Strengthening Performance to Accelerate Growth

2022 GROUP ANNUAL REPORT

EXIM BANK
Innovation is life

www.eximbank.co.tz


EXIM BANK
At You

Our Purpose

To be the bank of choice - helping customers become financially better off.

ABOUT OUR THEME

The banking industry faced an unpredictable environment in 2022, with evolving regulations, geopolitical tensions, and disruptive technological advancements challenging traditional practices. Despite these challenges, our stakeholders expect us to deliver sustainable value.

The theme "Strengthening Performance to Accelerate Growth" emphasises our Group's commitment to enhancing its performance metrics and strategic initiatives to achieve sustainable growth and maximise value for its stakeholders.

FORWARD-LOOKING STATEMENTS

This Annual Report has been prepared within the reporting framework for Banks in Tanzania. The report contains certain forward-looking statements about Exim Bank Group's financial position, results, operations, and businesses. These statements and forecasts involve risk and uncertainty, as they relate to events and depend on circumstances that occur in the future. There are various factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. Consequently, all forward-looking statements have not been reviewed or reported on by the group auditors.

About this Report

REPORTING SCOPE AND BOUNDARY

The Exim Bank Group Annual Report and Financial Statements have been prepared for the period beginning January 1, 2022, to December 31, 2022, being the accounting period for the Group's operations. This report includes non-financial performance, our approach to risk management, an overview of our material risks and a summary of our governance and remuneration practices. It covers the Group's business activities during the financial year and provides perspectives on the Group's prospects. Exim Bank Group comprises four subsidiaries together with other non-financial enterprises.

INTERGRATED REPORTING CONCEPT

REPORTING FRAMEWORK

Exim Bank Group aspires to be a market leader in the way we conduct our business. This includes the way we account for our investments to our shareholders. We endeavour to be progressive, learning from other success cases. In preparing this report, we have adhered to the industry best practice and accounting frameworks for existing and prospective investors.

Our report is aligned with the parameters of the laws and guidelines governing limited liability companies, the Bank of Tanzania's (BoT) prudential guidelines, and the National Board of Accountants and Auditors (NBAA). We have also adopted some Integrated Reporting (IR) approaches to create a foundation for the full adoption of integrated reporting in the coming years.

MATERIALITY

Exim Bank recognizes the reality that we are living in an uncertain and constantly changing world. This requires that we endeavour to be conscious of our social and economic environment. As a group, we believe that having a formal process to identify our material issues helps us report on those that matter most to our business and stakeholders.

DIRECTORS RESPONSIBILITY

The Board of Directors of Exim bank acknowledges its responsibility for ensuring the integrity of this report. The Board has considered the operating context, strategy and value creation model and this report, in the Board's opinion, addresses all the issues that are material to, or could have a material effect on, the Group's ability to create value. From a governance point of view, the report is a fair assessment and accurate representation of the Group's performance in 2022.

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Contents


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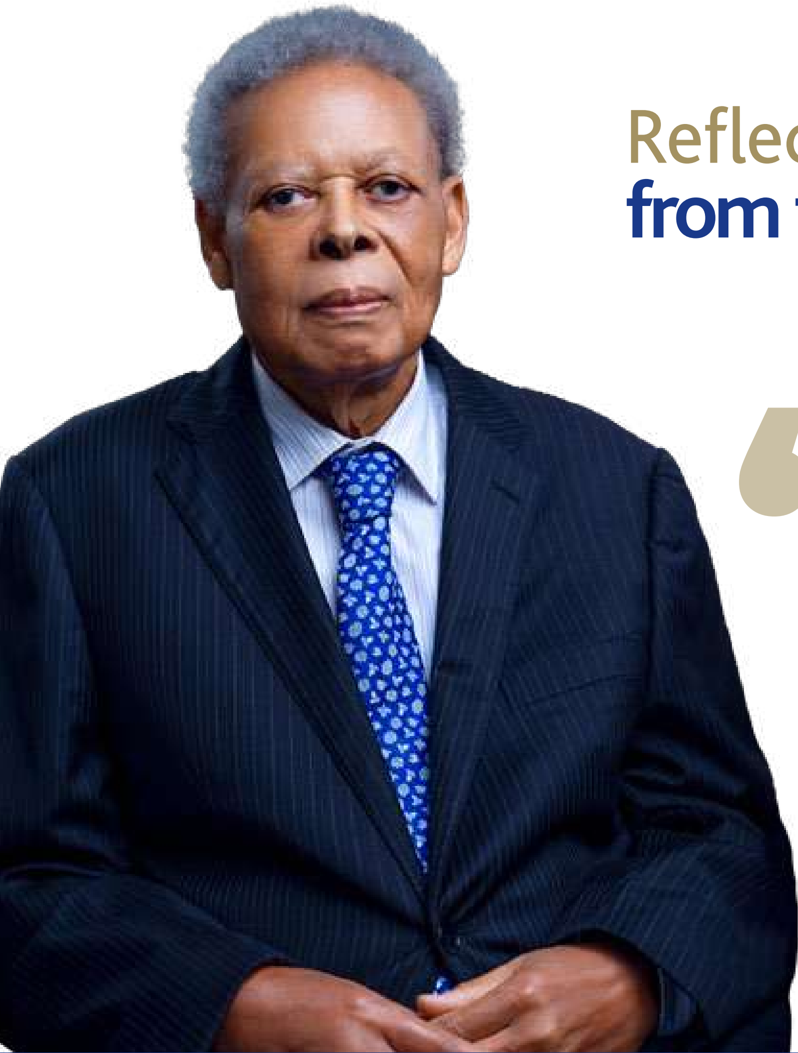
EXIM BANK

Abbreviations & Acronyms

ATI	Africa Trade Insurance
BAC	Board Audit Committee
BCC	Board Credit Committee
BM	Branch Manager
BOT	Bank of Tanzania
BRMC	Board Risk Management Committee
CIB	Corporate & Institutional Banking
CMS	Cash Management Service
CRM	Conflict Resolution Mechanism
CSR	Corporate Social Responsibility
EAC	East African Community
EIB	European Investment Bank
EWS	Early Warning Systems
EXCOM	Executive Committee
FDI	Foreign Direct Investments
FY	Financial Year
GDP	Gross Domestic Product
HR	Human Resources
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IFRS IC	IFRS Interpretations Committee
IPF	Insurance Premium Financing
ISO	International Organization for Standardization
KYC	Know Your Customer
LDR	Loan to Deposit Ratio
MNO	Mobile Network Operator
MTS	Medium-term Strategy
NBAA	National Board of Accountants and Auditors
NGO	Non-Governmental Organisation
NORFUND	Norwegian Investment Fund
NPA	Non-Performing Asset
NPL	Non-performing Loan
PASS	Private Agricultural Sector Support Trust
PAT	Profit After Tax
PBT	Profit Before Tax
PLWD	Persons Living With Disability
RAROC	Risk-Adjusted Return on Capital
REPO	Repurchase Agreement
RM	Relationship Manager
ROA	Return on Assets
ROE	Return on Equity
SAM	Special Asset Management
SDG	Sustainable Development Goal
SLA	Service Level Agreement
SME	Small and Medium Enterprise
TADB	Tanzania Agriculture Development Bank
TANAPA	Tanzania National Parks Authority
TAT	Turnaround Time
TIPS	Tanzania Instant Payment System
TRA	Tanzania Revenue Authority
TZS	Tanzania Shilling



Reflections from the Board Chairman

> Despite the challenges posed by the ongoing post-COVID impact on the global economy, supply chain disruptions caused by the Russia-Ukraine tension, rising inflation, and shifts in spending patterns, I am delighted to report that the Group has achieved remarkable financial results.

Amb. Juma V. Mwapachu, Board Chairman

Dear Shareholders,

I am pleased to present the Annual Report and Financial Statements for the year ended 31 December 2022.

Despite the challenges posed by the ongoing post-COVID impacts on the global economy, supply chain disruptions caused by the Russia-Ukraine tension, rising inflation, and shifts in spending patterns, I am delighted to report that the Group has achieved remarkable financial results.

Strong Performance

Our Group has demonstrated resilience and achieved a profit after tax of TZS 44.1 billion, representing a 65% rise from TZS 26.7 billion reported in 2021. Despite an 8% increase in the tax charge, Exim Bank Tanzania profit after tax surged by an impressive 70% to TZS 27.9 billion, compared to TZS16.5 billion reported in 2021.

Additionally, I am pleased to announce that the Group has successfully grown its balance sheet by 14.1%, reaching TZS 2.4 trillion in 2022, up from TZS 2.1 trillion in 2021. This growth reflects our commitment to expanding our operations and serving the needs of our customers effectively.

Another significant accomplishment is the improvement in our shareholders' equity to total assets ratio, which has increased from 12% in 2021 to 13% in 2022 for the Bank and from 10% to 11% for the Group as a whole. These figures highlight our dedication to strengthening our financial position and ensuring the long-term sustainability of our operations.

Key Decisions During the Year

Throughout the year, the Board diligently carried out its responsibilities, holding a total of 25 meetings, including both board committee meetings and main board sessions. I am pleased to note that all committees focused on their primary activities, and there were no extraordinary meetings, except for one involving the board's Executive committee.

During these meetings, several key decisions were made that significantly impacted our operations. Firstly, the Board approved the budget for the financial year 2023, which includes strategic plans for asset book growth, balance sheet expansion, and the resultant impact on operating profit before tax. This approval reflects our confidence in the future prospects of our Bank and Group.

Balance Sheet Growth

14.1%

Group's Total Assets

TZS **2.4** Trillion

Shareholders' equity to total assets ratio

11.0%

Money Supply (M3) Grwoth

11.6%

Private Sector Credit Growth

22.5%

Inflation Rate

5.4%

Furthermore, the Board guided management in reviewing and implementing a plan to reduce the cost-to-income ratio. By optimising operational costs, we aim to improve the Group's profitability and align our operations with regulatory requirements.

In line with best corporate governance practices, the Board also reviewed, approved, and provided guidance on the creation of crucial policies, mandates, and directives. These measures are essential to align our operations with industry best practices and to ensure the smooth functioning of the Bank and Group.

Future Outlook

Looking ahead, we are optimistic about the future of Exim Bank Group. We have outlined strategic plans to enhance profitability by leveraging our investments in customer-facing technology, improving customer experience, and introducing innovative products. Our focus on technology will not only enhance our operational efficiency but also improve productivity across the organisation.

In pursuit of process re-engineering and operational enhancement, we are implementing various strategies, including planned upgrades to our service delivery channels. Some of these initiatives have already been deployed, with the aim of reducing Turn Around Time (TAT), increasing operational efficiency, and improving reliability in our service delivery channels. By bringing our Bank closer to our customers, we aim to enhance their experience and satisfaction.

Appreciation

I would like to express my gratitude to our valued shareholders, esteemed customers, dedicated employees, and supportive stakeholders for their unwavering trust, commitment, and contribution to the success of Exim Bank Group. Together, we have overcome challenges, achieved impressive financial results, and laid a strong foundation for future growth.

Corporate Profile

01

Who We Are

We are a leading financial services provider in four countries, and Tanzania's first international bank. Since welcoming our first customers at Samora Branch, Dar es Salaam, in 1997, we have continued to grow our national and regional reach.

At Exim Bank, success is defined by how we make a difference in the lives of our customers, the communities and our shareholders. We see ourselves as an enabler of growth and a facilitator or our nation's prosperity.

We offer a full range of products and services designed to meet the needs of our consumer, business, corporate and institutional clients.

Our Core Values

- Flexibility
- Reliability
- Integrity
- Professionalism
- A drive for customer satisfaction

We are committed to remain an innovative Tanzanian Bank, offering services of International standards.

To be the bank of choice helping Customers become financially better off.

Our Story of Growth

Exim Bank believes in continuous growth and sustainable value creation. Over the years, we have harnessed our strengths and leveraged opportunities to grow our asset base, and to successfully expand our reach.

We have presence in all major towns in Tanzania including Dar es Salaam, Zanzibar, Tanga, Morogoro, Kilimanjaro, Arusha, Manyara, Mwanza, Shinyanga, Kigoma, Iringa, Mbeya and Mtwara regions in Tanzania and overseas subsidiaries in the Anjouan, Moheli and Moroni Islands of the Union of Comoros, in the Republic of Djibouti, Uganda and a representative office in Ethiopia – an international presence unmatched by other Tanzanian banks.

Our core purpose is to be the bank of choice - helping customers become financially better off. Our continued growth and success are founded on several key factors:

- A committed team that lives our shared values and works together to provide customers with the best services
- A straightforward business model anchored in diversification by business, geography, risk, and people, as well as a clear focus on our business strategy
- We embrace the future by establishing ourselves in unbanked markets where we connect our customers to wider opportunities.
- We're continuing to develop our range of products and services, to meet customer changing needs.
- We embrace new technology to improve the services we offer - our mobile banking service means customers can manage their banking needs anytime, anywhere.

Our Credibility

Pioneer Solutions in Banking

Innovation is a promise we give to our customers and clients. Over the years, we have had significant breakthrough innovations through the deployment of world class technology and customer focused products.

- We are proud to be the first bank to introduce Credit Cards with the launch of International Debit MasterCard, Visa Platinum cards, TANAPA debit cards and Visa credit cards in Comoros.
- We also pioneered Mobile ATM facility solutions and an exclusive financing scheme for women in Tanzania.

Our pioneering efforts stretch across boundaries. In 2007 our Group became the first indigenous bank to establish its foot prints overseas in the Union of Comoros. Today, we have three operational branches in the islands of Grand Comores, Anjuoan and Moheli. Inspired by this success, we have continued to spread our wings further into Djibouti to establish yet another subsidiary in March 2011, affording a strategic link to landlocked countries in the Horn of Africa. In 2016 we also expanded into Uganda with five branches, building a strong presence in the region.

We continue to build an innovative culture that supports innovation, empowering business units through leadership buy-in and advocacy.

Awards & Recognitions

Our strength makes us even more valued and valuable. Over the past decade, we have won many awards, including recognition by the National Board of Accountant and Auditors' (NBAA) for Best Presented Financials statement in the banking Sector Category and the overall winner in 2009, and 2nd Runners' up in 2021 in the same category.

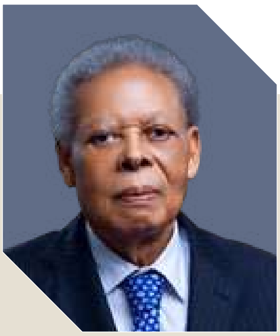
In 2013, Exim Group was named the Number One Bank in Customer Care by the 2013 KPMG Africa Banking Survey and also conferred the Best Practice Environmental Award 2013 by the Ilala Municipal Council as the best Financial Institution in environmental practice. Our learning and development program dubbed The Exim Academy, was awarded the ISO9001:2015 quality management certification, which underscored our focus on quality of service.

We have been nominated in various prestigious awards; "Sustainable Bank of the Year, 2008 Award" Financial Times/International Financial Corporation, the "Best Work Practices for Training and Development" in the East Africa CSR Awards 2011" and "Retail Bank of the Year, 2013" by African Bankers Awards.

- Exim Comoros has been continually gaining its market share since inception and is elated to have position itself as the No. 1 bank in the Country in terms of Total Assets, Deposits, Advances & Profitability etc.
- Exim Comoros became the first bank ever in the Union of Comoros to be awarded as the "Most Innovative Bank" in the country by International Finance Organization (IFO) in 2019.
- Exim Comoros emerged as "Banker of the year" for 2021 and received Banker's award from the international financial affairs publication owned by The Financial Times Ltd, London.
- Bank has opened two new branches in Comoros islands at Foumbouni and Gold loan center in the year 2018.
- Awarded Employer of the Year, Performance Management and Local Best Employer by the Association of Tanzania Empployers in December 2022

Tone at the Top

Exim Bank Tanzania



Ambassador Juma V. Mwapachu
Position: Chairman
Age: 81,
Nationality: Tanzanian

Mr. Yogesh Manek
Position: Director
Age: 68,
Nationality: Tanzanian

Mr. Hanif Jaffer
Position: Director
Age: 60,
Nationality: Tanzanian

Mr. Kalpesh Mehta
Position: Director
Age: 52,
Nationality: British

Mr. Thomas Wescott
Position: Director
Age: 71,
Nationality: American

Mr. Sherazam Mazari
Position: Director
Age: 70,
Nationality: Singaporean

Mr. Shaffin Jamal
Position: Director
Age: 53,
Nationality: Tanzanian

Ms. Irene Mlola
Position: Director
Age: 49,
Nationality: Tanzanian

Exim Bank Uganda

Mrs. Sarah N. Bagalaaliwo
Position: Chairperson
Age: 73,
Nationality: Ugandan

Mr. Alykhan Karmali
Position: Director
Age: 55,
Nationality: Ugandan

Mr. Akhilesh Jog
Position: Director
Age: 62,
Nationality: Indian

Mrs. Caroline R. Mubangizi
Position: Director
Age: 66,
Nationality: Ugandan

Mr. Henry Lugemwa Kyanjo
Position: Director
Age: 55,
Nationality: Ugandan

Mr. Edward Kanyike
Position: Director
Age: 48,
Nationality: Ugandan

Mrs. Florence Njunwoha
Position: Director
Age: 69,
Nationality: Ugandan

Mr. Washington Matsaira
Position: Director
Age: 53,
Nationality: Zimbabwean

Mr. Shaffin Jamal
Position: Director
Age: 53,
Nationality: Tanzanian

Mr. Sherazam Mazari
Position: Director
Age: 70,
Nationality: Singaporean

Mr. Yogesh Manek
Position: Director
Age: 68,
Nationality: Tanzanian

Tone
at the Top

Exim Bank Comoros

Mr. Yogesh Manek
Position: Chairman
Age: 68,
Nationality: Tanzanian

Mr. Hanif Jaffer
Position: Director
Age: 60,
Nationality: Tanzanian

Mr. Dinesh Arora
Position: Director
Age: 63,
Nationality: Indian

Mr. Lalgudi K. Ganapathiraman
Position: Director
Age: 67,
Nationality: Indian

Mr. Ahmed Mohamed Thabit
Position: Director
Age: 78,
Nationality: Comorian

Exim Bank Djibouti

Mr. Yogesh Manek
Position: Chairman
Age: 68,
Nationality: Tanzanian

Mr Sumit Shekhar
Position: Director
Age: 44,
Nationality: Indian

Mr. Dinesh Arora
Position: Director
Age: 63,
Nationality: Indian

Mr. Shaffin Jamal
Position: Director
Age: 53,
Nationality: Tanzanian

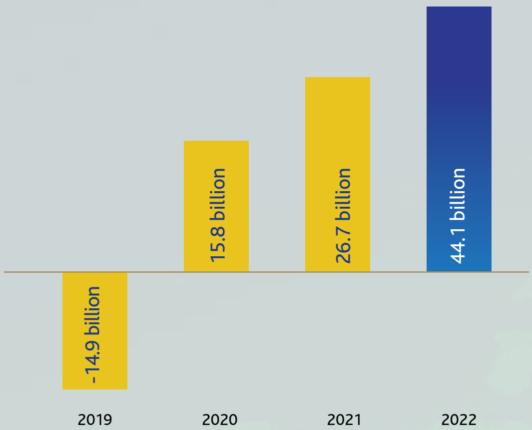
Mr. Nalinkumar Kothari
Position: Director
Age: 76,
Nationality: Comorian

Mr. Lalgudi K. Ganapathiraman
Position: Director
Age: 67,
Nationality: Indian

Perfomance
At a Glance

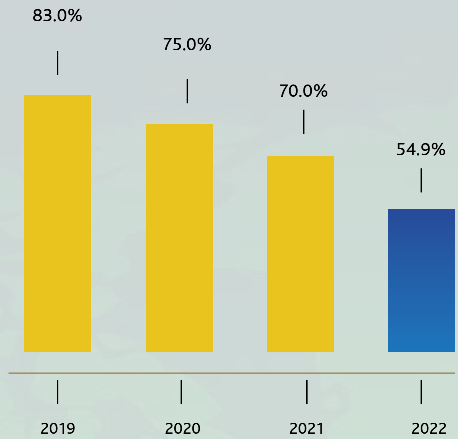
Key Ratios

Profit After Tax - (TZS)



Our Group has demonstrated resilience and achieved a profit after tax of TZS 44.1 billion, representing a 65% rise from TZS 26.7 billion reported in 2021. Despite an 8% increase in the tax charge, Exim Bank Tanzania profit after tax surged by an impressive 70% to TZS 27.9 billion, compared to TZS16.5 billion reported in 2021. *Read more on page 8*

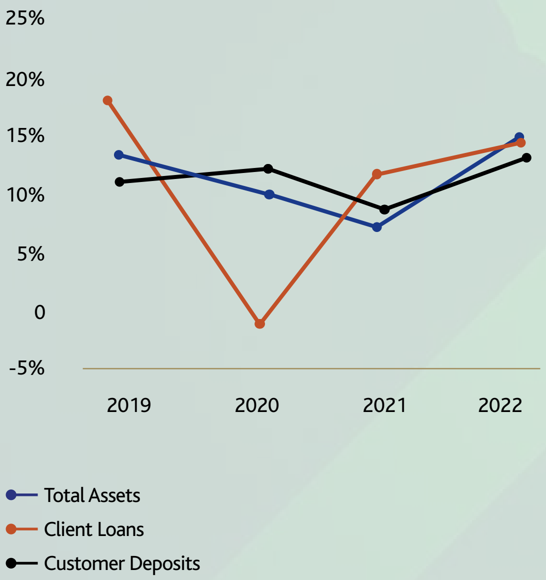
Cost-to-income Ratio



Our cost-to-income ratio improved significantly from 70.00% in 2021 to 54.9%, reflecting our sustained efforts to enhance operational efficiency.

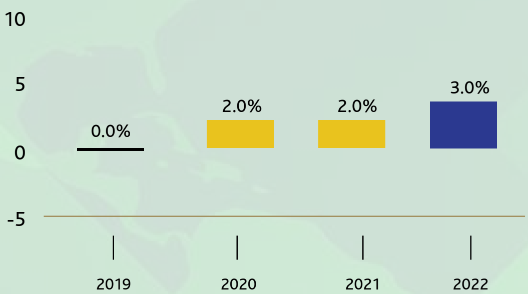
Read more on page 44-45

Balance Sheet Growth (YoY)



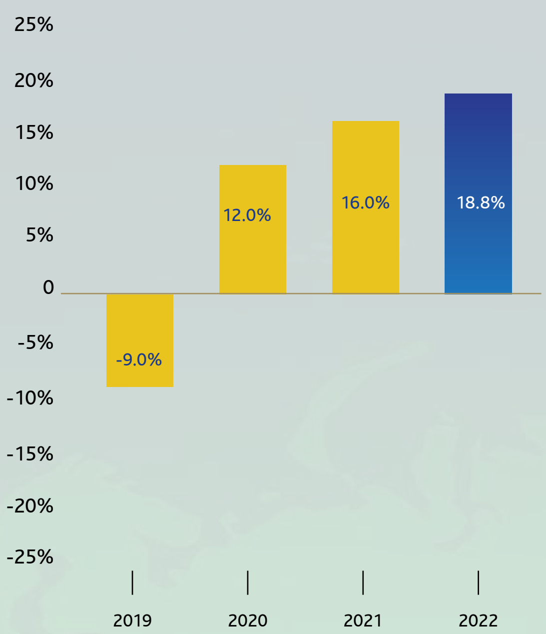
The Group has successfully grown its balance sheet by 14.1%, reaching TZS 2.4 trillion in 2022, up from TZS 2.1 trillion in 2021. This growth reflects our commitment to expanding our operations and serving the needs of our customers effectively.
Read more on page 44-45›

Return on Assets (ROA)



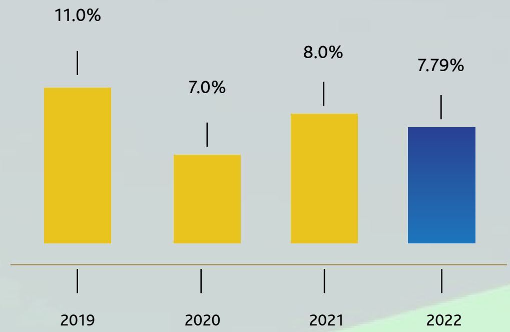
Total assets of the Group increased to TZS 2.4 trillion, driven by organic growth in the customer asset book. The Bank's total assets also grew to TZS 1.6 trillion, reflecting the expansion of other earning assets. This increase in total assets showcases our commitment to sustainable growth and financial stability.
Read more on page 20-21

Return on Equity (ROE)



Our shareholders' equity to total assets ratio, which has increased from 10.0% in 2021 to 14.7% in 2022 for the Bank, and from 16.0% to 18.8% for the Group as a whole. *Read more on page 44-45*

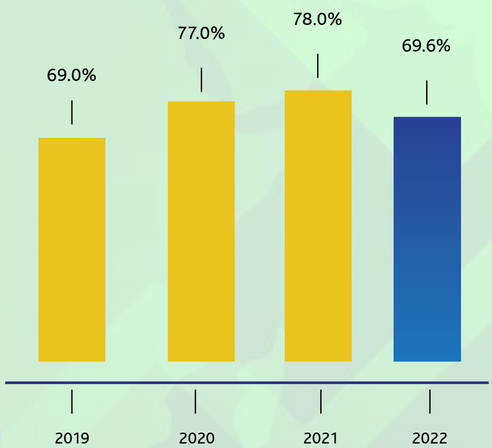
Non-Performing Assets (NPA) Ratio



The Group's Non-performing Assets (NPAs) dropped to 7.79% from 8.0% registered in 2021.

Read more on page 44-45

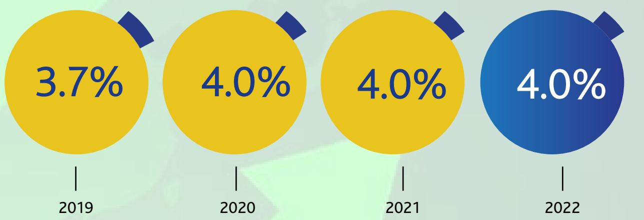
Loan-to-Deposit Ratio (LDR)



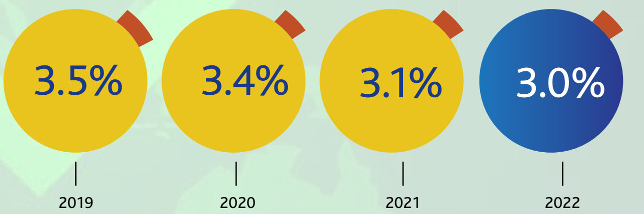
We continue to explore alternative funding sources to drive our growth in the 2022 financial year and beyond.
Read more on page 45

Market share

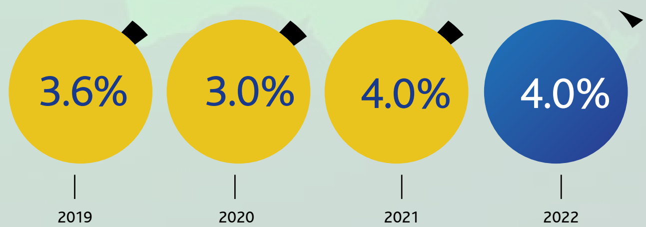
Total Assets



Client Loans



Customer Deposits



Value Creation for Stakeholders

Exim Bank defines success as how the Bank makes a difference in the lives of our customers, the communities, and our shareholders. We see ourselves as an enabler of growth and a facilitator of our nation's prosperity. During the year, we made considerable contributions to society by creating value for our stakeholders illustrated below. We operated a profitable business that guarantees value to its shareholders.

Value Added Statement

	2022		2021	
Income earned from financial services	179,632		156,771	
Cost incurred in provision of services	(42,053)		(41,563)	
Value added from financial services	**137,579**		**115,208**	
Non operating income	99,124		56,517	
Other operating expenditure	(88,230)		(52,087)	
Value - added	**148,473**		**119,638**	
Distribution of value added				
To Employees:				
Salaries and other benefits	(61,915)	42%	(53,629)	45%
To Government:				
Corporate Tax	(16,830)		(7,458)	
PAYE	(7,021)		(6,159)	
Skills & Development Levy	(1,215)		(1,109)	
Excise Duty/ Service Levy and other taxes	(15,937)		(24,371)	
VAT on services	(4,688)		(5,100)	
Total Taxes	(45,691)	31%	(44,197)	**37%**
To expansion and growth				
Depreciation, deferred tax and retained earnings	(18,750)	13%	(19,958)	17%
To Shareholders:				
Growth in shareholders value	22,117	15%	1,854	2%

Reflections from the Group CEO

> As we look ahead to 2023, we anticipate the continued recovery of businesses impacted by the Covid-19 pandemic. While geopolitical tensions in Eastern Europe may persist, we remain optimistic that any resulting challenges will not have a significant impact on our business this year.
>
> Jaffari Matundu, Chief Executive Officer

Dear stakeholders, employees, and valued customers,

I am pleased to provide you with an overview of the operating context and a comprehensive performance review of Exim Bank for the past year. Despite the challenges posed by the global supply chain disruption, inflationary pressures, and geopolitical tensions, I am proud to report that Exim Bank has achieved remarkable results and maintained a strong position in the Tanzanian banking industry.

Operating Environment Review

The global supply chain disruption resulting from the conflict in Ukraine and the residual effects of the Covid-19 pandemic has led to a surge in commodity prices, particularly food and energy. These factors have contributed to a persistent rise in domestic inflation since April 2022. Importantly, the inflation rate remains within the set target of 5.4% for the 2022/23 period, aligning with regional benchmarks.

Furthermore, the growth of private sector credit has remained strong, with an annual rate of 22.5% in December 2022. This growth reflects the ongoing recovery of economic activities from the effects of the Covid-19 pandemic, which has been supported by favourable monetary and fiscal policies.

Interest rates charged by banks on loans have remained largely stable, with an overall lending rate averaging 16% in December 2022. Negotiated lending rates were around 13% at the end of the year. The Bank of Tanzania has continued to implement monetary policies aimed at striking a balance between controlling inflation and supporting growth in response to increased inflationary pressures. These policies resulted into a moderate annual growth of money supply (M3) at 11.6% in December 2022, which is consistent with the target of 10.3% for 2022/23. The growth was mostly driven by sustained strong growth of credit to private sector. The Treasury bills and bonds market has performed satisfactorily, with successful auctions held in December 2022. Weighted average yield increased to an average of 6.11% from 5.60% in November 2022.

Performance Review

I am delighted to announce that Exim Bank has delivered outstanding performance in the face of numerous challenges. In the face of ongoing post-Covid impacts, supply chain disruptions, rising inflation, and shifting spending patterns, the Group recorded a profit after tax of TZS 44.1 billion, a significant increase from the previous year's profit of TZS 26.7 billion. Additionally, the Group grew its balance sheet by 14.1% from TZS 2.1 trillion in 2021 to TZS 2.4 trillion in 2022. Exim Bank Tanzania's balance sheet grew by 16%, reaching TZS 1.6 trillion in 2022, from TZS 1.4 trillion in 2021. This increase in total assets showcases our commitment to sustainable growth and financial stability.

Goup's PAT Growth

65.0%

Balance Sheet Growth

14.1%

Group's Total Assets

TZS **2.4** Trillion

Money Supply (M3) Grwoth

11.6%

Private Sector Credit Growth

22.5%

Inflation Rate

5.4%

The good performance has propelled our bank to the 5th position at the Group level on profit before tax within the Tanzanian banking industry. Furthermore, we hold the 7th position in terms of asset size, representing a 4% market share. This top-tier position has been consistently maintained for several years, and we believe there is ample potential to further increase our market share. Our strong performance has also solidified our position within the top-tier Group, emerging as the 7th-ranked bank in terms of profit after tax and asset size.

Future Outlook and Strategy

As we look ahead to 2023, we anticipate the continued recovery of businesses impacted by the Covid-19 pandemic. While geopolitical tensions in Eastern Europe may persist, we remain optimistic that any resulting challenges will not have a significant impact on our business this year. Nevertheless, we will closely monitor trends and take necessary precautionary measures to ensure the stability of our Group's business.

It is essential to recognise that the banking industry is undergoing a fundamental shift. We are witnessing new competition from FinTech and non-bank start-ups, which are driving a cultural shift, continuous changes in regulations and compliance, and the adoption of disruptive technologies. These factors are reshaping the competitive landscape in financial services, compelling traditional institutions like Exim Bank to rethink the way we do business.

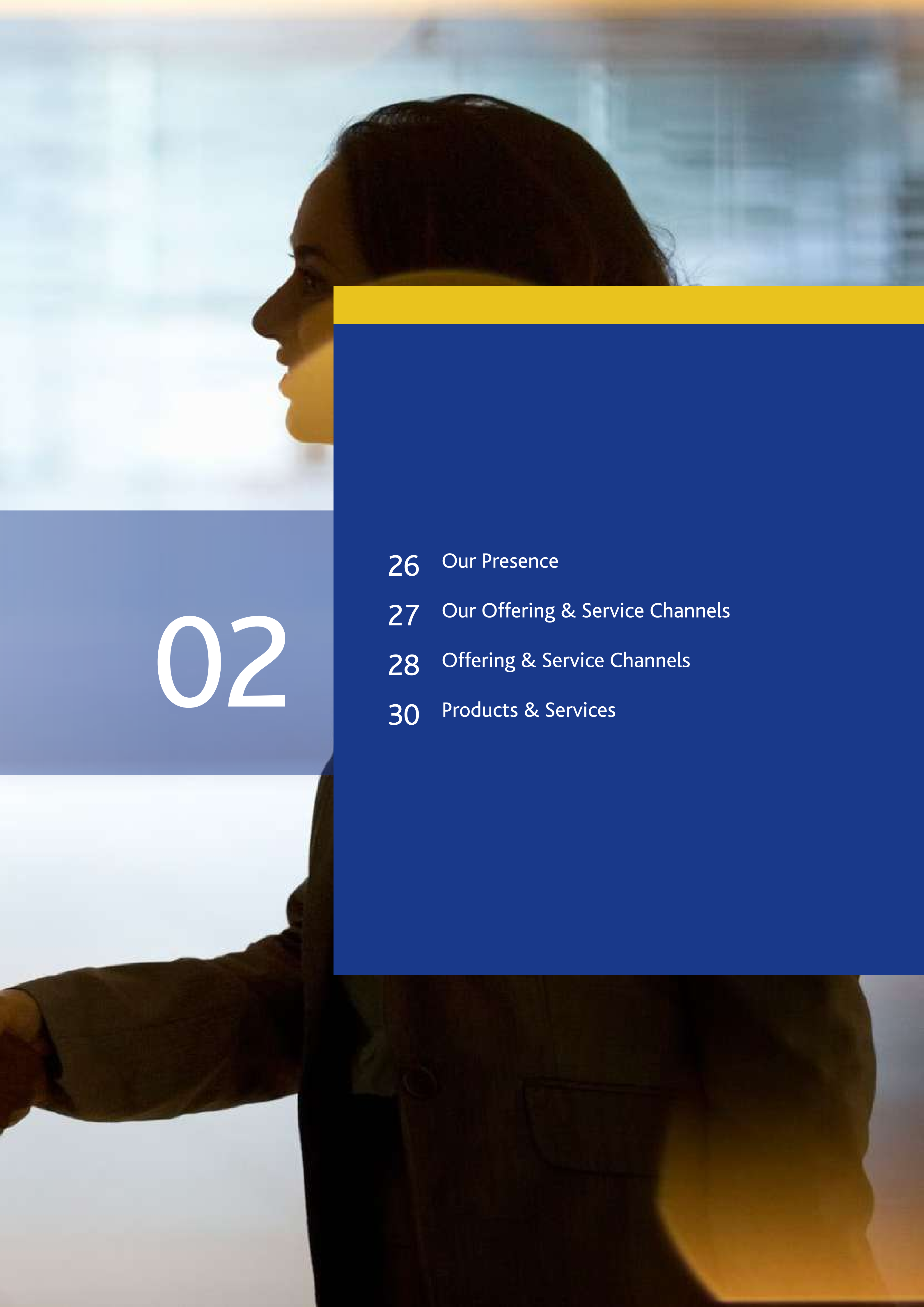
To navigate these dynamic changes successfully, Exim Bank has set ambitious goals. Our primary objective is to achieve balanced and sustainable growth by strategically optimising our balance sheet to derive favourable yields while containing costs of funds. This approach will enable us to achieve a growth trajectory similar to the one we attained between 2022 and 2021. Moreover, it will position us favourably when compared to our five-year medium-term strategy set in 2022.

Appreciation

I would like to express my gratitude to our dedicated employees, valued customers, and stakeholders for their unwavering support and trust. We are committed to delivering excellent service, driving innovation, and adapting to the evolving needs of our customers and the industry.

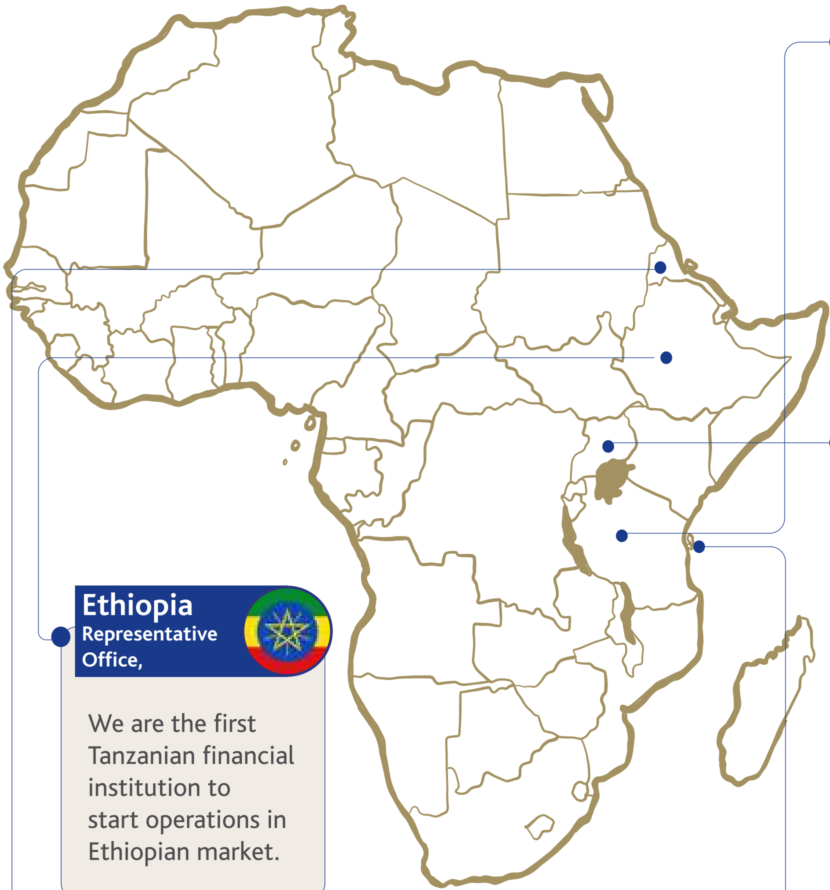
Jaffari Matundu, Chief Executive Officer

Group Overview



02

Our Presence



Exim Bank Tanzania

We are a leading financial services provider in four countries, and Tanzania's first international bank. Since welcoming our first customers at Samora Branch, Dar es Salaam, in 1997, we have continued to grow our national and regional reach.

Employees	Agents	ATMs	Branches
604	800	59	30

Exim Bank, Uganda

We ventured into Uganda in 2016 by acquiring a troubled bank and during short span of time-restored deposits, repaid central bank support and restored customers confidence. Having invested hugely in establishing & revamping policies, processes, products and technology in past few years the bank has breakeven and started yielding positive results with positive bottom-line month on month during 2021.

Employees	Agents	ATMs	Branches
129	100	8	7

Ethiopia Representative Office,

We are the first Tanzanian financial institution to start operations in Ethiopian market.

Exim Bank, Djibouti

The Bank was formed in Djibouti in October 2010. It has positioned as leading new age bank in the country rapidly scaling up to 7.5% Market Share in a very Short Span of Time. The Bank has already breakeven with consistent Profit since last 5 years.

Employees	Agents	ATMs	Branches
82	4	5	3

EXIM Bank, Comoros

The bank was set up in 2007 in the Union of Comoros and its now completed fourteen years of its operations. Since inception, the bank has been profitable and continually growing its market share in terms of the major balance sheet parameters like Deposits, Advances, Total Assets etc., besides strengthening its capital adequacy and proud to have positioned itself as No 1 bank in the Country.

Employees	Agents	ATMs	Branches
117	46	7	7

Our Partners

IFC, PROPARCO (Groupe Agence Française de Développement), Norfund, European Investment Bank, DEG - Deutsche Investitions- und Entwicklungsgesellschaft mbH, FMO Finance for Development, citibank, COMMERZBANK, Deutsche Bank, HSBC, PTA BANK

Management Team

Jaffari Matundu
Chief Executive Officer

Shani Kinswaga
Chief Financial Officer

Shrikant Ganduri
Head - Corporate and Institutional Banking

Alamin Merchant
Chief Technology & Digital Transformation

Colman Riwa
Chief Internal Auditor

Sumit Shekhar
Head – Strategic Investments & Subsidiaries Management

Frederick F. Kanga
Head - Human Resources

Andrew Lyimo
Head - Retail Banking

Zainab Nungu
Head of Credit

Tumaini Mwakafwanga
Head of Business Operations & Service Delivery

Innocent Mbelwa
Head - Risk & Compliance

Stanley M. Kafu
Head - Marketing & Communication

Priti Punatar
Head of Administration

Queen Siraki
Head of Special Assets Management

Nelson Kishanda
Head of Treasury & Global Markets

Edmund Mwasaga
Head of Legal

Our Offering & Service Channels

Personal Banking

As you journey through life, your financial needs and priorities change. But with Exim Bank on your side, you have all the help you need. We bring decades of banking expertise that will help you achieve your goals.

Our Offering

Everyday Banking

Looking after your money is vital to everyday life. So it helps to know that there are convenient ways to do exactly that.

Investments

Whether it's a fixed deposit account or a recurring deposit account, you can rely on us to keep your long-term financial goals in check.

Cards

Accepted all over the world at MasterCard and Visa-approved merchant locations, our cards are packed with advantages.

Service Channels

47 branches across our operations

Robust mobile banking servicess

VISA & Mastercard enabled cards

Business Banking

When it comes to your business, we always keep the bigger picture in sight. So, be it our business solutions or banking advice, you can rely on our wealth of expertise to steer your business forward.

Our Offering

Exim Online Banking

We provide a seamless online banking experience to give you the convenience you need to grow your business.

Trade Services

Be it bill discounting, bank guarantees, or shipment financing, our spectrum of financial solutions grows with your business to assist you at every step.

Chinese Desk

A one-stop shop with Mandarin speaking staff to ensure smooth business transactions between Tanzania and China.

Robust internet banking

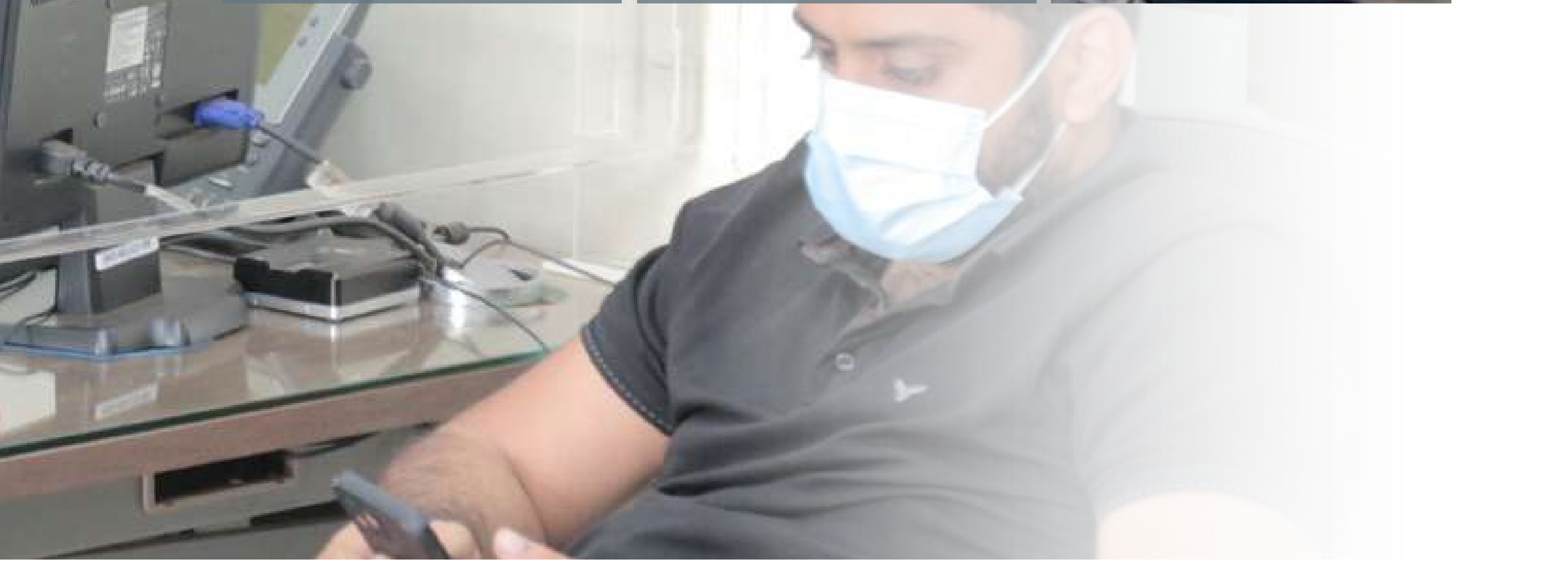
Mobile Bank Units

Agency Network

Our Products & Services

		SOLUTIONS	OUR PRODUCTS
CORPORATE & INSTITUTIONAL BANKING	We offer unique, tailor-made solutions that address the financial needs of large enterprises and institutions.	• CORPORATE CURRENT ACCOUNT • NGO CURRENT ACCOUNT • TAX BANK • SCHOOL FEES COLLECTION • CASH MANAGEMENTSOLUTION	1. TRADE FINANCE 2. BILL DISCOUNTING 3. EXPORT CREDIT 4. BANK GUARANTEES 5. LETTER OF CREDIT 6. PRE/POST SHIPMENT FINANCING 7. CHINESE DESK
RETAIL BANKING	We blend our banking expertise with an innovative, human-centric approach to provide an unrivalled banking experience for our customers.	• SALARY • WAJASIRIAMALI • FAIDA SAVINGS • MZALENDO • HABA NA HABA/HABA NA HABA+ • FIXED DEPOSIT • NYOTA JUNIOR SAVINGS	1. CARDS 2. PERSONAL LOANS 3. MORTAGE LOANS 4. ACCOUNTS 5. BANCASSURANCE 6. DIGITAL SOLUTIONS
TREASURY AND GLOBAL MARKETS	We provide top-notch capital management services that address key financial risks facing our customers.	• ADVISORY • GOVERNMENT SECURITIES • FX FOR EVERYONE	1. FORWARDS 2. SWAPS 3. FOREXIM

WHAT WE OFFER	WHO WE SERVE	
We provide wholesale banking solutions, including investment banking and corporate lending, global markets and treasury, commercial-property finance, deposit-taking, and transactional banking.	Corporates, institutions, non-governmental organizations (NGOs), and parastatals	
We have an array of transactional banking services including cards, payment solutions, lending solutions and, investment products, card-acquiring services for businesses.	Individual clients, businesses including SMEs, microenterprises, SACCOs and VICOBA	
We have unrivalled expertise in providing top-of-the-market financial services, including high-net-worth banking and wealth management. We also offer bespoke asset management and insurance solutions to our clients.	High-net-worth individuals, and other retail, business, and corporate clients.	



Driving Value Creation

03

How We Relate
With our Stakeholders

Our ability to deliver value is dependent on the relationships that we build, and the contributions and activities of our stakeholders to the Group. We believe that today, our group is well-positioned to deliver value to all our stakeholders and fulfilling a critical role in the economies of each country that we operate in. The following is the summary of our key stakeholders and snapshot of how our group is managing each of the stakeholders.

Customers

- We have established a convenient and effective contact between us and our customers.
- We offer innovative, efficient, convenient and secure banking solutions that meet the needs of our customers.
- We have created an exceptional access to financial services and financial markets, including access to information and professional counsel.
- We have safe and reliable financial services delivery options.
- We endeavor to support the financial milestones of our esteemed customers with products and services delivered through innovatively superior channels

Employees

- Our Group endeavors to be an attractive employer.
- We have invested in a workplace that promotes employee productivity, to help them achieve their potential.
- We have created a performance appraisal system that is fair and recognizes and rewards excellence.
- We encourage self-led development and offer equal opportunities for career progression.
- We have a dynamic career development mechanism to consistently boost capacity of our workforce.
- We also have effective communication channels to ensure alignment of our workforce

Investors/ Shareholders

- We strive to ensure consistent delivery of attractive and sustainable returns to shareholders' investment through optimized balance sheet.
- We continuously create an environment that fosters growth of shareholders' value. During the 2022 FY, Exim Bank Group reported total equity value of TZS 264 billion in 2022 compared to TZS 204 billion of 2021.
- We have also established a convenient and stable communication channel in line with best practices.

Regulators

- We continuously endeavor to comply with all laws and regulations in the markets that we operate.
- We employ fair and ethical engagement strategies when dealing with stakeholders.
- We are a committed tax payer and endeavor to meet our obligations to external stakeholders. During the 2022 FY, tax of TZS 16.8 billion in respect of profit generated was paid by the Group to the respective governments of the countries in which we operate.

Community

- We are committed to being a responsible citizen.
- We endeavor to support the communities by enabling access to social and environmental financing to address societal needs.
- Through our social investment activities, we have increased access to, and funding for education, health and sports related opportunities.
- We take an active role in driving financial inclusion a deepening with a view to building sustainable ecosystems.
- We have a special focus on sustainable development under the UN Sustainable Development Goals (SDGs).

Our
Value Creation Business Model

OUR SIX CAPITALS

FINANCIAL CAPITAL
Shareholder Funds › **TZS 264 Billion**

HUMAN CAPITAL
Diverse & skilled workforce › **967 Employees**

MANUFATCURED CAPITAL
Our physical & digital infrastructure › **47 branches ICT Estate**

INTELLECTUAL CAPITAL
Innovation & Creativity **30 + specialised professionals**

SOCIAL CAPITAL
High brand value and strong community relations

NATURAL CAPITAL
The environmental resources used throughout the Group's operations.

KEY DRIVERS

OUR BUSINESS ACTIVITIES, STRATEGY & OUTLOOK

CORE STRATEGY
Leverage innovation to drive competitive advantage in the markets of our operations

MARKET OUTLOOK
We have a culture of continuously working to adapt to these changes, and navigating challenges to deliver on our promise to our customers and shareholders.

- Business growth
- Efficiency
- Customer Centricity
- Learning & development

Exim Bank Group understands our success as a financial service provider, along with our ability to create long-term value for our stakeholders is predicated upon our ability to effectively manage and leverage the forms of capital available to us

OUR PRODUCTS & SERVICES

CORPORATE & INSTITUTIONAL BANKING

We offer unique, tailor-made solutions that address the financial needs of large enterprises and institutions

RETAIL BANKING

We provide top-notch capital management services that address key financial risks facing our customers.

TREASURY &GLOBAL MARKETS

We provide top-notch capital management services that address key financial risks facing our customers.

BANCASSURANCE

We have a full banquet of innovative insurance products and services that address the insurable needs of our customers

DIGITAL TRANSFORMATION

VALUE CREATED

FINANCIAL CAPITAL

ROE (18.8%), PAT (TZS 44.1 Billion), EPS (TZS 3,301)

HUMAN CAPITAL

Salaries and benefits, +VE NPS, Low attrition, Training

MANUFATCURED CAPITAL

Digital sales, service availability and uptime, digital customers

INTELLECTUAL CAPITAL

Brand Value, Robust social media engagements, Market leading innovations

SOCIAL CAPITAL

+VE client NPS, New customers, direct and indirect tax contributions, Social Investments,

NATURAL CAPITAL

Conservation initiatives, No. SDGs impacted, Green Projects supported

Our
Capital Resources

At Exim Bank, we prioritise the comprehensive management of our capital resources, recognising their crucial role in achieving sustainable growth and making a positive impact. As a service provider, we carefully allocate our financial capital to drive profitability and support our bank's mission. Our people are at the heart of our organisation, serving as the driving force behind our success. We continuously invest in talent development, training, and cultivating a supportive work culture to ensure our employees can deliver exceptional service to our customers. Furthermore, we manage our manufactured capital

Human Resources

At Exim, employee engagement is a critical driver of long-term sustainable value. Our people's thoughts and feelings about their work correlate with how satisfied our clients are and indicate how successful we are likely to be in accelerating our strategy to achieve higher growth and efficiency, while retaining the trust our stakeholders have in the group.

The group is operated by 967 employees, (2021: 940 employees), who are well diversified and skilled and the group spent TZS 199 million on training (2021: TZS 117 million).

Staff Productivity Growth

34%

Financial Capital Resources

Our financial capital constitutes a crucial component of our overall resources at Exim Bank. It encompasses the monetary assets and investments that enable us to support our operations, fulfil our commitments, and drive sustainable growth. Through careful allocation and management of our financial capital, we aim to optimise profitability, strengthen our financial position, and fulfil the needs and expectations of our stakeholders.

The group's total shareholders' equity increased by 30% from TZS 204 billion in 2021 to TZS 264 billion in 2022. Earnings per share have also increased from TZS TZS 2,024 to TZS 3,301.

Group's Shareholders' Equity Growth

30%

Manufactured Capital Resources

The group's plant property and equipment increased by 15% despite growth in profitability as a result of increased utilisation and optimisation of available tools.

Group's Plant Property & Eqiuipment Growth

15%

by implementing prudent financial strategies and making strategic investments in technology and infrastructure, aligning with the expectations of our customers. Socially, we actively engage with communities, promoting financial literacy and upholding our commitment to social responsibility. We also prioritise the preservation of our natural capital by integrating environmentally sustainable practices throughout our operations.

Staff
who are part of
professional bodies

30

Intellectual Capital Resources

Our competitive advantage is rests on our commitment to promotion of innovation and creativity from which a strategy team under head of strategy is established to oversee the group's strategic initiatives. We have over 30 staff who are members of professional bodies and more are supported by the Bank to completion of the same. We have also adopted and deployed several technologies ranging from making the most of available big data and emerging technologies which creates operational efficiencies in our entire operations. The knowledge and expertise incorporated within our systems, processes and procedures and the equity built in the Groups' brand constitute our intellectual capital.

Over the years the Bank maintained a sustained support to the general community through community projects.

Social Capital Resources

The Group has maintained its brand value mainly through maintenance of epic employee relations maintained through effective communication with employees and investors resulting to beneficial engagements with government, regulators, competitors, vendors, and tax authorities. Over the years the Bank maintained a sustained support to the general community through community projects. The Bank further maintained its membership and participated in many social forums such as NBAA (seminars, best presented financial statements awards ceremony), TIOB (different meetings and representations) and many other.

The group maintained its carbon neutral operations

Natural Capital Resources

The group maintained its carbon neutral operations which are implemented through several initiatives including volunteering to maintain different gardens in various locations including several big ones in Dar Es Salaam city centre.

Business & Sustainability

04

Our Strategy & Business Plan

We are guided by a strong value system that upholds Flexibility, Reliability, Integrity, Professionalism, and a drive for customer satisfaction to drive our mission.

OUR PURPOSE

To be the bank of choice; helping customers become financially better off

OUR VISION

Remain an innovative Tanzanian Bank offering services of International standards.

We leverage our straightforward business model, a dynamic and committed workforce, and technological capabilities to create long-term value

MEDIUM TERM

Defend and grow our market share in our markets of operation

Turnaround performance in markets that are not performing optimally

- Capital Reinvestment
- Business model
- Digital transformation

LONG TERM ADVANTAGE

- Culture transformation
- The new core banking system
- Strong brand

Improve offering for the retail segment

Improve profitability and increase shareholder value

COMPETITIVE EDGE

MEASURABLE OUTCOMES

Defend and grow our market share

- Grow income by >10% by 2023
- Increase no. of customers by 45% by 2023
- Grow deposits book by >10% by 2023
- Increase loan book by >11% by 2023

Subsidiary performance

- Strengthen subsdiary performance leveraging emerging opportunities in our markets

DRIVERS

- Business growth
- customer centricity
- Efficiency
- Learning & Innovation

Improve Offerings

- Revamp propositions
- Improve customer experience
- Establish strategic partnerships

Grow Profitability

- Sustain profitability at >10% YOY
- Deposit Growth 13%-2023
- Asset Growth 42%-2023
- NFI Growth 22%-2023

Performance Scorecard (KPIs)

Indicators	Value Drivers	KPI Units
Corporate & Institutional Banking		
Gross Loans & Advances	Business Growth	TZS (millions)
Increase in Deposits Book	Business Growth	TZS (millions)
Operating Profit	Business Growth	TZS (millions)

Retail Banking

Indicators	Value Drivers	KPI Units
Total Retail Deposits	Business Growth	TZS (millions)
Gross Loans & Advances	Business Growth	TZS (millions)
New Accounts	Business Growth	#
Operating Profit	Business Growth	TZS (millions)

Treasury & Global Markets

Indicators	Value Drivers	KPI Units
Deposits & Borrowings	Customer Centricity	TZS (millions)
Placements	Business Growth	TZS (millions)
FX Income	Business Growth	TZS (millions)
Operating Profit	Business Growth	TZS (millions)

Human Resources

Indicators	Value Drivers	KPI Units
Revenue Per Staff	Efficiency	TZS (millions)
Front vs Back of staff (structure)	Efficiency	%
Headcount (Projected)	Customer Centricity	#

NA – Not available
MBO – Management and Board Oversight
– Number

2021	2022	% Change	Outlook 2023	Strategy	Assurance Type
960,316	1,098,149	14.3.%	9.0%	GROW	MBO
680,125	630,364	-7.3%	10.0%	RECOVER & GROW	MBO
34,121	36,585	7.2%	7.2%	INCREASE	MBO

2021	2022	% Change	2023 Outlook	Strategy	Assurance Type
998,160	1,185,144	18.7%	20.0%	INCREASE	MBO
153,597	150,108	-2.2%	15.0%	RECOVER & GROW	MBO
15,152	18,644	23.0%	26,500	GROW	MBO
(1,105)	8,844	900.4%	20.0%	GROW	MBO

2021	2022	% Change	2023 Outlook	Strategy	Assurance Type
133,425	221,339	65.8%	32.9%	GROW	MBO
572,329	808,628	41.2%	45.0%	INCREASE	MBO
17,450	25,307	45.0%	30.0%	GROW	MBO
13,035	22,378	71.6%	20.0%	INCREASE	MBO

2021	2022	% Change	2023 Outlook	Strategy	Assurance Type
183	245	33.8%	40.0%	GROW	MBO
23.0%	25%	2.0%	27.0%	GROW	MBO
940	962	2.3%	962	MAINTAIN	MBO

Reflections from the Group CFO

In 2022, Exim Bank Group achieved a remarkable 65% rise in post-tax profit, reaching TZS 44.1 billion compared to TZS 26.7 billion reported in 2021. Exim Bank Tanzania's profit after tax also recorded significant growth, rising by 70% to TZS 27.9 billion from TZS 16.5 billion in 2021.

Shani Kinswaga,
Chief Financial Officer

Dear stakeholders,

I am pleased to provide you with an overview of Exim Bank's financial performance, key initiatives, liquidity position, and our outlook for the future. Despite the challenges posed by the ongoing post-Covid impacts on the global economy, disruptions in the supply chain due to Russia-Ukraine tensions, rising inflation, and shifts in spending patterns, Exim Bank Group has delivered impressive results, demonstrating our resilience and commitment to growth.

Profitability

In 2022, Exim Bank Group achieved a remarkable 65% rise in post-tax profit, reaching TZS 44.1 billion compared to TZS 26.7 billion reported in 2021. Exim Bank Tanzania's profit after tax also recorded significant growth, rising by 70% to TZS 27.9 billion from TZS 16.5 billion in 2021.

Furthermore, the Group successfully grew its balance sheet by 14.1%, reaching TZS 2.4 trillion in 2022, from TZS 2.1 trillion reported in 2021. These achievements can be attributed to the organic growth in our customer asset book and other earning assets.

Group's PAT	NPL
65%	7.79%
Group Total Assets Growth	**Customer Deposits**
14.1%	8.18%

Key Performance Indicators

Exim Bank performed well in key performance indicators throughout the year. Our cost-to-income ratio improved significantly from 70.00% in 2021 to 57.69%, reflecting our sustained efforts to enhance operational efficiency. Moreover, our non-performing assets (NPAs) decreased marginally to 7.79% in 2022 from 8.00% in 2021. This improvement highlights our commitment to strengthen credit underwriting processes and loan recovery, ensuring a healthy portfolio.

Performance indicator	Definition and calculation method	Group		Bank	
		2022	2021	2022	2021
Return on equity	Net profit/Average total equity for past two years	18.82%	16.00%	14.68%	10.00%
Return on assets	Profit Before Tax/ Average total assets for past two years	3.02%	2.00%	2.95%	2.00%
Cost to income ratio	(Operating expenses excluding Provisions)/ (Net interest income + non-interest income)	57.69%	70.00%	54.93%	70.00%
Gross loans to total deposits	Total gross loans/Total deposits	69.63%	78.00%	79.01%	78.00%
Non-performing loans to gross loans	Gross Non-performing loans/Total Gross Loans	7.79%	8.00%	8.64%	7.00%
Earning assets to total assets	Total Earning assets/ Total assets	75.92%	80.00%	78.53%	86.00%
Growth on total assets	Trend (Current year total assets-previous year total assets)/ Previous year total assets	14.10%	7.00%	16.18%	5.00%
Growth on loans and advances to customers	Trend (Current year loans and advances to customers -previous year loans and advances to customers)/Previous year loans and advances to customers	12.06%	2.00%	14.67%	-5.00%
Growth on customer deposits	Trend (Current year customer deposits -previous year customer deposits)/Previous year customer deposits	8.18%	16.00%	16.72%	16.00%
Growth on total shareholders' funds	Trend (Current year total shareholders' funds -previous year total shareholders' funds)/ Previous year total shareholders' funds	29.64%	14.00%	23.21%	10.00%
Capacity adequacy:					
Tier I Capital	Core Capital/Risk weighted average assets including off-balance sheet items	12.88%	11.50%	15.11%	12.99%
Tier I + Tier II Capital	Total Capital/Risk weighted average assets including off-balance sheet items	14.36%	13.00%	16.99%	14.53%

Key Initiatives

During the year, we implemented several key initiatives to drive our growth and operational excellence. We re-engineered our operating model and aligned branch operations to meet service demands, increase productivity, and enhance controls. We maintained our focus on innovation and transformation culture programs to align our workforce and achieve targeted milestones.

Learning, development, and capacity building remained a priority, both socially and professionally. We also prioritised the promotion of innovative, convenient, and effective service delivery channels. Furthermore, we made material improvements to our infrastructure and working tools to simplify processes, enhance service level agreements (SLAs), and improve turnaround times (TATs).

Liquidity

Exim Bank's main sources of liquidity are deposits, shareholders' funds, and borrowings. We have consistently maintained liquidity ratios well above regulatory requirements, and we have implemented deliberate strategies to optimise our balance sheet and achieve a balanced maturity profile between assets and liabilities.

Looking Ahead

Moving forward, our focus is to achieve further growth in profit after tax through strategic expansion of our asset book and mobilisation of low-cost funds. We will continue to optimise operating costs through process re-engineering and operational enhancements across the Group. Our objective is to strengthen revenue growth while maintaining a prudent approach to risk management.

Appreciation

I would like to express my gratitude to our dedicated employees, esteemed shareholders, and valued customers for their unwavering support. Despite the challenging environment, Exim Bank has demonstrated resilience, profitability, and a commitment to delivering exceptional financial performance. We remain confident in our ability to navigate the evolving landscape and drive sustainable growth for the benefit of all stakeholders.

Shani Kinswaga
Chief Financial Officer

Strategic Investments & Subsidiaries Management

Leveraging our Dynamic Business Model to Spur Growth in our Markets

Sumit Shekhar,
Head – Strategic Investments & Subsidiaries Management

In the wake of the challenges that prevailed in the 2022, Exim Bank Group performed relatively well, braving the headwinds associated with the geopolitical challenges and inflationary pressures. Our subsidiaries contributed positively to our overall income, demonstrating the Group's resilience, thanks to our dynamic business model.

Our Assessment of the Operating Environment

Comoros

During the 2022 financial year, Comoros faced various challenges, including economic instability, limited infrastructure, and a heavy reliance on agriculture. Despite these obstacles, Exim Bank Comoros managed to register growth in key indicators. The bank focused on expanding its branch network and enhancing its digital banking services to improve accessibility for customers. It also implemented targeted lending programs to support agricultural development and small businesses, fostering economic growth and financial inclusion. Through prudent risk management and effective credit assessment, Exim Bank maintained a healthy loan portfolio while ensuring adequate provisioning. Additionally, the bank actively engaged with the local community, promoting financial literacy and supporting social initiatives. These efforts, combined with a customer-centric approach, helped Exim Bank in Comoros navigate the challenges and achieve growth in key indicators, contributing to the development of the country's financial sector.

Djibouti

In Djibouti, the operating environment in the 2022 financial year was marked by strong economic growth and infrastructure development. Exim Bank capitalised on these favourable conditions to drive growth in key indicators. The bank strategically expanded its loan portfolio, focusing on financing infrastructure projects and supporting key sectors such as logistics and trade. It leveraged its expertise in trade finance to facilitate international transactions, contributing to Djibouti's position as a regional trade hub. Exim Bank also invested in technology and digital banking solutions to enhance customer experience and increase operational efficiency. By providing tailored financial solutions and efficient services, the bank attracted new customers and retained existing ones. Through effective risk management practices and proactive monitoring, Exim Bank in Djibouti maintained a strong financial position and achieved growth in key indicators, solidifying its presence in the country's banking sector.

Uganda

The operating environment in Uganda during the 2022 financial year presented a mix of opportunities and challenges. Despite a slowdown in economic growth due to the impact of the COVID-19 pandemic, Exim Bank in Uganda successfully navigated these challenges and registered growth in key indicators.The bank adopted a resilient approach by diversifying its loan portfolio, supporting sectors such as agriculture, manufacturing, and infrastructure development. It also implemented innovative digital banking solutions to enhance customer convenience and accessibility. Exim Bank actively collaborated with government initiatives and development programs, including those promoting financial inclusion and SME development.

Through proactive risk management and stringent credit assessment, the bank maintained a healthy loan portfolio and managed asset quality effectively. Furthermore, the subsidiary focused on building strong customer relationships through personalised services and continuous engagement. These efforts enabled the bank to navigate the challenging operating environment and achieve growth in key indicators, contributing to the sustainable development of Uganda's financial sector.

Looking Ahead

Exim Bank Group is committed to further strengthening and expanding its subsidiary operations to capitalise on emerging opportunities and address evolving challenges. We recognise the importance of agility and adaptability in navigating the dynamic business environment.

Going into 2023 we will leverage our subsidiary operations to drive growth, enhance customer experience, and deliver innovative financial solutions. Exim Bank will continue to prioritise investment in digital transformation, fostering a seamless and convenient banking experience for customers across its subsidiary operations. In addition, we will explore strategic partnerships and collaborations to broaden our reach and diversify offerings.

> We adopted a resilient approach by diversifying our loan portfolio, supporting sectors such as agriculture, manufacturing, and infrastructure development.

				TZS Millions
Financial Summary	Tanzania	Comoro	Djibouti	Uganda
2022				
Interest and similar income	105,750	12,430	26,409	21,662
Interest expense and similar charges	(37,482)	(377)	(1,851)	(4,178)
Net interest income	68,268	12,053	24,558	17,484
Expected credit loss	(27,417)	(2,095)	(578)	(2,225)
Net interest income after loan impairment charge	40,851	9,958	23,980	15,259
Other external operating income	89,744	14,054	7,360	6,651
Intra-group management fees	-			
Total external operating income	89,744	14,054	7,360	6,651
Non- current assets	**710,973**	**32,263**	**23,960**	**83,165**
Interest and similar income	105,750	12,430	26,409	21,662

Exim
Cares

Transforming Lives Through our Actions

Stanley M. Kafu
Head - Marketing and Communication

Exim Cares, the bank's dedicated social responsibility arm, continues to stand as a pillar of strength in its commitment to the "Exim at work today, for tomorrow" ethos. Throughout 2022, Exim Cares demonstrated its resilience by spearheading a range of impactful initiatives, each aligned with its core focus areas.

With an unwavering belief that today's actions shape tomorrow's outcomes, Exim Cares concentrates on several vital spheres, including environment, health, education, financial literacy, and emergency relief donations. These focus areas serve as guiding principles for the arm's activities, emphasizing the bank's dedication to holistic and sustainable community betterment. Through its diverse focus areas, Exim Cares ensures that its initiatives are not only impactful but also sustainable, embodying the bank's overarching commitment to building a brighter future for all. By remaining steadfast in its mission, Exim Cares solidifies its position as a vital catalyst for positive change within the communities it serves.

Exim Cares

During the 2022 FY, Exim Group we strengthened our Exim Cares division, which serves as a catalyst for Eximites and associated partners to drive meaningful change in society. Going beyond financial donations, Exim Cares aims to address important social issues and aligns with our commitment to working for a better tomorrow. To enable staff engagement, each department was given a budget to select and support causes of their choice, resulting in impactful charitable activities.

Supporting Healthcare

As part of our healthcare commitment, Exim Bank played a proactive role in backing multiple blood donation campaigns in Dar es Salaam, Dodoma, and Zanzibar. These endeavors were directed towards gathering vital blood supplies for urgent scenarios and supporting people dealing with medical conditions like leukemia and bleeding disorders, along with those undergoing significant surgeries. Through active involvement in these initiatives, the bank firmly demonstrated its dedication to preserving lives and enhancing the overall health of the community

Supporting Education

Acknowledging the significance of education in the advancement of our nation, through Exim Cares, Exim Bank contributed 1,100 desks to primary schools nationwide in the year 2022. This endeavor harmonizes seamlessly with the vision of the Government of the United Republic of Tanzania to revolutionize education within the nation. The desks were donated to schools in various regions including Dodoma, Lindi, Mtwara, Mbeya, Tanga, Mwanza, Shinyanga, and Tabora, thereby supporting students in their quest for knowledge.

Support for Young Scientists

To cultivate innovation and the advancement of science in Tanzania, Exim Bank supported the Young Scientists of Tanzania Organization via a dedicated sponsorship initiative. Our objective has been to catalyze scientific progress within the nation through providing resources and sponsorships. This backing underscore our dedication to nurturing emerging talent and enabling them to actively contribute to the country's overall development.

Environmental Initiatives

Exim Bank remained committed to its go-green endeavors, enthusiastically championing the cause of environmental preservation, and spreading awareness throughout the community. These actions perfectly match our strong commitment to sustainability and our duty to safeguard the environment for the benefit of generations to come. For additional information about our environmental projects, please see Note 10 in the Directors' Report.

Other Donations

In addition to our focused pillars, Exim Bank made several donations to support various causes. These included sponsoring the CEO Golf event in Zanzibar and participating in marathons in Dar es Salaam, Mtwara, and Shinyanga. These contributions demonstrate our commitment to community engagement and supporting initiatives that promote health, well-being, and social development.

Sustainability **Perspective**

Embedding Sustainability in our Operational Processes

We actively engage with all corners of the community by nurturing an eco-friendly culture of sustainability. Our focus is on minimizing the adverse impact of our business activities while harnessing our energies for positive change.

The Exim Bank Group is firmly dedicated to advancing sustainable development throughout its operations. The bank consistently allocates resources to enhance its capabilities for driving environmental and social sustainability, recognizing these as integral to its long-term viability.

Central to the Group's overarching strategy is the acknowledgment of the significance of environmental, social, and governance principles in its growth trajectory. This has led to a prioritization of initiatives that foster both environmental and social sustainability. The Group actively finances projects and enterprises that exhibit a clear commitment to responsible management of social and environmental resources. To uphold the highest standards, we adhere to international best practices, including the IFC Performance Standards, as well as ratified international treaties and conventions within the markets we operate.

Our vision entails not only being a regional advocate for sustainability but also actively championing climate action. Our social investment strategy is geared towards empowering communities and enabling transformative social change.

Mindful management of our investments is a cornerstone of our approach. The Exim Bank Group has established a comprehensive policy to guide the financing of projects with potential environmental impact, ensuring that their social and environmental consequences are managed responsibly. Rigorous environmental and Social Impact Assessments (ESIA) are independently conducted, aligned with the environmental laws prevailing in the markets where we operate.

Gender Equality

Our Group has various initiatives for gender consideration and empowerment. Over the past two years, we have continued to adopt gender mainstreaming through a comprehensive policy. We are working towards achieving gender parity in our employment, by providing equal opportunities for all genders. The Group is proud to be an equal opportunity employer – 937 employees, out of which 488 are female and 559 are male.

Conflict Resolution

Our experience operating in different markets has provided us with insights on how to deal with social conflicts. We have developed a Conflict Resolution Mechanism (CRM) that ensures smooth handling of conflicts in line with our long-term ambition to build partnerships that last. We continue to improve complaints register and case management systems to maximize transparency and accessibility of complaints from vulnerable communities and project's affected parties.

Environmental Stewardship

EXIM Bank Group is an ambassador of the environment and has a strong environmental and social management system. We are committed to supporting environmental conservation and climate change action through Corporate Social Investment (CSI) initiatives that are consistent with the Sustainable Development Goals (SGDs).

Business Continuity

Exim Bank Group has robust Business Continuity Management (BCMs) structures that ensure the enterprise keeps going under any circumstances. Our BCM strategy anticipates and addresses various potential incidents including, but not limited, to supply chain failure, utility outage, and cyber incidents.

Health Cover

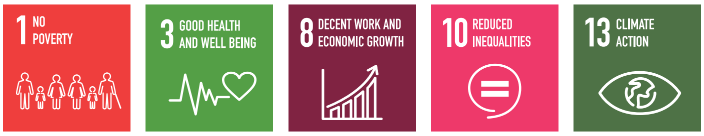
The Group provides good health and life insurance to staff, their dependents, and the public. We also take care of all matters related to human health information, including wellness programs such as cancer, pandemics, HIV, and promoting active lifestyles.

Our efforts to protect our customers and vulnerable communities from the adverse impact of climate change are demonstrated through various such as financing food security, access to clean and safe water, and WASH programs. We also conduct awareness campaigns to sensitize staff and the community on sustainable activities.

Financial inclusion

Exim understands the value of driving inclusion and is committed to furthering efforts to enhance access to financial services in its markets of operation. The Bank embraces a broad definition of financial inclusion, seeking to improve access and ensure quality and actual usage of financial products and services, including credit, insurance, payments, remittances, and savings. At Exim Bank, we're focused on making sure technology transforms financial services in a way that works for everyone.

SDGs IMPACTED:



Performance Against Strategy

05

Corporate & Institutional Banking

Supporting Our Clients Navigate the Shifting Business Landscape

Shrikant Ganduri
Head of Corporate and Institutional Banking

Customer loan book growth
TZS **671** Billion

YoY Customer loan book Increase
17%

Corporate deposits growth
TZS **353** Billion

Non-Interest Income growth
TZS **4.1** Billion

Anticipated growth on current deposits
TZS **15** Billion

2022 has proved to be a good year for the bank, even though it would have been a better year if the global food and energy prices would have not gone up. As the world opened up even furthermore after the pandemic, there has also been an increase in demand of finished goods in the region and demand of raw material from the region.

These demands and supplies led to increased activities of the Tanzanian ports, specifically in Dar es Salaam, Tanga and Mtwara. The Tanzanian ports not only services its people but the port is very essential to the neighboring i.e., Uganda, Rwanda, Burundi, Congo (eastern DRC), Zambia and Malawi. The sector which has mostly benefited from these activities is Transport and Logistics, 2022 has seen a massive demand of transportation, specifically road transport (trucks). Due to this demand our transportation loan portfolio significantly increased.

Due to the Covid impact, the country decided to invest heavily in Healthcare that is by renovating and replacing equipment of the big hospitals and increasing the scope of services in the smaller hospitals which are closer to the villages. This will reduce the fatality rate caused by distance as most of the hospitals are located in the town areas and not the rural areas. The government allocated a significant in healthcare and we are proud Exim Bank was able to partner with various stakeholders to facilitate and finance these transactions.

The Russian-Ukraine war has had severe impact in the world but mostly Europe as they heavily depended on exports from both Russia and Ukraine, especially in

Energy. This led to a shift of source and thus the significant increase in the demand for the Tanzanian Coal. The demand also increased unexpected activities in the southern corridor and the Mtwara port, an area which is usually busy only during the cashew-nut season.

Business Growth:

2022 has also seen Exim Bank increase their agriculture book through the Collateral Management product which we started in 2021 and we expect to grow the book further in 2023 as 70% of the country's exports are agricultural commodities. Apart from Agricultural products, due to the global situation which has impacted pricing, the existing trade lines of most Oil Marketing Companies have not been enough which necessitates incremental lines through collateral management.

Trade Finance has also been an area the bank has improved in 2022, mainly due to increased government projects and the market moving from traditional lending to structured finance, as this provides more visibility of the what the bank finances and reduced pricing with self-financing facilities.
Our cash management unit has also been increasing business by emphasis in reducing the Branches traffic and bringing the banking services to the clients' offices, improving efficiency of clients' banking activities.

Looking ahead

Exim Bank is poised to continue its growth trajectory by leveraging strategic opportunities and focusing on customer-centric initiatives. Digitalization and automation of the bank's procedures together with our customers' banking experience is our focus going forward, Exim has significantly invested in this transformation to increase its efficiently and improve its customers' experience. We have managed to integrate with the Tanzania mainland's payment gateway and recently the with the Zanzibari government too, this will support the government's collections and provide an opportunity to extend our relationship with the two governments. Exim has managed to also integrate with 3 big mobile network operators, these strategic partnerships are expected to expand our customer base and transaction volumes. We will also continue monitoring the loan book, exploring Bancassurance products, and enhancing our expertise in commodity/warehousing financing, and increase our product range in trade finance. We believe that we are well positioned to deliver sustained value to our clients in the coming year.

Retail Banking

Elevating Customer Experience as a Strategy for Growth

Andrew Lymo
Head - Retail Banking

The 2022 financial year was marked by a myriad of challenges among them high inflation rates, dollar shortage and a resurgence of COVID-19 in some countries. To a great extent, these factors adversely affected some of our retail customers especially SMEs engaged in imports and exports. Our priority during the year was to ensure sufficient liquidity to serve the diverse needs of our customers, as envisaged by our medium-term strategy.

Deposit Mobilisation

During the year under review, the bank continued to mobilize deposits, leveraging on digital services and the agency banking network. Specifically, we focused on onboarding new customers and increase convenience to access to our existing customer base through Exim wakala network of 749 agents countrywide. As at the end of December 2022, the bank had onboarded more than 18,644 new customers, representing a 19% YoY growth compared to the previous year.

A total of TZS 122.8 billion was mobilized from the new accounts, shoring up the bank's retail deposits; which grew to TZS 676.9 billion, representing a 15% YoY growth. The growth in deposits was further buoyed by a deposit mobilization campaign dubbed "Weka mkwanja tukutoe" which was intensified towards the end of the year, yielding more than TZS 23.2 billion in deposit returns. The retail deposits have been growing year on year marking a growth of 39% from TZS486.7 billion in 2019 to TZS 676.9 billion in 2022.

Growing the Retail Asset Book

In line with our ambition to strengthen the retail balance sheet, the focus has been on new loan bookings and increased facility utilization. The retail asset book has grown by 216%

New Customers onboarded

18,644

YoY Customer deposit growth

15%

Mobilised from new Accounts

TZS **122.8**
Billion

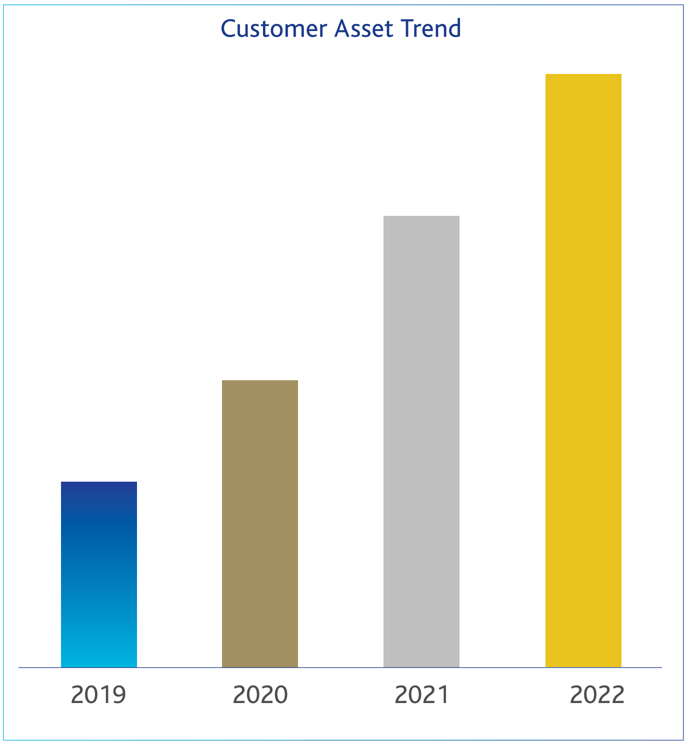
Retail Deposits

TZS **676.9**
Billion

Weka Mkwanja Tukutoe campaign yield

TZS **23.2**
Billion

between 2019 and 2022 as the business continues to leverage on the CIB value chain, collaborated with national house developers to drive mortgage financing and increase financing to our small and medium (SME) business enterprises. Retail is currently revamping the personal lending proposition and will be re-introduced to the market in 2023. Retail is looking at collaborating with strategic partners and roll out innovative solutions to the market in line with the financial inclusion agenda.



Further Outlook

Looking ahead, our business focus will be centered around leveraging digital channels by migrating transactions from traditional brick-and-mortar branches into alternative channels by driving adoption of Exim mobile banking, cards, internet banking, Exim agents and ATM optimization services. We aim to enhance customer experience and satisfaction by promoting seamless and secure digital transactions. Additionally, we will prioritize the growth of e-commerce transactions on our cards, capitalizing on the increasing trend of online shopping and expanding our presence in the global digital marketplace.

To further strengthen our market position, in 2023 we plan to upgrade our switch vendor to enhance merchant experience and move in tandem with rapidly evolving environment. With the new upgrade we expect more solutions to our merchants, a stable and efficient platform. Offering of innovative solutions to our customers.

We launched a new service dubbed borderless banking, enabling seamless cross-border transactions for our customers in Comoros and Tanzania. The initiative facilitates cashless banking within the two countries as we commit to support the evolving needs of our global clientele.

We will continue to enhance our customer experience touch points by investing in technology to improve self-services offerings to customers. Emphasize on digital adoption of banking transactions and the use of Exim agents who are near to customer businesses and locations.

Credit Report

A proactive Approach to Credit Management

Zainab Nungu,
Head of Credit

In the wake of the macroeconomic challenges that persisted during the year, our Group made tremendous gains in growing its portfolio, leveraging technology and the taking advantage of the emerging opportunities in the market.

Portfolio Performance

Despite the economic headwinds, Exim Bank's credit portfolio demonstrated stability throughout the year under review. The bank reported a contained Non-Performing Asset (NPA) ratio of 9% to the gross loan book. This achievement can be attributed to the successful implementation of credit reforms aimed at strengthening the bank's risk management practices. The reforms have played a pivotal role in maintaining the stability of the credit portfolio despite challenging market conditions.

Credit Monitoring Initiatives

Learning from the challenges in the recent years, we continued to implement a range of credit monitoring initiatives to effectively manage our portfolio. The initiatives encompassed portfolio management, monitoring early warning signals, and implementing timely corrective actions. We understood that by actively monitoring and identifying potential risks, we could proactively address them and minimise the impact on the credit portfolio. This approach allows for timely intervention, ensuring the bank's loan book quality remains robust.

Optimising yields

To mitigate credit risk and optimise the loan book, we implemented a strategy focused on achieving higher yields with lower credit risk. During the 2022 financial year, the bank strategically pursued opportunities in consumer loans, which offer favourable risk-reward profiles. Additionally, the bank engaged closely with customers, taking into account their individual circumstances, and implemented timely restructuring of credit facilities to align with anticipated cash flows. This proactive approach enables the bank to adapt to changing market dynamics and ensure the sustainability of its credit portfolio.

Against the background of the unique challenges presented by the 2022 financial year, the bank's credit portfolio was minimally impacted, and no significant adjustments were made to the economic assumptions applied and disclosed as of December 31, 2022. This resilience can be attributed to the bank's proactive measures, close engagement with borrowers, and effective monitoring and follow-up of COVID-19 restructured facilities. By closely monitoring the situation and engaging with customers, the bank successfully navigated the pandemic's challenges.

Enhancing Regulatory Compliance

As a leading commercial bank, we remain committed to adhering to regulatory guidelines in as far as managing loan and advance portfolios. The bank proactively writes off non-performing loans in line with the guidelines, maintaining transparency and compliance in its credit operations. This approach strengthens the bank's risk management practices and ensures the accuracy of its financial reporting.

Looking Ahead

Exim Bank remains committed to strengthening its credit management practices and ensuring the continued stability and growth of its portfolio. Going into 2023, the bank will focus on implementing advanced credit monitoring systems and techniques to proactively identify and address potential risks. Embracing technological advancements and industry best practices, Exim Bank aims to enhance its risk assessment capabilities, streamline credit processes, and maintain a prudent approach to credit risk management. By staying vigilant and adaptable, the bank is well-prepared to navigate future challenges and seize opportunities in the dynamic market landscape.

Special Asset Management (SAM)

Leveraging Relationships to Rehabilitate Troubled Assets

Queen Siraki,
Head of Special Asset Management

As customers continue to confront the various challenges in the marketplace, a key risk management strategy for o3ur Group is to ensure troubled assets are managed responsibly to ensure sustainability. The Special Assets Management (SAM) function plays a crucial role in rehabilitating and turning around troubled assets while maintaining the valuable relationships established with borrowers over time.

During the year under review, SAM focused on rehabilitating and amicably settling troubled assets as a preferred option to liquidation. The approach, which is unique to Exim Bank, aims to retain the existing relationship with borrowers while resolving their financial difficulties. This approach recognises the importance of preserving long-standing partnerships and working collaboratively with clients to overcome challenges.

Giving Customers Practical Options

To achieve optimal results, the bank utilises various amicable resolution options to address borrower distress. These options include maturity extension, arrears/interest capitalisation, step-up payment arrangements, additional financing, loan splitting, and loan conversion. These tools provide flexibility in tailoring solutions that meet the unique needs and circumstances of individual borrowers. We believe that by exploring these options, Exim Bank is able to provide clients with manageable repayment structures and improve their financial position.

Maximising Recovery

In cases where loans are highly distressed, and the bank's exposure is significant, the SAM department exercises its rights under the law and the remedies available in the loan agreement. This strategic approach allows the bank to push the right buttons at the appropriate time, maximising recovery while minimising any potential negative impact on the borrower relationship. The priority is to efficiently reduce the bank's asset exposure and protect its financial interests.

Proactive Management of Troubled assets

Our experience has taught us that prompt action is vital in managing troubled assets effectively. As a matter of policy, the bank ensures timely intervention by closely monitoring loan performance and identifying early warning signals. By promptly addressing deteriorating loan situations, the bank takes proactive measures to mitigate risks and explore resolution options. This strategy allows for swift decision-making and the implementation of appropriate strategies to achieve optimal outcomes.

A key focus during the year under review was to expedite the reduction of asset exposure. By employing a combination of resolution options and decisive actions. We successfully addressed distressed loans, minimising potential losses, and optimising recovery. This approach aligns with Exim Bank's commitment to maintaining a healthy and resilient loan portfolio.

Looking Ahead

We are committed to enhancing our capabilities and strategies to effectively manage troubled assets. Going into 2023, we will continue to explore innovative resolution options and maintain a proactive approach in identifying and addressing borrower distress. We believe that by staying updated with industry best practices and leveraging technology, we will be able to optimise recovery, minimise losses, and preserve valuable relationships. We will train our focus on timely actions and efficient asset exposure reduction, to enable the bank navigate future challenges and ensure the long-term financial health of the Group.

Treasury & Global Markets

Keeping Up With a Turbulent Global Economy

Nelson Kishanda
Head of Treasury & Global Markets

> By harnessing our expertise and maintaining a customer-centric approach, we will generate sustainable growth and solidify our position as a trusted partner in the forex and fixed income markets.

The pandemic, a seismic shift to homeworking, and ongoing economic uncertainty have made the past years challenging and unpredictable; coming into 2022 hopes were high containment of the virus and improved economic conditions will see a return to some semblance of business as usual. However, numerous challenges remained on the horizon including escalating inflation, rising energy prices and further concerns over economic growth globally.

Given the plausible environment; focus was mainly on risk mitigation and planning to take actions to enhance liquidity management, improve cash forecasting activities, improve capital structure, address market risk and FX volatility. This spans not only from the banks point of view but also extend such risk aversive products to key corporates to assist with ring fence their business operations from adverse FX volatility.

Extending our investment options and increasing trading activities in sovereign debt instruments across our borders especially in the east African region but also now across the SADC region offering good business opportunities after the enactment of the Foreign Exchange Act 2022 which permitted investments in government securities for members within SADC region.

While focusing on balance sheet growth we ensured that we strike a balance between NII and liquidity for both LCY and FCY. Through improved balance sheet management, we were able to increase our investments in profitable assets while managing risks associated. We also achieved swiftly taking over assets and liabilities of FNB Bank and ensure we provide commendable experience to the new customers.

Substantial efforts were directed towards ensuring we strengthen our portfolios of clients in manufacturing, Tourism, Transportation and Commodity exporter to ensure we were able to capture enough foreign exchange to suffice corporate demands; in turn also increasing our derivative market share as a bank benefited on the volatilities and market uncertainties.

Key initiatives

During the year, the bank continued to implement initiatives geared towards strengthening its treasury operations. Notable among the initiatives was the FX MOU activation , that is seen as a significant step towards elevating customer experience and optimising service delivery efficiency.

Capital Position

In line with the Group's growth ambitions, the bank maintained sufficient capital above the regulatory minimums. The bank's capital position demonstrates a strong and healthy financial standing, as indicated by its Tier I Capital and Total Capital ratios. With a Tier I Capital ratio of 12.88%, the bank exceeds the regulatory minimum requirement of 12%. This ratio measures the bank's core capital in relation to its risk-weighted average assets, including off-balance sheet items. The bank's Tier I Capital ratio highlights its ability to absorb potential losses and maintain a solid capital base, providing stability and resilience.

Total Capital ratio stood at 14.36%, surpassing the regulatory minimum requirement of 14%. The Total Capital ratio reflects the bank's efficient utilisation of available capital, indicating the bank's capacity to support its operations and absorb risk effectively.

Capacity adequacy:		
Tier I Capital	Core Capital/Risk weighted average assets including off-balance sheet items	12.88%
Tier I + Tier II Capital	Total Capital/Risk weighted average assets including off-balance sheet items	14.36%

Looking Ahead

Looking ahead to 2023, we will prioritise innovation, risk management, and customer-centricity. We will leverage advanced technologies and data analytics to enhance our treasury systems, optimise liquidity management, and improve operational efficiency.

Our focus will be on expanding our product offerings, developing customised solutions, and strengthening our risk management framework. We will strive to deepen customer relationships, deliver superior financial products and services, and maintain a strong capital position. By staying agile and responsive to market dynamics, the Bank will continue to meet the evolving needs of our customers and drive sustainable growth.

2023 forecast

- Core banking system (CBS) upgrade will increase efficiency in treasury operations and improve service delivery
- New FX products will be launched
- Increasing trading activities within SADC region
- Increase focus on Assets, Liability and Capital Management.

Human Resources

Strengthening Our Workforce for Sustained Growth

Frederick F. Kanga
Head - Human Resources

> Our workforce is well diversified and skilled, ensuring a strong foundation for the success of our operations. We have invested TZS 199 million in training initiatives, a significant increase compared to the previous year's expenditure of TZS 117 million.

As the workplace continues to evolve, mainly fuelled by external factors including technology, we are increasingly putting in place measures to ensure our employees needs are taken care of in the best possible way. At Exim Bank, we recognise that employee engagement is a crucial factor in driving sustainable long-term value for our organisation. The thoughts and feelings of our employees about their work directly impact client satisfaction and determine our success in achieving higher growth and efficiency. In this report, we will provide an overview of our human resources initiatives, employee demographics, and the progress made in promoting employee engagement

Keeping a diverse workforce

As of the end of the 2022 financial year, Exim employed a total of 967 individuals, reflecting an increase from the previous year's figure of 940 employees. Our workforce is well diversified and skilled, ensuring a strong foundation for the success of our operations. We have invested TZS 199 million in training initiatives, a significant increase compared to the previous year's expenditure of TZS 117 million. This investment underlines our commitment to enhancing the skills and capabilities of our employees.

Upskilling and retooling our workforce

To further strengthen our technical expertise, the management team has embarked on an initiative to ensure that at least 25% of all staff in technical roles are certified by 2023. This initiative aims to equip our employees with the necessary credentials and knowledge to excel in their respective positions and provide exceptional service to our clients.

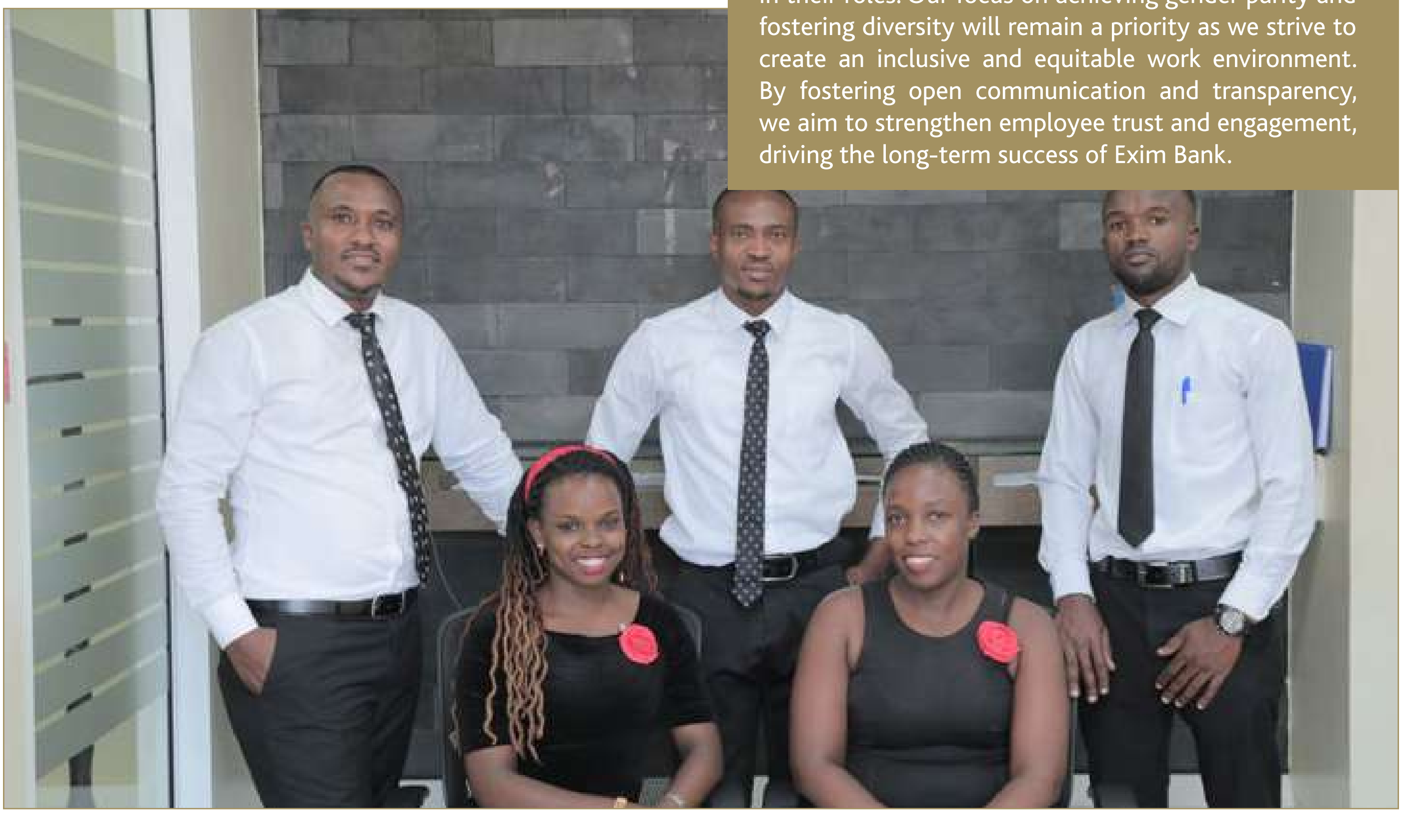
During the year under review, the Group spent a total of TZS 199 million in employees' learning and development. Training programs have been and are continually developed to ensure employees are adequately trained at all levels. All employees undergo annual training to upgrade soft/banking skills and enhanced development

Enhancing employee productivity

The 2022 FY witnessed a significant increase in staff productivity, with a 34% growth in revenue per staff member. During the year, revenue per staff increased to TZS 245 million, compared to TZS 183 million in the previous year. This improvement reflects the dedication and hard work of our employees, as well as their commitment to achieving the group's objectives.

Employee Engagement

Exim Bank recognises that its workforce is one of our greatest competitive advantages. Over the past quarter of a century, we have focused on shaping our workforce to meet both current and future customer needs. Our employees work in sync and tirelessly to ensure our customers receive the best experiences possible. We believe that fostering employee engagement is vital to maintaining this competitive edge.



Equal Employment Opportunities

Exim takes pride in being an Equal Opportunity Employer. Our employee demographics indicate a commitment to gender parity. Out of our total workforce of 967 employees, 463 are female, while 504 are male. This represents progress from the previous year, where we employed 940 individuals, with 444 females and 496 males. Additionally, 34% of women are represented in executive management, demonstrating our commitment to gender diversity at leadership levels.

Communication and Transparency

Open and honest communication is encouraged within the organisation. We regularly share information on employment issues, as well as financial and economic factors that impact the performance of the group, with our employees. This transparency ensures that our employees are well-informed about the organisation's progress and enables them to actively contribute to decision-making processes.

Looking Ahead

Exim Bank remains committed to further enhancing employee engagement and optimising human resources practices. We will continue to invest in training and development programs to ensure our workforce is equipped with the skills and knowledge needed to excel in their roles. Our focus on achieving gender parity and fostering diversity will remain a priority as we strive to create an inclusive and equitable work environment. By fostering open communication and transparency, we aim to strengthen employee trust and engagement, driving the long-term success of Exim Bank.

Enterprise Risk Management

Risk Management

Strengthening Risk Management Practices in an Evolving Business Environment

Innocent Mbelwa,
Head of Risk

> In retrospect, the 2022 financial year presented a host of challenges that impacted Exim Bank's operations and profitability. The challenges included inflationary pressures, exchange rate volatility, and regulatory changes. Inflationary pressures erode the purchasing power of customers and increase the risk of loan defaults.

Evolution in information technology, geopolitics and global markets volatility experienced in 2022 required the bank to have in place a more robust and proactive risk management practice. For instance, disruptions in supply chains, triggered by a resurgence of COVID-19 in some countries and the special operation in Ukraine has heightened uncertainty and adversely affected market stability.

Disruptions in supply chains, triggered by a resurgence of COVID-19 in some countries and other factors, posed significant risks to banks' operations and profitability. Geopolitical tensions further heightened uncertainties, affecting market stability and introducing potential risks.

Macroeconomic Challenges

Most of the year 2022 was characterized by headwinds that included increased inflationary pressure and exchange rate volatility. Owing to reduced purchasing power and customer ability to service obligations, we witnessed changes in the profile of several risk types. However, the bank was able to steer safely past these disruptions with minimal impact on its overall risk profile and profitability. Similarly, exchange rate volatility, to a certain extent affected the bank's foreign currency exposures and the value of its international assets and liabilities. On the other hand, regulatory changes, including alterations in interest rate policies or capital adequacy requirements, continue to affect the bank's profitability and risk profile.

Strategic Priorities

The medium-term strategy of Exim Bank outlines three key strategic priorities: efficacy of service, prudent capital management, and sustainability. To enhance the efficacy of service, Exim Bank continued to invest in digital transformation

initiatives to improve customer experience, streamline internal processes, and enhance operational efficiency. In addition, the bank also sustained a focus on talent development and training programs to ensure a skilled and competent workforce capable of delivering high-quality services.

Prudent Capital Management

At the core of Exim Bank's long-term strategy is the prudent capital management to ensure the Group is well capitalised to fund its growth. As a leading financial service, we see capital management as crucial to maintaining financial stability and meeting regulatory requirements.

During the year under review, the bank continued to monitor and manage its capital adequacy levels to ensure compliance with regulatory guidelines. Additionally, we actively assessed our overall risk appetite and endeavoured to optimise capital allocation strategies to support sustainable growth and manage potential risks effectively.

Sustainability

The increasing importance of sustainability in today's banking reflects the growing recognition of environmental, social, and governance (ESG) factors as crucial elements for long-term success. As a future-oriented bank, we have embarked on a program of integrating sustainability practices to not only mitigate risks, but also enhance reputation, attract socially responsible investors, and align with the expectations of customers and regulators.

Specifically, we are currently assessing and managing risks associated with climate change, social impact, and corporate governance. We believe that by promoting sustainable practices, we will scale our value creation and mitigate potential risks.

Risk Mitigation Strategies

To fully address the pervasive challenges characteristic in our unique operating environment, and strategic priorities, we have adopted several risk mitigation strategies geared towards strengthening the bank's position long into the future.

Robust Risk Monitoring - we are implementing a comprehensive risk monitoring framework that includes regular assessment of macroeconomic indicators, monitoring of key risk exposures, and stress testing scenarios; to proactively identify and manage potential risks.

Diversification and Hedging - we have diversified our loan portfolio to mitigate concentration risks and explore hedging mechanisms to manage foreign exchange risks associated with international operations.

Strengthening Credit Risk Management - we have enhanced our credit risk assessment processes, including thorough due diligence, collateral valuation, and borrower risk profiling, to mitigate the potential impact of varying levels of credit risk in Tanzania.

Technology Adoption - In line with our medium-term strategy, we continue to invest in advanced technologies, such as data analytics and artificial intelligence, to improve risk assessment, fraud detection, and operational efficiency, thereby enhancing the efficacy of service.

ESG Integration - We are in the process of integrating ESG considerations into risk management frameworks and developing sustainable finance products while establishing partnerships with organisations promoting sustainable development to ensure long-term sustainability.

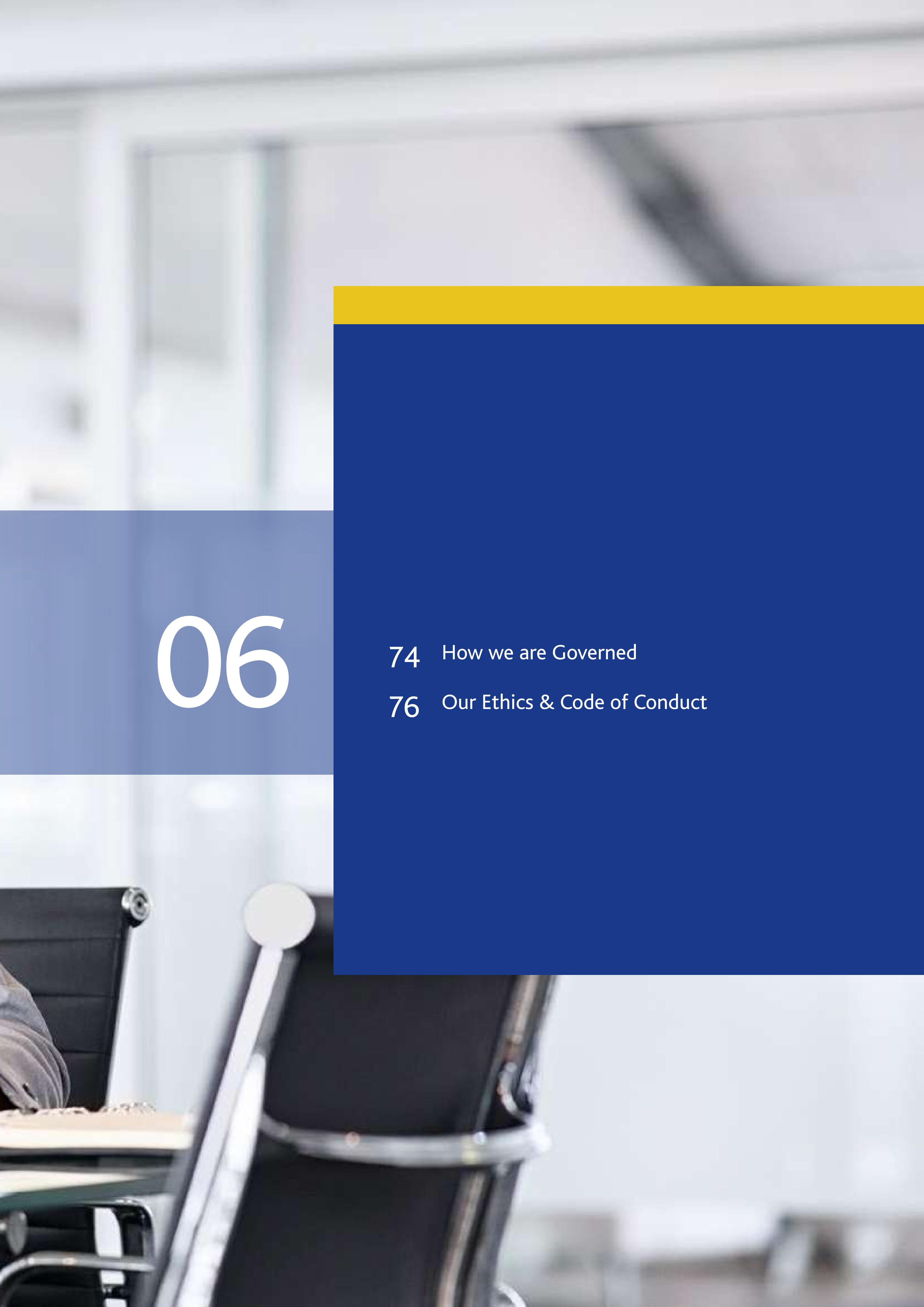
> To enhance the efficacy of service, Exim Bank continued to invest in digital transformation initiatives to improve customer experience, streamline internal processes, and enhance operational efficiency. In addition, the bank also sustained a focus on talent development and training programs to ensure a skilled and competent workforce capable of delivering high-quality services.

Looking Ahead

Learning from previous experience Exim Bank's risk management will endeavour to remain proactive and adaptive to the evolving landscape of risks and uncertainties. We will continuously monitor and assess emerging macroeconomic challenges, geopolitical dynamics, and regulatory changes. Our priority going into the 2023 financial year will be to strengthen risk mitigation strategies, enhance technological capabilities, and embrace sustainable practices to maintain the bank's resilience.

In addition, we will leverage data-driven insights, foster a risk-aware culture to anticipate potential threats to navigate future uncertainties and capitalise on opportunities for sustainable growth.


Ethics &
Governance



06

How we are **Governed**

The Exim Bank Board structure comprises of eight (8) non-executive Directors including the Board Chairman. The board of directors offers leadership and strategic direction to protect stakeholder value creation within a framework of responsible and efficient management. As a result, risk can be evaluated and managed to promote long-term sustainability and growth. The board is ultimately accountable and in charge of the company's operations and business affairs. It also makes sure that the organization upholds high standards of ethical conduct.

The board committees help the board carry out its obligations and duties. Each board committee has explicit written terms of reference that are formally reviewed yearly and that effectively delegate some of the board's duties. In order to effectively cover and maintain control over the group's operations, the board keeps an eye on these duties.

Sub-committees

During the year, the Board had the following board sub-committees to ensure a high standard of corporate governance throughout the year.

- Board Credit Committee (BCC)
- Board Risk Management Committee (BRMC)
- Board Audit Committee (BAC)
- Board Executive Committee (EXCOM)

I

Board Credit Committee (BCC)

The Credit Committee of the board seeks to ensure that the quality of the 's asset book remains within acceptable parameters and that the business has an effective credit policy, consistent with regulatory requirements and prudent risk management practices including appraisals and credit impairment adequacy.

This committee is comprised of the following members.

Name	Position
Ms. Irene Mlola	Chairperson
Mr. Shaffin Jamal	Member
Mr. Sherazam Mazari	Member

II

Board Risk Management Committee (BRMC)

The committee oversees and advises on current and potential risk exposures of the Group, the enterprise Risk Management Framework, risk appetite, risk strategy, including strategy for capital and liquidity management and promoting a risk awareness culture across the Group, alongside established policies, and procedures. The committee met four (4) times during the year

This committee is comprised of the following members.

Name	Position
Mr. Thomas Wescott	Chairperson
Mr. Hanif Jaffer	Member
Mr. Kalpesh Mehta	Member

III

Board Credit Committee (BAC)

The Audit Committee is responsible for overseeing the financial reporting process, ensuring that internal control systems are adequate and effective. The committee is responsible for among other things to review audit plans both internal and external auditors and communicate areas of concern or improvements, review of the management report letters from auditors concerning areas of improvements and deviations in accounting and operating controls also obtaining assurance from external auditors that adequate accounting records are maintained through review of policies, practices and implementation of all reporting proposed changes, review of effectiveness of financial management of the Bank and group, capital and other regulatory compliances, review of independence and objectivity of external auditors in line with the requirements of regulatory frameworks and best practices. It is also responsible for establishment of the framework for reporting unethical practices and monitor effectiveness of the whistle-blowing process. The committee met four (4) times during the year.

This committee is comprised of the following members.

Name	Position
Mr. Kalpesh Mehta	Chairperson
Mr. Hanif Jaffer	Member
Mr. Thomas Wescott	Member

IV

Board Executive Committee (EXCOM)

The Executive Committee, among other duties, is responsible for the wholesome policy development for the Bank and Group; both through scheduled and ad-hoc basis. It oversees implementation policy while acting as a liaison for the main Board in decision making and function as a collaboration outlet. This is placed to fill specific gaps in the decision-making process which is critical to governance best practices. The committee met five (5) times during the year.

This committee is comprised of the following members.

Name	Position
Mr. Yogesh Manek	Chairperson
Mr. Shaffin Jamal	Member
Mr. Hanif Jaffer	Member
Mr. Sherazam Mazari	Member

Board Diversity

Exim Bank is dedicated to fostering diversity on the board, and we prioritize diversity and inclusion when choosing new board members. As we continue to accomplish our diversity goals for board representation, we work toward a board that has the necessary qualities and closely matches the demographics in our markets. This is due to our conviction that board diversity is critical for organizations to remain relevant and viable in a society that is rapidly changing. The board continuity program includes Exim Bank's policy on the support of racial and gender diversity at the board level.

Balance of knowledge, skills, and experience

For value assurance and creation in the best interests of all stakeholders, banks and financial services organizations require a wide range of capabilities. The board decides on the necessary talent mix in response to the environment's rapid change and adjustments to Exim Bank's own long-term strategy. The board will be well-positioned to direct and drive the bank's strategy into the future and consequently create value if the right combination of talents and expertise is present. We have developed and improved our board's skills and experience over the last three years in order to be ready for our expansion. To stay abreast of developments and trends, directors frequently attend seminars, conferences, and training sessions.

Our
Ethics & Code of Conduct

Our Code of Ethics and Conduct establishes our business practices, which are driven by performance with responsibility, and outlines our commitment to long-term success. The Code intends to assist our Group in upholding our duties, treating one another with respect at work, and conducting ourselves honestly in the marketplace.

In principle, the code brings the Exim Bank Group collectively under a set of principles that direct our daily decisions. Every action we take and how we manage ourselves as a Group contributes to the positive reputation that Exim Bank Group enjoys.

Clear expectations

We endeavour to set clear expectations for our employees in carrying out their responsibilities in compliance with our principles and our Code of Ethics and Conduct, to adhere to our policies, and comply with the laws. We encourage our employees to use their good judgement, consider their actions, and seek guidance whenever necessary.

Our principle on Leadership

Our leaders must set the example through their conduct and promote the Group's principles and values. All leaders are required to guide all employees to comprehend and practice this Code and all other company policies during their daily activities.

Responsibility and Respect in the Workplace

Exim Bank Group is committed to operating and conducting its business practices under the principle of responsibility and to harmoniously integrating business management, legal compliance, and respect for ethical principles.

We are committed to a safe and healthy workplace. At Exim Bank, we view safety as everyone's responsibility and encourage our employees to ensure that the activities they carry out are done safely.

Conflict of interest

A conflict of interest emerges when your activities and/or personal relationships interfere, or may interfere, in a real or in a perceived way, with one's capacity to act with Exim Bank Group's best interest. Although our code does not include all possible instances where a conflict of interest may emerge, we encourage our employees to use their best judgment and common sense.

Promoting integrity

At Exim Bank Group, it is everyone's responsibility to assure that all information registries provide accurate and verifiable information. Information management is of utmost importance for our business management, our legal compliance, and the credibility and reputation of the business.

Whistleblowing

At Exim Bank, we have robust whistle-blowing channels through which anyone can report possible illegal, or suspected illegal, actions and violations of the Group's Code of Conduct. Examples of violations include, but are not limited to fraud and corruption, harassment and discrimination, and violations of environmental and human rights laws.

We acknowledge the risk of violations of our Code of Conduct and depend on the willingness of employees and external parties to raise concerns in order to uphold high ethical standards. Employees have the right and responsibility to report concerns. External parties, including employees of associated companies, are also encouraged to report concerns.

Anti-Bribery

Exim Bank Group does not tolerate corruption. Bribes are prohibited, whether directly or indirectly. A bribe consists of giving or offering something of value to a government official (or another party) to obtain a special benefit for the company. Take special care in relationships with third parties who could interact with the government on behalf of the company.

Accountability and Service

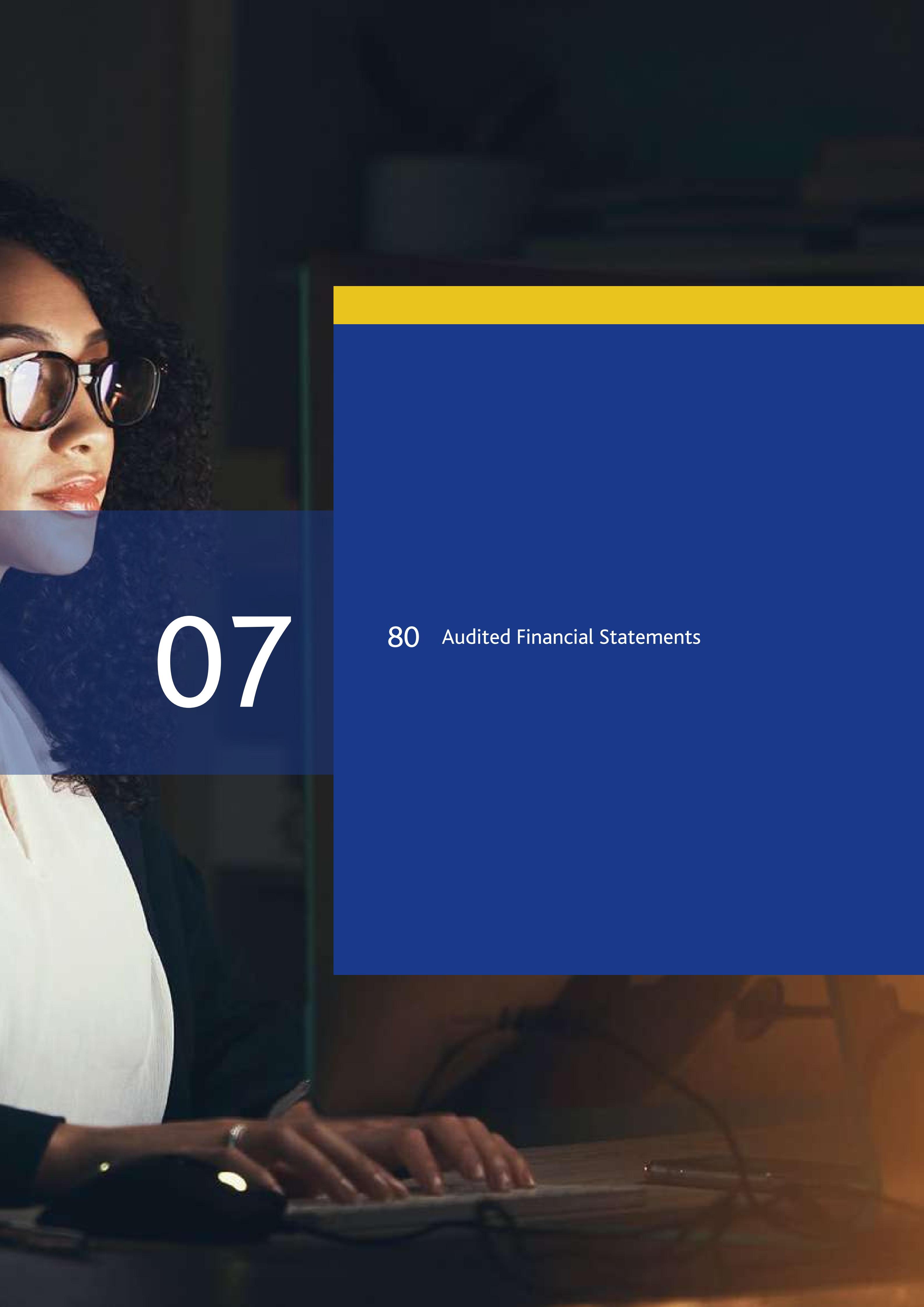
We are accountable — individually and collectively — for our behaviours, actions and results.
We are responsible to the people we serve and the donors who enable our service.

Equality

By encouraging equitable access to opportunities and services, we work to ensure equal outcomes for all of our clients and team members. Our code of conduct aims to ensure that we carry out our work following the ethical and moral principles that support our humanitarian calling.

At Exim Bank, it is everyone's responsibility to uphold this code to carry out the Group's objective. The code applies to everyone who works for Exim Bank, including all directors, officers, staff members, interns, volunteers, incentive workers, and partners.

Financial Statements



07

TABLE OF CONTENTS

CORPORATE INFORMATION:

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Exim Tower
Plot 1404/05, Ghana Avenue
P. O. Box 1431
Dar es Salaam, Tanzania

PRINCIPAL BANKERS

Bank of Tanzania
P. O. Box 2939
Dar es Salaam, Tanzania

Deutsche Bank Trust Company Americas
Church Street Station
P. O. Box 318
New York, United States of America

Deutsche Bank AG
London, EC2P2AT
United Kingdom

Citibank New York
111, Wall Street
New York 10043
United States of America

Exim Bank (Uganda) Limited
Plot 6 Hannington Road
P. O. Box 36206
Kampla, Uganda

JP Morgan Chase Bank, N.A
4 New York Plaza, Floor 13
New York NY, 10004

Exim Bank Comores S.A
P. O Box 3, Place De Frace
Moroni, Union des Comores
Ph: +269 773 9400-01-02

Deutsche Bank AG,
Global Transaction Banking - Trade
Finance Financial Institutions,
Taunusanlage 12, 60325,
Frankfurt Am Main, Germany

Nedbank
3rd Floor Block H 135 Rivonia Road
Sandown, Sandton 2196
P. O. Box 1144
Johannesburg 2000
South Africa

Axis Bank Limited
Corporate Office, Axis House
Pandurang Budhkar Mag, Worli
Mumbai-400025, India

Sumitomo Mitsui Banking Corporation
1-1-2 Marunouchi Chiyoda-Ku
Tokyo-Japan

Stanbic Bank Kenya Limited
Stanbic Centre, Chiromo Road
Westlands, Nairobi
KE-30 00200, Kenya Headquarter

SOLICITORS

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3rd Floor, Exim Bank Building
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Dar es Salaam, Tanzania

M.A. Ismail & Company Advocates
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United Nation Road
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Dar es Salaam, Tanzania

Mawalla Advocates
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Dar es Salaam, Tanzania

Hallmark Attorneys
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Dar es Salaam, Tanzania

Trustmark Attorney
Msasani Towers, Wing A
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Dar es Salaam, Tanzania

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P.O. Box 3979, Dar es Salaam, Tanzania

IMMMA Advocates
IMMMA House, Plot No.357
102 United Nations Road, Upanga
P.O. Box 72484
Dar es Salaam, Tanzania

BANK SECRETARY

Adili Corporate Services Tanzania Limited
P.O. Box 79651
Dar es Salaam, Tanzania

AUDITORS

KPMG
Certified Public Accountants
2nd Floor, The Luminary Haile Selassie Road
Masaki, P.O. Box 1160
Dar es Salaam, Tanzania
Registration: PF No 020 and TIN 100-144-921

DIRECTOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

1. INTRODUCTION

The Directors submit their report together with the audited consolidated and separate financial statements for the year ended 31 December 2022, which reflect the state of affairs of Exim Bank (Tanzania) Limited (the ''Company'' or ''Bank'') and its subsidiaries, Exim Bank Djibouti S.A., Exim Bank Uganda Limited, Exim Bank Comores S.A. and Core Securities Limited (collectively referred as the "the Group").

2. INCORPORATION

The Company was incorporated in Tanzania under the Companies Act, No. 12 of 2002 in the year 1993 as a private Company limited by shares. From 1997 to date, the Bank managed to expand its network from 4 branches in Dar Es salaam to 30 across the country in Tanzania and 16 others in subsidiaries. In total there are 46 branches across the Group.

3. VISION

To be the Bank of choice.

4. OUR MISSION

The Bank is committed to remaining an innovative Tanzanian Bank offering services of international standards.

5. PRINCIPAL ACTIVITIES

The Bank's reach

Except for Core Securities Limited, the Group is engaged in the banking business, that is, accepting deposits for lending and investments and other commercial banking services. The Bank is licensed under the Tanzania Banking and Financial Institutions Act, 2006 and the subsidiaries are licensed under the respective laws of Uganda, Comores S.A and Djibouti.

About Bank's customers and engagement approach

Our Group is centered at servicing a very diversified portfolio of customers ranging from governments, public entities, corporate customers, small and medium enterprises all the way to individual customers offering a full bucket of financial, investment and insurance products across the region with our presence.

The Group has been in operation through three main revenue generating units which represent the face of the Bank; these are: -

- Corporate Unit which is focused on corporate clients who have met specific set criteria;
- Retail Unit which serves all other corporates that have not met the corporate criteria including SMEs and individual customers; and
- Treasury unit which manages all other forms of arrangements not falling in the two mentioned units. Treasury and Global Markets Unit which ensures optimal balance sheet management and related risks together with servicing corporates and retail clients on foreign exchange and other financial market instruments.

The distinction between the units is set to ensure the Bank always deploys the right strategy and avails the right resources to meet the requirements of its diversified customer base and maintain maximum satisfaction across the different groups.

The units are supported by 14 functions which are strategically positioned to ensure smooth performance of the revenue generating units.

The Bank is committed to live up to its shared values and works to provide customers with the best services through a straightforward business model anchored in diversification by business, geography, risk and people, as well as a clear focus on our business strategy. The Bank embraces the future by establishing itself in unbanked markets where it connects with customers and develops a range of products and services, to meet their changing needs using new technology to improve the services.

Service delivery channels

The Bank has been evolving around the needs and requirements of the market since inception. It has managed to open and run 30 branches in Tanzania and 16 more in the region where it has subsidiaries and the core service delivery channels.

The Bank has rolled out number of alternative delivery channels such as ATMs which are 61, Mobile banking services, online banking services and cash management solutions.

5. PRINCIPAL ACTIVITIES (CONTINUED)

The Bank is looking to engage agents across the country to increase accessibility of our services. As at 31 December 2022 the bank had 749 agents.

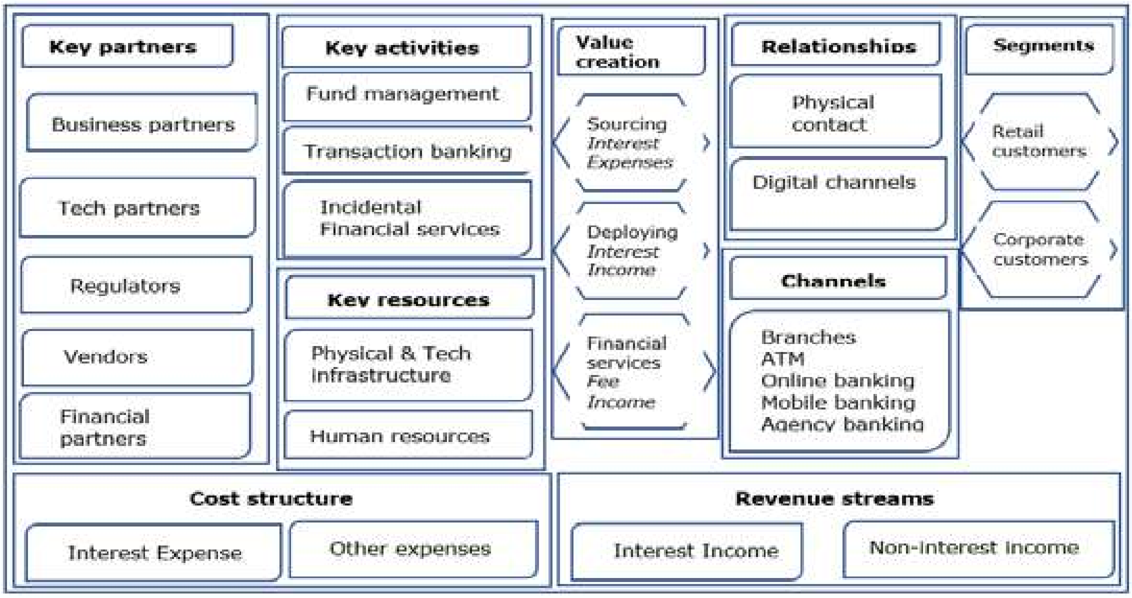
6. OUR BUSINESS MODEL

Exim Bank plays a key role in connecting the providers and users of capital. We recognize the role we play in the society, and our success as a business has always been closely linked to the progress of the people, communities and businesses we serve. We aspire to grow and deliver value for all our stakeholders. For us, value is best illustrated through customers satisfaction, shareholders value enhancement, staff welfare and serving the community around us. In achieving the same we anchor our actions on a firm foundation of defined strong values.

Our mission is to provide competitive and innovative financial solutions through digital transformation, to achieve distinctive customer experience, while caring for our people and delivering a sustainable contribution to the society. Our purpose is to transform lives through financial sector innovation, intuitive action and sustainable business.

We invest in people, technology, and processes to deliver value in a responsible and sustainable manner. Therefore, through innovation and strategic investments, we continue to expand our delivery channels to deepen access to financial services. We have a robust plan to drive financial inclusion with a clear aim to serve the less privileged communities and include the lower segment of the market into the financial ecosystem.

We understand that as one of the leading financial service providers, our relevance today and in the future, along with our ability to create long term value for our stakeholders is dependent on our ability to effectively manage and leverage the forms of resources available to us.



7. RELATIONSHIP TO OUR STAKEHOLDERS

Our group is positioned to ensure we deliver value to all our stakeholders and fulfilling a critical role in the economies of each country that we operate in. The following is the summary of our key stakeholders and snapshot of how our group is managing each of the stakeholders.

Stakeholder	Management of the relationship
Our esteemed customers	- We have established a convenient and effective contact between us and our customers. - Offering innovative, efficient banking, convenient and secured solutions that meet the needs of our customers. - Created an exceptional access to financial services and financial markets including access to information and advice. - Created a safe and trustworthy financial services delivery options. - Supporting financial milestones for our esteemed customers with products and services delivered through innovativ superior channels.
Investors/ shareholders	- Ensure consistent delivery of attractive and sustainable returns to shareholders' investment through optimized balance sheet. - Create environment for shareholders value growth. The Group reported total equity value of TZS 264 billion in 2022 compared to TZS 204 billion of 2021. - The Group has also established a convenient and stable communication channel in line with best practices.
Employees	- A workplace where employees can be productive and achieve their potential. - We have created a performance appraisal system which emphasizes the rationale for recognition and reward. - Self-led development and an opportunity for career progression. - A committed career development mechanism to consistently boost capacity of our workforce. - Again effective communication channels have been established to ensure alignment of our workforce.
Regulators	- Continuously compliance and streamlining with all required regulations. - Fair and ethical engagement when dealing across the Group. - A stable financial services sector. - An inclusive and transformed sector. - During the year tax of TZS 24 billion (2021: TZS 14 billion) in respect of profit generated was paid by the Group to the respective governments of the countries in which we operate.
Community	- Providing support to our communities and access to social and environmental financing to address societal needs. - Increased access to and funding for education, health and sports related opportunities. - Creation of opportunities in terms of employment opportunities where in total over 967 staffs have been hired across the group all mostly coming from the society we are operating in. - Our group has also consistently been engaging in many corporate social responsibilities which have ranged between heath, education and many others.
Vendors	- We consistently provide equal chances to all vendors to take part in supplying several goods and services to the Group. - We maintain high standard of engagement which provides a platform for all parties to deliver per agreement. - We have created a transparent mechanism through our outsourcing and procurement unit to obtain our vendors and an effective communication channel to ensure maximum participation.

8. CORPORATE GOVERNANCE STATEMENT

The Group and the Bank are committed to high standards of corporate governance. The Group has a comprehensive range of policies and procedures in place designed to ensure that it is well managed, with effective oversight and controls.

The Board of Directors ("Board") of Bank and the Group sees governance as promoting strategic decision making that balances short, medium, long-term outcomes and safeguarding interests of Bank and the Group, shareholders and the society in which we operate to create sustainable shared value.

Directors have a statutory duty to promote the success of the Bank and the Group for the benefit of the stakeholders. In promoting the success of Bank and the Group, Directors must have due regard to the long-term consequences of their decisions, the legitimate interests of employees, the need to foster effective business relationships with suppliers, customers and various stakeholders, the impact of the Bank and the Group's operations on the community, the environment and the desire to maintain a reputation for high standards of business conduct.

The Board is committed to ensure that the Bank complies with the laws, regulations and standards applicable to the industry. The Board ensures that high standards and practices in Corporate Governance and more specifically the principles, practices and recommendations set out under the Code of Corporate Governance Practices for Listed Companies, 1994 (CMSA Principles of Good Corporate Governance Practices), the Corporate Governance Regulations 2021 as well as the Companies Act, No. 12 of 2002 are adhered to.

The Board believes that good corporate governance is the core driver of sustainable corporate performance and creates shared value by ensuring the right balance between organizational growth and long-term stakeholders' value.

The Board of Directors regularly reviews its corporate governance arrangements and practices and ensures that the same reflects evolving good corporate governance norms, the developments in regulation, best market practice and stakeholders' expectations. Corporate governance framework enables the Board to oversee the strategic direction of Bank and the Group, financial goals, resource allocation, risk appetite and to hold the executive management accountable for execution.

9. CORPORATE GOVERNANCE FRAMEWORK

Those charged with governance

The Bank and Group is set and committed to healthy corporate governance practices, which strengthens and maintains confidence in what we do, thereby contributing to optimal long-term value creation for shareholders and other stakeholders.

Our Board recognizes its collective responsibility for the long-term success of the Bank and Group. It has set a reasonable best in class environment which enables it to take an active role in directing the operations of the Bank and Group. The Board meets at least four times a year (at least once per quarter) and has in place a formal schedule of matters reserved to it.

This includes overall strategy formulation, implementation guidance and monitoring of the outcome, corporate structure and capital composition structure, financial reporting and control, oversight and review of risk management and internal control systems, significant contracts, succession planning and new Board appointments for compliance with Good Corporate Governance principles.

The Board consists of sufficient members with the right mix of skills, experiences and knowledge to accomplish mission and vision of the bank.

The effectiveness, structure, size, composition of the Board and ongoing suitability and performance of each Board member is assessed periodically in line with requirements of Bank of Tanzania (BoT) and best practices. The Board has not received any complaints regarding their standing from any of the regulatory and professional bodies during the year.

The Board members qualification is aligned to corporate governance regulation on Governance of Banks and Financial Institutions and the appointment of each member is subject to regulatory vetting.

The Board maintains regular dialogue with shareholders and other stakeholders on matters of financial performance and strategy. Additionally, the Board periodically makes disclosures of significant developments on its website and other media.

The Board is committed to ensuring compliance with Corporate Governance regulations and adoption of best practice in governance.

10. ENVIRONMENTAL MATTERS

Considering the crucial impact of environmental conservation, the bank has developed a specific environmental and social policy. The policy articulates the commitments of the Bank to sustainable development, elaborates how the Bank integrates environmental and social issues into its processes and activities and sets the roles and responsibilities including the requirements to deliver these commitments.

In carrying out its mandate of promoting sustainable development, the Bank effectively and equitably manage environmental and social risks and impacts and improve outcomes of the financed activities.

Through our green policy our Group committed to:

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

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

The Group in the daily operations observe the following for all businesses it finances:

- Ensure that businesses financed observe environmental safety standards and regulatory requirements in line with country laws and international best practices.
- Observe and mitigate negative impact of business on Biodiversity Conservation and Natural Resources.
- Observe and mitigate negative impact of business on cultural heritage objects, sites and structures.

The Bank continued with its go-green initiatives aimed at creating awareness to the community at large towards environmental conservation. Currently the Bank is maintaining Ohio, Clock Tower and Kariakoo gardens in Tanzania Mainland. Subsequent to the year end as part of the 59th anniversary of the Zanzibar Revolution, the Bank, in collaboration with the Office of the Vice President, Union and Environment and media partners in Dodoma, conducted a tree planting exercise at the Machinga Complex central market in an effort to make the capital city green.

The Bank has been engaged in three exercises in Dodoma City over the past three years, sponsoring the planting of more than 20,000 trees in various locations. Through the Go Green initiative, the Bank has been assisting the government's initiatives to combat climate change by developing a variety of solutions, such as tree planting and environmental protection in the nation through the branches across the country.

The move has been conserving the environment, increasing the attractiveness of these areas, and also providing an opportunity for local residents to find a place to rest while running their daily errands.

11. THE BOARD'S ROLE AND RESPONSIBILITIES

The Board's primary responsibility is to protect and maximize shareholders value by considering and monitoring investment decisions, considering significant financial matters and reviewing the performance of management against industry benchmark, budgets and business plans. The Board is accountable to shareholders and is responsible for overall oversight of Bank and the Group and ensure prudent running of Bank and the Group. In fulfilling its primary responsibilities, the Board ensures compliance with the principles of good governance while pursuing economic performance. The Board is also responsible for ensuring that a comprehensive system of internal controls, policies and procedures are in place and for compliance with sound corporate governance principles.

The Board, led by the Board Chairman, who is responsible among other matters for:

- Promoting the Bank and the Group's long-term success and delivering sustainable value to shareholders.
- Establishing and approving Bank and the Group's strategic and financial plans to be implemented by management.
- Setting Bank and the Group's risk appetite and monitoring the Bank and the Group's risk profile.
- Oversees the Risk Management Framework and its operation by management.
- Approves capital expenditure for material transactions.

THE BOARD'S ROLE AND RESPONSIBILITIES (CONTINUED)

- Reviews succession planning for the management team and makes senior executive appointments, organizational changes and high-level remuneration issues.
- Provides oversight over performance against targets and strategic objectives.
- Provides oversight over reporting to shareholders on the direction, governance and performance of the Group as well as other material events that require reporting and disclosure.

The Management team is encouraged and invited to attend board meetings to facilitate effective communication and assist the Board with its deliberations and provide critical insights and analysis of various business units within the Group.

12. BOARD NOMINATION, APPOINTMENT, INDUCTION AND TRAININGS

The current Board structure comprises of eight (8) non-executive Directors including the Board Chairman. The Board determines its size and composition, subject to the Company's Articles of Association, Board Charter and applicable law.

The Board composition is driven by the following principles:

- The Board must comprise majority of independent non-executive directors.
- The Board should consist of directors with a broad range of skills, experience and expertise and be from a diverse range of backgrounds.
- The Chairman of the Board must be a non-executive director with requisite skills and competence to lead the Board.

Appointments to the Board are made on merit and candidates are considered against objective criteria, having due regard to the benefits of the diversity of the Board. A rigorous selection process is followed in relation to the appointment of Directors and certain specified senior appointments.

All newly appointed non-executive Directors participate in an induction program. The induction program often includes a series of meetings with other Directors, the Chief Executive Officer and Management team to enable new Directors familiarize themselves with the business. Directors also receive comprehensive guidance on Directors' fiduciary duties and responsibilities as well as liabilities.

At all times during their tenures, all Directors are expected to maintain the requisite skills and demonstrate ethical standards to carry out their obligations. The Chairman regularly reviews the professional development needs of each Director. The program of continuing education ensures that the Board is kept up to date with developments in the industry both locally and globally.

13. COMPOSITION OF THE BOARD OF DIRECTORS

The Board of Directors (the "Board") currently comprises eight members. No Director held an executive position during the year. The Board takes overall responsibility, including that of identifying key risk areas, consideration and monitoring of credit and investment decisions, review of policies, consideration of important financial matters, and generally reviewing the performance of management business plans and budgets.

The Board is also responsible for ensuring that a comprehensive system of internal controls, policies and procedures is operative and that there is compliance with sound corporate governance principles.

The Board is required to meet at least four times a year. During the year, the Board and its committees met twenty-five (25) times. The Board delegates the day-to-day management of the business to the executive management team comprising the Chief Executive Officer, assisted by the senior management staff. The management team is invited to attend the Board sub-committee and Board meetings depending on the agenda items. Management remains responsible for the effective control of the operational activities and acts as a medium of communication and coordination among various business and operational units of the Group.

13. COMPOSITION OF THE BOARD OF DIRECTORS (CONTINUED)

The Bank and its subsidiaries are committed to the principles of effective corporate governance. In this regard, the Directors also recognize the importance of integrity, transparency and accountability. The Board has the following sub-committees to ensure a high standard of corporate governance.

The following are the Directors who served the since 1 January 2022 up to the date of this report.

No.	Name	Position	Age	Gender	Nationality	Qualifications
1	Ambassador Juma Mwapachu	Chairman	81	Male	Tanzanian	Bachelor of Law and Post Graduate Diploma in International Law
2	Mr. Yogesh Manek	Director	68	Male	Tanzanian	Bachelor of Arts
3	Mr. Hanif Jaffer	Director	60	Male	Tanzanian	Certified Public Accountant (CPA-T)
4	Mr. Shaffin Jamal	Director	53	Male	Tanzanian	Master's in Business Administration
5	Mr. Kalpesh Mehta	Director	52	Male	British	FCA, Bachelor of Arts (Econ) Hons
6	Mr. Thomas Wescott	Director	71	Male	American	Bachelor of Arts, Government and Economics
7	Mr. Sherazam Mazari	Director	70	Male	Singapore	Bachelor of Business Administration - Finance
8	Ms. Irene Mlola	Director	49	Female	Tanzanian	Master's in Business Administration

14. BOARD COMMITTEES

The Board places significant reliance on its committees by delegating a broad range of responsibilities and issues to them to achieve effective independent oversight and stewardship. It therefore remains crucial that effective linkages are in place between the committees and the Board as a whole, not least as it is impracticable for all non-executive directors to be members of all the committees.

Mechanisms are in place to facilitate these linkages, including ensuring that there are no gaps or unnecessary duplications between the remit of each committee and overlapping membership between Board committees where necessary. Alongside interconnected committee membership, the Board receives documented summaries of each of the committee's meetings.

During the year, the Board had the following board sub-committees to ensure a high standard of corporate governance throughout the year.

- Board Credit Committee (BCC)
- Board Risk Management Committee (BRMC)
- Board Audit Committee (BAC)
- Board Executive Committee (EXCOM)

(1) Board Credit Committee (BCC)

The Credit Committee seeks to ensure that the quality of the asset book remains within acceptable parameters and that the business has an effective credit policy, consistent with regulatory requirements and prudent risk management practices including credit impairment adequacy.

This committee met nine (9) times during the year, it comprised of the following members:

SN	Name	Position
1	Ms. Irene Mlola	Chairperson
2	Mr. Shaffin Jamal	Member
3	Mr. Sherazam Mazari	Member

14. BOARD COMMITTEES (CONTINUED)

(ii) Board Risk Management Committee (BRMC)

The committee oversees and advises on current and potential risk exposures of the Group, the enterprise Risk Management Framework, risk appetite, risk strategy, including strategy for capital and liquidity management and promoting a risk awareness culture across the Group, alongside established policies and procedures. The committee met three (3) times during the year.

This committee is comprised of the following members:

SN	Name	Position
1	Mr. Thomas Wescott	Chairman
2	Mr. Hanif Jaffer	Member
3	Mr. Kalpesh Mehta	Member

(Iii) Board Audit Committee (BAC)

The Audit Committee is responsible for overseeing the financial reporting process, ensuring that internal control systems are adequate and effective. The committee is responsible for among other things to review audit plans both internal and external auditors and communicate areas of concern or improvements, review of the management report letters from auditors concerning areas of improvements and deviations in accounting and operating controls also obtaining assurance from external auditors that adequate accounting records are maintained through review of policies, practices and implementation of all reporting proposed changes, review of effectiveness of financial management of the Bank and Group, capital and other regulatory compliances, review of independence and objectivity of external auditors in line with the requirements of regulatory frameworks and best practices. It is also responsible for establishment of the framework for reporting unethical practices and monitor effectiveness of the whistleblowing process. The committee met four (4) times during the year.

This committee is comprised of the following members:

SN	Name	Position
1	Mr. Kalpesh Mehta	Chairman
2	Mr. Hanif Jaffer	Member
3	Mr. Thomas Wescott	Member

(iv) Board Executive Committee (EXCOM)

The executive committee among other duties is responsible for some policy development for the Bank and Group both through scheduled and ad-hoc basis. It oversees implementation policy while acting as a liaison for the main Board in decision making and function as a collaboration outlet. This is placed to fill specific gaps in the decision-making process which is critical to governance best practices. The committee met five (4) times during the year.

This committee is comprised of the following members:

SN	Name	Position
1	Mr. Yogesh Manek	Chairman
2	Mr. Shaffin Jamal	Member
3	Mr. Hanif Jaffer	Member
4	Mr. Sherazam Mazari	Member

Note: In November 2022, the two committees (Risk Management and Audit Committees) merged, and form one committee named Board Audit and Risk Management Committee (BARMC) under the same membership.

14. BOARD COMMITTEES (CONTINUED)

(v) Board and committees meetings during the year

The Directors' attendance of meetings and remuneration for the year ended 31 December 2022 is indicated below:

Attendance at Board and Board Committee meetings							
Name of Director	Board	Credit Committee	Risk Management Committee	Audit Committee	Audit & Risk Management Committee	Executive committee	Directors' fees (TZS Million)
Mr. Yogesh Manek	4	-	-	-	-	4	10
Mr. Shaffin Jamal	4	8	-	-	-	4	10
Mr. Hanif Jaffer	4	-	3	4	1	4	10
Ambassador Juma Mwapachu	4	-	-	-	-	-	42
Mr. Thomas Wescott	3	-	3	4	1	-	102
Mr. Kalpesh Mehta	4	-	3	4	1	-	30
Mr. Sherazam Mazari	4	9	-	-	-	4	268
Ms Irene Mlola	3	8	-	-	-	-	30
Number of meetings held	4	9	3	4	1	4	
Total Directors' fees							**502**

15. KEY BOARD ACTIVITIES/DECISIONS DURING THE YEAR

During the year the board in total sat in 25 meetings which included both the board committee meetings and the main board session. All committees focused in its primary activities and there was no extra-ordinary meeting except for one that involved the board Executive committee. And among many other agendas that were discussed, the following are some of the key decisions that were reached in meetings held during the year.

Approval of 2023 budget

The Board went for a special seating which was intended to review the proposed budget for the financial year 2023 prepared by management. The board approved growth in asset book and entire balance sheet together with its ultimate impact of growth in operating profit before tax.

Review of implementation cost to income ratio reduction plan

The Board guided management on ensuring operation costs are optimized to boost the Group's cost to income ratios to the level required by the regulator and improve profitability.

Approval of policies, mandates and directives

In line with the requirements of best corporate governance practices during the year the Board reviewed, approved and guided management into creation of policies and mandates which are key to the overall operations of the Bank and the Group to match the strategies and ever-changing industry practices.

16. COMPANY SECRETARY

The Company Secretary who served during the year and to the date of this report was Adili Corporate Services Tanzania Limited.

Providing support goes beyond scheduling meetings to proactively manage the agenda and ensuring the presentation of high-quality up-to-date information in advance of meetings. The Company Secretary assists the Chairman with all development processes including Board evaluation, induction, and training. Both the appointment and removal of the Company Secretary is a matter for the Board as a whole.

17. GOVERNANCE AND MANAGEMENT OF THE SUBSIDIARIES

The Bank has established four subsidiaries in four different countries namely Exim Uganda, Exim Bank Comores, Exim Djibouti and Core Security Tanzania limited. The countries of incorporation are also their principal place of business.

These are autonomous subsidiaries with independent management teams which all reports to Head of strategic investments and subsidiaries who is part of executive management at Group management team, they also have individual Board of Directors which also report all critical affairs to the Group Board of Directors.

All these subsidiaries are unlisted and all have the same year end as the Exim Bank Tanzania. The investment in the subsidiaries includes the cost of shares and other initial payments made for and on behalf of the subsidiaries.

18. MANAGEMENT TEAM

The management of the Bank is under the Chief Executive Officer (CEO), assisted by the following:

Title	Role
Chief Finance Officer	Supervisor of all financial decisions, responsible for preparation of financial results and strategy of the bank
Head of Business Operations and Service Delivery	Leader of the Bank operations team and primary implementor of operational directives
Chief Technology and Digital Transformation	Leader of the Bank technology digital transformation related team and primary implementor of technology directives
Head of Corporate & Institutional Banking	Leader of corporate banking team, chief implementor of corporate unit's strategic directives
Head of Retail Banking	Leader of retail banking team, chief implementor of retail unit's strategic directives
Head of Treasury	Leader of treasury team, chief implementor of Treasury related strategic directives
Head of Legal	Leader of legal team, chief representer of the Bank in all legal preceding
Head of Risk & Compliance	Leader of risk and compliance team, chief implementor of risk and compliance related strategic directives
Head of Credit	Leader of Credit team, chief implementor of Credit related strategic directives
Head of Special Assets Management (Credit Recoveries)	Leader of Credit recovery team, chief implementor of recovery related strategic directives
Head of Marketing & Communications	Leader of marketing team, chief implementor of marketing related strategic directives
Head of Administration	Leader of administration team, chief implementor of administration related strategic directives
Head of Human Resources	Leader of human resource team, chief implementor of staff related strategic directives
Head of strategic investments and subsidiaries	Primary contact point between the subsidiaries and the Group

The Chief Internal Auditor (CIA) reports directly to the Board through the Board Audit Committee. However, the CIA also reports to the CEO for administrative purposes.

19. ACCOUNTING POLICIES

The accounting policies of the Group, disclosed in Note 3 to the consolidated and separate financial statements, have been approved by the Board. The accounting policies for financial instruments form a significant part of the policies and are disclosed under Note 3 to the consolidated and separate financial statements. There have been no changes in accounting policies in the current year except as disclosed in Note 2 to the consolidated and separate financial statements.

20. CAPITAL STRUCTURE

The capital structure for the year under review was as shown below:

Authorized

20,000,000 ordinary shares of TZS 1,000 each (31 December 2021: 20,000,000 ordinary shares of TZS 1,000 each).

Issued and fully paid

12,900,000 ordinary shares of TZS 1,000 each (31 December 2021: 12,900,000 ordinary shares of TZS 1,000 each).

Details of the capital management, regulatory capital and capital structure are disclosed under Note 6.6 to the consolidated and separate financial statements.

Gearing of the Bank

The Bank reported growth of shareholders equity to total assets from 12% (in 2021) to 13% (in 2022) while Group also reported a growth from 10% (in 2021) to 11% (in 2022). The Group's total equity accounts is 12% (11% in 2021) of the Group's liabilities and Bank reported equity accounts as 15% (14% in 2021) of the total liabilities.

Short term financing

The Group is primarily funded by the customers who have continued to trust the Group hence reported TZS 1.8 trillion (TZS 1.7 trillion in 2021). Also there are other counterparts ranging from other banks through vostro accounts (see note 29) to other partners financing the operations through issuance of various services to the Group and accepting payment on accrual bases see Note 31.

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The Bank has several partners (both local individuals and foreign counterparts) who have injected funds in way of fixed deposits, subordinated debt, standard loans and senior loan arrangements which are all medium term based see note 32 and note 33. The Bank is looking to maintain return on equity of above 10% by end of 2023, continued cost optimization to maintain cost to income ratio to less of 60% and growth of fee income which will all increase operating cashflows together with improve capital position in long run.

21. SHAREHOLDERS OF THE COMPANY

The total number of shareholders during the year was 5 (2021: 5 shareholders). The shares are held as follows:

	Name of the Shareholder	% of shareholding	31 December 2022 Number of Ordinary Shares	31 December 2021 Number of Ordinary Shares
1	Mr. Yogesh Manek	20%	2,580,000	2,580,000
2	Mr. Shaffin Jamal	20%	2,580,000	2,580,000
3	Mr. Hanif Jaffer	20%	2,580,000	2,580,000
4	Mr. Azim Virjee	20%	2,580,000	2,580,000
5	Mr. A zim Kassam	20%	2,580,000	2,580,000
	Total	**100%**	**12,900,000**	**12,900,000**

The Directors holding shares are listed below:

	Name	Nationality	Number of Ordinary Shares
1	Mr. Yogesh Manek	Tanzanian	2,580,000
2	Mr. Shaffin Jamal	Tanzanian	2,580,000
3	Mr. Hanif Jaffer	Tanzanian	2,580,000

22. DIRECTORS' REMUNERATION

The remuneration for the Directors is reviewed to ensure that levels of emoluments and compensation are appropriate after considering industry benchmarks and international practices. Information on aggregate amounts of the emoluments and fees paid to Directors are disclosed in Note 11 and Note 38 to the consolidated and separate financial statements.

23. FUTURE DEVELOPMENT PLANS

The Group is intending to improve profitability by leveraging its investments in customer facing technology to enhance customer experience and introduce new innovative products. The Group's investment in technology will help improve operations and enhance productivity.

The Group is planning to start with process re-engineering and operational enhancement through various strategies including planned upgrades to the Group's service delivery channels which some of these initiatives have already been deployed with the intention of transforming how we serve our customers by reducing the Turn Around Time (TAT) and increase efficiency in our operation which will all help to increase customer experience and ensure reliability of our service delivery channels as we push our Bank even closer to our customers.

Among other initiatives we plan to also introduce more service channels and more penetration strategies to increase accessibility of our services even in places without our branches, this will help open doors to numerous opportunities starting with Tanzanian population through creation of numerous platforms to the Tanzanian population to take part in this exciting journey as we look to introduce and push more on new products and new channels which will need more partners across the group (more agents), also these intend to push our services to the fingertips of our customers and increase Bank's overall efficiency.

The Group is looking to be more engaging and expand partnerships with general populations wherever we operate through leading in creativity and innovation in how conveniently we can onboard other players in the economies we operate in. In that regard we plan to re-look at our branch network and alternative channels to ensure various expansion strategies are all implemented to increase outreach while taking measures to further strengthen the risk management framework.

The medium-term strategy of the bank is to be among the top five retail and corporate bank of choice for local and regional corporations by deploying a combination of strategic pillars which are "Customer first, Process efficiency, Digital focus and Innovate to lead" which are backed by end-to-end digitalization to bring a renewed customer experience. The bank will win its strategy by effectively organizing its talented people, Process and System.

The Bank is planning to implement numerous initiatives such as rationalization of portfolios (business portfolio and operation reliability achieved through reduction of operation complexities, diversified products and reduction of dependence on individual standard financial products.

24. PERFORMANCE FOR THE YEAR

The Group recorded a profit after tax of TZS 44.1 billion (2021: profit of TZS 26.7 billion) during the year. The Bank recorded a profit after tax of TZS 27.9 billion during the year (2021: profit of TZS 16.5 billion).

The total assets of the Group increased to TZS 2.4 trillion (2021: TZS 2.1 trillion) while that of the Bank grew to TZS 1.6 trillion (2021: TZS 1.4 trillion). The increase in total assets was mainly driven by the organic growth in customer asset book for the Group and other earning assets for the Bank.

Despite the ongoing post covid impacts to world economy, disruption of supply chain caused by Russia- Ukraine tension, rising inflation and shift in spending pattern yet the Bank achieved a profit before tax of 41% above prior year and despite 8% growth of tax charge yet the profit after tax was 70% above prior year. On the same note the Bank managed to grow the balance sheet by 17% from TZS 1.4 trillion in 2021 to TZS 1.6 trillion in 2022.

Regardless of the increased competition in financial industry the above performance takes the Bank to 5th position at group level on profit before tax among the Tanzanian banking industry and on asset size it's at the 7 position with 4% market share. This top tier position has persisted for few years now and there is a potential of growing the market share. This performance has strengthened the Bank's position in the top Tier Group emerging at number 7 on profit after tax level and number 7 on asset size.

The Group is intending to achieve further growth in profit after tax following further growth in revenue through strategic growth of the asset book and mobilization of sufficient low-cost funds together with various operating costs optimization measures including process re-engineering and numerous operation enhancements measures to be applied across the group.

The details of the above financial results and position are reflected in the audited consolidated and separate financial statements.

25. BUDGET PERFORMANCE

Financial milestones

The bank targets a growth in balance sheet size, growth which will be attained through strategically positioned focus in optimizing the balance sheet to derive favorable yields while containing costs of funds. This will translate to a similar growth to the one attained between 2022 and 2021 also will translate to better position when compared to 5 years medium term strategy which was set in 2022. Recovery of businesses impacted by Covid-19 is expected to continue in 2023. Whilst geopolitical tensions in Eastern Europe may continue, management is optimistic that resulting challenges will not have significant impact on the business in 2023. However, management will continue observing the trends and take required precautionary measures to ensure stability of the Group's business.

Above growth in balance sheet is expected to allow growth in topline, growth in fee income and hence growth in operating profit which will be attained because of optimized operating costs which will allow for efficient operations and increase productivity being materialization of prior year investments in various working tools and workforce optimization.

The above result will assist to improve cost to income ratio as part of the strategy to reduce the same to the required levels, again this growth is expected to grow the bank's capital levels above the required levels and create a sustainable position.

Group's industry position

The banking industry is experiencing a fundamental shift, driven by new competition from FinTech, a cultural shift, continuous change in regulations and compliance, and disruptive technologies. The coming out of FinTech/non-bank start-ups is changing the competitive landscape in financial services, driving traditional institutions to rethink the way they do business. These and other banking industry challenges can be resolved by new technology which has caused the disruptions. However, the transition from the old systems to the innovative solutions has not always been an easy one. That said, banks need to embrace digital transformation as the only way to survive in the current landscape.

Main trends and factors likely to affect prospects

Intensive Competition

Over the past few years financial industry has seen an intensive competition which both among the existing players and new entrants most of which are the results of FinTechs which mostly target profitable spots in financial services. Given the trend expectation is that these and many other start-ups would keep on gaining market share hence shrinking the margins of the traditional banks and classic financial institutions. Despite the competitive advantage possessed by traditional financial institutions threats from these new entrants are challenging for more simplified and intuitive customer ways to offer financial services which can be expensive and complex to implement.

Over and above new entrants there is an increase in competition among the traditional banks given that only over 17% of bankable population is using banking services hence price war which reduces margins obtained by the existing members while speed of onboarding unbanked population is not at the same pace.

Cultural Shift

Post Covid-19 we have witnessed most of the customers shifting more from brick and motor banking to more of digital space, squeeze of margins makes the classical banking cost inefficient, and banks are forced to consider transformation of operations. With covid-19 the banks are pushed even harder to fasten technology-based banking solutions. These required a lot of changes in many areas in a limited time to stay ahead of the competition and most are complex in nature and cost full especially in implementing them. The cultural shift towards new technologies is a reflective acceptance of digital transformation.

Increase in Expectations

All the banking stakeholders in recent years have significantly transformed how they view banks which have also affected their level of expectations which most range around more smart and customized experiences, convenient access, more transparency, and personalized tastes across different products. Tolerance level of the customers have been reducing time to time and marginal slowdowns and downtimes sometimes results to loss of relationships and hence loss of business and with existence of social media where interaction increased information flow hence creates no margin unlike prior era.

Continued impact of Covid-19

As detailed in note 42 of Directors' report the Emergence of Covid-19 from the past two years resulted in a very significant impact to the world economy and has resulted in a shift of factors of demand and supply. In a number of areas, we and the entire banking industry have seen increases in credit risk in some cases, constrained business growth where in Tanzania we experienced below target growth of GDP, inflation rates and different impacts in other grounds including in liquidity pattern pushing both banks and regulators to think of immediate strategies to contain the impact. This affected banks strategies as most of these side effects came unpredicted and their impact takes longer to identify and combat.

25. BUDGET PERFORMANCE (CONTINUED)

Our key success factors and areas of strength

For the past 25 years we have been amongst the leading banks in innovation and leaders in offering of high standard services to our customers which are delivered through flexible and reliable operation set up which is delivered by quality professionals who serve at the highest level of integrity as we have consistently kept customer satisfaction at the center of what we do and how we operate.

Customer focused approach

We have always been the bank of choice given our commitment to center our entire operation while thinking about maintaining highest level of customer satisfaction which over time we attained it through innovative relationship management approaches, customized products, convenient service delivery channels and our effective customer support which have created an excellent customer experience which is among the best in the industry.

Leading in innovation

Since inception of our operation, we have consistently led the banking industry innovation through being the first in introducing several innovative (such as mobile branch, Credit cards and many others) means to serve our customers. From offering of innovative products, innovative delivery channels and innovative ways to integrate all necessary inputs across both the brick and motor banking era all the way to the current digitized banking environment. This gave our bank a front foot and brings us close to our customers efficiently and effectively.

Brand

Over the past two and half decades we have created a strong brand both at a company and at a Group level hence we were able to open operations across 3 countries and reach a very long customer base. This has been among our strongest holds which principally keeps challenging the Bank and Group to keep up the highest standards of services hence increase customer loyalty and remain the bank of choice across the regions which have been braced by our presence.

Technology and infrastructure

Our deep technology and infrastructure capabilities drive seamless customer experiences and support strong resilience. We have invested in technology which enable competitive product development, implementation of reliable techniques for control of risks and enhancement of digital channels which help the bank to reach geographical faraway and diversified markets. As a Group we have embarked into the latest technologies starting with upgrading our core banking system together with significant infrastructure and connectivity enhancements, normally seen as addressing the enablers which assist in a more flexible structure that respond quickly to the dynamics of a fast pace changing market environment.

Operations and governance

Our risk management, governance and controls help ensure customer and client outcomes are delivered in the right way. This group and bank Risk Management Frameworks forms an integral part of corporate governance. It lays blueprint to high-level governance structure it also outlines controls, processes which all help in implementing risk management strategies. Our effective communication channels help to cascade the same across the group to have alignment hence efficient implementation. Effective risk management equips the group and bank to respond actively to market volatilities and uncertainties using well analyzed risk-based information to enable more effective decision making.

Employee engagement

Our workforce is among our biggest competitive advantage, as we managed at a Group level to create a very diversified, capable and committed workforce which all work in sync and tirelessly to ensure our customers always get the best experiences there is. Over a quarter a century now we focused in shaping our workforce to create readiness to attain our customers' needs for now and the future of our Group.

26. CASH FLOWS PROJECTION

Taking up from trend of the last 5 years where the Bank managed to report stable net cash inflow position from operating activities it further plan to maintain the momentum. Future cash flows of the Group will mostly be generated from deposits. The Group will continue to implement different strategies to mobilize deposits from various business segments and sectors by providing pre-eminent transactions and payment solutions together with various new strategies to reach the unbanked population. Strategic deployment of funds and proper management and monitoring of our investments are the biggest pillars to guaranteed stable cashflow streams to meet the requirements of the Bank and Group at large.

We strategically budgeted growth of balance sheet through deployments in various high yielding and well diversified assets which will be financed again by a diversified funding sources to meet the cashflow needs. Regional footprints gives our Bank a competitive advantage when it comes to sourcing and deployments as this can be done through synchronized approach which considers the best alternative across the group.

Improvements in service delivery channel position a Bank in a region where customers and counterparts can transact easily and efficiently which will also promote flow of funds.

27. LIQUIDITY

The Group places strong emphasis on management of liquidity risk and there is a regular periodical cash flow projection process handled by the Management Liquidity Committee to ensure the Group holds sufficient liquid assets to enable it to continue with normal operations. The Board Audit Risk Management Committee (BARMC) and management's Assets and Liabilities Committee (ALCO) also monitor the Group's exposure to liquidity risk by ensuring that limits are set based on realistic assumptions. The committees track compliance on quarterly and monthly basis, respectively.

The Group's main sources of liquidity are deposits, shareholders' funds and borrowings.

At company level the Bank managed to consistently maintain Liquidity ratios way above the regulatory ratios and has then implemented some deliberate strategies to optimize the banks' balance sheet which has helped largely in creating balance between assets and liabilities given their maturity profiles.

28. DIVIDEND

The Directors do not propose payment of a dividend for 2022 (2021: Nil).

29. RESOURCES

Employees with appropriate skills and experience in running the business are a key resource available to the Group and they assist in pursuing the Group's business objectives. The Group continues to encourage open and honest communication in decision-making. Employment issues as well as financial and economic factors affecting the Group's performance are regularly shared with the employees.

Human resources

At Exim, employee engagement is a critical driver of long-term sustainable value. Our people's thoughts and feelings about their work correlate with how satisfied our clients are and indicate how successful we are likely to be in accelerating our strategy to achieve higher growth and efficiency, while retaining the trust our stakeholders have in the group. The group is operated by 967 employees, (2021: 940 employees), who are well diversified and skilled and the group spent TZS 199 million on training (2021: TZS 117 million). Management team is still implementing an initiative to ensure at least ¼ of all staffs in technical roles are certified by 2023. Staff productivity have grown by 34% (revenue per staff of TZS 245 million in 2022 from TZS 183 million in 2021).

Manufactured capital resources

The group's plant property and equipment increased by 15% despite growth in profitability as a result of increased utilization and optimization of available tools.

Intellectual capital resources

The group's competitive advantage is resting on its commitment to promotion of innovation and creativity from which a strategy team under head of strategy is established to oversee the group's strategic initiatives. The group overall has over 30 staffs who are members of professional bodies and more are supported by the Bank to completion of the same.

Also, our Group adopted and keeps on adopting and deploying several technologies ranging from making the most of available big data and emerging technologies which creates operational efficiencies in our entire operations. The knowledge and expertise incorporated within our systems, processes and procedures and the equity built in the Groups' brand constitute our intellectual capital. We have invested in a strong brand and subsidiary businesses, strategic partnerships and innovative products and solutions that we offer to our customers. We have remained committed to investing in digital adoption with automation at our center of thought as we deem that to be the future of banking operations soon.

Financial capital resources

The group's total shareholders' equity increased by 30% from TZS 204 billion in 2021 to TZS 264 billion in 2022. Earnings per share have also increased from TZS TZS 2,024 to TZS 3,301.

Social capital resource

The Group has maintained its brand value mainly through maintenance of epic employee relations maintained through effective communication with employees and investors resulting to beneficial engagements with government, regulators, competitors, vendors, and tax authorities. Over the years the Bank maintained a sustained support to the general community through community projects. The Bank further maintained its membership and participated in many social forums such as NBAA (seminars, best presented financial statements awards ceremony), TIOB (different meetings and representations) and many other.

29. RESOURCES (CONTINUED)

Natural capital resources

The group maintained its carbon neutral operations which are implemented through several initiatives including volunteering to maintain different gardens in various locations including several big ones in Dar Es Salaam city center.

30 TREASURY POLICIES

The Group operates a centralized treasury department for managing treasury activities in accordance with the framework of treasury policies and guidelines approved by the Board. The treasury department transacts with several banks and financial institutions and adopts a systematic approach to the control and monitoring of counterpart credit risk. The Group, through its Risk and compliance department, monitors compliance against the principal policies and guidelines. The key treasury policies are:

Market Risk Policy

The policy provides guidance/ framework for managing exchange rate and interest risks, also protect the value of the Bank assets from adverse effects of market rate movements.

Liquidity Policy

Provide guidance for management of the liquidity risk under normal and crisis situations. This set out a liquidity management decision-making structure in the Bank, approaches to funding and planning for liquidity planning and management, regulatory compliance, and contingency funding plan. Strong cash generation in recent years and a prudent financing strategy have resulted in the Group currently being adequately positioned to withstand the credit and liquidity challenges in the Bank and capital markets.

Throughout the year the Bank reported above regulatory liquidity ratio of 20% because of strategically optimized balance sheet. Also, the Bank consistently complied to the required statutory minimum reserve requirements. Furthermore, the group reviewed its Transfer pricing policy and same was concluded to still be relevant and in line with the requirements of the regulatory authorities and all transactions were done at arm's length and that no restriction for funds transfer between the group components was imposed during the period and none foreseen for the near future.

The group has not entered into any new covenants and had obtained waiver from all 3 DFIs from whom there was breaches of existing covenant and all were communicated to be a continued impact of Covid-19 to the general global economy.

Contingency Funding Policy

The policy provides guidance for managing stressed liquidity situation created by a problem or market wide crisis and ensure that the Bank is able all the time to meet its matured obligations as they fall due and remain as good as going concern.

Current liquidity including the level of borrowing

The Group ensures that liquidity is monitored in order to manage its liquidity gap by determining the excess or shortage of funds at selected maturity dates by tracing cash inflows and outflows over a series of specified time buckets. The aim is to trace and reflect the maturity periods for the 's assets and liabilities.

Maturity profile and un-drawn committed borrowing

The Group is sound and will remain to be sound in liquidity position as it has adopted a more conservative approach to the investment of its surplus cash, with money market deposits being placed with relatively stronger financial institutions for shorter periods. Counterparty credit risk has been and continues to be, monitored closely on a systematic and ongoing basis, taking account of the size of the institution.

31. PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks that may significantly affect the Group's strategies and development are mainly operational and financial as described below: -

Strategic Risks

The risk of current and prospective impact on income, capital and reputation of the bank arising from poor business decisions, improper implementation of decisions or lack of response to industry or technological changes. The risk is a function of the compatibility of the bank's strategic goals, business strategy supporting achievement of the goals, resources deployed to achieve these goals and quality of implementation.

31. PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Credit Risks

The risk of loss arising from the failure of customers or counterparties to fully honor their obligations. This includes timely and full payment of the principle, interest, collateral, and other receivables.

Capital Risks

The risk that the bank has an insufficient level or composition of capital to support its normal business operations as well as to meet regulatory capital requirements under normal operating conditions (both actual and as defined for internal planning or regulatory testing purposes).

Liquidity Risks

The risk that the bank is unable to meet its contractual or contingent obligations or that it doesn't have the appropriate amount, tenor and composition of funding and liquidity to support its assets.

Market Risks

The risk of loss arising from potential adverse changes in the value of the bank's assets and liabilities due to fluctuations in market variables including but not limited to interest rates, currency exchange rates, credit spreads, equity prices, commodity prices, implied volatilities and asset correlations.

Operational Risks

The risk of loss arising from inadequate or failed processes or systems, people or due to external events where the root cause is not due to credit or market risks.

Compliance Risks

The risk of current or prospective impact to income, capital. Reputation risk arising from violations or non-compliance with laws, rules, regulations, agreements, prescribed practices or ethical standards as well as incorrect interpretation of relevant laws and regulations.

Refer to Note 5 for more details on financial risk management.

32. RISK MANAGEMENT AND INTERNAL CONTROL

The Board accepts ultimate responsibility for the risk management and internal control systems of the Group. The management is delegated to ensure that adequate internal financial and operational control systems are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding:

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

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance with such measures by some staff. Whilst no system of internal control can provide absolute assurance against misstatement or losses, the Group's system is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively. The Board assessed the internal control systems throughout the financial year and is of the opinion that these met the acceptable criteria. The Board carries out risk and internal control assessment through the Risk Management Committee.

33. BANK'S OPERATING ENVIRONMENT

The Board accepts ultimate responsibility for the risk management and internal control systems of the Group. Management is delegated to ensure that adequate internal financial and operational control systems are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding:

Macro-economic conditions

Inflation
Global supply chain disruption caused by war in Ukraine and after effects of Covid-19, continued to exert pressure on commodity prices, particularly food and energy. As a result, domestic inflation sustained an increasing trend since April 2022. However, headline inflation eased slightly to 4.8 percent in December 2022 from 4.9 percent in November 2022 on account of slowdown in prices of some non-food items. The rate was, however, higher than 4.2 percent registered in corresponding month in 2021.
However, the inflation is still within the country target of 5.4 percent for 2022/23 and in line with regional benchmarks.

Bank's credit to private sector
Growth of private sector credit remained strong, with an annual rate of 22.5 percent in December 2022, reflecting ongoing recovery of economic activities from the effects of COVID-19 pandemic, complemented with supportive monetary and fiscal policies. All major economic activities recorded credit growth, except hotels and restaurant. Credit to agriculture activity registered the highest growth, attributable to the monetary policy measures rolled out by the Bank to provide cost-effective credit intermediation to agriculture and agri-business activities. In terms of share, the largest portion of outstanding loans were held in personal undertakings, followed by trade, manufacturing and agriculture activities.

Interest rates
Interest rates charged by banks on loans remained virtually unchanged in December 2022, compared with the rates registered in the preceding month and corresponding month in 2021. The overall lending rate averaged 16 percent, whereas negotiated lending rates were around 13 percent. Overall deposit interest rate averaged 6.94 percent, slightly lower than 7.28 percent recorded in the preceding month, but was higher than 6.74 percent recorded in December 2021. Meanwhile, negotiated deposit rates averaged 8.88 percent in December 2022, slightly below 9.5 percent in the preceding month and 9.82 percent in December 2021.

Money supply
The Bank of Tanzania continued to implement monetary policy that aimed at maintaining a balance between controlling inflation and supporting growth in response to increased inflationary pressures. The policy resulted into a moderate annual growth of money supply (M3) at 11.6 percent in December 2022, which is consistent with the target of 10.3 percent for 2022/23. The growth was mostly driven by sustained strong growth of credit to private sector.

Treasury Bills Market
Two Treasury bills auctions were conducted in December 2022, with a combined tender size of TZS 354.9 billion. The auctions attracted bids worth TZS 118.8 billion, which were all successful. Weighted average yield increased to an average of 6.11 percent from 5.60 percent in the preceding month.

Treasury Bonds Market
Auctions of long dated government securities performed satisfactorily in December 2022. The Bank of Tanzania auctioned 10-year and 25-year Treasury bond with a combined tender size of TZS 270.7 billion, which attracted bids worth TZS 378.5 billion, of which TZS 297.6 billion were successful. The 10-year Treasury bond was undersubscribed whereas 25-year Treasury bond was oversubscribed. Yields to maturity increased to 10.77 percent and 12.76 percent for 10- and 25-year Treasury bonds, respectively.

Regulatory environment

In the year the banking environment remained sound, stable and resilient with adequate capital to support economic activities. The Bank of Tanzania (BoT) continued to strengthen risk management practices in the financial sector by implementing various policies and regulatory reforms to safeguard the stability of the industry including directing banks with capital inadequate ratios to implement capital restoration plans and adhering to the regulatory requirements.

33. BANK'S OPERATING ENVIRONMENT (CONTINUED)

Political environment

Exim group is operating under a sufficiently stable political environment in both countries which safeguards the interests of shareholders and meet stakeholders needs. Overall stabilization and growth of the bank and economy at large. Also, stable political environment has promoted the increase in foreign investment and the domestic investments and operations through fair and stable tax regime and policies induced by the governments leading to the increase of production capacity.

- The countries' political stability provides reassurance for local and international stakeholders.
- Renewed trust and restored relations among regional and international countries increased FDIs and Aids.
- Relaxation of some policy conditions restored confidence and increased business activities.
- The upper end of mobile users and internet penetration provides opportunities to offer service digitally.
- Population growth, with a large part being youth, indicate the availability of the labor force and the ability to adopt new technologies.
- The endowment of various natural resources provides an opportunity for economic growth and increased per capita income.

Competitive position

The banking landscape continues to face competition from other players, mainly Mobile Network Operators (MNOs) and FinTech with technology disruptions becoming a norm. Similarly, the mergers and acquisitions being witnessed in the banking industry, will likely create entities that will increase competition in the sector. Exim will continue to drive innovation and other transformations in various aspects including digital transformation agenda towards building the bank of the future and creating value to our society through access to credit, financial inclusion and social responsibility programs.

The Bank continuing to support customers demand which has been a critical focus of the Exim Group throughout the year. This has been achieved through providing banking services to all over Tanzania, Uganda, Djibouti and Comores S.A.

Market forces

The Group serves a diverse customer base with changing needs and ever-increasing demand for more value and convenience. Technology is highly impacting the banking landscape; clients expect 24/7 banking services wherever they are in the world- the same access offered by other service providers. They also expect constant innovation.

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

Speed and effect of technological change

The banking sector has embraced technology to serve customers more efficiently and conveniently. The use of technology has revolutionized banking from brick and mortar to clicks, changing how banks deliver services across its channels. The Group is strategically focused to deploy technological advancements to meet the growing demands of our customers and remain competitive. We are committed to adopting new technologies and business models that support growth and driving digital adoption.

The Group also intends to build advanced analytics capability to maximize the utilization of the data asset in revenue growth, risk/fraud control and efficiency (financial control and operational cost). We will continuously promote and drive agile culture throughout the organization in order to manage speed, scale and value of the digital transformation.

Financial inclusion

Building on our desire to transform, we remain keen on deepening access to financial services in the regions we operate in because we believe financial inclusion has a bearing on our sustainability. We strive for full inclusion for the unserved and underserved population within our markets of operation. The Group has taken financial inclusion as a social responsibility, aggressively working to ensure financial inclusion is enhanced in the country through our wide range of network, ATMs, mobile branches and point of sales. We fully back government initiatives to increase financial inclusions like in Tanzania to grow the banked population from 17% in 2018 to 50% by 2030 (Source: Financial sector development master plan 2020/21 – 2029/30 by Ministry of Finance and Planning).

Our strategy embraces a broad definition of financial inclusion, seeking to improve access, ensure quality and actual usage of financial products and services, including credit, insurance, payments, remittances, and savings. As a Group, we are focused on making sure technology transforms financial services in a way that works for everyone.

Human rights

Exim Group complies to all regional and international human rights instruments. We also promote human rights through our employment policies and practices, through our supply chain and through the responsible use of our products and service in accordance with the requirements of the constitutions of Tanzania, Uganda, Djibouti and Comores S.A.

33. BANK'S OPERATING ENVIRONMENT (CONTINUED)

Health

The group remains committed to conducting our business in compliance with all applicable health and safety laws and regulations (the Occupational Safety Human Resources Policy, Version 5.0, July 2021 and Health Act.No.5 of 2003) and other best practices. The group strive to provide a safe and health work environment to avoid adverse impact and injury to its employees and customers by taking responsibilities towards the safety of everyone on our premises, including employees, contractors, customers, visitors and members of the public and ensures that they are not exposed to risks that may compromise their Health and Safety.

34. KEY PERFORMANCE INDICATORS

The following key performance indicators (KPIs) are effective in measuring the delivery of the Group and managing the business. All of these are derived from reported financial results prepared in compliance with IFRS requirements hence actual position was used (no assumptions used) and that no new KPI was included or non was omitted from the ones reported in prior year.

Performance indicator	Definition and calculation method	Group		Bank	
		2022	2021	2022	2021
Return on equity	Net profit/Average total equity for past two years	18.82%	16.00%	14.68%	10.00%
Return on assets	Profit Before Tax/Average total assets for past two years	3.02%	2.00%	2.95%	2.00%
Cost to income ratio	(Operating expenses excluding Provisions)/ (Net interest income + non-interest income)	57.69%	70.00%	54.93%	70.00%
Gross loans to total deposits	Total gross loans/Total deposits	69.63%	78.00%	79.01%	78.00%
Non-performing loans to gross loans	Gross Non-performing loans/Total Gross Loans	7.79%	8.00%	8.64%	7.00%
Earning assets to total assets	Total Earning assets/Total assets	75.92%	80.00%	78.53%	86.00%
Growth on total assets	Trend (Current year total assets-previous year total assets)/Previous year total assets	14.10%	7.00%	16.18%	5.00%
Growth on loans and advances to customers	Trend (Current year loans and advances to customers -previous year loans and advances to customers)/ Previous year loans and advances to customers	12.06%	2.00%	14.67%	-5.00%
Growth on customer deposits	Trend (Current year customer deposits -previous year customer deposits)/Previous year customer deposits	8.18%	16.00%	16.72%	16.00%
Growth on total shareholders' funds	Trend (Current year total shareholders' funds -previous year total shareholders' funds)/Previous year total shareholders' funds	29.64%	14.00%	23.21%	10.00%
Capacity adequacy:					
Tier I Capital	Core Capital/Risk weighted average assets including off-balance sheet items	12.88%	11.50%	15.11%	12.99%
Tier I + Tier II Capital	Total Capital/Risk weighted average assets including off-balance sheet items	14.36%	13.00%	16.99%	14.53%

How we are positioned to attain the set KPIs

- Branch operations which are well aligned to our re-engineered operating model placed to fit service demands, increase productivity and improve controls.
- Keeping the innovation and transformation culture programs to align our workforce which is centered to deliver targeted milestones.
- Keep promoting learning, development and accelerated capacity building socially and professionally.
- Well-coordinated Headquarter and branch operations.
- Promoting more innovative, convenient and effective service delivery channels.
- Material improvement to the Bank's infrastructure and working tools to simplify and improve SLAs and TATs.
- Revamped and launched new SimBanking App and USSD to increase experience and drive usage.

35. SOLVENCY

The Board confirms that applicable accounting standards have been followed and that the statements of affairs of the Group as at 31 December 2022 as set out in the consolidated and separate statements of financial position have been prepared on a going concern basis. The Directors consider the Group and the Company to be solvent within the meaning ascribed by the Companies Act, No. 12 of 2002.

36. GENDER PARITY

The Group is proud to be an Equal Opportunity Employer with 967 employees, out of which 463 were female and 504 were male (2021: 940 employees, out of which 444 were female and 496 were male). During the year, 34% (2021: 38%) of the number of women are in executive management.

37. RELATED PARTY TRANSACTIONS

The related party transactions and balances are disclosed in Note 38 to the consolidated and separate financial statements.

38. WELFARE OF EMPLOYEES

Our group is based on understanding that we are our people and our work force is what makes us who we are. Hence, we live in a belief that our workforce is our most valuable asset hence commit to always We believe that our employees are the most valuable assets, and we make effort to develop their abilities and productivity. We encourage a work culture, foster relationship with them at every level in the Group, make them express their views and share their ideas to bring about improvements towards the achievement of our vision to always create, develop and maintain their capacity, ability, and productivity for the sustainable group.

We have created a plus one work culture which improved how our employees view their tasks and hence allow each to confidently make contribution into our daily operation and to those charged with governance every opinion matters and everyone has a role to play which shaped the vision of everyone across the group.

We are established in a belief of a conducive, supportive and inspiring work environment will create an enduring presence of a loyal and committed workforce which is motivated, trained and proactive towards delivering the value we committed to our stakeholders. Over two decades the group invested in creation of an environment responsive to different cultures and groups in all our interactions with employees, customers, visitors, suppliers, contractors, shareholders, investors and in the communities in which we operate.

Relationship between management and employees

There was continued good relationship between employees and management during the year. There were no unresolved complaints received by management from the employees during the year. The Group is an Equal Opportunity Employer. It provides equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind.

Our management and those charged with governance have centered the attention to creation, maintaining and improving the right work culture. This culture has been instilled to all employees across all levels to always ensure alignment between different levels and key stakeholders.

This right culture creation and development started with creation of strong and top management with the aligned mind set through talent spotting and management, employee development, capacity improvement and leadership capabilities across all levels. At Exim those charged with governance always strive to create a conducive atmosphere where our entire workforce will be efficiently and effectively utilized hence our entire workforce work as one.

Learning and Development

For the year 2022, the Group spent TZS 199 million (2021: TZS 117 million) in employees' learning and development. Training programs have been and are continually developed to ensure employees are adequately trained at all levels. All employees undergo annual training to upgrade soft/banking skills and enhanced development

Performance Management System (PMS)

Among key areas that have seen amongst the biggest improvement yet in the past few years is employee performance management, which effective from January 2021 a new performance management strategy was introduced, and this intended at enhance how development of our employee is managed. The enhancements intended to improve how targets are set at beginning of

38. WELFARE OF EMPLOYEES (CONTINUED)

Performance Management System (PMS) (Continued)

review period, establish an effective and efficient performance improvement across the review period, it has also improved how the performance basis are set and what they imply and then how the performance appraisal is done. Since introduction of this new appraisal system the following have been the results.

- Improvement in employee productivity
- Growth in revenue despite decline in number of staffs.
- Staff turnover has been reduced.
- It has created a more engaging process than before our group and bank starts the PMS with Balanced Scorecard which establishes the milestone that the group and bank as a whole intends to achieve by both end of medium term (normally 3 years) and cascaded in annual basis. The group goals are then split into an individual bases to create a unified effort across the board.

Among the key achievements, our Bank was announced as the 2022 Best Employer of the Year in Performance Management by Association of Tanzania Employers (ATE) at the event which was attended in person by the Vice President of Tanzania as the Guest of Honour.

Our group continues to enhance the transparency and objectivity of the exercise by employing the upgraded version in its electronic Performance Management System which is also expected to maximize the look and feel experience for users interfacing with it.

Talent management

In 2022, the Bank launched an electronic learning management system which has been a key ingredient in implementing learning and development programs. Through the launched platform, the talent management programs have been executed quicker, easier, and in the most reliable way.

Medical assistance

Our employees are provided with medical insurance through a defined contribution plan. Currently, these services are provided by Strategies Insurance (Tanzania) Limited and National Health Insurance Fund. There is also a bank group life assurance cover for all staff.

Health and safety

The Group has a bank administration and security department which ensures that a culture of safety always prevails. A safe working environment is ensured for all employees and contractors by providing adequate and proper training and supervision as necessary.

Talent retention

Our group continuously seeks to identify, develop and retain talented employees. The group has developed its diversified mechanism to identify the potential talents and engage in improving and developing its capacity which in the combination of many other aspects it creates a bond between the workforce and its staffs to create an identity in valuing what everyone does to the point that retention levels have been increasing to 90.4% in 2022 from 89.9% in 2021. In the current workforce 22% of staffs have been with the bank for over 10 years (20% in 2021), 30% are between 6-10 years (33% in 2021) and 48% have worked between 0-5 years (47% in 2021).

Financial assistance to staff

Loans and advances under various schemes are available to all confirmed employees depending on the assessment and discretion of management as to the need and circumstances as per the Group's Human Resources (HR) policy approved by the Board. This is to assist in promoting the welfare of employees.

Persons with disabilities

Applications for employment by persons with disability are always considered, bearing in mind the aptitude of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues, and appropriate training is arranged. It is endeavored that training, career development and promotion of persons with disability should be identical to that of other employees.

Succession planning

The Bank endeavors to minimize the risk of key man dependence by creating a succession pool. The succession pool creates a provision for talent sourcing in the event of an attrition in a critical position where development plans are established in preparation for their readiness. This is the process put in place to address the following main objectives: -

- Identify high-potential employees capable of rapid advancement to positions of higher responsibility,
- Ensure the systematic and long-term development of individuals to replace critical job incumbents as the need arises,
- Create a continuous flow of talented people to meet the bank's management needs, succession planning reduces the risk or time it takes to fill a critical role if someone leaves.

38. WELFARE OF EMPLOYEES (CONTINUED)

Employee benefit plan

The Group and all its employees contribute to the statutory social security funds in Tanzania that is NSSF which is defined contribution scheme. Employees contribute 10% and the Group also contributes 10% to the schemes. The subsidiaries comply with the social security laws and regulations applicable in the respective countries.

39. POLITICAL AND CHARITABLE DONATIONS

The Group did not make any political donations during the year. Donations made to various charitable organizations during the year as part of Corporate Social Responsibility (CSR) on health, education, sports, tourism, and environment to support endeavors amounted to TZS 93 million (2021: TZS 266.9 million).

40. CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Group remains committed to the communities that it operates in and made contributions under the education, environment, and health pillars which it continues to focus on.

In 2022, the Bank further strengthened its Exim Cares division, which its primary mission is creating platforms and initiatives in which Eximites (Exim Staff), and associated partners can transform lives through their actions. This transcends the traditional approach of CSR which is mostly through donations. Exim Cares is the 's social responsibility arm that addresses important social issues and builds on the commitment of Exim at work today, for tomorrow's approach which aims at working for a better tomorrow for the communities that support and surrounds the bank.

Eximites (Exim Staff)

Further in line with Exim Cares mission of enabling staff to transform lives through their actions, each department was given a budget to choose and support a cause of their choice. Through this approach, charitable activities such as financing the installation of water at Machame Orphanage Center and donation of basic needs items to several orphanages were conducted.

Health Care

The Bank supported several blood donation initiatives. The move aimed at collecting blood to save lives in times of emergencies and to sustain the lives of those with medical conditions like leukemia and bleeding disorders, as well as patients undergoing major surgeries. As a part of Exim Cares, the donation was done in Dar es Salaam, Dodoma, and Zanzibar.

Education

Desks Donation
In its effort to support the Government of the United Republic of Tanzania's quest in transforming education in the country, Exim Tanzania through Exim Cares pledged to donate 1000 desk to various primary schools across the country in one year from October 2021. The Bank has donated a total of 1000 desks to Dodoma, Lindi, Mtwara, Mbeya, Tanga, Mwanza, Shinyanga and Tabora.

Young Scientists of Tanzania

To further pioneer and spur up innovation in the country, the Bank supported the Young Scientists of Tanzania organization through a sponsorship program which helped in organizing to facilitate science for development in Tanzania.

Environment

The continued with its go-green initiatives aimed at creating awareness to the community at large towards environmental conservation See Note 10 of Directors report for more details.

Other Donations

The Bank further made several donations in supporting different causes like the CEO Golf in Zanzibar, Marathons in Dar es Salaam, Mtwara and Shinyanga, to name a few.

41. IMPACT OF COVID

Overall impact of COVID

It's been three years since COVID-19 pandemic outbreak and the economy is at the recovery stage, during this time the Group has been continuously monitoring the impact of the pandemic and various measures taken by different sovereigns including but not limited to government of Tanzania, Uganda, Comoros, Djibouti through Central Banks together with measures taken by other governments which might affect how we operate as a Group.

With that regards the economies we operate remained stable and the business environment remained sustainable across most sectors. The financial sector continued to perform well, despite the rapid changes seen in several patterns of the economy including changes in consumers' spending behavior and investors risk appetites. However, we have noted that some sectors were adversely impacted by the pandemic, mainly because of the measures taken by individual governments and businesses to respond to the outbreak.

Governments we operate in opted for solid measures which enabled to control the impact of the pandemic which allowed the economic activities to fully resume and sustain the same. The pandemic impacted mostly the tourism related sectors such as hospitality whilst other sectors such as the construction, agriculture, transportation, health, and trade continued to grow at a steady rate. For 2021 most economies did not opt for operation suspension or scale down as more understanding of the pandemic is attained hence banks continued to operate however general global economic slowdown disrupted the ability to generate cashflows and credit worthiness of customers. We however remain optimistic that the banking sector will continue to strive as a result of strong measures the governments has taken to improve business environment. We have seen Central Banks provide significant relief policies to promote credit growth for the private sector.

Specifically, the measures taken by the Central Bank of Tanzania and together with our strategic initiatives yielded the seen performance of the Group despite the effect of the pandemic.

The Bank and group have tapped the opportunities availed by Central Bank policies and directive measures including but not limited to loans modifications to sectors affected and effort to alleviate the effects of the pandemic to the economy.

To mitigate liquidity risks as the economy recovers from effects of Covid-19 pandemic, the bank in collaboration with government stakeholders through the regulators continues to take various steps to and ensure continuity of operations even as it monitored the situation. The bank is positioned to take appropriate actions to respond to the changes in the market and fully navigate any significant disruption that may ensue.

Measures taken by the Central Bank mitigate the risks of the pandemic

- Circular was on SMR reduction for Loans that shall be extended to agriculture at rate not more than 10% will qualify for SMR reduction equivalent to loan amount extended, this helped to increase liquidity for Bank to invest in earning assets.
- BOT Reduced risk weights on salaried loans from 100% to 50% for computing regulatory capital of banks, this increases capital ratios which in turn creates a room to further extend credit to the private sector.
- Relaxation of agent banking eligibility criteria, whereby BOT removed a requirement for business experience of at least 18 months for applicants of agent banking business by retaining only a requirement for National ID card or National ID number which create a room of potential growth of agent network.
- Limitation of interest rate paid on mobile money trust accounts whereby interest rate on deposit held in mobile money trust accounts shall not exceed rate offered on savings deposits by the respective Bank which led to the reduction of interest expense attributable to trust accounts.

Measures taken by the Bank and Group to mitigate the risks of the pandemic

- To protect staff and the public to ensure business continuity by, continuing providing awareness and health campaigns for staff and customers to drive compliance with the mitigation guidelines including social distancing, handwashing and wearing of facemasks which were provided by the Bank for free to all staffs.
- Ensuring appropriate Personal Protective Equipment (PPEs); Sanitizers, thermometer guns, gloves, and facemasks, which are distributed to the entire network i.e., HQ, branches and ATMs.
- Aggressive deployment and issue of innovative technology solutions and tools such as Microsoft teams and zoom for internal and external meetings to reduce physical interactions.
- Improvement, deployment of new and pushing customers to consider Bank's alternative service delivery channels mainly to do with digital banking platforms and solutions such as online banking, Bank to wallet, PoS, ATM solutions, Cash management solutions to minimize customers' branch visits.
- Installation of sanitizers at Bank's premises including branches, HQ, ATMs to reduce the risk of surface transmission.

Assessment of the measures taken by the Bank and Group to mitigate the risks of the pandemic

Credit risks

In terms of credit risk, the Bank had not experienced the significant increase in credit risk in all its financial instruments during the recovery from the pandemic. Credit portfolio performance was relatively stable during the year (reported a contained NPA of 9% to gross loan book), strengthened by the credit reforms implemented over the period.

41. IMPACT OF COVID (CONTINUED)

Overall impact of COVID (Continued)

The Group is implementing numerous credit monitoring initiatives ranging from portfolio management and monitoring identification of early warning signals and implementing proactive corrective actions timely. Moreover, the Bank implemented a strategy to contain the loan book growth and strategically push for higher yield but lower credit risk such as consumer loans, close engagement with customers and timely restructuring of credit facilities to align with the anticipated cash flows and writing off loan and advances in line with Central Bank guidelines. Again, the Bank through its channels keeps on engaging borrowers and customers on various sectors through close monitoring and follow up of Covid-19 restructured facilities.

Hence from above initiatives taken the pandemic was seen to have a marginal detrimental impact directly to the Bank's operation hence no significant adjustment made with respect to economic assumptions applied and disclosed by the Bank as of 31 December 2022.

42. MAJOR FINANCING TRANSACTIONS

There was no major financing transaction during the year.

43. CLIMATE-RELATED RISKS

The Group recognizes the climate change related risk. Extreme weather events such as storms, high winds, drought, and high temperatures may generally impact various businesses.

The Group's business which is directly linked to climate change is in agricultural sector. The Group has persistently complied with BoT guidelines about concentration risks to mitigate likely any negative impact.

The Group has in place internal environmental policy which among other things promote digital communication, digital transactions, and paperless activities. There are no changes to the current 's environmental protection policy, hence no additional financial commitment is required regarding climate related risks.

Forward looking climate related risks that could potentially impact the financial statements of the Group are physical damage of the low lying coastal leased buildings hosting the facilities and employees, and massive lending to agricultural sector.

44 STATEMENT OF COMPLIANCE WITH TFRS-1

The financial statements of the Group are in compliance with all provisions of TFRS-1 and other legal and regulatory requirements.

45. AUDITORS

The company's auditor, KPMG has expressed its willingness to continue in office and are eligible for re-appointment. A resolution to reappoint KPMG as auditor will be put to the Annual General Meeting.

Approved by the Board of Directors and signed on its behalf by:

J ____________________ 31/03/2023

Ambassador Juma Mwapachu
Chairman

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

The Companies Act, 2002 requires the Directors to prepare consolidated and separate financial statements for each financial year which give a true and fair view of the state of the financial affairs of the Group and the Bank as at the end of the financial year and of its financial results for the year then ended. It also requires the Directors to ensure the Group and the Bank keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Bank. They are also responsible for safeguarding the assets of the Group and the Bank.

The Directors are responsible for the preparation of the consolidated and separate financial statements that give true and fair view in accordance with the IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards), and in manner required by the Companies Act, 2002, the Banking and Financial Institutions Act, 2006, and for such internal controls as Directors determine are necessary to enable the preparation of the consolidated and separate financial statements that are free from material misstatements, whether due to fraud or error.

The Directors accept responsibility for the annual consolidated and separate financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with IFRS Standards and in the manner required by the Companies Act, 2002 and the Banking and Financial Institutions Act, 2006. The Directors are of the opinion that the consolidated and separate financial statements give a true and fair view of the state of the financial affairs of the Group and the Bank and of its operating results. The Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of the consolidated and separate financial statements, as well as adequate systems of internal financial control.

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

The independent auditor is responsible for reporting on whether the annual financial statements give a true and fair view in accordance with the applicable financial reporting framework.

_______________ 31/03/2023

Ambassador Juma Mwapachu
Chairman

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

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

It is the duty of a professional accountant, to assist the Directors to discharge the responsibility of preparing consolidated and separate financial statements of the Group and the Bank showing a true and fair view of the Group's and the Bank's financial position and performance in accordance with applicable accounting standards and statutory requirements. Full legal responsibility for the preparation of the consolidated and separate financial statements rests with the Directors as stated under the Statement of Directors' Responsibilities on an earlier page.

I, Issa Hamisi Rajabu, being the Deputy Chief Finance Officer of Exim Bank (Tanzania) Limited hereby acknowledge my responsibility of ensuring that the consolidated and separate financial statements for the year ended 31 December 2022 have been prepared in accordance with International Financial Reporting Standards and the requirements of Companies Act, 2002 and the Banking and Financial Institutions Act, 2006.

I thus confirm that the consolidated and separate financial statements comply with International Financial Reporting Standards and the requirements of Companies Act, 2002 and the Banking and Financial Institutions Act, 2006 as on that date and that they have been prepared based on properly maintained financial records.

________________ 31/03/2023

Issa Hamisi Rajabu
Deputy Chief Finance Officer
NBAA Membership No.: GA 3348

INDEPENDENT AUDITOR'S REPORT TO THE SHARE-HOLDERS OF EXIM BANK TANZANIA LIMITED

Report on the Audit of the consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Exim Bank Tanzania Limited ("the Group and Bank") set out on pages 39 to 154, which comprise the consolidated and separate statement of financial position as at 31 December 2022, and the consolidated and separate statement of profit or loss and other comprehensive income, consolidated and separate statement of changes in equity and consolidated and statement of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Exim Bank Tanzania Limited as at 31 December 2022, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) and in the manner required by the Companies Act, 2002 and the Banking and Financial Institutions Act, 2006.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report. We are independent of the Group and Bank in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* together with the ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Tanzania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter relating to comparative information

The consolidated and separate financial statements of Exim Bank Tanzania Limited as at and for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those consolidated and separate financial statements on 14 April 2022.

Key Audit Matters

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

Report on the Audit of the consolidated and separate Financial Statements (continued)

Key Audit Matters (continued)

Impairment on loans and advances to customers

Refer to Notes 3(i), 4(b), 6.1, 8(b) and 19

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2022 Loans and advances to customers amounted to TZS 1,291 billion and TZS 799.4 billion for the group and bank, and the allowance for impairment amounted to TZS 43.57 billion and TZS 37.04 billion for the group and bank. Measurement of expected credit loss (ECL) on loans and advances is a key audit matter as the determination of ECL is highly subjective since it involves a significant level of judgement applied by management and is a significant estimate. The key areas where we identified significant levels of management judgement and therefore increased levels of audit focus are: • Assumptions and judgement used in determining criteria for Significant Increase in Credit Risk (SICR) where both quantitative considerations such as days past due and qualitative considerations such financial difficulties of the borrowers affecting the staging decisions. • Choosing appropriate models and assumptions for the determination of probability of default (PD), exposures at default (EAD) and loss given default (LGD) and ultimately the measurement of Expected Credit Loss (ECL). • Establishing the various macroeconomic variables as well as weightings applied to the forward-looking scenarios such as base, upside and downside and weightings used against local economic factors for each type of product/market and the associated impact on ECL. • Consideration for significant judgements around LGD modelling assumptions including time to realisation of collaterals as well as collateral values.	*Our audit procedures in this area, included:* • Evaluating the design and implementation as well as the operating effectiveness of controls, over the compilation and review of the early warning list, credit file review processes, approval of external collateral valuation vendors and controls over the approval of significant individual impairments. • Evaluate management's model for establishing stage 1, 2 and 3 impairments by challenging reasonability of management assumptions such as time to realization of collateral values, for the entire population. Also perform a retrospective review by comparing previous year's estimate to actual outcome in the current year. In addition, for a sample of loan exposures, we assessed whether facilities are correctly staged/classified and valued based on IFRS 9 *Financial Instruments.* • Evaluating the reliability and reasonableness of significant judgements around LGD modelling as well as information used by the group and bank in establishing PD and LGD, including evaluation of the appropriateness of collateral realization period, appropriateness of collateral values used by agreeing a sample to collateral valuation reports together with PD reperformance. • Evaluating the appropriateness of the Significant Increase in Credit Risk (SICR) criteria used by the Bank by comparing it against IFRS 9 requirements. • Assessing the ECL calculations through re-computation, and on sample basis, checking if the correct parameters, namely PDs, LGD and EADs were appropriately determined. • Involved our internal Financial Risk Management specialists to evaluate the appropriateness of macroeconomic scenarios such as base, upside and downside and weightings used against local economic factors such as interest rates, unemployment rates and GDP forecasts. Evaluating management's method of determining groups of similar financial assets for purposes of measuring ECL to confirm that assets are properly stratified; and • Evaluating the adequacy of consolidated and separate financial statements disclosures in accordance with the requirements of IFRS 7, Financial Instruments: Disclosures, including disclosures of key assumptions and judgements relating to ECL.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF EXIM BANK TANZANIA LIMITED (CONTINUED)

Report on the Audit of the consolidated and separate Financial Statements (continued)

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the document titled Exim Bank Tanzania Limited Annual report and Audited consolidated and separate financial statements for the year ended 31 December 2022 but does not include the consolidated and separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, 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 consolidated and separate financial statements

The Directors are responsible for the preparation of the consolidated and separate financial statements that give a true and fair view in accordance with IFRS Standards and in the manner required by the Companies Act, 2002 and Banking and Financial Institutions Act, 2006, and for such internal control as the Directors determine is necessary to enable the preparation of the consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated and separate financial statements

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

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

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

Report on the Audit of the consolidated and separate Financial Statements (continued)

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.

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

Report on Other Legal and Regulatory Requirements

As required by the Companies Act, 2002 we report to you, solely based on our audit of the consolidated and separate financial statements, that:

- in our opinion, proper accounting records have been kept by Exim Bank Tanzania Limited;
- the individual accounts are in agreement with the accounting records of the Bank;
- we obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit;
- Directors' report is consistent with the consolidated and separate financial statements; and
- information specified by the law regarding Directors' emoluments and other transactions with the Bank is disclosed.

As required by Banking and Financial Institutions Act, 2006 and its regulations, we report to you solely based on our audit of the consolidated and separate financial statements, that:

Nothing has come to our attention that causes us to believe that the Bank has not complied with the Banking and Financial Institutions Act, 2006 and its regulations including computation of its capital position.

KPMG
Certified Public Accountants (T)

Signed by: CPA Vincent Onjala (TCPA 2722)
Dar es Salaam

Date: 31/3/2023

CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Group		Bank	
		2022 TZS 'M'	2021 TZS 'M'	2022 TZS 'M'	2021 TZS 'M'
Interest income calculated using the effective interest method	7(a)	164,216	146,548	105,750	97,377
Other interest income	7(b)	15,416	10,223	15,416	10,223
Interest expense and similar charges	8(a)	(42,001)	(41,442)	(37,482)	(34,063)
Net interest income		137,631	115,329	83,684	73,537
Expected credit loss	8(b)	(32,315)	(5,339)	(27,417)	(1,689)
Net interest income after loan expected credit loss charge		105,316	109,990	56,267	71,848
Fee and commission income	9(a)	35,744	27,997	19,051	14,634
Fee and commission expense	9(b)	(52)	(121)	(52)	(121)
Net fee and commission income		35,692	27,876	18,999	14,513
Foreign currency dealings and translation gain		25,307	17,450	16,969	10,560
Other income	10(a)	38,025	10,980	38,360	11,468
Other expenses	10(b)	48	90	-	(63)
Operating expenses	11	(55,915)	(46,748)	(35,966)	(29,821)
Personnel expenses	12	(61,915)	(53,629)	(40,282)	(35,092)
Depreciation and amortization expenses	13	(18,750)	(19,958)	(10,549)	(12,302)
Profit before income tax		67,808	46,051	43,798	31,111
Income tax expense	14(a)	(23,715)	(19,382)	(15,807)	(14,630)
Profit for the year		**44,093**	**26,669**	**27,991**	**16,481**
Other comprehensive income					
Items that will not subsequently be reclassified to profit or loss					
Gain on equity investments at FVOCI	21(a)	26	4	26	4
Deferred tax (charge)/credit	14(c)	(8)	(1)	(8)	(1)
		18	3	18	3
Items that may subsequently be reclassified to profit or loss					
Gain on government securities at FVOCI		16,636	79	16,636	79
Deferred tax charge	14(c)	(4,991)	(24)	(4,991)	(24)
Exchange differences on translation of foreign operations	35(d)	(2,750)	(1,235)	-	-
Other comprehensive income/(loss) for the year, net of tax		11,370	(1,180)	11,645	55
Total comprehensive income for the year, net of tax		**53,006**	**25,492**	**39,654**	**16,539**

	Group		Bank	
	2022 TZS 'M'	2021 TZS 'M'	2022 TZS 'M'	2021 TZS 'M'
Profit for the year attributable to				
Owners of the parent	42,589	26,107	27,991	16,481
Non-controlling interests	1,504	562	-	-
	44,095	26,669	27,991	16,481
Total comprehensive income for the year attributable to				
Owners of the parent	51,510	24,930	39,654	16,539
Non-controlling interests	1,496	562	-	-
	53,006	25,492	39,654	16,539
	TZS/Share	TZS/Share	TZS/Share	TZS/Share
Basic and diluted profit per share (Note 15)	3,301	2,024	2,170	1,282

The notes set out on pages 121 to 223 form an integral part of these financial statements.

Independent Auditor's Report appears on pages 110 to 113.

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	Notes	Group		Bank	
		2022	2021	2022	2021
Assets		TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'
Cash and balances with Central Banks	17	234,241	293,621	121,347	114,575
Loans and advances to banks	18	260,219	208,164	124,558	151,308
Loans and advances to customers	19	1,248,257	1,113,913	762,433	664,922
Government securities at amortized cost	20	123,643	125,666	92,755	107,117
Government securities: FVTPL	20	155,561	98,143	155,561	97,942
Government securities: FVOCI	20	221,553	117,251	221,553	117,251
Equity investments: FVPTL	21(a)	2,092	2,066	2,092	2,066
Equity investments: FVTOCI	21(b)	516	505	-	-
Corporate Bonds: Amortized cost	21(c)	47,110	20,534	710	1,784
Other assets	22	6,788	19,281	3,202	8,341
Intangible assets	23	6,740	9,417	1,904	2,991
Assets held for sale	24	226	2,779	-	2,102
Property and equipment	25	43,736	38,042	27,550	23,480
Right of use	26	23,294	26,144	17,717	19,719
Investment in subsidiaries	27	-	-	45,512	38,307
Deferred tax asset	14(c)	16,573	19,673	16,573	19,673
Total assets		**2,390,549**	**2,095,199**	**1,593,467**	**1,371,578**
Liabilities and equity					
Liabilities					
Deposits due to banks	29	157,452	53,379	236,196	197,492
Deposits due to customers	30	1,815,508	1,678,285	1,018,857	872,938
Current income tax payable	14(b)	4,885	2,424	543	576
Other liabilities	31	58,420	44,428	44,177	27,767
Term borrowings	32	8,566	6,059	8,566	6,059
Subordinated debts and senior loans	33	55,321	73,987	55,321	73,987
Lease liability	28(a)	24,986	28,437	19,018	21,732
Other provisions		921	4,185	292	184
Total liabilities		**2,126,059**	**1,891,184**	**1,382,970**	**1,200,735**
Equity					
Share capital	34	12,900	12,900	12,900	12,900
Regulatory and other reserves	35	35,550	37,718	18,654	23,112
Retained earnings		196,252	142,574	178,943	134,831
Equity attributable to owners of the parent		**244,702**	**193,192**	**210,497**	**170,843**
Non-controlling interest	39	19,788	10,823	-	-
Total Equity		**264,490**	**204,015**	**210,497**	**170,843**
Total liabilities and equity		**2,390,549**	**2,095,199**	**1,593,467**	**1,371,578**

The financial statements on pages 114 to 223 were approved and authorized for issue by the Board of Directors on 31/03/ 2023 and were signed on its behalf by:

Ambassador Juma Mwapachu
Chairman

Mr. Yogesh Manek
Director

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

Group	Notes	Issued capital TZS 'M'	Regulatory reserves TZS 'M'	Fair value reserve TZS 'M'	General and legal reserve TZS 'M'	Currency translation reserve TZS 'M'	Retained earnings TZS 'M'	Total controlling interest TZS 'M'	Non - controlling interest TZS 'M'	Total TZS 'M'
At 1 January 2022		12,900	25,844	1,191	2,859	7,824	142,574	193,192	10,823	204,015
Total comprehensive income										
Profit for the year		-	-	-	-	-	42,589	42,589	1,504	44,093
Other comprehensive income/(loss) net of taxes		-	-	11,026	-	(2,105)	-	8,921	(8)	8,913
Transfer to retained earnings/NCI from general and legal reserve	35(b)	-	-	-	578	-	(578)	-	-	-
Transfer from regulatory reserves to retained earnings	35(c)	-	(11,667)	-	-	-	11,667	-	-	-
		12,900	14,177	12,217	3,437	5,719	196,252	244,702	12,319	257,021
Transactions with equity holders										
Change of investment		-	-	-	-	-	-	-	7,469	7,469
As at 31 December 2022		**12,900**	**14,177**	**12,217**	**3,437**	**5,719**	**196,252**	**244,702**	**19,788**	**264,490**
At 1 January 2021		12,900	18,388	1,133	2,673	9,059	124,109	168,262	10,261	178,523
Total comprehensive income										
Profit for the year		-	-		-		26,107	26,107	562	26,669
Other comprehensive income/(loss) net of taxes		-	-	58	-	(1,235)	-	(1,177)	-	(1,177)
Transfer from regulatory reserves to retained earnings	35(b)	-	7,456	-	-	-	(7,456)	-	-	-
Transfer to retained earnings/NCI from general and legal reserve	35(c)	-	-	-	186	-	(186)	-	-	-
As at 31 December 2021		**12,900**	**25,844**	**1,191**	**2,859**	**7,824**	**142,574**	**193,192**	**10,823**	**204,015**

The notes set out on pages 121 to 223 form an integral part of these financial statements.

Independent Auditor's Report appears on pages 110 to 113

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF EXIM BANK TANZANIA LIMITED (CONTINUED)

Bank	Notes	Issued capital TZS 'M'	Regulatory and other reserves TZS 'M'	Fair value reserve TZS 'M'	General and legal reserve TZS 'M'	Retained earnings TZS 'M'	Total TZS 'M'
At 1 January 2022		12,900	22,554	554	4	134,831	170,843
Profit for the year		-	-	-	-	27,991	27,991
Other comprehensive income net of taxes		-	-	11,663	-	-	11,663
Transfer to retained earnings	35(b)	-	(16,121)	-	-	16,121	-
As at 31 December 2022		12,900	6,433	12,217	4	178,943	210,497
At 1 January 2021		12,900	17,969	1,115	4	122,935	154,923
Profit for the year		-	-	-	-	16,481	16,481
Fair value reclassification		-	-	(619)	-	-	(619)
Other comprehensive income net of taxes		-	-	58	-	-	58
Transfer from retained earnings	35(b)	-	4,585	-	-	(4,585)	-
As at 31 December 2021		12,900	22,554	554	4	134,831	170,843

The notes set out on pages 121 to 223 form an integral part of these financial statements.

Independent Auditor's Report appears on pages 110 to 113.

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Group		Bank	
		2022	2021	2022	2021
Cash flows from operating activities		TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'
Profit before tax		67,808	46,051	43,798	31,111
Adjustment for:					
Depreciation of property and equipment	25	5,773	6,854	4,147	4,310
Amortization of intangible assets	23	3,639	5,408	1,801	3,469
Amortization of right of use assets	26	7,822	7,684	4,190	4,523
Impairment charge/(release)		(32,185)	(5,398)	(26,976)	1,689
Interest expense on lease liability	28(a)	1,599	2,265	1,326	1,673
Interest expense on subordinated debt		3,473	5,567	3473	5,348
Interest expense on term borrowing		553	450	553	450
Interest expense - deposits		31,233	29,587	25,491	22,183
Interest expense - deposits from other banks		4,836	3,792	6,499	4,409
Interest income - loans and advances		(119,390)	(111,115)	(68,605)	(65,769)
Interest income - government securities		(54,957)	(43,455)	(51,742)	(40,713)
Interest income - bonds		(2,141)	(63)	(75)	(164)
Foreign exchange loss on cash equivalents		(3,439)	(723)	(787)	1,822
Foreign exchange loss on borrowings		543	(375)	543	(375)
Gain/ loss on disposal of assets		(261)	(78)	(5)	-
Gain/loss on fair valuation on equity investment at FVOCI		(10)	-	-	-
Amortization of gain on acquisition of UBL assets		(2,424)	(2,423)	(2,424)	(2,423)
Profit from termination of lease		(621)	(1)	(573)	-
Dividend income		(61)	(71)	(3,590)	(1,881)
Impairment of non-current assets held for sale		38	90	271	(63)
Impairment of investment in subsidiaries		-	-	(3,372)	(5,059)
		(88,172)	**(55,954)**	**(66,057)**	**(35,460)**
Changes in operating assets and liabilities:					
-Loans and advances to customers		(94,413)	(1,831)	(69,363)	37,602
-Government securities–Amortised cost		7,385	58,256	19,110	62,469
-Government securities -FVTPL		(56,991)	(4,661)	(58,182)	(1,726)
-Government securities -FVOCI		(87,289)	(75,203)	(88,698)	(68,256)
-Investment securities: Bonds		(28,967)	4,281	1,083	3,282
-Non-current assets held-for-sale		2,479	11,116	1,831	10,866
-Other assets		12,442	(5,238)	8,588	27
-Deposits due to banks		106,179	(79,057)	38,704	(15,026)
-Deposits from customers		149,046	242,279	145,212	116,910
-Other provisions		(3,265)	-	108	-
-Other liabilities		16,416	(16,837)	18,833	(14,041)
Cash generated from operating activities		**(65,150)**	**77,151**	**(48,831)**	**96,647**
Interest received - bonds		4,539	4,539	73	220
Received - government securities		48,252	48,252	48,263	39,805
Interest received - loans and advances		111,626	99,735	67,785	61,153
Interest payment - deposit		(43,056)	(35,186)	(24,784)	(21,643)
Interest payment - deposit due to other banks		(6,942)	(6,942)	(6,499)	(4,409)
Interest payment lease		(858)	(811)	(501)	(480)
Tax paid	14(b)	(23,392)	(13,783)	(17,739)	(9,128)
Net cash generated from operating activities		**25,019**	**172,955**	**17,767**	**162,165**

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

	Notes	Group 2022 TZS 'M'	Group 2021 TZS 'M'	Bank 2022 TZS 'M'	Bank 2021 TZS 'M'
Cash flows from investing activities					
Purchase of property and equipment	25	(15,101)	(10,803)	(8,555)	(5,971)
Purchase of intangible assets	23	(1,218)	(1,340)	(401)	(1,160)
Additional cost on non-current asset held for sale		-	-	-	-
Proceeds from sale of assets		2,097	125	30	78
Dividends received		(29)	(71)	29	1,881
Additional investment in subsidiary		-	-	(3,833)	-
Net cash (used in)/from generated from investing activities		(14,251)	(12,089)	(12,730)	5,694
Cash flows from financing activities					
Additional investment by NCI	39	7,469	-	-	-
Repayment of term borrowings - interest	32	(546)	(450)	(546)	(450)
Proceed from term borrowings		2,500	-	2,500	-
Proceeds from senior loans and subordinated debts	33	6,644	14,741	6,644	14,741
Payment of senior loans and subordinated debts - principal	33	(26,001)	(44,723)	(26,001)	(44,723)
Payment of senior loans and subordinated debts - interest	33	(3,325)	(5,405)	(3,325)	(5,405)
Payment of lease liability	28	(8,579)	(7,205)	(5,069)	(4,855)
Net cash used in financing activities		(21,838)	(43,042)	(25,797)	(5,172)
Cash and cash equivalent at 1 January		414,851	297,384	209,194	105,483
Net cash flows from operating activities		25,019	172,955	17,767	162,165
Net cash flows used in investing activities		(14,251)	(12,089)	(12,730)	5,694
Net cash flows from/(used in) financing activities		(21,838)	(43,042)	(25,797)	(5,172)
Decrease/(increase) in cash reserve requirement		(7,797)	(357)	(9,600)	(10,108)
Effect of exchange rate fluctuations on cash held		3,439	-	787	(2,482)
Cash and cash equivalents at 31 December	**37**	**399,423**	**414,851**	**179,621**	**209,194**

The notes set out on pages 121 to 223 form an integral part of these financial statements.

Independent Auditor's Report appears on pages 110 to 113.

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

1. GENERAL INFORMATION

Exim Bank (Tanzania) Limited (the ''Bank'' or the ''Company'') and its subsidiaries, Exim Bank Djibouti S.A., Exim Bank Uganda Limited, Exim Bank Comores S.A. and Core Securities Limited (collectively referred to as the "the Group") provide retail and corporate banking services in the United Republic of Tanzania, The Union of Comores S.A, The Republic of Djibouti and The Republic of Uganda. Exim Bank Djibouti S.A. has representative office in Ethiopia. Core Securities Limited is a non-banking subsidiary, incorporated in Tanzania is a licensed dealing member of the Dar Es Salaam Stock Exchange (DSE) and its main activities includes dealing in securities and secondary activities includes advisory services.

The Bank is a limited liability company and is incorporated and domiciled in the United Republic of Tanzania. The address of its registered office is:

Exim Tower
Plot 1404/45, Ghana Avenue,
Dar es Salaam, Tanzania

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

(a) Basis of preparation

The Consolidated and separate financial statements have been prepared in accordance with IFRS Standards and interpretations issued by IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The Consolidated and separate financial statements have been prepared under the historical cost convention, as modified by the revaluation of debt and equity instruments designated at fair value through other comprehensive income.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Consolidated and separate financial statements are disclosed in Note 4.

(b) Changes in accounting policy and disclosures

(i) New standards amendments and interpretations adopted by the Group and Bank

The following amendments became effective in the current year and were relevant to the Group were applied for the first time in these financial statements.

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37
- Annual Improvements to IFRS Standards 2018-2020, and
- Reference to the Conceptual Framework – Amendments to IFRS 3.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2 ADOPTIONS OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

(b) Changes in accounting policy and disclosures (continued)

(ii) New standards and interpretations that are not yet effective and have not been early adopted

Title	Key requirements	Effective date
IFRS 17 insurance contracts	IFRS 17 was issued in May 2017 as replacement for IFRS 4 insurance contracts. It requires a current measurement model where estimates are re-measured in each reporting period. Contracts are measured using the building blocks of: ← Discounted probability-weighted cash flows ← An explicit risk adjustment, and ← A contractual service margin (csm) representing the unearned profit of the contract which is recognized as revenue over the coverage period. The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers. There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the csm. The results of insurers using this model are therefore likely to be less volatile than under the general model. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features. Targeted amendments made in July 2020 aimed to ease the implementation of the standard by reducing implementation costs and making it easier for entities to explain the results from applying IFRS 17 to investors and others.	1 January 2023
Definition of accounting estimates – amendments to IAS 8	The amendment to IAS 8 accounting policies, changes in accounting estimates and errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.	1 January 2023

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

(b) Changes in accounting policy and disclosures (continued)

(ii) New standards and interpretations that are not yet effective and have not been early adopted (continued).

Title	Key requirements	Effective date
Classification of liabilities as current or non-current – amendments to IAS 1	The narrow-scope amendments to IAS 1 *presentation of financial statements* clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. The receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 *accounting policies, changes in accounting estimates and errors.*	1 January 2023
Disclosure of accounting policies – amendments to ias 1 and IFRS practice statement 2	The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended IFRS practice statement 2 making materiality judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.	1 January 2023
Disclosure of accounting policies – amendments to ias 1 and IFRS practice statement 2	The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended IFRS practice statement 2 making materiality judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.	1 January 2023

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

(b) Changes in accounting policy and disclosures (continued)

(ii) New standards and interpretations that are not yet effective and have not been early adopted (continued).

Title	Key requirements	Effective date
Definition of accounting estimates – amendments to IAS 8	The amendment to IAS 8 accounting policies, changes in accounting estimates and errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.	1 January 2023
Deferred tax related to assets and liabilities arising from a single Transaction – amendments to IAS 12	The amendments to IAS 12 income taxes require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. they will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. in addition, entities should recognize deferred tax assets (to the extent that it is probable that they can be utilized) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with: - Right-of-use assets and lease liabilities, and - decommissioning, restoration and similar liabilities, and the corresponding amounts recognized as part of the cost of the related assets. The cumulative effect of recognizing these adjustments is recognized in retained earnings, or another component of equity, as appropriate. IAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. some entities may have already accounted for such transactions consistent with the new requirements. these entities will not be affected by the amendments.	1 January 2023

These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(iii) Early adoption of standards

There are no other standards that are not yet effective which have been early adopted and that would be expected to have a material impact on the Group and Bank in the current or future reporting periods and on foreseeable future transactions.

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The consolidated and separate financial statements (together, the "financial statements") have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, 2002 and the Banking and Financial Institutions Act, 2006. The consolidated and separate financial statements are presented in Tanzania Shillings (TZS), which is also the Bank's functional currency, and the amounts are rounded to the nearest million (TZS 'M'), except where otherwise indicated.

For Companies Act, 2002 reporting purposes, in these consolidated and separate financial statements the balance sheet is represented by the consolidated and separate statements of financial position and the profit and loss account is included in the consolidated and separate statements of profit or loss and other comprehensive income.

The consolidated and separate financial statements have been prepared on historical cost basis except where otherwise indicated, for example, equity investments and derivative financial instruments which have been measured at fair value.

Presentation of the financial statements

The consolidated and separate statements of financial position are presented in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in the notes to the consolidated and separate financial statements.

Financial assets and financial liabilities are offset, and the net amount reported in the consolidated and separate statements of financial position only when there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset unless required or permitted by an accounting standard or interpretation.

The preparation of the consolidated and separate financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated and separate financial statements are disclosed in Note 4.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank (its subsidiaries) made up to 31 December each year. Control is achieved when the Bank:
- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affects its returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Bank has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- the size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Bank, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Bank gains control until the date when the Bank ceases to control the subsidiary. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation (continued)

Non-controlling interests in subsidiaries are identified bankly from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets.

The choice of measurement is on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Bank and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal recognized in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

(c) Interest income and expense

Under IFRS 9, interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortized cost and financial instruments designated at FVPL. Interest income on interest bearing financial assets measured at FVOCI under IFRS 9 is recorded by using the EIR method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortized cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Group and the Bank recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognizes the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

The Group calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', the Group calculates interest income by applying the effective interest rate to the net amortized cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the statement of financial position with an increase or reduction in interest income. The adjustment is subsequently amortized through interest and similar income in profit or loss.

Interest expense for interest-bearing financial liabilities is recognized in profit or loss using the effective interest method.

(d) Fees and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and service fees.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Fees and commission income (continued)

Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognized in profit or loss over the period of the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognized over the commitment period on a straight-line basis.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

Fees and commission expense which relates to borrowing arrangement costs are recognized as an expense in the period in which they are incurred.

(e) Interest income and expense

(i) Effective interest rate

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 purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit- impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL. 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.

(ii) Amortized cost and gross carrying amount

The 'amortized 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 amortization 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.

(iii) Calculation of interest income and expenses

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. 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. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating-rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date on which amortization of the hedge adjustment begins.

(f) Dividend income

Dividends are recognized in profit or loss in 'other income' when the entity's right to receive payment is established.

(g) Translation of foreign currencies

The consolidated financial statements are presented in Tanzania shillings. For each entity in the Group, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

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

Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange at the reporting date. All differences arising from non–trading activities are taken to other operating income in profit or loss, with the exception of differences on foreign currency borrowings that provide an effective hedge against a net investment in a foreign entity. These differences are taken directly to equity until the disposal of the net investment, at which time, they are recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Translation of foreign currencies (continued)

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

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Tanzanian shillings at the rate of exchange prevailing at the reporting date and their statements of profit or loss and other comprehensive income are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation purposes are recognized in other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at the closing rate.

(h) Financial assets

All financial assets are initially recognized on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

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

From 1 January 2018, the Group has applied IFRS 9 and classified its financial assets in the following measurement categories:

- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income (FVTOCI); and
- Amortized cost.

The classification requirements for debt and equity instruments are explained below:

Debt instruments

Debt instruments are those instruments that meet the definition of financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

The classification and subsequent measurement of financial assets depends on:

i. The Group's business model for managing the asset; and
ii. The cash flow characteristics of the asset.

Based on these factors, the Group classifies its financial assets into one of the following three measurement categories.

- **Amortized cost: Assets** that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.
- **Fair value through profit or loss (FVPL):** Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in profit or loss within 'Other income' in the period in which it arises.
- **Fair value through other comprehensive income (FVOCI)**: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest and are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount is taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in 'Other income'.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial assets (continued)

Debt instruments (continued)

Business model: the business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g., financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors

considered by the Group in determining the business model for a Group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVPL.

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

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

Equity instruments

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

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

Derivative financial instruments

The Group trades in derivatives such as cross-currency swaps and forward foreign exchange contracts. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in profit or loss.

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets including recent market transactions.

A derivative is disclosed as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are disclosed as current assets or current liabilities.

Financial guarantees, letters of credit and undrawn loan commitments

The Group issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognized in the consolidated and separate financial statements within provisions at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in profit or loss, and under IFRS 9 – an ECL provision. The premium received is recognized in profit or loss on a straight-line basis over the life of the guarantee.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial assets (continued)

Financial guarantees, letters of credit and undrawn loan commitments (Continued)

Undrawn loan commitments and letters of credit are commitments under which, over the duration of the commitment, the Group is required to provide a loan with a pre-specified term to the customer.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on the market terms, are not recorded in the consolidated and separate statements of financial position.

If a guarantee is called, a provision is raised if the expected payment amount exceeds the not yet amortised amount of the initial premium payment obtained.

De-recognition of financial assets

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

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

Pass-through arrangements are transactions whereby the Group retains the contractual rights to receive the cash flows of a financial asset, but assumes a contractual obligation to pay those cash flows to one or more entities, when all the following conditions have been met:

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

A transfer only qualifies for derecognition if either:

- The Group has transferred substantially all the risks and rewards of the asset or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial assets (continued)

Modification of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. The Group renegotiates loans to customers in financial difficulty to maximize collection and minimize the risk of default.

If the terms are substantially different, the Group derecognizes the original financial asset and recognizes a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. A loan will remain at its original stage until it meets the criteria of cure as described in Note 3(l).

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition. The Group monitors the subsequent performance of modified assets until they are completely and ultimately derecognized. The Group may determine that the credit risk has significantly improved after modification, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms. Differences in the carrying amount are recognized in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). The Group monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

(i) Financial liabilities

Financial liabilities are initially recognized at fair value plus transaction costs, except for financial liabilities recorded at fair value through profit or loss. Subsequent to initial recognition all financial liabilities other than derivatives are measured at amortized cost. Derivatives are initially recognized and subsequently measured at fair value.

Financial liabilities measured at amortized cost are deposits due to banks and customers, long term borrowings and senior debts and subordinated debts and other liabilities.

De-recognition of financial liabilities

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

(j) Offsetting financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal 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. This is not generally the case with master netting agreements; therefore, the related assets and liabilities are presented gross in the statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Classes of financial assets and liabilities

The Group classifies financial instruments into classes that reflect the nature of information and take into account the characteristics of those financial instruments as indicated below:

Category (as defined by IFRS 9)		Class (as determined by the Group)		Sub-class
Financial assets	Amortized cost	Loans and advances to banks		
		Loans and advances to customers	Personal loans	
			Over drafts	
			Commercial loans	
			Others	
		Other assets excluding prepayments		
		Investment in debt securities	Government securities	Treasury bills
				Treasury bonds
			Private bonds	Private bonds
				Subordinated bonds
	Fair value through profit or loss (FVTPL)	Derivatives financial assets		
		Government securities		Treasury bonds
	Fair value through other comprehensive income (FVOCI)	Equity investments designated at FVOCI	Equity investments - listed	
			Equity investments – not listed	
		Government securities		Treasury bonds
Financial liabilities	Financial liabilities at amortized cost	Deposits to banks		
		Term borrowings		
		Subordinated debt and senior loans		
		Other liabilities		
		Customer deposits	Current and demand deposits	
			Savings accounts	
			Fixed deposit accounts	
	Fair value through profit or loss (FVTPL)	Derivative financial liabilities		

(l) Impairment of financial assets

Overview of the ECL principles

The adoption of IFRS 9 has fundamentally changed the Group's loan loss impairment method by replacing the IAS 39 incurred loss approach to the forward looking ECL approach. The Group records the allowance for expected credit losses on loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts (financial instruments subject to ECL). Equity instruments are not subject to impairment under IFRS 9.

ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit losses or LTECL) unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit losses (12-month ECL). The Group's policies for determining if there is significant increase in credit risks are set out in Note 6.1.3.

The 12-month ECL allowance is a portion of LTECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECL and 12-month ECL are calculated on individual or collective basis depending on the nature of underlying portfolio of financial instrument.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of financial assets (Continued)

Overview of the ECL principles (Continued)

Based on the above process, the Group classifies its financial instruments subject to ECL into Stage1, Stage 2, Stage 3 and POCI, as described below:

Stage 1:	When loans are first recognized, the Group recognizes an allowance based on the 12 months ECL. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2.
Stage 2:	When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. Stage 2 loans also include those facilities which have improved from Stage 3.
Stage 3:	Loans considered credit impaired. The Group records an allowance for the LTECLs.
POCI:	Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognized based on the credit adjusted EIR. ECLs are only recognized or released to the extent that there is subsequent change in the expected credit losses.

Calculation of ECLs

The Group calculates ECLs based on probability – weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the ECL calculations are outlined below:

PD:	The Probability of Default (PD) is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio. The probability at a point in time that a counterparty will default, calibrated over up to 12 months from the reporting date (Stage 1) or over the lifetime of the product (Stage 2) and incorporating the impact of forward-looking economic assumptions that have an effect on credit risk, such as interest rates, unemployment rates and GDP forecasts. The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.
EAD:	Exposure at default (EAD) is the total value which the Group is exposed to when a financial asset is in default. EAD takes into account the expected change in exposure over the lifetime of the exposure. This incorporates the impact of drawdowns of committed facilities, repayments of principal and interest, amortization and prepayments, together with the impact of forward-looking economic assumptions where relevant. The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type. • For amortized products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over 12 month or lifetime basis. This will also be adjusted for any expected overpayments made by the borrower. Early repayment/refinance assumptions are also incorporated into the calculation. • For revolving products, the exposure at default is predicted by taking current drawn balance and adding a “credit conversion factor” which allows for the expected drawdown of remaining limit by the time of default. These assumptions vary by product type and current limit utilization band, based on an analysis of the Group’s recent default data.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of financial assets (Continued)

Calculation of ECLs (Continued)

LGD:	The Loss Given Default (LGD) is an estimate of loss arising in the case where a default occurs at a given time. The loss that is expected to arise on default which represents the difference between the contractual cash flows due and those that the Group expects to receive. The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type. • 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 typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies, including contracted debt sales and price.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type. The inputs and models used may not always capture all the characteristics of the markets at the reporting date, therefore qualitative adjustments may be made as temporary adjustments when such differences are significantly material. Refer to Note 6.1.3 for the explanation about forward-looking information and its inclusion in ECL calculations.

The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs and how collateral values change etc. are monitored and reviewed on an annual basis.

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

The mechanics of ECL methods are summarized as follows:

Stage 1	The 12m ECL is calculated as a proportion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12m ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12 – month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.
Stage 2	When a loan has shown a significant increase in credit risk since origination, the Group records allowance for the LTECLs. The expected cash shortfalls are discounted by the original EIR. For the purposes of determining ECL, all facilities whose contractual payments are more than 30 days due but less than or equal to 90 days due are grouped in Stage 2 as they are taken to have experienced a significant increase in credit risk.
Stage 3	For loans considered credit –impaired, the Group recognizes the LTECL for these loans. The PD is set at 100%.
POCI	Are assets that are credit impaired on initial recognition. The Group recognizes the cumulative changes in lifetime ECL since initial recognition, based on a probability-weighted amount, discounted by the credit – adjusted EIR.
Loan commitments and letters of credit	When estimating LTECLs for undrawn loan commitments, the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life. For credit cards and revolving facilities that include both a loan and an undrawn commitment, ELCs are calculated and presented together with the loan. For loan commitments and letters of credit, the ELC is recognized within provisions.
Financial guarantee contracts	The Group's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in profit or loss, and the ECL provision. For this purpose, the Group estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The ECLs are recognized within provisions.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of financial assets (Continued)

Calculation of ECLs (Continued)

Impairment losses and releases are accounted for and disclosed bankly from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying amount.

Purchased or originated credit impaired financial assets (POCI)

For POCI financial assets, the Group only recognizes the cumulative changes in LTECL since initial recognition in the loss allowance.

Debt instruments measured at fair value through OCI

The ECLs for debt instruments measured at fair value at FVOCI do not reduce the carrying amount of these financial assets in the consolidated and separate statements of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognized in OCI is recycled to the profit or loss upon derecognition of the assets.

Credit cards and other revolving facilities

The Group offers retail overdrafts and credit cards facilities in which the Group has the right to cancel and / or reduce the facilities with one day's notice. The Group does not limit its exposures to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Group's expectations of the customer's behavior, its likelihood of default and the Group's future risk mitigation procedures, which could include reducing or cancelling the facilities.

Definition of default

IFRS 9 does not define default but requires the definition to be consistent with the definition used for internal credit risk management purposes. However, IFRS 9 contains a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due.

Under IFRS 9, the Group will consider a financial asset as 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- The disappearance of an active market for a security because of financial difficulties; or
- The purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event but instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Group assesses whether debt instruments that are financial assets measured at amortised cost or FVOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Group considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding. Where the Group is unable to obtain qualitative information without undue cost or effort, the Group considers that default does not occur later than when a financial asset is 90 days past due.

Financial assets write off

Financial assets are written off either partially or in their entirety only when the Group does not reasonably expect to recover the asset. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to profit or loss.

The Group may write off financial assets in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include: (i) ceasing enforcement activity; and (ii) where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full or there is no reasonable expectation of completing the recovery process because of litigation proceedings by the borrowers. The assessment is done per specific borrower.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of financial assets (Continued)

Financial assets write off (Continued)

Cure of non-performing financial assets including restructured loans

An instrument is considered to no longer be SICR or in default (i.e. to have cured) when it has been established that the obligor is able to meet the requirements of the agreed terms and conditions. IFRS 9 allows credit exposures to migrate from higher credit risk categories to lower credit risk categories, that is, from Stage 3 to Stage 2 and from Stage 2 to Stage 1.

Under migration from Stage 3 to Stage 2, the Group considers criteria for upgrade of credit accommodations as follows:

- In the case of overdraft facilities, the account has satisfactorily performed for a minimum period of two consecutive quarters; and
- In the case of term loans, the obligor has timely paid two consecutive installments.

These periods have been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions. The Group has not used the low credit risk exemption for any financial instruments in the current year.

On the other hand, credit exposures may migrate from Stage 2 to Stage 1 when there is a significant improvement of the credit exposure. In determining whether an exposure should shift backward from Stage 2 to Stage 1, the Group shall consider the following:

- All outstanding payments on the credit facility are made on time and there are no payments in arrears.
- There is improvement of the quantitative and qualitative factors that caused significant increase of the credit risk.

Upgrade from Stage 2 to Stage 1 shall be subject to a monitoring period of 90 days for conventional loans to confirm if the risk of default has decreased sufficiently before upgrading such exposure.

For credit exposures that have cured, that is, shifted from Stage 2 to Stage 1, interest income is calculated on carrying amount of the asset at the beginning of the period before allowance for ECLs using the effective interest rate. The carrying amount of the exposure shall be the amortised cost at the end of the period less the allowance for ECL computed.

For credit exposures that have shifted from Stage 3 to Stage 2, objective evidence of impairment still exists and accordingly interest income is computed on the carrying amount of the asset at the beginning of the period after allowance for ECLs using the effective interest rate. The carrying amount of the exposure shall be the amortised cost at the end of the period less the allowance for ECL computed.

(i) Property and equipment

Property and equipment is stated at cost excluding the costs of day–to–day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the depreciation period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated on the straight-line basis to write down their cost to their residual values over their estimated useful lives, as follows:

Asset	*Applicable annual rate*
Buildings	4%
Leasehold premises	11%
Motor vehicles	25%
Office equipment	15% - 20%
Computer hardware	25%
Furniture and fittings	15%

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each reporting date and adjusted prospectively, if appropriate.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are bankly identifiable cash flows (cash-generating units).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Property and equipment (Continued)

Property and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in other income in profit or loss in the year the asset is derecognized.

(m) Intangible assets

The Group's intangible assets include the value of computer software licenses. An intangible asset is recognized only when its cost can be measured reliably, and it is probable that the expected future economic benefits that are attributable to it will flow to the Group. Intangible assets acquired bankly are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

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

Amortization is calculated using the straight–line method to write down the cost of intangible assets to their residual values over their estimated useful lives at the rate of 25% per annum.

(n) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

(o) Income tax

Income tax expense is the aggregate of the charge to profit or loss in respect of current income tax and deferred income tax. Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the applicable tax laws in the jurisdictions where the Group operates.

Deferred tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized

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

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Income tax (Continued)

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(p) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with maturities of three months or less, including: cash and balances with central banks that are not part of the statutory minimum reserves as defined in Note 17, Government Securities with original maturities of 90 days or less and loans and advances to banks.

(q) Employee benefits

Retirement contribution fund obligations

The Bank and all its employees contribute to the National Social Security Fund (NSSF), which is a defined contribution scheme. A defined contribution plan is a scheme under which the Bank pays fixed contributions into a bank entity (NSSF). The Bank has no legal or constructive obligation to pay further contributions if the Fund does not have sufficient assets to pay the employees post-employment benefits. Employees contribute 10% and the Bank also contributes 10% of the employees' basic salaries to the scheme.

In Comoro, the bank and all its employees are required to contribute to the Provident Fund (Caisse De Retraite) in Comores S.A, which is a defined contribution scheme. Employees contribute 3% of the basic salary of the employees and the bank contributes 5% to the scheme.

In Uganda, the bank and all its employees are required to contribute to the National Social Security Fund, which is a defined contribution scheme. Employees contribute 5% and the bank 10% of the employee's salary.

The Group's contributions to the defined contribution schemes are charged to profit or loss in the year to which they relate.

Other entitlements

The estimated monetary liability for the employee accrued annual leave entitlement at the reporting date is recognized as an expense accrual.

(r) Share capital

Ordinary shares are classified as 'share capital' in equity.

(s) Dividends on distribution

Dividend distribution to the Bank's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Bank's shareholders.

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

(t) Accounting for leases

On adoption of IFRS 16, the Bank recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2020.

For leases previously classified as finance leases the entity recognized the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application respectively. The measurement principles of IFRS 16 are only applied after that date.

(u) Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased.

If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount or exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss.

Impairment losses relating to goodwill are not reversed in future periods. Impairment of non-financial assets is disclosed in Notes 24 and 27.

(w) Business combinations and goodwill

Business combinations are accounted for using the acquisition method of accounting. This involves recognising identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities but excluding future restructuring) of the acquired business at fair value. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill. If the cost of acquisition is less than the fair values of the identifiable net assets acquired, the discount on acquisition is recognized directly in profit or loss in the year of acquisition.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired. For impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Bank's cash –generating units (CGUs) or group of CGUs, which are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes and is not larger than an operating segment in accordance with IFRS 8 Operating Segments.

Where goodwill has been allocated to a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in these circumstances is measured based on the relative fair values of the disposed operation and the portion of the CGU retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus associated cumulative translation differences, cash flow hedge and fair value reserves and goodwill is recognized in profit or loss.

(x) Non-current assets held for sale

Non-current assets and disposal group's classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition, management has committed to the sale, and the sale is expected to have been completed within one year from the date of classification.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a bank major line of business or geographical area of operations; or
- Is part of a single coordinated plan to dispose of a bank major line of business; or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale?

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUD)

(x) Non-current assets held for sale (Continued)

In the consolidated and separate statements of profit or loss and other comprehensive income for the reporting period, and the comparable period in the previous year, income and expenses from discontinued operations are reported bankly from income and expenses from continuing operations, down to the level of profit after taxes, even when the Bank retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported bankly in the consolidated and separate statements of profit or loss and other comprehensive income. Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

(y) Collateral valuation

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit, real estates, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded in the consolidated and separate statements of financial position. However, the fair value of collateral affects the calculations of ECL. It is generally assessed, at a minimum, at inception and re-assessed on a regular basis.

To the extent possible, the Group uses active market data for valuing financing assets held as collateral. Other financial assets which do not have a readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on external independent professional valuers.

(z) Collateral repossessed

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

In its normal course of business, the Group does not physically repossess properties or other assets in its retail portfolio, but engages external agents to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customer. Therefore, as a result, the residential properties under legal repossession process are not recorded in the consolidated and separate statements of financial position except for property which the bank repurchases in auctions due to lack of active market and maintain them as assets held for sale.

(aa) Fair value measurement

For financial instruments traded in active markets, the determination of fair value of financial assets and financial liabilities is based on market prices or dealer price quotations. This includes listed equity securities and debt instruments.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If these criteria are not met, the market is regarded as being inactive. Indicators that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, yield curve, FX rates, volatilities and counterparty spreads) existing at the reporting date.

In cases when the fair value of unlisted equity instruments is determined using valuation techniques, the Group's policy is to carry the instruments at FVOCI. The valuation of unlisted equity instruments is done using valuation methods that are appropriate in the circumstances including the market valuation method or discounted cash flows method.

At each reporting date, management analyses the movements in the values of the assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. Management also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

(ab) Earnings per share

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUD)

(ac) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's Management Team, which is the chief operating decision maker. Details of the Group's segments are provided under Note 5.

4. SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

The preparation of consolidated and separate financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next period. All estimates and assumptions required are in conformity with IFRS and are the best estimates undertaken in accordance with the relevant standard.

(a) Fair value of financial instruments

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by management. Changes in valuation assumptions could affect the reported fair value of the financial instruments. The impact on change in assumptions on the fair value and the carrying amount of the financial instruments is disclosed under Note 20.

(b) Determination of ECL allowances under IFRS 9

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement and estimations. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The ECL calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The elements of the ECL models that are considered accounting judgements and estimates are indicated below. There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Incorporation of forward-looking information

The evolving economic environment is a key determinant of the ability of a Group's clients to meet their obligations as they fall due. It is a fundamental principle of IFRS 9 that the provisions held against potential future credit risk losses should depend not just on the health of the economy today but should also take account of changes to the economic environment in the future. To capture the effect of changes to the economic environment in the future, the computation of probability of default (PD), loss given default (LGD) and so expected credit loss incorporates forward-looking information; assumptions on the path of economic variables and asset prices that are likely to have an effect on the repayment ability of the Group's clients. Such variables include inflation rate, GDP growth rate, interest rates, lending rate mortality rate and unemployment rate. Details on assumptions used are provided under Note 6.1.3.

Cure rate

Cure rate is a percentage of credit exposure accounts which were in default category, but as at assessment date have moved to a better category. Cure rate shall be factored in at the LGD level when assessing recovery rate. The rate reduces the percentage of LGD and is computed at the overall credit portfolio level. Consideration of movement of accounts is done annually. Qualitative criteria applied when checking whether the account has cured or not are those in line with Bank of Tanzania guideline on IFRS 9 implementation. Defaulted accounts which are assessed whether they have cured shall exclude accounts which have restructured or which have been charged off during the period.

Critical judgements in applying the Group's and the Bank's accounting policies

(a) Business model assessment

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

Refer to Notes 16, 17, 18, 19 and 21 for the carrying amounts of financial assets.

4. SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS (CONTINUD)

Critical judgements in applying the Group's and the Bank's accounting policies (Continued)

(b) Significant increase of credit risk

Significant increase in credit risk is assessed by comparing the risk of default of an exposure at the reporting date to the risk of default at origination (after taking into account the passage of time). Whether a change in the risk of default is significant or not is assessed using quantitative factors, that is, financial assets that are 30 or more days past due and not credit-impaired will always be considered to have experienced a significant increase in credit risk. Financial assets that are 30 or less days past due are considered to have low credit risk. The Group has determined that the quantitative factors reasonably reflect SICR and that, considering the nature of the Group's clients, consideration of qualitative factors would involve undue cost or effort. Refer to Notes 6.1 and 18 for further disclosures.

(c) Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change, there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differs.

Refer to Notes 6.1 and 19 for further disclosures including the carrying amounts of loans and advances.

(d) Going concern assessment

The Directors have made an assessment of the Group's and the Bank's ability to continue as going concerns and are satisfied that the Group and the Bank have the resources to continue in business for the foreseeable future. Exim Bank Uganda Limited (the "component") continues to make losses. During the year, the Bank and other shareholders of the subsidiary injected additional capital to ensure the component meets the statutory capital requirement. The Directors have assessed that the financial performance of the component does not have a material impact on the going concern status of the Group. The directors are not aware of any material uncertainties that may cast significant doubt upon the Group's and the Bank's ability to continue as going concerns. Therefore, the consolidated and separate financial statements continue to be prepared on the going concern basis.

(e) Impairment of non-financial assets

Impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of the cash flows. Where the discounted cash flows method is not appropriate, other valuations techniques, like the market valuation approach, are used. Such valuation approaches involve benchmarking of observable market information with the valued cash generating unit's financial position and results, and applying premiums or discounts as appropriate.

The Group performed the annual impairment assessment at year-end. The Group considers the relationship between value in use and carrying amount of the asset, among other factors, when reviewing for indicators of impairment. Refer to Notes 3(v), 24 and 27 for the accounting policy on impairment of non-financial assets and details on the impairment assessment and carrying amounts of non-financial assets subject to impairment.

(f) Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise from a wide variety of issues, depending on the conditions prevailing in the respective domicile of the Group companies.

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of the deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

4. SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS (CONTINUD)

Critical judgements in applying the Group's and the Bank's accounting policies (Continued)

(f) Taxes (Continued)

For disclosures and details on tax and tax contingencies, refer to Notes 13 and 35 to the consolidated and separate financial statements.

(g) Useful lives of property and equipment, and intangible assets

The Group reviews the estimated useful lives of property and equipment, and intangible assets at the end of each annual reporting period. Factors considered while reviewing the useful lives and residual value of items of property and equipment include:

- The expected usage of the asset by the Group, which is assessed by reference to the asset's expected capacity;
- The expected physical wear and tear, which depends on operational factors, the repair and maintenance program of the Group, and the care and maintenance of the asset while idle;
- Technical or commercial obsolescence arising from changes in technology;
- Group's assets replacement cycle; and
- Legal or similar limits on the use of the asset, such as the expiry dates of related leases.

Refer to Notes 3(l) (m) and 22, 24 for further details.

5. SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the Head of the Group's Management Team (the Chief Executive Officer), who is responsible for allocating resources to the reportable segments and assessing their performance. All operating segments used by the Group meet the definition of a reportable segment under IFRS 8.

The Group has the following business segments based on products and services offered:

Name of the business segment	Services and products offered
Corporate Banking	Loans and other credit facilities, deposit and current accounts for corporate and institutional customers.
Retail Banking	Individual customer deposits, consumer loans and overdrafts.
Others	Card and Treasury products

No revenue from transactions with a single external customer or counterparty amounted to 10 % or more of the Group's and Bank's total revenue in 2022 or 2021.

The majority of the Group's segments' revenues are from interest and the Chief Executive Officer relies primarily on net interest revenue to assess the performance of the segment and make decisions about resources to be allocated to the segment. As such, for segment reporting, the Group reports segment interest revenue net of interest expense. The segment information provided to the Chief Executive Officer for reportable segments is as follows (all amounts in TZS 'Million):

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. SEGMENT REPORTING (CONTINUED)

Year ended 31 December 2022

Group

	Corporate	Retail	Treasury	Total
Segmental profit or loss				
Net interest income	62,289	50,155	25,187	137,631
Credit impairment charges	(30,118)	(2,197)	-	(32,315)
Fee, commission and other income	44,008	34,613	20,402	99,024
Staff costs	(17,955)	(33,434)	(10,526)	(61,915)
Depreciation and amortization	(5,438)	(10,125)	(3,188)	(18,750)
Other expenses	(16,201)	(30,168)	(9,497)	(55,867)
Operating profit	**36,585**	**8,844**	**22,378**	**67,808**
Income tax expense	(12,795)	(3,093)	(7,827)	(23,715)
Net profit for the year	**23,790**	**5,751**	**14,552**	**44,093**
Segment assets and liabilities				
Loans and advances to banks			260,238	260,238
Loans and advances to customers	1,098,149	150,108		1,248,257
Government securities			500,757	500,757
Corporate bond			47,117	47,117
Equity investments		2,092	516	2,608
Unallocated assets				331,572
Total assets	**1,098,149**	**152,200**	**808,628**	**2,390,549**
Deposits due to banks			157,452	157,452
Deposits due to customers	630,364	1,185,144		1,815,508
Long term borrowings			63,887	63,887
Unallocated liabilities				89,212
Total liabilities	**630,364**	**1,185,144**	**221,339**	**2,126,059**

There were no additions to non-current assets specifically allocated to the segments.

Year ended 31 December 2021

Group

	Corporate	Retail	Treasury	Total
Segmental profit or loss				
Net interest income	57,282	39,205	18,842	115,329
Credit impairment charges	(4,783)	(556)	-	(5,339)
Fee, commission and other income	21,298	18,158	16,940	56,396
Staff costs	(16,061)	(22,323)	(8,364)	(46,748)
Depreciation and amortization	(19,037)	(24,655)	(9,936)	(53,628)
Other expenses	(4,578)	(10,934)	(4,446)	(19,958)
Operating profit	**34,121**	**(1,105)**	**13,035**	**46,051**
Income tax expense	(14,361)	465	(5,486)	(19,382)
Net profit/(loss) for the year	**19,760**	**(640)**	**7,549**	**26,669**
Segment assets and liabilities				
Loans and advances to banks	-	-	208,164	208,164
Loans and advances to customers	960,316	153,597		1,113,913
Government securities	-	-	341,060	341,060
Corporate bond	-	-	20,534	20,534
Equity investments	-	-	2,571	2,571
Unallocated assets	-	-	-	408,957
Total assets	**960,316**	**153,597**	**572,329**	**2,095,199**
Deposits due to banks			53,379	53,379
Deposits due to customers	680,125	998,160		1,678,285
Long term borrowings			80,046	80,046
Unallocated liabilities				79,474
Total liabilities	**680,125**	**998,160**	**133,425**	**1,891,184**

There were no additions to non-current assets specifically allocated to the segments.

5. SEGMENT REPORTING (CONTINUED)

Year ended 31 December 2022

Bank

	Corporate	Retail	Treasury	Total
Segmental profit or loss				
Net interest income	37,874	30,496	15,314	83,684
Credit impairment charges	(25,553)	(1,864)		(27,417)
Fee, commission and other income	33,033	25,981	15,314	74,328
Staff costs	(10,430)	(19,422)	(6,114)	(35,966)
Depreciation and amortization	(11,682)	(21,752)	(6,848)	(40,282)
Other expenses	(3,059)	(5,696)	(1,793)	(10,548)
Operating profit	**20,183**	**7,743**	**15,873**	**43,798**
Income tax expense	(10,213)	(1,577)	(4,017)	(15,807)
Net profit for the year	**9,970**	**6,166**	**11,856**	**27,991**
Segment assets and liabilities				
Loans and advances to banks	-	-	124,577	124,577
Loans and advances to customers	670,747	91,686	-	762,433
Government securities	-	-	469,869	469,869
Corporate bond	-	-	717	717
Equity investments	-	-	2,092	2,092
Unallocated assets	-	-	-	233,779
Total assets	**670,747**	**91,686**	**597,255**	**1,593,467**
Deposits due to banks			236,196	236,196
Deposits due to customers	353,758	665,099		1,018,857
Long term borrowings	-	-	63,887	63,887
Unallocated liabilities	-	-		64,030
Total liabilities	**353,758**	**665,099**	**300,083**	**1,382,970**

Year ended 31 December 2021

Bank

	Corporate	Retail	Treasury	Total
Segmental profit or loss				
Net interest income	33,170	27,242	13,126	73,538
Credit impairment charges	(1,689)	-	-	(1,689)
Fee, commission and other income	14,751	11,428	10,362	36,541
Staff costs	(10,177)	(18,950)	(5,966)	(35,093)
Depreciation and amortization	(3,568)	(6,644)	(2,091)	(12,303)
Other expenses	(12,263)	(13,402)	(4,219)	(29,884)
Operating profit	**20,224**	**(326)**	**11,212**	**31,111**
Income tax expense	(9,510)	153	(5,273)	(14,630)
Net profit/(loss) for the year	**10,714**	**(173)**	**5,940**	**16,481**
Segment assets and liabilities				
Loans and advances to banks			151,308	151,308
Loans and advances to customers	573,236	91,686		664,922
Government securities	-	-	322,310	322,310
Corporate bond	-	-	1,784	1,784
Equity investments	-	-	2,066	2,066
Unallocated assets	-	-	-	229,188
Total assets	**573,236**	**91,686**	**477,468**	**1,371,578**
Deposits due to banks	-	-	197,492	197,492
Deposits due to customers	353,758	519,180	-	872,938
Long term borrowings	-	-	80,046	80,046
Unallocated liabilities	-	-	-	50,259
Total liabilities	**353,758**	**519,180**	**277,538**	**1,200,735**

5. SEGMENT REPORTING (CONTINUED)

Geographical information

Group

2022	Tanzania	Comoro	Djibouti	Uganda	Core Securities	Elimination adjustments	Total
Interest and similar income	105,750	12,430	26,409	21,662	-	(2,035)	164,216
Interest expense and similar charges	(37,482)	(377)	(1,851)	(4,178)	(148)	2,035	(42,001)
Net interest income	68,268	12,053	24,558	17,484	(148)	-	122,215
Expected credit loss	(27,417)	(2,095)	(578)	(2,225)	-	-	(32,315)
Net interest income after loan impairment charge	40,851	9,958	23,980	15,259	(148)	-	89,900
Other external operating income	89,744	14,054	7,360	6,651	599	(3,968)	114,440
Intra-group management fees	-						-
Total external operating income	89,744	14,054	7,360	6,651	599	(3,968)	114,440
Non- current assets	**710,973**	**32,263**	**23,960**	**83,165**	**338**	**-**	**850,699**
Interest and similar income	105,750	12,430	26,409	21,662	-	(2,035)	164,216

5. SEGMENT REPORTING (CONTINUED)

Geographical information (Continued)

Group

2021	Tanzania	Comoro	Djibouti	Uganda	Core Securities	Elimination adjustments	Total
Interest and similar income	104,143	7,880	16,664	19,344	-	(1,330)	146,701
Interest expense and similar charges	(34,063)	(483)	(1,359)	(6,712)	(155)	1,330	(41,442)
Net interest income	70,080	7,397	15,305	12,632	(155)	-	105,259
Expected credit loss	(1,689)	(2,607)	(30)	(1,013)	(-)	-	(5,339)
Net interest income after loan impairment charge	**68,391**	**4,790**	**15,275**	**11,619**	**(155)**	**-**	**99,920**
Other external operating income	39,767	15,648	8,292	3,928	584	(2,074)	66,145
Intra-group management fees	231	-	-	-	-	-	231
Total external operating income	**108,389**	**20,438**	**23,567**	**15,547**	**429**	**(2,074)**	**166,296**
Non- current assets	**652,795**	**31,565**	**23,441**	**81,365**	**331**	**-**	**789,497**
Interest and similar income	104,143	7,880	16,757	19,344	-	(1,330)	146,701

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the business, and the operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practices.

The Board (the "Board") has overall responsibility for the establishment and oversight of the Group's risk management framework. As part of its governance structure, the Board has embedded a comprehensive risk management framework for identifying, measuring, controlling (setting risk mitigations) and monitoring of the Group's risks. The policies are integrated in the overall management information systems of the Group and supplemented by a management reporting structure. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and liquidity risk. In addition, internal audit is responsible for independent review of risk management and the control environment.

The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees / stakeholders understand their roles and obligations. The Board's Credit Committee, Risk Management Committee and Audit Committee are responsible for monitoring compliance with the Group's risk management policies and procedures, and review of the adequacy of risk management framework in relation to the risks faced by the Group. These committees are assisted in these functions by various management committees which undertake both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Board.

The most important risks are credit risk, liquidity risk and market risk. The notes below provide detailed information on each of these risks and the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

6.1 Credit risk

The Group and the Bank take on exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the Group and the Bank by failing to discharge an obligation. Credit risk is one of the most important risks for the Group's and the Bank's business. Management therefore carefully manages its exposure to credit risk. Credit exposures arise principally from lending activities that lead to loans and advances, investment activities that bring debt securities and other bills in the Group's and Bank's assets portfolio. There is also credit risk in the off-balance sheet financial instruments, such as loan commitments, letters of credit and guarantees. Credit risk management and control is centralized under the credit risk management team which reports to the Board regularly.

6.1.1 Credit risk measurement

In measuring credit risk of loans and advances to customers and to banks at a counterparty level, the Group reflects three components: (i) the PD by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development, from which the Group derives the EAD; and (iii) the likely recovery ratio on the defaulted obligations (LGD). EAD is based on the amounts the Group expects to be owed at the time of default. These credit risk measurements, which reflect expected loss are embedded in the credit risk management process and are in line with IFRS 9.

The Group uses reasonable and supportable forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL. External and internal information is used to generate a 'base case' scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities.

The Group applies probabilities to the forecast scenarios identified. The base case scenario is the single most-likely outcome and consists of information used by the Group for strategic planning and budgeting. The Group also formulates two less likely scenarios, one upside and one downside scenario. External information considered includes economic data and macro-economic forecasts such as interest rates, unemployment rates and GDP forecasts. The key drivers of credit risks and credit losses for each portfolio of financial instruments are identified and documented and using a statistical analysis of historical data to estimate relationships between macro-economic variables and credit risk and credit losses.

The Group assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty in line with the Bank of Tanzania (BOT) guidelines. Customers are segmented into five rating classes. The quantitative group's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. Additionally, the qualitative assessment based on management judgement resulting from specific business performance of the customer is also applied as detailed in note 6.1.3.6

This is because in some instances, management of the bank may be aware of additional unique qualitative factors affecting a facility that imply that the risk of the facility is higher or lower than that determined by the staging criteria below.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

Group's rating	Description of the grade	Number of days outstanding	Equivalent IFRS 9 grading
1	Current	0 - 30	Stage 1
2	Especially mentioned	31 - 90	Stage 2
3	Sub-standard	91 - 180	Stage 3
4	Doubtful	181 - 360	Stage 3
5	Loss	>360	Stage 3

Exposure at default is based on the amounts the Group expects to be owed at the time of default. For example, for a loan this is the face value. For a commitment, the Group includes any amount already drawn plus the further amount that may have been drawn by the time of default, should it occur.

6.1.2 Risk limit control and mitigation policies

The Group manages limits and controls concentrations of credit risk whenever they are identified, in particular, to individual counterparties and groups, and to industries. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. The exposure to any one borrower including banks is further restricted by sub-limits covering on- and off-balance sheet exposures. Actual exposures against limits are monitored daily. Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Some other specific control and mitigation measures are outlined below.

Collateral

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties;
- Charges over business assets such as property, inventory and accounts receivable; and
- Charges over financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured. Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured. The outstanding balances and collaterals held by the Group and Bank as at 31 December 2022 and 1 December 2021 against credit non-performing loans and advances to customers were as indicated below:

	Group			
(Amounts in TZS M)	**Gross exposure**	**Impairment allowance**	**Carrying amount**	**Market Value of Collateral**
At 31 December 2022				
Loans to individuals:				
- Personal loans	6,420	3,484	2,936	13,895
- Commercial loans	21,634	4,007	17,628	46,823
Loans to corporate entities:				
- Corporate customers	66,278	19,539	46,739	143,443
- SMEs	756	340	416	1,637
Total	**95,088**	**27,370**	**67,719**	**205,798**
At 31 December 2021				
Loans to individuals:				
- Personal loans	6,273	1,320	4,953	9,789
- Commercial loans	21,138	1,518	19,620	60,367
Loans to corporate entities:				
- Corporate customers	64,757	7,403	57,354	133,681
- SMEs	739	129	610	1,208
Total	**92,907**	**10,370**	**82,537**	**205,045**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.2 Risk limit control and mitigation policies (continued)

Collateral (continued)

Credit impaired assets (Company)

(Amounts in TZS M)	Bank Gross exposure	Impairment allowance	Carrying amount	Market Value of Collateral
At 31 December 2022				
Loans to individuals:				
- Personal loans	2,040	502	1,538	1,700
Loans to corporate entities:	-	-	-	-
- Corporate customers	67,361	22,211	45,150	56,142
- SMEs	388	244	144	323
Total	**69,789**	**22,957**	**46,832**	**58,166**
At 31 December 2021				
Loans to individuals:				
- Personal loans	1,441	463	978	3,242
Loans to corporate entities:				
- Corporate customers	47,585	4,106	43,479	93,357
- SMEs	274	49	225	889
Total	**49,300**	**4,618**	**44,682**	**97,488**

The Bank's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Bank since the prior period.

Credit-related commitments

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

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments.

However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Details of outstanding credit–related commitments are in Notes 36.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.2 Risk limit control and mitigation policies (continued)

Lending limits (for derivatives and loan book)

The Group maintains strict control limits on net derivative positions (i.e., difference between purchases and sales contracts), by both amount and term. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favorable to the Group (i.e., assets where their fair value is positive), which in relation to derivatives is only a small fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Group requires margin deposits from counterparties. Settlement risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risk arising from the Group's market transactions on any single day.

6.1.3 Expected credit loss measurement

The Group applies IFRS 9 standard which outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized below: The key input into the measurement of ECL are the terms structure of the following variables.

- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD)

A financial instrument that is not credit –impaired on initial recognition is classified in 'Stage 1' and has credit risk continuously monitored by the Group.

If a significant increase in credit risk ('SICR') since recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit impaired. If the financial asset is credit-impaired, the financial instrument is then moved to 'Stage 3'. Financial instrument in Stage 1 have their ECL measured at an amount equal to the portion of a lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 and 3 have their ECL measured based on expected credit losses on a life time basis.

A pervasive concept in measuring ECL in accordance with IFRS9 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).

The following sections describe how the Group defines when a significant increase in credit risk has occurred; how the Group defines credit –impaired and default; inputs and assumptions and estimation techniques used in measuring the ECL; and how the Group incorporates forward looking information in the ECL models.

6.1.3.1 Significant increase in credit risk (SICR)

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative or qualitative criteria or back stops have been met:

Qualitative criteria

For retail portfolios, if the borrower meets one or more of the following criteria:

- In short–term forbearance;
- Direct debit cancellation;
- Extension to the terms granted; or
- Previous arrears within the last 12 months.

For corporate and treasury portfolios, if the borrower is on the Watch-list and / or the instrument meets one or more of the following criteria:

- Significant increase in credit spread;
- Significant adverse changes in business, financial and /or economic conditions in which the borrower operates;
- Actual or expected forbearance or restructuring;
- Actual or expected significant adverse change in operating results of the borrower;
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default; or
- Early signs of cash flows / liquidity problems such as delay in servicing of trade creditors / loans.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

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

The assessment of SICR incorporates forward-looking information. This is performed on a quarterly basis at a portfolio level for all Retail financial instruments. In relation to wholesale and treasury financial instruments, where a watch-list is used to monitor credit risk, this assessment is performed at the counterparty level on a periodic basis. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the credit team.

Backstops

A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on contractual payments.

The Group has not used the low credit risk exemption for any financial instruments during the year. The Group applied back stops in assessing SICR during the year as applying other quantitative factors or qualitative factors was found to involve undue cost or effort.

6.1.3.2 Definition of default and credit - impaired assets

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

Quantitative criteria

The borrower is more than 90 days past due on its contractual payments.

Qualitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is in long term forbearance;
- The borrower is deceased;
- The borrower is insolvent;
- The borrower is in breach of financial covenant(s);
- An active market for that financial asset has disappeared because of financial difficulties;
- Concessions have been made by the lender relating to the borrower's financial difficulty;
- It is becoming probable that the borrower will enter bankruptcy; or
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The Group applied the quantitative criteria during the year as this was deemed to be more prudent. The criteria have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the PD, EAD and LGD throughout the Group's expected loss computations.

ECL is measured on either a 12 –month (12M) or Lifetime basis depending on whether a SICR has occurred since initial recognition or whether an asset is considered to be credit –impaired. Expected credit losses are the discounted product of the PD, EAD and LGD as detailed in Note 2(k). Forward - looking economic information is also included in determining both 12-month and lifetime PD, EAD and LGD. The table below table shows PD distribution with estimates computed at sector level:

Description of Risk	Stage allocation	Past due days	Probability of Default*
High risk	Stage 3	>= 90 days	100%
Moderate risk	Stage 2	>30 days up to 90 days	15.0%-94.24%
Low risk	Stage 1	0-30 days	0%- 58.90%

**PD estimated at sector level*

6.1.3.4 Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward looking information. The Group has performed historical analysis and has identified the key economic variables impacting credit risk and expected credit losses for each portfolio. These economic variables and associated impact on PD, EAD, and LGD vary by financial instrument. The Group has utilized analysis of historical default rates in the absence of internal rating model or behavior score.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.3.5 Grouping of instruments for losses measured on a collective basis

For expected credit loss provisions modeled on a collective basis, a grouping of exposure is performed on the basis of shared risk characteristics, such that risk exposures within the group are homogeneous. Refer to Note 4 for further disclosures on the grouping of exposures.

6.1.3.6 Stage allocation

The Group, in accordance with IFRS 9, has adopted the three stage classifications when determining changes in impairments and estimation of ECL as detailed in Note 3(L). Currently, the Group stages credit exposures using backstops and additionally the Group use qualitative characteristics in assessing credit impairment of the loan and advances clients.

The quantitative approaches essentially same as backstops are explained in note 6.1.1

The Group consider qualitative criteria as summarized here under.

- Short-term forbearance or restructuring.
- Adverse changes of external data from credit references agencies
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates.
- Actual or expected forbearance or restructuring.
- Actual or expected significant adverse change in operating results of the borrower. · Significant change in collateral value which
- is expected to increase risk of default.
- When account is performing but classified as substandard as per BoT guidelines mainly due to being in a related group and where business nature of each member of the group is not interdependent
- Early signs of cash flow/liquidity problems such as delay in servicing of trade creditors/loans.
- Adverse changes of external data from credit references agencies
- Significant adversely changes in political, regulatory, and technological environment of the borrowers or in its business activities.

6.1.3.7 Judgmental adjustments

Where appropriate, the Group adjusts the ECL estimate outside the Bank's regular modelling process to reflect management judgements and qualitative information about performance of the exposures. Management overlays may only be applied to the model outputs if consistent with the objective of identifying a significant increase in credit risk.

The Group has internal governance frameworks and controls in place to assess the appropriateness of all judgmental adjustments. The aim of the Group is to incorporate these adjustments into the ECL models, where possible, as part of the periodic recalibration and model assessment procedures.

The adjustments include overlays which are made outside the detailed ECL calculation and reporting process. The Group did not have material judgmental adjustments as at 31 December 2022.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.4 Expected credit losses on loans and advances to customers by class

The table below shows the profile of the loans and advances to customers analysed according to the internal grading system.

	Group				Bank			
Expected Credit Loss	Stage 1 12 - Month TZS 'M'	Stage 2 Lifetime TZS 'M'	Stage 3 Lifetime TZS 'M'	Total TZS 'M'	Stage 1 12 - Month TZS 'M'	Stage 2 Lifetime TZS 'M'	Stage 3 Lifetime TZS 'M'	Total TZS 'M'
As at 31 December 2022								
Current	1,032,320	117,438	-	1,149,758	597,339	85,369	-	682,708
Especially mentioned	-	-	-	-	-	-	-	-
Substandard	-	46,980	23,437	70,417	-	46,980	21,948	68,928
Doubtful	-	-	44,554	44,554	-	-	30,254	30,254
Loss	-	-	27,098	27,098	-	-	17,587	17,587
Gross carrying amount	**1,032,320**	**164,418**	**95,089**	**1,291,827**	**597,339**	**132,349**	**69,789**	**799,477**
Less Expected credit loss	7,594	8,607	27,370	43,571	5,833	8,254	22,957	37,044
Net loans and advances to customers	**1,024,726**	**155,811**	**67,719**	**1,248,256**	**591,506**	**124,095**	**46,832**	**762,433**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.4 Expected credit losses on loans and advances to customers by class

	Group				Bank			
Expected Credit Loss	Stage 1 12 - Month TZS 'M'	Stage 2 Lifetime TZS 'M'	Stage 3 Lifetime TZS 'M'	Total TZS 'M'	Stage 1 12 - Month TZS 'M'	Stage 2 Lifetime TZS 'M'	Stage 3 Lifetime TZS 'M'	Total TZS 'M'
As at 31 December 2021								
Current	821,749	152,811	-	974,560	453,454	106,823	-	560,277
Especially mentioned	-	-	-	-	-	-	-	-
Substandard	-	69,893	15,797	85,690	-	70,177	15,115	85,292
Doubtful	-	4,486	23,142	27,628	-	4,485	22,482	26,967
Loss	-	-	53,967	53,967	-	-	11,703	11,704
Gross carrying amount	**821,749**	**227,190**	**92,906**	**1,141,845**	**453,454**	**181,486**	**49,300**	**684,240**
Less Expected credit loss	7,503	10,057	10,371	27,932	5,412	9,289	4,618	19,318
Net loans and advances to customers	**814,246**	**217,133**	**82,535**	**1,113,913**	**448,042**	**172,197**	**44,682**	**664,922**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.4 Expected credit losses on loans and advances to customers by class (continued)

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to loans and advances to customers was as follows:

	Group				Bank			
	2022				2022			
Gross carrying amount	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
At 1 January	821,749	227,190	92,906	1,141,845	453,454	181,486	49,300	684,240
Changes in the gross carrying amount	-	-	-	-	-	-	-	-
-Transfer to stage 1	17,831	(16,590)	(1,241)	-	4,230	(4,148)	(82)	-
-Transfer to stage 2	(6,462)	6,883	(421)	-	(8,523)	9,310	(786)	-
-Transfer to stage 3	(1,394)	(222)	1,616	-	(31)	(34)	65	-
New financial assets originated or purchased	216,939	(4,953)	(7,285)	204,702	329,325	56,007	54,956	440,288
Purchased or originated impaired financial assets	-	-	11	11			11	11
Financial assets that have been derecognised	(55,560)	(3,052)	5,383	(53,229)	(55,989)	(89,026)	(8,976)	(153,991)
Write-offs	-	-	(18,230)	(18,230)	-	-	(10,602)	(10,602)
Other changes	39,216	(44,839)	22,352	16,729	(125,127)	(21,246)	(14,098)	(160,470)
At 31 December	**1,032,319**	**164,417**	**95,091**	**1,291,828**	**597,339**	**132,349**	**69,788**	**799,476**
Expected credit loss								
At 1 January	7,504	10,057	10,371	27,932	5,413	9,289	4,617	19,319
Change in the allowance	-	-	-	-	-	-	-	-
-Transfer to stage 1	601	(560)	(42)	-	196	(192)	(4)	-
-Transfer to stage 2	(218)	232	(14)	-	(395)	431	(36)	-
-Transfer to stage 3	(47)	(7)	54	-	(1)	(2)	3	-
-Write-off	-	-	(18,230)	(18,230)	-	-	(10,602)	(10,602)
New financial assets originated or purchased	7,260	384	311	7,955	843	36	1	880
Purchased or originated impaired financial assets	-	-	11	11	-	-	11	11
Financial assets that have been derecognized	(1,208)	(8,591)	(7,784)	(17,583)	(1,161)	(200)	(10,076)	(11,437)
Other changes	(6,298)	7,092	42,692	43,486	938	(1,107)	39,044	38,875
At 31 December	**7,595**	**8,607**	**27,369**	**43,572**	**5,833**	**8,255**	**22,958**	**37,046**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.4 Expected credit losses on loans and advances to customers by class (continued)

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to loans and advances to customers was as follows:

	Group				Bank			
	2021				2021			
Gross carrying amount	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
At 1 January	781,990	277,478	76,694	1,136,162	420,899	254,293	54,344	729,536
Changes in the gross carrying amount	-	-						
-Transfer to stage 1	23,775	(22,120)	(1,655)	-	2,115	(2,074)	(41)	-
-Transfer to stage 2	(8,615)	9,177	(562)	-	(4,262)	4,655	(393)	-
-Transfer to stage 3	(1,858)	(296)	2,154	-	(16)	(16)	32	-
New financial assets originated or purchased	232,591	3,402	307	236,300	67,093	342	130	67,565
Financial assets that have been derecognised	(150,752)	(14,075)	(2,828)	(167,655)	(74,232)	(581)	(1,324)	(76,137)
Write-offs	-	-	(19,010)	(19,010)	-	-	(12,310)	(12,310)
Other changes	(55,382)	(26,376)	37,806	(43,951)	41,857	(75,133)	8,862	(24,414)
At 31 December	**821,749**	**227,190**	**92,906**	**1,141,845**	**453,454**	**181,486**	**49,300**	**684,240**
Expected credit loss								
At 1 January	9,654	16,319	14,907	40,880	7,294	16,016	4,693	28,003
Change in the allowance	-	-	-	-	-	-	-	-
-Transfer to stage 1	5,790	(1,649)	(4,141)	-	2,985	(638)	(2,346)	-
-Transfer to stage 2	(87)	7,164	(7,077)	-	(78)	7,041	(6,963)	-
-Transfer to stage 3	(16)	(1,092)	1,108	-	(1)	(1)	2	-
-Write-off	-	-	(19,010)	(19,010)		-	(12,310)	(12,310)
New financial assets originated or purchased	3,630	192	150	3,972	2,595	111	49	2,755
Financial assets that have been derecognized	(3,193)	(8)	360	(3,561)	(3,178)	(8)	(161)	(3,348)
Other changes	(8,274)	(10,869)	24,944	5,801	(4,204)	(13,232)	21,653	4,217
At 31 December	**7,504**	**10,057**	**10,371**	**27,932**	**5,413**	**9,289**	**4,617**	**19,317**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.4 Expected credit losses on loans and advances to customers by class (continued)

Maximum exposure to credit risk before collateral held or other credit enhancements

The maximum on-balance sheet exposure to credit risk is as shown below:

	Group				Bank			
	2022		2021		2022		2021	
On balance sheet exposures	TZS 'M'	%	TZS 'M'	%		%	TZS 'M'	%
Balances with central banks	139,175	6.33%	250,172	12.83%	55,044	3.89%	83,247	6.77%
Loans and advances to banks	260,219	11.84%	208,164	10.67%	124,558	8.81%	151,307	12.30%
Loans and advances to customers								
Loans to individuals:								
- Personal loans	122,410	5.57%	109,236	5.60%	36,124	2.56%	31,504	2.56%
- Commercial loans	379,437	17.26%	338,600	17.36%	195,907	13.86%	170,852	13.89%
Loans to corporate entities:								
- Corporate customers	741,226	33.72%	661,451	33.92%	525,097	37.14%	457,940	37.23%
- SMEs	5,184	0.24%	4,626	0.24%	5,304	0.38%	4,626	0.38%
Government securities: At amortized cost	123,643	5.62%	125,666	6.44%	92,755	6.56%	107,117	8.71%
Government securities: FVTPL	155,561	7.08%	98,143	5.03%	155,561	11.00%	97,942	7.96%
Government securities: FVTOCI	221,553	10.08%	117,251	6.01%	221,553	15.67%	117,251	9.53%
Bonds - at amortised cost	47,110	2.14%	20,534	1.05%	710	0.05%	1,784	0.15%
Other assets (excluding prepayments)	2,813	0.13%	16,207	0.83%	1,176	0.08%	6,548	0.53%
	2,198,331	**100%**	**1,950,050**	**100%**	**1,413,789**	**100.0%**	**1,230,118**	**100%**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.4 Expected credit losses on loans and advances to customers by class (continued)

Maximum exposure to credit risk before collateral held or other credit enhancements

Maximum exposure to credit risk before collateral held or other credit enhancements (Continued)

	Group		Bank	
Off balance sheet exposures	2022 TZS 'M'	2021 TZS 'M'	2022 TZS 'M'	2021 TZS 'M'
Undrawn commitments	73,610	64,058	58,018	55,212
Acceptances and letters of credits	107,767	76,268	106,767	64,145
Guarantees and indemnities	123,239	78,294	118,147	56,273
Gross carrying amount	**304,616**	**218,620**	**282,932**	**175,630**
Loss allowance	(213)	(455)	(213)	(105)
Net carrying amount	**304,403**	**218,165**	**282,719**	**175,525**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.4 Expected credit losses on loans and advances to customers by class (continued)

The following table includes an analysis of the Group's maximum credit risk exposure at the carrying amounts of the financial assets, as categorised by industry sectors as of 31 December 2022 (All balances are in TZS' Million):

(a) Industry sectors

Group	Financial institutions	Manufacturing	Trading and commercial	Transport and communication	Agriculture	Individuals	Others	Total
	TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'
On-balance sheet exposures								
Balances with Central Banks	139,047	-	-	-	-	-	128	139,175
Loans and advances to banks	260,219	-	-	-	-	-	-	260,219
Government securities – amortized cost	123,643	-	-	-	-	-	-	123,643
Government securities: FVTPL	155,561	-	-	-	-	-	-	155,561
Government securities: FVTOCI	221,553	-	-	-	-	-	-	221,553
Bonds: at amortized cost	47,110	-	-	v-	-	-	-	47,110
Loans and advances to customers:								
Loans to individuals:								
- Personal loans	23,892	-	-	-	22,450	66,690	9,378	122,410
- Commercial loans	-	93,548	48,749	550	23,421	29,435	183,734	379,437
Loans to corporate entities:								
- Corporate customers	-	201,674	207,278	92,952	24,221	9,118	205,983	741,226
- SMEs	-	-	-	-	5,170	-	14	5,184
Other assets less prepayments	-	-	-	-	-	-	2,813	2,813
At 31 December 2022	971,025	295,222	256,027	93,502	75,262	105,243	402,051	2,198,331
Off -balance sheet exposures								
Guarantees and acceptances	42,270	18,365	30,035	1,240	6,156	-	116,956	215,022
Loan commitments and other credit related obligations	-	4,355	28,111	668	2,407	-	53,840	89,381
At 31 December 2022	**42,270**	**22,720**	**58,146**	**1,908**	**8,563**	**-**	**170,796**	**304,403**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.4 Expected credit losses on loans and advances to customers by class (continued)

(a) Industry sectors (Continued)

The following table includes an analysis of the Group's maximum credit risk exposure at the carrying amounts of the financial assets, as categorised by industry sectors as of 31 December 2021 (All balances are in TZS 'Million):

Group	Financial institutions TZS 'M'	Manufacturing TZS 'M'	Trading and commercial TZS 'M'	Transport and communication TZS 'M'	Agriculture TZS 'M'	Individuals TZS 'M'	Others TZS 'M'	Total TZS 'M'
On-balance sheet exposures								
Balances with Central Banks	139,175	-	-	-	-	-	389	139,175
Loans and advances to banks	260,219	-	-	-	-	-	461	260,219
Government securities – amortized cost	123,643	-	-	-	-	-	-	123,643
Government securities: FVTPL	155,561	-	-	-	-	-	-	155,561
Government securities: FVTOCI	221,553	-	-	-	-	-	-	221,553
Bonds: at amortized cost	47,110	-	-	-	-	-	-	47,110
Loans and advances to customers:	-	-	-	-	-	-	-	-
Loans to individuals:								
- Personal loans	-	-	-	-	-	122,410	-	122,410
- Commercial loans	-	-	-	-	-	21,327	358,110	379,437
Loans to corporate entities:	-	-	-	-	-	-		-
- Corporate customers	-	97,283	146,276	88,855	24,780	-	383,032	741,226
- SMEs	-	-	-	-	5,184	-	-	5,184
Other assets less prepayments	-	-	-	-	-	-	2,183	2,183
At 31 December 2021	**947,261**	**97,283**	**146,276**	**88,855**	**29,964**	**143,737**	**743,325**	**2,198,331**
Off -balance sheet exposures								
Financial guarantees and acceptances	30,295	13,162	21,526	889	4,412	-	83,822	154,106
Loan commitments and other credit related obligations	-	3,121	20,147	479	1,725	-	38,587	64,059
At 31 December 2021	**30,295**	**16,283**	**41,673**	**1,368**	**6,137**	**-**	**122,409**	**218,165**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.4 Expected credit losses on loans and advances to customers by class (continued)

(a) Industry sectors (Continued)

The following table includes an analysis of the Bank's maximum credit risk exposure at the carrying amounts of the financial assets, as categorised by industry sectors as of 31 December 2022 (All balances are in TZS' Million):

Bank	Financial institutions TZS 'M'	Manufacturing TZS 'M'	Trading and commercial TZS 'M'	Transport and communication TZS 'M'	Agriculture TZS 'M'	Individuals TZS 'M'	Others TZS 'M'	Total TZS 'M'
On-balance sheet exposures								
Balances with Central Banks	139,175	-	-	-	-	-	-	139,175
Loans and advances to banks	260,219	-	-	-	-	-	-	260,219
Government securities – amortized cost	123,643	-	-	-	-	-	-	123,643
Government securities: FVTPL	155,561	-	-	-	-	-	-	155,561
Government securities: FVTOCI	221,553	-	-	-	-	-	-	221,553
Bonds: at amortized cost	47,110	-	-	-	-	-	-	47,110
Loans and advances to customers:								-
Loans to individuals:								
- Personal loans	-	-	-	-	-	122,410	-	122,410
- Commercial loans	-	-	-	-	-	21,327	358,110	379,437
Loans to corporate entities:								
- Corporate customers	-	97,283	146,276	88,855	24,780	-	383,032	741,226
- SMEs	-	-	-	-	5,184	-	-	5,184
Other assets less prepayments	-	-	-	-	-	-	1,176	1,176
At 31 December 2022	**793,583**	**97,283**	**146,276**	**88,855**	**30,084**	**143,737**	**558,789**	**2,196,691**
Off -balance sheet exposures								
Financial guarantees and acceptances	48,791	21,198	15,144	1,432	7,106	-	100,099	193,770
Loan commitments and other credit related obligations	-	5,027	29	29	2,778	-	81,086	88,949
At 31 December 2022	**48,791**	**26,225**	**15,173**	**1,461**	**9,884**	**-**	**181,185**	**282,719**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.4 Expected credit losses on loans and advances to customers by class (continued)

(a) Industry sectors (Continued)

The following table includes an analysis of the Bank's maximum credit risk exposure at the carrying amounts of the financial assets, as categorised by industry sectors as of 31 December 2021 (All balances are in TZS' Million):

Bank	Financial institutions TZS 'M'	Manufacturing TZS 'M'	Trading and commercial TZS 'M'	Transport and communication TZS 'M'	Agriculture TZS 'M'	Individuals TZS 'M'	Others TZS 'M'	Total TZS 'M'
On-balance sheet exposures								
Balances with Central Banks	83,249	-	-	-	-	-	-	83,249
Loans and advances to banks	151,307	-	-	-	-	-	-	151,307
Government securities – amortized cost	107,117	-	-	-	-	-	-	107,117
Government securities: FVTPL	97,942	-	-	-	-	-	-	97,942
Government securities: FVTOCI	117,251	-	-	-	-	-	-	117,251
Bonds: at amortized cost	1,784	-	-	-	-	-	-	1,784
Loans and advances to customers:								
Loans to individuals:		-	-	-	-	-	-	-
- Personal loans	-	-	-	-	-	31,504	-	31,504
- Commercial loans	-	-	-	-	-	18,599	152,253	170,852
Loans to corporate entities:								-
- Corporate customers	-	84,841	127,568	77,491	21,611	-	146,430	457,940
- SMEs	-	-	-	-	4,626	-		4,626
Other assets less prepayments	-	-	-	-	-	-	6,548	6,548
At 31 December 2021	**558,650**	**84,841**	**127,568**	**77,491**	**26,237**	**50,103**	**305,232**	**1,230,120**
Off -balance sheet exposures								
Financial guarantees and acceptances	30,295	13,162	9,403	889	4,412	-	62,152	120,313
Loan commitments and other credit related obligations	-	3,121	18	2	1,725	-	50,347	55,212
At 31 December 2021	**30,295**	**16,283**	**9,421**	**891**	**6,137**	**-**	**112,499**	**175,525**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.4 Expected credit losses on loans and advances to customers by class (continued)

(b)Geographical sectors

Group (Amounts are in TZS' M')

	Tanzania	Europe	America	Other African countries	Total
Credit risk exposures relating to on-balance sheet assets are as follows:					
At 31 December 2022					
Balances with Central Banks	55,044			84,131	139,175
Loans and advances to banks	124,558	35,985	94,761	4,914	260,219
Government securities – At amortized cost	92,755			30,888	123,643
Government securities: FVTPL	155,561			-	155,561
Government securities: FVTOCI	221,553			-	221,553
Bonds: Debt securities at amortized cost	710			46,400	47,110
Loans and advances to customers:					
Loans to individuals:					
- Personal loans	36,124	-	-	86,286	122,410
- Commercial loans	195,907	-	-	183,530	379,437
Loans to corporate entities:					
- Corporate customers	525,097	-	-	216,129	741,226
- SMEs	5,304	-	-	(120)	5,184
Other assets less prepayments	1,176	-	-	1,637	2,813
At 31 December 2022	**1,413,789**	**35,985**	**94,761**	**653,795**	**2,198,331**
Credit risk exposures relating to off-balance sheet items are as follows:					
Guarantees and acceptances	224,914	-	-	6,092	231,005
Loan commitments and other credit related obligations	57,805	-	-	15,592	73,397
At 31 December 2022	**282,719**			**21,684**	**304,402**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.4 Expected credit losses on loans and advances to customers by class (continued)

(b)Geographical sectors (Continued)

(Amounts are in TZS' M')

Group	Tanzania	Europe	America	Other African countries	Total
Credit risk exposures relating to on-balance sheet assets are as follows:					
At 31 December 2021					
Balances with Central Banks	83,249	-	-	166,923	250,172
Loans and advances to banks	46,534	42,874	112,901	5,855	208,164
Government securities – At amortized cost	107,117	-	-	18,549	125,666
Government securities: FVTPL	97,942	-	-	201	98,143
Government securities: FVTOCI	117,251	-	-	-	117,251
Bonds: Debt securities at amortized cost	1,784	-	-	18,750	20,534
Loans and advances to customers:	-			-	
Loans to individuals:	-			-	
- Personal loans	31,504	-	-	77,732	109,236
- Commercial loans	170,852	-	-	167,748	338,600
Loans to corporate entities:	-			-	
- Corporate customers	457,940	-	-	203,511	661,451
- SMEs	4,626	-	-	-	4,626
Other assets less prepayments	6,796			9,482	16,278
At 31 December 2021	**1,125,595**	**42,874**	**112,901**	**668,751**	**1,950,121**
Credit risk exposures relating to off-balance sheet items are as follows:					
Financial guarantees and acceptances	120,314	-	-	33,793	154,107
Loan commitments and other credit related obligations	55,212	-	-	8,846	64,058
At 31 December 2021	**175,526**	**-**	**-**	**42,639**	**281,165**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.4 Expected credit losses on loans and advances to customers by class (continued)

(b)Geographical sectors (Continued)

Bank (Amounts are in TZS' M')

	Tanzania	Europe	America	Other African countries	Total
Credit risk exposures relating to on-balance sheet assets are as follows:					
At 31 December 2022					
Balances with Central Banks	55,044				55,044
Loans and advances to banks	30,969	24,342	68,114	1,134	124,558
Government securities – At amortized cost	92,755				92,755
Government securities: FVTPL	155,561				155,561
Government securities: FVTOCI	221,553				221,553
Bonds: Debt securities at amortized cost	710				710
Loans and advances to customers:					
Loans to individuals:					
- Personal loans	36,124	-		-	36,124
- Commercial loans	195,907	-	-	-	195,907
Loans to corporate entities:					
- Corporate customers	525,097	-	-	-	525,097
- SMEs	5,304	-	-	-	5,304
Other assets less prepayments	1,176				1,176
At 31 December 2022	**1,320,200**	**24,342**	**68,114**	**1,134**	**1,413,789**
Credit risk exposures relating to off-balance sheet items are as follows:					
Guarantees and acceptances	224,914	-	-	-	224,914
Loan commitments and other credit related obligations	57,805	-	-	-	57,805
At 31 December 2022	**282,719**	**-**	**-**	**-**	**282,719**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.4 Expected credit losses on loans and advances to customers by class (continued)

(Amounts are in TZS' M')

Bank	Tanzania	Europe	America	Other African countries	Total
On balance sheet assets					
At 31 December 2021					
Balances with Central Banks	83,249	-	-	-	83,249
Loans and advances to banks	37,620	29,569	82,741	1,377	151,307
Government securities – At amortized cost	107,117	-	-	-	107,117
Government securities: FVTPL	97,942	-	-	-	97,942
Government securities: FVTOCI	117,251	-	-	-	117,251
Bonds: Debt securities at amortized cost	1,784	-	-	-	1,784
Loans and advances to customers:					-
Loans to individuals:					-
- Personal loans	31,504	-	-	-	31,504
- Commercial loans	170,852	-	-	-	170,852
Loans to corporate entities:					-
- Corporate customers	457,940	-	-	-	457,940
- SMEs	4,626	-	-	-	4,626
Other assets less prepayments	6,548			-	6,548
At 31 December 2021	**1,116,433**	**29,569**	**82,741**	**1,377**	**1,230,120**
Credit risk exposures relating to off-balance sheet items are as follows:					
Guarantees and acceptances	120,313	-	-	-	120,313
Loan commitments and other credit related obligations	55,212	-	-	-	55,212
At 31 December 2021	**175,525**	**-**	**-**	**-**	**175,525**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Market risk

The Group and Bank take an exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions on interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

The market risk arising from trading and non-trading activities are concentrated in the Group's and Bank's treasury department and monitored regularly. Regular reports are submitted to the Group's and Bank's Assets and Liability Committees (ALCO) and heads of departments. Assessment is done of whether market risk exposures are within the limits set. Market risk sensitivity analysis is also done as indicated under foreign exchange, price and interest rate risk below.

6.2.1 Foreign exchange risk

The Group and Bank take on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. ALCO sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. With all other variables held constant, an increase/(decrease) in the USD:TZS foreign exchange rate by 10% on all US Dollar denominated assets and liabilities which is the main foreign currency exposure to the Group would have resulted in higher/(lower) profit before tax by TZS 3,757 million as at 31 December 2022 (2021: TZS 3,847 million). The equity would be impacted by TZS 2,568 million as at 31 December 2022 (2021: TZS 2,693 million).

The tables below summarise the Group's and Bank's exposure to foreign currency exchange risk at 31 December 2022. Included in the table are the Group's and Bank's financial instruments at carrying amounts, TZS by currency.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Market risk (continued)

6.2.1 Foreign exchange risk (continued)

Group

Concentrations of currency risk - on - and off-balance sheet financial instruments.

All amounts expressed in TZS'M'

At 31 December 2022	USD	EURO	GBP	KMF	DJF	USH	Others	Total
Assets								
Cash and Bank Balances	30,691	3,251	795	-	16,009	2,016	409	53,171
Balances with Banks abroad	86,542	4,587	803	-	-	52,601	567	145,100
Loans and Advances to Customers	439,810	-	-		31,011	50,745	-	521,566
Derivatives financial asset	-	-	-	-	-	10,348	-	10,348
Other Assets	-	-	-	-	4,578	590	-	5,168
Total Assets	**557,043**	**7,838**	**1,598**	**-**	**51,598**	**116,300**	**976**	**735,245**
Liabilities								
Customer Deposits	95,961	2,721	144	-	79,500	90,821	11	269,158
Balances due to banks and Non banks	4,721	-	-		-	18,208	-	22,929
Subordinated debts and senior loans	53,820							53,820
Other Liabilities	14,763	153	17	-	3,419	4,683	26	23,061
Total Liabilities	**169,265**	**2,874**	**161**	**-**	**82,919**	**113,712**	**37**	**368,968**
Net Balance sheet position	441,597	4,964	1,437	-	(31,321)	2,589	939	420,204
Off Balance sheet net notional position	410,302	34,959	793	-	-	-	-	446,054
Net Liquidity gap including Off balance sheet items	**31,295**	**(29,995)**	**644**	**-**	**(31,321)**	**2,589**	**939**	**(25,850)**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Market risk (continued)

6.2.1 Foreign exchange risk (continued)

Group

Concentrations of currency risk - on - and off-balance sheet financial instruments.

All amounts expressed in TZS'M'

As at 31 December 2021	USD	EURO	GBP	KMF	DJF	USHS	Others	Total
Financial assets								
Cash and balances with Central Banks	70,145	2,780	900	-	16,009	2,016	301	92,151
Loans and advances to banks	115,762	4,570	785	-	-	52,601	1,301	175,019
Loans and advances to customers	516,601	386	-	-	31,011	50,745	-	598,733
Derivatives financial asset	-	-	-	-	-	10,348	-	10,348
Other assets less prepayments	1,330	-	-	-	4,578	590	-	6,498
Total financial assets	**703,838**	**7,736**	**1,685**		**51,598**	**116,300**	**1,602**	**882,759**
Financial liabilities								
Deposits due to customers	471,472	14,798	1,584	-	79,500	90,821	5	658,180
Deposits due to banks	175,421	17,591	-	-	-	18,208	-	211,220
Subordinated debts and senior loans	70,789	-	-	-	-	-	-	70,789
Other liabilities	8,440	135	17	-	3,419	4,683	1	16,695
Total financial liabilities	**726,122**	**32,524**	**1,601**		**82,919**	**113,712**	**6**	**956,884**
Net on-balance sheet exposure	**(22,284)**	**(24,788)**	**84**	**-**	**(31,321)**	**2,588**	**1,596**	**(74,125)**
Off-balance sheet exposure	**(16,186)**	**2,743**	**85**	**-**	**-**	**-**	**-**	**(13,358)**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Market risk (continued)

6.2.1 Foreign exchange risk (continued)

Bank

Concentrations of currency risk - on - and off-balance sheet financial instruments.

All amounts expressed in TZS'M'

As at 31 December 2022	USD	EUR	GBP	KMF	DJF	USHS	Others	Total
Financial assets								
Cash and balances with Central Banks	20,858	1,796	169	-	-	204	96	23,123
Loans and advances to banks	77,917	30,994	626	-	-	496	515	110,548
Loans and advances to customers	372,659	-	-	-	-	-	-	372,659
Derivatives financial asset	-	-	-	-	-	-	-	-
Other assets less prepayments	-	-	-	-	-	-	-	-
Total financial assets	**471,434**	**32,790**	**795**	**-**	**-**	**700**	**611**	**506,330**
Financial liabilities								
Deposits due to customers	-	-	-	-	-	-	-	-
Deposits due to banks	-	-	-	-	-	-	-	-
Subordinated debts and senior loans	53,820	-	-	-	-	-	-	53,820
Other liabilities	11,275	35	17	-	-	-	26	11,353
Total financial liabilities	**65,095**	**35**	**17**	**-**	**-**	**-**	**26**	**65,173**
Net on-balance sheet exposure	**406,339**	**32,755**	**778**	**-**	**-**	**700**	**584**	**441,156**
Off-balance sheet exposure	**(4,474)**	**4,026**	**-**	**-**	**-**	**-**	**210**	**(239)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Market risk (continued)

6.2.1 Foreign exchange risk (continued)

Bank

Concentrations of currency risk - on - and off-balance sheet financial instruments.

All amounts expressed in TZS'M

As at 31 December 2021	USD	EURO	GBP	Others	Total
Financial assets					
Cash and balances with Central Banks	25,294	1,517	311	271	27,393
Loans and advances to banks	113,332	28,900	669	1,378	144,279
Loans and advances to customers	441,712	386	-	-	442,098
Derivative financial asset					
Other assets less prepayments	896	-	-	-	896
Total financial assets	**581,234**	**30,803**	**980**	**1,649**	**614,666**
Financial liabilities					
Deposits due to customers	366,092	12,737	875	-	379,704
Deposits due to banks	158,372	17,591	-	-	175,963
Subordinated debts and senior loans	70,789	-	-	-	70789
Other liabilities	5,270	4	17	15	5,306
Total financial liabilities	**600,523**	**30,332**	**892**	**15**	**631,762**
Net on-balance sheet exposure	**(19,289)**	**471**	**88**	**1,634**	**(17,096)**
Off-balance sheet exposure	**20,001**	**-**	**-**	**45**	**20,046**

Price risk

The Group and Bank are exposed to equity securities price risk because of its investment in listed shares classified on the statement of financial position as FVOCI. The Group also has investments in government securities that are measured at fair value. The price exposure associated with these government securities is not significant to the financial statements given the amounts involved and the fact that the variability in market prices for the government securities is not significant.

The following table demonstrates the sensitivity to a reasonably possible change in equity prices (all other variables held constant) of the Group's profit before tax and equity:

Amounts in Million TZ

As at 31 December 2022 Market risk exposure	Increase/(decrease) in basis points	Profit/(loss) sensitivity	Equity sensitivity
Equity prices	500/(500)	124/(124)	87/(87)
As at 31 December 2021			
Equity prices	500/ (500)	126/ (126)	88/ (86)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Market risk (continued)

6.3.2 Interest rate risk

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

The following table demonstrates the sensitivity to a reasonably possible change in interest rates (all other variables held constant) of the Group's profit before tax and equity:

		Amounts in Million TZ	
As at 31 December 2022	Increase/(decrease) in basis points	Profit/(loss) sensitivity	Equity sensitivity
Market interest rates	100/(100)	1,273/(1,273)	891/(891)
As at 31 December 2021			
Market interest rates	100/ (100)	1,055/(1,055)	738/ (738)

The table below summarises the Group's and Bank's exposure to interest rate risk. It includes the Group's and Bank's financial instruments at carrying amounts, TZS by the earlier of contractual repricing or maturity dates. The Group and Bank do not bear any interest rate risk on off-balance sheet items.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Market risk (continued)

6.3.2 Interest rate risk (continued)

Group

(Amounts are in TZS Million)

	Up to1 month	1-3 months	3-12 month	1-5 years	Over 5 years	Non Interest bearing	Total
At 31 December 2022							
Financial assets							
Cash and balances with Central banks	52,296	-	-	7,857	-	174,088	234,241
Government securities at amortized cost	22,176	5,094	11,034	47,365	37,974	-	123,643
Government securities - FVTPL	-	637	9,319	15,924	129,682	-	155,561
Government securities - FVOCI	-	-	7,373	13,080	201,100	-	221,553
Loans and advances to banks	92,239	91,866	73,123	-	-	3,010	260,238
Loans and advances to customers	408,235	80,519	70,902	430,796	257,775	30	1,248,257
Investment securities -FVOCI	-	-	-	-		516	516
Investments securities at amortised cost	-	-	-	-	-	-	-
Other assets less prepayments	-	-	-	-	-	2,813	2,813
Total financial assets	**574,946**	**178,116**	**171,751**	**515,022**	**626,531**	**180,457**	**2,246,822**
Financial liabilities							
Deposits due to banks	122,484	-	34,968	-	-	-	157,452
Deposits due to customers	1,406,575	120,658	199,886	88,390	-	-	1,815,508
Other liabilities	-	-	-	-	-	58,420	58,420
Subordinated debts and senior loans	-	9,082	11,771	34,468	-		55,321
Term borrowing	-	-	66	-	8,500	-	8,566
Total financial liabilities	**1,529,059**	**129,740**	**246,691**	**122,858**	**8,500**	**58,420**	**2,095,267**
Total interest repricing gap	**(954,113)**	**48,376**	**(74,940)**	**392,163**	**618,031**	**121,037**	**151,555**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Market risk (continued)

6.3.2 Interest rate risk (continued)

Group

	(Amounts are in TZS Million)						
	Up to1 month	1-3 months	3-12 month	1-5 years	Over 5 years	Non Interest bearing	Total
At 31 December 2021							
Financial assets							
Cash and balances with Central banks	16,044	-	-	-	-	277,577	293,621
Government securities at amortized cost	8,367	1,279	18,146	80,267	17,607	-	125,666
Government securities - FVTPL	-			9,975	88,168	-	98,143
Government securities - FVOCI	-	-	-	9,141	108,110	-	117,251
Loans and advances to banks	208,162	-	-	-	-	-	208,162
Loans and advances to customers	253,680	70,461	126,016	387,329	231,856	44,571	1,113,913
Investment securities - FVOCI	-	-	-	-	-	2,571	2,571
Other assets less prepayments	-	-	-	-	-	16,294	16,294
Total financial assets	**486,253**	**71,740**	**144,162**	**486,712**	**445,741**	**341,013**	**1,975,621**
Financial liabilities							
Deposits due to banks	84,344	22,958	93,099	20,371	-	8,372	229,143
Deposits due to customers	863,252	114,462	300,697	256,134	-	182,509	1,717,054
Other liabilities	-	-	-	-	-	43,779	43,779
Subordinated debts and senior loans	62	9,069	15,419	49,231	-	206	73,987
Term borrowing	-	-	59	6,000	-		6,059
Total financial liabilities	**947,658**	**146,489**	**409,274**	**331,736**	**-**	**234,866**	**2,070,022**
Total interest repricing gap	**(461,405)**	**(74,749)**	**(265,052)**	**160,978**	**445,741**	**106,147**	**94,401**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Market risk (continued)

6.3.2 Interest rate risk (continued)

Bank

(Amounts are in TZS Million)

	Up to1 month	1-3 months	3-12 month	1-5 years	Over 5 years	Non-Interest bearing	Total
At 31 December 2022							
Financial assets							
Cash and balances with Central banks	-	-	-	-	-	121,347	121,347
Government securities at amortized cost	22,176	5,094	444	46,596	18,445	-	92,755
Government securities - FVTPL	-	637	9,319	15,924	129,862	-	155,742
Government securities - FVOCI	-	-	7,373	13,080	201,100	-	221,553
Loans and advances to banks	124,577	-	-	-	-	-	124,577
Loans and advances to customers	195,152	54,118	40,785	276,954	195,425		762,434
Other assets less prepayments	-	-	-	-	-	1,150	1,150
Total financial assets	**341,905**	**59,849**	**57,921**	**352,554**	**544,832**	**122,497**	**1,479,376**
Financial liabilities							
Deposits due to banks	212,844	-	23,353	-	-	-	236,197
Deposits due to customers	754,889	46,712	135,773	81,483	-	-	1,018,857
Other liabilities	-	-	-	-	-	44,177	44,177
Subordinated debts and senior loans	-	9,082	11,771	34,468	-	-	55,321
Term borrowing	-	-	66	-	8,500	-	8,566
Total financial liabilities	**967,733**	**55,794**	**170,963**	**115,951**	**8,500**	**44,177**	**1,363,118**
Total interest repricing gap	**(625,828)**	**4,055**	**(113,042)**	**236,603**	**536,332**	**78,320**	**116,440**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Market risk (continued)

6.3.2 Interest rate risk (continued)

Bank	(Amounts are in TZS Million)						
	Up to1 month	1-3 months	3-12 months	1-5 years	Over 5	Non-Interest bearing	Total
As at 31 December 2021							
Financial assets							
Cash and balances with Central bank	-	-	-	-	-	114,575	114,575
Government securities at amortized cost	4,485	-	12,845	72,180	17,607	-	107,117
Government securities - FVTPL	-	-	-	9,774	88,168	-	97,942
Government securities -FVOCI	-	-	-	9,141	108,110	-	117,251
Loans and advances to banks	151,308	-	-	-	-	-	151,308
Loans and advances to customers	182,612	21,504	64,704	176,494	219,609	-	664,406
Equity investments: FVOCI	-	-	-	-	-	2,066	2,066
Investments securities at amortized cost	-	-	-	-	-	1,784	1,784
Other assets less prepayments	-	-	-	-	-	6,549	6,549
Total financial assets	**338,405**	**21,504**	**77,549**	**267,589**	**433,494**	**124,974**	**1,262,998**
Financial liabilities							
Deposits due to banks	76,324	18,448	102,720	-	-	-	197,492
Deposits due to customers	618,785	45,513	148,905	59,735	-	-	872,938
Other liabilities	-	-	-		-	27,125	27,125
Subordinated debts and senior loans	-	8,958	15,246	49,783	-	-	73,987
Term borrowings	-	-	59	-	6,000	-	6,059
Total financial liabilities	**695,109**	**72,919**	**266,930**	**109,518**	**6,000**	**27,125**	**1,177,601**
Total interest repricing gap	**(356,704)**	**(51,415)**	**(189,322)**	**158,071**	**433,494**	**97,849**	**85,397**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.4 Liquidity risk

Liquidity risk is the risk that the Group or Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

6.4.1 Liquidity risk management process

Day-to-day funding is managed by monitoring future cash flows to ensure that requirements can be met. These include replenishment of funds as they mature or are borrowed by customers. The Group and Bank maintain an active presence in money markets to enable this to happen. Other ways liquidity risk is managed include:

- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow; and
- Monitoring statement of financial position liquidity ratios against internal and regulatory requirements; and managing the concentration and profile of debt maturities.

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

6.4.2 Funding approach

Sources of liquidity are regularly reviewed by the Group's and Bank's Asset and Liability Committee to maintain a wide diversification by currency, geography, provider, product and term.

6.4.3 Non-derivative cash flows

The tables below present the cash flows payable by the Group and Bank under non-derivative financial liabilities by the remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows, as the Group and Bank manage the inherent liquidity risk based on expected undiscounted cash flows.

Group

	Amounts are in TZS'Million				
At 31 December 2022	**Up to1 month**	**1 - 3 months**	**3-12 months**	**Over 1 year**	**Total**
Financial liabilities					
Deposits due to customers	1,406,575	121,112	204,880	103,435	1,836,001
Deposits due to banks	122,846	-	35,745	-	158,592
Other liabilities	19,505	9,330	29,585	-	58,420
Subordinated debt	-	9,207	12,468	42,222	63,898
Term borrowings	-	-	66	8,671	8,737
Lease Liabilities	-	-	13,781	16,650	30,431
Total financial liabilities (contractual maturity dates)	**1,548,926**	**139,649**	**296,525**	**170,978**	**2,156,078**
Total financial assets (expected maturity dates)	**574,945**	**178,116**	**171,751**	**1,142,069**	**2,066,881**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.4 Liquidity risk (Continued)

6.4.3 Non-derivative cash flows (Continued)

Group

	Amounts are in TZS' Million				
At 31 December 2021	Up to 1 month	1 - 3 months	3-12 months	Over 1 year	Total
Financial liabilities					
Deposits due to customers	863,252	114,462	300,697	438,643	1,717,054
Deposits due to banks	84,344	22,958	93,099	28,743	229,144
Other liabilities	33,889	4,818	5,721	-	44,428
Subordinated debt	62	12,069	17,620	54,530	84,281
Term borrowings	-	-	59	6,960	7,019
Lease liabilities	-	-	13,570	20,760	34,330
Total financial liabilities (contractual maturity dates)	**981,547**	**154,307**	**430,766**	**549,636**	**2,116,256**
Total financial assets (expected maturity dates)	**486,253**	**71,740**	**144,161**	**932,453**	**1,570,041**

Bank

	Amounts are in TZS 'Million				
At 31 December 2022	Up to 1 month	1 - 3 months	3-12 months	Over 1 year	Total
Financial liabilities					
Deposits due to customers	754,889	47,166	140,767	96,528	1,039,350
Deposits due to banks	213,206	-	24,130	-	237,336
Other liabilities	26,174	3,018	10,961	4,024	44,177
Subordinated debt and senior loans	-	9,207	12,468	42,222	63,898
Term borrowings	-	-	66	8,671	8,737
Lease liabilities	-	-	8,670	15,820	24,490
Total financial liabilities (contractual maturity dates)	**994,269**	**59,391**	**197,062**	**167,265**	**1,417,988**
Total financial assets (expected maturity dates)	**341,904**	**59,849**	**57,920**	**897,205**	**1,356,878**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.4 Liquidity risk (Continued)

6.4.3 Non-derivative cash flows (Continued)

Bank

	Amounts are in TZS 'Million				
At 31 December 2021	**Up to 1 months**	**1 - 3 months**	**3-12 months**	**Over 1 year**	**Total**
Financial liabilities					
Deposits due to customers	629,780	48,513	152,905	62,830	894,028
Deposits due to banks	76,324	18,448	102,720	-	197,492
Other liabilities	27,201	-	-	-	27,201
Subordinated debt and senior loans	-	8,958	15,246	65,830	90,034
Term borrowings	-	-	-	6,059	6,059
Lease liabilities	-	-	9,396	19,736	29,132
Total financial liabilities (contractual maturity dates)	**733,305**	**75,919**	**280,267**	**154,455**	**1,243,946**
Total financial assets (expected maturity dates)	**338,405**	**21,504**	**77,549**	**701,083**	

Assets available to meet the financial liabilities and to cover outstanding loan commitments include cash, balances with central banks, items in the course of collection and treasury and other eligible bills, loans and advances to banks, and loans and advances to customers. In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended. The Group would also be able to meet unexpected net cash outflows by selling securities and accessing additional funding sources such as asset-backed markets.

6.4.4 Off-balance sheet items

(i) Loan commitments

The timing of the contractual amounts of the Group's and Bank's off-balance sheet financial instruments that commit the Group and the Bank to extend credit to customers and other facilities (Note 35), are summarised in the table below.

(ii) Guarantees and other financial facilities

Financial guarantees are included below based on the earliest contractual maturity date.

(iii) Capital commitments

These relate to the acquisition of property and equipment.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.4 Liquidity risk (Continued)

6.4.4 Off-balance sheet items (Continued)

Group

At 31 December 2022	Not later than 1 year	1-5 years	Over 5 years	Total
	(Amounts are in TZS Million)			
Guarantees and indemnities	123,238	549	-	123,239
Letters of credit	107,218	-	-	107,767
Commitments to extend credit	52,416	-	-	52,416
Capital commitment	24,054	549	-	24,054
	306,926	549	-	307,476

At 31 December 2021	Not later than 1 year	1-5 years	Over 5 years	Total
Guarantees and indemnities	56,273	7,979	-	56,273
Letters of credit	64,145	-	-	64,145
Commitments to extend credit	55,212	-	-	55,212
Capital commitments	175,630	7,979	-	175,630

Bank

At 31 December 2022	Not later than 1 year	1-5 years	Over 5 years	Total
	(Amounts are in TZS Million)			
Guarantees and indemnities	118,147		-	118,147
Letters of credit	106,218	549	-	106,767
Commitments to extend credit	58,018	-	-	58,018
Capital commitments	14,094	549		14,094
	296,477	549	-	297,026

At 31 December 2021	Not later than 1 year	1-5 years	Over 5 years	Total
Guarantees and indemnities	56,273	7,979	-	56,273
Letters of credit	64,145	-	-	64,145
Commitments to extend credit	55,212	-	-	55,212
Capital commitments	175,630	7,979	-	175,630

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.5 Fair value of financial assets and liabilities(Continued)

(a) Valuation models

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. This level includes listed equity securities and debt instruments on exchanges;
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices, interest and yield curves) or indirectly (that is, derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs to valuation techniques).

(b) Financial instruments not measured at fair value

The fair value of financial assets and liabilities not measured at fair value approximate their carrying amounts for both the Group and Bank as explained below:

(i) *Cash and balances with Bank of Tanzania*
The carrying amount of cash and balances with Bank of Tanzania is a reasonable approximation of fair value.

(ii) *Loans and advances to banks*
Loans and advances to banks include inter-bank placements and items in the course of collection. The carrying amount of floating rate placements and overnight deposits is a reasonable approximation of their fair values. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity and this reasonably approximates the carrying amounts of these balances since these investments are done at the prevailing market rates.

(iii) *Loans and advances to customers*
The estimated fair value of loans and advances represents the discounted amount of the estimated future cash inflows. Expected cash flows are discounted at current market rates to determine fair value.

(iv) *Government securities and investment securities -debt instruments at amortised cost*
The fair value for these assets is based on market prices. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics. The fair value of government securities held at amortized cost are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities, as traded in the primary market by the Bank of Tanzania.

(v) *Deposits due to banks and due to customers*
The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand and this is the carrying amount.

The estimated fair value of interest-bearing deposits not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity. The carrying amounts are a reasonable approximation of this.

(vi) *Borrowings*
The interest rates charged on borrowings held by the Group and Bank are based on IBOR or other bases for determining market interest rates. The interest rates are mostly variable and in line with market rates for similar facilities. The fair values of such interest bearing borrowings not quoted in an active market is based on discounted cash flows using interest rates for similar facilities.

Following the cease of LIBOR on 30 June 2023 the Group has agreed with direct fund institutions (DFIs) to adopt the Secured Overnight Financing Rate (SoFR) benchmark effectively from 1 July 2023.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.5 Fair value of financial assets and liabilities(Continued)

(b) Financial instruments not measured at fair value (Continued)

(vii) *Off-balance sheet financial instruments*
The estimated fair values of the off-balance sheet financial instruments are based on market prices for similar facilities. When this information is not available, fair value is estimated using discounted cash flow analysis.

(viii) *Other assets / liabilities*
The carrying amount of other assets/liabilities is a reasonable approximation of their fair value because of their short term in nature.

The following table represents the Group's financial assets and liabilities not measured at fair value

GROUP		Carrying amount		Fair value	
		2022	2021	2022	2021
	Hierarchy level	TZS' Millions	TZS' Millions	TZS' Millions	TZS' Millions
Financial assets					
Cash and balances with Bank of Tanzania	Level 2	**234,660**	294,359	**234,660**	294,359
Government securities at amortised cost (Treasury bonds)	Level 3	**120,821**	115,409	**117,667**	115,409
Government securities at amortised cost (Treasury bills)	Level 3	**3,124**	10,468	**3,124**	10,468
Placement and balances with other banks	Level 2	**260,238**	208,164	**260,238**	208,164
Loans and advances to customers	Level 3	**1,253,729**	1,113,913	**1,292,743**	1,011,917
Other assets (excluding non-financial assets)	Level 3	**6,548**	19,281	**6,548**	19,281
		1,879,120	1,761,594	**1,914,980**	1,659,598
Financial liabilities					
Deposits from customers	Level 2	**1,820,980**	1,678,285	**1,769,882**	1,668,167
Deposits from banks	Level 2	**157,452**	53,379	**157,452**	53,379
Subordinated debt	Level 2	**55,321**	73,987	**53,901**	73,987
Term borrowing	Level 3	**8,566**	6,059	**8,566**	6,059
Other liabilities (Excluding non-financial other liabilities)	Level 2	**32,351**	24,259	**32,351**	24,259
		2,074,670	1,835,969	**2,022,152**	1,825,851

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.5 Fair value of financial assets and liabilities(Continued)

(b) Financial instruments not measured at fair value (Continued)

The following table represents the Bank's financial assets and liabilities not measured at fair value

GROUP		Carrying amount		Fair value	
		2022	2021	2022	2021
	Hierarchy level	TZS' Millions	TZS' Millions	TZS' Millions	TZS' Millions
Financial assets					
Cash and balances with Bank of Tanzania	Level 2	121,347	234,241	121,347	234,241
Government securities at amortised cost (Treasury bonds)	Level 3	92,843	115,409	89,689	115,409
Government securities at amortised cost (Treasury bills)	Level 3	-	10,468	-	10,468
Placement and balances with other banks	Level 2	124,577	46,150	124,577	46,150
Loans and advances to customers	Level 3	762,433	664,922	801,447	562,926
Other assets (excluding non-financial assets)	Level 3	3,176	2,416	3,176	2,416
		1,104,376	1,073,606	1,140,236	971,610
Financial liabilities					
Deposits from customers	Level 2	1,018,857	872,938	967,759	862,820
Deposits from banks	Level 2	236,196	197,492	236,196	197,492
Subordinated debt	Level 2	55,321	73,987	53,901	72,592
Term borrowing	Level 2	8,566	6,059	8,566	6,059
Other liabilities (Excluding non-financial other liabilities)	Level 2	44,887	40,220	44,887	40,220
		1,363,827	1,190,696	1,311,309	1,179,183

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.5 Fair value of financial assets and liabilities(Continued)

(c) Financial instruments measured at fair value

The following table represents the Group's and Bank's financial assets that are measured at fair value

During the year there were no transfers between the levels.

At 31 December 2021

Amounts are in TZS'M'

Group	Level 1	Level 2	Level 3	Total
Financial assets				
Government securities: FVTPL	-	98,942	-	98,942
Government securities: FVOCI	-	117,251	-	117,251
Equity investments: FVOCI	574	-	1,946	2,520
	574	**216,193**	**1,946**	**218,713**
Bank				
Financial assets				
Government securities: FVTPL	-	98,942	-	98,942
Government securities: FVOCI	-	117,251	-	117,251
Equity investments: FVOCI	120	-	1,946	2,066
	120	**216,193**	**1,946**	**218,259**

There have been no transfers between levels during the period.

Financial instrument in level 3 measured at fair value

As at 31 December 2022 the company had non-listed equity investment in TMRC classified as level 3.

Reconciliations

There were no changes in value of shares during the year.

Unobservable input

The share value are based on the official prices of shares as issued by TMRC to the public as prices of the shares of the Company. TMRC uses the consultants to provide values of the shares.

Effect of unobservable input in fair value measurement

The Group and bank relies on published changes in share values of TMRC hence that remains to be the key input affecting the value of shares.

During the year there were no change in valuation techniques on all levels.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.6 Capital management

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

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

Capital adequacy and the use of regulatory capital are monitored daily by the Group's and Bank's management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the Bank of Tanzania, for supervisory purposes. The required information is filed with the Central Banks on a quarterly basis.

BoT requires each bank to:

a. Section 5 of the Banking and Financial Institutions (Capital Adequacy) Regulations, 2014 requires that a bank shall maintain at all times a minimum core capital of not less than TZS 15 billion;

b. Section 40 of the Banking and Financial Institutions (Licensing) Regulations, 2014 stipulates that a bank with core capital of not less than 150 billion may be authorised by Bank of Tanzania to establish a branch or a subsidiary abroad;

c. Maintain a ratio of core capital to the risk-weighted assets plus risk-weighted off-balance sheet assets (the 'Basel ratio') plus market risks and operational risk charges at or above the required minimum of 12.5%.

d. and maintain total capital of not less than 14.5% of the risk-weighted assets plus risk-weighted off-balance sheet items plus market risks and operational risk charges.

The Bank's regulatory capital as managed by its Treasury Department is divided into two tiers:-

Tier 1 capital: share capital, retained earnings and reserves created by appropriations of retained earnings. Intangible assets, deferred tax assets and prepaid expenses are deducted in arriving at Tier 1 capital; and

Tier 2 capital: qualifying subordinated loan capital and regulatory general provisions for loans and advances.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of (and reflecting an estimate of credit, market and other risks associated with) each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarises the composition of regulatory capital and the ratios of the Bank for the years ended 31 December 2022 and 31 December 2021.

	Bank	
Tier 1 capital	**2022 TZS'M'**	**2021 TZS'M'**
Share capital	12,900	12,900
Retained earnings	178,943	134,831
Excess impairment –IFRS 9	-	-
Less:		
Prepaid expenses	(2,026)	(1,793)
Deferred tax asset	(16,573)	(19,673)
Total qualifying Tier 1 capital	**173,244**	**126,266**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.6 Capital management (Continued)

Tier 2 capital	Bank 2022 TZS'M'	Bank 2021 TZS'M'
Subordinated debt	21,554	14,911
Total supplementary capital	21,554	14,911
Total qualifying Tier 2 capital*	21,554	14,911
Total regulatory capital	194,798	141,177
Risk-weighted assets and capital charges		
On-balance sheet	840,019	768,171
Off-balance sheet	204,214	107,081
Market risk capital charge	7,608	5,618
Operational risk capital charge**	94,647	91,007
Total risk-weighted assets and capital charges	**1,146,488**	**971,877**

	Required Ratio (%)	Bank's Ratio (%) 2022	Bank's Ratio (%) 2021
Tier 1 capital	12.5%	15.11%	12.99%
Tier 1 + Tier 2 capital	14.5%	16.99%	14.53%

There have been no changes in the Group's and Bank's capital management objectives and policies in the years ended 31 December 2022 and 2021.

*Maximum amount allowable is 2% of Total Risk Weighted Assets (TRWA) plus off-balance sheet exposure (OBSE).

**The operational risk capital charge has been computed using the Basic Indicator Approach (BIA) by taking 15% of 3 years average gross income (Net interest income limited at 3.5% earning assets) and applying a conversion factor of 8.33.

7. INTEREST AND SIMILAR INCOME

	Group 2022 TZS 'M'	Group 2021 TZS 'M'	Bank 2022 TZS 'M'	Bank 2021 TZS 'M'
(a) INTEREST INCOME				
Loans and advances to customers	119,390	111,115	68,605	65,769
Loans and advances to banks	3,144	2,138	744	954
Government securities - amortized cost	17,578	23,255	14,363	20,513
Bonds - amortized cost	2,141	63	75	164
Government securities - FVOCI	21,963	9,977	21,963	9,977
	164,216	**146,548**	**105,750**	**97,377**
(b) OTHER INTEREST INCOME				
Government securities - FVTPL	15,416	10,223	15,416	10,223
	179,632	**156,771**	**121,166**	**107,600**

	Group		Bank	
	2022 TZS 'M'	2021 TZS 'M'	2022 TZS 'M'	2021 TZS 'M'

8. DIRECT EXPENSES

(a) INTEREST EXPENSE AND SIMILAR CHARGES

	Group 2022 TZS 'M'	Group 2021 TZS 'M'	Bank 2022 TZS 'M'	Bank 2021 TZS 'M'
Deposits due to customers	31,233	29,587	25,491	22,183
Deposits due to banks	4,836	3,792	6,499	4,409
Subordinated debts and senior loans	3,780	5,348	3,613	5,348
Long term borrowings	553	450	553	450
Lease liabilities (note 28(b))	1,599	2,265	1,326	1,673
	42,001	**41,442**	**37,482**	**34,063**

(b) EXPECTED CREDIT LOSSES

	Notes	Group 2022 TZS 'M'	Group 2021 TZS 'M'	Bank 2022 TZS 'M'	Bank 2021 TZS 'M'
Balances with Central Banks	17	(319)	(181)	(13)	20
Loans and advances to banks	18	12	(163)	19	(1)
Loans and advances to customers	19	32,059	6,063	27,219	2,020
Government securities	20	201	52	103	11
Corporate bonds	21(c)	8	-	7	-
Other assets	22	245	(79)	(27)	(8)
Off-balance sheet items	36	109	(353)	109	(353)
		32,315	**5,339**	**27,417**	**1,689**

9. NET FEE AND COMMISSION INCOME

(a) FEES AND COMMISSION INCOME

	Group 2022 TZS 'M'	Group 2021 TZS 'M'	Bank 2022 TZS 'M'	Bank 2021 TZS 'M'
Commission on Letters of Credit and Guarantees	4,593	2,874	3,060	1,676
Commission on telegraphic transfers and other international trade finance activities	12,601	9,475	4,534	3,581
Commission and fees from banking operations	13,932	11,589	7,376	5,934
Credit/debit card fees and commissions	4,219	3,514	4,081	3,443
Other fees and commissions	399	545	-	-
	35,744	27,997	19,051	14,634

Contract balances

The following table provides information about receivables and contract liabilities from contracts with customers.

	Notes	Group 2022 TZS 'M'	Group 2021 TZS 'M'	Bank 2022 TZS 'M'	Bank 2021 TZS 'M'
Contract liabilities, which are included in other liabilities – (Deferred commission)	31	4,496	5,072	4,024	4,519

The contract liabilities primarily relate to the non-refundable up-front fees received from customers on opening an asset management account. This is recognised as revenue over the period for which a customer is expected to continue receiving asset management services.

Performance obligations and revenue recognition policies

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Bank recognises revenue when it transfers control over a service to a customer.

The Bank provides banking services to retail and corporate customers, including account management, provision of overdraft facilities, foreign currency transactions, servicing fees and banc assurance services (see Note 42). Fees for ongoing account management are charged to the customer's account on a monthly basis. The Bank sets the rates separately for retail and corporate banking customers on an annual basis.

9. NET FEE AND COMMISSION INCOME (CONTINUED)

	Group 2022 TZS 'M'	Group 2021 TZS 'M'	Bank 2022 TZS 'M'	Bank 2021 TZS 'M'
(b) FEES AND COMMISSION EXPENSE				
Borrowing arrangement fees	(52)	(121))	(52)	(121)
Net fees and commission income	35,692	27,876	18,999	14,513

10. OTHER INCOME/(EXPENSES)

	Note	Group 2022 TZS 'M'	Group 2021 TZS 'M'	Bank 2022 TZS 'M'	Bank 2021 TZS 'M'
(a) Other income					
Dividend income		61	81	3,590	1,881
Gain from sale of assets		261	79	5	30
Profit from disposal of lease liability		-	105	-	-
Recovery of written off debts		13,801	1,820	11,704	1,479
Management fee recharges		-	-	408	231
Impairment release of investment in subsidiary		4,001	5,059	4,001	5,059
Gain from acquisition of FNB		15,517	-	15,517	-
Amortization Gain from acquisition of UBL		2,020	2,423	2,020	2,423
Gain on lease modification		1,012	-	742	
Other income		1,352	1,413	373	365
		38,025	**10,980**	**38,360**	**11,468**
(b) Other expenses					
Loss from disposal of lease liability		12	-	-	-
Impairment of assets held for sale	24	36	90	-	(63)
		48	**90**	**-**	**(63)**
		38,073	**11,070**	**38,360**	**11,405**

11. OPERATING EXPENSES

	Group 2022 TZS 'M'	Group 2021 TZS 'M'	Bank 2022 TZS 'M'	Bank 2021 TZS 'M'
Travelling expenses	984	553	737	371
Repairs and maintenance	4,665	4,106	1,537	1,662
Advertising and business promotion	3,029	2,075	2,217	1,478
Directors' emoluments	1,440	958	838	552
Auditor's remuneration	813	745	382	387
Legal and professional fees	4,627	2,220	3,522	1,312
Correspondent bank and SWIFT charges	3,713	3,249	876	668
Operating lease rentals	1,188	591	-	-
Occupancy costs	9,436	7,901	6,478	5,284
Credit/debit card expenses	8,932	6,117	7,886	5,177
Telephone and connectivity expenses	2,548	1,849	1,961	-
Deposit protection expenses	1,951	2,167	1,500	-
Data processing expenses	866	617	-	-
Printing, stationery and subscription expenses	1,424	500	682	-
Agency banking expenses	383	171	58	-
Cash in transit services and courier expenses	2,617	1,428	1,399	-
Software expenses	4,270	4,483	4,270	-
Other operating expenses	3,029	7,018	1,623	12,930
	55,915	**46,748**	**35,966**	**29,821**

Included in other operating expenses are office running expenses such as telephone, stationery, courier charges, data connectivity, security charges and fuel charges, among others.

	Group		Bank	
	2022 TZS 'M'	2021 TZS 'M'	2022 TZS 'M'	2021 TZS 'M'
12. PERSONNEL EXPENSES				
Wages and salaries	43,489	39,421	26,464	24,299
Social security costs (defined contributions)	4,736	4,202	2,995	2,780
Other employment costs and benefits	13,690	10,006	10,823	8,013
	61,915	**53,629**	**40,282**	**35,092**
13. DEPRECIATION AND AMORTIZATION EXPENSES				
Amortization of right of use assets	8,424	7,696	4,601	4,523
Depreciation and amortisation	10,326	12,262	5,948	7,779
	18,750	19,958	10,549	12,302
14. INCOME TAX				
(a) Income tax expense				
Current income tax charge - current year	(24,780)	(12,085)	(16,872)	(7,333)
Current income tax charge - prior year	(834)	(2,577)	(834)	(2,577)
	(25,614)	(14,662)	(17,706)	(9,910)
Deferred tax charge - current year (Note 14(c))	1,899	(4,720)	1,899	(4,720)
Deferred tax charge - prior year (Note 14(c))	-	-	-	-
Reversal of income tax payable	-	-	-	-
	1,899	(4,720)	1,899	(4,720)
	(23,715)	(19,382)	(15,807)	(14,630)
(b) Current income tax (payable)/recoverable				
At 1 January	(2,424)	(383)	(576)	206
Current income tax charge - current year	(24,780)	(12,085)	(16,872)	(7,333)
Current income tax charge - prior year	(834)	(2,577)	(834)	(2,577)
Tax paid during the year relating to current year	20,013	10,985	16,830	7,458
Tax paid during the year relating to previous year	3,379	2,798	909	1,670
Other tax adjustments*	-	(1,133)	-	-
Translation difference	(239)	(29)	-	-
At 31 December	(4,885)	(2,424)	(543)	(576)

**Relates to cumulative tax credit of core securities*

	Group 2022	Group 2021	Bank 2022	Bank 2021
(c) Deferred tax assets				
At 1 January	19,673	24,427	19,673	24,418
Deferred tax (credit) – current year	1,899	(4,720)	1,899	(4,720)
Deferred tax charge – prior year	-	-	-	-
Credit to OCI – current year	(4,991)	(25)	(4,991)	(25)
Deferred tax derecognized - subsidiary	(8)	-	(8)	-
Translation difference	-	(9)	-	-
At 31 December	16,573	19,673	16,573	19,673

14 INCOME TAX (CONTINUED)

(c) Deferred tax assets movement

	Group ('M')		Bank ('M')	
	2022	2021	2022	2021
	TZS 'M'	TZS 'M'	TZS 'M'	TZS 'M'
Balance at 1 January	(19,673)	(24,427)	(19,673)	(24,418)
Amounts recognized in profit or loss				
Property, Plant and Equipment	637	(232)	637	(232)
Revaluation loss on held for Sale property	462	481	462	472
Provisions	(5,076)	5,097	(5,076)	5,097
Deferred Gain - UBL Acquisition	(606)	(727)	(606)	(727)
FNB Unrealized Gain	2,314	-	2,314	-
IFRS 16 - Right of Use Asset	116	110	116	110
Write off	254	-	254	-
Total Deferred Tax Liability/(Asset) recognized on profit or loss	**(1,899)**	**4,729**	**(1,899)**	**4,720**
Amounts recognized in other comprehensive income				
Government securities at FVOCI	4,991	24	4,991	24
Fair valuation gain	8	1	8	1
Total Deferred Tax asset recognized in other comprehensive income	**4,999**	**25**	**4,999**	**497**
Balance at 31 December	**(16,573)**	**(19,673)**	**(16,573)**	**(19,673)**

(d) Reconciliation of Effective tax rate

Group

	2022	2021
	TZS'M	TZS'M
Profit before income tax	72,439	46,051
Tax calculated at the statutory income tax rates	(21,077)	(14,006)
Tax effect of:		
Non-taxable income	16,895	427
Income from subsidiaries taxable at Company level	(5,300)	(3,354)
Expenses not deductible for tax purposes	(15,319)	124
Current income tax charge - prior year	(834)	(2,577)
Deferred tax credit - Current year - BS	1,899	-
Derecognized deferred tax asset	26	-
Alternate n=minimum tax (AMT)	(3)	4
Income tax expense	(23,713)	(19,382)

14 INCOME TAX (CONTINUED)

(d) Reconciliation of Effective tax rate (Continued)

Bank

	Bank	
	2022 TZS'M'	2021 TZS'M"
Profit before income tax	43,798	31,111
Tax calculated at the statutory income tax rates	(13,139)	(9,333)
Tax effect of:		
Non-taxable income	16,886	427
Income from subsidiaries taxable at Company level	(5,300)	(3,354)
Expenses not deductible for tax purposes	(15,319)	207
Current income tax charge - prior year	(834)	(2,577)
Deferred tax credit - Current year - BS	1,899	-
Income tax expense	(15,807)	(14,630)

15. EARNINGS PER SHARE

See accounting policy in Note 3(ab).

A. Basic earnings per share

The calculation of basic EPS has been on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

i. Profit attributable to ordinary shareholders (basic)

	2022 TZS 'M'	2021 TZS 'M'
Profit for the year attributable to equity holders of the parent	42,586	26,107
Coupon payable on other equity instruments	-	-
Profit for the year attributable to holders of ordinary shares	42,586	26,107

ii. Weighted-Average number of ordinary shares (basic)

Issued ordinary shares as at 1 January	12,900	12,900
Effect of share options exercised	-	-
Weighted-average number of ordinary shares at 31 Dec 2022	12,900	12,900

B. Diluted earnings per share

The calculation of diluted EPS has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding after adjustment for the effect of all dilutive potential ordinary shares.

15. EARNINGS PER SHARE (CONTINUED)

B. Diluted earnings per share (Continued)

i. Profit attributable to holders of ordinary shares (diluted)

	2022 TZS 'M'	2021 TZS 'M'
Profit attributable to holders of ordinary shares (diluted)	42,586	26,107

ii. Weighted-average number of ordinary shares(diluted)

Weighted-average number of ordinary shares(basic)	**12,900**	12,900
Effect of share options in issue	**-**	-
Weighted-average number of ordinary shares (diluted) at 31 Dec 2022	**12,900**	12,900

The average market value of the group's shares for the purpose of calculating the dilutive effect of share options has been based on the quoted market prices for the year during which the options were outstanding.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorization of these financial statements.

16. FINANCIAL INSTRUMENTS BY CATEGORY

Group

At December 2022 Financial assets	Debt instruments at amortised cost TZS'M'	Financial assets at FOCI TZS'M'	Equity investments at FVOCI TZS'M'	Held for trading at FVTPL TZS'M'	Total TZS'M'
Cash and balances with Central Banks	234,241	-	-	-	234,241
Loans and advances to banks	260,238	-	-	-	260,238
Loans and advances to customers	1,253,729	-	-	-	1,253,729
Government securities	123,643	-	-	155,561	279,204
Bonds - Debt securities at amortised cost	47,117	-	-	-	47,117
Equity investments	-	-	2,092	-	2,092
Other assets less prepayments	2,813	-	-	-	2,813
	1,921,781	-	2,092	155,561	2,079,434

At 31 December 2021 Financial assets	Debt instruments at amortised cost TZS'M'	Financial assets at FOCI TZS'M'	Equity investments at FVOCI TZS'M'	Held for trading at FVTPL TZS'M'	Total TZS'M'
Cash and balances with Central Banks	293,621	-	-	-	293,621
Loans and advances to banks	208,164	-	-	-	208,164
Loans and advances to customers	1,114,299	-	-	-	1,114,299
Government securities	125,666	117,251	-	98,143	341,060
Bonds - Debt securities at amortised cost	20,534	-	-	-	20,534
Equity investments	-	-	2,066	505	2,571
Other assets less prepayments	16,278	-	-	-	16,278
	1,778,562	117,251	2,066	98,648	1,996,527

16. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Group (Continued)

Financial liabilities	2022 TZS'M'	2021 TZS'M'
At amortized cost		
Deposits due to banks	157,452	53,379
Deposits due to customers	1,788,528	1,678,285
Term borrowings	8,566	6,059
Subordinated debts and senior loans	55,304	73,987
Lease liabilities	-	27,952
Other liabilities (excludes deferred commission)	53,918	43,842
	2,063,768	1,883,504

Bank

At December 2022	Debt instruments at amortized cost TZS'M'	Financial assets at FOCI TZS'M'	Equity investments at FVOCI TZS'M'	Held for trading at FVTPL TZS'M'	Total TZS'M'
Financial assets					
Cash and balances with Central Banks	121,347	-	-	-	121,347
Loans and advances to banks	124,577	-	-	-	124,577
Loans and advances to customers	767,905	-	-	-	767,905
Government securities	92,755	221,553	-	155,561	469,869
Bonds - Debt securities at amortized cost	717	-	-	-	717
Equity investments	-	-	2,092	-	2,092
Other assets less prepayments	1,176	-	-	-	1,176
	1,108,477	221,553	2,092	155,561	1,487,683

At December 2021	Debt instruments at amortized cost TZS'M'	Financial assets at FOCI TZS'M'	Equity investments at FVOCI TZS'M'	Held for trading at FVTPL TZS'M'	Total TZS'M'
Financial assets					
Cash and balances with Central Banks	114,575	-	-	-	114,575
Loans and advances to banks	151,308	-	-	-	151,308
Loans and advances to customers	664,406	-	-	-	664,406
Government securities	107,117	117,251	-	97,942	322,310
Bonds - Debt securities at amortized cost	1,784	-	-	-	1,784
Equity investments	-	-	2,066	-	2,066
Other assets less prepayments	6,548	-	-	-	6,548
	1,045,738	117,251	2,066	97,942	1,262,997

Financial liabilities	2022 TZS'M'	2021 TZS'M'
At amortized cost		
Deposits due to banks	236,196	197,492
Deposits due to customers	1,024,329	872,938
Term borrowings	8,566	6,059
Subordinated debts and senior loans	55,321	73,987
Lease liabilities	19,018	21,732
Other liabilities (excludes deferred commission)	40,153	27,124
	1,383,583	1,199,332

17. CASH AND BALANCES WITH CENTRAL BANKS

	Group		Bank	
	2022 TZS 'M'	2021 TZS 'M'	2022 TZS 'M'	2021 TZS 'M'
Cash in hand	56,789	43,449	32,622	31,326
Clearing accounts	82,386	163,222	22,422	26,559
Statutory Minimum Reserves (SMR)	95,485	87,688	66,365	56,765
Gross amount	234,660	294,359	121,409	114,650
Expected credit losses	(419)	(738)	(62)	(75)
Net carrying amount	234,241	293,621	121,347	114,575
Movement in ECLs (all in Stage 1):				
At 1 January	738	919	75	55
Increase/(decrease) in ECL	(319)	(181)	(13)	20
Closing balance	419	738	62	75
Current	234,660	294,359	121,409	114,650
Non-current	-	-	-	-

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition, cash and balances with central banks, Government securities maturing within 90 days and loans and advances to banks.

Banks are required to maintain a Statutory Minimum Reserve (SMR) which is a prescribed minimum cash balance with the Central Banks that is not available to finance the bank's day-to-day activities. The amount is determined as 6% for public deposits and 40% for Government deposits for Bank of Tanzania, for Central Bank of Comores S.A, 25% of the average outstanding customer deposits over a cash reserve cycle period of two weeks and for Bank of Uganda, 20% of the average outstanding customer deposits over a cash reserve cycle period of two weeks. The Central Bank of Djibouti requires the share capital amount to be maintained with them in a bank account and not to be used for operational purposes.

18. LOANS AND ADVANCES TO BANKS

	Group		Bank	
	2022	2021	2022	2021
Items in course of collection	5,095	2,026	598	625
Loans and advances to other banks	162,305	146,717	110,363	113,688
Placements with other banks	92,848	59,437	13,616	36,995
Gross amount	260,248	208,180	124,577	151,308
Expected credit losses	(29)	(16)	(19)	-
Net amount after expected credit losses	**260,219**	**208,164**	**124,558**	**151,308**
Movement in ECLs				
At 1 January	16	179	-	1
Impact to profit and loss during the year	13	(163)	19	(1)
Closing balance	29	16	19	-
Current	**260,248**	**208,180**	**124,557**	**151,308**

Loans and advances to banks comprise of short lending to regulated banks. The amounts are not secured. These loans carry average interest rates for each entity as follows: Tanzania 5.5% for local currency and 2.5% for foreign currency loans; Comoro 3.5% both local currency and foreign currency and Uganda 7.3% for local currency and foreign currency.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. LOANS AND ADVANCES TO CUSTOMERS

	Group		Bank	
	2022 TZS 'M'	2021 TZS 'M'	2022 TZS 'M'	2021 TZS 'M'
Overdrafts	428,672	365,630	216,855	190,170
Personal loans	126,621	109,236	49,298	31,504
Commercial loans	728,647	662,353	525,436	457,940
Others	7,888	4,626	7,888	4,626
Gross loans and advances	1,291,828	1,141,845	799,477	684,240
Less: Expected credit losses	(43,571)	(27,932)	(37,044)	(19,318)
Net carrying amount	**1,248,257**	**1,113,913**	**762,433**	**664,922**
Current	1,156,010	1,000,457	280,198	592,544
Non-current	135,818	141,388	519,279	91,696
	1,291,828	**1,141,845**	**799,477**	**684,240**

The movement in ECLs:	2022 TZS 'M'	2021 TZS 'M'	2022 TZS 'M'	2021 TZS 'M'
Provision for expected credit losses at 1 January	27,932	40,879	19,318	29,608
Impairment-FNB Acquisition	1,640		1,640	
Loan loss provision released/charged	171	-	(531)	-
Amounts written of during the year	(18,230)	(19,010)	(10,602)	(12,310)
Expected credit loss charge for the year	32,058	6,063	27,219	2,020
At 31 December	**43,571**	**27,932**	**37,044**	**19,318**

The expected credit losses for the year was made up of:

	Group		Bank	
	2022 TZS 'M'	2021 TZS 'M'	2022 TZS 'M'	2021 TZS 'M'
Expected credit losses	32,058	6,063	27,219	2,020
Impairment charge on Stage III interest income	-	-	-	-
Amounts recovered during the year	-	-	-	-
Expected credit loss for the year	**32,058**	**6,063**	**27,219**	**2,020**

20. GOVERNMENT SECURITIES

	Group		Bank	
Debt instruments at amortized cost	2022 TZS 'M'	2021 TZS 'M'	2022 TZS 'M'	2021 TZS 'M'
Treasury Bills	3,124	10,468	-	-
Treasury Bonds	120,821	115,409	92,843	107,213
Gross	123,945	125,877	92,843	107,213
Expected credit loses	(302)	(211)	(88)	(96)
	123,643	**125,666**	**92,755**	**107,117**
At FVOCI				
Treasury Bonds	221,791	117,378	221,791	117,378
Expected credit loses	(238)	(127)	(238)	(127)
	221,553	**117,251**	**221,553**	**117,251**
At FVTPL				
Treasury Bonds	155,561	98,143	155,561	97,942
	501,297	**341,398**	**470,195**	**322,533**

20. GOVERNMENT SECURITIES (CONTINUED)

	Group		Bank	
	2022 TZS 'M'	2021 TZS 'M'	2022 TZS 'M'	2021 TZS 'M'
Maturing within 90 days	2,430	6,915	-	4,485
Maturing after 90 days	498,867	334,483	470,195	318,048
Gross	501,297	341,398	470,195	322,533
Less: Provision for ECLs	(540)	(338)	(326)	(223)
Net carrying amount	**500,757**	**341,060**	**469,869**	**322,310**
At amortized costs	**123,643**	**125,666**	**92,755**	**107,117**
FVOCI	**221,553**	**117,251**	**221,553**	**117,251**
FVPTL	**155,561**	**98,143**	**155,561**	**97,942**
	500,757	**341,060**	**469,869**	**322,310**
Movement in provision for ECL				
All in Stage 1:				
At 1 January	338	286	223	212
Increase (decrease) in expected credit loss	202	52	103	11
As 31 December	**540**	**338**	**326**	**223**
The maturity analysis of treasury bills and bonds is as follows:				
Current	392,146	230,242	380,659	219,205
Non-current	109,151	111,156	89,536	103,328
	501,297	**341,398**	**470,195**	**322,533**

Treasury bills and bonds are debt securities issued by the Government of the United Republic of Tanzania and the Government of Uganda. Treasury bills are short term in nature with maturities of up to one year while treasury bonds are long term with maturities of up to 20 years. The weighted average effective interest rate on government securities as at 31 December 2022 was 11.78% (2021: 11.6%).

The Bank is holding treasury bonds with a face value of TZS 47,272 million (2021: TZS 6,181 million) which have been pledged as collateral by local banks against short term borrowings. These are not recognized in the financial statements as assets of the Bank.

As of 31 December 2022, the Bank had pledged treasury bonds with face value of TZS 109,995 million (2021: TZS 31,500 million) of which TZS 100,045 against a short-term borrowings and TZS 9,950 million for long term borrowing

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. INVESTMENT SECURITIES

(a) Equity investments -FVOCI

	Group		Bank	
	2022 TZS 'M'	2021 TZS 'M'	2022 TZS 'M'	2021 TZS 'M'
Equity securities - listed shares				
Tanzania Oxygen Limited (TOL)	85	111	85	111
Equity securities - not listed				
Tanzania Mortgage Refinancing Company (TMRC)	1,200	1,200	1,200	1,200
Gross Equity securities	1,285	1,311	1,285	1,311
Fair value gain	807	755	807	755
Net amount	**2,092**	**2,066**	**2,092**	**2,066**
Fair value changes:				
On 1 January	781	751	781	751
Fair value gain/(loss)	26	4	26	4
As 31 December	**807**	**755**	**807**	**755**
Credit/(charge) to OCI				
Listed equity investments	26	4	26	4
Government securities - FVOCI	16,636	79	16,636	79
Deferred tax impact - current year	(4,999)	(25)	(4,999)	(25)
	11,663	**58**	**11,663**	**58**

(b) Equity investments – FVPTL

	Group		Bank	
	2022 TZS 'M'	2021 TZS 'M'	2022 TZS 'M'	2021 TZS 'M'
Equity securities – listed shares				
Listed shares - Tanzania Oxygen Limited (TOL)	19	19	-	-
Tanzania Cigarette Company	170	170	-	-
Tanzania Portland Cement Company	108	108	-	-
MCB	54	31	-	-
Others	41	41	-	-
	392	**369**	-	-
Equity securities - not listed				
Investment in subsidiary -EIAL	-	19	-	-
HARADALI investment scheme	63	66	-	-
	63	**85**	**-**	**-**
Gross Equity securities	455	454	-	-
Fair value gain	61	51	-	-
	516	**505**	**-**	**-**
Fair value changes:				
On 1 January	51	16	-	-
Fair value gain	10	48	-	-
Disposal during the year	-	(13)	-	-
	61	**51**	-	-

21. INVESTMENT SECURITIES (CONTINUED)

The investment securities are non-current

In the prior years, the unlisted equity investment was recorded at cost on the basis that its fair value could not be reliably estimated. There is no market for this, or similar investments and the Bank intends to hold it for the long term.

(c) Corporate Bonds at amortised cost

	Group		Bank	
	2022 TZS 'M'	2021 TZS 'M'	2022 TZS 'M'	2021 TZS 'M'
Subordinated bond - Exim Bank Djibouti	-	-	-	1,065
Subordinated Loan to Core Securities	717	-	717	719
Organisation for Economic Cooperation and Development (OCDE) bond	47,101	20,534	-	-
Gross	47,118	20,534	717	1,784
Less: Provision for ECLs	(8)	-	(7)	-
Net carrying amount	47,110	20,534	710	1,784
Movement in expected credit loss (All in Stage 1):				
At 1 January	-	-	-	-
Change in expected credit loss	8	-	7	-
As 31 December	8	-	7	-
Current	-	-	17	1,084
Non-Current	47,118	20,534	700	700

The Exim Bank Djibouti bond is denominated in US Dollar, has a maturity period of 6 years effective from 28 April 2016 and bears float interest rate of 6month USD IBOR +5.5% p.a Margin. The bond was unsecured.

The subordinated loan to Core Securities is denominated in Tanzanian Shilling, has a maturity of 11 years with grace period of 6years effective from 20 August 2018 and bears interest at the rate of 6 months T bill +4%. The loan is unsecured. Interest payment at every after 6months.

22. OTHER ASSETS

	Group		Bank	
	2022 TZS'M'	2021 TZS'M'	2022 TZS'M'	2021 TZS'M'
Sundry debtors	1,797	15,202	491	5,914
Visa cards	673	541	604	451
Master Card receivables	55	181	55	181
Money Gram receivables	549	370	-	3
Gross	3,074	16,294	1,150	6,549
Less: Expected credit loss	(261)	(16)	26	(1)
Carrying amount	2,813	16,278	1,176	6,548
Prepaid expenses	3,975	3,003	2,026	1,793
Net carrying amount	6,788	19,281	3,202	8,341
Movement in Expected credit loss				
All in Stage 1				
At 1 January	16	95	1	9
Change in expected credit loss during the year	245	(79)	(27)	(8)
As 31 December	261	16	26	1

Other assets include other resources owned by the Group and the Bank which are expected to be utilized to generate revenue and have maturity of less than 12 months. These resources carry no interest and are unsecured.

23. INTANGIBLE ASSETS

	Group		Bank	
	2022	2021	2022	2021
Application software	TZS'M'	TZS'M'	TZS'M'	TZS'M'
Cost				
At 1 January	42,370	40,684	27,834	26,482
Additions during the year	605	1,340	401	1,160
Reclassification	-	-		-
Transfer from property and equipment (note 25)	313	192	313	192
Write-off through profit or loss	-	-	-	-
Translation difference	(78)	154	-	-
At 31 December	43,210	42,370	28,548	27,834
Amortization				
At 1 January	32,953	27,636	24,843	21,374
Charge for the year	3,639	5,408	1,801	3,469
Translation difference	(122)	(91)	-	-
Write-offs	-	-	-	-
At 31 December	36,470	32,953	26,644	24,843
Net Carrying Value	6,740	9,417	1,904	2,991

24. ASSETS HELD FOR SALE

The Group takes possession of property (land and building) pledged as security for loans due from customers on failure of the customers to repay the loan amounts in accordance with the agreed terms and conditions. Repossessed property held only for disposal to recover the outstanding loan amounts are presented as non-current assets held for sale at the lower of the outstanding loan amount (carrying amount) and fair value less costs to sell. The assets held for sale as at year-end were measured at fair value less costs to sell as follows:

	Group		Bank	
	2022 TZS'M'	2021 TZS'M'	2022 TZS'M'	2021 TZS'M'
Cost				
At 1 January	8,005	19,237	6,761	17,627
Additions	126	115	126	34
Disposals	(2,605)	(11,231)	(1,957)	(10,900)
Write-off	(4,930)	-	(4,930)	-
Translation differences	(66)	(117)	-	-
At 31 December	530	8,004	-	6,761
Impairment				
At 1 January	(5,226)	(5,486)	(4,659)	(4,722)
Charge for the year [note 10(b)]	(150)	(90)	(271)	63
Write offs	5,042	-	4,930	-
Translation differences	30	351	-	-
At 31 December	(304)	(5,226)	-	(4,659)
Net carrying amount	226	2,779	-	2,102

The properties were acquired as a settlement of debt obligations of customers who defaulted on their obligations. The Group intends to sell the properties as soon as practicable when suitable buyers are identified. As at year-end, the Group determined the fair value less costs to sell and charged the decrease in carrying amount to profit or loss.

The assets held for sale and changes thereto during the year are presented under the retail operating segments.

The key assumptions considered in determining the carrying amount include.

	Tanzania
Period to sell	1 year
Discount rate	15.42%
Others	Property will be sold as bank apartment units

25. PROPERTY AND EQUIPMENT

Group	Buildings TZS'M'	Leasehold premises TZS'M'	Motor vehicles TZS'M'	Office equipment TZS'M'	Computer hardware TZS'M'	Furniture and fittings TZS'M'	Capital Work in Progress TZS'M'	Total TZS'M'
Cost								
At 1 January 2022	15,515	24,059	1,999	33,553	8,757	9,434	7,341	100,658
Additions	43	2,517	1,372	2,599	538	363	7,477	14,909
Disposals	-	-	(149)	(1,718)	(244)	(116)	-	(2,227)
Transfers		54	-	-	74	19	(4,011)	(3,864)
Write offs	-	-	(16)	(818)	(293)	(600)		(1,727)
Reclassification	-	476	-	450	-	-	(313)	613
Translation adjustments	114	(25)	11	20	(15)	175	(46)	234
At 31 December 2022	**15,672**	**27,081**	**3,217**	**34,086**	**8,817**	**9,275**	**10,448**	**108,596**
Depreciation								
At 1 January 2022	5,100	15,780	1,741	26,472	6,535	6,988	-	62,616
Charge for the year	73	1,782	188	2,361	852	517	-	5,773
Elimination on disposal	-		(129)	(1,694)	(244)	(51)	-	(2,118)
Translation adjustments	77	(7)	(89)	57	171	88	-	297
Reclassification	-	-	(16)	(816)	(292)	(584)	-	(1,708)
At 31 December 2022	**5,250**	**17,555**	**1,695**	**26,380**	**7,022**	**6,958**	**-**	**64,860**
Net carrying amount	**10,422**	**9,526**	**1,522**	**7,706**	**1,795**	**2,317**	**10,448**	**43,736**

25. PROPERTY AND EQUIPMENT (CONTINUED)

Group	Buildings TZS'M'	Leasehold premises TZS'M'	Motor vehicles TZS'M'	Office equipment TZS'M'	Computer hardware TZS'M'	Furniture and fittings TZS'M'	Capital Work in Progress TZS'M'	Total TZS'M'
Cost								
At 1 January 2021	15,641	23,840	2,222	31,903	7,695	9,508	2,504	93,313
Additions	-	953	126	1,355	1,196	92	7,273	10,995
Disposals	-	-	(362)	(46)	(83)	(40)	-	(531)
Transfers	-	-	-	-	-	-	(192)	(192)
Reclassification	-	64	45	89	281	-	(479)	-
Translation adjustments	(126)	(798)	(33)	253	(332)	(126)	(1,765)	(2,927)
At 31 December 2021	**15,515**	**24,059**	**1,998**	**33,554**	**8,757**	**9,434**	**7,341**	**100,659**
Depreciation								
At 1 January 2021	4,942	14,539	1,868	23,643	6,175	6,514	-	57,681
Charge for the year	408	1,696	206	3,016	850	678	-	6,854
Elimination on disposal	-	-	(314)	(46)	(87)	(38)	-	(485)
Translation adjustments	(250)	(480)	(19)	(108)	(320)	(166)	-	(1,343)
Reclassification	-	25	-	(33)	(83)	-	-	(91)
At 31 December 2021	**5,100**	**15,780**	**1,741**	**26,472**	**6,535**	**6,988**	**-**	**62,616**
Net carrying amount	**10,415**	**8,279**	**257**	**7,082**	**2,222**	**2,446**	**7,341**	**38,042**

No assets were pledged as collateral for borrowings.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. PROPERTY AND EQUIPMENT (CONTINUED)

Bank	Buildings TZS'M'	Leasehold premises TZS'M'	Motor vehicles TZS'M'	Office equipment TZS'M'	Computer hardware TZS'M'	Furniture and fittings TZS'M'	Capital Work in Progress TZS'M'	Total TZS'M'
Cost								
At 1 January 2022	12,105	19,255	1,181	24,814	4,446	4,369	3,541	69,711
Additions	-	765	875	2,318	348	279	3,970	8,555
Disposals	-	-	(87)	(1,700)	(244)	(51)	-	(2,082)
Reclassification	-	476	-	450	-	-	(1,239)	(313)
Write off	-	-	(16)	(818)	(293)	(599)	-	(1,726)
At 31 December 2022	**12,105**	**20,496**	**1,953**	**25,064**	**4,257**	**3,998**	**6,272**	**74,145**
Depreciation								
At 1 January 2022	3,730	13,996	1,046	20,501	3,433	3,525	-	46,231
Charge for the year	257	1,298	139	1,789	391	273	-	4,147
Elimination on disposal	-	-	(87)	(1,693)	(244)	(51)	-	(2,075)
Write off	-	-	(16)	(816)	(292)	(584)	-	(1,708)
At 31 December 2022	**3,987**	**15,294**	**1,082**	**19,781**	**3,288**	**3,163**	**-**	**46,595**
Net carrying amount	**8,118**	**5,202**	**871**	**5,283**	**969**	**835**	**6,272**	**27,550**

25. PROPERTY AND EQUIPMENT (CONTINUED)

Bank	Buildings TZS'M'	Leasehold premises TZS'M'	Motor vehicles TZS'M'	Office equipment TZS'M'	Computer hardware TZS'M'	Furniture and fittings TZS'M'	Capital Work in Progress TZS'M'	Total TZS'M'
Cost								
At 1 January 2021	12,105	18,403	1,325	23,900	3,499	4,282	674	64,188
Additions	-	794	112	914	947	87	3,117	5,971
Disposals	-	-	(256)	-	-	-	-	(256)
Reclassification	-	58	-	-	-	-	(58)	-
Transfer to intangible assets (Note 23)	-	-	-	-	-	-	(192)	(192)
At 31 December 2021	**12,105**	**19,255**	**1,181**	**24,814**	**4,446**	**4,369**	**3,541**	**69,711**
Depreciation								
At 1 January 2021	3,473	12,644	1,162	18,468	3,208	3,265	-	42,220
Charge for the year	257	1,327	92	2,065	308	260	-	4,309
Elimination on disposal	-	-	(208)	-	-	-	-	(207)
Transfer to intangible assets (Note 23)	-	25	-	(33)	(83)	-	-	(91)
At 31 December 2021	**3,730**	**13,996**	**1,046**	**20,500**	**3,433**	**3,525**	**-**	**46,231**
Net carrying amount	**8,375**	**5,259**	**135**	**4,314**	**1,013**	**844**	**3,541**	**23,480**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. RIGHT OF USE OF ASSETS

	Group		Bank	
	2022 TZS' M'	2021 TZS' M'	2022 TZS' M'	2021 TZS' M'
Cost				
At 1 January	26,144	28,644	19,719	24,242
Additions	5,209	6,399	2,188	-
Disposals	(92)	(1,054)	-	-
Charge for the year	(7,822)	(7,696)	(4,190)	(4,523)
Translation difference	(145)	(149)	-	-
At 31 December	**23,294**	**26,144**	**17,717**	**19,719**

27. INVESTMENTS IN SUBSIDIARIES

	Bank	
	2022 TZS' M'	2021 TZS' M'
Investment in Exim Bank Comores S.A	2,728	2,728
Investment in Exim Bank Uganda Limited	32,537	28,704
Investment in Exim Bank Djibouti S.A.	10,111	10,110
Investment in Core Securities Limited	765	765
Gross amount	46,141	42,307
Less: Provision for impairment	(629)	(4,000)
	45,512	**38,307**

Movement in provision for impairment:

At 1 January	4,000	9,060
Release of impairment of investment in Exim Bank Uganda Limited	(3,371)	(5,060)
At 31 December	**629**	**4,000**

The Bank's shareholding in the subsidiaries as at 31 December 2022 and 2021 was as follows:

At 31 December	Country of incorporation	Interest held 2022	Interest held 2021
Investment in Exim Bank Comores S.A S.A	The Union of Comores S.A	100.00%	100.00%
Investment in Exim Bank Djibouti S.A.	Djibouti	100.00%	100.00%
Investment in Exim Bank Uganda Limited	Uganda	53.00%	58.60%
Core Securities Limited	Tanzania	80.00%	80.00%

Subsidiaries with material non-controlling interests (NCI)

The Group includes two subsidiaries, Exim Bank Uganda Limited and Core Securities Limited, with material non-controlling interests.

Name	Proportion of ownership interest and voting right held by the NCI	Total comprehensive loss allocated to NCI		Accumulated NCI share of total comprehensive loss	
		2022 TZS' M'	2021 TZS' M'	2022 TZS' M'	2021 TZS' M'
Exim Bank Uganda Limited	47.00%	1,496	1,490	(20,611)	12,070
Core Securities Limited	20.00%	-	(38)	(268)	(357)

No dividends were paid to the NCIs during the years 2022 and 2021.

27. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The Group has elected to measure the non-controlling interests at fair value.

The post-acquisition summary financial information for Core Securities Limited and Exim Bank (Uganda) Limited before intragroup eliminations, is set out below.

	2022		2021	
	Core Securities Limited TZS 'M'	Exim Bank Uganda Limited TZS 'M'	Core Securities Limited TZS 'M'	Exim Bank Uganda Limited TZS 'M'
Non-current Assets	1,369	231,159	1,534	7,111
Current Assets	28	5,977	33	252,721
Non-current Liabilities	(1,610)	(1,619)	(1,620)	(3,109)
Current Liabilities	(1,126)	(191,664)	(1,290)	(210,343)
Equity attributable to owners of the parent	1,071	(23,242)	1,074	(53,450)
Non-controlling interest	268	(20,611)	269	12,070

	2022		2021	
	Core Securities Limited TZS 'M'	Exim Bank Uganda Limited TZS 'M'	Core Securities Limited TZS 'M'	Exim Bank Uganda Limited TZS 'M'
Revenue	599	25,809	436	25,276
Interest Expense	(148)	(4,178)	(137)	(6,712)
Operating and other expense	(448)	(17,794)	(432)	(16,822)
Income Tax expense	(3)	(638)	(193)	(413)
Profit/(Loss) for the year	-	3,199	(326)	1,329
Other comprehensive loss	-	(17)	-	-
Total comprehensive Profit/ (loss) for the year	**-**	**3,182**	**(326)**	**1,329**
Profit/ (Loss) for the year attributable to owners of the parent	-	1695	(48)	779
Profit/(Loss) for the year attributable to NCI	-	1,504	(12)	550
	-	**3,199**	**(60)**	**1,329**
Total comprehensive income for the year attributable to owner of the parent	-	1,686	48	1,063
Total comprehensive income for the year attributable to NCI	-	1,496	12	266
	-	**3,182**	**60**	**1,329**
Net cash flows (used in)/from operating activities	63	18,109	123	2,482
Net cash flows (used in)/from investing activities	(32)	(1,116)	(61)	(4,705)
Net cash flows from financing activities	(113)	16,858	17	2,052
Net increase in cash or cash equivalents	**(82)**	**33,851**	**79**	**(171)**

28. LEASES

(a) Lease liability

	Group		Bank	
	2022 TZS 'M'	2021 TZS 'M'	2022 TZS 'M'	2021 TZS 'M'
At January	28,437	29,929	21,732	25,395
Additions	5,209	6,399	2,188	-
Disposal	(713)	(944)	(573)	-
Interest expense on lease liability	1,599	2,265	1,326	1,672
Payment to lease liability (principal)	(8,579)	(8,195)	(5,069)	(4,855)
Payment to lease liability (interest)	(858)	(811)	(501)	(480)
Prepayment movement during the year	(85)	-	(85)	-
Translation difference	(24)	(206)	-	-
	24,986	**28,437**	**19,018**	**21,732**

(b) Amounts charged to profit and loss

The following table shows the breakdown of the lease expense between amounts charged to operating profit and amounts charged to finance cost.

	Group		Bank	
	2022 TZS 'M'	2021 TZS 'M'	2022 TZS 'M'	2021 TZS 'M'
Depreciation on the right of use:	7,822	7,696	4,190	4,524
Interest expense on lease liability	1,599	2,265	1,326	1,672
Total charge to profit and loss	**9,421**	**9,961**	**5,516**	**6,196**

(c) Amounts charged to cashflow

The following table shows the total cash outflows for leases.

Interest expense on lease liability	1,599	2,265	(5,069)	(4,855)
Payment to lease liability (principal)	(8,579)	(8,195)	(501)	(480)
Payment to lease liability (interest)	(858)	(811)	(85)	-

(d) Extension options

The Group and Bank leases premises, buildings and motor vehicles. The lease agreements are normally renewable at the end of the lease period at market rate and there are no enforceable extension requirements.

(e) Undiscounted lease payments

	Group		Bank	
	2022 TZS 'M'	2021 TZS 'M'	2022 TZS 'M'	2021 TZS 'M'
Within 1 year	13,781	13,570	8,670	9,396
Between 1 and 5 years	16,650	20,760	15,820	19,736
	30,431	**34,330**	**24,490**	**29,132**

29. DEPOSITS DUE TO BANKS

	Group		Bank	
	2022 TZS 'M'	2021 TZS 'M'	2022 TZS 'M'	2021 TZS 'M'
To be settled within 12 months	157,452	53,379	236,196	197,492
To be settled after 12 months	-	-	-	-

Deposits due to banks include financial instruments classified as liabilities at amortised cost with fixed interest rates. All the deposits due to banks are short term in nature with maturities of not more than 12 months from the reporting date. The Group and Bank incur interest on those deposits at the prevailing market interest rates. The Group and Bank have pledged Treasury Bond of TZS 24,500 million (2021: TZS 6,181 million) collateral for these deposits.

30. DEPOSIT DUE TO CUSTOMERS

	Group		Bank	
	2022 TZS 'M'	2021 TZS 'M'	2022 TZS 'M'	2021 TZS 'M'
Current and demand deposits	1,007,238	874,699	442,783	340,049
Savings accounts	394,506	393,678	289,653	258,985
Fixed deposit accounts	413,764	409,908	286,421	273,904
	1,815,508	1,678,285	1,018,857	872,938
Current	1,186,446	1,040,527	959,122	813,203
Non-current	629,062	637,758	59,735	59,735

Deposits due to customers include financial instruments classified as liabilities at amortised cost. The Group and Bank incur interest on those deposits at the prevailing market interest rates. The Group and Bank have pledged no collateral for these deposits.

31. OTHER LIABILITIES

	Group		Bank	
	2022 TZS 'M'	2021 TZS 'M'	2022 TZS 'M'	2021 TZS 'M'
Bank drafts payable	2,070	2,258	1,423	1,453
Accrued expenses	9,330	4,835	7,623	3,764
TANAPA cards	892	531	892	531
Master cards	2,464	2,337	2,446	2,369
Guarantee and Letters of Credit margins	17,435	9,226	13,018	7,473
Deferred commission	4,496	5,072	4,024	4,519
Other creditors*	21,733	20,169	14,751	7,658
	58,420	44,428	44,177	27,767

Other liabilities are non-interest bearing and are expected to be settled within no more than 12 months after the reporting date.

* Include indirect taxes payable, amounts payable on clearing accounts and other operational liabilities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

32. TERM BORROWINGS

	Group		Bank	
	2022 TZS 'M'	2021 TZS 'M'	2022 TZS 'M'	2021 TZS 'M'
Tanzania Mortgage Refinance Company Limited (TMRC)	8,566	6,059	8,566	6,059

The Bank acquired a loan of TZS 3,000 million on 28 August 2013 from TMRC to finance issuance of mortgage loans. The loan was initially for three years to 27 August 2016 but was extended to 28 May 2017 with interest payable on quarterly basis and the principal payable at maturity. TZS 2,000 million was repaid in 2017. On 27 May 2020 the outstanding TZS 1,000 million was renewed to a 5-year term loan, repayable at maturity date and interest repaid quarterly. On 30 June 2020 the Bank entered in to three years facility arrangement amounting to TZS 5,000 million to pre-finance mortgage loans. Following acquisition of selected assets and liabilities of First National Bank (T) Limited (FNB) in July 2022, the Bank acquired additional five years mortgage facility amounting to TZS 2,500 million to make a total of TZS 8,500 million by the year ended 31 December 2022. The principal amount is repayable at maturity and interest rate repaid quarterly. The interest rate applicable for all facilities is 7.5% per annum.

The term borrowing is secured as disclosed under note 20 and by the funded mortgage loans and advances to customers amounting to 125% of the outstanding term borrowing balance.

The movement in term borrowings during the year was as follows:

	Group		Bank	
	2022 TZS 'M'	2021 TZS 'M'	2022 TZS 'M'	2021 TZS 'M'
At 1 January	6,059	6059	6,059	6,059
Additions	2,500	-	2,500	
Accrued interest	553	450	553	450
Interest payment	(546)	(450)	(546)	(450)
At 31 December	8,566	6,059	8,566	6,059

33. SUBORDINATED DEBT AND SENIOR LOANS

	Group		Bank	
	2022 TZS 'M'	2021 TZS 'M'	2022 TZS 'M'	2021 TZS 'M'
USD 10 million DEG floating rate notes due 2022 (a)	-	1,935	-	1,935
USD 10 million FMO floating rate notes due 2024 (b)*	7,880	16,030	7,880	16,030
USD 12.5 million FMO floating rate notes due 2024 (c)*	9,863	12,825	9,863	12,825
USD 12.5 million FMO floating rate notes due 2024 (d)*	9,850	16,054	9,850	16,054
USD 11.379 million EIB fixed interest rate notes due 2023 (e)	4,460	8,815	4,460	8,815
TZS 10.14 billion EIB fixed interest rate notes due 2023 (e)	1,713	3,418	1,713	3,418
USD 6.392 Subordinated Debt (f)	21,555	14,910	21,555	14,910
Total	**55,321**	**73,987**	**55,321**	**73,987**
Current	24,682	24,476	24,682	24,476
Non-Current	30,639	49,511	30,639	49,511
Total	**55,321**	**73,987**	**55,321**	**73,987**

*Following the cease of LIBOR on 30 June 2023 the Group has agreed with direct fund institutions (DFIs) to adopt the SoFR benchmank effectively from 1 July 2023.

33. SUBORDINATED DEBT AND SENIOR LOANS AT AMORTIZED COST (CONTINUED)

a) The second tranche of the senior loan of USD 10 million from DEG-Deutsche Investitions- und Entwicklungsgesellschaft mbH was drawn on 15 July 2015. The loan is repayable within 7 years and had a grace period of 1 year. The principal repayments are in 12 equal semi-annual instalments, beginning on 15 October 2016. this facililty matured in April 2022 and fully paid. (2021: USD 0.84 million). The effective interest rate was % (2021: 3.2%).

b) The senior loan of USD 10 million from Financierings-Maatschappij voor Ontwikkelingslanden N.V (FMO) was drawn down in June 2018. The loan is repayable within 7 years with a grace period of 1.25 years and is the first tranche of the USD 35 million committed. Principal repayment is in 9 equal semi-annual instalments, beginning on 15 March 2020. The principal loan balance as at 31 December 2022 was USD 3.33million (2021: USD 6.95 million). The effective interest rate was 7.09% (2021: 3.4%).

c) The senior loan of USD 12.5 million from Financierings-Maatschappij voor Ontwikkelingslanden N.V.(FMO) was drawn down in March 2019. The loan is repayable within 7 years with a grace period of 1.25 years and is the first activation of the second tranche of the USD 35 million committed. Principal repayment is in 9 equal semi-annual instalments. The principal loan balance as at 31 December 2022 was USD 4.2 million (2021: 3.4%). The effective interest rate was 7.09%.

d) The senior loan of USD 12.5 million from Financierings-Maatschappij voor Ontwikkelingslanden N.V.(FMO) was drawn down in March 2019. The loan is repayable within 7 years with a grace period of 1.25 years and is the first activation of the second tranche of the USD 35 million committed. Principal repayment is in 9 equal semi-annual instalments. The principal loan balance as at 31 December 2022 was USD 4.2 million (2021:3.4%). The effective interest rate was 7.09%.

e) The senior loan of EURO 15 million from European Investment Bank (EIB) was drawn down on 15 March 2017. The loan was converted into USD 11,379 million (equivalent of EURO 10.7 million) and TZS 10,140 million (equivalent of EURO 4.3 million). The loan had a grace period of 1 year and repayment thereafter is within 6 years, that is, by 31 October 2023. Principal repayment is in 12 equal semi-annual instalments, beginning on 30 April 2018. The loan balances as at 31 December 2022 were USD 1.9 million and TZS 1,690 million (2021: USD 3.8 million and TZS 3,380 million). The effective interest rates were 4.16% and 11.74% (2021: 4.16% and 11.74%) respectively.

f) There were three sub-ordinated loans totalling USD 9.13 million with average interest of 6.64%. In November of 2022 we obtained additional loan totalling to USD 2.7 million with semi-annual interest payment. The loans will all be settled by a single bullet after grace period of five years.

All the above loans are unsecured. The movement in the subordinated debts and senior loans was as follows: -

	Group		Bank	
	2022 TZS 'M'	2021 TZS 'M'	2022 TZS 'M'	2021 TZS 'M'
At 1 January	73,987	104,401	73,987	104,401
Additions	6,644	14,741	6,644	14,741
Interest accrued during the year	3,473	5,348	3,473	5,348
Repayments - principal	(26,001)	(44,723)	(26,001)	(44,723)
Repayments - interest	(3,325)	(5,405)	(3,325)	(5,405)
Foreign exchange differences	543	(375)	543	(375)
At 31 December	55,321	73,987	55,321	73,987

34. SHARE CAPITAL

Group and Bank	2022 TZS 'M'	2021 TZS 'M'
Authorised		
20,000,000 ordinary shares of TZS 1,000 each	20,000	20,000
Issued and fully paid		
12,900,000 ordinary shares of TZS 1,000 each	12,900	12,900

35. REGULATORY AND OTHER RESERVES

	Group		Bank	
	2022 TZS 'M'	2021 TZS 'M'	2022 TZS 'M'	2021 TZS 'M'
Fair value reserve (a)	12,217	1,191	12,217	554
Regulatory reserves (b)	14,177	25,844	6,433	22,554
General and legal reserve (c)	3,437	2,859	4	4
Currency translation reserve (d)	5,719	7,824	-	-
	35,550	**37,718**	**18,654**	**23,112**

(a) The fair value reserve

It comprises the effect of changes in equity investments at FVOCI. The movement in the fair value reserve was as follows: -

	Group		Bank	
	2022 TZS 'M'	2021 TZS 'M'	2022 TZS 'M'	2021 TZS 'M'
At 1 January	1,191	1,133	554	1,115
Fair value reclassification	- -	-		(619)
Fair value gain/(loss) for the year (note 21)	11,026	58	11,663	58
At 31 December	**12,217**	**1,191**	**12,217**	**554**

(b) The regulatory reserves (loan loss reserves)

This represent the amounts set aside to cover additional provisions for loans and other financial assets losses as required in order to comply with the Bank of Tanzania (BOT), Bank of Uganda (BOU) and Central Bank of Comoro prudential guidelines. The reserves are not available for distribution to the equity holders. The movement in regulatory reserves was as follows: -

	Group		Bank	
	2022 TZS 'M'	2021 TZS 'M'	2022 TZS 'M'	2021 TZS 'M'
At 1 January	25,844	18,388	22,554	17,969
Appropriation from/(to) retained earnings	(11,667)	7,456	(16,121)	4,585
At 31 December	**14,177**	**25,844**	**6,433**	**22,554**

This is broken down as follows:

Reserve for loans and advances - Specific	4,090	23,151	-	22,554
Reserve for other assets	10,087	2,693	6,433	-
	14,177	**25,844**	**6,433**	**22,554**

35. REGULATORY AND OTHER RESERVES (CONTINUED)

(c) The general and legal reserve

It comprises the following:

- 1% general provision on loans classified as current was required by Bank of Tanzania (BOT) in 2018 but waived in 2019. Bank of Uganda (BOU) still requires 1% general provision. This is part of the Tier 2 capital as stipulated in the BOT and BOU prudential guidelines. This reserve is not available for distribution to the equity holders.

- The legal reserve is comprising an appropriation of 10% of the Exim Bank Comores S.A. profit for the year as required by the Central Bank of Comoro regulations.

The movement in the general and legal provision reserve is as follows:-

	Group		Bank	
	2022 TZS 'M'	2021 TZS 'M'	2022 TZS 'M'	2021 TZS 'M'
At 1 January	2,859	2,673	4	4
Appropriation (to)/from retained earnings	578	186	-	-
At 31 December	**3,437**	**2,859**	**4**	**4**

(a) The currency translation reserve comprises the effect of translation of the financial statements of the foreign subsidiaries on consolidation.

	Group	
	2022 TZS 'M'	2021 TZS 'M'
At 1 January	8,469	9,704
Adjustment	-	-
Translation adjustments for the year	(2,750)	(1,235)
At 31 December	**5,719**	**8,469**

36. CONTINGENT LIABILITIES AND COMMITMENTS

(a) Litigation

In the ordinary course of business, the Group is a defendant in various litigations and claims. Although there can be no assurances, based on the information currently available and legal advice, the directors expect that it is possible that the outcome of actions with total exposure of TZS 364 million (2021: 364 million) could result into loss to the Group and Bank.

(b) Capital commitments

At 31 December 2022, the Group and Bank had capital commitments of TZS 24,054 million (2021: TZS 17,996 million) and 14,094 million (2021: TZS 14,094 million) respectively, in respect of purchase of IT equipment and computers, office equipment, furniture and other capital items The Group's and Bank's management is confident that future net revenues and funding will be sufficient to cover these commitments

(c) Acceptances, letters of credit, guarantees and performance bonds

In common with other banks, the Group and the Bank conducts business involving acceptances, letters of credit, guarantees, performance bonds and indemnities. The majority of these facilities cover corresponding obligations of third parties. The nominal amounts for these off statement of financial position items are not reflected in the statement of financial position.

36. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

	Group		Bank	
	2022 TZS 'M'	2021 TZS 'M'	2022 TZS 'M'	2021 TZS 'M'
Acceptances and letters of credit	82,697	76,268	81,698	64,145
Guarantees and performance bonds	63,962	78,294	58,870	56,273
Gross	146,659	154,562	140,568	120,418
Less: Expected credit loss	(213)	(455)	(213)	(105)
Net carrying amount	**146,446**	**154,107**	**140,355**	**120,313**
Movement Expected credit loss:				
At 1 January	455	808	104	458
Expected credit loss charge in the year	(242)	(353)	109	(354)
As 31 December	**213**	**455**	**213**	**104**

An acceptance is an undertaking by the Group or Bank to pay a bill of exchange drawn on a customer. The Group or Bank expects most acceptances to be presented, and reimbursement by the customer is normally immediate. Letters of credit commit the Group or Bank to make payments to third parties, on production of documents, which are subsequently reimbursed by customers. Guarantees are generally written by the Group or Bank to support performance by a customer to third parties. The Group or Bank will only be required to meet these obligations in the event of the customer's default.

	Group		Bank	
	2022 TZS 'M'	2021 TZS 'M'	2022 TZS 'M'	2021 TZS 'M'
(d) Loan commitments				
Undrawn formal stand-by facilities, credit lines and other commitments to lend	73,610	64,058	58,018	55,212

Commitments to lend are agreements to lend to a customer in future subject to certain conditions. Such commitments are normally made for a fixed period. The Group or Bank may withdraw from its contractual obligation for the undrawn portion of agreed overdraft limits by giving reasonable notice to the customer.

37. ANALYSIS OF CASHFLOWS AS SHOWN IN THE STATEMENT OF CASH FLOWS

(a) RECONCILIATION OF MOVEMENTS OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

2022	Liabilities			Equity				
GROUP	Term borrowings	Subordinated debts and senior loans	Lease liability	Share capital	Regulatory and other reserves	Retained earnings	Non-controlling interest	Total
Balance as at 1 January 2022	(6,059)	(73,987)	(28,437)	(12,900)	(37,718)	(142,574)	(10,823)	(312,498)
Changes from financing cashflow								
Proceeds from term borrowings	(2,500)	-	-	-	-	-	-	(2,500)
Proceeds from senior loans and subordinated debts	-	(6,644)	-	-	-	-	-	(6,644)
Payment of senior loans and subordinated debts - principal	-	26,001	-	-	-	-	-	26,001
Payment of lease liability	-	-	8,579	-	-	-	-	8,579
Total changes from financing cashflow	**(2,500)**	**19,357**	**8,579**	**-**	**-**	**-**	**-**	**25,436**
Changes in fair value	-	-		-	2,168	(11,089)	8	(8,913)
The effect of changes in foreign exchange rates		(543)	24					(519)
Other changes	-	-	(4,411)	-	-	(42,589)	(8,973)	(55,973)
Liability related								
Repayment of term borrowings - interest	546	-	-	-	-	-	-	546
Payment of senior loans and subordinated debts - interest	-	3,325	-	-	-	-	-	3,325
Interest payment - lease			858					858
Interest expense on lease liability	-	-	(1,599)	-	-	-	-	(1,599)
Interest expense on borrowings	(553)	(3,473)	-	-	-	-	-	(4,026)
Total liability-related other changes	**(553)**	**(3,473)**	**(741)**	**-**	**-**	**-**	**-**	**(896)**
Total equity-related other changes								-
Balance as at 31 December 2022	(8,566)	(55,321)	(24,986)	(12,900)	(35,550)	(196,252)	(19,788)	353,363

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

37. ANALYSIS OF CASHFLOWS AS SHOWN IN THE STATEMENT OF CASH FLOWS

(a) RECONCILIATION OF MOVEMENTS OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES (CONTINUED)

2022	Liabilities			Equity			
BANK	Term borrowings	Subordinated debts and senior loans	Lease liability	Share capital	Regulatory and other reserves	Retained earnings	Total
Balance as at 1 January 2022	(6,059)	(73,987)	(21,732)	(12,900)	(23,112)	(134,831)	(272,621)
Changes from financing cashflow							
Proceeds from term borrowings	(2,500)		-	-	-	-	(2,500)
Proceeds from senior loans and subordinated debts	-	(6,644)	-	-	-	-	(6,644)
Payment of senior loans and subordinated debts - principal	-	26,001	-	-	-	-	26,001
Payment of lease liability	-	-	5,069	-	-	-	5,069
Total changes from financing cashflow	**(1,954)**	**22,682**	**5,069**	**-**	**-**	**-**	**21,926**
Changes in fair value	-	-		-	-	(16,121)	(11,663)
The effect of changes in foreign exchange rates		(543)	-				(543)
Other changes	-	-	(1,530)	-	-	(27,991)	(29,521)
Liability related							
Interest payment - term borrowings	546	-	-	-	-	-	546
Interest payment - Senior loans and subordinated debts	-	3,325	-	-	-	-	3,325
Interest payment - lease			501			-	501
Interest expense on lease liability	-	-	(1,326)	-	-	-	(1,326)
Interest expense on borrowings	(553)	(3,473)	-	-	-	-	(4,026)
Total liability-related other changes	**(7)**	**(148)**	**(825)**	**-**	**-**	**-**	**(980)**
Total equity-related other changes				-	-	(27,991)	(27,991)
Balance as at 31 December 2022	**(8,566)**	**(55,321)**	**(19,018)**	**(12,900)**	**(18,654)**	**(178,943)**	**293,402**

37. ANALYSIS OF CASHFLOWS AS SHOWN IN THE STATEMENT OF CASH FLOWS

(a) RECONCILIATION OF MOVEMENTS OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES (CONTINUED)

2021	Liabilities			Equity				
GROUP	Term borrowings	Subordinated debts and senior loans	Lease liability	Share capital	Regulatory and other reserves	Retained earnings	Non-controlling interest	Total
Balance as at 1 January 2021	(6,059)	(104,401)	(29,929)	(12,900)	(31,253)	(124,109)	(10,261)	(318,912)
Changes from financing cashflow								
Proceeds from senior loans and subordinated debts	-	(14,741)	-	-	-	-	-	(14,741)
Payment of senior loans and subordinated debts - principal	-	44,723	-	-	-	-	-	44,723
Payment of lease liability	-	-	8,195	-	-	-	-	8,195
Total changes from financing cashflow	**-**	**29,982**	**8,195**	**-**	**-**	**-**	**-**	**38,177**
Changes in fair value	-	-		-	(6,464)	7,641	-	1,177
The effect of changes in foreign exchange rates		(543)	-					(543)
Other changes			(5,455)			(26,173)	(562)	(32,190)
Liability related								
Interest payment - term borrowings	450	-	-	-	-	-	-	450
Interest payment - Senior loans and subordinated debts	-	5,405	-	-	-	-	-	5,405
Interest payment - lease	-	-	811	-	-	-	-	811
Interest expense on lease liability	-	-	(2,265)	-	-	-	-	(2,265)
Interest expense on borrowings	(450)	(5,348)	-	-	-	-	-	(5,798)
Total liability-related other changes	**-**	**57**	**(1,454)**	**-**	**-**	**-**	**-**	**(1,397)**
Total equity-related other changes								-
Balance as at 31 December 2021	**(6,059)**	**(73,987)**	**(28,437)**	**(12,900)**	**(37,717)**	**(142,641)**	**(10,823)**	**312,564**

37. ANALYSIS OF CASHFLOWS AS SHOWN IN THE STATEMENT OF CASH FLOWS

(a) RECONCILIATION OF MOVEMENTS OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES (CONTINUED)

2021	Liabilities			Equity			
BANK	Term borrowings	Subordinated debts and senior loans	Lease liability	Share capital	Regulatory and other reserves	Retained earnings	Total
Balance as at 1 January 2021	(6,059)	(104,401)	(29,929)	(12,900)	(19,088)	(122,935)	(295,312)
Changes from financing cashflow							
Proceeds from senior loans and subordinated debts	-	(14,741)	-	-	-	-	(14,741)
Payment of senior loans and subordinated debts - principal	-	44,723	-	-	-	-	44,723
Payment of lease liability	-	-	8,195	-	-	-	8,195
Total changes from financing cashflow	-	29,982	8,195	-	-	-	38,177
Changes in fair value	-	-		-	561	-	561
The effect of changes in foreign exchange rates		375	206				581
Other changes			(5,455)		(4,585)	(11,896)	(21,936)
Liability related							
Interest payment - term borrowings	450	-	-	-	-	-	450
Interest payment - Senior loans and subordinated debts	-	5,405	-	-	-	-	5,405
Interest payment - lease	-	-	811	-	-	-	811
Interest expense on lease liability	-	-	(2,265)	-	-	-	(2,265)
Interest expense on borrowings	(450)	(5,348)	-	-	-	-	**(5,798)**
Total liability-related other changes	-	57	(1,454)	-	-	-	(1,397)
Total equity-related other changes	-	-	-	-	(4,585)	(11,896)	16,481
Balance as at 31 December 2021	(6,059)	(73,987)	(28,437)	(12,900)	(23,112)	(134,831)	279,326

37. ANALYSIS OF CASHFLOWS AS SHOWN IN THE STATEMENT OF CASH FLOWS (CONTINUED

(b) ANALYSIS OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE STATEMENT OF CASH FLOWS

	Group		Bank	
	2022 TZS' M'	2021 TZS' M'	2022 TZS' M'	2021 TZS' M'
Cash and balance with central banks	234,660	294,359	121,409	114,650
Less: Statutory Minimum Reserves (SMR)	(95,485)	(87,688)	(66,365)	(56,765)
Subtotal	**139,175**	**206,671**	**55,044**	**57,885**
Loans and advances to banks	260,248	124,577	124,577	151,308
	399,423	**414,851**	**179,621**	**209,193**

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition, cash and balances with central banks, Government securities maturing within 90 days and loans and advances to banks. Cash and cash equivalents exclude the cash reserve requirement held with the Central Banks.

38. RELATED PARTY DISCLOSURES

A number of transactions are entered into with the related parties in the normal course of business. These include loans and deposits transactions. The related party transactions and outstanding balances at the year-end are as follows:

Loans and advances to customers at year-end include loans to Directors and key management personnel as follows:

Loans to Directors and other key management personnel

	Group		Bank	
	2022 TZS' M'	2021 TZS' M'	2022 TZS' M'	2021 TZS' M'
At 1 January	3,627	3,984	3,136	3,503
Advanced during the year	4,605	1,874	2,628	1,652
Repaid during the year	(2,090)	(2,231)	(1,327)	(2,019)
At 31 December	**6,142**	**3,627**	**4,436**	**3,136**
Interest income earned from related parties	**520**	**417**	**345**	**244**
Expected credit losses in loans to key management personnel	6	23	6	23

The loans granted by the Group or Bank to Directors and other key management personnel during the year are at market interest rates. The loans advanced to the Directors during the year are secured by mortgage collateral

Deposits by Directors and other key management personnel

	Group		Bank	
	2022 TZS' M'	2021 TZS' M'	2022 TZS' M'	2021 TZS' M'
At 1 January	6,611	6,227	1,427	1,299
Received during the year	9,329	11,107	7,031	6,961
Repaid during the year	(9,440)	(10,723)	(7,311)	(6,833)
At 31 December	**6,500**	**6,611**	**1,147**	**1,427**
Interest expense incurred	**152**	**189**	**151**	**188**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

38 RELATED PARTY DISCLOSURES (CONTINUED)

The above deposits carry variable interest rates and are repayable on demand

Transactions carried out during the year with other related parties include

	Group		Bank	
	2022 TZS' M'	2021 TZS' M'	2022 TZS' M'	2021 TZS' M'
MAC Group Limited	-	9	-	9
M2 Advertising agency	207	276	171	240
Core Securities Limited	328	146	328	146
FTN Service	287	287	-	-
Sherazam Mazari	249	224	249	224
	1,071	942	748	619
Group Health Insurance Cover:				
Strategies Insurance Limited	1,822	1,645	1,822	1,645
Group Life Assurance Cover:				
Alliance Life Assurance Ltd	717	252	415	125
	717	252	415	125
Assets All Risks and Motor Vehicles Cover:				
Alliance Insurance Corporation Ltd	1,780	1,794	1,499	1,411
	1,780	1,794	1,499	1,411
Operating lease rentals:				
ACE Properties Limited	368	354	368	354
MAC-UTI Properties Limited	1,692	1,860	1,692	1,860
National Knitwear Industries Ltd	73	72	73	72
Mukwano Enterprises Limited	13	161	-	-
	2,146	2,447	2,133	2,286
Loans and advances to customers				
Corporate and Management Consultants Ltd	236	236	236	236
Alliance Insurance Corporation Ltd	-	1,940	-	1,940
Strategies Insurance Limited	1,830	1,530	1,830	1,530
Union Trust investment limited	-	-	161	-
Shaffin Jamal	-	-	5,208	-
Exim Insurance Advisors Ltd	-	421	-	421
Alliance Africa General	205	205	-	-
J & J Kothari	1,179	1,179	-	-
Core Securities Limited	920	-	920	-
	4,370	**5,511**	**8,355**	**4,127**
Interest income on loans and advances to related	4,036	2,098	3,830	1,891

The loans and advances due to related parties are on normal commercial terms. The expected credit losses on these loans was as follows:

	Group		Bank	
	2022 TZS' M'	2021 TZS' M'	2022 TZS' M'	2021 TZS' M'
Expected credit losses on loans and advances to related parties	3	2	3	2

38 RELATED PARTY DISCLOSURES (CONTINUED)

	Group		Bank	
	2022 TZS' M'	2021 TZS' M'	2022 TZS' M'	2021 TZS' M'
Deposits due to customers				
Alliance Insurance Corporation Ltd	6,424	10,319	4,828	8,440
Alliance Life Assurance Ltd	762	225	762	225
Nexia SJ Tanzania (formerly PKF Tanzania)	2	3	2	3
Chai Bora Ltd	22	-	22	-
Strategies Insurance Limited	-	6,028	-	6,028
J&J Kothari	961	961	-	-
AMAZAL HOLDINGS LIMITED	26	89	-	-
Mukwano Industries (U) Limited	1,576	751	-	-
	9,773	18,376	5,613	14,696
Interest expense on deposits due customers	351	660	238	622

Loans and advances to subsidiaries

	Bank	
	2022 TZS' M'	2021 TZS' M'
Exim Bank Djibouti S.A.	-	1,054
Core Securities Limited	920	700
	920	1,754
Interest earned on loans and advances to subsidiaries	68	130
Expected credit loss on loans and advances to subsidiaries	(425)	-
Off-balance sheet facility to Uganda Subsidiary.	69	-
Off-balance sheet facility to Exim Bank Djibouti S.A.	1,349	-
Deposits due to subsidiaries		
Exim Bank Comores S.A..	-	-
Exim Bank Djibouti S.A	88,291	117,408
Exim Bank (Uganda) Limited	4,671	-
	92,961	117,408
Interest expense on deposits due to subsidiaries	2,025	2,557

Key management compensation

Key management personnel are described as those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

38. RELATED PARTY DISCLOSURES (CONTINUED)

The remuneration of key management personnel during the year was as follows:

	Group		Bank	
	2022 TZS' M'	2021 TZS' M'	2022 TZS' M'	2021 TZS' M'
Short term employment benefits	16,548	16,154	10,679	9,428
Post-employment benefits	1,567	1,614	1,068	954
	18,115	**17,768**	**11,746**	**10,382**

Directors' remuneration

Fees and other emoluments paid to directors by the Bank during the year amounted to TZS 502 million (2021:TZS 472 million). Details of payments by the Bank to individual Directors will be tabled at the annual general meeting.

	TZS 'M'	
Name of Director	2022	2021
Mr. Yogesh Manek	10	10
Mr. Shaffin Jamal	10	10
Mr. Hanif Jaffer	10	10
Ambassador Juma Mwapachu	42	34
Mr. Thomas Wescott	102	102
Mr. Kalpesh Mehta	30	33
Mr. Sherazam Mazari	268	246
Ms Irene Mlola	30	27
Total Directors' fees	**502**	**472**

Management fees

The Bank recharges the following subsidiaries for the cost incurred in providing oversight.

	Bank	
	2022 TZS' M'	2021 TZS' M'
Exim Bank Comores S.A S.A	126	104
Exim Bank Djibouti S.A.	236	127
	363	**231**

39. NON-CONTROLLING INTEREST

	2022	2021
Exim Bank Uganda Limited and Core Securities Limited		
At 1 January	10,823	10,261
Additional investment	7,469	-
Share of profit/(losses) for the year	1,496	562
At 31 December	**19,788**	**10,823**

During the year Exim Uganda issued additional 20,000 shares with nominal value of UGS 1,000,000 per share whereby NCI acquired a total of 9,401 shares.

40. EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any other matter or circumstance arising since the end of the financial period, not otherwise dealt with in these financial statements, which significantly affected the financial position of the Group and Bank and results of their operations at the date of signing of the financial statements.

41. ACQUISITION OF ASSETS AND LIABILITIES

On July 2022 the Bank acquired selected assets and liabilities of First National Bank (Tanzania) Limited (FNB) in a special Assets Purchase Agreement (APA) with a Net Assets on Acquisition of TZS 32.6 billion. The acquisition resulted to an acquisition gain of TZS 15.5 billion which was fully realized in 2022 as per IFRS 3 Business Combinations. The acquisition gain was a result of bargain purchase that led to a book value being lower of the proportion of the fair value of the business obtained.

The identifiable assets and liabilities acquired at the date of acquisition are cash and bank balances, investments in government securities, loans and advances, deposits, and borrowings.

Consideration transferred

The bank agreed to pay TZS 16.3 billion cash consideration to acquire the selected identifiable assets and liabilities.

Acquisition related costs

Acquisition related costs of TZS 801 million relating to professional fees, advisory services of both accounting and taxes, due diligences and data migration were included in administrative expenses.

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired, and liabilities assumed at the date of acquisition:

	2022 TZS 'M'
Assets	
Cash and bank balances	54,006
Investment in Government Securities	10,132
Loans and Advances	31,082
Total identifiable assets	**95,220**
Liabilities	
Deposits Obligations	(60,071)
Senior Loans	(2,513)
Total identifiable liabilities	**(62,584)**
Total identifiable net assets acquired	**32,636**

Loans and advances comprise of gross contractual amount due of TZS 32,723 million of which TZS 1,640 million was expected to be uncollectable at the date of acquisition.

The valuation technique used for measuring the fair value of assets acquired was the market comparison technique. If new information is obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

The acquired assets and liabilities contributed to a gross interest income of TZS 1.20 billion and net interest income of TZS 670 million to the bank from 7 July to 31 December 2022.

NOTES

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Innovation is life

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