) from fees and commission expense.

Retail banking – TZS 399,023 million from fees and commission income, TZS (99,528) million from fees and commission expense and TZS 28,531 million (Bank: 28,556 million) from other income.

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FOR THE YEAR ENDED 31 DECEMBER 2023

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. SEGMENT REPORTING (CONTINUED)

The segment information provided to the Bank's Executive Committee for the reportable segments for the year ended 31 December 2022 is as follows;

(all amounts in TZS million).

BANK (Continued)	Treasury	Wholesale banking	Retail banking	Total
2022				
Interest income	177,780	70,707	705,169	953,656
Interest expense	(7,735)	(62,128)	(97,444)	(167,307)
Net Interest Income	170,045	8,579	607,725	786,349
Loan impairment charges	-	(24,308)	(56,872)	(81,180)
Net fees and commission, trading, foreign exchange and other income	53,425	63,765	284,967	402,157
Employee benefits expense	(23,966)	(50,596)	(191,734)	(266,296)
General and administrative expenses	(15,741)	(33,231)	(125,938)	(174,910)
Depreciation and Amortization	(4,905)	(10,356)	(39,248)	(54,509)
Profit /(loss) before tax	178,858	(46,147)	478,900	611,611
Income tax expense	(53,292)	13,750	(142,693)	(182,235)
Profit after tax	125,566	(32,397)	336,207	429,376
Segment assets, liabilities and equity				
Segment assets	3,719,911	1,078,768	5,194,447	9,993,126
Unallocated assets	-	-	-	283,564
Total assets	3,719,911	1,078,768	5,194,447	10,276,690
Segment liabilities	11,815	3,096,885	5,122,789	8,231,489
Unallocated liabilities	-	-	-	360,640
Equity	1,684,561	-	-	1,684,561
Total liabilities and equity	1,696,376	3,096,885	5,122,789	10,276,690

9. FINANCIAL RISK MANAGEMENT

The Bank's subsidiary does not have significant operations (Note 25 (b)). The financial assets and liabilities of the Bank's subsidiary mainly consist of loans from related parties that are eliminated on consolidation and other assets and liabilities that are not material to the Group. Consequently, the financial risk management information presented below relates only to the Bank.

The Bank's business involves taking on risks in a targeted manner and managing them professionally. The core functions of the Bank's risk management are to identify all key risks for the Bank, measure these risks, manage the risk positions and determine capital allocations. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Bank's financial performance.



9. FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk management is carried out by the Risk Department under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as credit risk, market risk (foreign exchange risk, interest risk and price risk) and liquidity risk. In addition, internal audit is responsible for the independent review of risk management and the control environment.

9.1 Credit risk

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

9.1.1 Credit risk measurement

Loans and advances

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This approach is similar to the one used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9. The loan book is split into term loans and overdrafts (secured & unsecured) and off-balance sheet items (these include letters of credit and guarantees, etc.).

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

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

Bank's rating	Number of days past due	IFRS Staging
Current	0 - 30	Stage 1
Especially mentioned	31 - 90	Stage 2
Sub-standard	91 -180	Stage 3
Doubtful	181 - 360	Stage 3
Loss	361 and more	Stage 3

9. FINANCIAL RISK MANAGEMENT (CONTINUED)

9.1 Credit risk (continued)

9.1.1 Credit risk measurement (continued)

Loans and advances (continued)

For internal monitoring of balances with other banks, banks are rated into three categories based on their financial position. Additionally, qualitative characteristics are taken into consideration when scoring a counterparty. Counterparts with a history of default are usually rated as Medium to High risk and dealing limits are cancelled.

Bank's rating	Score	Staging
Defaulted	Above 3	Stage 3
High	2.51 - 3	Stage 2
Medium	1.51 – 2.5	Stage 1
Low	1 -1.51	Stage 1

The Bank's balances with other banks as at 31 December 2023, are all low risk.



9. FINANCIAL RISK MANAGEMENT (CONTINUED)

9.1 Credit risk (continued)

9.1.1 Credit risk measurement (continued)

Loans and advances (continued)

The loans and advances to customers portfolio analysed for regulatory purposes is shown below:

	As at 31 December 2023					As at 31 December 2022				
Amounts in TZS' Millions	Secured	Unse-cured	Agri business	Overdraft	Total	Secured	Unse-cured	Agri business	Overdraft	Total
Current	2,010,730	4,640,873	574,297	288,136	7,514,036	1,095,587	4,059,865	470,028	229,762	5,855,242
Especially mentioned	131,265	16,560	30,962	16,917	195,704	123,142	10,555	50,200	8,444	192,341
Sub-standard	19,888	10,624	3,107	3,997	37,616	9,457	10,508	17,958	736	38,659
Doubtful	13,310	16,767	52,545	1,638	84,260	12,315	10,661	14,498	4,671	42,145
Loss	32,120	21,001	41,254	23,635	118,010	44,886	22,145	26,095	21,163	114,289
Gross carrying amount	2,207,313	4,705,825	702,165	334,323	7,949,626	1,285,387	4,113,734	578,779	264,776	6,242,676
Loss allowance	(132,879)	(40,828)	(52,287)	(16,707)	(242,701)	(124,370)	(37,248)	(43,260)	(23,195)	(228,073)
Carrying amount	2,074,434	4,664,997	649,878	317,616	7,706,925	1,161,017	4,076,486	535,519	241,581	6,014,603

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9 FINANCIAL RISK MANAGEMENT (CONTINUED)

9.1 Credit risk (continued)

9.1.2 Risk limit control and mitigation policies

(a) Lending limits

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

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

(b) Collateral

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

- Mortgages over residential and commercial properties;
- Cash collaterals;
- Chattel Mortgages
- Charges over business assets such as inventory and accounts receivable;
- Guarantees from government and financial institutions; and
- Charges over financial instruments such as debt securities and equities.

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

The Bank's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Bank since the prior period.



9 FINANCIAL RISK MANAGEMENT (CONTINUED)**9.1 Credit risk (continued)****9.1.2 Risk limit control and mitigation policies (continued)***(b) Collateral (continued)*

Apart from other categories, the Bank has been closely monitoring collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Bank will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

Credit impaired assets

(Amounts in TZS Millions)	Gross exposure	Expected Credit Losses	Carrying amount	Market Value of Collateral
At 31 December 2023				
Secured	65,318	22,927	42,391	116,157
Unsecured	48,392	25,103	23,289	-
Overdraft	29,270	12,631	16,639	33,610
Agribusiness	96,906	41,620	55,286	218,291
Total	239,886	102,281	137,605	368,058
At 31 December 2022				
Secured	66,658	28,039	35,936	63,146
Unsecured	43,314	24,602	18,712	-
Overdraft	26,570	12,932	13,639	22,452
Agribusiness	58,551	36,075	22,823	27,872
Total	195,093	101,648	91,110	113,470

(c) Credit-related commitments

The main purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit hold the same credit risk as loans. Documentary and commercial letters of credit - which are written undertakings by the Bank on behalf of a customer authorizing a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions - are collateralized by the underlying shipments of goods to which they relate. Undrawn commitments represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on undrawn commitments, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most undrawn commitments are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments

9. FINANCIAL RISK MANAGEMENT (CONTINUED)**9.1 Credit risk (continued)****9.1.3 Expected credit loss measurement**

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

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Bank.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Refer to note 9.1.3.1 for a description of how the Bank determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to note 9.1.3.2 for a description of how the Bank defines credit-impaired and default.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to note 9.1.3.3 for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Note 9.1.3.4 includes an explanation of how the Bank has incorporated this in its ECL models.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

Grouping of instruments for losses measured on a collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed based on shared risk characteristics, such that risk exposures within a group are homogeneous.

In performing this grouping, there must be sufficient information for the group to be statistically credible. Where sufficient information is not available internally, the Bank has considered benchmarking internal/external supplementary data to use for modelling purposes. The characteristics and any supplementary data used to determine groupings are outlined below:

- Product type (e.g. Overdraft, Term loans, Letter of credit etc.)
- Repayment type (e.g. Repayment/Interest only)
- Loan to value ratio for retail mortgages
- Credit risk grading
- Industry – Agribusiness loans are assessed independently in their own model
- Collateral type – whether secured or unsecured



9. FINANCIAL RISK MANAGEMENT (CONTINUED)

9.1 Credit risk (continued)

9.1.3: Expected credit loss measurement (continued)

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

The following exposures are assessed individually:

- Stage 3 loans, secured loans and overdraft facilities
- Properties in repossession proceedings

The appropriateness of groupings is monitored and reviewed on a periodic basis by the Credit Risk team.

The Bank groups its exposures based on product type and has specified the following default product segments under the 'product type' criteria where each product is identified by a specific product code.

Secured term loans - This group comprises all term loan products secured by collateral i.e. legal mortgage, guarantee or cash cover. Products in this group consist of Corporate, MSE, Special Asset Loan, Invoice Financing loans, Personal loans with cash cover, SME, Staff mortgage and Car loans.

Unsecured term loans - This comprises all unsecured facilities. Products in this group consist of Staff loans, Salaries Workers' Loans and salary advance.

Agribusiness loans – This group comprises all term loans and overdraft facility advances to customers engaged in agriculture operations. It comprises customers classified as SME and Corporates.

Overdrafts – This group comprises all overdraft advances to customers issued to SME and Corporate customers other than those included in Agribusiness.

Off balance sheet items – This group comprises all financial guarantees, letter of credit and unutilized loan commitments.

9.1.3.1 Significant increase in credit risk (SICR)

The Bank considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Qualitative criteria

Loans and advances to customers

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

- Direct debit cancellation;
- Extension to the terms granted;

9. FINANCIAL RISK MANAGEMENT (CONTINUED)

9.1 Credit risk (continued)

9.1.3: Expected credit loss measurement (continued)

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

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

The assessment of SICR incorporates forward-looking information and is performed on an annual basis at a portfolio level. A watch list is used to monitor credit risk on a monthly basis through the Loan Portfolio Quality (LPQ) committee. This assessment is performed at the counterparty level. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the independent Credit Risk team.

Loans and advances to banks

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

- Significant counterparty management restructuring or re-organisation due to prolonged poor performance of the entity;
- Significant change in regulatory, economic, or technological environment of the borrower that results in a significant change in ability to meet its debt obligations; and
- Significant reductions in financial support from a parent entity that resulted to significant adverse change of operating results of the counterparty.

9.1.3.2 Definition of default and credit impaired assets

Government securities

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

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



9. FINANCIAL RISK MANAGEMENT (CONTINUED)

9.1 Credit risk (continued)

9.1.3: Expected credit loss measurement (continued)

9.1.3.2 Definition of default and credit impaired assets (Continued)

Quantitative criteria:

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

Low credit risk

Government securities such as treasury bills and bonds measured at amortized cost and at fair value through other comprehensive income are classified as low credit risk financial instruments and impairment will be recorded only if there is evidence of expected default on Government securities. It is important to note that there is no history of default on the Tanzanian Government securities.

Loans and advances to customers

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

Quantitative

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

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

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

9. FINANCIAL RISK MANAGEMENT (CONTINUED)

9.1 Credit risk (continued)

9.1.3: Expected credit loss measurement (continued)

9.1.3.2: Definition of default and credit impaired assets (continued)

Qualitative (Continued)

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

Loans and advances to banks

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

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

Government securities

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

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

9.1.3.3: Measuring ECL — Explanation of inputs, assumptions and estimation techniques

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

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.



9. FINANCIAL RISK MANAGEMENT (CONTINUED)

9.1 Credit risk (continued)

9.1.3: Expected credit loss measurement (continued)

9.1.3.3: Measuring ECL — Explanation of inputs, assumptions and estimation techniques (Continued)

- EAD is based on the amounts the Bank expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Bank includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- The Bank estimates the Loss Given Default for unsecured term loans based on recoveries on loans that defaulted and were written off and collections from loans that defaulted but were not written off. On secured term loans and overdraft facilities the Bank considers collateral value discounted using an effective interest rate. An average LGD obtained from NPL collections and recoveries of secured segment applied for few credit facilities under secured segment with no collaterals attachment following the agreed special arrangement on securities.
- The probability of default for off-balance sheets items has been estimated at 0.05% based on Basel due to limitation of historical default data and loss given default estimated using collateral value discounted using an effective interest rate.

9.1.3.4: Forward-looking information incorporated in the ECL models

The assessment of PDs and the calculation of ECL incorporate forward-looking information. The Bank has performed historical analysis and identified the key macro-economic variables affecting credit risk and expected credit losses for each portfolio. These macro-economic variables and their associated impact on the PD vary between secured and unsecured loans and off-balance sheet exposure. Expert judgment has also been applied in this process. Forecasts of these macro-economic variables (the “base scenario”) are provided by the Bank economists on an annual basis and provide the best estimate view of the economy over the next five years.

After three years, to project the economic variables out for the full remaining lifetime of each instrument, a mean reversion approach has been used, which means that economic variables tend to reflect either a long run average rate (e.g. unemployment) or long run average growth rate (e.g. GDP, private credit growth) over a period of the past three years. The impact of these economic variables on the PD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates.

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

9. FINANCIAL RISK MANAGEMENT (CONTINUED)

9.1 Credit risk (continued)

9.1.3: Expected credit loss measurement (continued)

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

The scenario weightings are determined by a combination of statistical analysis and expert economic judgement, taking account of the range of possible outcomes each chosen scenario is representative of. Following this assessment, the Bank measures ECL as either a probability weighted 12-month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs).

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

Economic variable assumptions

The review of economic variables has been done on a regular basis whereby Gross National Expenditure (GNE) and Credit Growth in Private Sector were applied in 2023.

The most significant period-end assumptions used for the ECL estimate as at 31 December 2023 and 31 December 2022 are set out below.

Credit growth in private sector	2022	2023	2024	2025	2026
Base	5.2%	9.6%	6.0%	3.0%	4.5%
Upside	7.2%	12.0%	8.0%	4.5%	5.2%
Downside	4.5%	7.2%	5.2%	1.7%	3.0%

Credit growth in private sector	2021	2022	2023	2024	2025
Base	4.5%	5.2%	9.6%	6.0%	3.0%
Upside	5.2%	7.2%	12.0%	8.0%	4.5%
Downside	3.0%	4.5%	7.2%	5.20%	1.7%



9. FINANCIAL RISK MANAGEMENT (CONTINUED)**9.1 Credit risk (continued)****9.1.3: Expected credit loss measurement (continued)****9.1.3.4: Forward-looking information incorporated in the ECL models (Continued)**

During the year the Bank's model incorporated the new assumption of the Gross National Expenditure (GNE) as shown in the following table.

GNE as percentage of GDP	2022	2023	2024	2025	2026
Base	59%	62%	59%	57%	58%
Upside	64%	67%	66%	58%	62%
Downside	57%	59%	58%	55%	57%

GNE as percentage of GDP	2021	2022	2023	2024	2025
Base	62%	59%	62%	59%	57%
Upside	64%	64%	67%	66%	58%
Downside	59%	57%	59%	58%	55%

For the years 2022 and 2023, the weightings assigned to each economic scenario were 80%, 10% and 10% for "base", "upside" and "downside" respectively.

If the credit growth in private sector changed by 10% and the GNE changed by 10%, the changes in expected loss allowance would have been as follows:

Sensitivity Analysis (Amounts in TZS Millions)	2023		2022	
	Higher end	Lower end	Higher end	Lower end
Secured term loans	3,768	(3,515)	2,253	(2,223)
Unsecured term loans	3,372	(3,145)	1,730	(1,579)
Overdraft facilities	1,654	(1,542)	3,021	(3,021)
Agribusiness	1,017	(949)	849	(822)
Total expected credit loss	9,810	(9,150)	7,853	(7,645)

9. FINANCIAL RISK MANAGEMENT (CONTINUED)**9.1 Credit risk (continued)****9.1.4 Credit risk exposure****9.1.4.1: Maximum exposure to credit risk – Financial instruments subject to impairment**

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

Model Segment	Stage 1		Stage 2		Stage 3		Grand Total	
	Gross Carrying Amount	ECL Amount	Gross Carrying Amount	ECL Amount	Gross Carrying Amount	ECL Amount	Gross Carrying Amount	ECL Amount
2023								
Agribusiness	574,297	9,844	30,962	823	96,906	41,620	702,165	52,287
Overdraft	288,136	3,940	16,917	136	29,270	12,631	334,323	16,707
Secured	2,010,730	9,947	131,265	100,005	65,318	22,927	2,207,313	132,879
Unsecured	4,640,873	15,527	16,560	199	48,392	25,103	4,705,825	40,828
Total	7,514,036	39,257	195,704	101,163	239,886	102,281	7,949,626	242,701
2022								
Agribusiness	470,028	4,354	50,200	2,831	58,551	36,075	578,779	43,260
Overdraft	229,762	4,294	8,444	5,969	26,570	12,932	264,776	23,195
Secured	1,095,587	6,862	123,142	89,469	66,658	28,039	1,285,387	124,370
Unsecured	4,059,865	12,399	10,555	247	43,314	24,602	4,113,734	37,248
Total	5,855,242	27,909	192,341	98,516	195,093	101,648	6,242,676	228,073

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9. FINANCIAL RISK MANAGEMENT (CONTINUED)
9.1 Credit risk (continued)
9.1.4 Credit risk exposure (continued)
9.1.4.1: Maximum exposure to credit risk – Financial instruments subject to impairment (Continued)
(a) Secured term loans

(a) Secured term loans	ECL Staging			
Amounts in TZS' Millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 31 December 2023				
Current	2,010,730	-	-	2,010,730
Especially mentioned	-	131,265	-	131,265
Sub-standard	-	-	19,888	19,888
Doubtful	-	-	13,310	13,310
Loss	-	-	32,120	32,120
Gross carrying amount	2,010,730	131,265	65,318	2,207,313
Loss allowance	(9,947)	(100,005)	(22,927)	(132,879)
Carrying amount	2,000,783	31,260	(42,391)	2,074,434
As at 31 December 2022				
Current	1,095,587	-	-	1,095,587
Especially mentioned	-	123,142	-	123,142
Sub-standard	-	-	9,457	9,457
Doubtful	-	-	12,315	12,315
Loss	-	-	44,886	44,886
Gross Carrying amount	1,095,587	123,142	66,658	1,285,387
Loss allowance	(6,862)	(89,469)	(28,039)	(124,370)
Carrying amount	1,088,725	33,673	38,619	1,161,017

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9. FINANCIAL RISK MANAGEMENT (CONTINUED)
9.1 Credit risk (continued)
9.1.4 Credit risk exposure (continued)
9.1.4.1: Maximum exposure to credit risk – Financial instruments subject to impairment (Continued)
(b) Unsecured term loans

(b) Unsecured term loans	ECL Staging			
Amounts in TZS' Millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 31 December 2023				
Current	4,640,873	-	-	4,640,873
Especially mentioned	-	16,560	-	16,560
Sub-standard	-	-	10,624	10,624
Doubtful	-	-	16,767	16,767
Loss	-	-	21,001	21,001
Gross carrying amount	4,640,873	16,560	48,392	4,705,825
Loss allowance	(15,527)	(199)	(25,103)	(40,828)
Carrying amount	4,625,346	16,361	23,289	4,664,997
As at 31 December 2022				
Current	4,059,865	-	-	4,059,865
Especially mentioned	-	10,555	-	10,555
Sub-standard	-	-	10,508	10,508
Doubtful	-	-	10,661	10,661
Loss	-	-	22,145	22,145
Gross Carrying amount	4,059,865	10,555	43,314	4,113,734
Loss allowance	(12,399)	(247)	(24,602)	(37,248)
Carrying amount	4,047,466	10,308	18,712	4,076,486



9. FINANCIAL RISK MANAGEMENT (CONTINUED)

9.1 Credit risk (continued)

9.1.4 Credit risk exposure (continued)

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

(c) Agribusiness

(c) Agribusiness	ECL Staging			
Amounts in TZS' Millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 31 December 2023				
Current	574,297	-	-	574,297
Especially mentioned	-	30,962	-	30,962
Sub-standard	-	-	3,107	3,107
Doubtful	-	-	52,545	52,545
Loss	-	-	41,254	41,254
Gross carrying amount	574,297	30,962	96,906	702,165
Loss allowance	(9,844)	(823)	(41,620)	(52,287)
Carrying amount	564,453	30,139	55,286	649,878
As at 31 December 2022				
Current	470,028	-	-	470,028
Especially mentioned	-	50,200	-	50,200
Sub-standard	-	-	17,958	17,958
Doubtful	-	-	14,498	14,498
Loss	-	-	26,095	26,095
Gross Carrying amount	470,028	50,200	58,551	578,779
Loss allowance	(4,354)	(2,831)	(36,065)	(43,250)
Carrying amount	465,674	47,369	22,486	535,529

9. FINANCIAL RISK MANAGEMENT (CONTINUED)

9.1 Credit risk (continued)

9.1.4 Credit risk exposure (continued)

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

(d) Overdraft

(d) Overdraft	ECL Staging			
Amounts in TZS' Millions	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 31 December 2023				
Current	288,136	-	-	288,136
Especially mentioned	-	16,917	-	16,917
Sub-standard	-	-	3,997	3,997
Doubtful	-	-	1,638	1,638
Loss	-	-	23,635	23,635
Gross carrying amount	288,136	16,917	29,270	334,323
Loss allowance	(3,940)	(136)	(12,631)	(16,707)
Carrying amount	284,196	16,781	16,639	317,616
As at 31 December 2022				
Current	229,762	-	-	229,762
Especially mentioned	-	8,444	-	8,444
Sub-standard	-	-	736	736
Doubtful	-	-	4,671	4,671
Loss	-	-	21,163	21,163
Gross Carrying amount	229,762	8,444	26,570	264,776
Loss allowance	(4,294)	(5,969)	(12,932)	(23,195)
Carrying amount	225,468	2,475	13,638	241,581



9. FINANCIAL RISK MANAGEMENT (CONTINUED)**9.1 Credit risk (continued)****9.1.4 Credit risk exposure (continued)****9.1.4.1: Maximum exposure to credit risk – Financial instruments subject to impairment (Continued)**

	2023 TZS' Millions	2022 TZS' Millions
(e) Off balance sheet exposures		
Guarantees and Indemnities	1,028,592	558,225
Undrawn Commitments	319,530	242,993
Acceptances and letters of credit	1,067,864	1,151,212
Gross carrying amount	2,415,986	1,952,430
Loss allowance	(411)	(275)
Net carrying amount	2,415,575	1,952,155

Provision for loss allowance relating to off-balance sheet exposures is disclosed under other liabilities.

9.1.5: Loss allowance

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

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

All changes implemented in model assumptions particularly on forward looking information, incorporation of collaterals in estimation of Loss Given Default (LGD) and changes in model assumptions in estimation of Loss Given Default (LGD) has reasonably impacted the loss allowance as of 31 December 2023.

9. FINANCIAL RISK MANAGEMENT (CONTINUED)**9.1 Credit risk (continued)****9.1.5 Loss allowance (continued)****9.1.5.1 Changes in loss allowance**

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

Total Loans and advances Amounts in TZS'	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2023	27,909	98,516	101,648	228,073
Segment Reallocation	-	-	-	-
Movements				
Transfer from stage 1 to stage 2	(117)	117	-	-
Transfer from stage 1 to stage 3	(703)	-	703	-
Transfer from stage 2 to stage 1	546	(546)	-	-
Transfer from stage 2 to stage 3	-	149	(149)	-
Transfer from stage 3 to stage 1	559	-	(559)	-
Transfer from stage 3 to stage 2	-	2,912	(2,912)	-
Maintained Stage and other movements	22,326	95,572	98,367	216,265
New Financial assets originated or purchased	15,061	134	4,032	19,227
Financial assets that have been de-recognized	(26,314)	(95,673)	(54,545)	(176,532)
Net profit or loss charge during the period	11,358	2,665	44,937	58,960
Other movements with no profit or loss impact				
Write-offs	(10)	(18)	(44,304)	(44,332)
As at 31 December 2023	39,257	101,163	102,281	242,701
As at 1 January 2022	43,425	84,378	82,183	209,986
Segment Reallocation	(4)	-	(85)	(89)
Movements				
Transfer from stage 1 to stage 2	(91)	91	-	-
Transfer from stage 1 to stage 3	(4,037)	-	4,037	-
Transfer from stage 2 to stage 1	508	(508)	-	-
Transfer from stage 2 to stage 3	-	213	(213)	-
Transfer from stage 3 to stage 1	1,133	-	(1,133)	-
Transfer from stage 3 to stage 2	-	2,855	(2,855)	-
Maintained Stage and other movements	13,199	14,654	66,749	94,602
New Financial assets originated or purchased	8,208	759	11,039	20,006
Financial assets that have been de-recognized	(34,398)	(1,086)	(32,878)	(68,362)
Net profit or loss charge during the period	(15,478)	16,978	44,746	46,246
Other movements with no profit or loss impact				
Write-offs	(34)	(2,840)	(25,196)	(28,070)
As at 31 December 2022	27,909	98,516	101,648	228,073

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9. FINANCIAL RISK MANAGEMENT (CONTINUED)
9.1 Credit risk (continued)
9.1.5 Loss allowance (continued)
9.1.5.1 Changes in loss allowance (continued)

(a) Secured term loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Amounts in TZS'				
As at 1 January 2023	6,862	89,469	28,039	124,370
Segment Reallocation	-	-	-	-
Movements				
Transfer from stage 1 to stage 2	(8)	8	-	-
Transfer from stage 1 to stage 3	(130)	-	130	-
Transfer from stage 2 to stage 1	29	(29)	-	-
Transfer from stage 2 to stage 3	-	62	(62)	-
Transfer from stage 3 to stage 1	175	-	(175)	-
Transfer from stage 3 to stage 2	-	327	(327)	-
Maintained Stage and other movements	9,589	99,609	23,195	132,393
New Financial assets originated or purchased	292	5	202	499
Financial assets that have been de-recognized	(6,861)	(89,444)	(16,711)	(113,016)
Net profit or loss charge during the period	3,086	10,538	6,251	19,875
Other movements with no profit or loss impact				
Write-offs	(1)	(2)	(11,363)	(11,366)
As at 31 December 2023	9,947	100,005	22,927	132,879
As at 1 January 2022	6,145	81,159	36,088	123,392
Segment Reallocation	-	-	-	-
Movements				
Transfer from stage 1 to stage 2	(4)	4	-	-
Transfer from stage 1 to stage 3	(2,769)	-	2,769	-
Transfer from stage 2 to stage 1	29	(29)	-	-
Transfer from stage 2 to stage 3	-	-	-	-
Transfer from stage 3 to stage 1	76	-	(76)	-
Transfer from stage 3 to stage 2	-	31	(31)	-
Maintained Stage and other movements	9,472	9,097	18,956	37,525
New Financial assets originated or purchased	56	1	44	101
Financial assets that have been de-recognized	(6,142)	(786)	(17,130)	(24,058)
Net profit or loss charge during the period	718	8,318	4,532	13,568
Other movements with no profit or loss impact				
Write-offs	(1)	(8)	(12,581)	(12,590)
As at 31 December 2022	6,862	89,469	28,039	124,370

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. FINANCIAL RISK MANAGEMENT (CONTINUED)
9.1 Credit risk (continued)
9.1.5 Loss allowance (continued)
9.1.5.1 Changes in loss allowance (continued)

(b) Unsecured term loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Amounts in TZS'				
As at 1 January 2023	12,400	246	24,602	37,248
Segment Reallocation	-	-	-	-
Movements				
Transfer from stage 1 to stage 2	(65)	65	-	-
Transfer from stage 1 to stage 3	(499)	-	499	-
Transfer from stage 2 to stage 1	33	(33)	-	-
Transfer from stage 2 to stage 3	-	87	(87)	-
Transfer from stage 3 to stage 1	74	-	(74)	-
Transfer from stage 3 to stage 2	-	122	(122)	-
Maintained Stage and other movements	1,510	(168)	21,125	22,467
New Financial assets originated or purchased	14,474	126	3,791	18,391
Financial assets that have been de-recognized	(12,391)	(232)	(14,053)	(26,676)
Net profit or loss charge during the period	3,136	(33)	11,079	14,182
Other movements with no profit or loss impact				
Write-offs	(9)	(14)	(10,578)	(10,601)
As at 31 December 2023	15,527	199	25,103	40,829
As at 1 January 2022	13,537	160	20,577	34,274
Segment Reallocation	-	-	-	-
Movements				
Transfer from stage 1 to stage 2	(45)	45	-	-
Transfer from stage 1 to stage 3	(853)	-	853	-
Transfer from stage 2 to stage 1	38	(38)	-	-
Transfer from stage 2 to stage 3	-	213	(213)	-
Transfer from stage 3 to stage 1	71	-	(71)	-
Transfer from stage 3 to stage 2	-	67	(67)	-
Maintained Stage and other movements	5,053	(733)	10,050	14,370
New Financial assets originated or purchased	8,142	758	10,983	19,883
Financial assets that have been de-recognized	(13,525)	(145)	(9,829)	(23,499)
Net profit or loss charge during the period	(1,119)	167	11,706	10,754
Other movements with no profit or loss impact				
Write-offs	(18)	(81)	(7,681)	(7,780)
As at 31 December 2022	12,400	246	24,602	37,248



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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. FINANCIAL RISK MANAGEMENT (CONTINUED)
9.1 Credit risk (continued)
9.1.5 Loss allowance (continued)
9.1.5.1 Changes in loss allowance (continued)
(c) Agribusiness loans

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Amounts in TZS'				
As at 1 January 2023	4,354	2,831	36,075	43,260
Segment Reallocation	-	-	-	-
Movements				
Transfer from stage 1 to stage 2	(28)	28	-	-
Transfer from stage 1 to stage 3	(74)	-	74	-
Transfer from stage 2 to stage 1	379	(379)	-	-
Transfer from stage 2 to stage 3	-	-	-	-
Transfer from stage 3 to stage 1	287	-	(287)	-
Transfer from stage 3 to stage 2	-	2,462	(2,462)	-
Maintained Stage and other movements	7,400	(4,091)	41,393	44,702
New Financial assets originated or purchased	292	3	39	334
Financial assets that have been de-recognized	(2,766)	(31)	(16,629)	(19,426)
Net profit or loss charge during the period	5,490	(2,008)	22,128	25,610
Other movements with no profit or loss impact				
Write-offs	(1)	-	(16,583)	(16,584)
As at 31 December 2023	9,843	824	41,620	52,287
As at 1 January 2022	17,194	3,011	19,703	39,908
Segment Reallocation	(3)	-	-	(3)
Movements				
Transfer from stage 1 to stage 2	(35)	35	-	-
Transfer from stage 1 to stage 3	(399)	-	399	-
Transfer from stage 2 to stage 1	412	(412)	-	-
Transfer from stage 2 to stage 3	-	-	-	-
Transfer from stage 3 to stage 1	775	-	(775)	-
Transfer from stage 3 to stage 2	-	2,748	(2,748)	-
Maintained Stage and other movements	(4,596)	296	24,531	20,231
New Financial assets originated or purchased	9	0	12	21
Financial assets that have been de-recognized	(8,990)	(103)	(3,180)	(12,273)
Net profit or loss charge during the period	(12,824)	2,564	18,239	7,979
Other movements with no profit or loss impact				
Write-offs	(13)	(2,744)	(1,867)	(4,624)
As at 31 December 2022	4,354	2,831	36,075	43,260

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. FINANCIAL RISK MANAGEMENT (CONTINUED)
9.1 Credit risk (continued)
9.1.5 Loss allowance (continued)
9.1.5.1 Changes in loss allowance (continued)
(d) Overdraft

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Amounts in TZS'				
As at 1 January 2023	4,294	5,968	12,932	23,194
Segment Reallocation	-	-	-	-
Movements				
Transfer from stage 1 to stage 2	(16)	16	-	-
Transfer from stage 1 to stage 3	-	-	-	-
Transfer from stage 2 to stage 1	105	(105)	-	-
Transfer from stage 2 to stage 3	-	-	-	-
Transfer from stage 3 to stage 1	23	-	(23)	-
Transfer from stage 3 to stage 2	-	1	(1)	-
Maintained Stage and other movements	3,827	223	12,654	16,704
New Financial assets originated or purchased	3	-	-	3
Financial assets that have been de-recognized	(4,296)	(5,966)	(7,152)	(17,414)
Net profit or loss charge during the period	(354)	(5,832)	5,479	(707)
Other movements with no profit or loss impact				
Write-offs	-	-	(5,780)	(5,780)
As at 31 December 2023	3,940	137	12,631	16,707
As at 1 January 2022	6,549	48	5,815	12,412
Segment Reallocation	(2)	-	(85)	(87)
Movements				
Transfer from stage 1 to stage 2	(7)	7	-	-
Transfer from stage 1 to stage 3	(15)	-	15	-
Transfer from stage 2 to stage 1	30	(30)	-	-
Transfer from stage 2 to stage 3	-	-	-	-
Transfer from stage 3 to stage 1	211	-	(211)	-
Transfer from stage 3 to stage 2	-	9	(9)	-
Maintained Stage and other movements	3,270	5,994	13,212	22,476
New Financial assets originated or purchased	-	-	1	1
Financial assets that have been de-recognized	(5,740)	(53)	(2,738)	(8,531)
Net profit or loss charge during the period	(2,251)	5,927	10,270	13,946
Other movements with no profit or loss impact				
Write-offs	(2)	(7)	(3,068)	(3,077)
As at 31 December 2022	4,294	5,968	12,932	23,194



9. FINANCIAL RISK MANAGEMENT (CONTINUED)**9.1 Credit risk (continued)****9.1.5 Loss allowance (continued)****9.1.5.1 Changes in loss allowance (continued)**

		2023 TZS' Millions	2022 TZS' Millions
<i>(e) Off-balance sheet items</i>			
As at 1 January		276	163
Movements			
New financial guarantees		188	140
Matured financial guarantees		(53)	(27)
Net profit or loss charge during the period		135	113
As at 31 December		411	276
Allowance charged to profit or loss during the year			
Secured loans	9.1.5 (a)	19,875	13,568
Unsecured loans	9.1.5 (b)	14,182	10,754
Agribusiness loans	9.1.5 (c)	25,610	7,979
(Profit)/Loss - Overdraft facilities	9.1.5 (d)	(707)	13,947
Loss on derecognition of assets		25,390	34,819
Total on-balance sheet charge		84,350	81,067
Off-balance sheet exposures	12 (b)	135	113
As at 31 December		84,485	81,180

9.1.5.2 Changes in gross carrying amount

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

The growth of new Salaried Workers Loans and other consumers' loans originated during the period, aligned with the Bank's organic growth objective, increase the gross carrying amount of the unsecured book by 14% (2022: 21%) while secured book significantly increased by 72% (2022: increased by 45%), with a corresponding TZS 3.6 billion increase in loss allowance for unsecured book (2022: TZS 4.1 billion), and an increase of TZS 8.5 billion (2022: decrease of TZS 37.2 billion) for secured book.

9. FINANCIAL RISK MANAGEMENT (CONTINUED)**9.1 Credit risk (continued)****9.1.5 Loss allowance (continued)****9.1.5.2 Changes in gross carrying amount (continued)**

The following table further explains changes in the gross carrying amount and explains their significance to the changes in the loss allowance for the same portfolio as discussed above.

Total Loans and advances	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Amounts in TZS'				
As at 1 January 2023	5,855,242	192,340	195,094	6,242,676
Segment Reallocation	-	-	-	-
Movements				
Transfer from stage 1 to stage 2	(4,643)	4,643	-	-
Transfer from stage 1 to stage 3	(4,369)	-	4,369	-
Transfer from stage 2 to stage 1	30,187	(30,187)	-	-
Transfer from stage 2 to stage 3	-	(797)	797	-
Transfer from stage 3 to stage 1	67,005	-	(67,005)	-
Transfer from stage 3 to stage 2	-	58,937	(58,937)	-
Maintained Stage and other movements	6,238,300	107,057	353,061	6,698,418
New Financial assets originated or purchased	998,601	9,732	1,962	1,010,295
Financial assets that have been de-recognized	(5,666,289)	(146,020)	(115,224)	(5,927,533)
Write-offs	-	-	(74,230)	(74,230)
As at 31 December 2023	7,514,036	195,704	239,886	7,949,626
As at 1 January 2022	4,525,460	143,911	194,548	4,863,919
Segment Reallocation	(226)	-	(708)	(934)
Movements				
Transfer from stage 1 to stage 2	(3,941)	3,941	-	-
Transfer from stage 1 to stage 3	(5,334)	-	5,334	-
Transfer from stage 2 to stage 1	51,646	(51,646)	-	-
Transfer from stage 2 to stage 3	-	(455)	455	-
Transfer from stage 3 to stage 1	71,498	-	(71,498)	-
Transfer from stage 3 to stage 2	-	10,111	(10,111)	-
Maintained Stage and other movements	3,217,679	96,439	209,717	3,523,835
New Financial assets originated or purchased	2,307,996	28,378	31,618	2,367,992
Financial assets that have been de-recognized	(4,305,177)	(37,437)	(101,598)	(4,444,212)
Write-offs	(4,359)	(902)	(62,663)	(67,924)
As at 31 December 2022	5,855,242	192,340	195,094	6,242,676



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9. FINANCIAL RISK MANAGEMENT (CONTINUED)
9.1 Credit risk (continued)
9.1.5 Loss allowance (continued)
9.1.5.2 Changes in gross carrying amount (continued)

(i) Secured term loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Amounts in TZS'				
As at 1 January 2023	1,096,122	123,175	64,152	1,283,449
Segment Reallocation	-	-	-	-
Movements				
Transfer from stage 1 to stage 2	(655)	655	-	-
Transfer from stage 1 to stage 3	(2,790)	-	2,790	-
Transfer from stage 2 to stage 1	6,118	(6,118)	-	-
Transfer from stage 2 to stage 3	-	(625)	625	-
Transfer from stage 3 to stage 1	23,331	-	(23,331)	-
Transfer from stage 3 to stage 2	-	13,933	(13,933)	-
Maintained Stage and other movements	1,914,262	122,540	120,806	2,157,608
New Financial assets originated or purchased	69,746	717	-	70,463
Financial assets that have been de-recognized	(1,095,404)	(123,012)	(49,584)	(1,268,000)
Write-offs	-	-	(36,207)	(36,207)
As at 31 December 2023	2,010,730	131,265	65,318	2,207,313
As at 1 January 2022	786,133	110,651	91,603	988,387
Segment Reallocation	-	-	-	-
Movements				
Transfer from stage 1 to stage 2	(340)	340	-	-
Transfer from stage 1 to stage 3	(3,512)	-	3,512	-
Transfer from stage 2 to stage 1	6,076	(6,076)	-	-
Transfer from stage 2 to stage 3	-	-	-	-
Transfer from stage 3 to stage 1	13,849	-	(13,849)	-
Transfer from stage 3 to stage 2	-	2,928	(2,928)	-
Maintained Stage and other movements	1,032,382	38,290	79,795	1,150,467
New Financial assets originated or purchased	36,022	301	127	36,450
Financial assets that have been de-recognized	(774,440)	(23,248)	(60,955)	(858,643)
Write-offs	(48)	(11)	(33,153)	(33,212)
As at 31 December 2022	1,096,122	123,175	64,152	1,283,449

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9. FINANCIAL RISK MANAGEMENT (CONTINUED)
9.1 Credit risk (continued)
9.1.5 Loss allowance (continued)
9.1.5.2 Changes in gross carrying amount (continued)

(ii) Unsecured term loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Amounts in TZS'				
As at 1 January 2023	4,059,865	10,555	43,313	4,113,733
Segment Reallocation	-	-	-	-
Movements				
Transfer from stage 1 to stage 2	(2,539)	2,539	-	-
Transfer from stage 1 to stage 3	(1,041)	-	1,041	-
Transfer from stage 2 to stage 1	10,463	(10,463)	-	-
Transfer from stage 2 to stage 3	-	(172)	172	-
Transfer from stage 3 to stage 1	22,311	-	(22,311)	-
Transfer from stage 3 to stage 2	-	4,856	(4,856)	-
Maintained Stage and other movements	3,751,490	12,475	77,023	3,840,988
New Financial assets originated or purchased	857,265	6,531	1,882	865,678
Financial assets that have been de-recognized	(4,056,941)	(9,760)	(26,905)	(4,093,606)
Write-offs	-	-	(20,968)	(20,968)
As at 31 December 2023	4,640,873	16,560	48,392	4,705,825
As at 1 January 2022	3,225,084	11,701	35,604	3,272,389
Segment Reallocation	-	-	-	-
Movements				
Transfer from stage 1 to stage 2	(2,856)	2,856	-	-
Transfer from stage 1 to stage 3	(1,785)	-	1,785	-
Transfer from stage 2 to stage 1	8,348	(8,348)	-	-
Transfer from stage 2 to stage 3	-	(455)	455	-
Transfer from stage 3 to stage 1	16,848	-	(16,848)	-
Transfer from stage 3 to stage 2	-	3,440	(3,440)	-
Maintained Stage and other movements	3,098,116	7,772	59,312	3,165,200
New Financial assets originated or purchased	938,252	2,268	4,745	945,265
Financial assets that have been de-recognized	(3,221,369)	(8,509)	(19,956)	(3,249,834)
Write-offs	(773)	(170)	(18,344)	(19,287)
As at 31 December 2022	4,059,865	10,555	43,313	4,113,733



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9. FINANCIAL RISK MANAGEMENT (CONTINUED)
9.1 Credit risk (continued)
9.1.5 Loss allowance (continued)
9.1.5.2 Changes in gross carrying amount (continued)

(iii) Agribusiness loans	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Amounts in TZS'				
As at 1 January 2023	470,027	50,201	58,551	578,779
Segment Reallocation	-	-	-	-
Movements				
Transfer from stage 1 to stage 2	(1,073)	1,073	-	-
Transfer from stage 1 to stage 3	(538)	-	538	-
Transfer from stage 2 to stage 1	7,830	(7,830)	-	-
Transfer from stage 2 to stage 3	-	-	-	-
Transfer from stage 3 to stage 1	18,631	-	(18,631)	-
Transfer from stage 3 to stage 2	-	40,016	(40,016)	-
Maintained Stage and other movements	293,886	(50,161)	115,158	358,884
New Financial assets originated or purchased	69,716	2,467	80	72,262
Financial assets that have been de-recognized	(284,182)	(4,804)	(18,774)	(307,760)
Write-offs	-	-	-	-
As at 31 December 2023	574,297	30,962	96,906	702,165
As at 1 January 2022	278,185	9,619	45,289	333,093
Segment Reallocation	(180)	-	-	(180)
Movements				
Transfer from stage 1 to stage 2	(150)	150	-	-
Transfer from stage 1 to stage 3	(3)	-	3	-
Transfer from stage 2 to stage 1	36,230	(36,230)	-	-
Transfer from stage 2 to stage 3	-	-	-	-
Transfer from stage 3 to stage 1	33,926	-	(33,926)	-
Transfer from stage 3 to stage 2	-	3,227	(3,227)	-
Maintained Stage and other movements	234,435	77,886	65,380	377,701
New Financial assets originated or purchased	5,845	34	34	5,913
Financial assets that have been de-recognized	(118,201)	(4,463)	(3,833)	(126,497)
Write-offs	(60)	(22)	(11,169)	(11,251)
As at 31 December 2022	470,027	50,201	58,551	578,779

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9. FINANCIAL RISK MANAGEMENT (CONTINUED)
9.1 Credit risk (continued)
9.1.5 Loss allowance (continued)
9.1.5.2 Changes in gross carrying amount (continued)

(iv) Overdraft	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Amounts in TZS'				
As at 1 January 2023	229,762	8,443	26,571	264,776
Segment Reallocation	-	-	-	-
Movements				
Transfer from stage 1 to stage 2	(376)	376	-	-
Transfer from stage 1 to stage 3	-	-	-	-
Transfer from stage 2 to stage 1	5,777	(5,777)	-	-
Transfer from stage 2 to stage 3	-	-	-	-
Transfer from stage 3 to stage 1	2,733	-	(2,733)	-
Transfer from stage 3 to stage 2	-	132	(132)	-
Maintained Stage and other movements	278,128	22,170	42,580	342,878
New Financial assets originated or purchased	1,874	17	-	1,891
Financial assets that have been de-recognized	(229,762)	(8,444)	(19,961)	(258,167)
Write-offs	-	-	(17,055)	(17,055)
As at 31 December 2023	288,136	16,917	29,270	334,323
As at 1 January 2022	236,058	11,940	22,052	270,050
Segment Reallocation	(46)	-	(708)	(754)
Movements				
Transfer from stage 1 to stage 2	(595)	595	-	-
Transfer from stage 1 to stage 3	(34)	-	34	-
Transfer from stage 2 to stage 1	992	(992)	-	-
Transfer from stage 2 to stage 3	-	-	-	-
Transfer from stage 3 to stage 1	6,874	-	(6,874)	-
Transfer from stage 3 to stage 2	-	517	(517)	-
Maintained Stage and other movements	177,554	(2,405)	34,533	209,682
New Financial assets originated or purchased	126	5	1	132
Financial assets that have been de-recognized	(191,167)	(1,217)	(16,854)	(209,238)
Write-offs	-	-	(5,096)	(5,096)
As at 31 December 2022	229,762	8,443	26,571	264,776



9. FINANCIAL RISK MANAGEMENT (CONTINUED)

9.1 Credit risk (continued)

9.1.6 Write-off policy

The Bank writes-off financial assets that have been past due for more than 720 days. Write-off can be done in whole or in part before the 720 days in arrears when it has consumed all practical recovery efforts and has concluded there is no reasonable expectation of recovering the remaining amount, this includes (i) ceasing enforcement activity and (ii) where the Bank's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Bank has written-off of TZS 74 billion in 2023 (2022: TZS 70 billion) while still working on recovering the written-off amount.

9.1.7 Modification of loans

The following table includes summary information for financial assets with lifetime ECL whose cash flows were modified during the period as part of the Bank's restructuring activities and their respective effect on the Bank's financial performance:

Loans and advance to customers	2023 TZS' Millions	2022 TZS' Millions
Gross amount before modification	91,377	57,431
Net modification gain	965	1,692

The net modification gain above represents the changes in the gross carrying amounts (i.e. before impairment allowance) of the financial assets from immediately before, to immediately after, modification. In the majority of cases, this gross gain had been anticipated and already materially reflected within the ECL allowance.

9.1.8 Amounts due from banks

Balances due from other banks are considered to have low credit risk and classified as stage 1. The Basel Minimum Risk parameters of Probability of Default (PD) and Loss Given Default (LGD) rates were used to calculate the impairment charge, which is 5.5 million as of December 31, 2023 (2022: Nil).

9.1.9 Debt securities, treasury bills and other eligible bills

The Bank holds investments in Treasury Bills and Treasury Bonds issued by the Government. These investments are considered to have low credit Risk, at the end of reporting period, these assets were categorized as Stage 1. The Basel Minimum Risk parameters were used to calculate ECL. Impairment charge as of December 31, 2023, is 114 million (2022: Nil)

9. FINANCIAL RISK MANAGEMENT (CONTINUED)

9.1 Credit risk (continued)

9.1.10 Balances with Bank of Tanzania and other assets

Other assets are categorized as Stage 1 and Stage 3, balances with Bank of Tanzania are categorized as Stage 1. The simplified model has been used for estimation of ECL. The impact has been determined to be insignificant.

9.1.11 Repossessed collateral

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

9.1.12 Concentration of risks of financial assets with credit risk exposure

(a) Geographical sectors

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorized by geographical region as of 31 December 2023. For this table, the Bank has allocated exposures to regions based on the country of domicile of its counterparties.



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9. FINANCIAL RISK MANAGEMENT (CONTINUED)

9.1 Credit risk (continued)

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

(a) *Geographical sectors (continued)*

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

31 December 2023	Tanzania TZS Millions	Europe TZS Millions	America TZS Millions	Others TZS Millions	Total TZS Millions
Cash and balances with the Bank of Tanzania	1,327,789	6,885	-	6,260	1,340,934
Placement and balances with other banks	288,263	34,023	-	14,473	336,759
Investment in Government securities					
• Amortised cost	2,245,260	-	-	-	2,245,260
• Fair value through Other Comprehensive Income	28,345	-	-	-	28,345
Loans and advances to customers	7,706,925	-	-	-	7,706,925
Other assets (excluding non-financial assets)	103,522	-	-	-	103,522
As at 31 December 2023	11,700,104	40,908	-	20,733	11,761,745

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

Guarantees and indemnities (Note 41(a))	1,024,422	4,170	-	-	1,028,592
Undrawn commitments (Note 41(a))	319,530	-	-	-	319,530
Acceptances and letters of credit (Note 41(a))	1,007,275	33,037	-	27,552	1,067,864
As at 31 December 2023	2,351,226	37,207	-	27,552	2,415,986

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9. FINANCIAL RISK MANAGEMENT (CONTINUED)

9.1 Credit risk (continued)

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

(a) *Geographical sectors (continued)*

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

31 December 2022	Tanzania TZS Millions	Europe TZS Millions	America TZS Millions	Others TZS Millions	Total TZS Millions
Cash and balances with the Bank of Tanzania	622,350	-	-	-	622,350
Placement and balances with other banks	139,492	46,056	-	1,393	186,941
Investment in Government securities					
• Amortised cost	1,915,254	-	-	-	1,915,254
• Fair value through Other Comprehensive Income	28,778	-	-	-	28,778
Loans and advances to customers	6,242,676	-	-	-	6,242,676
Other assets (excluding non-financial assets)	171,467	-	-	-	171,467
As at 31 December 2022	9,120,017	46,056	-	1,393	9,167,466

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

Guarantees and indemnities (Note 41(a))	558,225	-	-	-	558,225
Undrawn commitments (Note 41(a))	242,993	-	-	-	242,993
Acceptances and letters of credit (Note 41(a))	1,151,212	-	-	-	1,151,212
As at 31 December 2022	1,952,430	-	-	-	1,952,430

9. FINANCIAL RISK MANAGEMENT (CONTINUED)

9.1 Credit risk (continued)

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

(b) Industry sectors

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

31 December 2023	Financial institutions	Manu-fac-turing	Trading and com-mercial	Transport & communi-cation	Whole-sale & retail	Agricul-ture	Individu-als	Others	Total
Cash and balances with the Bank of Tanzania	791,826	-	-	-	-	-	-	-	791,826
Placement and balances with other banks	336,759	-	-	-	-	-	-	-	336,759
Investment in Government securities									
- Amortised cost	2,245,260	-	-	-	-	-	-	-	2,245,260
- Fair value through Other comprehensive income	28,345	-	-	-	-	-	-	-	28,345
Loans and advances to customers	-	412,150	92,065	169,546	767,998	728,446	4,777,537	1,001,884	7,949,626
Other assets (excluding non-financial assets)	103,522	-	-	-	-	-	-	-	103,522
As at 31 December 2023	3,505,712	412,150	92,065	169,546	767,998	728,446	4,777,537	1,001,884	11,455,338

9. FINANCIAL RISK MANAGEMENT (CONTINUED)

9.1 Credit risk (continued)

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

(b) Industry sectors

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

31 December 2023	Financial institutions	Manu-fac-turing	Trading and commercial	Transport and communication	Wholesale and retail	Agricul-ture	Individ-uals	Others	Total
Guarantees and indemnities - (Note 41(a))		232,768	613,231	15,545	46,202	95,789	-	25,057	1,028,592
Undrawn commitments (Note 41(a))	-	24,349	127,969	372	32,812	116,666	-	17,362	319,530
Acceptances & letters of credit (Note 41(a))	-	504,596	355,621	47,381	117,118	19,298	-	23,850	1,067,864
As at 31 December 2023	-	761,713	1,096,821	63,298	196,132	231,753	-	66,269	2,415,986

9.1 Credit risk (continued)

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

(b) Industry sectors (continued)

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

31 December 2022	Financial institutions	Manufacturing	Trading and commercial	Transport and communication	Wholesale and retail	Agriculture	Individuals	Others	Total
Cash and balances with the Bank of Tanzania	1,076,453	-	-	-	-	-	-	-	1,076,453
Placement and balances with other banks	186,941	-	-	-	-	-	-	-	186,941
Investment in Government securities	1,915,254	-	-	-	-	-	-	-	1,915,254
- Amortised cost									
- Fair value through Other comprehensive income	28,778	-	-	-	-	-	-	-	28,778
Loans and advances to customers	-	264,208	812,496	123,976	347,812	520,514	3,732,399	441,271	6,242,676
Other assets (excluding non-financial assets)	-	-	-	-	-	-	-	171,467	171,467
As at 31 December 2022	3,207,426	264,208	812,496	123,976	347,812	520,514	3,732,399	612,738	9,621,569
Credit risk exposures relating to off-balance sheet assets are as follows:									
Guarantees and indemnities - (Note 41(a))	400	46,604	146,854	38,614	321,664	3,835	9	245	558,225
Undrawn commitments (Note 41(a))	-	41,442	103,511	593	34,879	61,564	4	1000	242,993
Acceptances & letters of credit (Note 41(a))	145,766	119,732	34,498	61,823	771,337	13,752	-	4,304	1,151,212
As at 31 December 2022	146,166	207,778	284,863	101,030	1,127,880	79,151	13	5,549	1,952,430

9. FINANCIAL RISK MANAGEMENT (CONTINUED)

9.2 Market risk

The Bank is subject to market risks, signifying the potential variation in the fair value or future cash flows of a financial instrument due to changes in market prices. Such risks predominantly emanate from positions in interest rates and currencies, making them susceptible to both general market dynamics and specific shifts in market rate volatility, including interest rates, credit spreads, and foreign exchange rates. The Bank categorizes its market risk exposures into trading or non-trading portfolios.

Our trading portfolios comprise positions derived from market-making activities, where the Bank engages as a principal with clients or the market. On the other hand, non-trading portfolios are largely a result of managing the interest rates tied to the Bank's retail and corporate banking assets and liabilities.

The Bank's Treasury Department is the focal point for managing and monitoring risks arising from both trading and non-trading activities.

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

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

The Bank's approach to market risk is strategic, operating within the boundaries of board-approved tolerances. The Asset-Liability Committee (ALCO) plays a pivotal role in this framework, not only monitoring these tolerances but also implementing escalation procedures as needed. ALCO convenes monthly, providing a platform for comprehensive deliberations on the Bank's Market Risk profile. These meetings are instrumental, as they encompass the examination of management's analytical insights on interest rate impacts on the bank, inclusive of, but not limited to, the outcomes derived from various modeling techniques.

9.2.1 Foreign exchange risk

The Bank actively manages its exposure to the potential effects of fluctuations in current foreign currency exchange rates, which can significantly impact its financial position and cash flows. This risk management is overseen by the ALCO, which establishes strict limits on the level of exposure to foreign exchange risk. These limits are meticulously set for each currency and in aggregate terms, covering both overnight and intra-day positions, and are subject to daily monitoring to ensure ongoing compliance and risk mitigation.

The Bank maintains a conservative stance towards its net open foreign currency positions. These limits are deliberately kept well below the maximum thresholds permitted by the Central Bank of Tanzania, reflecting the Bank's prudent approach to managing currency risk.

The table below summarises the Bank's exposure to foreign currency exchange rate risk at 31 December 2023 and 31 December 2022. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency.



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9. FINANCIAL RISK MANAGEMENT (CONTINUED)
9.2. Market risk (continued)
9.2.1 Foreign exchange risk (continued)

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

31 December 2023	USD Millions	EURO Millions	GBP Millions	Others Millions	Total Millions
Assets					
Cash and balances with Bank of Tanzania	321,282	6,885	989	5,271	334,427
Placement and balances with other banks	278,237	34,023	4,019	10,454	326,733
Loans and advances to customers	984,565	-	-	-	984,565
Other assets (excluding non-financial assets)	11,060	-	3	-	11,063
Total financial assets	1,595,144	40,908	5,011	15,725	1,656,788
Liabilities					
Deposits from customers	(843,178)	(42,637)	(3,283)	(5,436)	(894,534)
Long term borrowing	(743,517)	-	-	-	(743,517)
Lease liabilities	(2,966)	-	-	-	(2,966)
Other liabilities (excluding non-financial other liabilities)	(16,492)	(297)	-	-	(16,789)
Total financial liabilities	(1,606,153)	(42,934)	(3,283)	(5,436)	(1,657,806)
Net on-balance sheet financial position	(11,009)	(2,026)	1,728	10,289	(1,018)
Off balance sheet position					
Guarantee and indemnities	613,062	4,170	-	-	617,232
Undrawn commitments	48,333	-	-	-	48,333
Acceptance and letters of credit	987,190	33,037	27,552	-	1,047,778
	1,648,585	37,207	27,552	-	1,713,343

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9. FINANCIAL RISK MANAGEMENT (CONTINUED)
9.2. Market risk (continued)
9.2.1 Foreign exchange risk (continued)

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

As at 31 December 2022	USD Millions	EURO Millions	GBP Millions	Others Millions	Total Millions
Assets					
Cash and balances with Bank of Tanzania	334,297	3,066	744	1,260	339,367
Placement and balances with other banks	40,718	12,920	2,162	1,828	57,628
Loans and advances to customers	558,636	-	5	-	558,641
Other assets (excluding non-financial assets)	2,425	-	-	(3)	2,422
Total financial assets	936,076	15,986	2,911	3,085	958,058
Liabilities					
Deposits from customers	669,057	32,512	2,698	-	704,267
Long term borrowing	437,474	-	-	-	437,474
Lease liabilities	3,558	-	-	-	3,558
Other liabilities (excluding non-financial other liabilities)	5,330	-	-	-	5,330
Total financial liabilities	1,115,419	32,512	2,698	-	1,150,629
Net on-balance sheet financial position	(179,343)	(16,526)	213	3,085	(192,571)
Off balance sheet position					
Guarantee and indemnities	345,566	6,303	-	-	351,869
Undrawn commitments	116,536	-	-	-	116,536
Acceptance and letters of credit	1,034,525	62,662	-	-	1,097,187
	1,496,627	68,965	-	-	1,565,592



9. FINANCIAL RISK MANAGEMENT (CONTINUED)**9.2 Market risk (continued)****9.2.1 Foreign exchange risk (continued)****Foreign exchange sensitivity analysis**

The Bank conducts a comprehensive analysis to evaluate the impact of foreign exchange rate fluctuations on its pre-tax profit for the year. This sensitivity analysis is premised on the assumption that all other variables remain constant. It specifically focuses on how changes in foreign exchange rates affect the translation of various foreign currency-denominated items. These items include cash and balances with the Bank of Tanzania, placements and balances with other banks, as well as loans and deposits from customers and other banks. Additionally, the analysis encompasses the impact on borrowings, lease liabilities, other assets, and other liabilities.

The results of this foreign exchange sensitivity analysis are presented in the table below:

	% change in exchange rate	2023 TZS' Millions	2022 TZS' Millions
USD	10%	(1,101)	17,934
EURO	10%	(202)	1,653
GBP	10%	173	21

The translation impact of placements and balances with other banks in various currencies, including Kenyan Shillings, Ugandan Shillings, Japanese Yen, Swiss Francs, Canadian Dollars, Indian Rupees, Rwandese Francs, Australian Dollars, Norwegian Krona, Swedish Krona, and South African Rand, is assessed to be minimal and not of significant concern.

9.2.2 Interest rate risk

The Board is responsible for establishing market risk limits, ensuring they are appropriately reviewed at least annually or more frequently in response to prevailing market conditions. The responsibility for regular reviews and the monitoring of these limits has been delegated to the Bank's Asset and Liability Committee (ALCO).

Currently, the Bank refrains from engaging in proprietary trading activities, resulting in minimal exposure to market risk. The primary risk associated with the Bank's non-trading portfolio is the potential loss stemming from fluctuations in the future cash flows or fair values of financial instruments due to variations in market interest rates.

The Bank recognizes its exposure to the impact of fluctuations in prevailing market interest rates, affecting both its fair value and cash flow risks. The management of interest rate risk is primarily conducted through the careful monitoring of the interest rate repricing impact on the static balances presented in the statement of financial position. This monitoring includes assessing the implications of a 200-basis point interest rate shock over a 12-month period. Items sensitive to variable rates would experience immediate effects from such an interest rate shock. The subsequent table delineates the Bank's Interest Gap position for the non-trading portfolio. It is important to note that the Bank does not carry interest rate risk on off-balance-sheet items. The presentation of the Bank's assets and liabilities is at their carrying amount, categorized according to the earliest of contractual repricing or maturity dates.

9. FINANCIAL RISK MANAGEMENT (CONTINUED)**9.2 Market risk (continued)****9.2.2 Interest rate risk (continued)**

As at 31 December 2023		Up to 1 month TZS' Millions	1- 3 months TZS' Millions	3- 12 months TZS' Millions	1- 5 Years TZS' Millions	Over 5 years TZS' Millions	Non-inter- est bearing TZS' Millions	Total TZS' Millions
Assets								
Cash and balances with Bank of Tanzania		-	-	-	-	-	1,340,934	1,340,934
Investment in Government securities								
- Amortised cost		89,999	198,052	286,868	746,974	923,368	-	2,245,260
- Fair value through Other comprehensive income		28,345	-	-	-	-	-	28,345
Placement and balances with other banks		110,602	-	-	-	-	226,157	336,759
Loans and advances to customers		839,620	416,151	4,905,766	797,700	747,687	-	7,706,925
Equity Investments		-	-	-	-	-	42,559	42,559
Other assets (excluding non-financial assets)		-	97,022	1,000	5,500	-	-	103,522
Total financial assets		1,068,566	711,225	5,193,634	1,550,174	1,671,055	1,609,650	11,804,304
Liabilities								
Deposits from customers		768,806	872,939	1,217,580	1,117,632	88,058	4,409,663	8,474,678
Deposit from banks		15,008	-	-	-	-	-	15,008
Borrowing		-	174,922	158,574	1,046,697	-	-	1,380,193
Lease liabilities		-	-	-	-	-	65,193	65,193
Other liabilities (excluding non-financial other liabilities)		-	-	-	-	-	147,606	147,606
Total financial liabilities		783,814	1,047,861	1,376,154	2,164,329	88,058	4,622,462	10,082,678
Total interest gap		284,752	(336,636)	3,817,480	(614,155)	1,582,997		

9.2 Market risk (continued)

9.2.2 Interest rate risk (continued)

As at 31 December 2022

Assets	Up to 1 month TZS' Millions	1 - 3 months TZS' Millions	3 - 12 months TZS' Millions	1 - 5 Years TZS' Millions	Over 5 years TZS' Millions	Non-interest bearing TZS' Millions	Total TZS' Millions
Cash and balances with Bank of Tanzania	-	-	-	-	-	1,551,341	1,551,341
Investment in Government securities							
- Amortised cost	103,730	99,973	360,469	513,777	837,305	-	1,915,254
- Fair value through Other comprehensive income	28,778	-	-	-	-	-	28,778
Placement and balances with other banks	133,722	-	53,219	-	-	-	186,941
Loans and advances to customers	762,085	362,228	4,498,352	378,576	9,997	3,365	6,014,603
Equity Investments	-	-	-	-	-	42,559	42,559
Other assets (excluding non-financial assets)	-	-	-	-	-	236,930	236,930
Financial Assets	1,028,315	462,201	4,912,040	892,353	847,302	1,834,194	9,976,405
Liabilities							
Deposits from customers	1,628,992	1,425,638	1,367,066	37,355	78,886	3,062,210	7,600,147
Deposit from banks	12,445	-	-	-	-	-	12,445
Borrowing	-	5,952	289,487	394,840	59,075	-	749,354
Lease liabilities	1,088	102	1,280	20,566	43,221	-	66,257
Other liabilities (excluding non-financial other liabilities)	-	-	-	-	-	115,450	115,450
Total financial liabilities	1,642,525	1,431,692	1,657,833	452,761	181,182	3,177,660	8,543,653
Total interest gap	(613,122)	(969,389)	3,255,487	460,158	709,341		

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9. FINANCIAL RISK MANAGEMENT (CONTINUED)

9.2 Market risk (continued)

9.2.2 Interest rate risk (continued)

Interest rate risk sensitivity

The Bank has conducted a comprehensive analysis to assess the impact of a scenario of 1% fluctuation in market interest rates. This analysis assumes a uniform movement in yield curves and the Bank's financial position remains constant. Under these conditions, the following are the projected effects on the Bank's profit or loss, expressed in (TZS) million.

As at 31 December 2023

Sensitivity Period	Weighted Average	Net Interest-Bearing Fund-ing	Net Position	Impact
Less than 30 days	2,647	264,617	(261,970)	5,239
30days to 1 Year	137,050	3,798,404	(3,661,354)	73,227

As at 31 December 2022

Sensitivity Period	Weighted Average	Net Interest-Bearing Fund-ing	Net Position	Impact
Less than 30 days	2,128	212,782	(210,655)	2,107
30days to 1 Year	127,143	3,492,269	(3,365,126)	33,651

9.2.3 Price risk

Both the Group and the Bank hold are subject to price risk, primarily due to investments in shares of Tanzania Mortgage Refinance Company (TMRC) and in government securities. These investments are valued at fair value through other comprehensive income (FVOCI). To mitigate the risks associated with price volatility in debt securities, the Group employs a diversification strategy, spreading exposure across its investment portfolio.

Price sensitivity

Under a scenario of increase in the yield rate by 1 basis points, the directors estimate that the fair values of assets would be TZS 28,392 million (2022: TZS 22,799 million), compared to the reported fair value of TZS 28,345 million at 31st December 2023 (2022: TZS 28,412 million). Conversely, a decrease of 1 basis point in the yield rate would result in an estimated fair value of TZS 28,298 million (2022: TZS 22,799 million).

In determining the fair value of the unquoted equity investment in Tanzania Mortgage Refinance Company (TMRC), the Bank utilized the pricing from the most recent share transactions of the Company. It is projected that a 10% rise or fall in the share prices would correspondingly increase or decrease the fair value of these investments by TZS 292 million (2022: TZS 292 million).



9. FINANCIAL RISK MANAGEMENT (CONTINUED)

9.2.4 Interest rate benchmark reform

Post the reform of the interest rate benchmark, the Group successfully mitigated all exposure to the USD LIBOR (London Interbank Offered Rate) benchmark.

Throughout the financial year, a comprehensive transition was undertaken, shifting the Group's benchmarking standard from the USD LIBOR to the Term Secured Overnight Financing Rate (SOFR), as established by the Chicago Mercantile Exchange (CME).

9.3 Liquidity risk

Liquidity risk refers to the scenario where the Bank may potentially faces challenges in meeting its immediate financial liabilities as they mature, or encounters difficulties in obtaining funds to replace those that have been withdrawn. Such a risk can manifest in the inability to return funds to depositors in a timely manner or to honor commitments in lending agreements.

9.3.1 Liquidity risk management process

The Bank ensures its liquidity is maintained at optimal levels through a comprehensive risk management process, overseen by the Asset and Liability Committee (ALCO). This process encompasses:

- *Daily Funding Management:* This involves continuous monitoring of upcoming cash flow requirements to ensure the Bank can meet its daily obligations. It includes replenishing funds as they mature or are borrowed by customers. The Bank actively participates in money markets to facilitate this process.
- *Portfolio of Liquid Assets:* The Bank maintains a portfolio of highly liquid and marketable securities, that can easily be liquidated as protection against any unforeseen interruption to cash flows;
- *Liquidity Ratios:* The Bank closely monitors key balance sheet liquidity ratios, including the Liquid Asset Ratio (LAR), Loan to Deposit Ratio (LDR), and Long-term Funding Ratio (LTFR), to comply with both internal standards and regulatory requirements.
- *Debt Maturity Management:* Attention is given to managing the maturity profiles and concentrations of debts to avoid significant maturity clusters that could strain liquidity.
- *Depositor Base Diversification:* The Bank strives to diversify its depositor base, reducing reliance on any single depositor or group, thereby spreading its liquidity risk.
- *Liquidity Stress Testing:* Regular liquidity stress tests and scenario analyses are conducted to prepare for potential liquidity challenges.
- *Contingency Funding Plan:* The Bank maintains a comprehensive and actionable contingency funding plan, ready to be activated should a severe liquidity event occur

9. FINANCIAL RISK MANAGEMENT (CONTINUED)

9.3 Liquidity risk (continued)

The effectiveness of the liquidity management is continuously assessed through the measurement and projection of cash flows on a daily, weekly, and monthly basis, critical periods for liquidity monitoring. These projections are informed by a detailed analysis of the contractual maturity dates of financial liabilities and the anticipated collection dates of financial assets, as outlined in Notes 9.3.3.

9.3.2 Funding approach

The Group adopts a prudent approach to managing liquidity, demonstrating a minimal tolerance for liquidity risk. This conservative stance is reflected in the maintenance of a cautious maturity profile, diligently overseen by the Asset and Liability Committee (ALCO) within the framework of an approved Asset-Liability Management (ALM) policy. The Group's strategic funding approach involves aligning the maturity of assets and liabilities, with a significant portion of long-term assets being financed through long-term funding sources, thereby minimizing reliance on core call deposit funding.

In its commitment to ensuring robust liquidity, the Bank's ALCO regularly evaluates the sources of liquidity. This involves a thorough review aimed at maintaining broad diversification across various dimensions including currency, geographic location, provider, financial product, and maturity term.

9.3.3 Non-derivative cash flows

The table provided below presents a detailed analysis of the Bank's assets and liabilities, classified according to their maturity groupings. This classification is based on the remaining duration from the date of the financial position statement to their respective contractual maturity dates.



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9. FINANCIAL RISK MANAGEMENT (CONTINUED)
9.3 Liquidity risk (continued)
9.3.4 Assets held for managing liquidity risk

As at 31 December 2023	Up to 1 month	1 - 3 months	3 - 12 months	Over 1 Years	Total
	TZS' Millions	TZS' Millions	TZS' Millions	TZS' Millions	TZS' Millions
Liabilities					
Deposits from customers	1,690,326	1,530,433	2,535,734	2,718,186	8,474,678
Deposits from banks	15,008	-	-	-	15,008
Long term borrowing*	-	174,922	158,574	1,046,697	1,380,193
Lease liabilities	-	-	4	65,188	65,193
Other liabilities (excluding non-financial liabilities)	-	-	-	147,606	147,606
Total liabilities	1,705,334	1,705,355	2,694,312	3,977,677	10,082,678
Assets held for managing liquidity	1,258,475	198,103	285,985	2,208,736	3,951,299
As at 31 December 2022					
Liabilities					
Deposits from customers	2,728,243	2,387,661	2,289,563	194,680	7,600,147
Deposits from banks	12,445	-	-	-	12,445
Long term borrowing*	-	5,952	289,487	453,915	749,354
Lease liabilities	-	-	20	68,713	68,733
Other liabilities (excluding non-financial liabilities)	48	36	109,991	1,840	111,915
Total liabilities	2,740,736	2,393,649	2,689,061	719,148	8,542,594
Assets held for managing liquidity	1,290,985	137,039	413,688	1,811,822	3,653,535

9.3.4 Assets held for managing liquidity risk

The Bank strategically holds certain assets to effectively manage and mitigate liquidity risk. These assets include:

- Cash and balances with the Bank of Tanzania (excluding SMR);
- Investment in government securities; and
- Placements and balances with other banks:

In routine operations, a segment of customer loans that are contractually due within one year is often extended.

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9. FINANCIAL RISK MANAGEMENT (CONTINUED)
9.3.4 Assets held for managing liquidity risk (continued)

Furthermore, the Bank is equipped to manage unforeseen net cash outflows by liquidating securities and tapping into alternate funding avenues, such as asset-backed markets.

9.4 Off-balance sheet items
(a) Undrawn commitments, outstanding letters of credit, guarantee and indemnities

The table provided below summarizes the contractual dates and amounts related to the Bank's off-balance sheet financial instruments. These instruments include commitments to extend credit to customers, as well as outstanding letters of credit, guarantees, and indemnities (Note 41).

(b) Financial guarantees and other financial facilities

Included in the following section are the Bank's financial guarantees, as detailed in Note 41. These are presented according to their earliest contractual maturity dates

	No later than 1 year	1 - 5 years	Total
	TZS' Millions	TZS' Millions	TZS' Millions
As at 31 December 2023			
Guarantee and indemnities	824,388	204,204	1,028,592
Undrawn commitments	319,530	-	319,530
Acceptance and letter of credit	1,067,864	-	1,067,864
Total	2,211,782	204,204	2,415,986
As at 31 December 2022			
Guarantee and indemnities	498,593	59,632	558,225
Undrawn commitments	242,993	-	242,993
Acceptance and letter of credit	1,150,525	687	1,151,212
Total	1,892,111	60,319	1,952,430

9.5 Fair value of financial assets and liabilities
9.5.1 Fair value estimation

In compliance with IFRS 13, the Bank is required to categorize its fair value measurements within a structured hierarchy. This hierarchy is fundamentally based on the nature and significance of the inputs used in making the measurements.



9. FINANCIAL RISK MANAGEMENT (CONTINUED)

9.5 Fair value of financial assets and liabilities (continued)

9.5.1 Fair value estimation (continued)

To align with these requirements, the Bank has established a hierarchy for valuation techniques that is differentiated by the observability of the inputs. Observable inputs are those that are based on market data sourced from independent and reliable entities, while unobservable inputs are derived from the Bank's own market assessments and assumptions. This distinction between observable and unobservable inputs forms the basis of the Bank's fair value hierarchy as follows:

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

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

There were no transfers between the levels during the year.

i) Fair value of the Group financial assets and financial liabilities that are measured at fair value on recurring basis

The following table gives information about how the fair value of these financial assets and liabilities are determined:

Type	Fair value at		Hierarchy	Valuation technique and key inputs	Significant unobservable inputs	Relationship of unobservable input to fair value
	2023	2022				
	TZS Millions	TZS Millions				
Investment in government securities	28,345	28,778	Level 2	Market observable inputs	N/A	N/A
Equity instruments	2,920	2,920	Level 2	Market observable inputs	Latest transaction offers the equity instrument by TMRC	N/A

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

The Bank assesses the fair value of all financial assets and liabilities.

9. FINANCIAL RISK MANAGEMENT (CONTINUED)

9.5 Fair value of financial assets and liabilities (continued)

9.5.1 Fair value estimation (continued)

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

For cash and cash equivalents, loans and advances, customer deposits and borrowed funds, are evaluated by the Bank based on parameters that takes into account various factors such as prevailing interest rates and the specific creditworthiness of each customer. The determination of fair value for these assets and liabilities is conducted using a discounted cash flow method.

Cash and balances with Bank of Tanzania

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

Investment in government securities

Investment in government securities include treasury bonds and treasury bills. The fair value of government securities held at amortized cost are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities, as traded in the primary market by the Bank of Tanzania.

Loans and advances to banks

Loans and advances to banks include inter-bank placements and items in the course of collection. The carrying amount of floating rate placements and overnight advances is a reasonable approximation of fair value. The estimated fair value of fixed interest-bearing advances is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

Loans and advances to customers

Loans and advances to customers are net of charges for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at original effective interest rate to determine fair value.

Deposits from banks and customers

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

Borrowings

Significant portion of borrowing is benchmarked to CME SOFR and therefore reprices at balance sheet date. Management has considered the impact of borrowings with fixed interest rate as insignificant to the total fair value of borrowings. The fair value of borrowings therefore approximates its carrying value.



9. FINANCIAL RISK MANAGEMENT (CONTINUED)**9.5 Fair value of financial assets and liabilities (continued)****9.5.1 Fair value estimation (continued)****ii) Fair value of financial assets and liabilities that are not measured at fair value (continued)**

BANK	Hierarchy level	Carrying amount		Fair value	
		2023 TZS' Millions	2022 TZS' Millions	2023 TZS' Millions	2022 TZS' Millions
Financial assets					
Cash and balances with Bank of Tanzania	Level 3	1,340,935	1,551,341	1,333,092	1,551,341
Government securities at amortized cost (Treasury bonds)	Level 2	1,868,106	1,580,143	1,781,477	1,581,770
Government securities at amortized cost (Treasury bills)	Level 2	377,154	335,111	374,701	336,598
Placement and balances with other banks	Level 2	336,759	186,941	355,885	186,941
Loans and advances to customers	Level 2	7,706,924	6,014,603	7,706,925	6,014,603
Other assets (excluding non-financial assets) *	Level 3	103,521	173,196	298,780	173,196
		11,733,399	9,841,335	11,850,860	9,844,449
Financial liabilities					
Deposits from customers	Level 3	8,474,683	7,594,832	8,451,959	7,594,832
Deposits from banks	Level 2	15,008	12,445	15,158	12,445
Subordinated debt	Level 3	-	-	-	-
Borrowings	Level 3	1,380,193	749,354	1,380,193	749,354
Other liabilities (Excluding non-financial other liabilities)**	Level 3	147,606	115,373	155,576	115,373
		10,017,490	8,472,004	10,002,886	8,472,004

Cash and balances with Bank of Tanzania has been transferred between the fair value hierarchy levels from level 2 to level 3.

*Prepayments, inventory, provision for other assets and stationery are excluded from other assets' balance, as this analysis is for financial instruments only.

**Non-financial liabilities such as provision and statutory liabilities are excluded from other liabilities balance, as this analysis is for financial instruments only.

9. FINANCIAL RISK MANAGEMENT (CONTINUED)**9.6 Capital management**

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

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

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

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

- Hold a minimum level of core capital of TZS 15 billion;
- Maintain a ratio of core capital to the risk-weighted assets plus risk-weighted off-balance sheet assets of above the required minimum of 10%; and
- Maintain total capital of not less than 12% of risk-weighted assets plus risk-weighted off-balance sheet items.
- Maintain a capital conservation buffer of 2.5% of risk-weighted assets and off-balance sheet exposures. The capital conservation buffer is made up of items that qualify as Tier 1 capital.

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

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



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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. FINANCIAL RISK MANAGEMENT (CONTINUED)
9.6 Capital management (continued)

The Bank's regulatory capital as managed by its Treasury Department is divided into two tiers:

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

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

The table below summarizes the composition of regulatory capital and the ratios of the Bank for the year ended 31 December 2023 and year ended 31 December 2022. During those two periods, the Bank complied with all the externally imposed capital requirements to which it is subject.

	Note	2023 TZS' Millions	2022 TZS' Millions
Tier 1 capital			
Share capital		20,000	20,000
Retained earnings		2,062,118	1,663,475
Less: Prepaid expenses	26(b)	(31,807)	(25,941)
Less: Deferred tax assets	30(a)	(118,324)	(109,475)
Total qualifying Tier 1 capital (A)		1,931,987	1,548,059
Tier 2 capital			
Subordinated debt		-	-
Fair valuation reserve		1,550	1,086
Total qualifying Tier 2 capital (B)		1,550	1,086
Maximum Tier 2 capital allowed (2% of Risk weighted assets) – (C) ^(a)		166,382	132,784
Total regulatory capital (D) = [(A) + Lower of (B) or (C)]		1,933,537	1,549,145

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. FINANCIAL RISK MANAGEMENT (CONTINUED)
9.6 Capital management (continued)

	2023 TZS' Millions	2022 TZS' Millions
Risk-weighted assets		
On-balance sheet	5,844,312	4,716,207
Off-balance sheet	1,715,637	1,403,908
Market risk	46,136	14,105
Operational risk (b)	705,050	574,404
Total risk-weighted assets (E)	8,311,135	6,708,624

	Required ratio (%)	2023 Bank's ratio (%)	2022 Bank's ratio (%)
Tier 1 capital	12.5	23.25	23.08
Tier 1 + Tier 2 capital	14.5	23.26	23.09

The increase in the total regulatory capital in the 2023 is mainly due to the increase of the current-year profit despite the increase of the off-balance sheet exposure and operational risk capital charge during the year.

- As per Bank of Tanzania requirement, Tier 2 Capital should not exceed 2% of the total risk weighted assets and off-balance sheet exposure.
- Capital charge for operational risk is calculated using Basic Indicator approach (BIA) prescribed under Basel II by capping net interest income to 3.5% of interest earning assets.

10. INTEREST INCOME (GROUP AND BANK)

	2023 TZS' Millions	2022 TZS' Millions
Loans and advances to customers	958,827	775,857
Government securities at amortized cost (Note 24(a))	205,678	162,815
Corporate bonds at amortized cost (Note 24(a))	414	19
Government securities at fair value through OCI (Note 24(b))	2,705	4,674
Placements and balances with other banks	11,968	10,291
	1,179,592	953,656



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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. INTEREST EXPENSE
(a) GROUP

	2023 TZS' Millions	2022 TZS' Millions
Deposits from customers		
- Time deposits	101,841	78,346
- Current accounts	48,500	32,958
- Saving deposits	12,904	11,843
Deposits due to other banks	3,194	404
Borrowings from financial institutions	63,281	29,171
Debt securities in issue	10,416	9,192
Lease liabilities	2,218	2,106
	242,354	164,020

(b) BANK

Deposits from customers		
- Time deposits	102,441	78,346
- Current accounts	48,500	32,958
- Saving deposits	12,904	11,843
Deposits due to other banks	3,194	404
Borrowings from financial institutions	63,281	31,911
Debt securities in issue	10,416	6,452
Lease liabilities	5,341	5,393
	246,077	167,307

12. CREDIT IMPAIRMENT CHARGE /(CREDIT)(GROUP AND BANK)

(a) Loans and advances to customers	84,350	81,067
(b) Others:		
Off-balance sheet items	135	113
Placements and balances with other banks	17	-
Government securities	114	-
Other assets (Note 26)	(181)	-
	85	113
	84,435	81,180

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

13. NET FEES AND COMMISSION INCOME (GROUP AND BANK)
Fees and commission income

	2023 TZS' Millions	2022 TZS' Millions
Credit related fees and commissions	108,387	107,322
Other fees	44,841	36,241
Card fees	33,270	29,915
Agency banking fees	93,211	86,685
MNO collaboration fees	73,280	57,537
ATM fees and card issuing	50,215	46,983
Maintenance fees	28,702	19,982
Teller withdrawal fees	21,453	19,847
Commission - mobile banking	15,478	12,500
Government service fees	469	2,177
Total fee and commission income	469,306	419,189
Fee and commission expense	(102,819)	(94,260)
Net Fee and commission income	366,487	324,929

14. OTHER INCOME
a) GROUP

Bad debts recovery	27,659	22,545
Miscellaneous income	517	587
Profit on disposal of property and equipment	294	590
Rental income	6	7
Dividend on TMRC equity investments	55	50
	28,531	23,779

(b) BANK

Bad debts recovery	27,659	22,545
Miscellaneous income	542	612
Profit on disposal of property and equipment	294	590
Rental income	6	7
Dividend on TMRC equity investments	55	50
	28,556	23,804

15. EMPLOYEE BENEFITS EXPENSE (GROUP AND BANK)

Salaries and allowances	143,082	129,727
Other staff cost	22,038	17,211
Other emoluments	111,353	99,910
Pension costs - defined contribution plan	21,450	19,448
	297,923	266,296



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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

16. OTHER OPERATING EXPENSES	2023 TZS' Millions	2022 TZS' Millions
(a) GROUP		
Administrative expenses	55,304	51,276
Cash trip expenses	7,028	9,890
Depositor's Protection Fund Insurance	10,121	8,691
Operating lease rent	561	507
Utilities	19,177	15,719
Security expenses	12,841	10,422
Marketing and advertising expenses	12,015	12,971
Repairs and maintenance	52,083	45,693
Travelling expenses	20,490	13,564
Management contract expenses	2,142	1,564
Other expenses	5,020	1,261
Auditors' remuneration	742	503
Directors' remuneration:		
- Fees	360	104
- Others	1,131	363
Impairment charge of other assets (Note 12(b))	-	2,961
	199,015	175,499
(b) BANK		
Administrative expenses	55,169	50,697
Cash trip expenses	7,028	9,890
Depositor's Protection Fund Insurance	10,121	8,691
Operating lease rent	561	507
Utilities	19,177	15,719
Security expenses	12,841	10,422
Marketing and advertising expenses	12,015	12,971
Repairs and maintenance	52,083	45,693
Travelling expenses	20,490	13,564
Management contract expenses	2,142	1,564
Other expenses	5,020	1,261
Auditors' remuneration	728	503
Directors' remuneration:		
- Fees	360	104
- Others	1,131	363
Impairment charge of other assets (Note 12(b))	-	2,961
	198,866	174,910

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

17. DEPRECIATION AND AMORTISATION	2023 TZS' Millions	2022 TZS' Millions
(a) GROUP		
Depreciation of property and equipment (Note 27(a))	34,935	38,441
Amortization of right-of-use assets (Note 29(a))	10,663	10,205
Amortization of intangible assets (Note 28)	3,846	4,992
	49,444	53,638
(b) BANK		
Depreciation of property and equipment (Note 27(b))	32,904	36,410
Amortization of right of use assets (Note 29(b))	13,579	13,107
Amortization of intangible assets (Note 28)	3,846	4,992
	50,329	54,509
18. CURRENT INCOME TAX		
(a) GROUP		
Income tax expense for the year is arrived at as follows:		
Current tax:		
In respect of current year	232,257	198,908
Over provision in prior period	6,384	-
	238,641	198,908
Deferred tax:		
In respect of current year (Note 30(a))	(4,038)	(14,903)
In respect of prior year (Note 30(a))	(5,010)	(512)
	(9,047)	(15,415)
Income tax expense	229,594	183,493



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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

18. CURRENT INCOME TAX (CONTINUED)**a) GROUP (Continued)**

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

	2023 TZS' Millions	2022 TZS' Millions
Reconciliation of accounting profit to income tax expense:		
Profit before income tax	774,801	615,166
Tax calculated at the statutory income tax rate of 30% (2022: 30%)	232,440	184,552
<i>Tax effect of:</i>		
Depreciation on non-qualifying assets	272	171
Net under provision of deferred tax and current tax in prior year	(5,010)	(542)
Current income tax - Under provision in prior year	6,384	-
Expenses not deductible for tax purposes	5,476	4,306
Non-taxable commission income	(9,617)	(4,599)
Dividend on equity instrument	(16)	(15)
Recognition of UJVC deferred tax from previous year	(335)	(380)
Income tax expense	229,594	183,493

b) BANK

Income tax expense for the year is arrived at as follows:

Current tax:

In respect of current year	231,262	198,211
In respect of prior year	6,384	-
	237,646	198,211

Deferred tax:

In respect of current year (Note 30(b))	(4,038)	(15,464)
In respect of prior year (Note 30(b))	(5,010)	(512)
	(9,047)	(15,976)
Income tax expense	228,599	182,235

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

18. CURRENT INCOME TAX (CONTINUED)**b) Bank (Continued)**

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

	2023 TZS' Millions	2022 TZS' Millions
Reconciliation of accounting profit to income tax expense:		
Profit before income tax	770,367	611,611
Tax calculated at the statutory income tax rate of 30% (2022: 30%)	231,110	183,486
<i>Tax effect of:</i>		
Depreciation on non-qualifying assets	272	171
Net under provision of deferred tax and current tax in prior year	5,476	3,704
Current income tax - Under provision in prior year	6,384	-
Expenses not deductible for tax purposes	(5,010)	(512)
Non-taxable commission income	(9,617)	(4,599)
Dividend on equity instrument	(16)	(15)
Income tax expense	228,599	182,235

c) CURRENT TAX ASSETS /(LIABILITIES) – GROUP

	2023 TZS' Millions	2022 TZS' Millions
At start of the year	(1,720)	20,678
Current tax expense (Note 18(a))	(238,641)	(198,908)
Tax refund	-	(11,746)
Tax paid	251,330	188,256
Tax receivable/(payable)* - net	10,969	(1,720)

*Group current tax receivable/(payable) at the reporting date was current tax asset of TZS 10,969 million (2022: 3,882 million) and nil current tax liabilities (2022: TZS 5,602 million).

d) CURRENT TAX ASSETS /(LIABILITIES) – BANK

	2023 TZS' Millions	2022 TZS' Millions
At start of the year	(5,602)	17,634
Current tax expense (Note 18(b))	(237,646)	(198,211)
Tax refund	-	(11,746)
Tax paid	251,031	186,721
Tax receivable/(payable)	7,783	(5,602)



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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

19. EARNINGS PER SHARE

There being no dilutive or dilutive potential share options, the basic and diluted earnings per share are the same.

The calculation of the basic earnings per share was based on the net profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the year, calculated as follows:

(a) GROUP

	2023	2022
Net profit attributable to shareholders (TZS Millions)	544,890	431,531
Weighted average number of shares in issue (Millions)	500	500
Basic and diluted earnings per share (TZS)	1,089.78	863.06

(b) BANK

Net profit attributable to shareholders (TZS Millions)	541,768	429,376
Weighted average number of shares in issue (Millions)	500	500
Basic and diluted earnings per share (TZS)	1,083.54	858.75

20 DIVIDEND PER SHARE

Dividends are not recognised as a liability until they have been ratified at the Annual General Meeting. The Directors propose payment of a dividend of TZS 361.18 per share, amounting to TZS 180,589 million out of 2023 profit. In 2023, dividend of TZS 286.25 per share, amounting to TZS 143,125 million was approved and paid in respect of the year ended 31 December 2022.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

21. CASH AND BALANCES WITH BANK OF TANZANIA (GROUP AND BANK)

	2023 TZS' Millions	2022 TZS' Millions
Cash in hand	549,108	474,888
- Local currency	439,034	382,228
- Foreign currency	110,074	92,660
Balances with Bank of Tanzania	286,335	615,713
- Local currency	61,982	369,006
- Foreign currency	224,353	246,707
Statutory Minimum Reserves (SMR)*	505,491	460,740
	1,340,934	1,551,341
Current	1,340,934	1,551,341

*The SMR deposit is not available to finance the Bank's day-to-day operations and hence excluded from cash and cash equivalents for the purpose of the cash flow statement (Note 38). Cash in hand and balances with Bank of Tanzania are non-interest bearing.

22. PLACEMENTS AND BALANCES WITH OTHER BANKS (GROUP AND BANK)

	2023 TZS' Millions	2022 TZS' Millions
Balances with banks abroad	220,936	15,834
Placement with local banks		
- Local currency	10,082	129,313
- Foreign currency	-	4,728
Placements with banks abroad	100,520	-
Letter of credit discounting arrangements	5,221	37,066
	336,759	186,941
Current	336,759	186,941



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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

23. LOANS AND ADVANCES TO CUSTOMERS (GROUP AND BANK)

	2023 TZS' Millions	2022 TZS' Millions
Salaried workers loans (SWL)	3,867,746	3,429,822
Staff loans at fair value*1	257,617	224,453
Prepaid staff benefit *2	42,954	33,565
MSE loans	369,846	326,809
Other consumer loans	609,225	475,055
Large corporate entities	1,957,924	992,471
SME loans	415,606	364,683
Agribusiness loans	428,708	395,818
Gross loans and advances to customers*	7,949,626	6,242,676
Less: Expected Credit Losses	(242,701)	(228,073)
Net loans and advances to customers	7,706,925	6,014,603

*1 Using prevailing market interest rate for staff loans with a carrying amount of TZS 302,170 million (2022: TZS 258,018 million), the fair value is estimated to be TZS 257,617 million (2022: TZS 224,453 million).

*2 Prepaid staff benefit is the difference between the gross carrying amount and the fair value of staff loans issued below market rate. It is deferred and amortized to profit and loss on a straight-line basis over the tenure of the facility. The unwinding of the benefit is the difference between cumulative interest income using market rate and staff rate.

*The gross loans and advances to customers consists of outstanding principal, interest receivable and it is net of interest in suspense amounting to TZS 21,248 million (2022: TZS 23,115 million).

Analysis of loans and advances to customers by maturity

Maturity analysis is based on the remaining periods to contractual maturity from year-end

	2023 TZS' Millions	2022 TZS' Millions
Maturing:		
Within 1 year	2,045,003	1,592,624
Between 1 year and 5 years	2,227,578	2,722,626
Over 5 years	3,434,344	1,927,426
	7,706,925	6,242,676

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

23. LOANS AND ADVANCES TO CUSTOMERS (GROUP AND BANK) (CONTINUED)

The following table shows the movement in expected credit losses that has been recognized for loans and advances to customers

	2023 TZS' Millions	2022 TZS' Millions
At 1 January	228,073	209,986
Increase in expected credit loss recognised in the year (Note 12(a))	84,350	81,067
Decrease in expected credit loss from derecognition of financial assets in the year	(69,722)	(62,980)
Gross loans and advances to customers*	242,701	228,073

Analysis based on ECL segmentation

2023	Agribusiness TZS' Millions	Overdraft TZS' Millions	Secured TZS' Millions	Unsecured TZS' Millions	Total TZS' Millions
Salaried Workers Loans	-	-	2,335	4,165,982	4,168,317
MSE loans	-	-	369,846	-	369,846
Other consumer loans	-	-	72,215	537,010	609,225
Large corporate entities	-	435,818	1,520,211	1,895	1,957,924
SME loans	-	67,100	346,991	1,515	415,606
Agribusiness loans	371,193	55,134	-	2,381	428,708
Grand Total	371,193	558,052	2,311,598	4,708,783	7,949,626

2022	Agribusiness TZS' Millions	Overdraft TZS' Millions	Secured TZS' Millions	Unsecured TZS' Millions	Total TZS' Millions
Salaried Workers Loans	-	-	-	3,687,840	3,687,840
MSE loans	-	45	326,223	541	326,809
Other consumer loans	-	-	49,958	425,097	475,055
Large corporate entities	184,577	199,826	608,068	-	992,471
SME loans	654	62,837	301,138	54	364,683
Agribusiness loans	393,548	2,067	-	203	395,818
Grand Total	578,779	264,775	1,285,387	4,113,735	6,242,676



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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

24(a) INVESTMENT SECURITIES AT AMORTISED COST (GROUP AND BANK)

	2023 TZS' Millions	2022 TZS' Millions
Treasury bills	377,154	335,111
Treasury bonds	1,861,520	1,576,624
Corporate bonds	6,586	3,519
	2,245,260	1,915,254
Current	573,000	452,574
Non-current	1,672,260	1,462,680
	2,245,260	1,915,254

Treasury bills and bonds are debt securities issued by the Government of the United Republic of Tanzania. In the current year, the effective interest rate stood at 9.2% (2022: 8.6%). As at 31 December 2023, there were no treasury bills which were pledged as collateral. However, treasury bonds with a face value of TZS 158,655 million (2022: TZS 67,677 million) were pledged as security for borrowings from Bank of Tanzania under the Agribusiness special loan program. Corporate bonds include Sukuk bonds which are sharia-compliant bonds which are measured at amortized cost.

The movement in investment securities is summarized as follows:	2023 TZS' Millions	2022 TZS' Millions
At 1 January	1,915,254	1,683,950
Interest income (Note 10)	206,092	162,816
Additions	932,548	721,384
Interest received	(203,103)	(147,162)
Proceeds from disposal	(37,999)	-
Matured securities	(569,279)	(505,734)
Realized gain on disposal credited to profit or loss	1,747	-
At 31 December	2,245,260	1,915,254

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

24(b) INVESTMENT SECURITIES AT FVOCI (GROUP AND BANK)

The Group has invested in various treasury bonds that are designated at fair value through other comprehensive income. The movement in these securities is as follows:

	2023 TZS' Millions	2022 TZS' Millions
At 1 January	28,778	55,330
Interest income (Note 10)	2,705	4,674
Realized gain on fair valuation credited to profit or loss	5,780	5,353
Unrealized fair valuation gain/(loss) to OCI (Note 37 (iv))	663	821
Additions	568,500	133,443
Interest received	(8,990)	(9,954)
Proceeds from disposal	(569,090)	(160,889)
At 31 December	28,345	28,778
Non-current	28,345	28,778

25. EQUITY INVESTMENTS**(a) GROUP**

Investment at FVOCI	2023 TZS' Millions	% share	2022 TZS' Millions	% share
Company name				
Tanzania Mortgage Refinance Company Limited (TMRC)	2,920	7.81	2,920	7.81

TMRC is a private company and there is no quoted market price available for the shares. On adoption of IFRS 9 the investment was re-measured at fair value through other comprehensive income. Fair value was determined by observing a recent transaction in the market. As at 31 December 2023, the Bank had 1,800,000 shares (2022: 1,800,000) in TMRC. The dividend that was declared during the year amounted to TZS 55 million (2022: TZS 50 million).

(b) BANK

The Bank has equity investments in TMRC, and a subsidiary named Upanga Joint Venture Company Limited (UJVC).

(I) Investment in a subsidiary

Company name	2023 TZS' Millions	% Share- holding	2022 TZS' Millions	% Share- holding
Upanga Joint Venture Company Limited	39,639	88	39,639	88



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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

25. EQUITY INVESTMENTS (CONTINUED)**b) Bank (Continued)****(i) Investment in a subsidiary (Continued)**

There are no contingent liabilities relating to the Bank's interest in the subsidiary.

There are no restrictions to the Bank in gaining access or use of assets of the subsidiary and settling liabilities of the Group.

The subsidiary (UJCV) listed above has share capital consisting solely of ordinary shares. The country of incorporation; the United Republic of Tanzania is also their principal place of business.

There were no significant judgements and assumptions made in determining the Bank's interest in the subsidiary.

Set out below is the summarized financial information of Upanga Joint Venture Company Limited (UJVC).

	2023 TZS' Millions	2022 TZS' Millions
Summarized statement of financial position		
Current		
Assets	15,305	10,781
Liabilities	(1,658)	(2,040)
Total net current assets	13,647	8,741
Non-current		
Assets	27,790	29,821
Total non-current net assets	27,790	29,821
Total net assets	41,437	38,562
Summarized statement of comprehensive income		
Revenue	4,922	4,921
Cost of sales	(118)	(117)
Finance costs	600	-
Administrative expenses	(2,087)	(2,517)
Tax charge	(995)	(1,258)
Profit after tax	2,322	1,029
Allocated to non- controlling interest	318	141

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

25. EQUITY INVESTMENTS (CONTINUED)**b) Bank (Continued)****(i) Investment in a subsidiary (Continued)**

	2023 TZS' Millions	2022 TZS' Millions
Summarized cash flows		
Net cash generated from operations	3,753	3,553
Net cash used in investing activities	(9,000)	-
Net cash used in financing activities	-	-
Net decrease in cash and cash equivalents	(5,247)	3,553
Cash and cash equivalents at start of the year	5,316	1,375
Cash and cash equivalents at end of the year	69	4,928

(ii) Investment at fair value through other comprehensive income

Company name	2023 TZS' Millions	% Share- holding	2022 TZS' Millions	% Share- holding
Tanzania Mortgage Refinance Company Ltd	2,920	7.81	2,920	7.81

26. OTHER ASSETS**(a) GROUP**

	2023 TZS' Millions	2022 TZS' Millions
Service fees receivable	6,377	5,577
Prepayments	31,886	26,019
Other receivables	80,700	107,738
Staff imprests	111	103
Stationery Stock	1,859	1,262
Bank card inventory	6,208	2,988
Balances due to related parties	1,534	1,534
Cheques and items for clearance	(1,432)	34,392
Balances with Mobile Network Operators	18,593	23,852
Less: Expected Credit Losses	(135)	(2,597)
	145,701	200,868
Current	134,471	200,260
Non-current	11,230	608
	145,701	200,868



26. OTHER ASSETS (CONTINUED)

(a) GROUP (Continued)

The movement in credit/(charges) of other assets is as follows:

	2023 TZS' Millions	2022 TZS' Millions
At start of the year	(2,597)	(2,240)
Write off	2,281	-
Credit/(charge) for the year (Note 12(b))	181	(357)
At end of year	(135)	(2,597)

(b) BANK

	2023 TZS' Millions	2022 TZS' Millions
Service fees receivable	6,377	5,577
Prepayments	31,807	25,941
Other receivables	78,339	106,009
Staff imprest	111	103
Stationery Stock	1,859	1,262
Bank card Inventory	6,207	2,988
Balances due to related parties	1,534	1,534
Cheques and items for clearance	(1,432)	34,392
Balances with Mobile Network Operators	18,593	23,852
Less: Credit impairment charge of other receivables	(135)	(2,597)
	143,260	199,061
Current	132,030	198,453
Non-current	11,230	608
At end of the year	143,260	199,061

The movement in expected credit losses of other receivables is as follows:

	2023 TZS' Millions	2022 TZS' Millions
At start of the year		
Write off	(2,597)	(2,240)
Credit impairment Release/(Charge) for the year (Note 12(b))	2,281	-
At end of the year	181	(357)
	(135)	(2,597)

Other assets have not been pledged as security for liabilities.

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27. PROPERTY AND EQUIPMENT

(a) GROUP

	Year ended 31 December 2023	Own building TZS' Millions	Leasehold improvement TZS' Millions	Motor vehicles TZS' Millions	Computers, furniture and equipment TZS' Millions	Capital work in progress* TZS' Millions	Total TZS' Millions
COST							
At 1 January 2023	134,139	134,139	102,161	21,392	257,815	4,107	519,614
Additions	71	71	357	4,627	18,055	10,524	33,634
Transfers from WIP	2,600	2,600	5,914	76	1,100	(9,722)	(32)
Transfer from prepayments	-	-	-	2,035	5,492	(88)	7,439
Disposal	-	-	(199)	(272)	(27,629)	-	(28,100)
At 31 December 2023	136,810	136,810	108,233	27,858	254,833	4,821	532,555
DEPRECIATION							
At 1 January 2023	52,893	52,893	60,272	18,596	212,716	-	344,477
Charge for the year	6,204	6,204	7,785	1,538	19,408	-	34,935
Disposal	-	-	(162)	(104)	(27,437)	-	(27,703)
At 31 December 2023	59,097	59,097	67,895	20,030	204,687	-	351,709
NET BOOK VALUE							
At 31 December 2023	77,713	77,713	40,338	7,828	50,146	4,821	180,846

*The capital work in progress relates to the ongoing projects of branch renovations, network equipment and ongoing security system projects. No property and equipment of the Group and Bank has been pledged as security for liabilities.

27. PROPERTY AND EQUIPMENT (CONTINUED)

(a) GROUP (CONTINUED)

	Year ended 31 December 2022	Own building TZS' Millions	Leasehold improvement TZS' Millions	Motor vehicles TZS' Millions	Computers, furniture and equipment TZS' Millions	Capital work in progress* TZS' Millions	Total TZS' Millions
COST							
At 1 January 2022	133,270		100,475	21,638	243,245	1,937	500,565
Additions	233		309	329	6,373	6,694	13,938
Transfers from WIP	636		1,377	-	2,511	(4,524)	-
Transfer from prepayments	-		-	755	5,997	-	6,752
Disposal	-		-	(1,330)	(311)	-	(1,641)
At 31 December 2022	134,139		102,161	21,392	257,815	4,107	519,614
DEPRECIATION							
At 1 January 2022	46,783		52,453	19,017	189,422	-	307,675
Charge for the year	6,110		7,819	908	23,604	-	38,441
Disposal	-		-	(1,329)	(310)	-	(1,639)
At 31 December 2022	52,893		60,272	18,596	212,716	-	344,477
NET BOOK VALUE							
At 31 December 2022	81,246		41,889	2,796	45,099	4,107	175,137

*The capital work in progress relates to the ongoing projects of branch remodelling. No property and equipment of the Group and Bank has been pledged as security for liabilities.

27. PROPERTY AND EQUIPMENT (CONTINUED)

(b) BANK

	Year ended 31 December 2022	Own building TZS' Millions	Leasehold improvement TZS' Millions	Motor vehicles TZS' Millions	Computers, furniture and equipment TZS' Millions	Capital work in progress* TZS' Millions	Total TZS' Millions
COST							
At 1 January 2023	91,119		102,161	21,392	257,815	4,107	476,594
Additions	71		357	4,627	18,056	10,524	33,635
Transfers from WIP	2,600		5,914	76	1,100	(9,722)	(32)
Transfer from prepayments	-		-	2,035	5,491	(88)	7,438
Disposal	-		(199)	(272)	(27,629)	-	(28,100)
At 31 December 2023	93,790		108,233	27,858	254,833	4,821	489,535
DEPRECIATION							
At 1 January 2023	39,694		60,272	18,596	212,716	-	331,278
Charge for the year	4,173		7,785	1,538	19,408	-	32,904
Disposal	-		(162)	(104)	(27,437)	-	(27,703)
At 31 December 2023	43,867		67,895	20,030	204,687	-	336,479
NET BOOK VALUE							
At 31 December 2023	49,923		40,338	7,828	50,146	4,821	153,056

*The capital work in progress relates to the ongoing projects of branch renovations, network equipment and ongoing security system projects. No property and equipment of the Group and Bank has been pledged as security for liabilities.



	(b) BANK (CONTINUED)					Total TZS' Millions
	Year ended 31 December 2022	Own building TZS' Millions	Leasehold improvement TZS' Millions	Motor vehicles TZS' Millions	Computers, furniture and equipment TZS' Millions	Capital work in progress* TZS' Millions
At 1 January 2022		90,250	100,475	21,638	243,245	1,937
Additions		233	309	329	6,373	6,694
Transfers from WIP		636	1,377	-	2,511	(4,524)
Transfer from prepayments		-	-	755	5,997	-
Disposal		-	-	(1,330)	(311)	-
At 31 December 2022		91,119	102,161	21,392	257,815	4,107
						476,594
DEPRECIATION						
At 1 January 2022		35,615	52,453	19,017	189,422	-
Charge for the year		4,079	7,819	908	23,604	-
Disposal		-	-	-	(310)	-
At 31 December 2022		39,694	60,272	18,596	212,716	-
NET BOOK VALUE						331,278
At 31 December 2022		51,425	41,889	2,796	45,099	4,107
						145,316

*The capital work in progress relates to the ongoing projects of branch re-modelling. No property and equipment of the Group and Bank has been pledged as security for liabilities.

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28. INTANGIBLE ASSETS (GROUP AND BANK)

	Computer Software TZS' Millions	Work in progress TZS' Millions	Total TZS' Millions
2023			
Cost:			
At 1 January	80,553	15,340	95,893
Additions	2,179	20,686	22,865
Transfers	19,051	(19,013)	38
At 31 December	101,783	17,013	118,796
Amortization			
At 1 January	77,603	-	77,603
Charge for the year	3,846	-	3,846
At 31 December	81,449	-	81,449
Net book value	20,334	17,013	37,347
2022			
Cost:			
At 1 January	79,740	6,759	86,499
Additions	847	8,547	9,394
Transfers	(34)	34	-
At 31 December	80,553	15,340	95,893
Amortization			
At 1 January	72,611	-	72,611
Charge for the year	4,992	-	4,992
At 31 December	77,603	-	77,603
Net book value	2,950	15,340	18,290

The software work in progress relates to costs towards development of new agency banking system, internet banking, Mkononi revamp, Micro lending and other small systems



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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

29. LEASES

	2023 TZS' Millions	2022 TZS' Millions
(a) RIGHT TO USE ASSETS GROUP		
At 1 January	27,063	26,754
Additions	939	10,514
Modification	7,893	-
Amortisation charge	(10,663)	(10,205)
At 31 December	25,232	27,063
(b) RIGHT TO USE ASSETS BANK		
At 1 January	65,072	65,177
Additions	939	10,508
Modification	-	192
Lease remeasurement	7,893	2,301
Amortisation charge	(13,579)	(13,106)
At 31 December	60,325	65,072
(c) LEASE LIABILITIES GROUP		
At 1 January	30,586	27,261
Additions	939	7,145
Modification	-	192
Interest expense	2,218	2,106
Revaluation losses	152	118
Lease remeasurement	8,177	2,296
Payment during the year	(13,228)	(8,532)
At 31 December	28,844	30,586
Current	9,133	4,535
Non-current	19,711	26,051
	28,844	30,586
(d) LEASE LIABILITIES BANK		
At 1 January	68,733	67,142
Additions	939	7,046
Modification	-	192
Lease remeasurement	8,177	2,296
Interest expense	5,341	5,393
Revaluation losses	152	118
Payment during the year	(18,149)	(13,454)
At 31 December	65,193	68,733
Current	12,057	9,612
Non-current	53,136	59,121
	65,193	68,733

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

29. LEASES (CONTINUED)

	2023 TZS' Millions	2022 TZS' Millions
Amounts recognized in profit and loss		
(e) GROUP		
Amortisation of right-of-use assets - Note 17 (a)	10,663	10,204
Finance cost – included as interest expense - Note 11(a)	2,218	2,106
Expense relating to short-term leases - Note 16 (a)	561	507
Gain on modification – Note 29(c), Note 29(a)	-	192
Foreign exchange gain on leases liability – Note 29 (c)	152	118
	13,594	13,127
(f) BANK		
Amortisation of right-of-use assets - Note 17 (b)	13,579	13,107
Finance cost – included as interest expense - Note 11(b)	5,341	5,393
Expense relating to short-term leases - Note 16 (b)	561	507
Gain on modification – Note 29(b), Note 29(d)	-	192
Foreign exchange gain on leases liability – Note 29 (d)	152	118
	19,633	19,317

All leases relate to properties used as office, branch or ATM outlets. Total cash out flow for leases in 2023 for Group and Bank amounted to TZS 13,228 million (2022: TZS 8,532 million) and TZS 18,149 million (2022: TZS 13,454 million) respectively. During the year there was an addition of TZS 939 million for the Group and Bank respectively.

30. DEFERRED TAX
(a) DEFERRED INCOME TAX ASSETS (GROUP AND BANK)

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

	2023 TZS' Millions	2022 TZS' Millions
At start of year	109,475	93,799
Credit to profit or loss:		
In respect of current year (Note 18(b))	4,038	15,463
In respect of prior year: (Under)/Over provision (Note 18(b))	5,010	512
Debit to OCI:		
In respect of current year	(199)	(299)
At the end of year	118,324	109,475

Deferred income tax asset and deferred income tax credit to the profit or loss are attributed to the following items:



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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

30. DEFERRED TAX (CONTINUED)
(a) DEFERRED INCOME TAX ASSETS (GROUP AND BANK)

Year ended 31 December 2023	(Charged)/credited to profit or loss in respect of				
	1 January TZS' Millions	Current year TZS' Millions	Prior years TZS' Millions	Charged to OCI TZS' Millions	31 December TZS' Millions
Deferred income tax asset					
Impact to profit and loss					
Property and equipment	14,137	(3,424)	-	-	10,713
Provisions for loan impairment	68,381	9,481	-	-	77,862
Other provisions	22,484	(2,019)	5,010	-	25,475
Other temporary differences	4,938	-	-	-	4,938
Impact to reserve					
Fair valuation gain – equity	(354)	-	-	-	(354)
Fair valuation gain – debt	(111)	-	-	(199)	(310)
	109,475	4,038	5,010	(199)	118,324

Year ended 31 December 2022	(Charged)/credited to profit or loss in respect of				
	1 January TZS' Millions	Current year TZS' Millions	Prior years TZS' Millions	Charged to OCI TZS' Millions	31 December TZS' Millions
Deferred income tax asset					
Impact to profit and loss					
Property and equipment	12,812	1,325	-	-	14,137
Provisions for loan impairment	62,992	5,389	-	-	68,381
Other provisions	17,849	4,635	-	-	22,484
Other temporary differences	312	4,114	512	-	4,938
Impact to reserve					
Fair valuation gain – equity	(354)	-	-	-	(354)
Fair valuation gain – debt	188	-	-	(299)	(111)
	93,799	15,463	512	(299)	109,475

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

30. DEFERRED TAX (CONTINUED)
(b) DEFERRED TAX LIABILITY (GROUP)

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

	As 1 January	(Charged) / credited to profit or loss	At 31 December
Year ended 31 December 2023	1,418	(561)	857
Investment property			
Total	1,418	(561)	857
Year ended 31 December 2022			
Investment property	858	560	1,418
Total	858	560	1,418

Deferred income tax liability and deferred income tax charge/credit to the profit or loss are attributed to the following items:

	2023 TZS' Millions	2022 TZS' Millions
Investment property	857	1,418
Deferred tax liability recognized	857	1,418

31 DEPOSITS FROM CUSTOMERS
(a) GROUP

Deposits due to customers are composed of the following;

Current accounts	3,257,509	2,865,581
Personal accounts	3,921,712	3,539,151
Time deposit accounts	1,286,387	1,190,100
	8,465,608	7,594,832
Current	5,756,965	5,124,764
Non-current	2,708,643	2,470,068
	8,465,608	7,594,832



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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31. DEPOSITS FROM CUSTOMERS (CONTINUED)

	2023 TZS' Millions	2022 TZS' Millions
(b) BANK		
Current accounts	3,266,549	2,870,896
Personal accounts	3,921,712	3,539,151
Time deposit accounts	1,286,417	1,190,100
	8,474,678	7,600,147
Current	5,766,035	5,130,081
Non-current	2,708,643	2,470,066
	8,474,678	7,600,147

32. DEPOSITS DUE TO OTHER BANKS (GROUP AND BANK)

Deposits from other banks	15,008	12,445
Current	15,008	12,445

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

33. OTHER LIABILITIES

	2023 TZS' Millions	2022 TZS' Millions
(a) GROUP		
Accrued expenses	15,666	14,118
Bonus payable	18,242	15,536
Deferred processing fees	59,273	49,902
Bills payable	1,983	2,178
Statutory liabilities	36,296	32,539
Provisions for TRA assessments	13,693	9,021
Insurance premium payable	11,616	7,804
Commission payable to NMB agents	4,902	4,608
Cheques and items for clearance	7,381	5,665
Provisions	45	294
Commission received in advance; LCs and Guarantees	1,715	1,765
Sundry liabilities	22,821	4,500
Expected credit losses for off-balance sheet items (Note 9.1.5 e)	411	276
Total	194,044	148,206
Current	49,580	32,491
Non-current	144,464	115,715
	194,044	148,206
(b) BANK		
Accrued expenses	15,666	14,118
Bonus payable	18,242	15,536
Deferred processing fees	59,273	49,902
Bills payable	1,983	2,178
Statutory liabilities	36,296	32,539
Provisions for TRA assessments	13,693	9,021
Insurance premium payable	11,616	7,804
Commission payable to NMB agents	4,902	4,608
Cheques and items for clearance	7,380	5,665
Provisions	45	294
Commission received in advance; LCs and Guarantees	1,715	1,765
Sundry liabilities	28,484	10,063
Expected credit losses for off-balance sheet items (Note 9.1.5 e)	411	276
Total	199,706	153,769
Current	150,126	112,734
Non-current	49,580	41,035
	199,706	153,769



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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

34. PROVISIONS (GROUP AND BANK)

	2023 TZS' Millions	2022 TZS' Millions
Provision for losses from legal cases	2,431	2,079
Movement in provision		
At the start of year	2,079	1,309
Charged during the year	352	770
At end of year	2,431	2,079

The amounts represent provision for certain legal claims brought against the Bank by third parties in the course of business. In the directors' opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided as at 31 December 2023.

35. BORROWINGS (GROUP AND BANK)

	2023 TZS' Millions	2022 TZS' Millions
Borrowings:		
EIB Loan (i)	32,498	524
FMO Loan (ii)	314,125	295,375
Debt securities in issue (iii)	470,659	74,269
TMRC (iv)	16,700	11,700
IFC (v)	374,180	303,659
BOT (vi)	157,875	57,875
Accrued interest	14,156	5,952
	1,380,193	749,354
Current	333,496	295,440
Non-current	1,046,697	453,914
	1,380,193	749,354

As at 31 December 2023, the Group had no borrowing at default and was in compliance with all covenants.

(i) European Investment Bank (EIB) loan

As at 31 December 2023, the Bank had outstanding balance of TZS 33 billion (2022: TZS 525 million). The loan is payable semi-annually for seven years in equal installments starting in April 2025 at an effective rate of 14.19% (2022:9.31%)

The loan is part of EUR 100 million Gender and Blue Economy financing that can be drawn down in either EUR, USD, or TZS. As of 31 December 2023, the remaining portion of the loan amount was yet to be drawn.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

35 BORROWINGS (GROUP AND BANK) (CONTINUED)**(ii) Financierings-Maatschappij voor Ontwikkelingslanden N.V (FMO) loan**

As at 31 December 2023, the Bank had unsecured loan of USD 125 million repayable semi-annually within six years and carries a floating rate based on six months Term SOFR plus a margin of 2.85%. The first installment of this loan is due for repayment in June 2024 while the last installment is due for repayment in December 2028. The outstanding balance as at 31 December 2023 was USD 125 million equivalent to TZS 314,375 million (2022: USD 125 million equivalent to TZS 314,375 million equivalent to TZS 295,600 million)

(iii) Debt securities in issue**Jamii Bond**

On 25 September 2023 the Bank issued the first tranche of NMB Multicurrency Medium Term Note (MTN) Programme worth Tanzanian Shillings One Trillion (TZS 1,000,000,000,000) dubbed JAMII Bond. The Bank issued two series of notes denominated in TZS and USD;

- TZS: The Bank issued a TZS 75 billion 3-year bond targeted towards the retail and institutional investor segment; offering a gross coupon rate of 9.5% and issued at par. The coupon on the bond is paid quarterly. The offer period closed on 27 October 2023 with market demand exceeding expectations. The bond subscription rate was 284% with the Bank receiving applications from investors amounting to TZS 212.94 billion;
- USD: The Bank issued a USD 10 million 3-year bond targeted towards the off shore institutional investor segment; offering a gross coupon rate of 6 Month TERM SOFR +2.50% and issued at par. The coupon on the bond is semi-annually. The offer period closed on 8 December 2023 with market demand exceeding expectations. The bond subscription rate was 730% with the Bank receiving applications from investors amounting to USD 73 million;
- The bond is unsecured and the two notes series are tradable on the Dar es Salaam Stock Exchange (DSE);
- Jamii Bond is a Sustainability Bond issued under the Bank Sustainable Financing Framework that is in alignment with International Capital Markets Association (ICMA) and Multilateral Development Bank (MDB) principles. The framework secured Second Party Opinion (SPO) from Sustainalytics;
- Use of Proceeds: The Bank intends to allocate an amount of funding equivalent to the net proceeds of this tranche of Notes to finance new eligible loans/assets and/or refinance existing eligible loans/assets, in whole or in part, that meet the eligibility criteria detailed in the green and social categories as defined in the NMB Sustainable Finance Framework.



35. BORROWINGS (GROUP AND BANK) (CONTINUED)**(iii) Debt securities in issue (Continued)****Jasiri Bond (Sustainable Bond)***Sustainable Bond*

On 7 February 2022, the Bank issued the fourth and final tranche of the 2016 MTN program dubbed Jasiri Bond. The Bank issued a TZS 25 billion 3-year bond targeted towards the retail and institutional investor segment; offering a gross coupon rate of 8.5% and issued at par. The coupon on the bond is paid quarterly. The offer period closed on 21 March 2022 with market demand exceeding expectations. The bond was oversubscribed by 197% with the Bank receiving applications from investors amounting to TZS 74.3 billion.

Jasiri Bond is the Bank first Gender Bond in the whole of Sub-Saharan Africa (SSA) whose framework aligns with Social Bond Principles administered by the International Capital Market Association. The debut issuance under the bank Social Bond Framework focuses exclusively on gender equality and economic empowerment of women (SDG-5 specifically) by channelling its proceeds to women-owned or led businesses and those businesses whose products and services directly benefit a woman. The Bond will also have impact on other broad-based SDGs impacted through financing of economic activities under SMEs.

The bond is unsecured and is tradable on the Dar es Salaam Stock Exchange (DSE).

As at 31 December 2023, the NMB 2016 MTN program was fully exhausted after the issuance of fourth tranche.

The issuance of the bonds is part of the Bank's strategy to diversify its funding sources.

(iv) Tanzania Mortgage Refinance Company Limited

As at 31 December 2023 the balance was TZS 16.7 billion (2022: TZS 11.7 billion). The balance was made up of three tranches which were taken to finance the portfolio of mortgage loans and all tranches were renewable.

At the end of 2017, the Bank had borrowed from Tanzania Mortgage Refinance Company Limited (TMRC) a renewable loan of TZS 1.7 billion maturing in 48 months and carrying a fixed rate of 11.5% p.a. The loan is secured by specific debenture over the portfolio of mortgage loans covering at least 125% of the loan amount. The loan was renewable in 2020 at a fixed price of 7.5%.

In 2018, the Bank secured an additional TZS 5 billion loan with a 3-year tenor at a fixed interest rate of 11.5%. The loan is secured by a portfolio of treasury bonds with a coverage ratio of at least 105.3% and minimum remaining tenor of 3 years from the date of disbursement. The loan was renewable in 2021 at a fixed price of 7.5%.

In 2019 the Bank secured additional TZS 5 billion loan with a 3-year tenor at a fixed interest rate of 9%. The loan is secured by a portfolio of treasury bonds with a coverage ratio of at least 105.3% The loan was renewable in 2023 at a fixed price of 7.5%.

35. BORROWINGS (GROUP AND BANK) (CONTINUED)**(v) International Finance Corporation (IFC)**

In 2020, the Bank obtained an unsecured loan of TZS 50 billion repayable semi-annually within five to six years and carries a fixed rate of 10.50%. The outstanding balance as at 31 December 2023 was TZS 21,428 million (2022: TZS 35,714 million).

During the year 2022, the Bank converted the subordinate loan of TZS 68.19 billion to a senior loan which carried a reduced interest rate. As at 31 December 2023 the balance was TZS 51,142 million (2022: TZS 68,190 million). The effective interest rate was 11.93%. The loans were taken for better Assets Liability management. The loan is unsecured.

During the year 2023, the Bank obtained an unsecured loan of USD 100 million being a COVID- 19 Working Capital Solution Facility. The loan is repayable in 2 years as a bullet and was drawn down in both USD and TZS. The USD portion is based on six months Term SOFR plus a margin of 1.95% while the TZS portion carries a fixed interest rate of 13.70%. As at 31 December 2023, the Bank had outstanding amounts of USD 70 million and TZS 62,875 million of this loan

Moreover, during the year 2023 the Bank rolled over USD 20 million of the IFC GWFP facility for 1 year. The loan has a bullet maturity and carries an interest rate of 6 months term SORF plus a margin of 1.50%

(vi) Bank of Tanzania (BOT)

In September 2022, the Bank borrowed from BOT an amount of TZS 57.9 billion repayable in 3 months carrying a fixed rate with an option to renew. Furthermore in 2023, the Bank borrowed from BOT two more loans with amounts of TZS 70 billion and TZS 30 billion repayable in 3 months with an option for renewal. The effective interest rate for all these loans is 3%. The loans were taken for the purpose of promoting credit to private sector particularly small-scale farmers. These loans are secured by treasury bonds.

Movement of borrowings during the year was as follows:

	2023 TZS' Millions	2022 TZS' Millions
At 1 January	749,354	423,190
Interest expense	73,697	31,555
Loans received	785,238	427,518
Converted amount from subordinated loan	-	68,190
Interest paid	(64,317)	(31,031)
Principal payment	(190,353)	(174,141)
Foreign exchange gain/(loss)	26,574	4,073
At 31 December	1,380,193	749,354



NMB BANK PLC
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

36. NET DEBT ANALYSIS

	Group		Bank	
	2023 TZS' Millions	2022 TZS' Millions	2023 TZS' Millions	2022 TZS' Millions
Cash and cash equivalents	1,172,202	1,277,542	1,172,202	1,277,542
Borrowings repayable within one year	(333,496)	(289,487)	(333,496)	(289,487)
Borrowings repayable after one year	(1,046,697)	(459,867)	(1,046,697)	(459,867)
Lease liabilities due after 1 year	(19,711)	(26,051)	(53,136)	(59,121)
Lease liabilities due within 1 year	(9,133)	(4,535)	(12,057)	(9,612)
Net debt	(236,835)	497,602	(273,184)	459,455
Cash and cash equivalents	1,172,202	1,277,542	1,172,202	1,277,542
Gross debt – fixed interest rate	(701,869)	(280,458)	(701,869)	(318,605)
Gross debt – variable interest rate	(743,517)	(499,482)	(743,517)	(499,482)
Net debt	(273,184)	497,602	(273,184)	459,455

The movement of the individual components is available in Note 29, Note 35 and the statement of cash flows.

37. CAPITAL AND RESERVES

	2023 TZS' Millions	2022 TZS' Millions
(i) Share capital		
Authorized		
625,000,000 ordinary shares of TZS 40 each	25,000	25,000
Called up and fully paid		
500,000,000 ordinary shares of TZS 40 each	20,000	20,000

(ii) Retained earnings

Retained earnings consist of undistributed profits from previous years.

(iii) Fair valuation reserve

The reserve is made up of fair valuation of financial assets and liabilities.

This reserve is not available for distribution to shareholders.

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FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

37. CAPITAL AND RESERVES (CONTINUED)

Movement in fair valuation reserve is as follows:

At 1 January

Fair valuation gain (Note 24(b))

Deferred tax on fair valuation gain (Note 30(a))

At 31 December

2023 TZS' Millions	2022 TZS' Millions
1,086	564
663	790
(199)	(268)
464	522
1,550	1,086

There was no reclassification adjustment made in respect to components of other comprehensive income.

38. CASH AND CASH EQUIVALENTS (GROUP AND BANK)

Cash and balances with Bank of Tanzania (Note 21)

Less: Statutory Minimum Reserves (Note 21)

Placement and balances with other banks (Note 22)

2023 TZS' Millions	2022 TZS' Millions
1,340,934	1,551,341
(505,491)	(460,740)
336,759	186,941
1,172,202	1,277,542

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 91 days maturity from the date of acquisition including: cash and balances with Bank of Tanzania and Placement with other banks. Cash and cash equivalents exclude the cash reserve requirement (SMR) held with the Bank of Tanzania.



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FOR THE YEAR ENDED 31 DECEMBER 2023

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

39. NOTES TO THE STATEMENT OF CASH FLOWS

	Note	2023 TZS' Millions	2022 TZS' Millions
(a) GROUP			
Operating activities			
Profit before tax		774,801	615,165
<i>Adjustment for:</i>			
Depreciation and amortization	17	49,444	53,637
Gain on modification of lease	29	284	2,606
Profit on disposal of property and equipment	14	(294)	(590)
Realised gain on government security - FVOCI	24(b)	(5,780)	(5,353)
Realised gain on disposal of government securities at amortized cost	24(a)	(1,747)	-
Interest income from government security - FVOCI	24(b)	(2,705)	(4,674)
Interest income from government security amortised at cost	24(a)	(206,092)	(162,816)
Interest expense on lease	11(a)	2,218	2,106
Interest expense on borrowings	35	73,697	38,362
Foreign exchange loss on borrowings	35	26,574	4,073
Foreign exchange loss on lease liability		152	-
Credit impairment charge		84,435	81,067
Dividend income	14	(55)	(50)
		794,932	623,533
<i>Movement in operating assets:</i>			
Statutory Minimum Reserve		(44,751)	(23,987)
Net investment in securities at FVOCI		591	27,446
Loans and advances to customers		(1,776,672)	(1,441,737)
Other assets		55,167	(84,873)
Deposits from customers		870,776	931,943
Deposits due to other banks		2,563	12,037
Other liabilities		45,192	8,290
Provisions	34	352	770
Cash (used in)/generated from operations		(51,850)	53,422

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FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

39. NOTES TO THE STATEMENT OF CASH FLOWS (CONTINUED)

	Note	2023 TZS' Millions	2022 TZS' Millions
(b) BANK			
Operating activities			
Profit before tax		770,367	611,611
<i>Adjustment for:</i>			
Depreciation and amortization	17	50,329	54,509
Gain on modification of lease	29	284	(5)
Profit on disposal of property and equipment	14	(294)	(590)
Realised gain on government security - FVOCI	24(b)	(5,780)	(5,353)
Realised gain on disposal of government securities at amortized cost	24(a)	(1,747)	-
Interest income from government security - FVOCI	24(b)	(2,705)	(4,674)
Interest income from government security amortised at cost	24(a)	(206,092)	(162,816)
Interest expense on lease	11(b)	5,341	5,393
Interest expense on borrowings	35	73,697	38,362
Foreign exchange loss on borrowings	35	26,574	4,073
Foreign exchange loss on lease liability		152	118
Credit impairment charge		84,435	81,067
Dividend income	14	(55)	(50)
		794,506	621,645
<i>Movement in operating assets:</i>			
Statutory Minimum Reserve		(44,751)	(23,987)
Net investment in securities at FVOCI		591	27,466
Loans and advances to customers		(1,776,672)	(1,441,737)
Other assets		55,801	(85,322)
Deposits from customers		874,531	935,886
Deposits due to other banks		2,563	12,037
Other liabilities		45,851	10,167
Provisions	34	352	770
Cash (used in)/generated from operations		(47,228)	56,905

*The cash flow statement for the comparative period ended 31 December 2022 has been updated to make the following enhancement as required by IAS 7:31 and has a nil impact.

- Investment and proceeds from investment securities at FVOCI have been reclassified from cash flows from investing activities to operating activities which amounts to TZS 133,443 million and TZS 160,889 million respectively.
- Interest received from investments in securities held at FVOCI and HTM amounting to TZS 9,954 million and TZS 147,162 million and interest paid on borrowings and leases amounting to TZS 40,673 million and TZS 5,247 million have been reclassified from cash flows from investing activities and financing activities to operating activities.



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FOR THE YEAR ENDED 31 DECEMBER 2023

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

40. (a) FINANCIAL INSTRUMENTS BY CATEGORY (GROUP)

	Amortised Cost TZS' Millions	Fair Value through OCI TZS' Millions	Total TZS' Millions
As at 31 December 2023			
Financial assets			
Cash and balances with Bank of Tanzania	1,340,934	-	1,340,934
Investment securities – at amortised cost	2,245,260	-	2,245,260
Investment securities – FVOCI	-	28,345	28,345
Placement and balances with other banks	336,759	-	336,759
Loans and advances to customers	7,706,925	-	7,706,925
Equity investments	-	2,920	2,920
Other assets (excluding non-financial assets) *	105,883	-	105,883
	11,735,761	31,265	11,767,026

As at 31 December 2022

Financial assets			
Cash and balances with Bank of Tanzania	1,551,341	-	1,551,341
Investment securities – at amortised cost	1,915,254	-	1,915,254
Investment securities – FVOCI	-	28,778	28,778
Placement and balances with other banks	186,941	-	186,941
Loans and advances to customers	6,014,603	-	6,014,603
Equity investments	-	2,920	2,920
Other assets (excluding non-financial assets) *	171,467	-	171,467
	9,839,606	31,698	9,871,304

Financial liabilities at amortised cost

	2023 TZS' Millions	2022 TZS' Millions
Deposits from customers	8,465,608	7,594,741
Deposits due to other banks	15,008	12,445
Borrowings	1,380,193	749,354
Lease liabilities	28,844	28,172
Other liabilities (excluding non-financial liabilities) **	143,599	120,954
	10,033,252	8,505,666

*Prepayments, inventory, provision for other assets and stationery are excluded from other assets balance, as this analysis is for financial instruments only.

**Non-financial liabilities such as provision and statutory liabilities are excluded from other liabilities balance, as this analysis is for financial instruments only.

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FOR THE YEAR ENDED 31 DECEMBER 2023

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

40. (b) FINANCIAL INSTRUMENTS BY CATEGORY (BANK)

	Amortised Cost TZS' Millions	Fair Value through OCI TZS' Millions	Total TZS' Millions
As at 31 December 2023			
Financial assets			
Cash and balances with Bank of Tanzania	1,340,934	-	1,340,934
Investment securities – at amortised cost	2,245,260	-	2,245,260
Investment securities – FVOCI	-	28,345	28,345
Placement and balances with other banks	336,759	-	336,759
Loans and advances to customers	7,706,925	-	7,706,925
Equity investments	-	2,920	2,920
Other assets (excluding non-financial assets) *	103,971	-	103,971
	11,733,849	31,265	11,765,114

As at 31 December 2022

Financial assets			
Cash and balances with Bank of Tanzania	1,551,341	-	1,551,341
Investment securities – at amortised cost	1,915,254	-	1,915,254
Investment securities – FVOCI	-	28,778	28,778
Placement and balances with other banks	186,941	-	186,941
Loans and advances to customers	6,014,603	-	6,014,603
Equity investments	-	2,920	2,920
Other assets (excluding non-financial assets) *	171,467	-	171,467
	9,839,606	31,698	9,871,304

Financial liabilities at amortised cost

	2023 TZS' Millions	2022 TZS' Millions
Deposits from customers	8,474,678	7,600,149
Deposits due to other banks	15,008	12,445
Borrowings	1,380,193	749,354
Lease liabilities	65,193	68,733
Other liabilities (excluding non-financial liabilities) **	147,606	120,954
	10,082,678	8,551,635

*Prepayments, inventory, provision for other assets and stationery are excluded from other assets balance, as this analysis is for financial instruments only.

**Non-financial liabilities such as provision and statutory liabilities are excluded from other liabilities balance, as this analysis is for financial instruments only.



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FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

41. CONTINGENT LIABILITIES AND COMMITMENTS (GROUP AND BANK)**(a) Loan commitments guarantee and other financial facilities**

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

As at 31 December 2023, the Bank had the contractual amounts of off-balance sheet financial instruments that commit it to extend credit to customers, guarantee and other facilities, as follows: -

	2023 TZS' Millions	2022 TZS' Millions
<i>Commitments</i>		
Guarantees and indemnities	1,028,592	558,225
Undrawn commitments	319,530	242,993
Acceptances and letters of credit	1,067,864	1,151,212
	2,415,986	1,952,430

Acceptances and letters of credit

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Bank expects most acceptances to be presented, and reimbursement by the customer is normally immediate. Letters of credit commit the Bank to make payments to third parties, on production of documents, which are subsequently reimbursed by customers.

(b) Legal claims

Some previous loan customers and ex-employees are suing the Bank for various reasons. With the exception of amounts disclosed in Note 34, the amounts claimed in both situations are not material and professional advice indicates that it is unlikely that any significant loss will arise.

(c) Capital commitments

As at 31 December 2023, the Bank had capital commitments of TZS 111,721 million (2022: TZS 79,956 million) The expenditure contracted as at the end of reporting period but not yet incurred is as follows:

NMB BANK PLC

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

41. CONTINGENT LIABILITIES AND COMMITMENTS (GROUP AND BANK) (CONTINUED)**(c) Capital commitments (Continued)**

	2023 TZS' Millions	2022 TZS' Millions
Information technology	40,647	37,563
Branch and business centers remodeling	14,700	9,709
Others including equipment, vehicles and furniture	56,374	32,684
	111,721	79,956

The Bank's management is confident that future net revenues and funding will be sufficient to cover these commitments.

(d) Lease commitments

As of 31 December 2023, the Group and Bank had short term lease commitments of TZS 291 million (2022: TZS 474 million).

42. EFFECTIVE INTEREST RATES OF FINANCIAL ASSETS AND LIABILITIES (GROUP AND BANK)

The effective interest rates for the principal financial assets and liabilities at 31 December 2023 were as follows:

	2023 %	2022 %
Investment securities	9.28	8.75
Placements and balances with other banks	3.55	5.50
Loans and advances to customers	12.44	12.90
Deposits from customers	1.93	1.62
Deposits due to other banks	21.28	3.25
Borrowings	5.34	5.12

43. RELATED PARTY TRANSACTIONS AND BALANCES

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and foreign currency transactions.

The volumes of related party transactions, outstanding balances at year-end, and related expense and income for the year are as follows:

(a) Loans and advances to related parties

At 31 December 2023 there were no loans issued to companies controlled by the Directors or their families. Advances to customers as of 31 December 2023 include loans to key management personnel and Directors as follows:



NMB BANK PLC
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

43. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)
(a) Loans and advances to related parties (Continued)

GROUP AND BANK	2023 TZS' Millions	2022 TZS' Millions
<i>Key management personnel and Directors</i>		
At start of year	5,140	3,800
Advanced during the year	4,883	2,797
Repaid during the year	(1,355)	(1,457)
At end of year	8,668	5,140
Interest income earned	237	233

Provision recognized in respect of loans given by the Group and Bank to key management personnel amounted to TZS 46 million (2022: TZS 27 million) in line with IFRS 9 requirements. Mortgage loans issued to key management were secured and the rest were unsecured. These loans carry off-market interest rates ranging between 5% and 9%. As of 31 December 2023, the Group and Bank held collateral valued at TZS 2,892 million (2022: TZS 2,258 million) with respect to loans and advances to senior management and Directors.

The Lending to key management personnel includes lending to the Directors amounting to TZS 269 million as at 31 December 2023 (2022: TZS 208 million), which were charged at market (commercial) interest rate.

(b) Deposits from related parties

	Directors and key Management personnel	
GROUP	2023 TZS' Millions	2022 TZS' Millions
Deposits at the beginning of the year	3,944	306
Deposits received during the year	17,412	13,519
Deposits repaid during the year	(22,412)	(9,881)
Deposits as at the end of the year	(1,056)	3,944
Interest expense	7	2

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FOR THE YEAR ENDED 31 DECEMBER 2023

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

43. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)
(b) Deposits from related parties (continued)

	Directors and key Management personnel		Related companies	
	2023 TZS' Millions	2022 TZS' Millions	2023 TZS' Millions	2022 TZS' Millions
Deposits at the beginning of the year	2	306	5,309	1,367
Deposits received during the year	12,096	8,203	5,315	5,315
Deposits repaid during the year	(11,848)	(8,507)	(1,564)	(1,373)
Deposits as at the end of the year	250	2	9,060	5,309
Interest expense	7	2	600	-

The above deposits are unsecured, carry variable interest rate and are repayable on demand. Related companies included in this disclosure is Upanga Joint Venture Company Limited.

(c) Transactions and balances with Rabobank (GROUP AND BANK)

Based on the management service contract approved by the Board, a total of TZS 450 million (2022: TZS 476 million) was paid to Rabobank during the year as management and technical assistance expenses. Management fees payable as at year-end was TZS 344 million (2022: TZS 142 million).

Nostro balances with Rabobank at year-end amounted to TZS 31,818 million (2022: TZS 16,744 million). There was no inter-bank balance due to Rabobank as at year-end. The Bank did not incur any expenses which were refundable from Rabobank (2022: Nil).

(d) Transactions and balances with Upanga Joint Venture (BANK)

During the year, the Bank made lease payments of TZS 5 billion to Upanga Joint Venture Limited (2022: TZS 5 billion). The Bank charged UJVC management fee in the sum of TZS 27.65 million (2022: 27.65 million). As at 31 December the balance payable to the Bank for the management fee amounted to TZS 165.9 million (2022: TZS 138.2 million).

The Bank occasionally settles expenses on behalf of UJVC. As of December 31, 2023, the Bank's receivables from UJVC was TZS 1.53 billion (2022: TZS 1.53 billion), whereas ECL was TZS 157 million (2022: TZS 490 million).



43. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)
(e) Key management compensation

(GROUP AND BANK)	2023 TZS' Millions	2022 TZS' Millions
Salaries and other short-term benefits	7,351	6,610
Post-employment benefits - defined contribution plan	823	669
	8,174	7,279

Key management personnel are described as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly. The compensation made to expatriates from Rabobank is included in the management service contract highlighted in part (c) above and therefore excluded in the above benefits.

(f) Transactions and balances with Government of Tanzania (GROUP AND BANK)

The Government of Tanzania owns 31.8% (2022: 31.8%) of the equity of the Bank. The Bank invested in government securities during the year and at the year-end the amount receivable from the Government of Tanzania in the form of treasury bills and bonds amounted to TZS 2,273,605 million (2022: TZS 1,940,532 million). Interest earned from investment in government securities during the year was TZS 208,383 million (2022: TZS 167,489 million), Service fee earned from the government due to transactional services performed amounted to TZS 469 million (2021: TZS 2,177 million). For balances outstanding as at 31 December 2023 and 31 December 2022, expected credit loss provided stood at TZS 114 million (2022: TZS 882million). The Bank also accepts deposits from various government institutions and agencies which do not attract interest.

(g) Directors' remuneration (GROUP AND BANK)

Fees and other emoluments paid to Directors of the Bank during the period amounted to TZS 1,447 million (2022: TZS 752 million). Details of payment to individual Directors will be tabled at the Annual General Meeting.

44. BANCASSURANCE

The revenue generated from bancassurance services for the year ended 31 December 2023 amounted to TZS 14,070 million (2022: TZS 8,280 million) while costs incurred amounted to TZS 1,789 million (2022: TZS 862 million) resulting to the net income of TZS 12,227 million (2022: TZS 7,361 million). The income from of bancassurance for the Group and Bank has been disclosed as part of net fees and commission income in note 13.

45. EVENTS AFTER THE REPORTING PERIOD

There were no events after the reporting period, not otherwise dealt with in these financial statements, that had material impact to the consolidated and Bank financial statements.





Company
Information



NOTICE OF THE 24TH ANNUAL GENERAL MEETING OF THE MEMBERS OF NMB BANK PLC

Notice is hereby given that the 24th Annual General Meeting of NMB Bank Plc Shareholders will be held Virtually on Friday, 7th June 2024 at 10.00 a.m.

The agenda will be as follows:

- 24.1 NOTICE AND QUORUM
- 24.2 ADOPTION OF THE AGENDA
- 24.3 CONFIRMATION OF THE MINUTES OF THE 23RD ANNUAL GENERAL MEETING HELD ON 2ND JUNE 2023
- 24.4 MATTERS ARISING FROM THE PREVIOUS MEETING
- 24.5 TO RECEIVE, CONSIDER AND ADOPT THE DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2023
- 24.6 DIVIDEND DECLARATION FOR THE FINANCIAL YEAR 2023
- 24.7 TO RECEIVE AND APPROVE THE PROPOSAL FOR DIRECTORS' REMUNERATION
- 24.8 RESIGNATION AND APPOINTMENT OF DIRECTORS
- 24.9 TO RECEIVE AND APPROVE APPOINTMENT OF EXTERNAL AUDITORS FOR THE FINANCIAL YEAR 2024
- 24.10 ANY OTHER BUSINESS

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While outside Tanzania: 0808 002 022
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Network Distribution

DSM Zone				
Branch Name	Region	District	Street/ Road	Telephone
Airport	Dar es Salaam	Ilala	Nyerere road	022-232-4200
Bank House	Dar es Salaam	Ilala	Samora ave/Pamba road	022-232-4128
Congo Street	Dar es Salaam	Ilala	Congo street	022-232-4154
Gongo la Mboto	Dar es Salaam	Ilala	Nyerere Rd	022-232-4160
Ilala	Dar es Salaam	Ilala	Uhuru road	022-232-4116
Kariakoo	Dar es Salaam	Ilala	Livingstone St	022-232-4112
Kariakoo Business Center	Dar es Salaam	Ilala	Mafia/Swahili street	022-232-4205
Mandela Road	Dar es Salaam	Ilala	Mandela Rd, TOT Tabata area	022-232-4157
Morogoro Road	Dar es Salaam	Ilala	Morogoro road/ Mshihiri	022-232-4104
Muhimbili	Dar es Salaam	Ilala	Kalenga	022-232-4141
Ohio	Dar es Salaam	Ilala	Ohio/Ali Hassan Mwinyi	022-232-2726
Kigamboni	Dar es Salaam	Kigamboni	Ferry street	022-232-4174
Magomeni	Dar es Salaam	Kinondoni	Morogoro road	022-232-4108
Mbezi	Dar es Salaam	Kinondoni	Bagamoyo Road	022-232-4163
Mlimani City	Dar es Salaam	Kinondoni	Sam Nujoma road	022-232-4120
Msasani	Dar es Salaam	Kinondoni	Kimweri Avenue	022-232-4190
Bagamoyo	Pwani	Bagamoyo	Bank street	022-232-4267
Chalinze	Pwani	Bagamoyo	Chalinze-Dar RD, Chalinze area	022-232-4227
Kibaha	Pwani	Kibaha	Maili moja- mkoani	022-232-4261
Mlandizi	Pwani	Kibaha	Morogoro road, Mlandizi stand	022-232-4276
Kisarawe	Pwani	kisarawe	Sokoni	022-232-4264
Mafia	Pwani	Mafia	Kilindoni	022-232-4197
Mkuranga	Pwani	Mkuranga	Bank street	022-232-4270
Kibiti	Pwani	Rufiji	Lindi-kibiti rd	022-232-4273
Tandika	Dar es Salaam	Temeke	Bus stand, Ugwenno Street	022-232-4194
Temeke	Dar es Salaam	Temeke	Temeke street/Mbagala road	022-232-4100
TPA Bandari	Dar es Salaam	Temeke	TPA, Mandela Rd	022-232-4126
Mbezi Louis	Dar es Salaam	Ubungo	Mbezi Louis area opp. Old Morogoro road	022-232-4212
Bagamoyo	Pwani	Bagamoyo	Bank street	022-232-4267
Chalinze	Pwani	Bagamoyo	Chalinze-Dar RD, Chalinze area	022-232-4227
Kibaha	Pwani	Kibaha	Maili moja- mkoani	022-232-4261
Mlandizi	Pwani	Kibaha	Morogoro road, Mlandizi stand	022-232-4276
Kisarawe	Pwani	kisarawe	Sokoni	022-232-4264
Mafia	Pwani	Mafia	Kilindoni	022-232-4197
Mkuranga	Pwani	Mkuranga	Bank street	022-232-4270
Kibiti	Pwani	Rufiji	Lindi-kibiti rd	022-232-4273

Branch Name	Region	District	Street/ Road	Telephone
Chakechake	Kusini Pemba	Chakechake	Msingini	022-232-4144
Paje	Kusini Unguja	Kusini	Paje Town round about	022-232-4859

Central Zone				
Branch Name	Region	District	Street/ Road	Telephone
Bahi	Dodoma	Bahi	Mission street/Bahi Distr. Building	022-232-4054
Chamwino	Dodoma	Chamwino	Chamwino Ikulu/Chamwino Distr. Building	022-232-4051
Bunge	Dodoma	Dodoma	Parliament Grounds, Uzunguni	022-232-4009
Dodoma	Dodoma	Dodoma	One Way / Kuu Street	022-232-4060
Kambarage	Dodoma	Dodoma	PSPF building, 18 Jakaya Kikwete rd, adjacent to BOT	022-232-4072
Makole Business Center	Dodoma	Dodoma	Kuu Street / Nyerere rd	022-232-4066
Mazengo	Dodoma	Dodoma	Kuu Street	022-232-4063
UDOM	Dodoma	Dodoma	Nyerere	022-232-4006
Kondoa	Dodoma	Kondoa	Chem Chem	022-232-4024
Kibaigwa	Dodoma	Kongwa	Dodoma Highway	022-232-4018
Kongwa	Dodoma	Kongwa	Dodoma Road	022-232-4012
Mpwapwa	Dodoma	Mpwapwa	Post Office Area	022-232-4015
Gairo	Morogoro	Gairo	Morogoro Road Gairo area	022-232-4279
Ifakara	Morogoro	Kilombero	Nduna street	022-232-4243
Mlimba	Morogoro	Kilombero/ Mlimba	Mlimba A, Kituo cha afya road	022-232-4294
Dumila	Morogoro	Kilosa	Dumila	022-232-4255
Kilombero	Morogoro	Kilosa	Kidodi	022-232-4240
Kilosa	Morogoro	Kilosa	Jamhuri	022-232-4252
Malinyi	Morogoro	Malinyi	Madaraka rd - Misegese area near Malinyi DC offices	022-232-4519
Morogoro Business Center	Morogoro	Morogoro MC	Madaraka street Opp. Morogoro MC building	022-232-4282
Mount Uluguru	Morogoro	Morogoro MC	Masika area	022-232-4237
Msamvu	Morogoro	Morogoro MC	LAPF Building /Msamvu Bus Terminal	022-232-4257
SUA	Morogoro	Morogoro MC	SUA Main Campus - Administrative area	022-232-4231
Wami	Morogoro	Morogoro MC	Uhuru street	022-232-4231
Turiani	Morogoro	Mvomero	Madizini	022-232-4249
Mahenge	Morogoro	Ulanga	Kilosa Rd	022-232-4246



Branch Name	Region	District	Street/ Road	Telephone
Ikungi	Singida	Ikungi	Opp. Ikungi District council's building	022-232-4057
Kiomboi	Singida	Iramba	Karume/Thomas Mussa	022-232-4048
Itigi	Singida	Manyoni	Majengo	022-232-4027
Manyoni	Singida	Manyoni	Kipondoa Dodoma - Singida Rd	022-232-4045
Mitundu	Singida	Manyoni - Itigi	Mitundu bus stand	022-232-4029
Mkalama	Singida	Mkalama	Nduguti	022-232-4069
Singida	Singida	Singida MC	Majengo/Karume Road	022-232-4042
Babati	Manyara	Babati TC	Police Line	022-232-4003
Katesh	Manyara	Hanang	Machakos	022-232-4039
Kibaya	Manyara	Kiteto	Bomani	022-232-4021
Haydom	Manyara	Mbulu	Hydom Old bus stand street	022-232-4033
Mbulu	Manyara	Mbulu	Karatu Road	022-232-4030
Mirerani	Manyara	Simanjoro	Kisimani opp police station	022-232-4751
Simanjoro	Manyara	Simanjoro	Boma	022-232-4036

Northern Zone

Branch Name	Region	District	Street/ Road	Telephone
Arusha Business Center	Arusha	Arusha	Makongoro Road	022-232-4942
Arusha Market	Arusha	Arusha	Martin Road	022-232-4945
Clock Tower	Arusha	Arusha	Sokoine road/Joel Maeda Street	022-232-4948
Kwa Mrombo	Arusha	Arusha	Kwa Mrombo market - mwisho wa Lami	022 232 2997
Ngarenaro	Arusha	Arusha	Sokoine Road	022-232-4990
Karatu	Arusha	Karatu	Ngorongoro Road	022-232-4724
Namanga	Arusha	Longido	Eworendeke	022-232-4784
Ngaramtoni	Arusha	Meru	Ngaramtoni town - along Namanga/Nairobi rd	022-232-4987
Usa River	Arusha	Meru	Arusha/Himo Road	022-232-4939
Monduli	Arusha	Monduli	Boma Road	022-232-4718
Mto wa Mbu	Arusha	Monduli	Along ngorongoro road/mto wa mbu	022-232-4790
Loliondo	Arusha	Ngorongoro	Wasso	022-232-4721
Hai	Kilimanjaro	Hai	Moshi/Arusha Road	022-232-4742
Himo	Kilimanjaro	Moshi DC	Himo/Marangu Road	022-232-4720
Mawenzi	Kilimanjaro	Moshi MC	Rengua	022-232-4963
Mbuyuni	Kilimanjaro	Moshi MC	Mbuyuni	022-232-4966
Nelson Mandela	Kilimanjaro	Moshi MC	Market	022-232-4776
Mwanga	Kilimanjaro	Mwanga	C.D Msuya	022-232-4727
Holili	Kilimanjaro	Rombo	Holili border post Tanzania&Kenya	022-232-4720
Rombo	Kilimanjaro	Rombo	Rombo Mkuu	022-232-4994

Branch Name	Region	District	Street/ Road	Telephone
Tarakea	Kilimanjaro	Rombo	Moshi/Arusha Road	022-232-4745
Hedaru	Kilimanjaro	Same	Hedaru A	022-232-4762
Same	Kilimanjaro	Same	Bank/Posta	022-232-4996
Siha	Kilimanjaro	Siha	Sanya Juu area	022-232-4748
Handeni	Tanga	Handeni	Kondoa Road	022-232-4951
Mkata	Tanga	Handeni	Mkata kwavunde - along highway of Dsm - Tanga	022-232-4763
Kilindi	Tanga	Kilindi	Songe	022-232-4954
Mombo	Tanga	Korogwe	Lushoto Road	022-232-4900
Korogwe	Tanga	Korogwe TC	DSM-Arusha Road	022-232-4957
Bumbuli	Tanga	Lushoto	Kwemuuae, Bumbuli	022-232-4757
Lushoto	Tanga	Lushoto	Main Road	022-232-4903
Mkinga	Tanga	Mkinga	Mkinga District Council offices	022-232-4716
Muheza	Tanga	Muheza	Posta	022-232-4981
Pangani	Tanga	Pangani	Usalama Street	022-232-4736
Madaraka	Tanga	Tanga	Market/Clock Tower Street	022-232-4960
Ngamiani	Tanga	Tanga	Ngamiani	022 232 -4953

Highland Zone

Branch Name	Region	District	Street/ Road	Telephone
Busokelo	Mbeya	Busokelo	Busokelo district council	025 232 4414
Chunya	Mbeya	Chunya	Mbeya -Tabora	022-232-4325
Makongorosi	Mbeya	Chunya	Mkwajuni road	022-232-4050
Kasumulu	Mbeya	Kyela	Highway road to Malawi/Ngisi str.	022-232-4374
Kyela	Mbeya	Kyela	Mbondeni A	022-232-4344
Mbarali	Mbeya	Mbarali	Ihanga	022-232-4322
Mwanjelwa	Mbeya	Mbeya CC	Tunduma Road	022-232-4341
Mbalizi Road	Mbeya	Mbeya City Council	Mbalizi Road	022-232-4334
Uyole	Mbeya	Mbeya DC	Uyole Industrial / Uyole stand	022-232-4359
Tukuyu	Mbeya	Rungwe	Bomani	022-232-4395
Mkwawa	Iringa	Iringa	Uhuru /Dodoma road	022-232-4300
Ruaha	Iringa	Iringa town	Miomboni	022-232-4389
Ilula	Iringa	Kilolo	Mtua	022-232-4362
Kilolo	Iringa	Kilolo	Luganga	022-232-4304
Mafinga	Iringa	Mafinga TC	Mbeya/Songea Road	022-232-4307
Mlele	Katavi	Mlele	Inyonga / Mlele DC	022-232-4353
Mpanda	Katavi	Mpanda TC	Madukani Road	022-232-4350
Majimoto	Katavi	Mpimbwe	Majimoto ward, Migunga str. Kibaoni/Inyonga rd	022-232-4841



Branch Name	Region	District	Street/ Road	Telephone
Ludewa	Njombe	Ludewa	Kanisa	022-232-4316
Makambako	Njombe	Makambako	Songea Rd	022-232-4310
Makete	Njombe	Makete	Makete Rd	022-232-4319
Njombe	Njombe	Njombe TC	Songea Road	022-232-4313
Wanging'ombe	Njombe	Wanging'ombe	Igwachanya	022-232-4378
Kalambo	Rukwa	Kalambo	Kalambo District council	022-232-4356
Nkasi	Rukwa	Nkasi	Soko Kuu	022-232-4368
Laela	Rukwa	Sumbawanga	Nkusa - sumbawanga to mbeya road	022-232-4380
Sumbawanga	Rukwa	Sumbawanga	Mbeya Road	022-232-4392
Mbozi	Songwe	Mbozi	Independence	022-232-4383
Mlowo	Songwe	Mbozi	Tunduma Rd, Mlowo centre	022-232-4365
Mkwajuni	Songwe	Songwe	Mwambani road - Kona ya mbeya	022-232-4386
Usongwe	Songwe	Songwe	Tunduma road	022-232-4347
Tunduma	Songwe	Tunduma	Zambia Road	022-232-4398

Lake Zone

Branch Name	Region	District	Street/ Road	Telephone
Rock City	Mwanza	Ilemela	Ghana street/Airport road	022-232-4469
Ngudu	Mwanza	Kwimba	Kakola	022-232-4532
Magu	Mwanza	Magu	Bank Street	022-232-4523
Misungwi	Mwanza	Misungwi	Shinyanga Road	022-232-4526
Buzuruga	Mwanza	Mwanza Nyamagana	Musoma rd	022-232-4440
Buhongwa	Mwanza	Nyamagana	Buhongwa	022-232-4573
Igoma	Mwanza	Nyamagana	Musoma rd / Kwa Gachuma	022-232-4555
Kenyatta Road	Mwanza	Nyamagana	Kenyatta Road	022-232-4513
Mwanza Business Center	Mwanza	Nyamagana	Kenyatta Road	022-232-4455
Pamba	Mwanza	Nyamagana	Pamba road	022-232-4466
Sengerema	Mwanza	Sengerema	Bank Street	022-232-4540
Nansio	Mwanza	Ukerewe	Boma Road	022-232-4529
Bukombe	Geita	Bukombe	Ushilombo	022-232-4600
Chato	Geita	Chato	Bukoba road	022-232-4443
Geita	Geita	Geita	Street Bank	022-232-4510
Katoro	Geita	Geita	Stamico street	022-232-4480
Mbogwe	Geita	Mbogwe	Masumbwe	022-232-4600
Nyang'hwale	Geita	Nyang'hwale	Kharumwa Msalala - Butalanda str.	022-232-4431

Branch Name	Region	District	Street/ Road	Telephone
Biharamulo	Kagera	Biharamulo	Mankorongo	022-232-4543
Kaitaba	Kagera	Bukoba	Junction of Uganda/Jamhuri road	022-232-4546
Kayanga	Kagera	Karagwe	Bomani	022-232-4445
Kyerwa	Kagera	Kyerwa	Kyerwa District council	022-232-4433
Nkwenda	Kagera	Kyerwa	Nkwenda/ kaisho road	022-232-4492
Misenyi	Kagera	Misenyi	Kyaka	022-232-4498
Mtukula	Kagera	Misenyi	Mtukula TRA building / border	022-232-4434
Muleba	Kagera	Muleba	Nyerere	022-232-4451
Kabanga	Kagera	Ngara	Nzaza, TRA Burundi border	022-232-4558
Ngara	Kagera	Ngara	Nyerere Road	022-232-4549
Rusumo	Kagera	Ngara	Kagera / Rwanda border	022-232-4483
Bunda	Mara	Bunda	Bank St	022-232-4501
Butiama	Mara	Butiama	Muhunda Street	022-232-4437
Musoma	Mara	Musoma MC	Nyerere Road	022-232-4463
Rorya	Mara	Rorya	Shirati	022-232-4495
Rorya District Council	Mara	Rorya	Ingri juu	022-232-4477
Mugumu	Mara	Serengeti	Bomani	022-232-4448
Nyamongo	Mara	Tarime	Bom gate	022-232-4460
Sirari	Mara	Tarime	Forodhani, border of Tanzania -Kenya	022-232-4489
Tarime	Mara	Tarime	Bank Street	022-232-4507

Western Zone

Branch Name	Region	District	Street/ Road	Telephone
Igunga	Tabora	Igunga	Bank	022-232-4618
Nkinga	Tabora	Igunga	Nkinga bus stand	022-232-4666
Kaliua	Tabora	Kaliua	Ushokora, Kigoma highway	022-232-4609
Nzega	Tabora	Nzega	Bank st	022-232-4645
Sikonge	Tabora	Sikonge	Police Line Mbeya -Tabora Rd	022-232-4654
Mihayo	Tabora	Tabora	Jamhuri	022-232-4651
Urambo	Tabora	Urambo	Boma Village	022-232-4657
Buhigwe	Kigoma	Buhigwe	Buhigwe	022-232-4219
Kakonko	Kigoma	Kakonko	Kanyomvi Road	022-232-4621
Kasulu	Kigoma	Kasulu TC	Kigoma Road	022-232-4606
Kibondo	Kigoma	Kibondo	Boma	022-232-4624
Kigoma	Kigoma	Kigoma-Ujiji MC	Kigoma	022-232-4612
Uvinza	Kigoma	Uvinza	Lugufu - at Uvinza DC buildings	022-232-4648



Southern Zone				
Branch Name	Region	District	Street/ Road	Telephone
Masasi	Mtwara	Masasi TC	Masasi Road	022-232-4809
Mtwara	Mtwara	Mtwara MC	Vigaeni / Sinani - PPF Plaza	022-232-4800
Mtwara Business Center	Mtwara	Mtwara MC	Tanu road	022-232-4851
Nanyumbu	Mtwara	Nanyumbu	Kilimani Hewa	022-232-4812
Newala	Mtwara	Newala	Nangwala	022-232-4803
Tandahimba	Mtwara	Tandahimba	Mji Mpya	022-232-4806
Kilwa Masoko	Lindi	Kilwa	Kilwa Road	022-232-4821
Lindi	Lindi	Lindi	Bima Street	022-232-4818
Liwale	Lindi	Liwale	Nachingwea Road	022-232-4824
Ndanda	Lindi	Masasi DC	Masasi Road	022-232-4815
Nachingwea	Lindi	Nachingwea	Government Road	022-232-4830
Ruangwa	Lindi	Ruangwa	Bomani	022-232-4827
Liteambo	Ruvuma	Mbinga	RC Mission	022-232-4843
Mbinga	Ruvuma	Mbinga	Nyerere road	022-232-4845
Namtumbo	Ruvuma	Namtumbo	Tunduru Rd	022-232-4839
Nyasa	Ruvuma	Nyasa	Likwilu str. near DC office	022-232-4848
Madaba	Ruvuma	Songea DC	Mkwera- Mtepa	022-232-4854
Songea	Ruvuma	Songea MC	Sokoine/Market	022-232-4833
Tunduru	Ruvuma	Tunduru	Masasi - Songea Road	022-232-4836







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