I&M BANK (T) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2022

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CHAIRMAN'S STATEMENT

MR. SARIT S RAJA SHAH
CHAIRMAN

Dear Shareholders,

I am pleased to present the 2022 Annual Report for I&M Bank Tanzania. This year has been challenging yet productive for our organization as we navigated various industry economic, social, and political changes. I am proud to report that despite these challenges, we have made significant progress towards achieving our strategic goals and delivering value to our stakeholders. This statement serves as an opportunity to reflect on our achievements, discuss our challenges, and outline our plans.

Economy Overview

The Tanzanian economy continues to demonstrate a strong macroeconomic outlook with low inflation and moderate external and fiscal vulnerabilities. However, the ongoing war in Ukraine, global financial conditions, and economic slowdown have created significant challenges for the country's economic recovery.

The GDP grew at an average of 4.7% in 2022 and is forecasted to reach 4.9% in Q1- 2023. Sectors such as transport and storage, agriculture, mining and quarrying, and construction continued to drive growth in the economy.

Inflation was at 4.7% and on the upward trend primarily due to the overall increase in global oil prices as a result of the Russia-Ukraine war, which had resulted in a spill-over effect of higher commodity prices across the globe. Bank of Tanzania had instituted tightening monetary policy measures in a move aimed to reduce inflationary pressure.

Banking Industry

The banking sector rebounded from the COVID induced slowdown to register a robust uplift in total assets, loans, deposits, and profitability. Total industry assets reached TZS 41.9 trillion (2021: TZS 37.9 trillion) while deposits recorded a significant jump to TZS 30.9 trillion (2021: TZS 26.5 trillion) on the back of improved liquidity conditions in the market. The overall industry profit before tax (PBT) reached TZS 1.04 trillion (2021: TZS 678.1 billion), which is equivalent to growth of 71% year-on-year, marking the first time they surpassed the Sh1 trillion mark in the country's banking history.

The exemplary performance was primarily attributed to the government's pro-business policies. None of this impressive turnaround in sector performance would have been achieved had it not been for the solid monetary and regulatory policies spearheaded by Bank of Tanzania with the view to creating a safe, sound, and stable financial system in the country.

I&M Bank (T) Ltd Performance in 2022

The Bank delivered a modest performance during the year and is poised to move ahead with renewed confidence in achieving the key strategic and financial objectives as outlined in iMara 2.0 strategy.

The Bank made a loss before tax of TZS 13.5 billion from a profit after tax of TZS 10.2 billion reported last year, a decline of 232%. This loss is mainly attributed to impairment booked during the year of TZS 25.2 billion, which was more than the net operating income of TZS 11.7 billion. In its 2023 plans, the Bank is expected to continue registering profits and expand the business in the retail and digital space. The Bank has put strategies in place to increase its operating income, both interest income and non-interest income, while containing operational expenses and minimizing impairment. Also, the bank is growing, as currently, we have a total number of 190 Agencies (WAKALA) that are equipped to provide services.
The balance sheet grew by 1.7%, with an increase in the total assets from TZS 587.1 billion in 2021 to TZS 596.9 billion. The Customer deposits grew by 2% from TZS 437.5 billion to TZS 446.5 billion. The Bank reported 3.1% YoY growth in net loans to close at TZS 365.9 billion from TZS 354.9 billion in Dec 2021. The NPA ratio increased to 17.6% on account of new downgrades during the year, adequate provisions have been made and, recovery efforts are at various stages of resolution and the Bank anticipates recovering some large NPAs in the current year.

The tier I and tier II capital adequacy ratios stood at 15.22% and 16.39% above the regulatory limits of 12.5% and 14.5% respectively. The Bank's liquidity ratio closed at 26% against the regulatory requirement of 20% thereby demonstrating strong resilience. Subsequently, Shareholders have injected an additional capital of TZS 14.2 billion in March 2023 to support the Bank's organic growth.
The Board of Directors did not propose the payment of dividends due to the loss made during the period in line with the dividend policy.

Medium Term Strategy - Progress

The Bank continued to make good progress and has been on track in achieving its medium-term strategy dubbed iMara 2.0 which was refreshed during the year with a focus on the three underpinning strategic pillars and enablers geared towards realizing the strategic aspiration of becoming "Tanzania's leading Financial Partner for Growth".

Product Development

The bank launched BancAssurance Services in April 2022 after receiving TIRA license. During the year, the bank also positioned the Agency Banking services, dubbed 'I&M Bank Wakala' in the city of Dar es Salaam, Arusha, Mwanza, and Moshi market, and managed to brand all the Wakala outlets for visibility.

As part of the financial inclusion initiative, the bank launched Rafiki WhatsApp Banking self-onboarding, a light KYC account. Along with this, we also launched FAQs service through Whatsapp Banking to help customers serve better.

Customer Engagement

To gauge customer satisfaction, the Bank engaged Nielsen, a global leader in audience insights, to conduct a comprehensive customer engagement survey, the results of which indicated a Net Promoter Score of 38% and outlined a few areas of improvement in which the Bank is working on. To commemorate International Customer Service Week, the Bank organized various activities aimed at appreciating customers' support.

Marketing & Brand Building

In the year 2022, the bank continued to focus on digital channels, as consumers increasingly use online and mobile banking platforms to manage their finances. I&M Bank continued to invest in digital marketing strategies to reach its targeted audience.

Improved Corporate communication and customer experience was also an area of focus in 2022. The emphasis was made on the use of our alternative Channels to manage financial transactions and banking service
Technology

During the year, the Bank continued to drive its digitization strategy with various technological investments in improving its technological infrastructure, which was aimed at enhancing its digital channels, inclusive of Kiswahili language.

The bank also migrated its clearing system (Cheque Truncation System), to a more robust system that comes with added modules of Corporate Remote Cheque Capture System for corporate customers as well as ATM APIs capability that when enabled to cheques accepting ATMs, retail customers would in future be able to deposit cheques on our ATM network.

Risk Management

The Bank continued to demonstrating resilience with improvements in capital adequacy, NPA, and liquidity ratios. While ensuring all the risk parameters are sustainably monitored and maintained within the approved risk appetite in line with the enterprise risk management framework. Also, the bank has introduced a new operational risk system (ORMS) which will be used for risk management. The system will help the bank record the risk incident and frequent control testing to improve the bank's control environment.

Key HR Initiatives

In line with the Bank's strategy to drive business growth through revenue diversification and digital orchestration, the Bank reviewed it's organizational structure to align with its aspirations and growth agenda. Part of the changes included the introduction of various strategic roles, such as Head of Customer overseeing the Customer Value Proposition, SME Manager, Retail Credit Manager, Bond Trading Manager, Business Performance & Analytics Manager, and Business Banking Relationship

Managers for the Business Banking segment. Also, to strengthen the front-line capacity; the Bank redeployed several staffs from Back Office to the front-line to support the Business.

Cultural Transformation Program - Pamoja

To build a high-performance culture, the Bank implemented various initiatives, including; investing in leadership and talent development programs, employee reward & recognition initiatives, and quarterly town halls.

Also, the Bank continued with the implementation of the Pamoja Culture Transformation Program by identifying and training change makers to champion the program and cascading the Pamoja Culture Narrative to all employees through continuous learning through "snack and learn" awareness sessions on the "I&M Way behaviors and values".

Furthermore, the Management Launched Leadership 360 competence framework to equip the leadership team with the right mindset, attitude, and behaviors to drive the business strategy (Imara 2.0) and the cultural transformation across the Bank. Part of the rollout involved leadership competency training and assessment for the Senior Management.

Corporate Social Responsibility

The bank's CSR initiatives cover various activities, such as charity, employee participation in volunteering programs, environmentally conscious business practices, and engagement with local communities.

To support education, a donation of desks and hearing devices to a special school for hearing-impaired students was made. The donation helped create a more inclusive learning environment, improving the students' academic and social success. Hon Jokate Mwegelo, the Temeke District Commissioner, received the donation and attracted media coverage, enhancing the bank's publicity.

Outlook – 2023

The economic outlook for 2023 is relatively modest, with most sectors rebounding to pre-COVID activity levels. However, a recession is foretold as central banks are on the course to overtighten policy as they seek to tame inflation created by geopolitical issues and the ongoing war in Ukraine. Tanzania's medium-term outlook is positive, with growth projected at 5.2% in 2023, supported by extensive infrastructure spending, improved performance in tourism, and the reopening of trade corridors.

In line with this outlook, the Bank will continue to drive business growth through diversification and the introduction of differentiated retail and digital banking propositions for our customers, enhancing the presence in strategic geographical locations through expansion and leverage on Agency Banking. This will be executed through change into a business led target operating model, process re-engineering and optimization of the ICT operating model.

Acknowledgements

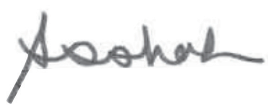
On behalf of the Board of Directors, I would like to express our sincere gratitude to all our stakeholders for their unwavering support and contribution towards our success. We thank our customers, employees, shareholders, and business partners for their trust and loyalty. We are proud of our accomplishments over the past years and remain committed to delivering value to our shareholders.

We are also proud of our commitment to sustainability and corporate social responsibility. We recognize the importance of being a responsible corporate citizen and are committed to make a positive impact on the communities where we operate.

Once again, thank you for your continued support and trust. We look forward to delivering on our commitments and creating value for our shareholders in the years ahead.

Sincerely,

MR. SARIT S RAJA SHAH
Chairman



> We thank our customers, employees, shareholders, and business partners for their trust and loyalty.

Corporate Information

PRINCIPAL PLACE OF BUSINESS AND REGISTERED OFFICE

HEAD OFFICE

Maktaba Square,
Maktaba Street,
PO Box 1509,
Dar es Salaam, Tanzania.

CORRESPONDENT BANKS

I&M Bank Limited,
PO Box 30238,
00100 Nairobi,
Kenya.

Standard Chartered Bank New York,
SCB New York – IBF,
One Madson Avenue,
3rd Floor,
New York, NY 10010 – 3603, USA.

ICICI Bank Limited,
ICICI Bank Towers,
Bandra – Kurla Complex,
Mumbai 400 051, India.

I&M Bank (Rwanda) Ltd,
PO Box 354,
Kigali, Rwanda.

Citibank N.A,
Upper Hill Road,
PO Box 30711-00100, Nairobi.

BHF Bank Aktiengesellschaft,
60323 frankfurt am main,
Frankfurt Germany.
JP Morgan Chase Bank, N.A,
383 Madison Ave,
New York,
NY 10017
USA.

REGISTERED OFFICE

Maktaba Square,
Maktaba Street,
PO Box 1509,
Dar es Salaam, Tanzania.

COMPANY SECRETARY

Ms. Hamida Sheikh,
M/s Sheikh's Chambers of Advocates,
Advocates, Notaries Public & Commissioners for Oath,
PO Box 6225,
Dar es Salaam, Tanzania.

LEGAL ADVISORS

Kesaria and Company Advocates,
PO Box 729,
Dar es Salaam, Tanzania.
Locus Attorney,
Peugeot House,
36 Ali Hassan Mwinyi Road,
PO Box 4110,
Dar es Salaam, Tanzania.

M/s K&M Advocates,
PO Box 71394,
Dar es Salaam, Tanzania.

AUDITOR

PricewaterhouseCoopers,
Pemba House,
369 Toure Drive, Oysterbay,
P O Box 45,
Dar es Salaam, Tanzania.
TIN: 101-269-027
VAT REG No. 40-002799-X

Abbreviations

EAD	Exposure at default
ECL	Expected credit losses
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit and loss
IAS	International Accounting Standards
IFRSs	International Financial Reporting Standards
LGD	Loss given default
PD	Probability of default
SPPI	Solely for payment of principal and interest
SICR	Significant increase in credit risk
IFC	International Finance Corporation
ILO	International Labour Organization
TFRS 1	Tanzania Financial Reporting Standards 1
DFIs	Development Finance Institutions

Report by those charged with governance For the year ended 31 December 2022

INTRODUCTION

The Directors submit their report and the audited financial statements for the year ended 31 December 2022 which disclose the state of affairs of I&M Bank (T) Limited ("the Bank").

INCORPORATION

The Bank is incorporated in Tanzania under Companies Act, 2002, domiciled in Tanzania as a private limited company whose shares are not publicly traded.

MISSION AND VISION

Vision Statement:

To become a company where the best people want to work, the first choice where customers want to do business, and where shareholders are satisfied with their investment.

Mission Statement:

To be partners of growth for all our stakeholders through:

- Meeting our customers' expectations.
- Motivating and developing every employee.
- Enhancing shareholder value.

PRINCIPAL ACTIVITIES

The principal activity of the Bank is provision of banking and related services as stipulated by the Banking and Financial Institutions Act, 2006. There has not been a significant change in the principal activities of the Bank during the financial year ended 31 December 2022.

OUR BUSINESS OPERATING MODE

Banking Services

We provide banking services to individuals and businesses, including loans, mortgages, Savings accounts, Salary accounts, Personal Transaction accounts, Business Banking accounts, Trade finance, Custodial Services, Bancassurance, digital products and services and Transfers. Net interest income, accounting for most of our revenue is generated as the difference between interest charged to clients on loans and the bank's funding costs.

Interest, fees and commissions

We fund our loans through deposits, savings and capital, and actively manage the risks associated with them. In return for our services, we receive interest, fees and commissions.

Re-invest and pay out returns

From our income, we meet our operating costs, reinvest in our business and pay out returns to our investors.

> The principal activity of the Bank is provision of banking and related services as stipulated by the Banking and Financial Institutions Act, 2006

OUR STRATEGY

Our Strategic aspiration as per iMara 2.0 is to become "Tanzania's Leading Financial Partner for Growth." The Bank has a corporate strategy dubbed "iMara 2.0" launched in 2020, Our strategic "House" leveraged the key growth sectors while driving efficient and effective execution through the strategic pillars aimed at;

- Driving business growth,
- Build a resilient organization
- Optimising the operating model and
- Creating an enabling environment

In order to deliver on these four objectives and maintain our growth trajectory, The iMara 2.0 strategy is based on choices that we have made in 6 key areas

Segments

Pursue a diversified segment strategy (Corporate, SME and Consumer) starting with what the customer wants and provide a full range of solutions to meet those needs.

New business lines

Develop solutions that complement and offer value enhancement to current offerings as well as provide an overall improved client experience across all their financial needs

Customer Experience

Aggressively build digital access channels to enhance customer engagement while recognising that physical access will have an important role for the foreseeable future, in combination with sales engagements and value-added relationship management services. Focus on customer-impact centricity and adopt data-driven decision making as a core principle.

Digitisation and innovation

Become Digital to the Core by leveraging its investment in digitalizing as many customer interactions as possible while in parallel automating all related internal processes to achieve straight-through-processing for all critical end-to-end processes. Expand service offerings by partnering with various Service Providers / Fintechs.

Centralisation versus Decentralisation

Focus on building a shared services centre to enhance synergies and support all Group subsidiaries.

People and Culture

Focus on building world class leadership, talent upskilling and modernizing its HR practices to bolster the engagement level and productivity.

- Introduce agile ways of working programmes
- Manage the organizational dynamic and culture to scale and sustain transformation
- Adopt the 'Fail-fast and learn mentality'

We are continuing to transform our bank by improving the experience for clients and employees while focusing on high-quality business. We are on track to launch new ventures and digital platforms, as well as to meet our targets of increasing digital cash transactions with our clients.

Our progress against our current strategy is outlined on pages 5 to 9.

In implementing its strategy in 2023, the Bank will continue to increase focus on: driving business growth through the diversification of various revenue streams (Business Banking, SME and Personal Banking), fix the basics in sales management, enhance value propositions in our target markets (Select, SME, Employee and Personal Banking), improve its products offerings, grow the loan book quality and portfolio by building quality interest-earning assets, change into business led target operating model, process re-engineering and automations that will reduce costs and optimisation of ICT operating model.

REVIEW OF BUSINESS PERFORMANCE

The Bank's results are set out on page 28 of these financial statements. During the year under review, the Bank recorded a loss before tax of TZS 13,515 million compared to profit before tax of TZS 10,241 million in the previous year, representing a decrease of 232%.

232%
DECREASE

Interest Income
Interest income during the year amounted to TZS 54,778 million compared to TZS 51,799 million in the previous year, representing an increase of 6%. The increase was mainly due to 7% gross loans and advances growth during the year and increase in the Government Securities by 10% together with increase in margins. The Bank will continue to diversify its portfolio to boost its income growth.

10%
INCREASE

Interest expense
Interest expense during the year amounted to TZS 22,942 million, as compared to TZS 20,412 million in the prior year, representing an increase of 12%. This is on the back of significant growth in deposits in particular low-cost deposits by 14% while high-cost deposits only grew by 5%.

12%
INCREASE

Net interest income
Net interest income (interest income less interest expense) during the year amounted to TZS 31,836 million, as compared to TZS 31,387 million in prior year, representing an increase of 1% as interest income grew more than interest expense.

1%
INCREASE

Non - interest income
Non- interest income amounted to TZS 11,689 million as compared to TZS 9,968 million in prior year, implying an increase of 17%. This was mainly attributed by increase in fees and commission, Foreign exchange income, Trade income and income from bond trading.

TZS 11,689
MILLION

Non-interest expenses
Non- interest expenses amounted to TZS 31,757 million as compared to TZS 25,819 million in prior year, implying an increase of 23%. This was mainly attributed by increase in ICT and HR costs towards replacement of key vacancies in the Bank.

23%
INCREASE

Income tax credit
Income tax credit amounted to TZS 3,584 million (2021: charge - TZS 3,215 million).

TZS 3,584
MILLION

KEY PERFORMANCE RATIOS

The key performance ratios of the Bank are indicated as hereunder:

Performance indicator	Definition and calculation method	2022	2021
Return on average assets A measure of how well the bank uses its assets to generate profits	Net profit/Total assets.	-1.65%	1.28%
Return on average equity A financial ratio that measures the performance of a bank based on its average shareholders' equity outstanding	Net profit/Total equity	-10.84%	7.75%
Non-interest income to net interest income Bank's income that has been generated by non-interest related activities as a percentage of total income	Non - interest income/Total income	36.75%	32.20%
Operating expenses to average assets Bank's income that has been generated by non-interest related activities as a percentage of total income	Operating expenses/average assets	3.57%	3.06%
Non-interest expenses before tax to operating income A measure of non interest expense before tax to operating income	Total costs/Total income	72.96%	62.43%

The key efficiency ratios of the Bank as at year end are as indicated hereunder:

Performance indicator	Definition and calculation method	2022	2021
Shareholders fund to total assets Indicates how much of the bank's assets have been generated by issuing equity shares rather than by taking on debt	Shareholders' fund/ total assets	14.35%	16.63%
Non-performing loans to total advances Indicates the percentage of non-performing- loans to total gross loans and advances	Non - performing loans/Gross loans and advances	17.59%	9.19%
Gross loans to total deposits Measures the bank's liquidity by comparing a bank's total loans to its total deposits for the same period	Total loans to customers/Total deposits from customers.	82.17%	83.56%
Loans to total assets A measure of the bank's assets that are financed by debt rather than equity.	Loans/Total assets	67.01%	63.87%
Liquidity ratio A measure of non interest expense before tax to operating income	Liquid Assets/Liquid Liabilities	26%	31.30%

FINANCIAL POSITION

The Bank's financial position is set out on page 29 of these financial statements.
Major movements are as explained in the table below:

Item	2022	2021	Increase / (Decrease)	
	TZS' 000	TZS ' 000	TZS ' 000	%
Cash and balances with Bank of Tanzania	47,100,004	52,475,128	(5,375,124)	(10%)
Loans and advances to banks	29,530,809	41,148,521	(11,617,712)	(28%)
Cheques and items for clearance	-	116,531	(116,531)	(100%)
Financial assets measured at fair value through other comprehensive income (FVOCI)	5,080,570	2,076,055	3,004,515	145%
Other financial assets at amortised cost	121,144,674	112,848,689	8,295,985	7%
Loans and advances to customers	365,971,688	354,888,678	11,083,010	3%
Deferred tax asset	11,331,444	6,898,286	4,433,158	64%
Property and equipment	6,066,461	7,081,549	(1,015,088)	(14%)
Intangible assets	3,111,596	4,639,727	(1,528,131)	(33%)
Other assets	4,874,823	2,971,156	1,903,667	64%
Deposits (banks, customers and group companies)	486,856,090	448,757,843	38,098,247	8%
Lease liabilities	2,165,619	2,678,291	(512,672)	(19%)
Provisions and Other liabilities	9,422,369	6,546,029	2,876,340	44%
Long term borrowing	12,857,355	31,230,946	(18,373,591)	(59%)

Deposits

There is a slight growth in the customer deposits during the year by TZS 17,977 million (4.12%) due to deposit mobilisation initiatives and increase in the Bank's customer base, a reflection of the strong position of the Bank in the market. The deposit growth was contributed by both Corporate and Retail customers. Low-cost deposits grew by 14% which is more than high-cost deposits growth in line with Bank's strategy.

Loans and advances to customers

There has been net increase in loans and advances by TZS 11,083 million (3.1%) during the year mainly on the back of strong growth in deposits and good growth in some sectors of the economy such as Agriculture, manufacturing and trade.

Government securities

There has been an increase in investment in government securities by TZS 11,409 million (10%) during the year as a result of yields offered in particular long-term tenors.

Long term borrowing

Long term borrowing decreased by TZS 18,373 million (58.8%) which was mainly attributed by principal and interest repayments to Development Finance Institutions (DFIs).

Cash flows

During the year, the Bank's major source of cash flows was from its operating activities which generated a net amount of TZS 25,051 million (2021: TZS 28,437 million) resulting mainly from other liabilities. Cash outflows amounting to TZS 36,366 million (2021: outflows TZS 39,474 million) through loans and advances was mainly funded by TZS 18,564 million (2021: TZS 71,943 million generated from deposits. The major use of the cash flow was investment in government securities TZS 11,300 million (2021: TZS 10,679 million) and TZS 28,149 million (2021: TZS 21,927 million) for payment of long-term borrowings.

The Bank's cash projections indicate that future cash flows will mostly be generated from deposits. The Bank will continue to implement different strategies to mobilise deposits by targeting individual depositors but also offering competitive rates for fixed deposits and improving cash collection solutions to big corporate customers, private and public institutions, and other agencies.

OUR RESOURCES

Value creation is central to our strategy. We create value in various ways – not just as a bank, but also as an employer. By lending to business, we support economic growth and job creation. We also provide mortgages so that people can buy their own homes.

Financial resources

Includes cash, debt and equity that enable an organization to produce goods or provide services in total, we created more financial value in 2022 – due mainly to an increase in our profits before impairments. Interest payments to clients increased marginally by 12.3%, following a marginal increase in interest rates. Loans, however, showed an increase in value for clients – lower rates, in effect, reducing the cost of lending to customers.

Manufactured resources

Includes physical objects such as buildings, equipment and infrastructure. The value of basic banking services remained broadly unchanged compared with 2021. This was partly offset by an increase in fees and commissions during the year from transactions, Trade finance and bond trading.

Intellectual resources

Includes knowledge-based intangibles of an organization. The value of digital banking services increased during the year, there was more investment in intangible assets, such as IT services.

Human resources

Includes people's competencies and capabilities. Employee well-being improved during the year; engagement rose during the year. At the same time, there was no deterioration in occupational health & safety.

Social and relationship resources

Includes the relationships between an organization and communities and other stakeholders. The bank continued to create value for clients, largely through its Corporate Social Responsibility activities by providing donations to a number of organizations during the year.

GOING CONCERN AND SOLVENCY EVALUATION

The Bank has complied with the Bank of Tanzania liquidity and capital adequacy ratios. The Bank is in the process of injecting new capital in the year 2023 by the rights issue. Nothing has come to the attention of the Directors to indicate that the Bank will not remain a going concern for at least twelve months from the date of this statement. The Directors consider the Bank to be solvent within the meaning ascribed by the Companies Act, 2002 and Banking and Financial Institutions Act, 2006.

ACCOUNTING POLICIES

The annual financial statements are prepared on the underlying assumption of going concern. The Bank's accounting policies, which are laid out on pages 34 to 58 are subject to an annual review to ensure continuing compliance with International Financial Reporting Standards.

CURRENT AND FUTURE DEVELOPMENTS

The Bank endeavours to be the most innovative player in the industry by providing customized banking products and solutions. The focus areas would be: -

- Introduction of new products and services to meet the unique demands of the industry
- Digitisation of the Bank focusing on solutions to enhance customer service delivery
- Introduction of custodial services and banc assurance

DIVIDEND

Ordinary B Class Shares

The directors do not propose payment of a dividend during the year. (2021: TZS 1,865.1 million)

Ordinary A Class Shares

The directors do not propose payment of a dividend during the year (2021: TZS 242.6 million).

TREASURY POLICIES AND OBJECTIVES

The Bank maintains a well-documented treasury policy that outlines approved Treasury activities in the Bank and how various risks that arise from such dealings together with other banking activities are identified, measured and managed. These, among others, include liquidity risk, foreign exchange risk and interest rate risk. Regulatory ratios and internal limits on the above stated risks are stipulated in the policy to enable an efficient monitoring of any breaches. Moreover, to combat any losses that may result from dealing activities, the policy allows for establishment of dealer limits, counterparty limits and stop-loss limits that must be reviewed regularly and kept up to-date. In addition to this, roles and responsibilities of Treasury staff, Market Risk unit, senior management and Assets and Liabilities Committee (ALCO) members in complying with the policy are stated.

Assets and Liabilities Management (ALM) team in conjunction with the Risk department provide monthly reports to ALCO to evidence compliance with the policy. Any incident where a guideline has been breached is reported by the Treasury function to the Treasurer who then escalates the breach to ALCO members and Bank Management for immediate actions. The following sections are covered in the Treasury policy: (i) Market Risk policy and (ii) Liquidity Risk policy

(i) Market Risk policy

This policy sets out the control framework for Market Risk within the Bank. Market Risk is the risk that the I&M's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates, foreign exchange rates, equity prices and commodity prices.

(ii) Liquidity Risk policy

This policy sets out the policy of the Bank towards managing liquidity. The Policy defines the Bank's objectives for managing Liquidity risk, sets conditions for the calculation of the minimum size of the Liquidity Buffer (which consists of cash, unencumbered bonds and money market securities as well as deposits) and the funding needed to support an adequate Liquidity buffer. In preparation of the Policy, the bank has taken into account the provisions of the following:

- The Bank of Tanzania (BOT) Risk Management guidelines for Banks and Financial Institutions;
- Guidelines issued by the Basel Committee on Banking Supervision; and
- The I&M Group PLC (Formerly I&M Holdings PLC) Risk Management policy.

It is vital to know that changes in interest rates impact the overall profit of the Bank. Hence, in addition to liquidity management, the Bank manages its interest expenses through regular review of the fixed deposit rates and other savings accounts rates, together with striving to obtain reasonable and fair borrowing rates from the interbank and multilateral lenders.

MANAGEMENT OF THE BANK

The Bank is under the supervision of the Board of Directors and the day to day management is entrusted to the Chief Executive Officer supported by the Executive management team.

The Bank has a broad based Board of Directors comprising of Non-Executive Directors. The Chairman and all other members of the Board of Directors are appointed by the shareholders.

The organization structure of the Bank comprises the following departments: -

- Corporate Banking
- Retail Banking
- Operations
- Treasury
- Finance
- Human Resource
- Information Technology
- Credit
- Risk Management (Reporting directly to Board Audit Risk Management Committee)
- Internal Audit (Reporting directly to Board Audit Risk Management Committee)

The Chief Executive Officer (CEO) reports to the Board and is supported by Chief Operating Officer, Head of Corporate Banking, Head of Retail Banking for business and other Heads of Departments for various functions. The CEO ensures the preparation of annual budgets and business plans for approval by the Board and establishes appropriate risk management frameworks and internal controls, ensuring that the Bank's operations are consistent with the Bank's risk appetite.

COMPOSITION OF THE BOARD OF DIRECTORS

The Directors of the Bank, who held office throughout the year and to the date of this report, were as follows:

Name	Position	Nationality	Age	Qualifications	Date of appointment
Mr. Sarit S Raja Shah	Chairman	Kenyan	54	BSc Economics, MSc (Internal Audit & Management)	14th January 2010
Mr. Michael N Shirima	Member	Tanzanian	79	Businessman	14th January 2010
Mr. Pratul H Shah	Member	Kenyan	68	Fellow of the Association of Chartered Certified Accountants, CPA (K), CPS (K)	10th February 2010
Mr. Shameer Patel	Member	Kenyan	45	Bachelor of Arts – Joint Honours – in Economics & Geography	11th September 2013
Mr. Alan Mchaki	Member	Tanzanian	69	Fellow of the Association of Chartered Certified Accountants, CPA (T), Associated member, Swaziland Institute of Accountant	26th September 2016
Mr. Riyaz Mohamed Akber Takim	Member	Tanzanian	49	Master of Science, B.Sc. Economics (Honours)	22nd June 2020
Mr. Emmanuel Johannes	Member	Tanzanian	45	MBA in Financial Services, B.Sc. Electronics and Communication Science, BSc Applied Accounting, Postgraduate Diploma in Digital Business, CPA (T)	17th November 2021
Hon. Ambassador Amina Salum Ali**	Member	Tanzanian	66	Master of Business Administration - University of Poona	16th June 2022
Ms. Raeesha Fakira***	Member	Mauritian	29	Bachelor of Science - University of Southampton	20th September 2022

**Hon. Ambassador Amina Salum Ali joined the Bank as Independent Non-Executive Director effective on 16th June 2022
***Ms. Raeesha Fakira joined the Bank as Independent Non-Executive Director effective on 20th September 2022
Mr. Thierry Hugnin who was an Independent Non-Executive Director resigned on 31st October 2022.
Mr. Riyaz Mohamed Akber Takim who was an Independent Non-Executive Director resigned on 31st December 2022.

The Directors of the Bank are all Non-Executive. The Company secretary as at the date of this report is Ms. Hamida Sheikh of M/S Sheikh Chambers Advocates, who has served in this capacity since 1st January 2022

DIRECTOR’S INTEREST

DIRECTORS' INTEREST

Mr. Michael N. Shirima has direct interest in the share capital of the Bank as disclosed in page 14. He holds 4.98% of the Ordinary A Class share capital, as well as 4.98% of the Ordinary B Class share capital reported as at 31 December 2022 and 31 December 2021.

DIRECTORS' REMUNERATION

The remuneration for services rendered by the non-executive Directors of the Bank in 2022 was TZS 254 million (2021: TZS 248 million). Note 33 further illustrates.

CAPITAL STRUCTURE AND SHAREHOLDING

2022			
Ordinary A Class Shares		Ordinary B Class Shares	
Number of shares	TZS '000	Number of shares	TZS '000
50,000	50,000,000	50,000	50,000,000
2,792	2,792,000	20,400	20,400,000

Authorized (TZS 1,000,000/- each)
Issued, Subscribed & Fully Paid (TZS 1,000,000/- each)

2021			
Ordinary A Class Shares		Ordinary B Class Shares	
Number of shares	TZS '000	Number of shares	TZS '000
50,000	50,000,000	50,000	50,000,000
2,792	2,792,000	20,400	20,400,000

Authorized (TZS 1,000,000/- each)
Issued, Subscribed & Fully Paid (TZS 1,000,000/- each)

SHAREHOLDING

As at 31 December 2022, the following shareholders held shares in I&M Bank (T) Limited: There are two classes of shares, i.e Ordinary A Class shares and Ordinary B Class shares.

Name of shareholders	2022			
	Ordinary A Class Shares		Ordinary B Class Shares	
	Number of shares held	%	Number of shares held	%
I&M Bank Limited	1,965	70.38	16,079	78.82
Microfinance East Africa Limited	559	20.02	2,685	13.16
Proparco	129	4.62	620	3.04
Mr. Michael N. Shirima	139	4.98	1,016	4.98
	2,792	**100.00**	**20,400**	**100.00**

Name of shareholders	2021			
	Ordinary A Class Shares		Ordinary B Class Shares	
	Number of shares held	%	Number of shares held	%
I&M Bank Limited	1,965	70.38	16,079	78.82
Microfinance East Africa Limited	559	20.02	2,685	13.16
Proparco	129	4.62	620	3.04
Mr. Michael N. Shirima	139	4.98	1,016	4.98
	2,792	**100.00**	**20,400**	**100.00**

BOARD OF DIRECTORS

MR. SARIT S RAJA SHAH
CHAIRMAN

MR. PARESH MANEK
MEMBER

MR. PRATUL H. SHAH
MEMBER

MR. SHAMEER PATEL
MEMBER

MR. ALAN MCHAKI
MEMBER

MR. CHRISTIAN SHIRIMA
MEMBER

MR. EMMANUEL JOHANNES
MEMBER

HON. AMB. AMINA SALUM ALI
MEMBER

MS. RAEESHA FAKIRA
MEMBER

SENIOR MANAGEMENT

ZAID MUSTAFA
CHIEF EXECUTIVE OFFICER

DONALD MATE
CHIEF OPERATING OFFICER

KRISHNAN RAMACHANDLAN
HEAD OF CORPORATE BANKING

ERICA MBOYA
HEAD OF HUMAN RESOURCE

ALAN MBANGULA
HEAD OF ICT

VERONICA MAGONGO
HEAD OF FINANCE

EMMANUEL WILSON
HEAD OF CREDIT

PATRICK KAPELLA
HEAD OF TREASURY

GABRIEL MLINGA
HEAD OF RISK AND COMPLIANCE

DEEPALI RAMAIYA
ACTING HEAD OF CONSUMER BANKING

AIMTONGA ADOLPH
CHIEF AUDIT EXECUTIVE

CAPITAL ADEQUACY

The Bank monitors the adequacy of its capital using ratios established by the Bank of Tanzania as described in Note 4(d) to the financial statements.

Corporate governance

All Directors and employees adhere to the principles of the Code of Conduct in all their dealings on behalf of the Bank. The Code of Conduct ensures that all actions are in the overall best interests of the Bank and reflects the commitment to maintain the highest standards of integrity, ethical behaviour and compliance with all applicable internal and external laws and regulations.

The Directors are committed to the principles of good corporate governance and recognise the need to conduct the business in accordance with generally accepted best practice. In so doing, the Directors therefore, confirm that:

The Board of Directors met regularly throughout the year;

- They retain full and effective control over the Bank and monitor executive management;
- The positions of Chairman and Chief Executive Officer are held by different individuals;
- The Chairman of the Board of Directors is non-executive; and
- The Board accepts and exercises responsibility for strategic and policy decisions, the approval of budgets and the monitoring of performance.

The Board of Directors meets four times in a year. During the year the Board of Directors had the following board sub-committees to ensure a high standard of corporate governance throughout the Bank. All these committees report to the main Board of Directors.

The Board reviewed the structure and composition of the committees in 2021 and resolved to merge two committees: Board Audit Committee and Board Risk Committee into Board Audit Risk Management Committee after obtaining Bank of Tanzania approval on 9 April 2021.

Board Audit Risk Management Committee

This Committee assists the Board in fulfilling its responsibilities by reviewing the financial condition of the Bank, its internal controls, ensuring compliance with applicable legislation and the requirements of regulatory authorities, reviewing reports and following up on matters raised by the external auditors, internal auditors and Bank of Tanzania. Furthermore, the committee is responsible for establishing and implementing the Risk Management process of the Bank in line with the Bank of Tanzania guidelines including risk identification, evaluation, measurement and monitoring. The Committee met four times during the year.

The Board Audit Risk Management Committee members who served the Committee during 2022 were:

Name	Position	Remarks
Mr. Pratul H. Shah	Chairman	
Mr. Emmanuel Johannes	Member	
Ms. Raeesha Fakira	Member	Appointed on 20 September 2022
Mr. Thierry Hugnin	Member	Resigned on 31 October 2022

BOARD CREDIT COMMITTEE

This Committee assists the Board in fulfilling its primary responsibilities in reviewing the Bank's overall lending policy, conducting independent loan reviews, delegation and review of lending limits and is overall responsible for the management of Credit Risk. The Committee meets a minimum of four times in a year. The Board Credit Committee members who served the Committee during 2022 were:

Name	Position	Remarks
Mr. Shameer Patel	Chairman	
Mr. Alan Mchaki	Member	
Mr. Riyaz Mohamed Akber Takim	Member	Resigned on 31 December 2022

BOARD NOMINATION REMUNERATION GOVERNANCE COMMITTEE

This committee has been delegated with the responsibility from the Board to undertake structured assessment of candidates for membership of the Executive Management, consider and review the human resources management and remuneration policies. The Committee meets at least twice in a year. The members of the Committee are:

Name	Position	Remarks
Mr. Michael N Shirima	Chairman	
Mr. Shameer Patel	Member	
Hon. Ambassador Amina Salum Ali	Member	Appointed 16 June 2022
Mr. Riyaz Mohamed Akber Takim	Member	Resigned on 31 December 2022

PRINCIPLE RISKS AND UNCERTAINTIES

The key risks that may significantly impact the Bank's short-to-medium term strategy are mainly Credit, Operational, Compliance, Information and Communication Technology (ICT), Market, Liquidity, Strategic and Reputational risk. Below, we provide a description of these various risk categories that the Bank faces.

COMPLIANCE RISK

The risk to earnings and capital arising from violations of, or non-compliance with laws, rules, regulations, internal bank policies and authority levels, prescribed practices and ethical standards. Management continually and robustly ensures that the Bank complies with relevant laws, rules, regulatory requirements and other internal procedures via a number of stringent controls

CREDIT RISK

This is the risk resulting from the possibility that an asset in the form of a monetary claim against a counter party may not result in a cash receipt (or equivalent) as per the terms of the contract. The Bank has robust controls in place to its exposure to credit risk, including approval limits, disbursement controls, continuous monitoring and a robust risk appetite statement.

ICT RISK

Risk associated with the use of Information and communication technology to support business processes/standards. ICT Risk results from inadequate or failed ICT Strategy, ICT Project and Program or ICT Operations. The Bank has robust checks in place to limit its exposure to ICT risk and performs regular monitoring to validate the efficacy of its ICT risk controls.

MARKET RISK

The risk of a potential decrease in shareholder's value as a result of adverse changes in the market value of assets and liabilities. Market risk associated with trading activities is the risk of loss occurring as a result of trading in the capital, interest rate, foreign exchange, equity and/or commodity markets. The Bank has stringent controls and monitoring mechanisms in place to limit its exposure to market risk.

LIQUIDITY RISK

The risk arising from the inability of the Bank to accommodate decreases in liabilities or to fund increases in assets in full, at the right time and place, and in the right currency. If a Bank is seen to be illiquid it cannot obtain sufficient funds, either by increasing liabilities or converting assets promptly or at a reasonable cost. The Bank has stringent controls and monitoring mechanisms in place to limit its exposure to liquidity risk.

STRATEGIC RISK

Strategic risk concerns the consequences that occur when the environment in which decisions that are hard to implement quickly or reverse quickly result in an unattractive or adverse impact. Strategic risk ultimately has two elements: one is doing the right thing at the right time (positioning) and the other is doing it well (execution). Strategic risk includes the risk that the Bank's strategy may be inappropriate to support sustainable future growth. The Bank has strong controls in place to mitigate strategic risk, including regular strategic risk reviews at Board and Management levels.

REPUTATIONAL RISK

The risk that an activity, action or stance taken by the Bank's officials will impair its image in the community and/or the long-term trust placed in the Bank by its stakeholders resulting in the loss of business or the threat or legal action. The Bank has stringent reputation risk controls in place including very tight controls on corporate communications and messaging.

OPERATIONAL RISK

The overall responsibility of managing operational risks - the risk arising from failed or inadequate internal processes, people, systems and external events - is vested with the Board of Directors. The Board through the Board Risk Committee, issues policies that guide management on appropriate practices of operational risk mitigation. An independent Risk Manager assures the Board Risk Committee of the implementation of the said policies.

Fraud, whether internal or external, is also a subset of operational risk. The number and value of fraud cases within the bank is quite very low when compared to overall customer numbers, balances and transaction volumes. This is due to the Bank being able to implement a number of stringent controls including preventive and detective measures.

The following are key measures that the Bank undertakes in managing operational risk:

- Documentation of procedures and controls, including regular review and updates to reflect changes in the dynamic business environment.
- Appropriate segregation of duties, including the independent authorisation of transactions
- Reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Reporting of operational losses and ensuring appropriate remedial action to avoid recurrence.
- Development and implementation of Business Continuity and Disaster Recovery Plans
- Training and professional development of employees to ensure they are well equipped to identify and mitigate operational risks in a timely manner.

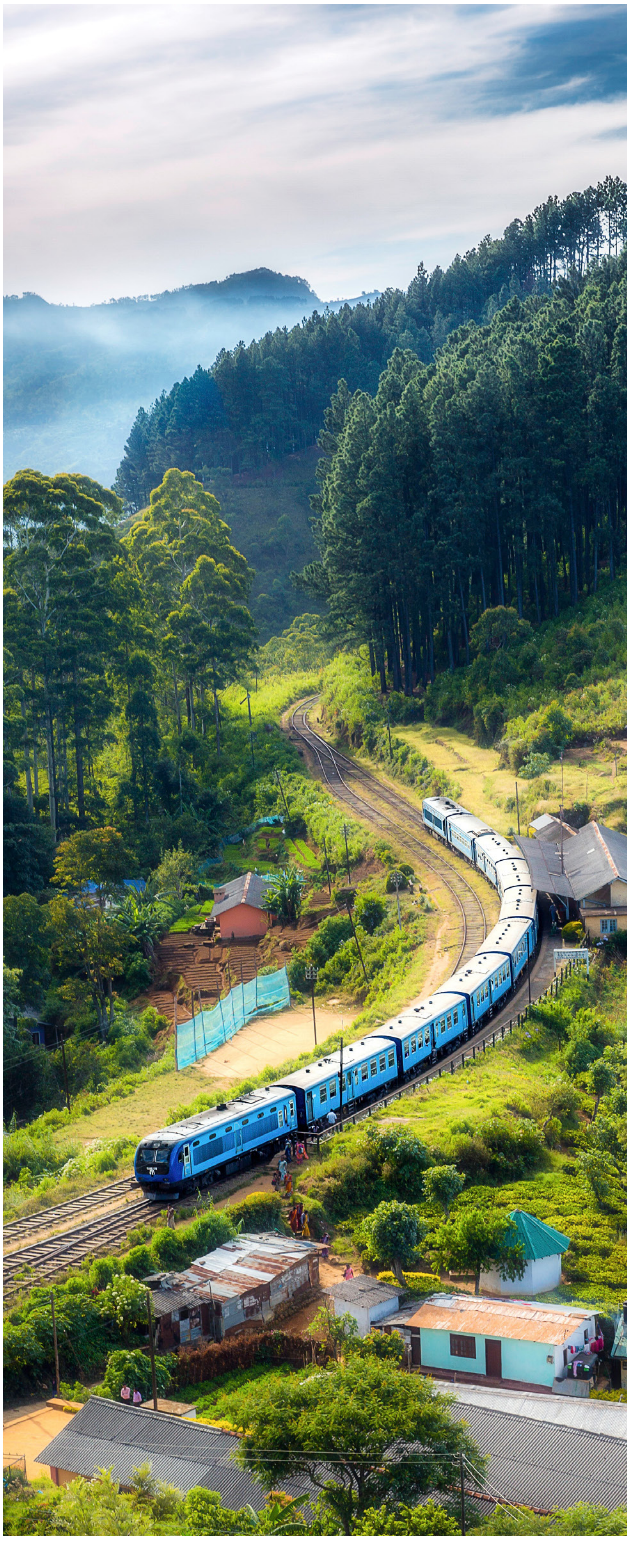
- Establishment of ethical practices at business and individual employee's level.
- Implementation of Risk mitigation parameters, including insurance where this is considered effective.

The entire operational risk management framework is subjected to periodic independent audits (internal) in order for the bank to obtain an independent opinion on the effectiveness and efficiency of the framework. Further, the findings of the Internal Audit department are reviewed by the Board Audit Committee and recommendations made implemented in line with the agreed timeframe.

ENVIRONMENTAL AND SOCIAL RISK

Environmental and social risks are the risks that the Bank could bear the consequences of socio-environmental fall-out of transactions. Such risks could arise from failure of the bank to assess the impacts of activities (of both the bank and its clients) which could harm the environment or have negative social impact.

The Bank is aware that it has a responsibility to ensure that its internal practice and its lending activities do not have negative environmental and social impacts and is thus committed to ensure that such risks are sufficiently managed through its environmental and social management policy and by adopting the country's labour and environmental laws. The Bank also adheres to international best practice (IFC performance standards and ILO standards as ratified by the Tanzanian government). An environmental and social management system is put in place to ensure due diligence and monitoring of the environmental and social risk is done efficiently. Compliance to these laws is monitored by the compliance function. The Directors are responsible for selection and disclosure of the Bank's critical accounting policies and estimates and the application of these policies and estimates.



The Bank is aware that it has a responsibility to ensure that its internal practice and its lending activities do not have negative environmental and social impacts

Employee welfare

RELATIONSHIP BETWEEN MANAGEMENT AND EMPLOYEES

The relationship between employees and management continued to be cordial. Complaints are resolved through meetings and discussions and the Bank has set up appropriate management committee forums for this purpose. Work morale is good and there were no unresolved complaints from employees. The Bank provides training, medical assistance and concessional loans to its employees.

TRAINING

The Bank offers sponsorship to its employees in both short and long term courses within and outside the country in various disciplines depending on the corporate needs and financial resources available as well as in – house training and development focusing on technical banking areas.

STAFF LOANS AND ADVANCES

The Bank provides housing, personal and car loans to staff as well as salary advances to enable them to meet their financial requirements and promote economic development. Staff loans and advances are based on specific terms and conditions approved by the Board of Directors.

MEDICAL FACILITIES

The Bank provides medical cover for both, Inpatient and Outpatient care for employees and their dependents.

FINANCIAL ASSISTANCE

The Bank provides medical cover for both, Inpatient and Outpatient care for employees and their dependents.

RETIREMENT BENEFITS

The Bank makes contributions in respect of staff retirement benefits to National Social Security Fund. The total number of employees as at year-end was 181 (2021:185).

DISABLED PERSONS

Applications for employment by disabled persons are always considered bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Bank continues and appropriate training is arranged where necessary. It is the policy of the Bank that training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

GENDER PARITY

The Bank is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribes, religion and disability which does not impair ability to discharge duties. As at 31 December 2022, the Bank had 96 male and 85 female employees (2021: 97 male and 88 female employees).

RELATED PARTY TRANSACTIONS

All related party transactions and balances are disclosed in Note 33 to these financial statements.

POLITICAL AND CHARITABLE DONATIONS

The Bank did not make any political donations during the year. Donations made to charitable organizations during the year amounted to TZS 12.5 million (2021: TZS 30 million).

CORPORATE SOCIAL RESPONSIBILITY

The Bank participates actively in community activities and development programmes throughout the country. The areas being given priority are health, education, and support to orphaned children, victims of natural disasters, disabled persons, and security.

ENVIRONMENTAL & SOCIAL MANAGEMENT SYSTEM

The Bank is aware that Environmental and Social risks are critical and require systems to monitor and control in line with regulatory requirements of International Finance Corporation (IFC) performance standards and International Labour Organization (ILO) standards; thus its commitment to the use of an Environmental and Social Management System (ESMS). The ESMS ensures that these risks are sufficiently managed as stipulated in the Bank's Environmental and Social Management policy. The ESMS is integrated within the overall credit risk management framework and is reviewed periodically to ensure it remains compliant with the regulatory and the internal risk management framework.

The Bank operates in an increasingly dynamic market and must respond to an ever-changing external environment including cyberattacks, political instability, unfavourable business conditions and adverse weather conditions. These factors can significantly disrupt the systems and processes that enable us to serve and protect our customers. The Bank has built strategies to manage the external forces by continuous enforcement of cybersecurity controls, perform contingency plans for disruptions of critical systems and investment in digital platforms.

SERIOUS PREJUDICIAL MATTERS

In the opinion of the Directors, there are no serious unfavorable matters that can affect the Bank (2021: None).

STATEMENT OF COMPLIANCE

As required by TFRS 1, Directors of the Bank confirm compliance with the provisions of this Standard and all other statutory legislations relevant to the entity.

AUDITOR

The auditor, PricewaterhouseCoopers, have expressed their willingness to continue in office and are eligible for re-appointment. Their appointment for the year 2023 will be approved in the next Annual General Meeting.

PricewaterhouseCoopers with PF No 40 and TIN 100-212-285 is an audit firm registered by the National Board of Accountants and Auditors of Tanzania (NBAA).

Name: Mr. Sarit S. Shah
Title: Chairman

Signature:____________ **Date: 31 March 2023**

Name: Mr. Pratul H. Shah
Title: Director

Signature:____________ **Date: 31 March 2023**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, No. 12 of 2002. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Bank and of its loss for the year in accordance with International Financial Reporting Standards (IFRS). The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Nothing has come to the attention of the Directors to indicate that the Bank will not remain a going concern for at least twelve months from the date of the financial statements.

Signed on behalf of the Board of Directors by:

Name: Mr. Sarit S. Shah
Title: Chairman
Signature:_____________ Date: 31 March 2023

Name: Mr. Pratul H. Shah
Title: Director
Signature:_____________ Date: 31 March 2023

DECLARATION OF THE HEAD OF FINANCE

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 Statement of 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 the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing true and fair view position of the entity in accordance with international accounting standards and statutory reporting requirements. Full legal responsibility for financial statements rests with the Board of Directors as under Directors Responsibility statement on an earlier page.

I, ACPA Veronica Pascal Magongo, being the Head of Finance of I&M Bank (T) Limited, hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2022 have been prepared in compliance with applicable accounting standards and statutory requirements.

I, thus confirm that the financial statements comply with applicable accounting standards and statutory requirement as on that date and that they have been prepared based on properly maintained financial records.

Signed by: ______________________________

Veronica P. Magongo

Position: Head of Finance

NBAA Membership No.: ACPA 2026
Date: 31 March 2023

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF I&M BANK (T) LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of I&M Bank (T) Limited (the "Bank" or "Company") as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act, No. 12 of 2002.

What we have audited

The financial statements of I&M Bank (T) Limited ("the Bank") as set out on pages 28 to 129 comprise:

- Statement of financial position as at 31 december 2022;
- Statement of profit or loss and other comprehensive income for the year then ended;
- Statement of changes in equity for the year then ended;
- Statement of cash flows for the year then ended; and
- The notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

Key audit matters

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

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

Key audit matter	How our audit addressed the key audit matter
Impairment provision for loans and advances to customers Management exercises judgement when determining both when and how much to record as impairment provisions. Judgement is applied to determine the appropriate parameters and assumptions used to estimate the provisions in the following areas: • Quantitative and qualitative criteria for classification of loans and advances based on assessment of factors contributing to significant increase in credit risk and default. • Determination of the probability of defaults (both 12 months and lifetime); • Determination of the forward-looking parameters to be incorporated in the estimation of expected credit losses; and • Estimation of the expected cash flows (including from collateral realization) used in the determination of the loss given default. These judgements together with the value of gross loans and advances to customers (TZS 400,030 million) and impairment provision (TZS 34,058 million) make this a key audit matter. Further details on loans and advances to customers have been disclosed in Note 4 (a), Note 5 (a) and Note 18 of the financial statements.	• We tested the reasonableness of the quantitative and qualitative criteria used in the classification of loans and advances. • As the quantitative basis of classification of loans and advances is reliant on information systems, we understood and tested key information technology general and application controls including the accurate calculation of the number of days past due. • We tested management's application of the qualitative criteria in the classification of loans and advances. • We tested the reliability and reasonableness of information used for estimating probability of default and loss given default. • We tested the reasonableness of the forward-looking parameters considered by management. • We challenged management's basis for establishing the correlation between forward looking parameters and the bank's non-performing loan trends. • We agreed the collateral values used in the impairment model to valuation reports. • We tested the reasonableness of the expected cash flows and challenged management's assumptions regarding recovery costs and recovery periods used to estimate the recoverable amount of collateral for secured facilities. • We reviewed the adequacy of disclosures

Other information

The Directors are responsible for the other information. The other information comprises the information included in *I&M Bank (T) Limited annual report and financial statements for the year ended 31 December 2022* but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

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

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

The directors are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, action taken to eliminate threats or safeguards applied.

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

Report on other legal and regulatory requirements

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

Patrick M. Kiambi - TACPA

For and on behalf of PricewaterhouseCoopers
Certified Public Accountants
Dar es Salaam

Signature______________________________

Date: 31 March 2023

"

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.

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

	Note	2022	2021
		TZS '000	TZS '000
Interest income	7	54,778,475	51,799,144
Interest expense	8	(22,942,255)	(20,412,176)
Net interest income		**31,836,220**	**31,386,968**
Fee and commission income	9	6,970,000	6,182,069
Fee and commission expense	9	(11,627)	(138,355)
Net fee and commission income		**6,958,373**	**6,043,714**
Revenue		**38,794,593**	**37,430,682**
Net trading income	10	4,306,704	3,174,095
Net gains on derecognition of financial assets measured at Fair value through OCI		380,201	-
Other operating income	11	28,606	731,115
Dividend income	12	15,519	19,761
Net operating income before change in expected credit losses and other credit impairment charges		**43,525,623**	**41,355,653**
Net impairment charge on loans and advances	18(c)	(25,283,278)	(5,294,555)
Net operating income		**18,242,345**	**36,061,098**
Staff costs	13	(14,170,768)	(12,688,611)
Premises expenses	13	(988,951)	(823,623)
General administrative expenses	13	(12,447,959)	(8,629,782)
Depreciation and amortisation	13	(4,149,780)	(3,677,906)
Operating expenses		**(31,757,458)**	**(25,819,922)**
(Loss)/Profit before income tax		**(13,515,113)**	**10,241,176**
Income tax credit/(expense)	14(a)	3,584,167	(3,215,389)
Net (loss)/profit for the year after tax		**(9,930,946)**	**7,025,787**
Other comprehensive income			
Items that are or may be reclassified to profit or loss:			
Net change in fair value of financial assets measured at FVOCI		69,452	7,076
Deferred tax on fair value of financial assets measured at FVOCI	23	11,807	(2,123)
Total other comprehensive income for the year		**81,259**	**4,953**
Total comprehensive income for the year		**(9,849,687)**	**7,030,740**

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	2022	2021
		TZS '000	TZS '000
ASSETS			
Cash and balances with Bank of Tanzania	15	47,100,004	52,475,128
Items in the course of collection	16	-	116,531
Loans and advances to banks	17	29,530,809	41,148,521
Loans and advances to customers	18	365,971,688	354,888,678
Due from group companies	33	1,370,188	1,953,999
Investment in government securities:			
- At amorised cost	19(a)	121,144,674	112,848,689
- At FVOCI	19(b)	4,066,820	1,062,305
Equity Investment at FVOCI	20	1,013,750	1,013,750
Current income tax recoverable	14(c)	1,406,582	-
Property and equipment	21	6,066,461	7,081,549
Intangible assets - software	22	3,111,596	4,639,727
Deferred tax asset	23	11,331,443	6,898,286
Other assets	24	4,874,824	2,971,156
TOTAL ASSETS		**596,988,839**	**587,098,319**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Deposits from banks	25	16,014,088	3,501,418
Deposits from customers	26	454,193,330	436,216,257
Due to group companies	33	16,648,672	9,040,168
Current income tax payable	14(c)	-	240,381
Lease liabilities	35	2,165,619	2,678,291
Provisions	27	1,149,788	-
Other liabilities	28	8,272,581	6,546,030
Long term borrowings	29	12,857,355	31,230,946
		511,301,433	**489,453,491**
Shareholders' equity			
Share capital	30(b)	23,192,000	23,192,000
Share premium	30(b)	18,090,228	18,090,228
Retained earnings		39,190,834	40,288,096
Statutory reserve		4,879,194	15,820,613
Fair value reserve		335,150	253,891
		85,687,406	**97,644,828**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**596,988,839**	**587,098,319**

The financial statements set out on pages 28 to 129 were approved and authorised for issue by the Board of Directors on 31 March 2023 and were signed by:

Name: Mr. Sarit S Shah **Title: Director** ____________________
Signature

Name: Mr. Pratul H. Shah **Title: Director** ____________________
Signature

The notes set out on pages 33 to 116 form an integral part of these financial statements.
Auditor's report is on pages 24 to 27.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

2022	Share capital	Share premium	Retained earnings	Statutory reserve	Fair value reserve	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
At 1 January 2022	23,192,000	18,090,228	40,288,096	15,820,613	253,891	97,644,828
Total comprehensive income for the year						
Net loss after tax	-	-	(9,930,946)	-	-	(9,930,946)
	-	-	(9,930,946)	-	-	(9,930,946)
Other comprehensive income						
Statutory credit reserve	-	-	10,941,419	(10,941,419)	-	-
Revaluation - FVOCI - net of tax	-	-	-	-	81,259	81,259
Total other comprehensive income	-	-	10,941,419	(10,941,419)	81,259	81,259
Total comprehensive income	-	-	1,010,473	(10,941,419)	81,259	(9,849,687)
Transactions with owners recorded directly in equity						
Rights issue	-	-	-	-	-	-
Dividend paid	-	-	(2,107,735)	-	-	(2,107,735)
Total transactions with owners for the year	-	-	(2,107,735)	-	-	(2,107,735)
Balance as at 31 December 2022	23,192,000	18,090,228	39,190,834	4,879,194	335,150	85,687,406

The notes set out on pages 33 to 116 form an integral part of these financial statements.
Auditor's report is on pages 24 to 27

STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

2021	Share capital	Share premium	Retained earnings	Statutory reserve	Fair value reserve	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
At 1 January 2021	**16,202,000**	**18,090,228**	**29,788,752**	**19,294,170**	**248,938**	**83,624,088**
Total comprehensive income for the year						
Net profit after tax	-	-	**7,025,787**	-	-	**7,025,787**
	-	-	**7,025,787**	-	-	**7,025,787**
Other comprehensive income						
Statutory credit reserve	-	-	3,473,557	(3,473,557)	-	-
Revaluation – FVOCI – net of tax	-	-	-	-	4,953	4,953
Total other comprehensive income	-	-	-	-	4,953	4,953
Total comprehensive income	-	-	**10,499,344**	**(3,473,557)**	**4,953**	**7,030,740**
Transactions with owners recorded directly in equity						
Rights issue	6,990,000	-	-	-	-	6,990,000
Total transactions with owners for the year	**6,990,000**	-	-	-	-	**6,990,000**
Balance as at 31 December 2021	**23,192,000**	**18,090,228**	**40,288,096**	**15,820,613**	**253,891**	**97,644,828**

The notes set out on pages 33 to 116 form an integral part of these financial statements.
Auditor's report is on pages 24 to 27

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022	2021
		TZS '000	TZS '000
Cash inflows generated from operating activities	31(a)	**28,832,073**	**34,461,803**
Tax paid		(2,484,147)	(3,895,672)
Interest on long term loans		(1,283,274)	(1,786,570)
Interest on lease liabilities		(283,785)	(342,596)
Net cash inflows from operating activities		**24,780,867**	**28,436,965**
Cash outflows from investing activities			
Purchase of property and equipment	21	(1,994,639)	(1,492,269)
Purchase of intangible assets	22	(128,242)	(552,379)
Proceeds from disposal of property and equipment		-	-
Dividends received	12	15,519	19,761
Net cash used in investing activities		**(2,107,362)**	**(2,024,887)**
Cash inflows/(outflows) from financing activities			
Payment of principal lease liabilities	35	(840,095)	(559,486)
Repayment of long term loans	29	(28,149,029)	(21,926,796)
Proceeds from long term loans	29	9,340,000	9,304,000
Dividend paid		(2,107,735)	-
Proceeds from Issuance of Share Capital		-	6,990,000
Net cash outflows to financing activities		**(21,756,859)**	**(6,192,282)**
Net increase in cash and cash equivalents		**916,646**	**20,219,796**
Cash and cash equivalents at start of the year		**49,772,098**	**30,017,746**
Effect of movements in exchange rates on cash and cash equivalents held		270,475	(465,444)
Cash and cash equivalents at end of the year	31(b)	**50,959,219**	**49,772,098**

The notes set out on pages 33 to 116 form an integral part of these financial statements.
Auditor's report is on pages 24 to 27

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. REPORTING ENTITY

I&M Bank (T) Limited ('the Bank') is a limited liability company incorporated and domiciled in Tanzania. The Bank's shares are not publicly traded. The address of its registered office and place of business is:

Maktaba Square,
Maktaba Street,
PO Box 1509,
Dar es Salaam,
Tanzania.

The financial statements of I&M Bank (T) Limited for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the Directors on 21 March 2023 and were signed on their behalf as shown in the statement of financial position.

2. BASIS OF PREPARATION

(a) Statement of compliance

The Bank's financial statements for the year 2022 have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act, 2002 and the Banking and Financial Institutions Act, 2006.

(b) Basis of measurement

These financial statements have been prepared under the historical cost basis of accounting except for the financial assets classified as Fair Value through Profit or Loss (FVTPL), Fair Value through Other Comprehensive Income (FVOCI) and amortised cost.

(c) Functional and presentation currency

These financial statements are presented in Tanzania Shillings (TZS), which is also the Bank's functional currency. All financial information presented in TZS have been rounded to the nearest thousand except where otherwise stated.

(d) Use of estimates and judgments

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to estimates are recognised prospectively.

In particular information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 5.

The classification of financial assets includes the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding. See Note 3(f)(ii).

The impairment of financial instruments includes the assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of expected credit losses (ECL). See Notes 3(f)(iii) and 5(a).

(e) COVID- 19 consideration

The coronavirus pandemic has had a devastating impact on the global economy and has resulted in significant changes to government actions, economic and market drivers as well as consumer behaviour. The pandemic has had a significant impact on the risks that the Bank is exposed to, in particular credit risk, and has forced the Bank to reassess assumptions, and existing methods of estimation and judgements, used in the preparation of these financial statements as a result of increased estimation uncertainty and changes to estimation techniques and assumptions for measuring ECL. There remains a risk that future performance and actual results may differ from the judgements and assumptions used. Note 4 further illustrates.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

(a) Foreign currency

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

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction. Foreign currency differences arising on translation are generally recognised in profit or loss.

(b) Income recognition

Income is derived substantially from banking business and related activities and comprises net interest income and fee and commission income.

Gains and losses arising from changes in the fair value of financial assets and liabilities at fair value through profit or loss, as well as any interest receivable or payable, are included in profit or loss in the period in which they arise.

Gains and losses arising from changes in the fair value of FVOCI financial assets, other than foreign exchange gains or losses from monetary items, are recognised directly in other comprehensive income, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in other comprehensive income is recognised in profit or loss.

(i) Net interest income

Effective interest rate and amortised cost

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the bank estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance. The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For information on when financial assets are credit-impaired, see Note 3(f)(iii).

Presentation

Interest income and expense presented in the statement of profit or loss and OCI include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis;
- interest on debt instruments measured at FVOCI calculated on an effective interest basis;
- the effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense; and
- the effective portion of fair value changes in qualifying hedging derivatives designated in fair value hedges of interest rate risk.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the bank's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in net income from other financial instruments at FVTPL.

(ii) Net fee and commission income

Fee and commission income and expenses that are integral to the effective interest rate of a financial asset or liability are included in the measurement of the effective interest rate.
Other fee and commission income – including account servicing fees and sales commissions – is recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

A contract with a customer that results in a recognised financial instrument in the bank's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the bank first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

(iii) Net trading income and net income on financial assets at fair value through profit or loss

'Net trading income and net income on financial assets at fair value through profit or loss' comprises gains less losses related to trading assets and liabilities, and includes all fair value changes, interest, dividends and foreign exchange differences.

Income is derived substantially, from banking business and related activities and comprises net interest income and fee and commission income.

Gains and losses arising from changes in the fair value of financial assets and liabilities at fair value through profit or loss, as well as any interest receivable or payable, are included in profit or loss in the period in which they arise.

Gains and losses arising from changes in the fair value of financial assets through other comprehensive income (FVOCI), other than foreign exchange gains or losses from monetary items, are recognised directly in other comprehensive income, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in other comprehensive income is recognised in profit or loss.

(c) Other operating income

Other operating income comprises gains less losses related to trading assets and liabilities and includes all realised and unrealised fair value changes, interest and foreign exchange differences. It also includes rental income and gain on disposal of property and equipment.

(d) Dividend income

Dividend income is recognised when the right to receive income is established. Dividends are reflected as a component of operating income.

(e) Income tax expense

(i) Income tax expense

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Current tax also includes any tax arising from dividends.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on business plans for individual subsidiaries in the Bank. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if there is any.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Bank expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Bank has not rebutted this presumption.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(f) Financial assets and financial liabilities

(i) Recognition and initial measurement

The bank initially recognises loans and advances, deposits and debt securities on the date at which they are originated. All other financial assets and liabilities (including assets designated at fair value through profit or loss) are initially recognised on the trade date on which the bank becomes a party to the contractual provision of the instrument.

A financial asset or liability is initially measured at fair value plus (for an item not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition or issue. Subsequent to initial recognition, financial liabilities (deposits and debt securities) are measured at their amortized cost using the effective interest method.

(ii) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are Solely Payments of Principal and Interest (SPPI Test)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

The bank holds a portfolio of long-term fixed rate loans for which the bank has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty.

The bank has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Debt instruments measured at amortised cost

Debt instruments are measured at amortized cost if they are held within a business model whose objective is to hold for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. After initial measurement, debt instruments in this category are carried at amortized cost. Interest income on these instruments is recognized in interest income using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. Amortized cost is calculated by taking into account any discount or premium on acquisition, transaction costs and fees that are an integral part of the effective interest rate.

Impairment on debt instruments measured at amortized cost is calculated using the expected credit loss approach. Loans and debt securities measured at amortized cost are presented net of the allowance for credit losses (ACL) in the statement of financial position.

Debt instruments measured at FVOCI

Debt instruments are measured at FVOCI if they are held within a business model whose objective is to hold for collection of contractual cash flows and for selling financial assets, where the assets' cash flows represent payments that are solely payments of principal and interest. Subsequent to initial recognition, unrealized gains and losses on debt instruments measured at FVOCI are recorded in other comprehensive income (OCI), unless the instrument is designated in a fair value hedge relationship.

When designated in a fair value hedge relationship, any changes in fair value due to changes in the hedged risk are recognized in Non-interest income in the Statement of Profit or Loss and Other Comprehensive Income. Upon derecognition, realized gains and losses are reclassified from OCI and recorded in Non-interest income in the Statement of Profit or Loss and Other Comprehensive Income on an average cost basis. Foreign exchange gains and losses that relate to the amortized cost of the debt instrument are recognized in the Statement of Profit or Loss and Other Comprehensive Income.

Premiums, discounts and related transaction costs are amortized over the expected life of the instrument to Interest income in the Statement of Profit or Loss and Other Comprehensive Income using the effective interest rate method.

Impairment on debt instruments measured at FVOCI is calculated using the expected credit loss approach. The ACL on debt instruments measured at FVOCI does not reduce the carrying amount of the asset in the Statement of Financial Position, which remains at its fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI with a corresponding charge to Provision for credit losses in the Statement of Profit or Loss and Other Comprehensive Income. The accumulated allowance recognised in OCI is recycled to the Statement of Profit or Loss and Other Comprehensive Income upon derecognition of the debt instrument.

Debt instruments measured at FVTPL

Debt instruments are measured at FVTPL if assets:

i. Are held for trading purposes;
ii. Are held as part of a portfolio managed on a fair value basis; or
iii. Whose cash flows do not represent payments that are solely payments of principal and interest.

These instruments are measured at fair value in the Statement of Financial Position, with transaction costs recognized immediately in the Statement of Profit or Loss and Other Comprehensive Income as part of Non-interest income. Realized and unrealized gains and losses are recognized as part of Non-interest income in the Statement of Profit or Loss and Other Comprehensive Income.

Debt instruments designated at FVTPL

Financial assets classified in this category are those that have been designated by the Bank upon initial recognition, and once designated, the designation is irrevocable. The FVTPL designation is available only for those financial assets for which a reliable estimate of fair value can be obtained.

Financial assets are designated at FVTPL if doing so eliminates or significantly reduces an accounting mismatch which would otherwise arise.

Financial assets designated at FVTPL are recorded in the Statement of Financial Position at fair value. Changes in fair value are recognized in Non-interest income in the Statement of Profit or Loss and Other Comprehensive Income.

Equity instruments

The bank has elected at initial recognition to irrevocably designate an equity investment, held for purposes other than trading, at FVOCI. The fair value changes, including any associated foreign exchange gains or losses, are recognized in OCI and are not subsequently reclassified in the Statement of Profit or Loss and Other Comprehensive Income, including upon disposal. Realized gains and losses are transferred directly to retained earnings upon disposal. Consequently, there is no review required for impairment. Dividends will normally be recognized in the Statement of Profit or Loss.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the bank changes its business model for managing financial assets.

Financial liabilities

The bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised.

(iii) Impairment

The bank recognises loss allowances for Expected Credit Losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments (amortised cost and FVOCI) including loans and advances;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

The bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date i.e. balances held with central banks, domestic government bills and bonds, and loans and advances to banks; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition i.e. stage 1 (see Note 4(a)(iii).

The bank considers a debt security to have low credit risk

when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.
12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

Significant Increase in Credit Risk

The bank's criteria for assessing significant increase in credit risk are defined at the appropriate product or portfolio level and vary based on the exposure's credit risk at origination. These are largely determined by the Prudential Guidelines Classification. The criteria include relative changes in PD and delinquency backstop when contractual payments are more than 30 days past due. Credit risk has increased significantly since initial recognition when one of the criteria is met.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date(stage 1 and 2): as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the bank expects to receive);
- financial assets that are credit-impaired at the reporting date (stage 3): as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the bank if the commitment is drawn down and the cash flows that the bank expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the bank expects to recover. See also Note 5(a).

Restructured financial assets
If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised (see note 3(f)(iv)) and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired (referred to as stage 3 financial assets). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the bank on terms that the bank would not consider otherwise;
- it is becoming probable that the borrower will enter

bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that is overdue for 90 days or more is considered impaired. In addition, a loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

Government securities

In making an assessment of whether an investment in sovereign debt (Government Bills and bonds, Balances due from central banks) is credit-impaired, the Bank considers the following factors;

- The country's ability to access own local capital markets for new debt issuance.
- The respective government ability to maintain sovereignty on its currency
- The intentions and capacity, reflected in public statements, of governments and agencies honor these commitments.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-off

Financial assets at both amortised and FVOCI are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the bank's procedures for recovery of amounts due.

(iv) De-recognition

Financial assets

The bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the bank is recognised as a separate asset or liability.

The bank enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and-repurchase transactions, because the bank retains all or substantially all of the risks and rewards of ownership of such assets.
In transactions in which the bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the bank retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

Financial liabilities

The bank derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

(v) Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.
If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the bank recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

The impact of modifications of financial assets on the expected credit loss calculation is discussed in Note 4 (a) (iii).
Financial liabilities

The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

(vi) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRSs, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

(g) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or liability measure at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolio of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of net exposure to either market or credit risk are measure on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Bank measure fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included in level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.
- Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist and other valuation models.
- Assumptions and inputs used in valuation techniques include risk-free and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates and correlations.
- The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

(h) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows in the financial statements, cash and cash equivalents' include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(i) Property and equipment

Items of property and equipment are measured at cost or valuation less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the asset.

Subsequent expenditure is capitalised only when it is probable that future economic benefits of the expenditure will flow to the Bank. On-going repairs and maintenance are expensed as incurred.
Depreciation is charged on a straight line basis to allocate the cost of each asset, to its residual value over its estimated useful life as follows:

Description	**Rate**
Motor vehicles	**25.00%**
Furniture, fixtures and fittings	**12.50%**
Office equipment	**12.50%**
Computer equipment	**20.00%**
Residential furniture	**33.33%**
Leasehold improvements	**12.50%**

or over the period of lease if shorter than 8 years

Depreciation is recognised in profit or loss. The assets' residual values and useful lives are reviewed and adjusted as appropriate, at each reporting date.

Any gains or losses on disposal of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in other income in profit or loss.

(j) Intangible assets

Computer software

The costs incurred to acquire and bring to use specific computer software licences are capitalised. Software is measure at cost less accumulated amortisation and accumulated impairment from the date it is available for use. The costs are amortised on a straight line basis over the expected useful lives, from the date it is available for use, not exceeding five years. Costs associated with maintaining software are recognised as an expense as incurred.

Amortisation methods, residual values and useful lives are reviewed and adjusted as appropriate, at each reporting date.

(k) Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.
An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and group. Impairment losses are recognised in the profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(l) Employee benefits

(i) Defined contribution plan

The Bank and its employees contribute to National Social Security Fund on a mandatory basis. These are defined contribution schemes. Employees contribute 10% while the Bank contributes 10% to the scheme. A defined contribution scheme is a pension plan under which the Bank pays fixed contributions into a separate entity. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Bank's contributions to the defined contribution scheme are charged to profit or loss in the year to which they relate.

(ii) Leave accrual

The monetary value of the unutilised leave by staff as at year end is recognised within accruals and the movement in the year is debited/credited to the profit or loss.

(m) Share capital and share issue costs

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of an equity instrument are deducted from initial measurement of the equity instruments.

(n) Dividends

Dividends are charged to equity in the period in which they are declared. Proposed dividends are not accrued until they have been ratified at the Annual General Meeting.

(o) Contingent liabilities

Letters of credit, acceptances and guarantees are not recognised and are disclosed as contingent liabilities. Estimates of the outcome and the financial effect of contingent liabilities is made by management based on the information available up to the date the financial statements are approved for issue by the directors. Any expected loss is charged to profit or loss.

(p) Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

(q) Comparative information

Where necessary, comparative figures have been restated to conform with changes in presentation in the current year.

(r) Financial Guarantees

In the ordinary course of business, the Bank issues financial guarantees, consisting of payment guarantees, performance guarantee and bid guarantees and all these guarantees are cash secured. Financial guarantees are off-balance sheet instruments therefore not recognised in the financial statements but disclosed separately. Bank's liability under each guarantee is measured at the higher of the amount on face value of the guarantee and the value of cash deposits against that particular guarantee. All guarantees are fully secured with no exposure to the bank.

(s) Leases

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

This policy is applied to contracts entered into (or changed) on or after 1 January 2019.

The Bank acting as a lessee

The Bank leases a number of branch and office premises. The leases typically run for a period of 5 years, with an option to renew the lease after that date. For some leases, payments are renegotiated every year whenever there are changes in the market rentals.

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

At commencement or on modification of a contract that contains a lease component, the Bank allocates consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of branches and office premises the Bank has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability. The right of use asset is amortised over an average of three years or lease tenure.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

The Bank determines its incremental borrowing rate by analyzing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

The lease liability is measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.
When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.
Where the basis for determining future lease payments changes as required by interest rate benchmark reform, the Bank re-measures the lease liability by discounting the revised lease payments using the revised discount rate that reflects the change to an alternative benchmark interest rate.

The Bank presents right-of-use assets in 'property and equipment' and lease liabilities in 'other liabilities' in the statement of financial position.

Short-term leases and leases of low-value assets.

The Bank has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets (USD 500 or less) and short-term leases (1 year or less). The Bank recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(t) New standards, amendments and interpretations

(i) New and amended standards adopted by the Bank

The following standards have been adopted by the Bank for the first time for the financial year beginning on 1 January 2022.

International Financial Reporting Standards and amendments effective for the first time for December 2022 year-ends		
Number	**Effective date**	**Executive Summary**
IFRS 16, 'Leases' COVID-19-Related Rent Concessions Amendment	Annual periods beginning on or after 1 April 2021 (early adoption is permitted) (Published March 2021)	The IASB has provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification, provided that the concession meets certain conditions. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. The March 2021 amendment will only be available if an entity chose to apply the May 2020 optional practical expedient. The Bank performed an assessment and concluded that amendments do not have material impact to the bank's financial statements.

<table>
<tr><th colspan="3">International Financial Reporting Standards and amendments effective for the first time for December 2022 year-ends</th></tr>
<tr><th>Number</th><th>Effective date</th><th>Executive Summary</th></tr>
<tr><td>Annual improvements cycle 2018 -2020</td><td>Annual periods beginning on or after 1 January 2022

(Published May 2020)</td><td>These amendments include minor changes to:

• IFRS 9, ‘Financial Instruments’ has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of “the 10% test” for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation.
• IFRS 16, ‘Leases’, amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives.

The Bank performed an assessment and concluded that amendments do not have material impact to the bank's financial statements.</td></tr>
<tr><td>Amendments to IAS 37 Onerous Contracts—Cost of Fulfilling a Contract</td><td>Annual periods beginning on or after 1 January 2022

(Published May 2020)</td><td>The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of ‘costs to fulfil a contract’. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract.

Based on management assessment, the amendment does not have a significant impact to the Bank's financial statements.</td></tr>
<tr><td>Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use</td><td>Annual periods beginning on or after 1 January 2022

(Published May 2020)</td><td>The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss.

Based on management assessment, the amendment does not have a significant impact to the Bank's financial statements.</td></tr>
</table>

International Financial Reporting Standards, interpretations and amendments issued but not effective

Number	Effective date	Executive Summary
IFRS 17, 'Insurance contracts'	Annual periods beginning on or after 1 January 2023 Early application is permitted for entities that apply IFRS 9, 'Financial Instruments', and IFRS 15, 'Revenue from Contracts with Customers', at or before the date of initial application of IFRS 17. (Published May 2017)	As at 31 December 2022 the Bank did not have any performance bond that meets the definition of insurance contracts as per IFRS 17.
IFRS 17, Insurance contracts Amendments	Annual periods beginning on or after 1 January 2023 (Published June 2020)	
Amendment to IAS 1, 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current	Annual periods beginning on or after 1 January 2023 (Published Jan 2020)	The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. A number of requirements are required to be met in conjunction with this amendment. The Bank is currently assessing the impact of the amendments to determine the impact. The Bank is expecting to apply the standard/ amendment on 1 January 2023.
Amendments to IAS 12, Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Annual periods beginning on or after 1 January 2023. Earlier application is permitted.	The amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences. The Bank is currently assessing the impact of the amendments to determine the impact. The Bank is expecting to apply the standard/ amendment on 1 January 2023.
Narrow scope amendments to IAS 1 'Presentation of Financial Statements', Practice statement 2 and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'	Annual periods beginning on or after 1 January 2023. Earlier application is permitted.	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish changes in accounting policies from changes in accounting estimates. The Bank is currently assessing the impact of the amendments to determine the impact. The Bank is expecting to apply the standard/ amendment on 1 January 2023.

FINANCIAL RISK MANAGEMENT

This section provides details of the Bank's exposure to risk and describes the methods used by management to control risk.

FINANCIAL RISK

Significant types of risk to which the Bank is exposed are credit risk, liquidity risk, market risk and operational risk. Market risk includes foreign exchange risk, interest rate risk and price risk.

(a) Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and other banks and investment securities. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure.

The Board of Directors of the Bank has delegated responsibility of the management of credit risk to the Board Credit Committee. Further, the Bank has its own Credit Risk Management Committee that reports to the Board Credit Committee. The Bank's credit exposure at the reporting date from financial instruments held or issued for trading purposes is represented by the fair value of instruments with a positive or negative fair value at that date, as recorded on the statement of financial position.

The risk that the counter-parties to trading instruments might default on their obligation is monitored on an on-going basis. In monitoring credit risk exposure, consideration is given to trading instruments with a positive or negative fair value and to the volatility of the fair value of trading instruments over their remaining life.

To manage the level of credit risk, the Bank deals with counter parties of good credit standing wherever possible and when appropriate, obtains collateral.

An assessment of the extent to which fair values of collaterals cover existing credit risk exposure on loans and advances to customers is highlighted below.

(i) Credit quality analysis

The Bank also monitors concentrations of credit risk that arise by industry and type of customer in relation to group loans and advances to customers by carrying a balanced portfolio. The Bank has no significant exposure to any individual customer or counter-party.

To determine impairment of loans and advances, the Bank assesses whether it is probable that it will be unable to collect all principal and interest according to the contractual terms of the loans and advances.

(a) The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively. See accounting policy on Note 3(f) (iii) for the explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired.

2020

Risk classification	12 month ECL	Lifetime ECL Not Credit Impaired	Lifetime ECL Credit Impaired	Total 31 December 2022
	TZS' 000	TZS' 000	TZS' 000	TZS' 000
Loans and advances to Customers at amortised cost				
Stage 1	287,297,783	-	-	287,297,783
Stage 2	-	42,368,166	-	42,368,166
Stage 3	-	-	70,364,624	70,364,624
Gross carrying amount	**287,297,783**	**42,368,166**	**70,364,624**	**400,030,573**
Expected Credit Loss	(181,096)	(4,526,005)	(29,351,784)	(34,058,885)
Carrying amount	**287,116,687**	**37,842,161**	**41,012,840**	**365,971,688**

2021

Risk classification	12 month ECL	Lifetime ECL Not Credit Impaired	Lifetime ECL Credit Impaired	Total 31 December 2022
	TZS' 000	TZS' 000	TZS' 000	TZS' 000
Loans and advances to Customers at amortised cost				
Stage 1	240,722,554	-	-	240,722,554
Stage 2	-	99,796,607	-	99,796,607
Stage 3	-	-	34,443,458	34,443,458
Gross carrying amount	**240,722,554**	**99,796,607**	**34,443,458**	**374,962,619**
Expected Credit Loss	(307,866)	(5,625,128)	(14,140,947)	(20,073,941)
Carrying amount	**240,414,688**	**94,171,479**	**20,302,511**	**354,888,678**

The Bank has estimated that the ECL for the following financial assets was not significant as at 31 December 2022. These financial assets have been assessed to be in Stage 1 (low credit risk).

	2022	2021
	TZS '000	TZS '000
Balances with central banks	40,089,811	45,843,953
Items in the course of collection	-	116,531
Loans and advances to banks	29,530,809	41,148,521
Government securities at FVOCI	4,066,820	1,062,305
Government securities at amortised cost	121,144,674	112,848,689
Due from group companies	1,370,188	1,953,999
Other assets	2,573,239	1,009,273
	198,775,541	**203,983,271**

Other assets excludes prepayments and tax advances which are non-financial assets
The following shows the grading of loans and advances to customers in line with local prudential guidelines

	2022	2021
Loans and advances to customers	**TZS '000**	**TZS '000**
Identified impairment:		
Grade 3: Substandard	40,245,539	2,218,988
Grade 4: Doubtful	1,116,370	993,778
Grade 5: Loss	29,002,715	31,230,692
	70,364,624	**34,443,458**
Specific allowance for impairment	(29,351,784)	(14,140,947)
Carrying amounts	**41,012,840**	**20,302,511**
Unidentified impairment:		
Grade 2: Watch	43,367,238	99,796,607
Grade 1: Normal	286,298,711	240,722,554
	329,665,949	**340,519,161**
Portfolio impairment provision	(4,707,101)	(5,932,994)
Carrying amounts	**324,958,848**	**334,586,167**
Total carrying amounts	**365,971,688**	**354,888,678**

	Gross	Net
Identified impairment:	**TZS '000**	**TZS '000**
31 December 2022		
Grade 3: Substandard	40,245,539	27,152,541
Grade 4: Doubtful	1,116,370	1,058,571
Grade 5: Loss	29,002,715	12,801,728
	70,364,624	**41,012,840**
31 December 2021		
Grade 3: Substandard	2,218,988	1,737,293
Grade 4: Doubtful	993,778	249,835
Grade 5: Loss	31,230,692	18,315,383
	34,443,458	**20,302,511**
Unidentified impairment:	TZS '000	TZS '000
31 December 2022		
Grade 1: Normal	286,298,711	287,116,688
Grade 2: Watch	43,367,238	37,842,160
	329,665,949	**324,958,848**
31 December 2021		
Grade 1: Normal	240,722,554	240,414,688
Grade 2: Watch	99,796,607	94,171,479
	340,519,161	**334,586,167**

Impaired loans and securities

Impaired loans and securities are loans for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreement(s). These loans are graded 3 (substandard) to 5 (loss) in the Bank's internal credit risk and grading system.

Neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed with reference to the bank's internal rating system. All such loans must be performing in accordance with the contractual terms and are expected to continue doing so. Loans in this category are fully protected by their current sound net worth and paying capacity of the borrower. These loans and advances are categorised as normal in line with BOT prudential guidelines.

Past due but not impaired loans

These are loans where contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Bank. These loans are stage 2 (watch) in the Bank's internal credit risk and grading system.

(ii) Collateral and other security enhancements

The Bank holds collaterals against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimate of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowings activity. Collateral usually is not held against investment securities, and no such collateral was held at 31 December 2022 or 2021

	2022	2021
	TZS '000	TZS '000
Fair value of collateral held – against impaired loans	**71,913,420**	**37,119,120**

(iii) Amounts arising from ECL

Expected credit loss measurement

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

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Bank.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward looking information.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

Grouping of instruments for losses measured on a collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous. In performing this grouping, there must be sufficient information for the group to be statistically credible. Where sufficient information is not available internally, the Bank has considered benchmarking internal/ external supplementary data to use for modelling purposes. The characteristics and any supplementary data used to determine groupings are outlined below:

- Product type (e.g. Overdraft, Term loans, Letter of credit etc.)
- Repayment type (e.g. Repayment/Interest only)
- Credit risk grading
- Collateral type – whether secured or unsecured
- The following exposures are assessed individually:
- Stage 3 loans secured loans and overdraft facilities
- Properties in repossession proceedings

The appropriateness of groupings is monitored and reviewed on a periodic basis by the Credit Risk team. The Bank groups its exposures based on product type and has specified the following default product segments under the 'product type' criteria where each product is identified by a specific product code.

Secured term loans - This group comprises all term loan products secured by collateral i.e. legal mortgage, guarantee or cash cover. Products in this group consist of Corporate, MSE, Special Asset Loan, Invoice Financing loans, Personal loans with cash cover, SME, Staff mortgage and Car loans.

Unsecured term loans - This comprises all unsecured facilities. Products in this group consist of Staff loans and Personal Loans.

Digital loans – This group comprises of short-term overdrafts issued to a mobile network operator customers.

Overdrafts – This group comprises all overdraft advances to customers issued to SME and Corporate customers other than those included in Agribusiness.

Off balance sheet items – This group comprises all financial guarantees, letter of credit and unutilized loan commitments.

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis based on the Bank's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

Credit risk grading

Other than for loans and advances to banks and investment securities where the Bank relies on internal credit rating models, the Bank relies substantially on the prudential guidelines applicable in the market it operates in for credit risk grading that reflect its assessment of the probability of default of individual counterparties.

In addition, the prudential guidelines are supplemented

- by Borrower and loan specific information collected at the time of application (such as disposable income, and level of collateral for retail exposures; and turnover and industry type for wholesale exposures).
- External data such as credit bureau scoring information on individual borrowers.
- Expert judgement from the Credit Risk Officer to be fed into the final credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model.

The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade.

The following are additional considerations for each type of portfolio held by the Bank:

After the date of initial recognition, the payment behaviour of the borrower is monitored on a periodic basis to develop a behavioural score and any other known information about the borrower which impacts their creditworthiness.
In addition, a relationship manager will incorporate any updated or new information/credit assessments into the credit system on an ongoing basis.

Loans and advances to banks

The Bank considers both qualitative and quantitative criteria to determine whether a credit facility to other banks has experienced a significant increase in credit risk. This is done through internal rating system.

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Bank collects performance and default information about its credit risk exposures analysed by jurisdiction (country) and borrower and type of product as well as by credit risk grading.

The Bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicators include: GDP growth, benchmark interest rates and exchange rate.

Based on advice from the Risk Committees and economic experts and consideration of a variety of external actual and forecast information, the Bank formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (see discussion below on incorporation of forward-looking information). The Bank then uses these forecasts to adjust its estimates of PDs.

Determining whether credit risk has increased significantly

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including a backstop based on delinquency.

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Bank's quantitative modelling, the remaining lifetime PD is determined to have increased by more than a predetermined percentage/range.

Using its expert credit judgement and, where possible, relevant historical experience, the Bank may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, the Bank considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined by considering any grace period that might be available to the borrower.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria is capable of identifying significant increase in credit risk when an asset becomes 30 days past due; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

Definition of default

The Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation to the Bank. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding.

In assessing whether a borrower is in default, the Bank considers indicators that are:

- qualitative – e.g., breaches of covenant.
- quantitative – e.g., overdue status and non-payment on another obligation of the same issuer to the Bank; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default largely aligns with that applied by the Bank for regulatory capital purposes.

Incorporation of forward-looking information

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on advice from the Assets and Liabilities Committee (ALCO) and consideration of a variety of external actual and forecast information, the Bank formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two additional economic scenarios and
considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Bank operates, supranational organisations such as the International Monetary Fund (IMF), World Bank, Bank of Tanzania and selected private-sector and academic forecasters.

The base case represents a most-likely outcome and is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and using an analysis of historical data, has estimated relationships between macro-economic variables, credit risk and credit losses. The Banking Industry non-performing loans (NPL %) was a reasonable approximation to the default risk. The correlation between the Banking Industry non-performing loans (NPL%) with the macroeconomic factors was then inferred to the Bank's predicated Probabilities of Default. Further, in determining the economic scenarios to be applied, each of the economic variable was adjusted either upside or downside using the historical standard deviation.

Base Case - These are the forecasted probabilities of default under current normal macro-economic conditions.

Pessimistic Case/ Downside - These are the forecasted probabilities of default under adverse macro-economic conditions obtained by stressing the current macro-economic variables by the mean standard deviation.

Optimistic Case/ Upside - These are the forecasted probabilities of default under a positive macro-economic outlook obtained by stressing the current macro-economic variables by the mean standard deviation.

The weights are developed based on the average number of loans under default for the past 24 months considering the distribution of the default rates around the mean standard deviation.

The most significant period-end macroeconomic factors used for the ECL estimate as at 31 December are set our below. The scenarios "base", "upside" and "downside" were used for all portfolios.

	2022			
	Coefficient/ Sensitivity	**Base**	**Upside**	**Downside**
Macro-Economic Variable		**%**	**%**	**%**
Weighting		**67%**	**25%**	**8%**
Hotel and Restaurant				
Inflation rate	4.0012	5.29%	5.78%	4.79%
Constant rate	(0.1381)			
Trade				
Lending rate	1.7988	14.02%	14.24%	13.80%
Constant rate	(0.1570)			
Transport and Communication				
Central Bank rate	2.0766	11.93%	12.05%	11.81%
91 Day T-Bills interest rate	2.9062	4.87%	5.10%	4.63%
Constant rate	(0.0415)			
Housing loan				
Inflation rate	(0.4861)	5.29%	4.79%	5.78%
Saving rate	(3.3315)	1.93%	1.71%	2.15%
Constant rate	0.1534			
Mining				
Public debt to GDP growth rate	98.72	37.09%	37.12%	37.06%
Constant rate	(36.503)			
Personal loan				
Public debt to GDP growth rate	0.4713	36.85%	36.87%	36.82%
364- day T-bills interest rate	0.1446	4.69%	5.38%	3.99%
Constant	(0.1601)			
Real estate				
Inflation rate	3.188	5.29%	5.78%	4.79%
Constant rate	(0.1601)			

	2022			
	Coefficient/ Sensitivity	Base	Upside	Downside
Macro-Economic Variable		%	%	%
Weighting		**95%**	**2.5%**	**2.5%**
Personal and household	97.53%	6.69%	6.26%	7.12%
Weighting	(283.73%)	6.83%	7.29%	6.37%
91 Day T-Bills rate	(1.3227)	6.93%	7.21%	6.64%
Central Bank rate	0.3628	12.09%	10.72%	13.46%
Deposit rate	0.2508			
Lending rate				
Constant	-17.63%	6.72%	10.13%	3.32%
Real estate	**-222.84%**	**6.83%**	**7.29%**	**6.37%**
Reverse REPO rate	(2.1285)	6.93%	7.21%	6.64%
Central Bank rate	0.3948			
Deposit rate				
Constant	115.20%	6.69%	6.26%	7.12%
Trade	**-91.19%**	**6.83%**	**7.29%**	**6.37%**
91 Day T-Bills rate	-115.87%	6.93%	7.21%	6.64%
Central Bank rate	0.5706	63.00%	60.45%	65.55%
Deposit rate	(0.2361)			
Public debt to GDP				
Constant rate	-451.88%	5.10%	5.18%	5.02%
Transport	85.03%	38.92%	36.93%	40.90%
GDP growth rate	0.0696			
Public debt to GDP	(0.1601)			
Constant rate				
Inflation rate	3.188	5.29%	5.78%	4.79%
Constant rate	(0.1601)			

Measurement of ECL - Explanation of inputs, assumptions and estimation techniques

The key inputs into the measurement of ECL are the term structure of the following variables:

— Probability of default (PD);
— Loss given default (LGD);
— Exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PDs are estimates at a certain date, which are calculated based on statistical models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for loans and advances to banks and investment securities.

Loss Given Default (LGD) represents the Banks's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan. The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed. For unsecured products, LGD's are assessed based on recovery experience.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

— segment type; and
— credit risk quality

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

ECL - Sensitivity analysis

For the purposes of the Bank's actual weighting of its economic scenarios, a 67% probability weighting is applied to the baseline scenario; with a 25% and 8% probability weighting applied to the upside and downside scenarios, respectively. However, given the level of uncertainty required in the determination of ECL, the Bank has conducted a sensitivity analysis in order to indicate the impact on the ECL when assigning a probability weighting of 100% to each macroeconomic variable scenario. The analysis only reflects the impact of changing the probability assigned to each scenario to 100% and does not include management adjustments required to provide a more appropriate assessment of risk.

	Increase in gross carrying amount		Increase/Decrease in expected credit loss	
	2022	2021	2022	2021
	TZS'000	TZS'000	TZS'000	TZS'000
100% upside scenario	253,584	628,989	9,599	72,790
100% base scenario	240,351	561,796	(3,633)	5,598
100% down-side scenario	227,113	494,643	(16,872)	(61,556)

As at 31 December 2021, the Bank assessed what the impact on expected credit losses would be, if 1% of the gross carrying amount of loans and advances to customers in stage 1 experience a SICR and move to stage 2 and vice versa. The ECL changes below include the effect on undrawn committed facilities and guarantees which are reflected as 'other liabilities' in the statement of financial position. This impact has been presented below:

	Increase in gross carrying amount		Increase/Decrease in expected credit loss	
	2022	2021	2022	2021
	TZS'000	TZS'000	TZS'000	TZS'000
If 1% of stage 1 facilities were included in Stage 2	250,598	551,096	6,613	(5,103)
If 1% of stage 2 facilities were included in Stage 1	243,314	557,513	(670)	1,314

	Change in Market Value of Collaterals			
	Increase by 5%		Decrease by 5%	
	2022	2021	2022	2021
	TZS'000	TZS'000	TZS'000	TZS'000
Increase/(decrease) in ECL allowance	(1,032,906)	(720,637)	1,032,906	720,637

	Change in realisation period			
	Increase by 5%		Decrease by 5%	
	2022	2021	2022	2021
	TZS'000	TZS'000	TZS'000	TZS'000
Increase/(decrease) in ECL allowance	2,175,444	1,579,417	(2,450,598)	(1,791,529)

Write-off policy

The Bank writes off financial assets that have been past due for more than 720 days. Financial assets are written off when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are recognised when cash is received and are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

Modified financial assets

The following table includes summary information for financial assets with lifetime ECL whose cash flows were modified during the period as part of the Bank's restructuring activities and their respective effect on the Bank's financial performance:
The net modification loss above represents the changes in the gross carrying amounts (i.e. before impairment allowance) of the financial assets from immediately before, to immediately after, modification. In majority of cases, this gross loss had been anticipated and already materially reflected within the ECL allowance.

	2022	2021
	(TZS '000)	(TZS '000)
Gross carrying amount	30,241,502	26,987,187
Net modification loss	(284,276)	(583,715)

Amounts due from banks

Balances due from other banks are categorized as stage 1. The Loss Given Default (LGD) for these assets is zero hence no impairment was recognized as at 31 December 2022 (2021: Nil). The expected credit loss is expected to be insignificant.

Debt securities, treasury bills and other eligible bills

The Bank holds investments in Treasury Bills and Treasury Bonds issued by the Government. At the end of reporting period, these investments were categorized as stage 1. There are no credit ratings for these investments. The Loss Given Default (LGD) for these assets is almost Nil hence no impairment was recognized as at 31 December 2022 (2021: Nil).

Balances with Bank of Tanzania and other assets

Other assets are categorized as stage 1, balances with Bank of Tanzania are categorized as stage 1. The Loss Given Default (LGD) for these assets is almost Nil hence no impairment was recognized as at 31 December 2022 (2021: Nil).

Concentration of risks of financial assets with credit risk exposure

(i) Geographical sectors

The following table breaks down the Bank's main credit exposure at their carrying amounts (without taking into account any collateral held or other credit support), as categorised by geographical region as of 31 December 2022. For this table, the Bank has allocated exposures to regions based on the country of domicile of its counterparties. (amounts are in TZS'000):

	Tanzania	Europe	America	Others	Total
Balances with Bank of Tanzania	40,089,811	-	-	-	40,089,811
Loans and advances to Banks	21,369,915	277,814	5,958,863	1,924,217	29,530,809
Loans and advances to customers	365,971,688	-	-	-	365,971,688
Due from group companies	-	-	-	1,370,188	1,370,188
Government securities measured at FVOCI	4,066,820	-	-	-	4,066,820
Government securities at amortised cost	121,144,674	-	-	-	121,144,674
Other assets (excluding prepayments and advances)	2,573,239	-	-	-	2,573,239
As 31 December 2022	555,216,147	277,814	5,958,863	3,294,405	564,747,229
Credit risk exposures relating to off-balance sheet items are as follows:					
Letters of credit	34,736,444	-	-	-	34,736,444
Outstanding guarantees and indemnities	48,619,924	-	-	-	48,619,924
Acceptances and Undrawn balances	40,787,958	-	-	-	40,787,958
As 31 December 2022	124,144,326	-	-	-	124,144,326

	Tanzania	Europe	America	Others	Total
Balances with Bank of Tanzania	45,843,953	-	-	-	45,843,953
Items in the course of collection	116,531	-	-	-	116,531
Loans and advances to Banks	32,987,627	625,245	7,378,743	156,906	41,148,521
Loans and advances to customers	354,888,678	-	-	-	354,888,678
Due from group companies	-	-	-	1,953,999	1,953,999
Government securities measured at FVOCI	1,062,305	-	-	-	1,062,305
Government securities at amortised cost	112,848,689	-	-	-	112,848,689
Other assets (excluding prepayments and advances)	1,009,273	-	-	-	1,009,273
As 31 December 2021	**548,757,056**	**625,245**	**7,378,743**	**2,110,905**	**558,871,949**
Credit risk exposures relating to off-balance sheet items are as follows:					
Letters of credit	37,290,782	-	-	-	37,290,782
Outstanding guarantees and indemnities	81,164,003	-	-	-	81,164,003
Acceptances and Undrawn balances	34,132,293	-	-	-	34,132,293
As 31 December 2021	**152,587,078**		**-**	**-**	**152,587,078**

(ii) Industry sectors

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorised by the industry sectors of its counterparties (amounts are in TZS'000):

	Financial institutions	Agriculture	Manufacturing	Trade & Services	Government	Transportation	Building & construction	Real Estate	Others	Total
Balances with Bank of Tanzania	40,089,811	-	-	-	-	-	-	-	-	40,089,811
Loans and advances to Banks	29,530,809	-	-	-	-	-	-	-	-	29,530,809
Loans and advances to customers	-	25,343,031	84,769,623	68,080,972	-	18,007,914	23,913,183	72,179,558	73,677,407	365,971,688
Due from group companies	1,370,188	-	-	-	-	-	-	-	-	1,370,188
Government securities measured at FVOCI	-	-	-	-	4,066,820	-	-	-	-	4,066,820
Government securities at amortised cost	-	-	-	-	121,144,674	-	-	-	-	121,144,674
Other assets (excluding prepayments and advances)	2,573,239	-	-	-	-	-	-	-	-	2,573,239
At 31 December 2022	**73,564,047**	**25,343,031**	**84,769,623**	**68,080,972**	**125,211,494**	**18,007,914**	**23,913,183**	**72,179,558**	**73,677,407**	**564,747,229**

Credit risk exposures relating to off-balance sheet items are as follows:

Acceptances and Undrawn balances	-		11,690,950	13,040,183	-	1,542,233	1,090,074	-	13,424,518	40,787,958
Outstanding guarantees	-	500,000	517,110	1,438,000	-	-	44,372,000	-	1,792,814	48,619,924
Letters of credit	-	-	-	22,869,000	-	-	2,834,000	-	9,033,444	34,736,444
At 31 December 2022	**-**	**500,000**	**12,208,060**	**37,347,183**		**1,542,233**	**48,296,074**		**24,250,776**	**124,144,326**

(ii) Industry sectors

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorised by the industry sectors of its counterparties (amounts are in TZS'000):

	Financial institutions	Agriculture	Manufacturing	Trade & Services	Government	Transportation	Building & construction	Real Estate	Others	Total
Balances with Bank of Tanzania	45,843,953	-	-	-						**45,843,953**
Items in the course of collection	116,531									**116,531**
Loans and advances to Banks	41,148,521	-	-	-						**41,148,521**
Loans and advances to customers	-	13,945,082	84,411,643	59,193,847	-	13,307,821	13,513,681	79,070,385	91,446,219	**354,888,678**
Due from group companies	1,953,999	-	-	-	-	-	-	-	-	**1,953,999**
Government securities measured at (FVOCI)	-	-	-	-	1,062,305	-	-	-	-	**1,062,305**
Government securities at amortised cost	-	-	-	-	112,848,689	-	-	-	-	**112,848,689**
Other assets (excluding prepayments and advances)	1,009,273	-	-	-	-	-	-	-	-	**1,009,273**
At 31 December 2021	**90,072,277**	**13,945,082**	**84,411,643**	**59,193,847**	**113,910,994**	**13,307,821**	**13,513,681**	**79,070,385**	**91,446,219**	**558,871,949**

Credit risk exposures relating to off-balance sheet items are as follows:

Acceptances and undrawn balances	-	-	11,003,759	9,104,844	-	192,206	686,722	-	13,143,699	34,132,230
Outstanding guarantees	-	-	1,911,000	5,159,840	-	-	72,606,890	-	1,486,273	81,164,003
Letters of credit	-	1,063	12,276,360	21,572,990	-	1,355,240	1,776,460	-	309,732	37,291,845
At 31 December 2021	**-**	**1,063**	**25,191,119**	**35,837,674**		**1,547,446**	**75,070,072**	**-**	**14,939,704**	**152,587,078**

Maximum Exposure to credit risk – Financial instruments subject to impairment

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

2022:

Model segment	12 month ECL		Lifetime ECL Not Credit Impaired		Lifetime ECL Credit Impaired		Total		Net carrying amount
	Gross carrying amount	ECL amount	Gross carrying amount	ECL amount	Gross carrying amount	ECL amount	Gross carrying amount	ECL amount	
	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000
Secured term loans	154,363,496	6,471	35,092,270	4,483,899	55,190,366	23,461,983	244,646,132	27,952,353	216,693,779
Unsecured term loans	4,706,013	8,393	-	-	-	-	4,706,013	8,393	4,697,620
Digital Lending	2,285,631	64,029	1,286,558	36,041	3,925,471	2,021,473	7,497,660	2,121,543	5,376,117
Overdraft	125,942,643	102,203	5,989,338	6,065	11,248,787	3,868,328	143,180,768	3,976,596	139,204,172
Gross carrying amount	**287,297,783**	**181,096**	**42,368,166**	**4,526,005**	**70,364,624**	**29,351,784**	**400,030,573**	**34,058,885**	**365,971,688**

Maximum Exposure to credit risk – Financial instruments subject to impairment

2021:

Model segment	12 month ECL		Lifetime ECL Not Credit Impaired		Lifetime ECL Credit Impaired		Total		Net carrying amount
	Gross carrying amount	ECL amount	Gross carrying amount	ECL amount	Gross carrying amount	ECL amount	Gross carrying amount	ECL amount	
	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000	TZS' 000
Secured term loans	136,414,631	31,145	92,539,410	5,616,261	24,870,421	11,647,746	253,824,462	17,295,152	236,529,310
Unsecured term loans	4,555,657	20,741	-	-	121,046	67,639	4,676,703	88,380	4,588,323
Digital Lending	164,271	9,214	139,040	7,799	1,012,334	56,781	1,315,645	73,794	1,241,851
Overdraft	99,587,995	246,766	7,118,157	1,068	8,439,657	2,368,781	115,145,809	2,616,615	112,529,194
Gross carrying amount	**240,722,554**	**307,866**	**99,796,607**	**5,625,128**	**34,443,458**	**14,140,947**	**374,962,619**	**20,073,941**	**354,888,678**

Off balance sheet exposures

	2022	2021
	TZS '000	TZS '000
Contingencies related to:		
Letters of credit	34,736,444	37,290,782
Guarantees	48,619,924	81,164,003
Acceptances and undrawn balance	40,787,958	34,132,293
Gross carrying amount	**124,144,326**	**152,587,078**
Loss allowance	(43,595)	(239,661)
Net carrying amount	**124,100,731**	**152,347,417**

**The off-balance sheet exposures under the credit risk note include only loan commitment and financial contracts that fall within the scope of IFRS 9. Provision for loss allowance relating to off-balance sheet exposures is disclosed under other liabilities.*

Loss allowance

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

Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;

- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis. This change is incorporated within maintenance stage and other adjustments category.
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements, This change is incorporated within maintenance stage and other adjustments category; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

Changes in loss allowance and gross carrying amount

The following tables show reconciliations from the opening to the closing balance of the loss allowance and gross carrying amounts by class of financial instrument. Explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired are included in Note 3(f)(iii).

Total Loans and advances

	Provisions (ECL allowance)				Exposure (Gross balance)			
2022	**12 month ECL (Stage 1)**	**Lifetime ECL not credit impaired (Stage 2)**	**Lifetime ECL credit impaired (Stage 3)**	**Total**	**12 month ECL (Stage 1)**	**Lifetime ECL not credit impaired (Stage 2)**	**Lifetime ECL credit impaired (Stage 3)**	**Total**
	TZS '000	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**
Balance at 1 January 2022	**307,866**	**5,625,128**	**14,140,947**	**20,073,941**	**240,722,553**	**99,796,607**	**34,443,459**	**374,962,619**
Transfer from 12 months ECL (Stage 1)	(22,383)	5,154	17,229	**-**	(30,654,510)	7,741,146	22,913,364	**-**
Transfer from Lifetime ECL not credit impaired (Stage 2)	-	-	-	**-**	19,039,943	(46,692,962)	27,653,019	**-**
Transfer from Lifetime ECL credit impaired (Stage 3)	-	-	-	**-**	-	-	-	**-**
Net remeasurement of loss allowance	(120,050)	(1,104,277)	26,688,008	**25,463,681**	17,270,195	(4,749,590)	(13,458)	**12,507,147**
New financial assets originated or purchased	15,663	-	-	**15,663**	39,920,530	366,300	-	**40,286,830**
Financial assets derecognized	-	-	-	**-**	-	(13,094,263)	-	**(13,094,263)**
Reversal of provisions/Write-offs	-	-	(11,494,400)	**(11,494,400)**	-	-	(14,631,760)	**(14,631,760)**
Balance at 31 December 2022	**181,096**	**4,526,005**	**29,351,784**	**34,058,885**	**286,298,711**	**43,367,238**	**70,364,624**	**400,030,573**

	Provisions (ECL allowance)				Exposure (Gross balance)			
2021:	**12 month ECL (Stage 1)**	**Lifetime ECL not credit impaired (Stage 2)**	**Lifetime ECL credit impaired (Stage 3)**	**Total**	**12 month ECL (Stage 1)**	**Lifetime ECL not credit impaired (Stage 2)**	**Lifetime ECL credit impaired (Stage 3)**	**Total**
	TZS '000	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**
Balance at 1 January 2021	**442,275**	**610,660**	**23,683,568**	**24,736,503**	**226,057,677**	**64,011,542**	**55,376,121**	**345,445,340**
Transfer from 12 months ECL (Stage 1)	(15,903)	15,711	192	-	(37,351,681)	37,266,224	85,457	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	583,873	(583,873)	-	-	10,174,461	(10,501,688)	327,227	-
Transfer from Lifetime ECL credit impaired (Stage 3)	-	5,151,896	(5,151,896)	-	620,032	9,942,673	(10,562,705)	-
Net remeasurement of loss allowance	(704,153)	432,501	5,262,311	**4,990,659**	12,561,015	(9,967,632)	1,284,066	**3,877,449**
New financial assets originated or purchased	40,023	1,747	64,227	**105,997**	39,894,761	9,503,651	494,973	**49,893,385**
Financial assets derecognised	(38,249)	(3,514)	-	**(41,763)**	(11,233,712)	(458,163)	-	**(11,691,875)**
Reversal of provision/write-off	-	-	(9,717,455)	**(9,717,455)**	-	-	(12,561,680)	**(12,561,680)**
Balance at 31 December 2021	**307,866**	**5,625,128**	**14,140,947**	**20,073,941**	**240,722,553**	**99,796,607**	**34,443,459**	**374,962,619**

(i) Secured term loans

	Provisions (ECL allowance)				Exposure (Gross balance)			
2022	**12 month ECL (Stage 1)**	**Lifetime ECL not credit impaired (Stage 2)**	**Lifetime ECL credit impaired (Stage 3)**	**Total**	**12 month ECL (Stage 1)**	**Lifetime ECL not credit impaired (Stage 2)**	**Lifetime ECL credit impaired (Stage 3)**	**Total**
	TZS '000	TZS '000	TZS '000	**TZS '000**	TZS '000	TZS '000	TZS '000	**TZS '000**
Balance at 1 January 2022	31,145	5,616,261	11,647,746	**17,295,152**	136,414,632	92,539,410	24,870,420	**253,824,462**
Transfer from 12 months ECL (Stage 1)	(13,169)	12,953	216		(25,367,056)	7,815,062	17,551,994	**-**
Transfer from Lifetime ECL not credit impaired (Stage 2)	-	-	-	**-**	17,846,000	(45,025,699)	27,179,699	**-**
Transfer from Lifetime ECL credit impaired (Stage 3)	-	-	-	**-**	-	-	-	**-**
Net remeasurement of loss allowance	(13,039)	(1,145,315)	21,075,545	**19,917,191**	18,269,268	(5,748,662)	(13,459)	**12,507,147**
New financial assets originated or purchased	1,534	-	-	**1,534**	7,200,653	(920,258)	(4,513,796)	**1,766,599**
Financial assets derecognized	-	-	-	**-**	-	(13,094,263)	-	**(13,094,263)**
Reversal of provisions/Write-offs	-	-	(9,261,524)	**(9,261,524)**	-	-	(10,357,813)	**(9,884,492)**
Balance at 31 December 2022	**6,471**	**4,483,899**	**23,461,983**	**27,952,353**	**154,363,497**	**35,565,590**	**54,717,045**	**244,646,132**

(i) Secured term loans (continued)

2021	Provisions (ECL allowance)				Exposure (Gross balance)			
	12 month ECL (Stage 1)	Lifetime ECL not credit impaired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total	12 month ECL (Stage 1)	Lifetime ECL not credit im-paired (Stage 2)	Lifetime ECL credit impaired (Stage 3)	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Balance at 1 January 2021	**129,836**	**22,947**	**22,553,002**	**22,705,785**	**143,832,950**	**51,807,145**	**47,843,671**	**243,483,766**
Transfer from 12 months ECL (Stage 1)	(15,903)	15,711	192	-	(37,351,681)	37,266,224	85,457	-
Transfer from Lifetime ECL not credit impaired (Stage 2)	5,269	(5,269)	-	-	535,824	(539,839)	4,015	-
Transfer from Lifetime ECL credit impaired (Stage 3)	-	5,151,896	(5,151,896)	-	620,032	9,942,673	(10,562,705)	-
Net remeasurement of loss allowance	(89,831)	432,743	3,899,676	**4,242,588**	12,561,015	(9,967,631)	1,284,068	**3,877,452**
New financial assets originated or purchased	40,023	1,747	64,227	**105,997**	27,450,204	4,489,001	(1,222,404)	**30,716,801**
Financial assets derecognized	(38,249)	(3,514)	-	**(41,763)**	(11,233,712)	(458,163)	(1,659)	**(11,693,534)**
Reversal of provisions/Write-offs	-	-	(9,717,455)	**(9,717,455)**	-	-	(12,560,023)	**(12,560,023)**
Balance at 31 December 2021	**31,145**	**5,616,261**	**11,647,746**	**17,295,152**	**136,414,632**	**92,539,410**	**24,870,420**	**253,824,462**

(ii) Unsecured term loans

	Provisions (ECL allowance)				Exposure (Gross balance)			
2022	**12 month ECL (Stage 1)**	**Lifetime ECL not credit impaired (Stage 2)**	**Lifetime ECL credit impaired (Stage 3)**	**Total**	**12 month ECL (Stage 1)**	**Lifetime ECL not credit impaired (Stage 2)**	**Lifetime ECL credit impaired (Stage 3)**	**Total**
	TZS '000	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**
Balance at 1 January 2022	**20,741**	**-**	**67,639**	**88,380**	**4,555,657**	**-**	**121,046**	**4,676,703**
Transfer from 12 months ECL (Stage 1)	-	-	-	**-**	-	-	-	**-**
Transfer from Lifetime ECL not credit impaired (Stage 2)	-	-	-	**-**	-	-	-	**-**
Transfer from Lifetime ECL credit impaired (Stage 3)	-	-	-	**-**	-	-	-	**-**
Net remeasurement of loss allowance	(12,348)	-	2,689	**(9,659)**	150,356	-	2,689	**153,045**
New financial assets originated or purchased	-	-	-	**-**	-	-	-	**-**
Financial assets derecognized	-	-	-	**-**	-	-	-	**-**
Reversal of provisions/Write-offs	-	-	(70,328)	**(70,328)**	-	-	(123,735)	**(123,735)**
Balance at 31 December 2022	**8,393**	**-**	**-**	**8,393**	**4,706,013**	**-**	**-**	**4,706,013**

(iii) Digital Lending (Kamilisha)

	Provisions (ECL allowance)				Exposure (Gross balance)			
2022	**12 month ECL (Stage 1)**	**Lifetime ECL not credit impaired (Stage 2)**	**Lifetime ECL credit impaired (Stage 3)**	**Total**	**12 month ECL (Stage 1)**	**Lifetime ECL not credit impaired (Stage 2)**	**Lifetime ECL credit impaired (Stage 3)**	**Total**
	TZS '000	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**
Balance at 1 January 2022	**9,214**	**7,799**	**56,781**	**73,794**	**164,271**	**139,040**	**1,012,334**	**1,315,645**
Transfer from 12 months ECL (Stage 1)	(9,214)	(7,799)	17,013		(164,271)	(139,040)	303,311	**-**
Transfer from Lifetime ECL not credit impaired (Stage 2)	-	-	-	**-**	-	-	-	**-**
Transfer from Lifetime ECL credit impaired (Stage 3)	-	-	-	**-**	-	-	-	**-**
Net remeasurement of loss allowance	64,029	36,041	2,273,679	**2,373,749**	2,285,631	1,286,558	2,935,826	**6,508,015**
New financial assets originated or purchased	-	-	-	**-**	-	-	-	**-**
Financial assets derecognized	-	-	-	**-**	-	-	-	**-**
Reversal of provisions/Write-offs	-	-	(326,000)	**(326,000)**	-	-	(326,000)	**(326,000)**
Balance at 31 December 2022	**64,029**	**36,041**	**2,021,473**	**2,121,543**	**2,285,631**	**1,286,558**	**3,925,471**	**7,497,660**

(iii) Digital Lending (Kamilisha)

	Provisions (ECL allowance)				Exposure (Gross balance)			
2021	**12 month ECL (Stage 1)**	**Lifetime ECL not credit impaired (Stage 2)**	**Lifetime ECL credit impaired (Stage 3)**	**Total**	**12 month ECL (Stage 1)**	**Lifetime ECL not credit impaired (Stage 2)**	**Lifetime ECL credit impaired (Stage 3)**	**Total**
	TZS '000	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**
Balance at 1 January 2021	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Transfer from 12 months ECL (Stage 1)	-	-	-	**-**	-	-	-	**-**
Transfer from Lifetime ECL not credit impaired (Stage 2)	-	-	-	**-**	-	-	-	**-**
Transfer from Lifetime ECL credit impaired (Stage 3)	-	-	-	**-**	-	-	-	**-**
Net remeasurement of loss allowance	9,214	7,799	56,781	**73,794**	164,271	139,040	1,012,334	**1,315,645**
New financial assets originated or purchased	-	-	-	**-**	-	-	-	**-**
Financial assets derecognized	-	-	-	**-**	-	-	-	**-**
Reversal of provisions/Write-offs	-	-	-	**-**	-	-	-	**-**
Balance at 31 December 2021	**9,214**	**7,799**	**56,781**	**73,794**	**164,271**	**139,040**	**1,012,334**	**1,315,645**

(iv) Overdrafts

	Provisions (ECL allowance)				Exposure (Gross balance)			
2022	**12 month ECL (Stage 1)**	**Lifetime ECL not credit impaired (Stage 2)**	**Lifetime ECL credit impaired (Stage 3)**	**Total**	**12 month ECL (Stage 1)**	**Lifetime ECL not credit impaired (Stage 2)**	**Lifetime ECL credit impaired (Stage 3)**	**Total**
	TZS '000	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**
Balance at 1 January 2022	**246,766**	**1,068**	**2,368,781**	**2,616,615**	**99,587,995**	**7,118,157**	**8,439,657**	**115,145,809**
Transfer from 12 months ECL (Stage 1)	-	-	-	**-**	(5,123,184)	65,124	5,058,060	**-**
Transfer from Lifetime ECL not credit impaired (Stage 2)	-	-	-	**-**	1,193,943	(1,193,943)	-	**-**
Transfer from Lifetime ECL credit impaired (Stage 3)	-	-	-	**-**	-	-	-	**-**
Net remeasurement of loss allowance	(158,692)	4,997	3,336,095	**3,182,400**	-	-	-	**-**
New financial assets originated or purchased	14,129	-	-	**14,129**	30,283,889	-	1,575,282	**31,859,171**
Financial assets derecognized	-	-	-	**-**	-	-	-	**-**
Reversal of provisions/Write-offs	-	-	(1,836,548)	**(1,836,548)**	-	-	(3,824,212)	**(3,824,212)**
Balance at 31 December 2022	**102,203**	**6,065**	**3,868,328**	**3,976,596**	**125,942,643**	**5,989,338**	**11,248,787**	**143,180,768**

(iv) Overdrafts

	Provisions (ECL allowance)				Exposure (Gross balance)			
2021	**12 month ECL (Stage 1)**	**Lifetime ECL not credit im-paired (Stage 2)**	**Lifetime ECL credit im-paired (Stage 3)**	**Total**	**12 month ECL (Stage 1)**	**Lifetime ECL not credit im-paired (Stage 2)**	**Lifetime ECL credit impaired (Stage 3)**	**Total**
	TZS '000	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**
Balance at 1 January 2021	**291,067**	**587,712**	**1,098,969**	**1,977,748**	**77,731,825**	**12,204,397**	**7,447,444**	**97,383,666**
Transfer from 12 months ECL (Stage 1)	-	-	-	**-**	-	-	-	**-**
Transfer from Lifetime ECL not credit impaired (Stage 2)	578,60	(578,604)	-	**-**	9,638,638	(9,961,850)	323,212	**-**
Transfer from Lifetime ECL credit impaired (Stage 3)	-	-	-	**-**	-	-	-	**-**
Net remeasurement of loss allowance	(622,905)	(8,040)	1,269,812	**638,867**	12,217,532	4,875,610	669,001	**17,762,143**
New financial assets originated or purchased	-	-	-	**-**	-	-	-	**-**
Financial assets derecognized	-	-	-	**-**	-	-	-	**-**
Reversal of provisions/Write-offs	-	-	-	**-**	-	-	-	**-**
Balance at 31 December 2021	**246,766**	**1,068**	**2,368,781**	**2,616,615**	**99,587,995**	**7,118,157**	**8,439,657**	**115,145,809**

Loan commitments and financial guarantee contracts

	Provisions (ECL allowance)			Exposure (Gross balance)		
2022:	**12 month ECL (Stage 1)**	**Lifetime ECL not credit impaired (Stage 2)**	**Total**	**12 month ECL (Stage 1)**	**Lifetime ECL not credit impaired (Stage 2)**	**Total**
	TZS '000	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**
Balance at 1 January 2022	**734**	**238,927**	**239,661**	**151,669,586**	**917,492**	**152,587,078**
Transfer from 12 months ECL (Stage 1)	-	-	**-**	-	-	**-**
Transfer from Lifetime ECL not credit impaired (Stage 2)	-	-	**-**	-	-	**-**
Net remeasurement of loss allowance	-	(196,066)	**(196,066)**	(27,695,536)	(747,216)	**(28,442,752)**
New financial assets originated or purchased	-	-	**-**	-	-	**-**
Financial assets derecognised	-	-	**-**	-	-	**-**
Balance at 31 December 2022	**734**	**42,861**	**43,595**	**123,974,050**	**170,276**	**124,144,326**

Allowance charged to profit or loss during the year:

	2022	**2021**
	TZS '000	**TZS '000**
Secured term loans	19,918,725	4,348,586
Unsecured term loans	(9,659)	35,410
Digital Lending	2,373,749	73,794
Overdraft facilities	3,196,529	638,867
Gain on derecognition of asset	-	(41,763)
Total on-balance sheet charge	25,479,344	5,054,894
Off balance sheet exposures	(196,066)	239,661
As at 31 December	**25,283,278**	**5,294,555**

Loan commitments and financial guarantee contracts (Continued)

	Provisions (ECL allowance)			Exposure (gross balance)		
2021:	**12 month ECL (stage 1)**	**Lifetime ECL not credit impaired (stage 2)**	**Total**	**12 month ECL (stage 1)**	**Lifetime ECL not credit impaired (stage 2)**	**Total**
	TZS '000	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**
Balance at 1 January 2021	**338,043**	**52,169**	**390,212-**	**155,027,181**	**1,083,808**	**156,110,989**
Transfer from 12 months ECL (stage 1)	-	-	**-**	-	-	**-**
Transfer from Lifetime ECL not credit impaired (stage 2)	-	-	**-**	-	-	**-**
Net remeasurement of loss allowance	52,903	186,758	**239,661**	(2,967,383)	(166,316)	**(3,133,699)**
New financial assets originated or purchased	-	-	**-**	-	-	**-**
Financial assets derecognised	(390,212)	-	**(390,212)**	(390,212)	-	**(390,212)**
Balance at 31 December 2021	**734**	**238,927**	**239,661**	**151,669,586**	**917,492**	**152,587,078**

(b) Liquidity risk

Liquidity risk includes the risk of being unable to meet financial obligations as they fall due because of inability to liquidate assets at a reasonable price and in an appropriate timeframe.

The Bank continually assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall strategy. In addition, the Bank holds a portfolio of liquid assets as part of its liquidity risk management strategy.

The Bank's liquidity management process, as carried out within the Bank and monitored by the treasury team, includes:

- Maintaining documented liquidity risk/crisis management plans which among other things defines situations which could precipitate liquidity crisis. Examples of such situations are: unusual activities at the branches, default by one or more large borrowers, devaluation of currency in which the Bank has large exposure, large litigation claim on the Bank etc;
- Maintaining adequate liquidity at all times and for all currencies, and hence to be in a position, in the normal course of business to meet all our obligations, to repay depositors, to fulfill commitments to lend and to meet any other commitment made. This takes the form of maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Managing the concentration and profile of debt maturities
- The Bank also monitors unmatched medium-term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers and short-term funding. For this purpose, 'net liquid assets' includes cash and cash equivalents and investment-grade debt securities for which there is an active and liquid market. 'Deposits from customers and short-term funding' includes deposits from banks, customers, debt securities issued, other borrowings and commitments maturing within the next month. The Bank is required to maintain a regulatory liquid asset ratio of not less than 20%, based on management's assessment and its submission to the regulator the bank was compliant.

The table below analyses financial liabilities and assets into relevant maturity groupings based on the remaining period at 31 December 2022 and 2021 to the contractual undiscounted maturity date:

	Within 1 month	Due within 1-3 months	Due between 3-12 months	Due between 1-5 years	Due after 5 years	Total
31 December 2022	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**
LIABILITIES						
Deposits from banks	-	16,014,088	-	-	-	**16,014,088**
Deposits from customers	124,321,113	110,559,916	159,361,521	75,535,585	-	**469,778,135**
Due to group companies	16,648,672	-	-	-	-	**16,648,672**
Other liabilities	4,088,100	1,383,704	-	-	-	**5,471,804**
Long term debt	-	-	9,896,812	3,957,322	-	**13,854,134**
Lease liabilities	310,879	354,012	535,066	1,593,186	-	**2,793,143**
At 31 December 2022	**145,368,764**	**128,311,720**	**169,793,399**	**81,086,093**	**-**	**524,559,976**
Assets held for managing liquidity	**58,034,462**	**83,040,334**	**129,361,370**	**238,648,042**	**219,183,891**	**728,268,099**

31 December 2021	Within 1 month	Due within 1-3 months	Due between 3-12 months	Due between 1-5 years	Due between 1-5 years	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
LIABILITIES						
Deposits from banks	-	3,501,418	-	-	-	**3,501,418**
Deposits from customers	96,947,637	97,577,293	176,849,912	62,758,410	2,083,005	**436,216,257**
Due to group companies	9,040,168	-	-	-	-	**9,040,168**
Other liabilities	3,554,378	579,304	-	-	-	**4,133,682**
Long term debt	-	-	16,040,745	17,153,576	-	**33,194,321**
Lease liabilities	228,276	416,520	814,394	1,939,930	-	**3,399,120**
At 31 December 2021	**109, 770,459**	**101,074,535**	**1923,705,051**	**81,851,916**	**2,083,005**	**489,484,966**
Assets held for managing liquidity	**47,231,244**	**94,144,516**	**134,006,464**	**261,773,129**	**206,990,267**	**744,145,620**

In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended. The Bank would also be able to meet unexpected net cash outflows by selling securities and accessing additional funding sources such as asset-backed markets.

(iii) Off-balance sheet items

(a) Undrawn commitments, outstanding letters of credit, guarantee and indemnities
The dates of the contractual amounts of the Bank's off-balance sheet financial instruments that commit it to extend credit to customers and other facilities (Note 32) are summarised in the table below.

(b) Financial guarantees and other financial facilities
Financial guarantees (Note 32) are also included below based on the earliest contractual maturity date.

	No later than 1 year	1-5 years	Total
	TZS '000	TZS '000	TZS '000
As at 31 December 2022			
Letters of credit	34,736,444	-	34,736,444
Guarantees	18,100,336	30,519,588	48,619,924
Acceptances and undrawn balance	39,606,958	1,181,000	40,787,958
	92,443,738	**31,700,588**	**124,144,326**
As at 31 December 2022			
Letters of credit	37,290,782	-	37,290,782
Guarantees	79,721,678	1,442,325	81,164,003
Acceptances and undrawn balance	33,897,040	235,253	34,132,293
	150,909,500	**1,677,578**	**152,587,078**

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spread (not relating to changes in the obligator's/ issuer's credit standing) will affect the Bank's income or the value of its holdings of financial instruments.

The Bank is primarily exposed to interest rate, foreign exchange risk and price risk. All trading instruments are subject to market risk, the risk that the future changes in market conditions may make an instrument less valuable or more onerous. The Bank manages its use of trading instruments in response to changing market conditions. There has not been a significant change in the market risk exposures as a result of COVID-19 pandemic.

The Board of Directors has delegated responsibility for management of market risk to the Board Risk Committee. Exposure to market risk is formally managed within risk limits and policy guidelines issued by the Board, on recommendation of the Board Risk Committee. ALCO, a management committee is charged with the responsibility of ensuring implementation and monitoring of the risk management framework in line with policy guidelines. The policy guidelines and procedures in place are adequate to effectively manage these risks.

Exposure to interest rate risk

This is the risk of loss from fluctuations in the future cash flows of fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps. A summary of the Bank's interest rate gap position reflecting assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates is shown below:

31 December 2022	Within 1 month TZS '000	Due within 1-3 months TZS '000	Due between 3-12 months TZS '000	Due between 1-5 years TZS '000	Due after 5 years TZS '000	Non-interest bearing TZS '000	Total TZS '000
ASSETS							
Cash and balances with Bank of Tanzania	-	-	-	-	-	47,100,004	**47,100,004**
Loans and advances to banks	20,204,021	8,963,144	104,795	258,849	-	-	**29,530,809**
Loans and advances to customers	34,934,144	53,771,568	77,746,226	151,383,474	48,136,276	-	**365,971,688**
Government securities measured at (FVOCI)	-	-	-	-	4,066,820	-	**4,066,820**
Government securities at amortised cost	11,856,947	18,734,332	14,041,863	25,253,548	51,257,984	-	**121,144,674**
Due from group companies	1,370,188	-	-	-	-	-	**1,370,188**
Other assets	-	-	-	-	-	2,573,239	**2,573,239**
31 December 2022	**68,365,300**	**81,469,044**	**91,892,884**	**176,895,871**	**103,461,080**	**49,673,243**	**571,757,422**
LIABILITIES							
Deposits from banks	-	16,014,088	-	-	-	-	**16,014,088**
Deposits from customers	32,656,722	108,842,502	149,078,614	58,425,315	-	105,190,177	**454,193,330**
Due to group companies	16,648,672	-	-	-	-	-	**16,648,672**
Other liabilities	-	-	-	-	-	5,471,804	**5,471,804**
Lease liability	354,212	447,368	204,582	1,174,152	-	-	**2,180,314**
Long term debt	-	-	9,607,355	3,250,000	-	-	**12,857,355**
31 December 2022	**49,659,606**	**125,303,958**	**158,890,551**	**62,849,467**	**-**	**110,661,981**	**507,365,563**
Interest rate gap	**18,705,694**	**(43,834,914)**	**(66,997,667)**	**114,046,404**	**103,461,080**	**(60,988,738)**	**64,391,859**

31 December 2021	Within 1 month	Due within 1-3 months	Due between 3-12 months	Due between 1-5 years	Due after 5 years	Non-interest bearing	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
ASSETS							
Cash and balances with Bank of Tanzania	-	-	-	-	-	52,475,128	**52,475,128**
Items in the course of collection	-	-	-	-	-	116,531	**116,531**
Loans and advances to banks	36,148,521	5,000,000	-	-	-	-	**41,148,521**
Loans and advances to customers	41,613,415	59,550,278	23,448,275	95,572,107	134,704,603	-	**354,888,678**
Financial assets measured at fair value through other comprehensive income (FVOCI)	-	-	-	-	1,062,305	-	**1,062,305**
Other financial assets at amortised cost	1,979,143	18,630,061	22,704,890	32,795,270	36,739,325	-	**112,848,689**
Due from group companies	1,953,999	-	-	-	-	-	**1,953,999**
Other assets	-	-	-	-	-	1,009,273	**1,009,273**
31 December 2021	**81,695,078**	**83,180,339**	**46,153,165**	**128,367,377**	**172,506,233**	**53,600,932**	**565,503,124**
LIABILITIES							
Deposits from banks	-	3,501,418	-	-	-	-	**3,501,418**
Deposits from customers	26,959,363	110,889,776	171,907,569	55,147,988	1,693,500	78,658,230	**445,256,426**
Due to group companies	9,040,168	-	-	-	-	-	**9,040,168**
Other liabilities	-	-	-	-	-	4,133,682	**4,133,682**
Lease liabilities	187,239	287,410	721,535	1,590,107		-	**2,786,291**
Long term debt	-	-	15,071,867	16,159,079	-	-	**31,230,946**
31 December 2021	**36,186,770**	**114,678,604**	**187,700,971**	**72,897,174**	**1,693,500**	**82,791,912**	**495,948,931**
Interest rate gap	**45,508,308**	**(31,498,265)**	**(141,547,806)**	**55,470,203**	**170,812,733**	**(29,190,980)**	**69,554,193**

Sensitivity Analysis

31 December 2022	Profit or loss	Equity net of tax
100 basis points	**Increase/decrease in basis points ('000)**	**Increase/decrease in basis points ('000)**
Assets	5,220,842	3,654,589
Liabilities	(3,967,036)	(2,776,925)
Net position	**1,253,806**	**877,664**

An increase of 100 basis points in interest rates at the reporting date would have increased loss by TZS 1,253 million and equity (net of tax) by TZS 877 million and the inverse is the case for decrease in interest rates of 100 basis points. The analysis assumes that all other variables in particular foreign currency exchange rates remain constant.

31 December 2021	Profit or loss	Equity net of tax
100 basis points	**Increase/decrease in basis points ('000)**	**Increase/decrease in basis points ('000)**
Assets	5,654,495	3,958,147
Liabilities	(4,131,570)	(2,892,099)
Net position	**1,522,925**	**1,066,048**

An increase of 100 basis points in interest rates at the reporting date would have increased profit by TZS 1,523 million and equity (net of tax) by TZS 1,066 million and the inverse is the case for decrease in interest rates of 100 basis points. The analysis assumes that all other variables in particular foreign currency exchange rates remain constant.

Currency risk

The Bank is exposed to currency risk through transactions in foreign currencies. The Bank's transactional exposure gives rise to foreign currency gains and losses that are recognised in the profit or loss. In respect of monetary assets and liabilities in foreign currencies, the Bank ensures that its net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates when considered appropriate. The table below analyses the currencies which the Bank is exposed to as at 31 December 2022 and 31 December 2021.

31 December 2022	USD	GBP	EUR	Other	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
ASSETS					
Cash and balances with Bank of Tanzania	8,344,020	30,314	417,955	-	8,792,289
Loans and advances to banks	6,796,307	923,242	277,814	-	7,997,363
Amounts due from group companies	991,450	96,065	282,672		1,370,187
Loans and advances to customers	227,719,321	-	-	-	227,719,321
Other assets	75,777	-	-	-	75,777
31 December 2022	**243,926,875**	**1,049,621**	**978,441**	**-**	**245,954,937**
LIABILITIES					
Deposits from banks	-	-	-	-	-
Amounts due to group companies	16,624,201	-	-	-	16,624,201
Deposits from customers	211,447,983	852,959	930,412	-	213,231,354
Other liabilities	6,082,386	4,921	227	-	6,087,534
Long-term borrowings	9,576,370	-	-	-	9,576,370
31 December 2022	**243,730,940**	**857,880**	**930,639**	**-**	**245,519,459**
Net on statement of financial position	**195,935**	**191,741**	**47,802**	**-**	**435,478**
Net notional off balance sheet position	**87,260,904**	**-**	**2,931,784**	**1,905,383**	**92,098,071**
Overall net position – 2022	**87,456,839**	**191,741**	**2,979,586**	**1,905,383**	**92,533,549**

31 December 2021	USD	GBP	EUR	Other	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
ASSETS					
Cash and balances with Bank of Tanzania	22,927,738	141,536	651,519	188,363	23,909,156
Items in the course of collection	116,531	-	-	-	116,531
Loans and advances to banks	18,152,604	1,279,162	412,716	-	19,844,482
Amounts due from group companies	1,953,999	-	-	-	1,953,999
Loans and advances to customers	220,633,962	-	-	-	220,633,962
Other assets	64,982	170	-	374,180	439,332
31 December 2021	**263,849,816**	**1,420,868**	**1,064,235**	**562,543**	**266,897,462**
LIABILITIES					
Deposits from banks	-	-	-	-	-
Amounts due to group companies	9,040,168	-	-	-	9,040,168
Deposits from customers	175,215,750	1,291,376	1,113,166	-	177,620,292
Other liabilities	5,538,027	129,550	(73,317)	20,509	5,614,769
Long-term borrowings	28,128,458	-	-	-	28,128,458
31 December 2021	**217,922,403**	**1,420,926**	**1,039,849**	**20,509**	**220,403,687**
Net on statement of financial position	**45,927,413**	**(58)**	**24,386**	**542,034**	**46,493,775**
Net notional off-balance sheet position	**114,237,178**	**-**	**2,954,660**	**-**	**117,191,838**
Overall net position – 2021	**160,164,591**	**(58)**	**2,979,046**	**542,034**	**163,685,613**

Sensitivity Analysis

At 31 December 2022	Profit or loss Strengthening/ weakening of currency	Equity net of tax Strengthening/ weakening of currency
	TZS '000	TZS '000
USD (± 1% movement)	1,959	1,371
GBP (± 1% movement)	1,917	1,342
EUR (± 1% movement)	478	335
Net Position	**4,354**	**3,048**

A depreciation of TZS by 100 basis points in the currency rates at the reporting date would have increased loss by TZS 4.3 million and equity (net of tax) by TZS 3.0 million and an inversely would have been the case for an appreciation of TZS. The analysis assumes that all other variables in particular foreign currency exchange rates remain constant.

At 31 December 2021	Profit or loss Strengthening/ weakening of currency	Equity net of tax Strengthening/ weakening of currency
	TZS '000	TZS '000
USD (± 1% movement)	459,274	321,492
GBP (± 1% movement)	(1)	(0)
EUR (± 1% movement)	244	171
Net Position	**459,517**	**321,663**

A depreciation of TZS by 100 basis points in the currency rates at the reporting date would have decreased profit by TZS 459 million and equity (net of tax) by TZS 322 million and an inversely would have been the case for an appreciation of TZS by 100. The analysis assumes that all other variables in particular foreign currency exchange rates remain constant.

Price risk

The Bank are exposed to equity securities price risk because of investment in Tanzania Mortgage Refinance Company (TMRC) shares and investments in government securities that are measured at fair value through other comprehensive income (FVOCI). The Bank diversifies its portfolio in order to manage price risk arising from investments in equity and debt securities.

In determining the fair value of unquoted equity investment in TMRC, the Bank used a price of recent transaction of the shares of the Company. If the price of the shares would have increased/decreased by 10% the fair value of the investments would have been increased/decreased by TZS 24.8 million (2021: TZS 24.8 million).

If the price of the Government Securities that are measured at FVOCI would have increased/decreased by 10% the fair value of the investments would have been increased/decreased by TZS 8.6 million (2021: TZS 495,300).

(d) Capital management

The Bank of Tanzania sets and monitors capital requirements for the Tanzania banking industry. The Bank of Tanzania has set among other measures, the rules and ratios to monitor adequacy of a bank's capital. In implementing current capital requirements, The Bank of Tanzania requires Banks to maintain a prescribed ratio of total capital to total risk-weighted assets. The Bank's regulatory is analysed in two tiers:

- **Tier 1 capital:** This includes ordinary share capital, share premium, retained earnings, after deductions for prepaid expenses, goodwill, other intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- **Tier 2 capital:** This includes qualifying subordinated liabilities, collective impairment allowances and the element of fair value reserve relating to unrealized gains on equity instruments classified as FVOCI.

Various limits are applied to elements of the capital base such as qualifying Tier 2 capital cannot exceed Tier 1 capital and qualifying subordinated debt may not exceed 50 percent of Tier 1 capital. There are also restrictions on the amount of collective impairment allowances that may be included as part of Tier 2 capital. Tier 1 capital is also subjected to various limits such as Tier 1 capital should not be less than 10 percent of the risk weighted assets. In addition to the above requirements, the Bank of Tanzania require banks to maintain a capital conservation buffer of 2.5% over and above the regulatory capital ratios to enable the Bank to withstand stressful economic conditions. In situations where the buffer is less than 2.5%, the Bank is restricted from distributing any dividends to shareholders as well as paying bonus to senior management and other staff members. Further the Bank is required to submit a capital restoration plan to the Bank of Tanzania (BoT) within a specified period of time as determined by BoT. In the event the capital restoration plan is not approved by BoT, the Bank may be directed to raise additional capital in order to restore the capital conservation buffer.

The Bank's regulatory capital position is as illustrated below:

		2022	2021
		TZS '000	**TZS '000**
Core capital (Tier 1)			
Share capital		23,192,000	23,192,000
Share premium		18,090,228	18,090,228
Retained earnings		39,190,834	40,288,096
		80,473,062	81,570,324
Less: Prepaid expenses		(1,767,587)	(1,743,051)
Deferred tax asset		(11,331,444)	(6,898,286)
Total Core capital		**67,374,031**	**72,928,987**
Supplementary capital (Tier 2)			
Statutory reserve		4,879,194	15,820,613
Fair value reserve		335,150	253,891
		5,214,344	16,074,504
Total capital		**72,588,375**	**89,003,491**
Risk weighted assets			
On balance sheet		355,449,168	350,105,298
Off balance sheet		54,713,906	56,124,462
Capital charge on operational risk		30,141,488	48,111,594
Capital charge for market risk		2,485,731	861,975
Total risk weighted assets		**442,790,293**	**455,203,329**
Capital ratios	Minimum*	**Ratio**	**Ratio**
Core capital /Total risk weighted assets	**10%**	**15.22%**	**16.02%**
Total capital /Total risk weighted assets	**12%**	**16.39%**	**19.55%**

**The minimum as defined by Bank of Tanzania*

** The minimum as defined by Bank of Tanzania on top of which the Bank should have a buffer of 2.5% for both core and total capital.*

As at 31 December, 2022, the Bank had a capital conservation buffer of 5.22% and 4.39% for Tier 1 and Tier 2 Capital respectively.

(e) Compliance and regulatory risk

Compliance and regulatory risk include the risk of bearing the consequences of non-compliance with regulatory requirements. The compliance function is responsible for establishing and maintaining an appropriate framework of Bank compliance policies and procedures. Compliance with such policies and procedures is the responsibility of all managers.

(f) Climate related risk

'Climate-related risks' are potential negative impacts on the Bank arising from climate change. Climate-related risks have an impact on the principal risk categories discussed above (i.e., credit, liquidity, market and operational risks), but due to their pervasive nature have been identified and managed by the Bank on an overall basis.

The Bank distinguishes between physical risks and transition risks. Physical risks arise as the result of acute weather events such as hurricanes, floods and wildfires, and longer-term shifts in climate patterns, such as sustained higher temperatures, heat waves, droughts and rising sea levels. Transition risks arise as a result of measures taken to mitigate the effects of climate change and transition to a low-carbon economy – e.g., changes to laws and regulations, litigation due to failure to mitigate or adapt, and shifts in supply and demand for certain commodities, products and services due to changes in consumer behaviour and investor demand.

The Bank's risk department is responsible for developing policies, processes and controls to incorporate climate risks in the management of principal risk categories.

The Bank has identified the following climate-related risk factors as having an impact on the financial instruments and included them in its principal risk management processes.

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

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

USE OF ESTIMATES AND JUDGEMENT

Key sources of estimation uncertainty

(a) Allowance for credit losses

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 3(f) (iii) which also sets out key sensitivities of the ECL to changes in these elements

requirements for measuring ECL, such as:

Determining criteria for significant increase in credit risk;

- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/ market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

(b) Income taxes

Significant estimates are required in determining the liability for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax balances and deferred tax liability in the period in which such determination is made.

(c) Property and equipment

Property and equipment is depreciated over its useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programs are taken into account which involves extensive subjective judgment. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. The rates used are set out under accounting policy Note 3(i).

(d) Leases

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

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

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

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

To determine the incremental borrowing rate, the bank where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

(e) Financial Instruments - Classification

Critical accounting judgements made in applying the Bank's accounting policies include financial asset and liability classification. The Bank's accounting policies provide scope for assets and liabilities to be designated at inception into different accounting categories in certain circumstances.

In classifying financial assets as at amortised costs, the Bank has determined that it has both positive intention and ability to hold the assets until their maturity date as required by the bank's accounting policies.

(f) Fair valuation of financial instruments

The fair value of financial instruments traded in active markets at the financial reporting date is based on their quoted bid market price or dealer price quotations without any deductions for transaction costs. For all other financial assets not listed in an active market, the fair value is determined by using appropriate valuation techniques. \

In determining the fair value of government securities that are designated as fair value through other comprehensive income, the Bank uses yields of similar instruments traded in Bank of Tanzania's auctions. Changes in valuation assumptions could affect the reported fair value of financial instruments.

The Bank's risk department is responsible for developing policies, processes and controls to incorporate climate risks in the management of principal risk categories.

6. FAIR VALUE HEIRARCHY FOR ASSETS CARRIED AT FAIR VALUE

Accounting classifications at carrying amounts and fair values

The tables below show the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities measured at amortised cost (not measured at fair value) since the carrying amount is a reasonable approximation of fair value because they re-price in the short term.

	Carrying amounts					Fair value			
31 December 2022	**Financial assets at amortised cost**	**Financial assets at FVOCI**	**Financial assets at FVTPL**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
	TZS '000	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**
Financial assets									
Cash and balances with Bank of Tanzania	47,100,004	-	-	-	**47,100,004**	-	-	-	**-**
Loans and advances to banks	29,530,809	-	-	-	**29,530,809**	-	-	-	**-**
Loans and advances to customers	365,971,688	-	-	-	**365,971,688**	-	-	-	**-**
Due from group companies	1,370,188	-	-	-	**1,370,188**	-	-	-	**-**
Government securities measured at (FVOCI)	-	4,066,820	-	-	**4,066,820**	-	4,066,820	-	**4,066,820**
Government securities at amortised cost	121,144,674	-	-	-	**121,144,674**	-	127,379,134	-	**127,379,134**
Equity Investment		1,013,750	-	-	**1,013,750**		1,013,750		**1,013,750**
Other assets	2,573,239	-	-	-	**2,573,239**	-	-	-	**-**
31 December 2022	**567,690,602**	**5,080,570**	**-**	**-**	**572,771,172**	**-**	**132,459,704**	**-**	**132,459,704**
Financial liabilities									
Deposits from banks	-	-	-	16,014,088	**16,014,088**	-	-	-	**-**
Deposits from customers	-	-	-	454,193,330	**454,193,330**	-	-	-	**-**
Due to group companies	-	-	-	16,648,672	**16,648,672**	-	-	-	**-**
Long term borrowings	-	-	-	12,857,355	**12,857,355**	-	-	-	**-**
Lease liabilities	-	-	-	2,165,619	**2,165,619**	-	-	-	**-**
Other liabilities	-	-	-	5,471,804	**5,471,804**	-	-	-	**-**
31 December 2022	**-**	**-**	**-**	**507,350,868**	**507,350,868**	**-**	**-**	**-**	**-**

Accounting classifications at carrying amounts and fair values – continued

	Carrying amounts					Fair value			
31 December 2021	**Financial assets at amortised cost**	**Financial assets at FVOCI**	**Financial assets at FVTPL**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
	TZS '000	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**
Financial assets									
Cash and balances with Bank of Tanzania	52,475,128	-	-	-	**52,475,128**	-	-	-	**-**
Items in the course of collection	116,531	-	-	-	**116,531**	-	-	-	**-**
Loans and advances to banks	41,148,521	-	-	-	**41,148,521**	-	-	-	**-**
Loans and advances to customers	354,888,678	-	-	-	**354,888,678**	-	-	-	**-**
Due from group companies	1,953,999	-	-	-	**1,953,999**	-	-	-	**-**
Government securities measured at (FVOCI)		1,062,305	-	-	**1,062,305**	-	1,062,305	-	**1,062,305**
Government securities at amortised cost	112,848,689	-	-	-	**112,848,689**	-	117,593,783	-	**117,593,783**
Equity investment		1,013,750			**1,013,750**		1,013,750		**1,013,750**
Other Assets	1,009,273	-	-		**1,009,273**				
31 December 2021	**564,440,819**	**2,076,055**	**-**	**-**	**566,516,874**	**-**	**119,669,838**	**-**	**119,669,838**
Financial liabilities									
Deposits from banks	-	-	-	3,501,418	**3,501,418**	-	-	-	**-**
Deposits from customers	-	-	-	436,216,257	**436,216,257**	-	-	-	**-**
Due to group companies	-	-	-	9,040,168	**9,040,168**	-	-	-	**-**
Long term borrowings	-	-	-	31,230,946	**31,230,946**	-	-	-	**-**
Lease liabilities				2,678,291	**2,678,291**		-		**-**
Other liabilities	-	-	-	4,133,682	**4,133,682**	-	-	-	**-**
31 December 2021	**-**	**-**	**-**	**486,800,762**	**486,800,762**	**-**	**-**	**-**	**-**

7. INTEREST INCOME

	2022	2021
	TZS '000	**TZS '000**
Loans and advances to customers	41,260,181	40,045,710
Loans and advances to banks	1,385,742	827,805
Investment securities:-		
- At amortised cost	11,886,301	10,892,311
- At FVOCI	246,251	33,318
	54,778,475	**51,799,144**

8. INTEREST EXPENSE

Deposits from customers	20,767,569	18,011,180
Deposits from banks	631,297	295,409
Long term debt	1,259,604	1,509,377
Subordinated debt	-	253,614
Lease liabilities	283,785	342,596
	22,942,255	**20,412,176**

9. NET FEE AND COMMISSION INCOME

Fee and commission income		
Commissions	4,224,208	4,134,040
Facility fees	2,745,792	2,048,029
	6,970,000	**6,182,069**
Fees and commission expense		
Interbank transaction fees	(11,627)	(138,355)
Net fee and commission income	**6,958,373**	**6,043,714**

10. NET TRADING INCOME

Income from foreign exchange dealings	**4,306,704**	**3,174,095**

11. OTHER OPERATING INCOME

Reversal of prior years unutilized accruals	-	250,562
Other income	28,606	480,553
	28,606	**731,115**

12. DIVIDEND INCOME

Dividend income-Tanzania Mortgage Refinancing Company Limited	**15,519**	**19,761**

13. OPERATING EXPENSES

	2022	2021
	TZS '000	**TZS '000**
Staff costs		
Salaries and wages	11,049,680	10,159,747
Defined benefit contributions	1,032,293	929,984
Skills and Development Levy	434,071	361,066
Medical and Life Insurance	646,355	567,464
Staff Training and HR systems costs	117,062	78,984
Other staff costs	891,307	591,366
	14,170,768	**12,688,611**
Premises expenses		
Utilities	163,513	174,824
Service charge and other costs	424,494	216,813
Security	400,944	431,986
	988,951	**823,623**
General administrative expenses		
Deposit protection insurance contribution	601,736	543,231
Auditor's fees	152,108	125,651
Directors' emoluments	253,765	248,353
Marketing expenses	272,860	380,290
Management fees	978,587	1,153,565
Communication expenses	57,648	105,808
Repairs and Maintenance	78,521	33,552
Donations	36,000	36,000
Insurance	303,979	300,231
Subscriptions	143,996	182,295
Printing and Stationery	136,991	155,711
Network costs	1,400,912	944,499
Legal and consultancy fees	870,886	843,399
Kamilisha expenses	1,033,450	78,815
License fees	1,100,997	94,480
Provision for tax assessment	1,149,788	-
Other expenses	3,875,735	3,403,902
	12,447,959	**8,629,782**
Depreciation and Amortisation		
Depreciation on property and equipment (Note 20)	1,371,586	1,146,892
Depreciation on right of use asset (Note 21)	1,121,821	1,041,470
Amortisation of intangible assets (Note 22)	1,656,373	1,489,544
	4,149,780	**3,677,906**

14. TAXATION

(a) Income tax (credit)/expense

Current year's tax	837,183	2,904,780
Deferred tax credit -Current year (Note 23)	(4,421,350)	310,609
Income tax (credit)/expense	**(3,584,167)**	**3,215,389**

(b) Tax reconciliation

The tax on the Bank`s (loss)/profit before income tax differs from the theoretical amount using the basic tax rate as follows:

	2022	2021
	TZS '000	TZS '000
(Loss)/Profit before income tax	**(13,515,113)**	**10,241,176**
Computed tax using the applicable corporation tax rate at 30%	(4,054,534)	3,072,353
Effect on non-deductible expenses	9,497,376	1,897,014
Effect on non-taxable income	(9,027,009)	(1,753,978)
	(3,584,167)	**3,215,389**

(c) Current income tax recoverable

At 1 January	240,382	1,231,274
Income tax expense (Note 14(a))	837,183	2,904,780
Tax paid	(2,484,147)	(3,895,672)
At 31 December	**(1,406,582)**	**240,382**

15. CASH AND BALANCES WITH BANK OF TANZANIA

Cash on hand	7,010,193	6,631,175
Balances with Bank of Tanzania:		
-Restricted balances (Statutory Minimum Reserve)	25,307,950	23,810,697
-Unrestricted balances	14,781,861	22,033,256
	47,100,004	**52,475,128**

The Statutory Minimum Reserve is non-interest earning and is based on the value of deposits as adjusted for Bank of Tanzania requirement and is not available for day to day operations. As at 31 December 2022, the statutory minimum reserve ratio was 6% (2021: 6%) of eligible deposits.

16. ITEMS IN THE COURSE OF COLLECTION

Assets	**-**	**116,531**

Items in the course of collection represent net settlement balances through the inter-banking clearing process.

17. LOANS AND ADVANCES TO BANKS

	2022	2021
	TZS '000	TZS '000
Balances with other Banks	**9,433,329**	20,991,137
Placements:		
Due within 90 days	**19,733,836**	20,157,384
Due after 90 days	**363,644**	-
	29,530,809	**41,148,521**

18. LOANS AND ADVANCES TO CUSTOMERS

(a) Net Loans

Secured term loans	244,646,132	253,824,462
Unsecured term loans	4,706,013	4,676,703
Digital Lending	7,497,660	1,315,645
Overdrafts	143,180,768	115,145,809
Gross loans and advances	**400,030,573**	**374,962,619**
Less: Impairment losses on loans and advances	(34,058,885)	(20,073,941)
Net loans and advances	**365,971,688**	**354,888,678**

(b) Non-performing loans and advances

Non-performing loans and advances net of impairment losses and estimated value of securities are disclosed in Note 4(a).

	2022	2021
	TZS '000	TZS '000
Interest on impaired loans and advances which has not yet been received in cash	**13,143,372**	**13,640,297**

(c) Impairment losses on loans and advances movement

2022:	Loans and advances to Customers at amortised cost	Loan commitments and financial guarantee contracts	Total
	TZS '000	TZS '000	TZS '000
Net remeasurement of loss allowance	20,072,858	(196,066)	19,876,792
New financial assets originated or purchased	15,664	-	15,664
	20,088,522	**(196,066)**	**19,892,456**
Recoveries and impairment no longer required	-	-	-
Write-offs	5,390,822	-	5,390,822
	25,479,344	**(196,066)**	**25,283,278**

(c) Impairment losses on loans and advances movement (continued)

2021:	Loans and advances to Customers at amortised cost	Loan commitments and financial guarantee contracts	Total
	TZS '000	TZS '000	TZS '000
Net remeasurement of loss allowance	4,672,954	**239,661**	4,912,615
New financial assets originated or purchased	105,997	-	105,997
	4,778,951	**239,661**	**5,018,612**
Recoveries and impairment no longer required	(41,762)	-	(41,762)
Write-offs	317,705	-	317,705
	5,054,894	**239,661**	**5,294,555**

	2022	2021
	TZS '000	TZS '000
Balance at 1 January	20,073,941	24,736,502
Charge for the year	25,479,344	5,054,894
Write offs	(11,494,400)	(9,717,455)
Balance at 31 December	**34,058,885**	**20,073,941**

(d) Gross Loans and advances concentration by sector

	2022		2021	
	TZS '000	%	TZS '000	%
Manufacturing	85,799,604	21%	86,024,775	23%
Wholesale and retail trade	69,433,114	17%	53,486,606	14%
Building and construction	23,913,437	6%	13,543,542	4%
Agriculture	25,343,121	6%	13,945,082	4%
Real estate	84,231,406	21%	87,986,350	23%
Transport and communication	18,607,488	5%	14,469,309	4%
Business services	9,369,840	2%	8,083,888	2%
Mining and quarrying	8,031,860	2%	9,468,341	3%
Others	75,300,703	19%	87,954,726	23%
	400,030,573	**100%**	**374,962,619**	**100%**

19. INVESTMENT IN GOVERNMENT SECURITIES

(a) Government securities at amortised cost

	2022	2021
	TZS '000	TZS '000
Treasury bills (current)	22,627,954	29,909,317
Treasury bonds (current)	22,005,188	13,404,777
Treasury bonds (non-current)	76,511,532	69,534,595
	121,144,674	**112,848,689**

Treasury Bills and Bonds are debt securities issued by the Government of the United Republic of Tanzania and during the year the effective interest rate was 9.8% (2021: 9.6%).
The movement of financial assets measured at amortised cost during the year was as follows:

	2022	2021
	TZS '000	TZS '000
At 1 January	112,848,689	104,245,272
Additions	41,135,855	41,135,855
Matured securities	(38,688,154)	(38,489,500)
Interest receivable	5,848,284	5,957,062
At 31 December	**121,144,674**	**112,848,689**

(b) Government securities measured at fair value through other comprehensive income (FVOCI)

The Bank has invested in various treasury bonds that are designated at fair value through other comprehensive income. The movement in these securities is as follows:

Treasury Bonds	2022	2021
	TZS '000	**TZS '000**
At 1 January	1,062,305	-
Additions	6,321,877	1,021,144
Disposals	(3,476,256)	-
Gain in fair value	69,452	7,076
Interest receivable	89,442	34,085
At 31 December		
-Non-current	**4,066,820**	**1,062,305**

20. EQUITY INVESTMENT

Investment at fair value through other comprehensive income (FVOCI)

	2022	2022
Company name	**TZS '000**	**TZS '000**
Tanzania Mortgage Refinancing Company Limited	**1,013,750**	1,013,750

Tanzania Mortgage Refinance Company (TMRC) is a financial institution owned by banks and non-bank institutions with the sole purpose of supporting banks to do mortgage lending by refinancing banks' mortgage portfolios.

There is no quoted market price available for the shares. On adoption of IFRS 9 the investment was re-measured at fair value through other comprehensive income. Fair value was determined by observing a recent transaction in the market. As at 31 December 2022, the Bank had 625,000 shares (2021: 625,000) in TMRC. The dividend that was declared during the year amounted to TZS 15 million (2021: 19 million).

21. PROPERTY AND EQUIPMENT

2022	Leasehold improvements	Furniture, fittings, fixtures and office equipment	Computers	Motor vehicles	Right of use assets*	Capital work in progress	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Cost							
At 1 January 2022	4,094,701	7,073,775	981,929	449,128	4,758,928	250,644	17,609,105
Additions	5,408	831,009	32,780	185,033	882,272	58,137	1,994,639
Disposals	-	(66)	-	-	(495,752)	-	(495,818)
At 31 December 2022	**4,100,109**	**7,904,718**	**1,014,709**	**634,161**	**5,145,448**	**308,781**	**19,107,926**
Depreciation							
At 1 January 2022	2,958,045	3,942,350	705,276	358,081	2,563,804	-	10,527,556
Adjustment	-	-	20,205	-	-	-	20,205
Disposal	-	66	-	-	231	-	297
Charge for the year	433,895	814,003	73,274	50,414	1,121,821	-	2,493,407
At 31 December 2022	**3,391,940**	**4,756,419**	**798,755**	**408,495**	**3,685,856**	**-**	**13,041,465**
Net book value at 31 December 2022	**708,169**	**3,148,299**	**215,954**	**225,666**	**1,459,592**	**308,781**	**6,066,461**

* Right of use assets comprises of leased branch premises, residential apartments and head office.

21. PROPERTY AND EQUIPMENT (CONTINUED)

2021	Leasehold improvements	Furniture, fittings, fixtures and office equipment	Computers	Motor vehicles	Right of use assets*	Capital work in progress	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Cost							
At 1 January 2021	4,092,170	6,136,572	713,229	378,341	4,758,928	45,429	16,124,669
Additions	2,531	1,102,316	65,991	70,787	-	250,644	1,492,269
Disposals	-	(7,833)	-	-	-	-	(7,833)
Reclassification	-	(157,280)	202,709	-	-	(45,429)	-
At 31 December 2021	**4,094,701**	**7,073,775**	**981,929**	**449,128**	**4,758,928**	**250,644**	**17,609,105**
Depreciation							
At 1 January 2021	2,642,785	3,261,825	589,278	329,179	1,522,334	-	8,345,401
On disposals	-	(7,833)	-	-	-	-	(7,833)
Charge for the year	315,260	698,444	105,912	28,902	1,041,470	-	2,189,988
Reclassification	-	(10,086)	10,086	-	-	-	-
At 31 December 2021	**2,958,045**	**3,942,350**	**705,276**	**358,081**	**2,563,804**	**-**	**10,527,556**
Net book value at 31 December 2021	**1,136,656**	**3,131,425**	**276,653**	**91,047**	**2,195,124**	**250,644**	**7,081,549**

* Right of use assets comprises of leased branch premises and head office.

22. INTANGIBLE ASSETS

Intangible assets relate to software.

2022	Computer Software
Cost	**TZS '000**
At 1 January 2022	**10,045,069**
Additions	128,242
At 31 December 2022	**10,173,311**
Amortisation	
At 1 January 2022	5,405,342
Amortisation for the year	1,656,373
At 31 December 2022	**7,061,715**
Carrying amount at 31 December 2022	**3,111,596**
2021	
Cost	
At 1 January 2021	**9,492,690**
Additions	552,379
At 31 December 2021	**10,045,069**
Amortisation	
At 1 January 2021	3,915,798
Amortisation for the year	1,489,544
At 31 December 2021	**5,405,342**
Carrying amount at 31 December 2021	**4,639,727**

23. DEFERRED TAX ASSET

	Balance at 1 January	Recognized in equity	Recognized in profit or loss	Balance at 31 December
2022	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**
Equipment	(714,299)	-	231,215	(483,084)
General provisions	7,435,908	-	4,113,110	11,549,018
Financial assets measured at fair value through other comprehensive income (FVOCI)	(108,811)	11,807	-	(97,004)
Right of use of asset (IFRS 16)	285,488	-	77,025	362,513
	6,898,286	**11,807**	**4,421,350**	**11,331,443**

	Balance at 1 January	Recognized in equity	Recognized in profit or loss	Balance at 31 December
2021	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**
Equipment	(633,244)	-	(81,055)	(714,299)
General provisions	7,799,251	-	(363,343)	7,435,908
Financial assets measured at fair value through other comprehensive income (FVOCI)	(106,688)	(2,123)	-	(108,811)
Right of use of asset (IFRS 16)	151,699	-	133,789	285,488
	7,211,018	**(2,123)**	**(310,609)**	**6,898,286**

24. OTHER ASSETS

	2022	2021
	TZS '000	**TZS '000**
Prepayments	1,767,587	1,743,051
Tax advances	533,998	218,832
Balance with mobile network operators	2,053,237	683,536
Other receivables	520,002	325,737
	4,874,824	**2,971,156**

25. DEPOSITS FROM BANKS

Due within 90 Days	**16,014,088**	**3,501,418**

26. DEPOSITS FROM CUSTOMERS

Current accounts	101,698,236	77,788,444
Savings deposits	58,487,107	52,111,890
Time deposits	290,516,046	305,446,137
Others	3,491,941	869,786
	454,193,330	**436,216,257**

27. PROVISIONS

Provision for tax assessment	**1,149,788**	**-**

28. OTHER LIABILITIES

Accruals	1,699,324	1,649,300
Deferred loan administration fees	1,781,179	1,624,289
Statutory liabilities	1,019,598	788,059
Visa Settlement	2,632,048	1,717,750
Provisions for loan commitments and financial guarantee contracts*	43,595	239,661
Bankers cheques payable	315,771	311,031
Others	781,066	215,940
	8,272,581	6,546,030

*This represents impairment allowance for loan commitments and financial guarantee contracts.

29. LONG TERM BORROWINGS

	2022	2021
	TZS '000	TZS '000
Less than one year	9,607,355	15,071,867
One to five years	3,250,000	16,159,079
	12,857,355	**31,230,946**

Loan movement schedule		
At 1 January	31,230,946	44,129,025
Funds received	9,340,000	9,304,000
Payments on principal	(28,149,029)	(21,926,796)
Interest paid	(1,283,274)	(1,786,570)
Accrued Interest	1,259,604	1,762,991
Translation differences	459,108	(251,704)
At 31 December	**12,857,355**	**31,230,946**

Tanzania Mortgage Refinance Company Limited (TMRC)

The long term borrowing of TZS 3,250 million was granted in two tranches of which (i) TZS 1,800 million was granted on 12 August 2021 with an effective rate of 7.5% for tenure of 5 years and (ii) TZS 1,450 million was granted on 30th August 2021 with an effective rate of 9.0% for a tenure of 3 years. The interest on the facility is repayable on a quarterly basis and the principal at maturity. The outstanding balance as at 31 December 2022 was TZS 3.25 billion (2021: TZS 3.25 billion).

Netherlands Development Finance Company (FMO)

The second-long term borrowing of USD 15 million granted on December 2018 by FMO as a senior debt for tenor of 5 years, of which an amount of USD 10 Million was received during the month of December 2018. The interest and principal on the facility is repayable on a quarterly basis. The effective interest rate on the second-long term borrowing is 8.37% p.a. The outstanding balance as at 31 December 2022 was USD 2.5 Million (2021: USD 5 Million).

The third long term borrowing of USD 5 Million facility granted on 16th October 2020 by FMO as senior debt for a tenor of 3 years. The interest rate is 8.37% Per annum payable on quarterly basis. The outstanding balance as at 31 December 2022 was USD 1.53 Million (2021: USD 3.08 Million).

During the year, the Bank complied with all the covenants except Open Asset Exposure Ratio for which a waiver was obtained.

30. SHARE CAPITAL AND RESERVES

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Bank. All ordinary shares rank equally with regard to the Bank's residual assets.

(a) Authorized share capital

2022	Number of shares	TZS '000
Authorized - Ordinary A Class Shares		
At 31 December 2022 (par value TZS 1,000,000 each)	50,000	50,000,000
Authorized - Ordinary B Class Shares		
At 31 December 2022 (par value TZS 1,000,000 each)	**50,000**	**50,000,000**

2021	Number of shares	TZS '000
Authorized - Ordinary A Class Shares		
At 31 December 2021 (par value TZS 1,000,000 each)	**50,000**	**50,000,000**
Authorized - Ordinary B Class Shares		
At 31 December 2021 (par value TZS 1,000,000 each)	**50,000**	**50,000,000**

(b) Issued and fully paid up share capital

	Number of shares	Share Capital	Share Premium
2022		**TZS '000**	**TZS '000**
Ordinary A Class Shares			
1 January 2022 (par value TZS 1,000,000 each)	2,792	2,792,000	17,995,751
At 31 December	**2,792**	**2,792,000**	**17,995,751**
2022			
Ordinary B Class Shares			
1 January 2022 (par value TZS 1,000,000 each)	20,400	20,400,000	94,477
At 31 December	**20,400**	**20,400,000**	**94,477**
Total	**23,192**	**23,192,000**	**18,090,228**

30. SHARE CAPITAL AND RESERVES (CONTINUED)

	Number of shares	Share Capital	Share Premium
2021		**TZS '000**	**TZS '000**
Ordinary A Class Shares			
1 January 2021 (par value TZS 1,000,000 each)	2,792	2,792,000	17,995,751
At 31 December	**2,792**	**2,792,000**	**17,995,751**

	Number of shares	Share Capital	Share Premium
2021		**TZS '000**	**TZS '000**
Ordinary B Class Shares			
1 January 2021 (par value TZS 1,000,000 each)	13,410	13,410,000	94,477
Issued during the year	6,990	6,990,000	-
At 31 December	**20,400**	**20,400,000**	**94,477**
Total	**23,192**	**23,192,000**	**18,090,228**

(c) Statutory reserve

Where impairment losses required by legislation or regulations exceed those computed under International Financial Reporting Standards (IFRSs), the excess is recognised as a statutory reserve and accounted for as an appropriation of retained profits and the reverse for reductions. These reserves are not distributable. During the year the statutory reserve amounted to TZS 4.8 Billion (2021: TZS 15 Billion).

(d) Fair Value Reserve

Fair value reserve comprises of the cumulative net change in the fair value of equity securities designated at FVOCI; and the cumulative net change in fair value of debt securities at FVOCI until the assets are derecognised or reclassified.

31. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Net cash flows generated from/(used in) operating activities

		2022	2021
	Note	TZS '000	TZS '000
Cash flows from operating activities			
(Loss)/Profit before income tax		(13,515,113)	10,241,176
Adjustments for:			
Depreciation on Property & Equipment	21	1,371,586	1,148,518
Depreciation on right of use asset	21	1,121,821	1,041,470
Amortisation of intangible asset	22	1,656,373	1,489,544
Interest on lease liabilities	8	283,785	342,596
Net impairment on loans and advances		25,283,278	5,294,555
Interest on long term loans	29	1,259,604	1,762,991
Dividend income	12	(15,519)	(19,761)
Translation differences		446,655	472,519
Exchange loss on borrowings	29	459,108	(251,704)
		18,351,578	**21,521,904**
Increase/(decrease) in operating assets			
Movement in loans and advances to customers		(36,366,288)	(39,474,395)
Investment in securities		(11,300,500)	(10,679,472)
Due from group companies		583,811	(358,417)
Loans and advances to Banks		19,793,740	(7,063,200)
Cash and balances with Bank of Tanzania:			
– Statutory Minimum Reserve		(1,497,253)	(4,655,634)
Other assets		(1,903,667)	381,917
		(30,690,157)	**(61,849,201)**
Increase/(decrease) in operating liabilities			
Customer deposits		17,977,073	71,943,344
Deposits from banks		12,512,670	(3,294,486)
Balances due to group companies		7,608,504	5,552,668
Provisions		1,149,788	-
Other liabilities		1,922,617	587,574
		41,170,652	**74,789,100**
Cash inflows generated from operating activities		**28,832,073**	**34,461,803**

31. NOTES TO THE STATEMENT OF CASH FLOWS (CONTINUED)

(b) Analysis of cash and cash equivalents

		2022	2021	Change
	Note	TZS '000	TZS '000	TZS '000
Cash and balances with Bank of Tanzania - excluding SMR	15	21,792,054	28,664,431	(6,872,377)
Items in the process of collection	16	-	116,531	(116,531)
Loans and advances to Banks	17	29,167,165	20,991,136	8,176,029
		50,959,219	**49,772,098**	**1,187,121**

*Cash and balances with the Bank of Tanzania comprise cash on hand, short term money market placements and unrestricted balances with the Bank of Tanzania.

32. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS

In the ordinary course of business, the bank conduct business involving guarantees, acceptances and letters of credit. These facilities are offset by corresponding obligations of third parties. At the period end, the contingent liabilities were as follows:

	2022	2021
	TZS '000	TZS '000
Contingencies related to:		
Letters of credit	34,736,444	37,290,782
Guarantees	48,619,924	81,164,003
Acceptances and undrawn balance	40,787,958	34,132,293
	124,144,326	**152,587,078**

Guarantees are generally written by a bank to support performance by a customer to third parties. The Bank will only be required to meet these obligations in the event of the customer's default.

Letters of credit commit the Bank to make payment to third parties, on production of documents, which are subsequently reimbursed by customers.

An ***acceptance*** is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Bank expects most acceptances to be presented and reimbursement by the customer is almost immediate.

Forward contracts are arrangements to buy or sell a specified quantity of foreign currency, usually on a specified future date at an agreed rate.

The fair values of the respective currency forwards are carried on the face of the balance sheet.

33. RELATED PARTY TRANSACTIONS

In the normal course of business, the Bank enters into transactions with related parties. These transactions relate to loans and advances and deposits which are issued or received from the related parties at market interest rates. There were no provisions held towards impairment of any of the advances to related parties. Other transactions relate to remuneration to directors and key management personnel.

(a) Directors and key management personnel: Loans

	2022	2021
	TZS '000'	TZS '000'
Loans outstanding at the beginning of the year	1,742,870	2,364,200
Loans issued during the year	5,904,166	1,185,205
Loan repayments during the year	(2,714,244)	(1,806,534)
Loans outstanding at the end of the year	**4,932,793**	**1,742,870**
Interest income earned	**422,544**	**290,060**

(b) Directors and key management personnel: Deposits

Deposits at the beginning of the year	2,354,347	4,733,605
Deposits received during the year	5,570,114	5,906,142
Deposits repaid during the year	(4,649,121)	(8,285,400)
Deposits at the end of the year	**3,275,340**	**2,354,347**
Interest expense	**294,781**	**188,348**

(c) Amount due to/from related companies

I&M Bank Limited is the majority shareholder of I&M Bank (T) Limited. The amounts due from I&M Bank Limited relates to I&M (T) Limited's deposit amount with I&M Bank Limited.

Amounts due from I&M Bank Limited	**1,370,188**	**1,953,999**
Amounts due to I&M Bank Limited	**16,648,672**	**9,040,168**

(d) Management fees

Management fees paid to I&M Bank Limited	**978,587**	**1,153,565**

(e) Key management compensation

Salaries and other short-term benefits	**3,507,424**	**3,396,146**
Post-employment benefits	**517,772**	**339,615**
	4,025,196	**3,735,761**

Key management comprise of Chief Executive officer and all heads of departments.

33. RELATED PARTY TRANSACTIONS (CONTINUED)

(f) Directors' remuneration

Directors' remuneration-made up of short-term benefits

	2022	2021
	TZS '000	TZS '000
Mr.Sarit Shah	23,382	23,382
Mr.Pratul H.Shah	30,441	36,088
Mr.Shameer Patel	39,471	47,059
Mr.Michael Shirima	25,500	25,500
Mr. Thierry Hugnin	20,559	22,324
Mr. Alan Mchaki	33,118	32,735
Mr. Riyaz Takims	33,118	35,235
Emmanuel Johannes	25,853	1,765
Ambassador Amina Ali	18,794	-
Raeesha Fakira	3,529	-
Ambassador Bertha Semu- Somi	-	24,265
	253,765	**248,353**

34. CAPITAL COMMITMENTS

As at 31 December 2022, the Bank had capital commitments of TZS 2,724 million (2021: TZS 8,013 million) in respect of equipment and information technology. The expenditure committed as at the end of reporting period but not yet incurred is as follows:

Equipment	**2,724,163**	**8,013,000**

35. LEASES

See notes on financial risk management. Disclosure relating to lease commitments has been included in Note 4 (b), Liquidity risk.

	2022	2021
	TZS'000	TZS'000
Lease liabilities		
Expected to be settled within 12 months after the year end	1,141,868	1,012,544
Expected to be settled more than 12 months after the year end	1,023,751	1,665,747
	2,165,619	**2,678,291**
The total cash outflow for leases in the year was:		
Payments of principal portion of the lease liability	840,095	559,486
Interest paid on lease liabilities	308,759	342,596
	1,148,854	**902,082**

35. LEASES (CONTINUED)

(ii) Lease liability movement

	2022	2021
	TZS'000	TZS'000
Balance at 1 January	2,678,291	3,237,777
Additions	678,286	-
Interest expense	283,785	342,596
Lease payments	(1,148,854)	(902,082)
Modification of leases	(356,315)	-
Translation difference	30,426	-
Balance at 31 December	**2,165,619**	**2,678,291**

(iii) Maturity analysis

Non cancellable operating lease commitments		
Less than one year	1,006,162	1,196,184
Between one and five years	1,174,152	1,590,107
Total undiscounted lease liability	**2,180,314**	**2,786,291**

(iv) Amounts recognised in profit or loss

Interest on lease liabilities (Note 8)	283,785	342,596
Depreciation of right to use asset (Note 20)	1,121,821	1,041,469
	1,405,606	1,384,065

(v) Extensions options

Some leases of office premises contain extension options exercisable by the Bank up to one term after the end of the non-cancellable contract period. Where practicable, the Bank seeks to include extension options in new leases to provide operational flexibility. The Bank assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Bank reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

36. SUBSEQUENT EVENTS

In March 2023, the Board and Shareholders of the Bank resolved to raise additional equity capital of USD 6.05 million (equivalent to TZS 14.2 billion) to support the envisaged growth of the business of the Bank. The received funds towards share capital is pending share allotment and registration at the Business Registration and Licensing Authority to be completed by 31 May 2023.

At the date of signing the financial statements, the Directors are not aware of any other matter or circumstance arising since the end of the financial year, not otherwise dealt with in these financial statements, which significantly affect the financial position of the Bank and results of its operations.

37. ULTIMATE HOLDING COMPANY

The ultimate holding company of the Bank is I&M Group PLC which is incorporated in Kenya.

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