MAENDELEO BANK
Together in Progress

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

MAENDELEO BANK PLC

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FOR THE YEAR ENDED 31 DECEMBER 2022

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ABBREVIATIONS

The following abbreviation are used in these Financial Statements:

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

COMPANY INFORMATION

Name of organization	Maendeleo Bank PLC	
Chief Officers	Dr.IbrahimMwangalaba	Managing Director
	CPA Peter Tarimo	Head of Finance
	CPA KapilimaSaidi	Head of Internal Audit
	Emanuel Mwaya	Business Development Manager
	MumiPhilip	Head of Credit
	George Wandwalo	Head of Operations and ICT
	Richard Mashiku	Head of Human Resources
Directors	Amulike Ngeliama	Chairperson
	Adv. Dosca Mutabuzi	Vice Chairperson
	CPA AnnaT.Mzinga	Director
	Reverend Dr. Ernest Kadiva	Director
	Naftal Nsemwa	Director
	Reverend Wilbroad Mastai	Director
	Joyce Mapunjo	Director
	Prof. Ulingeta Mbamba	Director
	Dr. Emmanuel Manasseh	Director
	Dr. Ibrahim Mwangalaba	Managing Director

Registered Office
Maendeleo Bank PLC
Sokoine Drive
P.O.Box 216
Dar es Salaam
Tanzania

Auditors
Ernst & Young
Certified Public Accountants
EY House
Plot No. 162/1, Mzinga way
14111 Oysterbay
P.O. Box 2475
Dar es Salaam, Tanzania

COMPANY INFORMATION (CONTINUED)

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

MAENDELEO BANK PLC

DIRECTORS REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

1.0 INTRODUCTION

The Directors submit their report together with the audited financial statements for the year ended 31 December 2022, which disclose the state of affairs of Maendeleo Bank Plc ('the Bank').

1.1 BANK PROFILE

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

1.2 BANK'S VISION

"To become a preferred retail and MSME financial services provider in Tanzania"

1.3 BANK'S MISSION

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

1.4 BANK'S CORE VALUES

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

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

1.5 PRINCIPAL ACTIVITIES

The Bank is engaged in the business of banking and provision of related services and is licensed under Banking and Financial Institutions Act 2006.
The bank carries on business of assets and liabilities management through accounts operations and lending to micro, small and medium enterprises including:

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

1.6 EXTERNAL ENVIRONMENT ANALYSIS

Tanzania has sustained relatively high growth in economy this year, bolstered by strengthened private consumption and recovered exports as global restrictions has been eased. GDP grew by 5.5% in 2022 supported by the large infrastructure spending, improved power supply mainly from natural gas, which is expected to boost performance of other sectors including manufacturing and trade, revival of the central railway line in standard gauge, increase in the capacity and efficiency of the Dar es Salaam and Tanga ports, increase in financial deepening, implementation of economic policies under the Five-Year Development Plan II (FYDP II) and scaling-up of onshore gas production and construction of Julius Nyerere Hydropower project.

Large construction projects bode well for employment levels, which in turn will bolster private spending, while exports will benefit from healthier trade dynamics. That said, still-weakened fiscal metrics and lingering uncertainty over the evolution of the pandemic pose downside risks. GDP is expected to grow by 5.7% in 2023.The annual headline inflation rate end of December 2022 has increased to 4.5% from 3.2% reported same period last year, the increase mainly attributed to price increase for some non-food items. Money supply(M3) grew at annual rate of 14.7% in December 2021 compared to 14.7% in the corresponding period in 2021.Credit extended to private sector grew at an annual rate of 22.6% in December 2022 compared with 7.80% in the corresponding period 2021.

Interest rates charged on loans by Banks recorded a mixed out turn in the year ending December 2022. In particular, the overall lending rate averaged 16.07%, slightly below 16.50% in the year ending December 2021. One-year lending rate averaged 14.3%, up from 13.9% in the corresponding period of 2021. Negotiated lending rates for prime customers remained broadly unchanged at around 14%.

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

1.6 EXTERNAL ENVIRONMENT ANALYSIS (CONTINUED)

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

Previous year BOT issued a circular for Banks to operate within a cost to income ratio of not more than 55% and became effective by 31st December 2022. Furthermore, the circular prohibits Banks with either cost to Income ratio of above 55% or NPL ratio of above 5% from paying dividends and bonus from the date of the circular.

During the year BOT issued a circular on Stress Testing SMR reduction for loans that shall be extended to agriculture at rate not more than 10% will qualify for SMR reduction equivalent to loan amount extended, this helped to increase Liquidity for Bank to invest in earning assets. Additionally, BOT reduced risk weights on salaried loans from 100% to 50% for computing regulatory capital of banks, this Increases capital ratios which in turn creates a room to further extend credit to the private sector.

Competitive position

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

MB will continue to drive a digital transformation agenda towards building the Bank of the future and creating value to our society through access to credit, financial inclusion and social responsibility programs. The bank will continue to leverage its competitive advantage through customer centricity, improved technology, wide network of more than 1,250 agency banking, more than 280 ATMs, 4 branches in Dar es salaam and a committed work force to deliver value to all stakeholders. The Bank continuing to support customer's demand which has been a critical focus of the MB throughout the year. This has been achieved through providing banking services to all Tanzanians. We also took steps to support customers who were unable to visit branches by bringing banking services near them through MB mobile.

Market forces

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

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

1.6 EXTERNAL ENVIRONMENT ANALYSIS (CONTINUED)

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

1.7 PERFORMANCE FOR THE YEAR

The Bank has managed to record a profit before tax of TZS 1,984 million for the year ended 31 December 2022 (2021: TZS 706 million) which translates to income after tax of TZS 1,416 million being a 139% growth compared to 2021 position of TZS 587 million. During the year enormous efforts were done where the bank's profitability increased because of aggressively pursuing new business lines and continuing to offer competitive services.

Investment initiatives conducted during the year resulted into a 31% increase in net-interest margins. Net interest income grew year on year to reach TZS 9,911 million from TZS 7,538 million in 2021. The increase in net interest income is a result of increase in loans by TZS 2,942 million to TZS 60,658 million (2021: TZS 57,716 million). Interest from investment in securities grew by TZS 1,667 million from TZS 2,089 million in 2021 to TZS 3,756 million in 2022.

Interest and similar expense increased by 11% in 2022 compared to growth rate in 2021. The cumulative interest and similar expenses by year end stood at TZS 5,897 million from TZS 5,306 million in 2021; the increase was prompted by deposit growth of 11% (TZS 7,586 million) year on year from TZS 70,242 million in 2021 to TZS 77,829 million in 2022, of which TZS 41,088 million was Time Deposits. Despite this increase in deposits, the average cost of fund for time deposits was maintained at 10% for 2021 and 2022. Efforts to reprice time deposits to match market rates as well as relief from BOT borrowing rates allowed a relief in the interest expenses incurred during the year.

The bank's non-interest income grew significantly during the year by 34% from TZS 1,570 million in 2021 to TZS 2,119 million by end of year 2022. The Bank's foreign exchange trade decreased during the year due to challenge on availability of USD, from TZS 43 million to TZS 22 million by the end of 2022 being 49% decrease compared to 2021. Facility fees also decreased as a direct result of loan disbursements during the year.

Customer deposits grew from TZS 65,415 million in 2021 to TZS 71,152 million in 2021 a 9% growth, reflecting improved liquidity environment in the banking industry, coupled with the bank's measures in mobilizing stable and long-term funding options to fuel the predicted balance sheet growth. The bank has continued to strengthen its deposit base by launching new and innovative digital products that are tailored to the customer needs. Loans and Advances to customers increased by TZS 2,942 million to reach TZS 60,658 million (2021: TZS 57,716 million) reflecting the bank's initiatives to strengthen the business ties it has with the customers by providing credit related solutions.

1.8 STRATEGIC OBJECTIVES

2022 was the 1st year of implementation of the Five-year Business Strategy of the Bank for 2022 – 2026. We continued to strengthen our balance sheet, stakeholder engagement, channel distribution harmonization, portfolio quality management, ICT infrastructure, resource optimization and capacity building. In return, the Bank recorded a high growth evidenced by profit after tax growth of 141%. The key drivers for this growth are; the ability and flexibility of the bank to adapt to the new business environment.

Key milestone from 2022 Strategies

Business growth
• Launched strategic campaigns to drive acquisition and usage of bank products
• Developed solutions for under-served segments like Wezesha Machinga loans
• Harmonized service tariffs to increase customer retention and share of wallet.
• Reinforced sales culture by building the capacity of teams, adequately resourcing them and creating networking opportunities in strategic events.

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

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

Key performance indicators	Definition and calculation method	2022	2021
Return on Equity	Net profit/Total equity	8%	4%
Return on Assets	Net profit/Total assets	1%	1%
Cost to Income Ratio	Total cost/Net income	58%	75%
Non-Interest income to Gross Income	Non-interest /Total income	18%	18%
Loans to Deposit Ratio	Total loans to customers /Total deposits from customers	80%	85%
Non-Performing loans to Gross loans	Total non-performing loans/Gross loans and advances	5%	13%
Growth on Total Assets	Increase in assets for the year/Total assets opening balance	5%	18%
Growth on Loans and advances from customers	Increase in loans and advances/Opening balances of loans and advances	5%	7%
Growth of Customers Deposits	Increase in customer deposits/Opening balance of customer deposits	11%	16%
Capital Adequacy	Core capital/Risk weighted assets including off balance sheet items	19%	19%

1.9 KEY STRENGTHS AND RESOURCES

The following are the key strength and resources which assist the Bank in pursuit of its objectives:

- Sufficient capital base for current and projected growth
- Good reputation in the market
- Young and energetic work force
- Credibility due to high level of transparency required of publicly listed company

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

1.9.1 Shareholders and Investors

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

Key concerns

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

Value we create

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

1.9.2 Customers

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

1.9 KEY STRENGTHS AND RESOURCES (CONTINUED)

1.9.2 Customers (Continued)

Key concerns

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

Value we create

- Safeguarding deposits, investments and wealth, while growing returns.
- Providing credit that enables wealth creation, economic development and job creation.
- Facilitating transactions that are the backbone of economic value exchange.
- Enabling financial inclusion by providing access to banking services and products to the under banked with affordable pricing.
- Providing financial education and advisory services.
- Developing innovative solutions that meet our customers' specific needs.

1.9.3 Employees

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

Key concerns

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

Value we create

- Rewarding staff for the value they add.
- Creating job opportunities as we grow.
- Developing our staff to further their careers and improve our services and products
- Transforming into an inclusive society through employment fairness and gender equality.
- Motivating and energising our workforce.

1.9 KEY STRENGTHS AND RESOURCES (CONTINUED)

1.9.4 Society

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

Key concerns

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

Value we create

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

1.9.5 Regulators and Policy Makers

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

Key concerns

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

Value we create

- Complying to set rules and regulations to ensure a stable financial sector.
- Collaboration with regulators to deepen financial inclusion.
- Contributing meaningfully to government budgets through paying government taxes.

1.9 KEY STRENGTHS AND RESOURCES (CONTINUED)

1.8.6. Regional and International Banking

Maendeleo Bank Plc collaborates with regional and international Banks.

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

Value we create

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

1.10 RESOURCES

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

1.10.1 Financial Resources

We deploy our financial resources to support our customers and clients achieve their goals. Our strong financial position, sustained growth and consistent shareholder returns are a result of our disciplined approach towards raising, lending, and managing our financial resources/ capital.
It includes customer deposits, shareholder equity, retained earnings and external borrowings among others. Our shareholder and debt funding give us a strong financial capital base that supports our operations and fund growth. Financial capital includes the funds our customers/ stakeholders invest with us.
Our strong base of our financial capital supports our operations and fund growth. Our investors, both debt and equity, played a big part in the makeup of our financial capital to execute the Bank's strategy. In 2022, we leveraged on our funding mix of customer deposits, debt, and equity to run our operations and execute our strategy. The bank maintained a solid capital base and diversified funding sources that enabled us to provide banking solutions competitively across the markets we operate. Bank accessed fund at the competitive rates, to efficiently create and maximize shareholder value.
During the year under review, Interest received on various loans and advances to corporate, individuals, small and medium enterprises and money market accounted for 64% of total income. (2021: 71%) while non-funded income contributed 12% (2021: 11%) of the total income required to finance bank operations.

1.10 RESOURCES (CONTINUED)

1.10.2 Equity Resources

The Bank has a paid-up capital of TZS 13,927 million (2021: TZS.13,921 million) held by various shareholders who include Church institutions, individuals, ELCT-Eastern and Coastal Diocese, ELCT Dioceses and United Evangelical Mission while our total borrowings declined to TZS 9,956 Million from TZS 13,866 Million in 2021.Through our distribution networks and strong financial base we managed to attract and mobilize a balanced mix of deposits to further support our lending activities

Our retained earning form part of Bank’s financial capital used in the execution and growth of strategic investments. Bank’s retained earnings stood at TZS 3,009 million at the end of the period under review.

1.10.3 Human Resources

To deliver on our strategy we have a team of 114 employees serving our customers across the business, drawn from diverse backgrounds. Maendeleo Bank is committed to developing an elaborate best-in-class employee value proposition to ensure our staff successfully delivers on the entity’s strategies. Maendeleo Bank wants to reinforce a culture of high performance underpinned by ethical conduct and personal responsibility for performance by continually investing on human resource development focusing on training, staff wellness, staff recognition, competitive remuneration and career growth. Our focus on developing a skilled and motivated workforce enables us to acquire, serve and retain our customers.
We are focused on embedding a culture of continuous development, which increases competitiveness and investment in the development of skills required by employees to serve the digital customer of the future.

1.10.4 Intellectual resources

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

1.10 RESOURCES (CONTINUED)

1.10.5 Manufactured resources

This incorporates the Bank's physical and digital infrastructure through which its conducts its business activities. It includes our branch network, agency banking, MB mobile, and ICT domain which we are in the process of enhancing and simplifying. Manufactured resources facilitate our engagement with customers, people, the society, and other stakeholders. Our distribution network comprising banking outlets (4), corporate office, Umoja ATMs (280), Agency Banking Maendeleo (1,280) and other customer touch points constitute this capital. It also covers our ICT infrastructure and security.

1.10.6 Social and relationship resources

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

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

1.10.7 Natural Resources

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

1.10 RESOURCES (CONTINUED)

1.10.8 Other resources

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

1.11 RESULTS AND DIVIDEND

The bank recorded a profit after tax of TZS 1,416 million for the year under review (2021: TZS 587 million). The profit for the year is mainly attributed to lending activities. The Board of Directors recommends payment of dividend of TZS 708 million for the year ended 31 December 2022. (2021: TZS 291 million) subject to BOT approval.

1.12 CORPORATE GOVERNANCE MATTERS

Corporate Governance Statement

Corporate Governance is the backbone to any organization's strategy and success. It provides a framework within which corporate objectives are set and performance monitored, as well as providing assurance to stakeholders. Governance has proven from time immemorial to be paramount to the success of any institution.
Corporate governance continues to advance, with the focus currently being on environmental, social and governance (ESG) factors and the role of corporate in their attainment. Board of Directors to adopt an ESG lens in guiding performance thereby promoting sustainable practices.

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

1.12 CORPORATE GOVERNANCE MATTERS (CONTINUED)

Board of Directors' operations and control

Principle on appointment of Board of Directors
Board of Directors is appointed by the Annual General Meeting by voting representing, body corporate, company or individual shareholders after being vetted by Bank of Tanzania, for a term of three years. The appointment of the Board of Directors members is done after every three years by the Annual General Meeting. Any member of the Board of Directors may, unless he/she resigns or his/her membership is otherwise terminated, hold office for a maximum of two consecutive terms of three years each.

Chairman and Managing Director

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

Structure of the Board of Directors

The Board comprises ten (10) Directors including Managing Director as executive Director.
The Board comprises of three committees namely:
- Board Audit and Risk Committee
- Board Credit Committee
- Board Human Resources and Remuneration Committee

Governance and Audit

The Board of Directors continues to oversee implementation of the Bank of Tanzania directives and External Auditor recommendations made during the statutory audit of the financial year 2022.

In addition, the Board of Directors continues to oversee with implementation of recommendations made by independent consultants who are hired by the bank from time to time.

1.12 CORPORATE GOVERNANCE MATTERS (CONTINUED)

Rights of the Customers and other stakeholders

Maendeleo Bank recognizes respects and protects the rights of customers and other stakeholders through:

- availing information on the bank's performance by publishing quarterly and annual reports together with audited financial statements.
- ensuring equitable treatment of all members in discharging the bank's functions; and
- engaging the media on dissemination of important bank's information.

Stakeholder Relations

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

Ethics and social responsibility

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

- Accountability:

We are accountable for our own actions and decisions

- Caring for Community:

We are responsive to our community in which we operate

- Empowerment:

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

- Innovation:

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

- Integrity:

We act with honesty and honour without compromising the truth.

- Respect for the Individual:

We value diversity and unique contribution.

1.12 CORPORATE GOVERNANCE MATTERS (CONTINUED)

1.12.1 Board of Directors' operations and control (Continued)

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

Risk management and internal control

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

1.12.2 Composition of the Board of Directors

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

<table>
<tr><td></td><td>1. Mr. Amulike Ngeliama, Chairperson (Age: 73), Male, Tanzanian

Amulike holds Bachelor of Arts (Economics), University of Dar es salaam.</td></tr>
<tr><td colspan="2">Amulike has had a long career in banking, business, administration and project management.
He began his career in 1976 at TRDB which was later transformed to CRDB after which he has worked in the banking sector for more than 20 years. He also conducted numerous SACCOS sensitization and mobilization seminars at national and international level. He has worked as treasure and chairman of Mtoni Lutheran Church SACCOS between 1994 and 2013.
Retired board member of Oikocredit International –Netherlands, Retired board member of UTT-MFI Tanzania. Currently he is a member of the Institute of Directors Tanzania (IoDT)</td></tr>
</table>

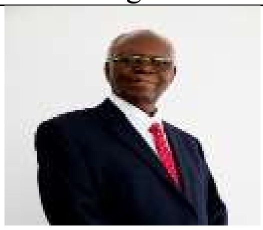
1.12 CORPORATE GOVERNANCE MATTERS (CONTINUED)

1.11.2 Composition of the Board of Directors (Continued)

2. **Adv. Dosca Kemilembe Mutabuzi**, Vice Chairperson (Age: 65), Female, Tanzanian

Dosca holds Master of Business Administration (MBA) from University of Wales - UK, Bachelor of Laws (LLB), University of Dar es salaam

Dosca is an Advocate of the High Court of Tanzania and a Notary Public and Commissioner for Oaths at the law firm Mutabuzi& Co. Advocates. She has also worked as State Attorney Grade III at the Attorney General’s Chambers and at the Tanzania Legal Corporation – DSM. She is also a member of Tanganyika Law Society (TLS); Tanzania Women Lawyers Association (TAWLA); the East Africa Law Society and the ELCT Eastern & Coastal Diocese Legal Advisor and Commissioner of High Court.



3. **Mr. Naftal Mathayo Nsemwa,** Director (Age: 77) ,Male, Tanzanian

Naftal holds Postgraduate Diploma in Project Analysis (Institute of Social Studies, The Hague Netherlands); Bachelor of Arts (Economics) (University of Dar es Salaam); Certificate in Investment Appraisal and Management (Havard University- HIID Boston USA)

Naftal has worked with national institutions at the highest levels, including that of Director General - PPF. Before his appointment as DG in PPF, Naftal worked in the Tanzania Investment Bank (TIB) as Head of Credit Analysis; Director of Planning and Development; and Director of Projects Appraisal. At a critical moment of the TIB’s corporate repositioning, Naftal was appointed by the Board as Coordinator of the TIB Restructuring Programme. He has authored many technical papers and professional treatises, including presentations to such august forums as the Economic Development Institute (EDI) of the World Bank and to the Industrial Public Enterprise Reform about economic restructuring, privatisation reforms and divestiture of public enterprises in Tanzania. Naftal is currently Board member of SANLAM General Insurance Tanzania Limited and Kioo Limited, . He is a past Chairman of the Azania Bancorp Ltd, Board of Directors; Vice Chairman ofthe Tanzania Re-insurance Ltd. Board of Directors; and a member of the Board of Directors of PTA - Reinsurance Ltd., a Regional re-insurance company based in Nairobi, Kenya. He is also the Managing Director of INTEREINi Consultants Limited, a corporate consulting services Company established to carry on the business of financial, investment and project management.

1.11 CORPORATE GOVERNANCE MATTERS (CONTINUED)

1.11.2 Composition of the Board of Directors (Continued)

4. **Reverend Dr. Ernest William Kadiva**, Director (Age:56) Male, Tanzanian

Ernest holds Bachelor of Commerce and Management University of Dar-es-Salaam in 1993; Bachelor of Divinity, Makumira University in 2002, Master of Theology and Ecumenical Studies (Geneva University 2011) and PhD degree from Luther Seminary

Reverend Kadiva is currently in Charge of United Evangelical Mission Africa office. Prior to that, Pastor Kadiva occupied varied pastoral and lay positions, including that of Manager, Country General Trading and Marketing and Sales for the Guardian newspaper and the IPP Group. With increasing seniority in his Pastoral service, Reverend Kadiva was appointed Chaplain of the Azania Front Cathedral; Assistant General Secretary of the ELCT-ECD; and Deputy General Secretary Administration, Operation and Estate Affairs.

He has also attended numerous courses and seminars in Church leadership and Management Skills in Singapore Haggai Institute; Senior Managers; Course in "Governance and Accountability in Tanzania: an Overview of Civil Society" organized by the University of Dar-es-Salaam in 2000. He has written professional papers and research works that were presented in different forum and workshop in Tanzania and overseas.

5. **CPA Anna T. Mzinga,** Director (Age: 47), Female, Tanzanian.

MBA - Finance, Open University of Tanzania (2009); Professional Savings and Credit Societies Management Course, Moshi University College of Cooperatives and Business Studies; Advanced Diploma in Accountancy - Institute of Finance Management (2000); Certified Public Accountant, CPA(T)

Anna is a professionally qualified accountant with senior-level experience in accounting, finance and project management. She is currently working with Water Aid Tanzania as Country Director. Prior to holding that position she worked at Benjamin William Mkapa HIV/AIDS Foundation as Director of Finance and Grants; worked with the Higher Education Student Loans Board as Senior Accountant; with Dunduliza Company Limited in partnership with Desjardins International Development as a Director of Finance and worked with the Open University of Tanzania as Assistant accountant.

1.11 CORPORATE GOVERNANCE MATTERS (CONTINUED)

1.11.2 Composition of the Board of Directors (Continued)

6. **Prof. UlingetaMbamba,** Director (Age: 61), Male, Tanzanian

Mbamba holds PhD in Business Administration, University of Dar es salaam.

Prof. Mbamba is the Senior Lecturer and a former Dean of student of the University of Dar es Salaam Business School (UDBS). As the Dean, Prof. Mbamba was the Chief Executive Officer of UDBS providing academic and administrative leadership. UDBS had almost 100 academic (fulltime as well as part time) staffs and 20 administrative staffs. The School has more than 2000 undergraduate students and 600 post graduate students. Prof. Mbamba has also served as a Managing Director of the University of Dar es Salaam Computing Centre Limited, Associate Dean in charge of Academic Affairs of the UDBS, Deputy Director of Undergraduate Studies (UDSM) and Head of Department, Department of General Management.
Prof. Mbamba holds a PhD in Business Administration which he researched on Information Systems, MBA and BSc (Eng). He has researched on operations research issues focusing on quantitative analysis and information systems. He is also an Associate Professor teaching, researching and providing services to public for more than 30 years.

7. **Ms. Joyce Mapunjo**, Director (Age: 65), Female, Tanzanian

Joyce holds MBA (International Finance), Loyola University Chicago Masters in Banking , Milan Italy and Bcom (Finance), University of Dar es salaam.

1.11 CORPORATE GOVERNANCE MATTERS (CONTINUED)

1.11.2 Composition of the Board of Directors (Continued)

Joyce joined the Treasury in March 1982 as a finance specialist She has served as member of Board of Directors of Tanzania Investment Center (TIC), Tanzania Breweries limited (TBL), Dar Es Salaam water and sanitation organization (DAWASA), College of Engineering at the UDSM (COET), College of Business Education (CBE), Tanzania Institute of Accountancy (TIA), National Development Corporation (NDC),to mention a few.
She served as Presidential Appointee since January 1997 in five ministries the last appointment was Permanent Secretary ministry of East Africa cooperation.

8. **Dr. Emmanuel Manasseh**, Director (Age: 44), Male, Tanzanian

Emmanuel holds BSc. degree in Telecommunications Engineering from the University of Dar Es Salaam, Master of Engineering (M.Eng.) degree from Hiroshima University, Japan and PhD in Engineering (Dr.Eng.) from Hiroshima University, Japan.

Worked with Celtel Tanzania Limited, as a Telecommunications Engineer. he was an Assistant Professor at Hiroshima University in the Department of System Cybernetics before joining Nelson Mandela African Institute of Science and Technology (NM-AIST) Arusha, as a lecturer. Currently working at Tanzania Communications Regulatory Authority (TCRA). as a Director, Industry Affairs
Dr. Manasseh is a member of Engineers Registration Board of Tanzania (ERB); Institute for Electrical and Electronics Engineers (IEEE), Signal Processing Society and Communications Society. He is also a member of the Institution of Engineering and Technology (IET) UK, European Signal Processing Society and Asia Pacific Signal and Information Association (APSIPA).

9. **Reverend Wilbroad S. Mastai**, Director (Age: 53), Male, Tanzanian

Wilbroad holds MA Intercultural Studies and Diaconic Management, Bethel-Germany, PGD (Social Work), Tumaini University, Masters of Arts in Sociology, University of Dar Es Salaam and Bachelor Divinity, Tumaini University Tanzania.

Reverend Mastai is a theologian currently offering pastoral oversight at the Evangelical Lutheran Church in Tanzania (ELCT), Eastern and Coastal Diocese, Kimara Parish which is one of the largest congregational parishes in the Lutheran Church.
Reverend Mastai is working with international bodies, among his internationally focused works; Reverend Mastai is an alumni member of the United Evangelical Mission (UEM) on Education and has travelled to various countries in attendance of conferences and trainings by UEM.

1.11 CORPORATE GOVERNANCE MATTERS (CONTINUED)

1.11.2 Composition of the Board of Directors (Continued)

10. Dr. Ibrahim Mwangalaba, Managing Director (Age: 54), Male, Tanzanian
Ibrahim holds Master's in Business Administration (MBA) in Finance, Bachelor of Commerce & Management - both from the University of DSM**,**

Ibrahim is a certified Director by the Institute of Directors, Tanzania. Certified Professional Banker (CPB) from Tanzania Institute of Bankers. He is a certified trainer and coach in leadership and entrepreneurial skills by Joseph Business School (USA) certified business coach at Business Development Centre of Regent State University (USA).He is a coach and mentor to number of youths in the country.

He served as a Governing Council member of Tanzania Bankers Association for four years Committee Member to finance and budget committee of Tanzania Institute of Bankers.

Before joining Maendeleo Bank Plc as a Managing Director, he worked with KCB Bank Tanzania Ltd as Head of Operations & Technology, worked with CRDB Bank as a Senior Banking Operations Officer, worked with Mbeya Cement Company Ltd as a Marketing Officer and Stock Controller.

1.11.3 Attendance of Board of Directors' meetings

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

Table 1: Board of Directors Meeting attendance for year ended 31st December 2022

No.	Name	Meeting Attendance	Position
1.	Mr. Amulike S. K. Ngeliama	7/7	Chairperson
2.	Adv. Dosca K. Mutabuzi	7/7	Vice Chairperson
3.	Mr. Naftal M. Nsemwa	3/7	Director
4.	Reverend Dr. Ernest. W. Kadiva	3/7	Director
5.	CPA Anna T. Mzinga	5/7	Director
6.	Prof. UlingetaMbamba	7/7	Director
7.	Ms. Joyce Mapunjo	7/7	Director
8.	Dr. Emmanuel Manasseh	5/7	Director
9.	Reverend WilbroadMastai	1/7	Director
10.	Dr.Ibrahim A. Mwangalaba	7/7	Managing Director and Secretary to the Board

1.11 CORPORATE GOVERNANCE MATTERS (CONTINUED)

1.11.3 Committees of the Board of Directors

The Board of Directors functions through three committees namely:

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

Committees of the Board of Directors comprise of members of the Board of Directors. Committee Members who served during the year were appointed by the Board of Directors for a period of three years effective from 1stJuly 2020 to 22ndJune, 2023 following appointment of the new Board of Directors 22ndJune, 2019.

1.11.4.1 Board Audit and Risk Committee

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

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

The committee had 8 meetings during the year. The external auditors were invited and attended two meetings, to present their audit plan and audited financial statements for the year ended 31 December 2021. The Managing Director and all senior members of staff attended all the meetings as invitees.

Table 1: Members of the Audit and Risk Committee as at 31st December 2022 and meeting attendance.

No.	Committee Members	Position	Meeting Attendance
1.	CPA Anna T. Mzinga	Chairperson	4/6
2.	Prof.UlingetaMbamba	Member	6/6
3.	Ms. Joyce Mapunjo	Member	6/6
4	Adv. Angela Mwageni	Secretary to the Committee	6/6

1.11 CORPORATE GOVERNANCE MATTERS (CONTINUED)

1.11.1 Committees of the Board of Directors (Continued)

1.11.4.2 Board Credit Committee

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

During the year under review the committee had nine meetings. The Managing Director and Head of Credit participated in all of the meetings as invitees.

Table 2: Members of the Credit Committee as at 31st December 2022 and Meeting attendance

No.	Committee member	Position	Meeting Attendance
1.	Mr. Naftal M. Nsemwa	Chairperson	7/8
2.	Adv. Dosca K. Mutabuzi	Member	8/8
3.	Dr. Emmanuel Manasseh	Member	3/8
4	Adv. Angela Mwageni	Member	8/8

1.11.4.2Board Human Resource Committee

During the year under review Human Resource Committee did not hold any meeting as was newly formed.

The Committee Members were appointed by the Board of Directors on 18th October 2021, during the 34th Board of Directors Meeting.

Table 3: Members of the Human Resources Committee as at 31st December 2022

No.	Committee member	Position	Meetings Attendance
1.	Adv. DoscaMutabuzi	Chairperson	3/3
2.	Reverend Dr. Ernest Kadiva	Member	2/3
3.	Mr. Amulike Ngeliama	Member	3/3
4.	Adv. Angela Mwageni	Secretary to the Committee	3/3

1.12 MANAGEMENT

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

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

Legal and Risk units are under the Managing Director's Office.

1.13 LOCAL AND INTERNATIONAL RELATIONS

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

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

1.14 SOLVENCY

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

1.15 CAPITAL MAINTENANCE

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

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

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

1.15 CAPITAL MAINTENANCE (CONTINUED)

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

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

1.17 LEGAL AND REGULATORY REQUIREMENTS

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

1.18 ENVIRONMENTAL CONTROL PROGRAM

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

1.19 PRINCIPAL RISKS AND CERTAINITIES

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

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

1.19 PRINCIPAL RISKS AND CERTAINITIES (CONTINUED)

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. The Bank's system is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively. The Board assessed the internal control systems throughout the financial year ended 31 December 2022. The Board believes that the internal control system met acceptable criteria.
Operational, credit, interest and liquidity risks are the principal risks that may significantly affect the Bank's strategies and development. Below we provide a description of the risks which the Bank faces and the related management controls in place.

1.19.1 Operational risk

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

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

1.19.2 Interest rate risk

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

1.19.3 Liquidity risk

Liquidity risk is the risk that a Bank is unable to meet its obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend. The Bank's liquidity management process, as carried out within the Bank and monitored by the Asset and Liability Committee (ALCO) of the Bank, include:

1.19 PRINCIPAL RISKS AND CERTAINITIES (CONTINUED)

1.19.3 Liquidity risk (Continued)

- Day-to-day funding managed by monitoring future cash flows to ensure that requirements can be met. These include replenishment of funds as they mature or re-borrowed by customers. The Bank maintains an active presence in money markets to enable this to happen.
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow.
- Monitoring balance sheet liquidity ratios against internal and regulatory requirements; and Managing the concentration and profile of debt maturities. More details on liquidity risk management are provided under note 37

1.19.4 Credit risk

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

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

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

1.19.5 Compliance Risk

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

1.19 PRINCIPAL RISKS AND CERTAINITIES (CONTINUED)

1.19.5 Compliance Risk (Continued)

The Bank manages Regulatory Compliance Risk through a Risk and Compliance function which monitors Regulatory changes and its effects to the business, disseminate the requirements across the Bank to ensure the business is not in violation and make changes to bank's policies and procedures affected by changes in laws and regulations. The function conducts regulatory conformance tests across the bank to detect compliance gaps in enforcement of regulatory requirements and reports to the Risk Management Committees of the Management and the Board, on Compliance status for the Bank

1.19.6 Strategic Risk

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

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

1.19.7 Reputation risk

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

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

1.20 FUTURE DEVELOPMENT PLANS

The Bank's future strategy is to expand by establishing agency banking in order to have a wide presence that can serve its customers better by providing easier access to banking services. During the five years of its strategic plan, the Bank has planned to increase its branch networks to upcountry regions. As at 31 December 2022, the bank had four branches, i.e. Luther House, Mwenge, Kariakoo and Mbezi Luis branch which was opened during the year 2021.

The bank is committed to continue to be more profitable in the future. During the period the bank has committed to grow businesses through transformation of Microfinance business, improved customer service to customer experience, digitalization of banking services and improved governance and risk management function.

1.20 FUTURE DEVELOPMENT PLANS (CONTINUED)

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

1.21 GENDER PARITY

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

As at 31st December 2022 and 2021 the Bank had the following distribution of employees by gender;

Gender	2022		2021	
	No.	Percentage	No.	Percentage
Male	64	56%	49	56%
Female	50	44%	39	44%
Total	**114**	**100%**	**88**	**100%**

1.22 RELATED PARTY TRANSACTIONS AND BALANCES

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

1.23 CORPORATE SOCIAL RESPONSIBILITY

The bank has a Corporate Social Responsibility (CSR) Policy which guides the bank on management of CSR programs. During the financial year under review the bank donated TZS 24,672,000 (2021: TZS 22,403,333) to different beneficiaries within the region.

1.24 ACCOUNTING POLICIES

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

1.25 EMPLOYEES WELFARE

1.21.1 Management and Employees' Relationship

There were continued good relations between employees and management for the year 2022.There were no unresolved complaints received by management from the employees during the year. Management took measures to build strong workplace relations by ensuring that employees lived up to the standards of the institutions culture and values while maintaining effective communication at all levels. Staff meetings were conducted at branch, department and corporate levels whereby staffs were able to participate in helping shape the future of the organization.

1.21.2 Training Facilities

During the year, the Bank spent TZS 36,713,493 (2021: TZS 36,890,822) on staff training. A total of 105 (2021: 88) staff benefited from internal and external courses. They acquired new knowledge and skills led to the enhancement of business performance.

1.26.1 Medical Assistance

All Members of staff and their respective spouses together with a maximum number of four beneficiaries (dependants) for each employee were availed with medical insurance with Strategies Insurance Company. The bank spent TZS 197,278,750 on medical (2021: TZS 185,934,849)

1.21.3 Financial assistance to staff

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

1.26 PERSONS WITH DISABILITIES

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

1.27 CORPORATE GOVERNANCE STATEMENT

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

1.28 RESPONSIBILITIES OF THE AUDITORS

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

1.29 STATEMENT OF BOARD OF DIRECTORS'S RESPONSIBILITIES

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

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

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

1.22 PREJUDICIAL ISSUES

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

1.23 AUDITORS

M/s Ernst and Young, Certified Public Accountants, Dar Es Salaam, were appointed as the independent auditors of Maendeleo Bank PLC for the year ended 31 December 2022.The auditors have expressed their willingness to continue in office, however due to Banking and Financial Institution Act and BOT regulation regarding external auditors which states that 'An external auditor shall not audit the same bank or financial institution for more than two consecutive terms of three years' they do not qualify for reappointment. A resolution proposing the appointment of auditors of the Bank for the year ending 31 December 2023 had been put to the Annual General Meeting.

This statement was approved by the Board of Directors on 28.03.2023 and signed on behalf by:

Amulike S.K Ngeliama
Chairperson

MAENDELEO BANK PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2022

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

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

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

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

Amulike S. K. Ngeliama *Date: 28.03. 2023*

Chairperson

MAENDELEO BANK PLC

DECLARATION BY THE HEAD OF FINANCE
FOR THE YEAR ENDED 31 DECEMBER 2022

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

It is the duty of a Professional Accountant to assist Maendeleo Bank Plc to discharge the responsibility of preparing financial statements showing true and fair view of the entity's financial position and performance in accordance with applicable International Financial Reporting Standards and the requirements of the Companies Act, 2002 and Banking and Financial Institutions Act,2006 of Tanzania. Full legal responsibility for the preparation of financial statements rests with the Board of Directors of Maendeleo Bank Plc as indicated under the statement of directors' responsibilities.

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

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

Signed by 

Position: Head of Finance

NBAA Membership No: ACPA 3270

Date 28.03. 2023

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

Opinion

We have audited the financial statements of Maendeleo Bank Plc (the ''Bank'') set out on pages 43 to 136, which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2022, and the financial performance and cash flows of the Bank for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act, 2002 and the Banking and Financial Institutions Act, 2006 of Tanzania.

Basis for Opinion

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

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

Key Audit Matters

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

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

INDEPENDENT AUDITOR'S REPORT

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

No.	Key audit matter	How our audit addressed the key audit matter
1.	**Credit risk and impairment of loans and advances from customers**	
	As at 31 December 2022, the provision for impairment on loan and advances at Amortized Cost was TZS 2,836 million as disclosed in note 8(a) in the financial statements. This represents the estimation of expected credit losses at the year-end. The IFRS 9 Expected credit losses (ECLs) approach is applicable to financial assets. ECLs represent management's best estimate of the losses expected to be incurred at the reporting date. The Bank assesses the contractual terms of the financial assets to identify whether they meet the Solely Payments of Principal and Interest test. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit losses), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit losses. The determination of appropriate provisions for impairment is a key audit matter as it requires management judgement, is subject to estimation uncertainty and relies on available data. Areas which involve judgement and estimates include determination of probability of default (PDs), exposure amount given default (EAD) and ascertaining of future cash flows which the Bank will obtain when realizing the assets pledged as collaterals. The management is required to estimate probability and exposures at defaults. This involves consideration of certain factors including macro-economic variables such as inflation and economic growth. There is a risk that the provision for impairment of financial assets does not represent a complete and accurate estimate of expected losses and that the carrying amounts of these items is misstated. This includes the risk that the ECL model is not in compliance with IFRS 9. The accounting policy and key sources of estimation uncertainty in relation to financial asset impairment provisions are disclosed in Note 2.12.1 to the financial statements.	• We undertook an assessment of the company's methodology and compared it with the requirements of IFRS 9. • We reviewed the application of the business model to existing portfolios and reviewed the results of the Solely Payments of Principal and Interest test for relevant financial instruments. • We evaluated the design and operating effectiveness of the company's key controls and IT controls around credit management, ECL model and provision assessment. • We tested key controls over completeness and accuracy of data inputs to loan loss provisioning. • We assessed management's judgements and assumptions in relation to 'significant increase or decrease in credit risk' and the allocation of loans to various categories basing on levels of risks. • We tested a sample of loans to ensure that they have been included in the correct stages depending on how they are aged in accordance with the Bank's methodology and IFRS 9. • We reviewed the IFRS 7 disclosures for adequacy.

INDEPENDENT AUDITOR'S REPORT

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in Directors' Report, Statement of Directors' Responsibilities and the Declaration by the Head of Finance. The other information does not include the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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

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

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2002 and Banking and Financial Institutions Act, 2006 of Tanzania, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.
The directors are responsible for overseeing the Company's financial reporting processes.

Auditor's Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITOR'S REPORT

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITOR'S REPORT

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

This report, including the opinion, has been prepared for, and only for, the Bank's members as a body in accordance with the Companies Act, 2002 of Tanzania and for no other purposes.
As required by the Companies Act, 2002 of Tanzania, we report to you, based on our audit, that:

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Neema Kiure (FCPA 1227)

Signed by: Dr. Neema Kiure (FCPA 1227)
Ernst & Young
Certified Public Accountants
Dar es Salaam

Date: 31st .03. 2023

MAENDELEO BANK PLC

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

Revenue	Note	31-Dec-22 TZS'000'	31-Dec-21 TZS'000'
Interest income calculated using the effective interest method	5	15,808,830	12,844,295
Interest expense calculated using the effective interest method	6	(5,897,616)	(5,306,261)
Net Interest income		**9,911,214**	**7,538,034**
Written off bad loans	8(b)	-	(666,374)
Impairment losses	8(a)	(3,103,502)	(1,113,700)
Net Interest income after Impairment		**6,807,712**	**5,757,960**
Fees, commission, and other income	7(a)	2,142,002	1,639,672
Fees, commission, and other expenses	7(b)	(22,841)	(69,255)
Net fees, commission, and other income		**2,119,161**	**1,570,417**
Net operating income		**8,926,873**	**7,328,377**
Foreign exchange gain/loss	9	21,772	43,019
Employee benefit expenses	10	(3,191,416)	(2,858,507)
General and administration costs	11	(3,013,017)	(3,048,869)
Depreciation, right of use asset and amortization	22	(760,088)	(757,874)
Operating expenses		**(6,942,751)**	**(6,622,231)**
Profit for the year before tax		1,984,124	706,146
Income tax	12	(568,575)	(118,708)
Profit for the year		**1,415,549**	**587,438**
Other comprehensive income		-	-
Total comprehensive income for the year		**1,415,549**	**587,438**
Basic and diluted earnings per share	**13**	**53.92**	**22.38**

MAENDELEO BANK PLC
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

		Dec-22	Dec-21
ASSETS	**Note**	**TZS'000'**	**TZS'000'**
Cash and balances with Bank of Tanzania	15	10,234,042	8,113,330
Placements and balances with other banks	16	8,898,620	7,928,601
Government securities	17	21,608,473	22,030,350
Loans and advances to customers	18	60,658,224	57,715,790
Inventories	19	29,142	12,887
Other assets	20	1,313,851	2,126,509
Intangible assets	23	145,922	172,269
Property and equipment	22(a)	2,057,949	1,657,028
Leasehold improvements	22(b)	484,945	626,500
Tax receivable	21	246,888	178,061
Deferred tax	12	1,437,203	1,370,359
Total assets		**107,115,259**	**101,931,684**
EQUITY AND LIABILITIES			
Equity			
Share capital	31	13,121,982	13,121,982
Share Premium		799,742	799,292
Advance towards share capital	31.3	5,494	-
Regulatory reserves	29	542,458	1,302,893
Retained earnings		3,009,564	1,124,328
Total equity		**17,479,240**	**16,348,495**
Liabilities			
Deposits	24	77,829,165	70,242,994
Other liabilities	25	1,851,218	1,474,089
Borrowings	27	9,955,637	13,866,106
		89,636,019	**85,583,189**
Total Equity and Liabilities		**107,115,259**	**101,931,684**

2021 and were signed on its behalf by:

Name: Dr. Ibrahim Mwangalaba Title: MD Signature: ____________

Name: AMULIKE NGELIAMA Title: CHAIRMAN Signature: ____________

MAENDELEO BANK PLC

STATEMENT OF CHANGE IN EQUITY AS AT 31 DECEMBER 2022

	Share Capital TZS'000'	Advance towards share Capital TZS'000'	Share Premium TZS'000'	Regulatory Reserve TZS'000'	Gen rese TZS'
Balance at 1 January 2022	**13,121,982**	**-**	**799,292**	**1,302,893**	
Transfer from advance share capital to share premium	-	(450)	450	-	
Dividend Payment		-	-	-	
Transfer from Regulatory reserve to Retained Earnings		-	-	(760,435)	
Profit for the year	-	-	-	-	
Advance towards share capital	-	5,944	-	-	
At 31 December 2022	**13,121,982**	**5,494**	**799,742**	**542,458**	
Balance at 1 January 2021	**11,862,201**	**548,230**	**547,335**	**2,667,872**	
Advance towards share capital	-	963,508	-	-	
Transfer from advance share capital to share premium	-	(251,957)	251,957	-	
Transfer to Capital from Advance Share	1,259,781	(1,259,781)	-	-	
Transfer from Regulatory reserve to Retained Earnings	-	-		(1,364,979)	
Profit for the year	-	-	-	-	
At 31 December 2021	**13,121,982**	**-**	**799,292**	**1,302,893**	

MAENDELEO BANK PLC

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 TZS`000	2021 TZS`000
Cash flows from operating activities			
Profit for the year before tax		1,984,123	706,146
Adjustments for:			
Amortization of intangible assets	22(b)	66,793	141,582
Interest on Lease Liability	25	73,279	50,640
Written Off bad loans	8(b)	-	666,374
Interest expense on borrowings	6	1,603,672	1,423,848
Impairment on Financial Assets	8(a)	3,103,502	1,113,700
Depreciation of property and equipment	22(a)	546,457	477,814
Amortization of leasehold improvements	22(b)	146,838	138,478
		7,524,664	**4,718,582**
Changes in operating assets and liabilities			
Increase in loans and advances		(2,842,577)	(3,234,477)
Increase in inventories		(16,255)	(10,272)
Increase in placements with other banks		(970,020)	(552,254)
Decrease/(increase) in other assets		655,433	(756,961)
Increase in customer's deposits		7,586,170	9,739,727
Movement in statutory minimum reserve	15	(1,112,156)	(548,788)
Increase in other liabilities		160,553	282,888
Income tax paid	21	(704,245)	(548,195)
Cash generated from operating activities		**10,281,567**	**9,090,250**
Cash flows from investing activities			
Purchase of government securities	17	(12,400,000)	(11,678,761)
Receipt of matured government securities	17	12,821,877	3,019,323
Acquisition of intangible assets	23	(40,446)	(54,560)
Acquisition of property and equipment	22(a)	(412,141)	(572,333)
Leasehold improvements costs incurred	22(b)	(5,283)	(137,771)
Net cash used in investing activities		**(35,993)**	**(9,424,102)**
Cash flows from financing activities			
Increase in Borrowings	27	-	6,000,000
Repayment in Borrowings	27	(3,910,468)	(2,065,688)
Interest paid on borrowings	27	(1,603,672)	(1,423,848)
Dividend paid to shareholders		(290,748)	-
Repayment of principal portion of lease liabilities	25	(341,666)	(71,185)
Paid up share capital/right Issue		-	963,509
Net cash generated from financing activities		**(6,146,554)**	**3,402,788**
Net increase/(decrease) in cash and cash equivalents		4,099,020	3,068,936
Net foreign exchange difference		(93,384)	(71,169)
Cash and cash equivalents 1 January		14,171,856	11,174,089
Cash and cash equivalents 31 December	**32**	**18,177,492**	**14,171,856**
Additional information on operational cash flows from interest and dividend			
Interest received		15,808,830	12,844,295
Interest paid		5,897,616	5,306,262
Dividend paid		290,748	-

1. REPORTING ENTITY

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

The address of the registered office is as follows:
Luther House Sokoine Drive,
P.O. Box 216,
Dar es Salaam.

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

The Bank`s financial statements for the year ended 31 December2022 were approved for issue by the Board of Directors on31st March 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Statement of compliance

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

2.2 Basis of preparation

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

The measurement basis applied in the preparation of these financial statements is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Tanzania shillings (TZS) and the amounts are rounded to the nearest thousand shillings except where otherwise indicated.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires the Directors to exercise judgement in the process of applying the Bank's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. The Directors believe that the underlying assumptions are appropriate and that the Bank's financial statements therefore present the financial position and results fairly.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)

2.2 Basis of preparation (Continued)

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

2.3 Changes in accounting policy and disclosures

(i) New and amended standards and interpretations

The new and amended standards and interpretations are effective for annual periods beginning on or after 1 January 2022, unless otherwise stated.

Reference to the Conceptual Framework – Amendments to IFRS 3
The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. This amendment had no impact on the financial statements of the Bank.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. This amendment had no impact on the financial statements of the Bank.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. This amendment had no impact on the financial statements of the Bank.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)

2.3 Changes in accounting policy and disclosures (Continued)

2018-2020 cycle (issued in May 2020)
The following is a summary of the amendments from the 2018-2020 annual improvements cycle:

IFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter
The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. The improvement had no impact to the Bank.

IFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities
The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39.

An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The improvement had no impact to the Bank.

IAS 41 Agriculture - Taxation in fair value measurements
The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entity applies the amendment to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. The improvement had no impact to the Bank.

2.4 Foreign currency translation

2.4.1 Functional and presentational currency

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)

2.4 Foreign currency translation (Continued)

2.4.2. Transactions and balances

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

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

2.5. Recognition of interest income

2.5.1. The effective interest rate method

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5. Recognition of interest income (Continued)

2.5.2. Interest and similar income/expense

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

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

2.6. Fee and commission income

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7. Contract balances

The following are recognised in the statement of financial position arising from revenue from contracts with customers:

Fees and commissions receivables included under 'Other assets', which represent the Bank's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). These are measured at amortised cost and subject to the impairment provisions of IFRS 9.

2.8 Financial instruments – initial recognition

2.8.1. Date of recognition

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

2.8.2. Initial measurement of financial instruments

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

2.8.3. Day 1 profit or loss

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

2.8.4. Measurement categories of financial assets and liabilities

The Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:
- Amortised cost, as explained in Note 2.10.1
- FVOCI, as explained in Note 2.10.1.2

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9. Determination of fair value

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

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

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

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

2.10. Financial assets and liabilities

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)

2.10.1.1. Business model assessment

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

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

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

2.10.1.2. The SPPI test

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

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

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

2.10.2Borrowed funds

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10. Financial assets and liabilities (continued)

2.10.4 Financial guarantees and undrawn loan commitments

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

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

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

2.11. Derecognition of financial assets and liabilities

2.11.1. Derecognition due to substantial modification of terms and conditions

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11. Derecognition of financial assets and liabilities (continued)

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

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

2.11.2. Derecognition other than for substantial modification

2.11.2.1. Financial assets

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

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

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

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

A transfer only qualifies for derecognition if either:

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

Or

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11. Derecognition of financial assets and liabilities (continued)

2.11.2. Derecognition other than for substantial modification (continued)

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

When the Bank has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Bank's continuing involvement, in which case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Bank could be required to pay.

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

2.11.2.2. Financial liabilities

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

The bank's financial instruments are categorised as follows:

Category (as defined by IFRS 9)		**Class (as determined by the Bank)**		**2022 TZS '000'**	**2021 TZS '000'**
Financial Assets	Debt instruments at amortized cost	Cash and bank balances with Bank of Tanzania		10,234,242	8,113,330
		Placements and balances with other banks		8,898,620	7,928,601
		Loans and Advances from Banks		60,658,224	57,715,789
		Other assets (Note 20)		805,138	1,423,486
		Investment in Debt securities	Government securities	21,608,473	22,030,350
Financial liabilities	Financial liabilities at amortised cost	Deposits from Banks and Customers		77,829,165	70,242,994
		Borrowings and other liabilities		9,955,637	13,866,106
		Other liabilities (Note 25)		1,776,974	1,352,599

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12. Impairment of financial assets

2.12.1. Overview of the ECL principles

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12. Impairment of financial assets (continued)

2.12.2. The calculation of ECL

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

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

- PD - The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12. Impairment of financial assets (continued)

2.12.2. The calculation of ECL (continued)

The mechanics of the ECL method are summarised below:

- Stage 1: The 12mECL is calculated as the portion of LTECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the four scenarios, as explained above.

- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECL. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

- Stage 3: For loans considered credit-impaired (as defined in Note 18.1), the Bank recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

- POCI: POCI assets are financial assets that are credit impaired on initial recognition. The Bank only recognises the cumulative changes in lifetime ECL since initial recognition, based on a probability-weighting of the four scenarios, discounted by the credit adjusted EIR.

- Loan commitments: When estimating LTECL for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the four scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan. For credit cards and revolving facilities that include both a loan and an undrawn commitment, ECL is calculated and presented together with the loan. For loan commitments and letters of credit, the ECL is recognised within Provisions.

- Financial guarantee contracts: The Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the ECL provision. For this purpose, the Bank estimates ECL based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the four scenarios. The ECL related to financial guarantee contracts are recognised within Provisions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12. Impairment of financial assets (continued)

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

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

2.12.4. Credit and other revolving facilities

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12. Impairment of financial assets (continued)

2.12.5. Forward looking information

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

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

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

2.13. Credit enhancements: collateral valuation and financial guarantees

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14. Collateral repossessed

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

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

2.15. Write-offs

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

2.16. Forborne and modified loans

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16. Forborne and modified loans (Continued)

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

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

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

2.17. Cash and cash equivalents

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

2.18. Repurchase agreements

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

2.19. Securities lending and borrowing

Securities lending and borrowing transactions are usually collateralised by securities or cash. The transfer of the securities to counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.
Securities borrowed are not recognised in the statement of financial position, unless they are then sold to third parties, in which case, the obligation to return the securities is recorded as a short sale within financial liabilities held for trading and measured at fair value with any gains or losses included in net trading income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Leases

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

2.20.1 Bank as a lessee

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

Right-of-use assets

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

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

Lease liabilities

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

- Leasehold improvements5 years
- ATM and Generator 5 years
- Motor Vehicle 4years
- Furniture and fittings, office machine and equipment 4 years
- Computer hardware 3 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate

2.22. Provisions

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

2.23. Taxes

2.23.1. Current tax

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23.2. Deferred tax

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

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

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

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

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

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

2.24. Levies and similar charges

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

2.25. Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders. Interim dividends are deducted from equity when they are declared and are no longer at the discretion of the Bank.
Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26. Intangible assets

Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

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

Intangible assets with indefinite useful lives are not amortised but are tested for impairment. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable.
The amortization is calculated using straight-line method to write down the cost of intangible assets to their residual value over their estimated useful lives as follows:

Description of item	**Useful life**
Computer software	3 Years

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

2.27. Impairment of non-financial assets

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.27. Impairment of non-financial assets

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

2.28. Inventories

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

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

2.29. Standards issued but not yet effective

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

IFRS 17 Insurance Contracts

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.29. Standards issued but not yet effective (Continued)

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

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

Definition of Accounting Estimates - Amendments to IAS 8

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

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

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

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 122.30. Classes of financial instruments

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

3.1. Impairment losses on financial assets

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

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

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

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

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

3.2. Going concern

The Bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. The potential impact of the COVID-19 pandemic on the key statement of financial position line items could include impairment of placements with other banks and amounts due from customers if the banks and customers were to be significantly affected by the pandemic. At the time of issuing the financial statements, the directors had no reason to believe that this is likely to happen. Furthermore, the directors believed that the Bank will be a going concern for the foreseeable future having considered the available assets and the directors' specific responses and actions.

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

3.3. Fair value of financial instruments

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

3.4. Effective Interest Rate (EIR) method

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

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

3.5. Deferred tax assets

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

3.6. Provisions and other contingent liabilities

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

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

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

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

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

3.9. Estimating the incremental borrowing rate

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

4. SEGMENT INFORMATION

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

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

5. INTEREST INCOME

Interest income calculated using the effective interest method

	2022 TZS'000'	2021 TZS'000'
Interest on Government Securities	3,824,270	2,088,538
Placements and balances with other banks	458,822	416,348
Loans and advances from customers	11,525,738	10,339,409
Total interest and similar income	**15,808,830**	**12,844,295**

6. INTEREST AND SIMILAR EXPENSE

Interest expense calculated using the effective interest method

	2022 TZS'000'	2021 TZS'000'
Interest on placements with other banks	204,370	162,572
Interest on Savings &Time deposits	4,016,295	3,669,201
Interest on borrowings	1,603,672	1,423,848
Interest expense on lease liabilities (Note 25)	73,279	50,640
Total interest and similar expense	**5,897,616**	**5,306,261**

7. NET FEES AND COMMISSION INCOME

a) Fees, commission and other income	2022 TZS'000'	2021 TZS'000'
Commission received from insurance services	367,831	246,102
Commission received from other services	841,956	651,142
Application fee	556,638	701,706
Payroll processing fee	38,180	34,232
Other fee-Current Account charges	3,493	6,490
Recovery from charged-off loans	333,904	-
	2,142,002	**1,639,672**

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

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

Dec-21	Retail Banking	Corporate Banking	Total
Fee income earned from services that are provided over time			
Loan commitment fees	568,382	133,324	701,706
	568,382	**133,324**	**701,706**
Fee income from providing financial services at a point in time:			-
Brokerage fees insurance	209,187	36,915	246,102
Payroll processing fees, withdrawal and mobile banking services	415,118	276,746	691,864
	1,192,687	**446,985**	**1,639,672**

b) Fees and commission expense	2022	2021
Bank charges	**22,841**	**69,255**

8. IMPAIRMENT LOSSES/WRITE-OFF

a) IMPAIRMENT LOSSES

Dec-22	**Stage 1 TZS'000'**	**Stage 2 TZS'000'**	**Stage 3 TZS'000'**
Due from banks (Note 16)	-	-	-
Loans and Advances from customers (Note 18)	447,657	155,674	2,232,805
		-	-
Other assets (Note 20)	267,366	-	-
Total Impairment loss	**715,023**	**155,674**	**2,232,815**

Dec-21	**Stage 1 TZS'000'**	**Stage 2 TZS'000'**	**Stage 3 TZS'000'**
Due from banks (Note 16)	-	-	-
Loans and Advances from customers (Note 18)	103,255	38,420	858,855
Financial guarantees (Note 26)	3,029	-	-
Other assets (Note 20)	110,141		
Total Impairment loss	**216,425**	**38,420**	**858,855**

b) WRITTEN OFF BAD LOANS

-	**2022 TZS'000'**	**2021 TZS'000'**
Loans and Advances (Note 18)	-	666,374

9. FOREIGN EXCHANGE GAIN/LOSS

	2022 TZS'000'	**2021 TZS'000'**
Exchange gain on trading	41,877	63,548
Exchange gain/(loss) on valuation	(20,105)	(20,529)
	21,772	**43,019**

10. EMPLOYEE BENEFIT EXPENSES

	2022 TZS'000'	**2021 TZS'000'**
Salaries and allowances	2,517,535	2,318,661
Pension costs- defined contribution plan	268,109	240,329
Skills and Development Levy	107,183	98,415
Leave allowance	190,207	182,209
Workman's compensation	15,025	18,893
Gratuity	93,357	-
	3,191,416	**2,858,507**

11. GENERAL AND ADMINISTRATION EXPENSES

	2022 TZS'000'	2021 TZS'000'
Office expenses	2,245,666	2,348,572
City Service Levy	22,641	24,610
Annual general meeting	29,153	36,300
Legal fees	125,988	94,228
Directors' remuneration	17,613	56,840
Board expenses	136,834	125,625
Auditors` remuneration	67,962	69,576
Accounting fees	3,962	3,116
Property and equipment maintenance cost	197,866	155,231
Fuel cost	104,326	83,554
Staff welfare	53,106	49,329
Other expenses	7,900	1,888
	3,013,017	**3,048,869**

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

12. INCOME TAX

The components of income tax expense for the years ended 31 December 2022 and 2021 are as follows:

	2022 TZS'000'	2021 TZS'000'
Current income tax (Note 21)	635,149	93,667
Deferred tax - current period (Note 12.2)	(66,844)	25,041
	568,575	**118,708**

12.1 Reconciliation of the total tax charge

The tax charge shown in the statement of profit or loss and other comprehensive income differs from the tax charge that would apply if all profits had been charged at corporate rate of 30%. Reconciliation between the tax expense and the accounting profit multiplied by applicable tax rate for the years ended 31 December 2022 and 2021 is, as follows:

Profit for the year before tax	1,984,124	706,146
Tax expense (calculated at statutory income tax rate 30%)	595,237	211,844
Tax effect of:		
Expenses not deductible for tax purposes*	104,163	200,563
Non-taxable income**	(130,824)	(293,699)
Income tax expense	**568,575**	**118,708**

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

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

12. INCOME TAX (Continued)

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

12.2 Deferred tax

	2022 TZS'000'	2021 TZS'000'
At 1 January	**1,370,359**	**1,395,400**
Credit to statement of profit and loss and other comprehensive income (Note 12)	66,844	25,041
At 31 December	**1,437,203**	**1,370,359**

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

Deferred income tax		
Accelerated capital allowances	(838,484)	(741,810)
Accumulated expected credit losses	(604,751)	(634,708)
Unrealized exchange gains/(loss)	6,032	6,159
	1,437,203	**1,370,359**

13. EARNINGS PER SHARE

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

Profit attributable to shareholders (TZS'000)	1,415,548	587,438
Weighted average number of shares in issue (000)	26,431	26,244
Basic and diluted earnings per share (TZS'000)	**53.92**	**22.38**

14. DIVIDEND PAID AND PROPOSED

The Bank made a profit after tax of TZS 1,416 million during the year ended 31 December 2022 (2021: TZS 587 million), However, the Board of Directors does recommend payment of dividends to shareholders.

15. CASH AND BALANCES WITH BANK OF TANZANIA

	2022 TZS'000'	2021 TZS'000'
Cash in hand	2,509,792	1,914,142
Current account	2,983,340	2,570,434
Statutory minimum reserve*	4,740,910	3,628,754
	10,234,042	**8,113,330**

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

16. PLACEMENTS AND BALANCES WITH OTHER BANKS

	2022 TZS'000'	2021 TZS'000'
Placements and balances with local banks	8,332,300	7,461,418
Balances with local banks and Mobile Network Operators (MNO)	540,286	366,662
Cheques and items for clearance with other bank	48,509	122,996
Total	**8,921,095**	**7,951,076**
Less: Allowance for expected credit losses	(22,475)	(22,475)
	8,898,620	**7,928,601**

As at 1 January	22,475	22,475
Addition during the year	-	-
Write-off	-	-
As at 31 December	**22,475**	**22,475**
Maturity analysis		
Redeemable on demand		
- Balances with local banks& Mobile Network Operators	540,147	366,662
- Cheques and items for clearing with other banks	48,509	122,996
- Maturity within 3 months from acquisition	8,322,300	7,461,418
	8,921,095	**7,951,076**

16.1 Impairment allowance for placements and balances with other banks

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

16. PLACEMENTS AND BALANCES WITH OTHER BANKS (Continued)

16.1 Impairment allowance for due from banks (Continued)

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

31-Dec-21	**12 month**				
Internal rating grade	**PD range**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
High grade	0.00% - 3.00%	**7,951,076**	-	-	**7,951,076**
Standard grade	3.00% - 20.00%	-	-	-	-
Substandard	20.00%- 50.00%	-	-	-	-
Low grade	50.00%-100.00%	-	-	-	-
Individually impaired	100%	-	-	-	-
Total		**7,951,076**	**-**	**-**	**7,951,076**

16. PLACEMENTS AND BALANCES WITH OTHER BANKS (Continued)

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

	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount	**ECL**	**Gross carrying amount**	**ECL**	**Gross carrying amount**	**ECL**	**Gross carrying amount**	**ECL**
1-Jan-2022	7,951,076	22,475	-	-	-	-	7,951,076	22,475
New assets originated	77,811,372		-	-	-	-	77,811,372	-
Payments and assets derecognized	(76,841,355)	-	-	-	-	-	(76,841,355)	-
As at 31 Dec- 2022	**8,921,095**	**22,475**	**-**	**-**	**-**	**-**	**8,921,095**	**22,475**

	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount	**ECL**	**Gross carrying amount**	**ECL**	**Gross carrying amount**	**ECL**	**Gross carrying amount**	**ECL**
1-Jan-2021	7,398,822	22,475	-	-	-	-	7,398,822	22,475
New assets originated	67,811,371	-	-	-	-	-	67,811,371	-
Payments and assets derecognized	(67,259,117)	-	-	-	-	-	(67,259,117)	-
As at 31 Dec- 2021	**7,951,076**	**22,475**	**-**	**-**	**-**	**-**	**7,951,076**	**22,475**

17. GOVERNMENT SECURITIES

	2022	2021
	TZS'000'	TZS'000'
Treasury bills & bonds	20,882,371	20,980,318
Interest Receivable	726,102	1,050,032
	21,608,473	**22,030,350**

Treasury bills are debts securities issued by the Government of the United Republic of Tanzania. As at 31 December 2022, the bank had Treasury bills of TZS 6,030,012,000 (2021: Treasury bills were TZS7,439,400,000) and Treasury bonds of TZS 14,852,359,000 (2021: TZS13,540,918,000)

Maturity analysis of Government securities is as follows:

Maturity within 3 months from date of acquisition	3,785,740	1,758,678
Maturity between 3 to 6 months from date of acquisition	200,000	1,930,614
Maturity after 6 months from date of acquisition	17,622,734	18,341,058
	21,608,473	**22,030,350**

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

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

31 December 2021	**12 months**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Internal rating grade	**PD range**	**TZS'000'**	**TZS'000'**	**TZS'000'**	**TZS'000'**
High grade	0.00% - 3.00%	**22,030,350**	-	-	**22,030,350**
Standard grade	3.00% - 20.00%	-	-	-	-
Substandard	20.00%- 50.00%		-	-	-
Low grade	50.00%-100.00%	-	-		-
Individually impaired	100%	-	-	-	-
Total		**22,030,350**	**-**	**-**	**22,030,350**

17. GOVERNMENT SECURITIES(CONTINUED)

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

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

	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
1-Jan-2021	**13,370,912**	**-**	**-**	**-**	**-**	**-**	**13,370,912**	-
New assets originated	11,678,761	-	-	-	-	-	11,678,761	-
Payments and assets derecognized	(3,019,323)	-	-	-	-	-	(3,019,323)	-
As at 31 Dec- 2021	**22,030,350**	**-**	**-**	**-**	**-**	**-**	**22,030,350**	**-**

18. LOANS AND ADVANCES TO CUSTOMERS

	2022 TZS'000'	2021 TZS'000'
Corporate lending	13,749,372	13,197,187
Small business lending*	40,733,987	38,793,473
Consumer lending	8,168,225	7,818,347
Gross loan and advances	**62,651,,584**	**59,809,007**
Less: Allowance for ECL	(1,993,360)	(2,093,217)
	60,658,224	**57,715,790**

As at 1 January	2,093,217	2,424,946
Addition during the year	2,836,136	1,000,530
Written-off loans	(2,935,993)	(1,332,259)
As at 31 December	**1,993,360**	**2,093,217**

*** The small business lending category presented in 2021 is net of TZS 666.37 million written off in that particular year.**

18.1 Impairment allowance for loans and advances from customers

18.1.1 Corporate lending

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

31 December 2022 Internal rating grade	12 months PD range	Stage 1 TZS'000'	Stage 2 TZS'000'	Stage 3 TZS'000'	Total TZS'000'
High grade	0.00% - 3.00%	9,069,075	1,197,052	761,518	11,027,645
Standard grade	3.00% - 20.00%	1,068,918	-		1,068,918
Substandard	20.00%- 50.00%	1,121,329	-	-	1,121,329
Low grade	50.00%-100.00%	531,480	-	-	531,480
Individually impaired	100%	-	-	-	-
Total		**11,790,802**	**1,197,052**	**761,518**	**13,749,372**

31 December 2021 Internal rating grade	12 months PD range	Stage 1 TZS'000'	Stage 2 TZS'000'	Stage 3 TZS'000'	Total TZS'000'
High grade	0.0% - 3.0%	8,885,014	1,012,991	577,455	10,475,460
Standard grade	3.0% - 20.0%	1,068,918	-		1,068,918
Substandard	20.0%- 50.0%	1,121,329	-	-	1,121,329
Low grade	50.0%-100.0%	531,480	-	-	531,480
Individually impaired	100%	-	-	-	-
Total		**11,606,741**	**1,012,991**	**577,455**	**13,197,187**

18. LOANS AND ADVANCES FROM CUSTOMERS (Continued)

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

18.1.1 Corporate lending (Continued)

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

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

18. LOANS AND ADVANCES FROM CUSTOMERS (Continued)

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

18.1.1 Corporate lending (Continued)

Dec-21	Stage 1 Gross carrying amount TZS'000'	ECL	Stage 2 Gross carrying amount TZS'000'	ECL	Stage 3 Gross carrying amount TZS'000'	ECL	Total Gross carrying amount TZS'000'	ECL TZS'000'
01-Jan-21	9,385,595	-	-	-	688,912	73,012	10,074,507	73,012
New assets originated	11,731,994	116,650	-	-	-	-	11,731,994	116,650
Payments and assets derecognized	(8,497,857)	(5,201)	-	-	(111,457)	(73,012)	(8,609,314)	(78,213)
Accrued interest	(1,012,991)	(4,621)	1,012,991	4,621	-	-	-	-
Amounts written off	-	-	-	-	-	-	-	-
31-Dec-21	**11,606,741**	**106,828**	**1,012,991**	**4,621**	**577,455**	**-**	**13,197,187**	**111,449**

18. LOANS AND ADVANCES FROM CUSTOMERS (Continued)

18.1 Impairment allowance for loans and advances from customers

18.1.2. Small business lending

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

Dec-22

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

Dec-21

Internal rating grade	12 month PD range	Stage 1 TZS'000'	Stage 2 TZS'000'	Stage 3 TZS'000'	Total TZS'000'
High grade	0.00% - 3.00%	20,386,351	2,830,515	751,242	23,968,108
Standard grade	3.00% - 20.00%	6,763,673	734,727	387,454	7,885,854
Substandard	20.00%- 50.00%	1,355,775	1,156,735	272,990	2,785,500
Low grade	50.00%-100.00%	1,527,445	965,729	1,660,837	4,154,011
Individually impaired	100%		-	-	-
Total		**30,033,244**	**5,687,706**	**3,072,523**	**38,793,473**

18. LOANS AND ADVANCES FROM CUSTOMERS (Continued)

18.1.2. Small business lending (Continued)

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

Dec-22	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
	TZS'000'		TZS'000'		TZS'000'		TZS'000'	TZS'000'
01-Jan-21	30,033,964	96,402	5,687,706	63,576	3,072,523	1,702,296	38,794,193	1,862,274
New assets originated	14,939,976	363,229	-	-	-	-	14,939,976	363,229
Payments and assets derecognized	(13,000,183)	(428,556)	-	-	-	-	(13,000,183)	(428,556)
Transfers to stage 2	(1,151,600)	(198,317)	1,151,600	198,317	-	-	-	-
Transfers to stage 3	-	-	(575,800)	(66,106)	575,800	66,106	-	-
Accrued interest	-	-	-	-	-	-	-	-
Amounts written off	-	-	-	-	-	-	-	-
31-Dec -22	**30,822,157**	**(380,355)**	**6,263,506**	**(195,787)**	**3,648,323**	**(1,768,402)**	**40,733,987**	**1,796,947**

18. LOANS AND ADVANCES FROM CUSTOMERS (Continued)

18.1.2. Small business lending (Continued)

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

Dec-21	**Stage 1**		**Stage 2**		**Stage 3**		**Total**	
	Gross carrying amount TZS'000'	**ECL**	**Gross carrying amount** TZS'000'	**ECL**	**Gross carrying amount** TZS'000'	**ECL**	**Gross carrying amount** TZS'000'	**ECL TZS'000'**
01-Jan-21	30,519,161	394,048	996,597	460,209	6,407,878	679,226	37,923,636	1,533,483
New assets originated	23,737,420	197,974	-	-	1,563,445	1,003,070	25,300,145	1,201,044
Payments and assets derecognized	(18,544,911)	(98,987)	-	-	-	-	(18,544,911)	(98,987)
Transfers from stage 1	(5,667,706)	(396,633)	5,697,706	396,633	-	-	-	-
Transfers to/from stage 2	-	-	(986,597)	(793,266)	986,597	793,266	-	-
Accrued interest	-	-	-	-	(5,885,397)	(773,266)	(5,895,397)	(773,266)
Amounts written off								
31-Dec-21	**30,033,964**	**96,402**	**5,687,706**	**63,576**	**3,072,523**	**1,702,296**	**38,793,473**	**1,862,274**

18. LOANS AND ADVANCES FROM CUSTOMERS (Continued)

18.1.3. Consumer lending

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

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

Dec 2021 **Internal rating grade**	**12 month** **PD range**	**Stage 1** **TZS'000'**	**Stage 2** **TZS'000'**	**Stage 3** **TZS'000'**	**Total** **TZS'000'**
High grade	0.00% - 3.00%	4,542,417	340,981	146,368	5,029,766
Standard grade	3.00% - 20.00%	1,442,951	126,015	54,670	1,623,636
Substandard	20.00% - 50.00%	369,022	226,608	99,543	695,173
Low grade	50.00% -100.00%	403,017	66,756	-	469,773
Individually impaired	100%	-	-	-	-
Total		**6,757,406**	**760,360**	**300,581**	**7,818,347**

18. LOANS AND ADVANCES TO CUSTOMERS (Continued)

Dec-21	**Stage 1**		**Stage 2**		**Stage 3**		**Total**	
	Gross carrying amount	**ECL**	**Gross carrying amount**	**ECL**	**Gross carryi amount**	**ECL**	**Gross carryi amount**	**ECL**
	TZS'000'		**TZS'000'**		**TZS'000'**		**TZS'000'**	
Jan-21	7,410,951	528,319	434,775	184,374	730,658	105,751	8,576,384	818,444
New assets originated	15,842,323	-	-	-	-	-	15,842,323	-
Payments and assets derecognized	(15,740,508)	(343,353)	-	-	(310,011)	(290,640)	(16,050,519)	(633,993)
Transfers to/from stage 1	(491,418)	(437,235)	491,418	437,235	-	-	-	-
Transfers to/from stage 2	-	-	(429,775)	(344,432)	429,775	344,432	-	-
Amounts written off	-	-	-	-	(549,841)	(64,956)	(549,841)	(64,956)
Dec-21	**7,037,924**	**(252,269)**	**496,418**	**277,177**	**300,581**	**94,587**	**7,818,347**	**119,495**

19. INVENTORIES

	2022 TZS'000'	2021 TZS'000'
Stationery	29,142	12,887
	29,142	**12,887**

20. OTHER ASSETS

	2022 TZS'000'	2021 TZS'000'
Prepaid expenses*	508,713	699,994
Staff salary advances	187,519	619,184
Fees receivable	801,904	874,416
Others	83,081	43,056
Less: Impairment	(267,366)	(110,141)
	1,313,851	**2,126,509**

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

Movement on other asset impairment

	2,022	2,021
As at 1 Jan	110,141	-
Additions	267,366	110,141
Writeoff	(110,141)	-
As at 31 Dec	**267,366**	**110,141**

21. INCOME TAX RECEIVABLE

At January	(178,061)	276,469
Tax charge to profit or loss	635,419	93,667
Tax paid during the year	(704,246)	(548,195)
	(246,888)	**(178,061)**

22. DEPRECIATION,ROU AND AMORTIZATION

Depreciation and ROU	22(a)	546,457	477,814
Leasehold Improvement	22(b)	146,838	138,478
Intangible Asset Amortization	23	66,793	141,582
		760,088	**757,874**

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

31 December,2022	Motor Vehicle TZS'000'	Furniture and fittings TZS'000'	Office Machines and equip. TZS'000'	Computers TZS'000'	ATM & Generators TZS'000'	Right of Use TZS'000'	Total TZS'000'
At 01 January 2022	307,902	**332,522**	**1,353,760**	**452,755**	**251,526**	**1,568,058**	**4,266,523**
Additions	259,801	21,653	79,016	51,671	-	535,237	947,378
Disposals	(171,396)	-	-	-	-	-	(171,396)
At 31 December 2022	**396,307**	**354,175**	**1,432,776**	**504,426**	**251,526**	**2,103,295**	**5,042,505**
Accumulated Depreciation							
At 01 January 2022	(263,181)	(255,838)	(812,350)	(304,737)	(245,357)	(728,032)	(2,609,495)
Charge for the year	(38,219)	(26,014)	(176,484)	(64,624)	(5,169)	(235,947)	(546,457)
Disposals	171,396	-	-	-	-	-	171,396
At 31 December 2022	**(130,004)**	**(281,852)**	**(988,834)**	**(369,361)**	**(250,526)**	**(963,979)**	**(2,984,556)**
Net carrying amount	**266,304**	**72,322**	**443,942**	**135,065**	**1,000**	**1,139,316**	**2,057,949**
31 December 2021							
At 1 January	307,902	272,193	1,013,965	305,546	226,526	1,312,453	3,438,585
Additions	-	60,329	339,795	147,209	25,000	255,605	827,938
At 31 December 2021	**307,902**	**332,522**	**1,353,760**	**452,755**	**251,526**	**1,568,058**	**4,266,523**
Accumulated Depreciation							
At 1 January 2021	(251,782)	(230,223)	(651,289)	(273,354)	(226,526)	(498,507)	(2,131,681)
Charge for the year	(11,399)	(25,615)	(161,061)	(31,382)	(18,831)	(229,525)	(477,814)
At 31 December 2021	**(263,181)**	**(255,838)**	**(812,350)**	**(304,736)**	**(245,357)**	**(728,032)**	**(2,609,495)**
Net carrying amount	**44,721**	**76,684**	**541,410**	**148,019**	**6,169**	**840,026**	**1,657,028**

Included in property, and equipment are assets with an original cost of TZS 125 million (2021: TZS 207 million) which are fully depreciated as of the reporting date.

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

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

22. b) LEASEHOLD IMPROVEMENTS

	2022 TZS'000'	2021 TZS'000'
At 1 January	1,493,174	1,355,403
Additions	5,283	137,771
At 31 December	**1,498,457**	**1,493,174**
Amortization		
At 1 January	(866,674)	(728,196)
Charge for the year	(146,838)	(138,478)
At 31 December	**(1,013,512)**	**(866,674)**
Net carrying amount	**484,945**	**626,500**

23. INTANGIBLE ASSETS

	2022 TZS'000'	2021 TZS'000'
At 1 January	924,578	870,018
Additions	40,446	54,560
At 31 December	**965,024**	**924,578**
Accumulated amortization		
At 1 January	(752,309)	(610,727)
Charge for the year	(66,793)	(141,582)
At 31 December	**(819,102)**	**(752,309)**
Net carrying amount	**145,922**	**172,269**

24. DEPOSITS

	2022 TZS'000'	2021 TZS'000'
Current accounts	14,456,885	13,841,927
Savings accounts	15,606,883	14,419,902
Time deposit accounts	41,087,610	37,153,660
Short term deposit from banks	6,200,000	4,300,000
Interest Payable	477,787	527,505
	77,829,165	**70,242,994**

25. OTHER LIABILITIES

	2022 TZS'000	2021 TZS'000
Accrued expenses	9,402	101,820
Insurance payables	43,153	200,263
Withholding tax payable	74,243	124,518
Others	705,057	294,975
Lease liabilities (see below)	1,019,362	752,512
	1,851,217	**1,474,089**

*

Lease liabilities	2022 TZS'000'	2021 TZS'000'
Opening Balance as at 1January	752,512	773,057
Additions	535,237	-
Interest	73,279	50,640
Payments	(341,666)	(71,185)
31 December	**1,019,362**	**752,512**

Below are the maturities for lease liability:

31/12/2022	**< than 1 yr**	**1 - 2 yrs**	**2-5 yrs**	**5 yrs**	**Total**
Lease liabilities	311,594	594,632	177,865	8,908	1,092,641
Total	**311,594,**	**594,632**	**177,865**	**8,908**	**1,092,641**
31/12/2021					
Lease liabilities	162,798	145,662	398,000	96,693	803,152
Total	**162,798**	**145,662**	**398,000**	**96,693**	**803,152**

26. PROVISIONS FOR OFF BALANCE SHEET ITEMS

The movement of provisions during 2021and 2022 respectively as follows:

	Financial Guarantees	Operational risk	Litigation	Total
1-Jan-22	**3,029**	**-**	**-**	**3,029**
Changes in ECL	3,039	-	-	3,039
Amounts matured	(3,029)	-	-	(3,029)
31-Dec-22	**3,039**			**3,039**
1-Jan-21	**4,377**	**-**	**-**	**4,377**
Changes in ECL	3,029	-	-	3,029
Amounts matured	(4,377)	-	-	(4,377)
31-Dec-21	**3,029**			**3,029**

These provisions relate to guarantees issued to customers

26. PROVISIONS FOR OFF BALANCE SHEET ITEMS (Continued)

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

Dec 22	**Stage 1**		**Stage 2**		**Stage 3**		**Total**	
	Gross carrying amount TZS'000'	**ECL**	**Gross carrying amount TZS'000'**	**ECL**	**Gross carrying amount TZS'000'**	**ECL**	**Gross carrying amount TZS'000'**	**ECL**
1-Jan-22	1,107,066	3,029	-	-	-	-	1,107,066	3,029
New exposures	3,016,574	3,039	-	-	-	-	3,016,574	3,039
Exposures derecognised / matured/lapsed`	(2,049,881)	(3,029)	-	-	-	-	(2,049,881)	(3,029)
31-Dec-22	**2,073,759**	**3,039**	**-**	**-**	**-**	**-**	**2,073,759**	**3,039**

Dec-21	**Stage 1**		**Stage 2**		**Stage 3**		**Total**	
	Gross carrying amount TZS'000'	**ECL**	**Gross carrying amount TZS'000'**	**ECL**	**Gross carrying amount TZS'000'**	**ECL**	**Gross carrying amount TZS'000'**	**ECL**
1-Jan-21	1,614,949	4,377	-	-	-	-	1,614,949	4,377
New exposures	1,153,063	3,029	-	-	-	-	1,153,063	3,029
Exposures derecognised / matured / lapsed	(1,660,946)	(4,377)	-	-	-	-	(1,660,946)	(4,377)
31-Dec-21	**1,107,066**	**3,029**	**-**	**-**	**-**	**-**	**1,107,066**	**3,029**

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26. PROVISIONS FOR OFF BALANCE SHEET ITEMS (Continued)

26.1. Financial guarantees and other undrawn commitments

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

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

	2022 TZS'000'	2021 TZS'000'
Financial guarantees	2,073,759	1,107,066
Other undrawn commitments	334,124	475,109
	2,407,883	**1,258,109**

26.2 Operational risk

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

26.3 Litigation

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

27. BORROWED FUNDS

BORROWINGS	2022 TZS'000'	2021 TZS'000'
TZS 3Bn fixed rate due 2023	3,000,000	3,000,000
TZS 3 Bn floating rate due 2022	248,447	1,440,213
TZS 5Bn floating rate due 2024	2,862,514	3,784,557
TZS 6 Bn floating rate due 2024	3,844,676	5,641,335
	9,955,637	**13,866,105**
Movement in the interest-bearing loans and borrowings:		
At 1 January	13,866,105	9,931,793
Additional loan received	-	6,000,000
Repayment during the year	(3,910,468)	(2,065,688)
Interest charge for the year	1,603,672	1,423,848
Interest paid	(1,603,672)	(1,423,848)
At 31 December	**9,955,637**	**13,866,105**

27. BORROWED FUNDS (Continued)

Terms and conditions for the loan:

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

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

BOT Loan
On 7th August 2018, the Bank of Tanzania granted a loan of TZS 3 billion under Housing Microfinance Fund at a rate of 7.5%. The loan is repayable in a period of 60 months. The loan is secured by loan portfolio held by the bank.

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

28. ISSUED CAPITAL AND RESERVES

	2022 TZS'000'	2021 TZS'000'
Authorized		
60,000,000 shares of TZS 500 each	30,000,000	30,000,000
'		
Called up and fully paid up (No of shares)	**26,253,121**	**26,243,965**

29. REGULATORY RESERVE

Regulatory reserves represent an amount set aside to cover additional impairment for losses over and above the impairment of loans advances required in order to comply with impairment requirements as per IFRS 9. This reserve is not available for distribution. Impairment for non-performing assets is computed using both IFRS 9 approach and BOT regulatory approach. IFRS 9 provision is charged to profit or loss. Where the IFRS 9 impairment is less than BOT provision, then the excess over IFRS9impairment provision is taken to a non-distributable reserve known as Regulatory Reserve. During the year under review, the provisions using both approaches were as follows:

29. REGULATORY RESERVE (Continued)

	2022 TZS'000'	2021 TZS'000'
Provisions per Bank of Tanzania approach	2,535,818	3,396,110
Impairment as per IFRS 9 (Note 18)	(1,993,360)	(2,093,217)
Excess over IFRS impairment taken to regulatory risk reserve	**542,458**	**1,302,893**

30. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

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

30. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (Continued)

31 December 2021	1-12 months	More than 1 year	Total
	TZS'000'	TZS '000'	TZS'000'
Cash and balances with Bank of Tanzania	8,113,330	-	8,113,330
Placements and balances with other banks	7,928,601	-	7,928,601
Government securities	6,700,000	15,330,350	22,030,350
Loans and advances from customers	12,993,512	44,722,277	57,715,789
Inventories	12,887		12,887
Other assets	2,123,480	-	2,123,480
Intangible assets	-	172,269	172,269
Property, equipment and right of use	-	1,657,028	1,657,028
Leasehold improvements	-	626,500	626,500
Deferred tax	151,371	-	151,371
Total assets	-	1,370,359	1,370,359
	38,023,181	**63,878,783**	**101,901,965**
LIABILITIES			-
Deposits	50,995,587	19,247,407	70,242,994
Other liabilities	502,718	968,342	1,471,060
Borrowings	4,222,290	9,643,815	13,866,105
Total Liabilities	**55,720,595**	**29,859,564**	**85,580,159**

31. CAPITAL

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

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

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

- Hold the minimum level of the regulatory capital of TZS 2 billion.
- Maintain regulatory reserve of not less than 7% of total deposit liabilities; and

Maintain a ratio of total regulatory capital of not less than the internationally agreed 12% of risk-weighted assets (Basel ratio) plus risk-weighted off-balance sheet items.

31. CAPITAL (Continued)

31.1. Capital management

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

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

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

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

31.2 Regulatory capital

	2022 TZS ‘000’	2021 TZS ‘000’
Tier 1 Capital		
Share capital	13,927,218	13,921,274
Retained earnings	3,009,564	1,124,328
Prepaid expenses	(508,713)	(699,994)
Deferred tax asset	(1,437,203)	(1,370,359)
Intangible assets	(145,922)	(172,269)
Total qualifying Tier 1 Capital	**14,844,944**	**12,802,980**
Regulatory reserve	-	-
Total qualifying Tier 2 Capital	**14,844,944**	**12,802,980**
Total regulatory capital	**14,844,944**	**12,802,980**
Risk - weighted assets		
On balance sheet position	**75,670,299**	**63,118,916**
Off balance sheet position	2,407,884	1,107,066
Operational Risk Charge	5,833,952	4,963,599
Market Risk Charge	204,638	538,566
Total risk - weighted assets	**84,116,773**	**69,728,147**

	Required ratios 2022	Required ratios 2021	Bank's ratio 2022	Bank's Ratio 2021
CET 1 capital ratio	12.5%	12.5%	17.6%	18.5%
Tier 1 + Tier 2 Capital	14.5%	14.5%	17.6%	18.5%

31. CAPITAL (Continued)

31.2 Regulatory capital (Continued)

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

31 December 2022	**Nominal Statement of Financial Position**	**Risk %**	**Weighted Risk**
Statement of Financial Position			
ASSETS (Net)	**TZS'000'**		**TZS'000'**
Cash and balances with Bank of Tanzania	10,234,041	-	
Placements and balances with other banks	8,850,111	20	1,770,022
Cheques and items for clearing	48,509	50	24,255
Government securities	21,608,473	0	0
Loans and advances from customers	60,658,224	100	60,658,224
Other assets	805,138	100	805,138
Property and equipment	2,057,949	100	2,057,949
Leasehold improvements	484,945	-	-
Prepaid expenses (Deduction from CET)	508,713	-	-
Intangible assets (Deduction from CET)	145,922	-	-
TOTAL	**105,402,025**		**65,315,588**

31 December 2021	**Nominal Statement of Financial Position**	**Risk %**
Statement of Financial Position		
ASSETS (Net)	**TZS'000'**	
Cash and balances with Bank of Tanzania	8,113,330	-
Placements and balances with other banks	7,805,605	20
Cheques and items for clearing	122,995	50
Government securities	22,030,350	0
Loans and advances from customers	57,715,789	100
Other assets	1,536,656	100
Property and equipment	1,657,028	100
Leasehold improvements	626,500	-
Prepaid expenses (Deduction from CET)	699,994	-
Intangible assets (Deduction from CET)	172,269	-
TOTAL	**100,480,516**	

31. CAPITAL (Continued)

31.3 Capital Structure

	2022 TZS`000	2021 TZS`000
Authorized share capital		
60,000,000 shares of TZS 500 each	**30,000,000**	**30,000,000**
Issued and fully paid-up share Capital		
26,243,964 shares of TZS 500 each	13,121,982	13,121,982
Advance towards share capital (9,157 shares of 600 each)	5,494	-
Premium (5,561,635 rights issue of TZS 10 each)	55,616	55,616
Premium (7,436,760 shares @ 100)	743,676	743,676
	13,926,768	**13,921,274**

Shareholders	2022 Number of Shares	2022 %	2021 Number of Shares	2021 %
United Evangelical Mission	2,980,326	11%	2,980,326	11%
ELCT-ECD Diocese Institutions	2,750,151	10%	2,750,151	10%
ELCT- Eastern & Coast Diocese	1,435,407	5%	1,435,407	5%
Companies & Saccos	874,134	3%	874,134	3%
ELCT – Retirement Scheme	1,207,380	5%	1,207,380	5%
Evangelical Lutheran Church of Tanzania	343,332	1%	343,332	1%
Other Individuals	16,662,391	63%	16,653,234	63%
Total	**26,253,121**	**100%**	**26,243,964**	**100%**

	2022	2021
Opening balance	26,243,964	24,638,120
Additional shares during the year	9,157	1,605,844
Closing balance	**26,253,121**	**26,243,964**

31.4 Advance towards share capital

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

31. CAPITAL (Continued)

Computation of Operational Risk

Dec-22	**2020 TZS'000'**	**2021 TZS'000'**	**2022**	**TOTAL TZS'000'**
A. Qualifying Interest Income	2,588,354	3,015,513	3,189,658	8,793,525
(i). Net Interest Income	6,500,016	7,538,033	9,920,696	23,958,745
(ii). Earning Assets	73,952,964	86,157,525	91,133,084	251,243,573
3.5% of Earning Assets	2,588,354	3,015,513	3,189,658	8,793,525
B. Non-Interest Income	1,398,789	1,682,691	2,132,082	5,213,562
Gross Income	3,987,143	4,698,204	5,321,740	14,007,087
Average Gross Income		-		4,669,029
Alpha	-	-		15%
Capital Charge (Average*risk factor)	-	-		700,354
Multiplier				8.33
Total Required for Operational Risk				**5,833,952**

Dec-21	**2019 TZS'000'**	**2020 TZS'000'**	**2021 TZS'000'**	**TOTAL TZS'000'**
A. Qualifying Interest Income	2,107,150	2,588,354	**3,015,513**	7,711,017
(i). Net Interest Income	5,244,713	6,500,016	7,538,033	19,282,762
(ii). Earning Assets	60,204,282	73,952,964	86,157,525	220,314,771
3.5% of Earning Assets	2,107,150	2,588,354	3,015,513	7,711,017
B. Non-Interest Income	1,124,907	1,398,789	1,682,691	4,206,387
Gross Income	3,232,057	3,987,143	4,698,204	11,917,404
Average Gross Income		-		3,972,468
Alpha	-	-		15%
Capital Charge (Average*risk factor)	-	-		595,870
Multiplier				8.33
Total Required for Operational Risk				**4,963,599**

32. CAPITAL (Continued)

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

Dec-21		**TZS'000'**
Greater of the Net Long Position or Absolute Value of the Net Short Position [Net Open Positions] as calculated under Form 16-4(b) as at the end of the month (Line item 32)		538,782
Absolute Value of Gold Position		-
Total (Item 1 plus 2)		538,782
Risk Factor		12%
Capital Charge (total*risk factor)		64,654
Multiplier	8.33	8.33
Total Required for Market Risk		**538,566**

32. ADDITIONAL CASH FLOW INFORMATION

	2022 **TZS`000**	**2021** **TZS`000**
Cash in hand (Note 15)	2,509,792	1,914,143
Current account with Bank of Tanzania (Note 15)	2.983,340	2,570,434
Placements and balances with other banks (Note 16)	8,898,620	7,928,601
Government securities (Note 17)	3,785,740	1,758,678
	18,177,492	**14,171,856**

Cash and cash equivalents exclude TZS. 4,740,909,550 (2021: TZS 3,628,753,677) cash reserve requirement held with the Bank of Tanzania. Placements and balances with other banks included above mature within 3 months.

33. CONTINGENT LIABILITIES, COMMITMENTS AND LEASING ARRANGEMENTS

33.1 Financial guarantees and other undrawn commitments

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

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

33.2. Legal claims

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

33.3. Leases – Bank as lessee

The Bank has entered into commercial leases for premises and equipment. The leases have an average life of between five and ten years. There are no restrictions placed upon the lessee by entering into these.

The Bank has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Bank's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

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

	2022 TZS`000	2021 TZS`000
Not later than 1 year	362,215	320,121
Later than 1 year and not later than 5 years	1,503,650	1,280,484
Later than 5 years	8,832	-
	1,838,697	**1,600,605**

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

34. RELATED PARTY DISCLOSURES

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

34. RELATED PARTY DISCLOSURES (Continued)

		2022	2021
(a)	**Loans and advances to related parties**		
(i)	**Directors**	**TZS`000**	**TZS`000**
	At 1 January	305,763	112,552
	Advanced during the year	30,000	503,125
	Repayment during the year	(257,634)	(309,914)
	At 31 December	**78,129**	**305,763**
	Less: Allowance for ECL	(18)	(20)
		257,616	**305,743**
	Interest earned	**58,095**	**25,657**
	There were no deposits controlled by Directors or their families (2021: Nil)		
	As at 1 January	20	34
	Release during the year	(2)	(14)
	As at 31 December	**18**	**20**
(ii)	**Key management**		
	At 1 January	212,557	173,593
	Advanced during the year	101,500	171,393
	Repayment during the year	(132,429)	(132,429)
	At 31 December	**173,429**	**212,557**
	Less: Allowance for ECL	(25)	(38)
		173,404	**212,519**
	Interest earned	**18,432**	**3,233**
	As at January	38	38
	Release during the year	(13)	-
	As at 31 December	**25**	**38**
	Key management personnel compensation		
	Short term employee benefits	991,355	840,998
	Post-employment pension and medical benefits	99,135	84,100
		1,090490	**925,098**
(iii)	**Shareholders**		
	At 1 January	4,589,639	6,903,915
	Advanced during the year	1,147,410	6,725,207
	Repayment during the year	(917,928)	(9,039,483)
	At 31 December	**4,819,121**	**4,589,639**
	Less: Allowance for ECL	15,657	16,959
		4,803,464	**4,572,680**
	Interest earned	**915,632**	**1,170,845**
	As at 1 January	16,959	20,712
	Release during the year	(1,302)	(3,753)
	As at 31 December	**15,657**	**16,959**

34. RELATED PARTY DISCLOSURES (Continued)

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

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

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

	2022	2021
(d) Directors' compensation	**TZS'000'**	**TZS'000'**
Allowances and remuneration	136,834	125,625
Board expenses	17,613	56,840
	154,447	**182,465**

Directors` attendance and remuneration is shown below:

Directors	Number of Meetings Attended Board Meeting	BARC	BCC	BHRC	Total Allowance Paid
31-Dec-22					**TZS'000'**
Amulike S.K Ngeliama	7		-	3	7,878
Dosca K. Mutabuzi	7	-	8	3	13,455
CPA Anna T. Mzinga	5	4	-		6,728
Reverend Ernest. Kadiva	3	-	-	2	3,738
Naftal M. Nsemwa	3	-	7		7,475
Prof. Ulingeta Mbamba	7	6			9,718
Ms. Joyce Mapunjo	7	6			9,718
Dr. Emmanuel Manasseh	5		3		5,980
Rev. Wilbroard Mastai	1	-	-		747.5
Dr. Ibrahim A. Mwangalaba	7	6	8	3	17,940
Total					**83,375**

34. RELATED PARTY DISCLOSURES (Continued)

Directors	Number of Meetings attended Board Meeting	BARC	BCC	BHRC	Total Allowance Paid
31-Dec-21				-	**(TZS`000)**
Amulike S.K Ngeliama	7		-	-	5,635
Dosca K. Mutabuzi	7	-	8	-	11,213
CPA Anna T. Mzinga	5	4	-	-	6,728
Reverend Ernest. Kadiva	3	-	-	-	3,250
Naftal M. Nsemwa	3	-	7	-	9,750
Prof. Ulingeta Mbamba	7	6		-	5,200
Ms. Joyce Mapunjo	7	6		-	8,450
Dr. Emmanuel Manasseh	5		3	-	5,200
Rev. Wilbroard Mastai	1	-	-	-	-
Dr. Ibrahim A. Mwangalaba	7	6	8	-	14,300
Total					**64,600**

35. EVENTS AFTER THE REPORTING DATE

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

36. FAIR VALUE MEASUREMENT

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

36.1 Valuation principles
36.2 Valuation governance
36.3 Valuation techniques

36.1. Valuation principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using a valuation technique. In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques.

36. FAIR VALUE MEASUREMENT (Continued)

36.2. Valuation governance

The Bank's fair value methodology and the governance over its models includes a number of controls and other procedures to ensure appropriate safeguards are in place to ensure its quality and adequacy. All new product initiatives (including their valuation methodologies) are subject to approvals by various functions of the Bank including the risk and finance functions. The responsibility of ongoing measurement resides with the business and product line Once submitted, fair value estimates are also reviewed and challenged by the Risk and Finance functions. The independent price verification process for financial reporting is ultimately the responsibility of the independent treasury team within Finance which reports to the Head of Finance.
The treasury team validates fair value estimates by:

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

36.3. Valuation techniques

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

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

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

36. FAIR VALUE MEASUREMENT

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

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

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

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

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

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

Borrowings

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

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

37. RISK MANAGEMENT

37.1 Introduction and risk profile

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

37.1.1 Risk management structure

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

38. RISK MANAGEMENT (Continued)

37.1.1 Risk management structure (Continued)

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

37.1.2. Risk mitigation and risk culture

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

37.1.3. Risk measurement and reporting systems

The Bank's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Bank also runs worst-case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.
Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries. In addition, the Bank's policy is to measure and monitor the overall risk-bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

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

37. RISK MANAGEMENT (continued)

37.1 Introduction and risk profile (continued)

37.1.3. Risk measurement and reporting systems (Continued)

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

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

37.2 Risk governance and risk management strategies and systems

37.2.1. Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same locality, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or locality.
In order to avoid excessive concentrations of risk, the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

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

Sector	**2022**		**2021**	
	Target	**Actual**	**Target**	**Actual**
Agriculture, fishing, forestry and Animal Keeping	4%	5%	4%	4%
Finance, Insurance and Business Services	1%	1%	1%	0%
Real Estate and Construction	12%	9%	12%	12%
Transport and communication	2%	6%	2%	4%
Trade and commerce	44%	42%	44%	44%
Tourism, hotel and restaurants	2%	0%	2%	1%
Personal including employee loans	15%	16%	15%	14%
Education	8%	7%	8%	7%
Others	12%	14%	12%	14%
Total	**100%**	**100%**	**100%**	**100%**

37. RISK MANAGEMENT (continued)

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

37.2.1. Excessive risk concentration (continued)

37.3. Credit risk

Credit risk is the risk that the Bank will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for industry concentrations, and by monitoring exposures in relation to such limits.
Credit risk is monitored by the credit risk department under Head of credit. It is their responsibility to review and manage credit risk, including environmental and social risk for all types of counterparties.

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

37.3.1. Credit–related commitments risks

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

37.3.2. Impairment assessment

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

37.3.2.1. Definition of default impaired and cure

The Bank considers a financial instrument defaulted for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. The Bank considers treasury and interbank balances defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.
The Bank has aligned its definition of credit impaired assets under IFRS 9 to the EBA definition of non-performing loans ('NPLs').
As a part of a qualitative assessment of whether an exposure is credit-impaired, the Bank also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

37. RISK MANAGEMENT (continued)

37.3. Credit risk (continued)

37.3.2.1. Definition of default impaired and cure (Continued)

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

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

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

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

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

Treasury, trading and interbank relationships

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

37. RISK MANAGEMENT (continued)

37.3. Credit risk (continued)

Corporate and small business lending

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

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

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

Consumer lending and retail mortgages

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

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

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

37. RISK MANAGEMENT (continued)

37.3. Credit risk (continued)

The Bank's internal credit rating grades

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

37.3.3.1. Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too. EAD for credit and other revolving facilities is set out in Note 2.12.2.
To calculate the EAD for a Stage 1 loan, the Bank assesses the possible default events within 12 months for the calculation of the 12mECL. However, if a Stage 1 loan that is expected to default in the 12 months from the reporting date and is also expected to cure and subsequently default again, then all linked default events are considered. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments.
The Bank determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of Bank's models.

For corporate and investment banking financial instruments, LGD values are assessed at least every three months by account managers and reviewed and approved by the Bank's Head of credit department. The credit risk assessment is based on a standardised LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.
The Bank segments its retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g., product type, wider range of collateral types) as well as borrower characteristics.

37. RISK MANAGEMENT (continued)

37.3. Credit risk (continued)

37.3.3.2. Loss given default

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

37.3.3.3. Significant increase in credit risk

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

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

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

37. RISK MANAGEMENT (continued)

37.3. Credit risk (continued)

37.3.3.4. Grouping financial assets measured on a collective basis

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

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

37.3.4. Collateral and other credit enhancements

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

The main types of collateral obtained are, as follows:

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

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

37. RISK MANAGEMENT (continued)

37.3. Credit risk (continued)

37.3.4. Collateral and other credit enhancements (Continued)

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

	2022		2021	
Credit exposure on balance sheet items	**TZS'000**	**%**	**TZS'000**	**%**
Cash and balances with bank of Tanzania	10,234,042	10.0	8,113,330	8.4
Placements and balance with other banks	8,898,620	8.7	7,928,601	8.2
Government securities	21,608,473	21.1	22,030,35	22.8
Loans and advances from customers	60,658,224	59.4	57,715,78	59.7
Other assets	805,138	0.9	917,471	1.0
	101,399,,35	**100**	**96,779,95**	**100**
Off balance sheet items				
Guarantees and performance bonds	2,073,759	100	1,107,066	100
Undrawn credit lines and commitments	334,124	100	475,109	100

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

The total maximum exposure for the Bank is derived from loan and advances to customers at 59.4% (2021:59.7%).

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

Type of Security	**Collateral Value**	
	2022	**2021**
	TZS'000'	**TZS'000'**
Cash Cover	960,619	8,554,817
Owner Occupied Mortgages	130,646,591	144,807,291
Salaried Loan	754,805	2,847,609

37. RISK MANAGEMENT (continued)

Dec-22	Max exposure	Cash	3rd party/Employer guarantee	Property	Surplus Collateral	Total collateral	Associated ECL
Loans and advances from customers						-	
Corporate lending	13,749,372	-	-	12,557,541	13,076,965	25,634,506	94,786
Small business lending	40,733,987	960,619	-	103,010,571	(44,068,951)	60,063,228	1,796,947
Consumer lending	8,168,224	-	754,805	15,078,479	(12,688,028)	10,727,520	101,627
Total	**62,651,583**	**960,619**	**754,805**	**130,646,591**	**(43,680,014)**	**96,425,254**	**1,993,360**
Financial guarantees	2,073,759	2,135,000	-	-	(520,051)	2,407,884	0

Dec-21	Max exposure	Cash	3rd party/Employee guarantee	Property	Surplus Collateral	Total collateral	Associated ECL
Loans and advances from customers							
Corporate lending	13,196,467	-	-	11,959,563	13,621,839	25,581,402	111,433
Small business lending	38,842,682	8,554,817	-	108,432,180	(44,368,952)	64,063,228	1,862,289
Consumer lending	7,818,347	-	2,847,609	24,415,548	(12,688,028)	11,727,520	119,495
Total	**59,857,496**	**8,554,817**	**2,847,609**	**144,807,291**	**(43,435,141)**	**101,372,151**	**2,093,217**
Financial guarantees	1,107,066	2,135,000	-	-	(520,051)	1,107,066	0

37.4. Liquidity risk and funding management

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

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

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

37.4.1. Liquidity ratios

Advances to deposit ratios

	2022	**2021**
Year-end	77.94%	82.17%
Maximum	94.10%	94.10%
Minimum	78.00%	80.20%
Average	87.15%	87.15%

37. RISK MANAGEMENT (continued)

37.4. Liquidity risk and funding management (continued)

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

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

37.4.2. Stress Testing

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

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

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

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

37. RISK MANAGEMENT (continued)

Liquidity risk analysis **31 December, 2022**	**1 - 3 Months** **TZS`000**	**4 - 6 Months** **TZS`000**	**7 - 12 Months** **TZS`000**	**Above 1 Years** **TZS`000**	**Total** **TZS`000**
Financial assets					
Cash and balances with Bank of Tanzania	10,234,042	-	-		10,234,042
Placements and balances with other banks	8,898,620	-	-	-	8,898,620
Government Securities	3,785,740	2,00,000	2,777,658	14,845,076	21,608,473
Loans and advances from customers	4,066,785	3,209,037	5,978,006	47,404,396	60,658,224
Other assets		805,138			805,138
Total	**26,985,187**	**4,214,175**	**8,755,664**	**62,249,472**	**93,314,775**
Financial liabilities					
Deposits	38,278,111	13,089,979	25,913,494	547,787	77,829,370
Borrowings	1,118,667	1,116,032	1,117,041	6,603,898	9,955,638
Other liabilities	841,775	0	-	1,082,721	1,924,496
Financial Guarantee	1,205,982	528,592	663,310	10,000	2,407,883
Total	**41,444,535**	**14,734,603**	**27,693,845**	**8,244,406**	**92,117,387**
Liquidity gap as at 31December, 2022	**(14,459,348)**	**(10,520,428)**	**(18,938,181)**	**54,005,066**	**1,197,3881**

37. RISK MANAGEMENT (continued)

Liquidity risk analysis	**1 - 3 Months**	**4 - 6 Months**	**7 - 12 Months**	**Above 1 Years**	**Total**
31 December, 2021	**TZS`000**	**TZS`000**	**TZS`000**	**TZS`000**	**TZS`000**
Financial assets					
Cash and balances with Bank of Tanzania	8,113,330	-	-		8,113,330
Placements and balances with	7.928.601	-	-	-	7.928.601
Government Securities	1.758.678	1.930.614	2.888.123	15.452.935	22.030.350
Loans and advances from	3.471.362	3.463.859	6.058.290	44.722.278	57.715.789
Other assets	339,226	1,034,241.	651,045	101,997	2,126,509
Total	**21,611,197**	**6,428,714**	**9,597,458**	**60,277,210**	**97,914,579**
Financial liabilities					
Deposits	21.709.070	14.166.775	16.045.680	19.603.972	71.525.497
Borrowings	1.334.346	1.334.346	2.668.692	9.673.275	15.010.659
Lease liabilities	308,460	2,695	-	-494,692	803,152
Other liabilities	664,876		442,190		1,107,066
Financial Guarantee	918,207	188,859	475,109	0	1,258,109
Total	**24,934,959**	**15,692,675**	**19,631,671**	**29,771,939**	**89,704,483**
Liquidity gap as at 31 December , 2021	**(3,323,762)**	**(9,263,961)**	**(10,034,213)**	**30,505,271**	**8,210,096**

RISK MANAGEMENT (continued)

37.4. Liquidity risk and funding management (continued)

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

	2022 TZS`000	2021 TZS`000
Total Liability	**89,636,020**	**85,583,188**
Total liquid assets held	22,176,409	18,990,593
Liquidity ratio	25%	22%
Regulatory requirement	20%	20%

37.4.4 Assets held for managing liquidity risk

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

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

Liquid Assets held	2022 TZS'000'	2021 TZS'000'
Cash and Balance with BOT (excl.SMR) Note 15	5,622,774	4,484,577
Placements with other banks	8,898,620	7,928,601
Government securities (maturing within 1year)	7,655,015	6,577,415
	22,176,409	**18,990,593**

37.5. Market risk

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

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

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

- Interest rate risk
- Prepayment risk
- Currency risk in

37. RISK MANAGEMENT (continued)

37.5. Market risk (continued)

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

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

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

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

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

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

37. RISK MANAGEMENT (continued)

37.5. Market risk (continued)

31 December, 2022	USD TZS' 000	EUR TZS'000	Others TZS '000	Total TZS '000
Assets				
Cash and balances with Bank of Tanzania	557,418	193,064	13,444	763,925
Balances with other banks	4,358,775	17,205	1,075	4,377,054
Other assets	0	-	-	0
Total financial assets	**4,916,193**	**210,268**	**14,519**	**5,140,980**
Liabilities				
Deposits from customers	4,930,090	1,801	215	4,932,106
Other liabilities	2,226	1	1	2,227
Total financial liabilities	**4,932,316**	**1,802**	**216**	**4,934,333**
Net on-balance sheet position	**(16,123)**	**208,466**	**14,303**	**206,647**

37.5.1 Foreign exchange risk

31 December,2020	USD TZS' 000	EUR TZS'000	Others TZS '000	Total TZS '000
Assets				
Cash and balances with Bank of Tanzania	1,093,355	9,588	4,285	1,107,228
Balances with other banks	3,468,584	-	56	3,468,640
Other assets	92	-	-	92
Total financial assets	**4,562,031**	**9,588**	**4,341**	**4,575,960**
Liabilities				
Deposits from customers	5,268,151	2,315	578	4,237,088
Other liabilities	21,776	1	1	21,778
Total financial liabilities	**5,289,928**	**2,316**	**579**	**5,292,822**
Net on-balance sheet position	**(727,896)**	**7,272**	**3,762**	**(716,862)**

Foreign exchange sensitivity analysis

At December 2022, if the Tanzania Shilling (TZS) had weakened /strengthened by 10% (2021:10%) against US dollar, with all other variables held constant, Bank`s post-tax profit/(loss)and total Equity for the year would have been weakened/strengthened by TZS 1,612,300 (2021: TZS 72,789,600) and for Euro would have been weakened/strengthened by TZS 20,846,600 (2021: TZS 13,312,500. Higher/lower mainly as a result of foreign exchange losses on transaction of US Dollar denominated cash and balances with the Bank of Tanzania, placements and balances with other banks and customers and deposits from customers and other banks.

37.5.2 Price risk

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

37. RISK MANAGEMENT (continued)

37.5.3 Interest rate risk

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

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

With all other variables held constant, if the interest rates prevailing during the year shifted by 100 basis points on Bank's interest-bearing assets and liabilities, profit before tax would be lower or higher by TZS.300,712,180 (2021: TZS 300,712,180) and equity will be impacted by TZS 300,712,180 (2021: TZS 300,712,180)

37. RISK MANAGEMENT (continued)

375.3 Interest rate risk

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

At 31December 2022	1 - 3 Months TZS`000	4 - 6 Months TZS`000	7 - 12 Months TZS`000	Above 1 Year TZS`000	Non-interest Bearing TZS`000	Total TZS`000
ASSETS						
Cash and balances with Bank of Tanzania	-	-	-	-	10,234,042	10,234,042
Placement and Balances with other Banks	8,269,239	0	0	-	629,381	8,898,620
Government securities	3,785,740	200,000	2,777,658	14,845,076	-	21,608,473
Loans and advances from customers	4,066,785	3,209,037	5,978,006	47,404,396	-	60,658,224
Other assets					805,138	805,138
Total financial assets	**16,121,764**	**3,409,037**	**8,755,664**	**62,249,472**	**11,668,561**	**102,204,497**
LIABILITIES						
Deposits from customers	27,580,051	11,644,295	23,600,399	547,787	14,456,839	77,829,370
Borrowings	1,061,954	1,116,032	2,036,484	5,741,168	-	9,955,638
Other liabilities	-	-	-	-	1,851,217	1,851,217
Total financial liabilities	**28,642,005**	**12,760,327**	**25,636,883**	**6,288,955**	**16,308,056**	**89,636,225**
Interest rate sensitivity gap as at 31 Dec 2022	**(12,520,241)**	**(9,351,290)**	**(16,881,219)**	**55,960,517**	**(4,639,495)**	**12,568,272**

37. RISK MANAGEMENT (continued)

37.5.3 Interest rate risk

At 31 December 2021	01-Mar Months TZS`000	04-Jun Months TZS`000	07-Dec Months TZS`000	Above 1 Year TZS`000	Non-interest Bearing TZS`000	Total TZS`000
ASSETS						
Cash and balances with Bank of Tanzania	-	-	-	-	8,117,376	8,117,376
Balances with other Banks	7,437,994	0	0	-	490,607	7,928,601
Government securities	1,758,678	1,930,614	2,888,123	15,452,935	-	22,030,350
Loans and advances from customers	3,471,362	3,463,859	6,058,290	44,770,768	-	57,764,279
Other assets					2,049,567	2,049,567
Total financial assets	**12,668,034**	**5,394,473**	**8,946,413**	**60,223,703**	**10,657,550**	**97,890,173**
LIABILITIES						
Deposits from customers	14,788,106	7,245,812	16,045,680	18,321,469	13,841,927	70,242,994
Borrowings	1,334,346	1,334,346	2,668,692	8,528,721	-	13,866,105
Other liabilities	-	-	-	-	1,444,370	1,444,370
Total financial liabilities	**16,122,452**	**8,580,158**	**18,714,372**	**26,850,190**	**15,286,297**	**85,553,469**
Interest rate sensitivity gap as at 31 Dec 2020	**(3,454,418)**	**(3,185,685)**	**(9,767,959)**	**33,373,513**	**(4,628,747)**	**12,336,704**

37. RISK MANAGEMENT (continued)

375.3 Interest rate risk

Interest risk sensitivity analysis:

	Change in interest rates	Effect on profit before tax TZS	Effect on profit after tax TZS
Year ended 31 December 2022	**5%**	124,147	86,903
Year ended 31 December 2021		124,147	86,903

37.5.3. Market risk – Banking book

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

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

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

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

37. RISK MANAGEMENT (continued)

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

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

31 December 2021	On demand TZS'000'	1 - 3 months TZS'000'	4 - 12 months TZS'000'	1 - 5 Years TZS'000'	Over 5 years TZS'000'	Total TZS'000'
Guarantee and performance bonds	-	664,876	442,190	-	-	1,107,066
Undrawn credit lines and other commitments	190,044	285,065	-	-	-	475,109
Total Commitments and Guarantee	**190,044**	**949,941**	**442,190**	**-**		**1,582,175**

37. RISK MANAGEMENT (continued)

The following table summarizes the carrying amounts and fair values of those off statement of financial position financial assets and liabilities as at 31 December 2022 (2021: 1,582,175,000).

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

At 31 December2021	Carrying Amount	Fair Value
	TZS`000	TZS`000
Guarantee and performance bonds	1,107,066	1,107,066
Undrawn credit lines and other commitments to lend	475,109	475,109
	1,582,175	**1,582,175**

37.5.5.1. Prepayment risk

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

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

37.6. Operational and business risk

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

37. RISK MANAGEMENT (continued)

37.7. Compliance risk

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