CRDB BANK
The bank that listens

ANNUAL REPORT

Sustaining Value Creation

2022







CRDB BANK
The bank that listens

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CRDB BANK DR CONGO S.A

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Immeuble Hypnose, Commune de Lubumbashi,
Ville Lubumbashi, Province du Haut-Katanga, RDC

Our Purpose

To transform lives through financial sector innovation, intuitive action and sustainable business.

What Inspired our Cover

The last five years have been defining for our Group. We have achieved significant milestones, ranging from significant growth of the business, improved profitability, and sustained influence in the region. We have transformed lives, one at a time and built economies by supporting critical sectors. We attribute our successes to the diverse group of customers, partners and the blend of sectors that we continue to support.

In this report, we reflect on the various milestones achieved under our 2018 - 2022 medium-term strategy, and so, what better way to acknowledge the value of diversity than a collage of variety? The images on our cover are representative of the diversity - of people, industries and sectors that we support.

About our theme

Value creation is at the heart of what we do; for our shareholders, customers and people.

As the Bank completes its current medium-term strategy and is set to commence a new one in 2023; this annual report highlights the value created thus far and sheds light on how it will be sustained going forward.

Board Responsibility and Approval Statement

The Board of Directors 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 impact on, the Group's ability to create value. This report fairly presents the performance of the Group.

About this Report

Scope and Boundary

CRDB Bank Group Annual Report and Financial Statements cover the financial year starting January 1, 2022, to December 31, 2022. The report provides a detailed account of the Group's business activities during the financial year and a glimpse into the business prospects for 2023 and beyond. CRDB Bank Group (the "Group") comprises CRDB Bank Plc (the "Bank") and its subsidiaries CRDB Bank Burundi S.A and CRDB Insurance Broker Limited.

Materiality

We apply the principle of materiality in assessing what information to include in our report, which focuses particularly on those issues, opportunities and challenges that have a significant impact on the CRDB Group and its ability to be a business that consistently delivers value to our stakeholders in a sustainable manner.

Reporting Framework

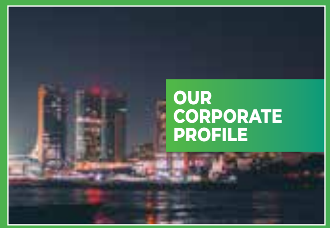
In preparing this report, we have complied with industry best-practice and prudent accounting frameworks for existing and prospective investors. We have used the reporting parameters of the laws and guidelines governing listed companies, Bank of Tanzania's (BoT) prudential guidelines, National Board of Accountants and Auditors (NBAA), Dar es Salaam Stock Exchange (DSE) and Capital Market and Securities Authority (CMSA) guidelines.

The Group's Annual Financial Statements were prepared in accordance with the International Financial Reporting Standards (IFRS) and the Tanzania Financial Reporting Standards 1 (TFRS1). To foster clarity and transparency around our value creation process, some elements of the International Integrated Reporting <IR> Framework were adopted in the preparation of this report. We intend to continuously evolve future reports to achieve full adherence to the <IR> Framework.

Process and Quality Assurance

A combined review by management and internal audit was performed to ensure the accuracy of our reporting content, with the Board and its subcommittees providing an oversight role. This report is not audited but contains certain information that has been extracted from the audited consolidated annual financial statements. The Group's consolidated annual financial statements were audited by Ernst & Young.

Preliminaries
This section provides highlights of the Annual Report including the creative concepts used, the reporting frameworks, snapshot of our performance.



Our Corporate Profile
This section provides a detailed overview of our Group operations in East Africa. The Chapter explains our business models and our material matters. It also provides details on our strategy and key performance indicators. Here, you will also get to know how we are organized to serve you

Delivering on our Strategy
This section provides a detailed overview of activities over the 2022 financial year. Our top leadership have put into perspective the year under review and accounted for the Group's strategic initiatives and the performance in this chapter.

Financial Performance
Building on the context of the year provided by the Group's top leadership, this section provides a blow-by-blow account of the various strategic initiatives implemented during the year. The section also details the various activities undertaken by the Group's directorates in line with the strategy.

Sustainability Report
Our Group is committed to playing an active role in facilitating the achievement of the United Nations Sustainable Development Goals (SDGs). Under this section, you will find details of how we are implementing strategies towards sustainability.

Risk Management Report
As part of our compliance requirements, we have detailed the risk management updates and strategies under this section. You can learn more about our proactive approaches to risk and the long-term vision in risk management here.

Corporate Governance
This section provides details of how our Company is governed. To learn more about our Board of Directors and how they conduct their duties to ensure successful delivery of our strategy. The section also contains their abridged profiles indicating their expertise and experience.

Financial Statements
The initiatives undertaken during the year have bore fruits. This section provides a detailed account of the Group's financial performance during the year and the responsibilities of those charged with running the organization.

Selected Icons in this Report

Banking Institution · Diversity · Capitalisation · Shareholders · Regulators · Government
Investor · Branch · Innovation · Partners · Staff · Customers

Contents

Abbreviations

AGM	Annual General Meeting
AI	Artificial Intelligence
ALCO	Asset Liability Management Committee
AML	Anti-Money Laundering
ATM	Automated Teller Machine
BCP	Business Continuity Plan
BoT	Bank of Tanzania
CAGR	Cumulative Annual Growth Rate
CAR	Capital Adequacy Ratio
CCBRT	Comprehensive Community-Based Rehabilitation in Tanzania
CCO	Chief Commercial Officer
CEO	Chief Executive Officer
CFO	Chief Finance Officer
CFT	Counter-Terror Financing
CIB	CRDB Insurance Broker
CIR	Cost-to-income ratio
CMA	Cyber Maturity Assessment
CMSA	Capital Markets and Securities Authority
COBIT	Control Objectives for Information & Related Technologies
COM	Credit Operating Manual
COO	Chief Operations Officer
CSAT	Customer Satisfaction
CSI	Corporate Social Investments
CX	Customer Experience
DAE	Direct Access Entity
DANIDA	Danish International Development Agency DFI
DIF	DANIDA Investment Fund
DMC	Data Management Centres
DNA	Deoxyribonucleic Acid
DR	Disaster Recovery
DRC	Democratic Republic of Congo
DWH	Data Warehousing
E&S	Environmental and Social
EAC	East African Community
ECL	Expected Credit Loss
EPS	Earnings Per Share
ERMF	Enterprise Risk Management Framework
ESAT	Employee Satisfaction
ESB	Enterprise Service Bus
ESDD	Environmental & Social Due Diligence
ESG	Environmental, Social, and Governance
ESIA	Environmental and Social Impact Assessment
ESMS	Environmental and Social Management Systems
ESS	Environmental and Social Standards
ETL	Extract, Transform, Load
EVP	Employee Value Proposition
EWSM	Early Warning Signs Model
EXCO	Executive Committee
FX	Foreign Exchange
GCF	Green Climate Fund
GDP	Gross Domestic Product
HPO	High-Performance Organisation
HR	Human Resources
ICT	Information and Communications Technology
IFC	International Finance Corporation
ISACA	Information Systems Audit and Control Association
ISMS	Information Security Management System
ITIL	Information Technology Infrastructure Library
ITSM	IT Service Management
JKCI	Jakaya Kikwete Cardiac Institute
KPI	Key Performance Indicator
LDR	Loan to Deposit Ratio
LPQ	Loan Portfolio Quality
MANCOM	Management Committee
MARC	Management Audit & Risk Committee
MCC	Management Credit Committee:
MNO	Mobile Network Operator
MSE	Medium-Sized Enterprises
MTS	Medium-Term Strategy
NBAA	National Board of Accountants and Auditors
NGO	Non-Governmental Organisation
NOC	Network Operating Center
NPL	Non- Performing Loans
NPS	Net Promoter Score
PAT	Profit After Tax
PAYE	Pay as You Earn
PBT	Profit Before Tax
POS	Point of Sale
RCA	Risk and Control Self Assessments
RMC	Risk Management Committee
ROA	Return on Assets
ROE	Return on Equity
SADC	Southern Africa Development Community
SAGGOT	Southern Agricultural Growth Corridor of Tanzania
SDG	Sustainable Development Goal
SME	Small and Medium Enterprises
SMS	Service Management System
SWOT	Strength, Weaknesses, Opportunities, and Threats
TACATDP	Tanzania Agriculture Climate Adaptation & Technology Deployment Program
TBA	Tanzania Bankers Association
TOGAF	The Open Group Architecture Framework
TRA	Tanzania Revenue Authority
TTB	Tanzania Tourist Board
TZS	Tanzania Shillings
UDSM	University of Dar es Salaam
UPI	China Union Pay
USD	United States Dollar
YOY	Year on year

A Snapshot of our Performance

2022 Key Highlights

Profit After Tax

31.0%

Dec 22
TZS 351.4Bn
(Dec 2021: TZS 268.2Bn)

ROE

26.0%

Dec: 2022
(Dec 2021: 22.0%)

CIR

49.4%

Dec 22
(Dec 2021: 55.3%)

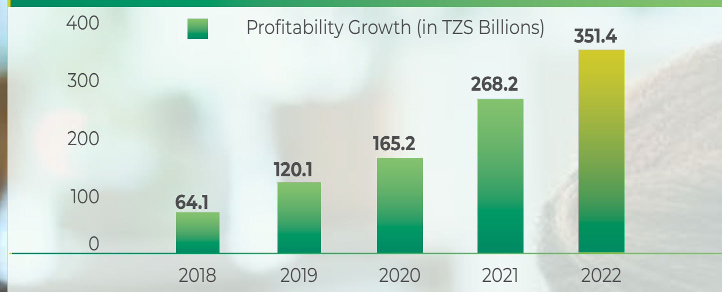
NPL

2.8%

Dec: 2022
(Dec 2021: 3.3%)

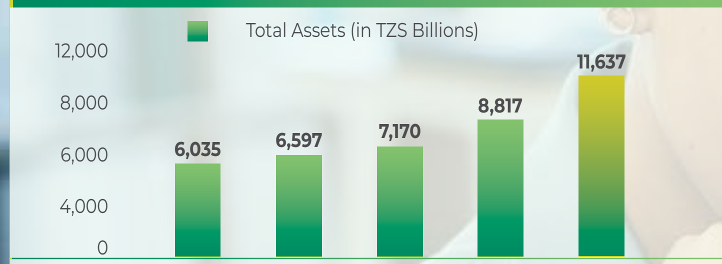
5-Year Trend

Group Profitability (PAT Growth in TZS Billions)



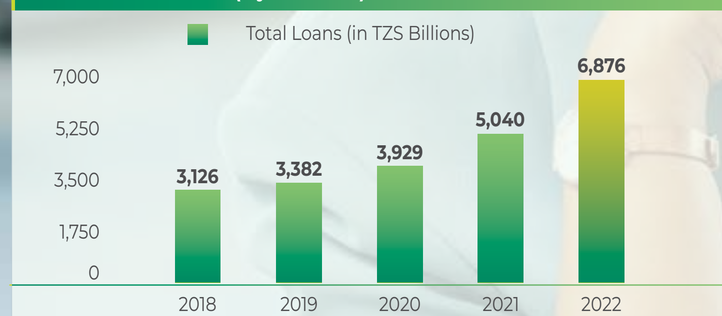
The Group's Profit After Tax (PAT) grew by 31% to TZS 351.4 billion from TZS 268.2 billion reported in 2021. This positive movement represents a 40.5% cumulative growth over five years from TZS 64.1 billion reported in 2018 - the first year of the MTS 2018 - 2022.

Asset Growth (5-year review)



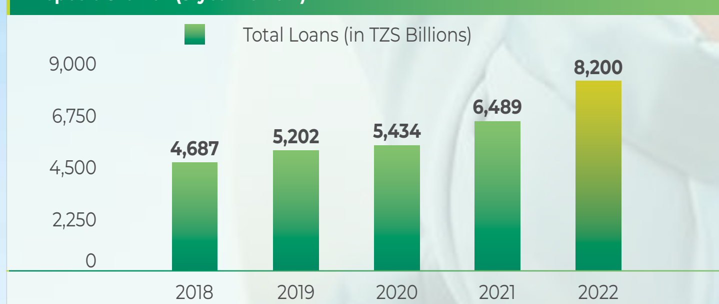
We continued to expand our balance sheet, which registered a 31.8% growth to TZS 11.6 trillion in 2022 from TZS 8.8 trillion reported in the previous year.

Loan Portfolio Growth (5-year review)



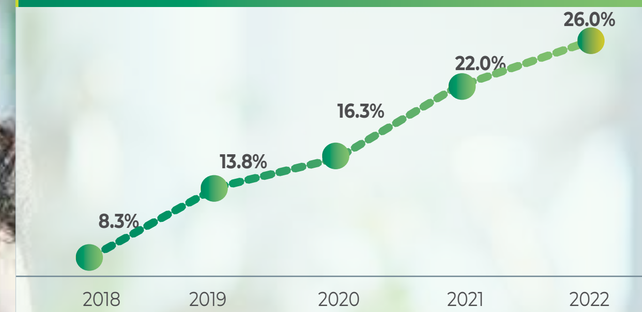
Net loans and advances grew by 36.4% YoY to TZS 6.9 trillion driven by strong growth in corporate loans, personal loans and Small and Medium Enterprise (SME) loans.

Deposit Growth (5-year review)

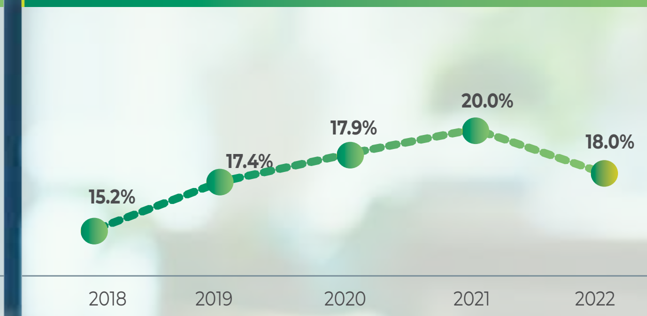


Customer deposits grew by 26.4% YoY to TZS 8.2 trillion, reflecting successful deposit mobilisation campaigns. The Group's primary source of funding constituted Demand deposits, Savings deposits, and Time/ fixed deposits; which commanded 80% of the total funding, equity 14%, and borrowings 6%.

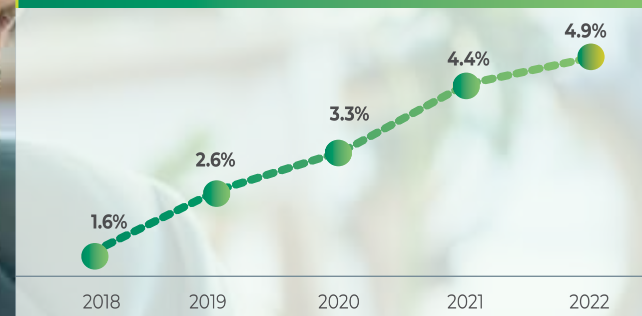
ROE



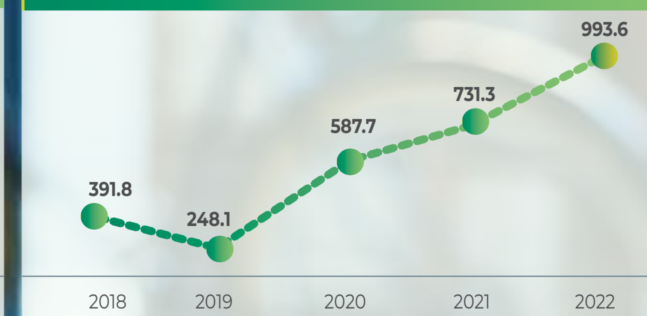
Total Capital



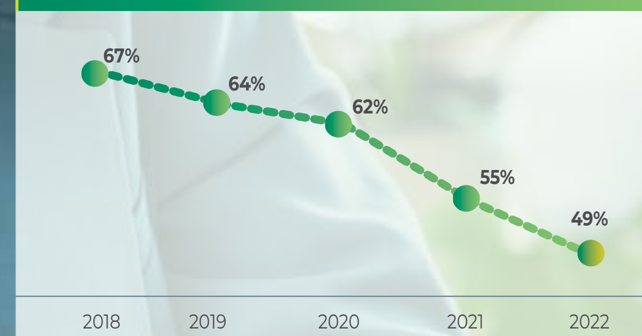
ROA



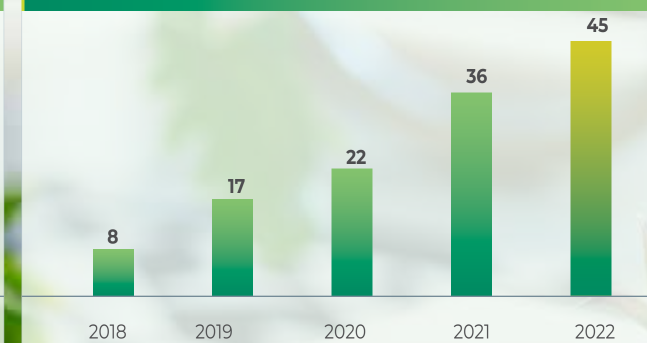
Market Capitalization (TZS Billions)



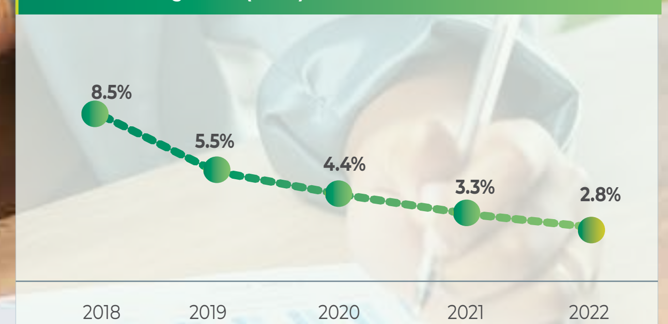
CIR



Dividend Per Share (TZS)

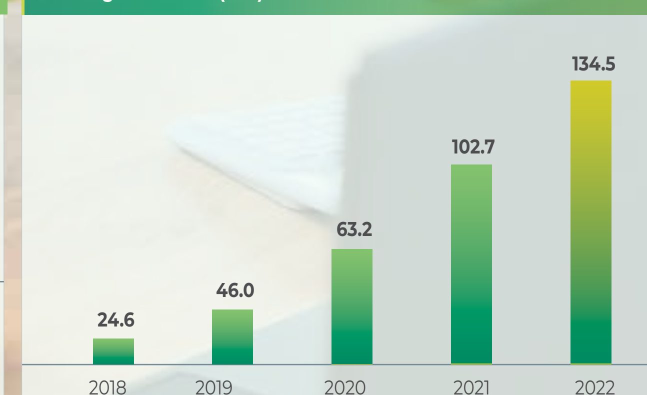


Non-Performing Loans (NPLS)



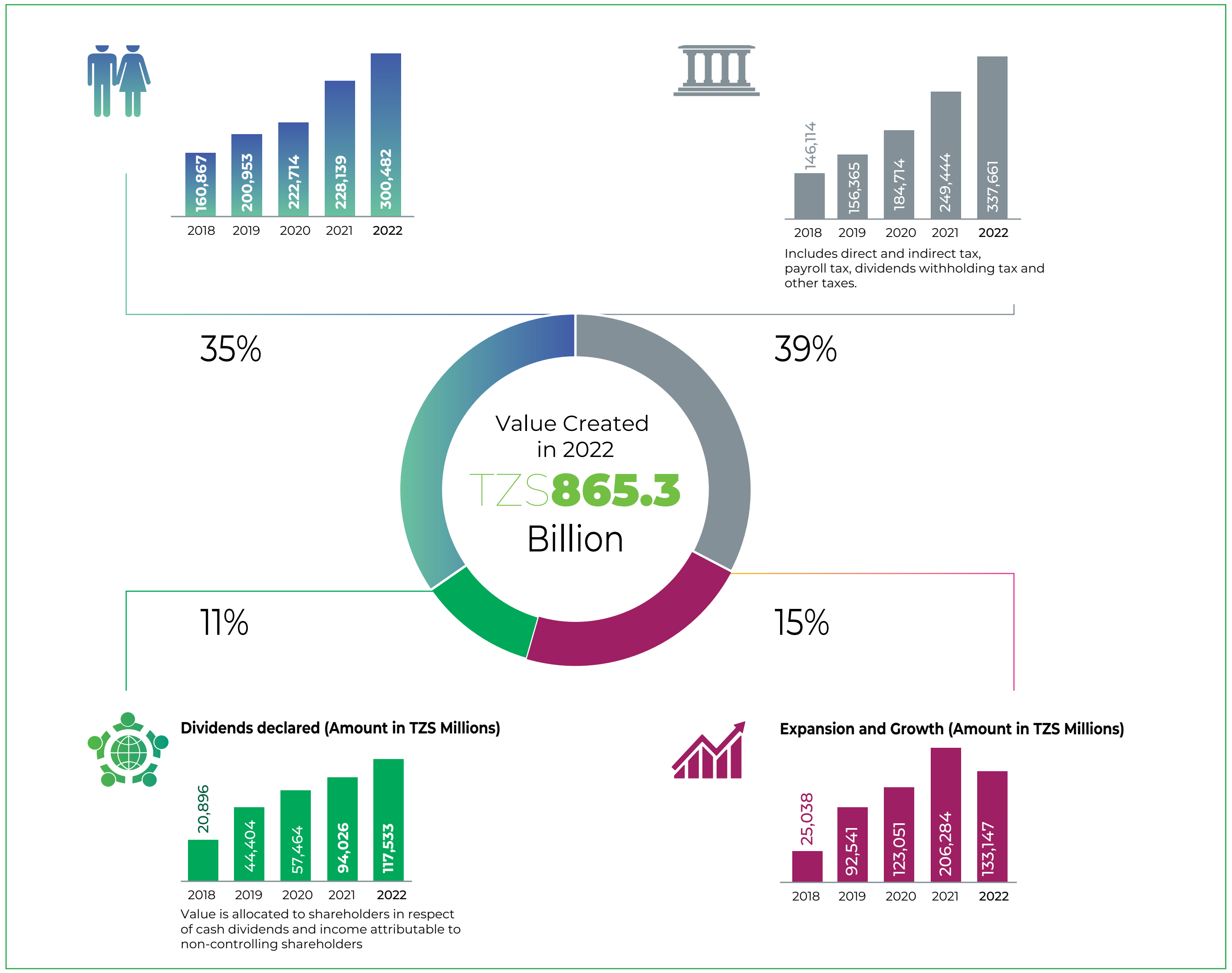
In line with the MTS 2018-2022, the Group continued to implement strategies to ensure the quality of assets; mainly through portfolio diversification, and effective monitoring.

Earnings Per Share (TZS)



The Value we Created

CRDB Bank continues to play an important role in society and in the economies of the countries that we operate. Our Group remains committed to delivering on our purpose of transforming lives through financial sector innovation and intuitive action to contribute to the well-being and growth of the societies in which we operate. We endeavour to sustain value to our employees, clients, shareholders, regulators and society.



39%	We believe that as a responsible corporate citizen, we are obligated to pay all taxes due and in accordance with the laws of the land.	**TZS 337.7** Billion Total taxes paid in 2022 FY
35%	Our Employees are the engine that powers our business. We place a high premium on reskilling, retooling and upskilling our staff. More importantly, we endeavour to remunerate our employees well	**TZS 300.4** Billion Amount paid in salaries and other benefits in 2022
15%	As a growing bank, we are keen to invest some of our earnings to grow our reach. During the year, we invested in expanding our distribution channels	**TZS 133.1** Billion Amount reinvested in the business
11%	Our business is founded on the philosophy of value creation. We endeavour to deliver optimal value to our shareholder by running an efficient business sustainably.	**TZS 94.0** Billion Total dividends paid in 2022 FY

Value Added Statement

Value Added Statement	2022 TZS Millions		2021 TZS Millions	
Income earned from financial services	968,267		790445	
Cost incurred in provision of services	(215,372)		(144,570)	
Value added from financial services	752,895		645,875	
Non operating income	362,032		356,669	
Non operating expenditure	(249,611)		(224,651)	
Value - added	**865,316**		**777,893**	
Distribution of value added				
To Employees:				
Salaries and other benefits	**300,482**	**35%**	228,139	29%
To Shareholders:				
Dividend to other shareholders	**61,587**	**7%**	37,683	5%
Dividend to the Government	**32,438**	**4%**	19,777	3%
To Government:				
Corporate Tax	**157,133**		99,618	
PAYE	**60,230**		57,294	
Skills & Development Levy	**9,398**		8,355	
Excise Duty/ Service Levy and other taxes	**36,810**		30,332	
VAT on services	**74,090**		53,845	
Total Taxes	**337,661**	**39%**	**249,444**	32%
To expansion and Growth				
Depreciation, deferred tax and retained earnings	**133,147**	**15%**	242,850	**31%**
Value distributed	**865,316**	**100%**	777,893	100%

Global Recognition & Accolades in 2022

We are proud to have a consistent record of being rated and ranked among the top financial institutions in the region. In 2022, we were honoured with more than 18 awards from renowned local and international organisations, reinforcing our position as a leader in the markets we serve and strengthening our determination to transform lives through sustainable financial sector innovation.

1. Euromoney Awards – Best Bank in Tanzania
2. Euromoney Market Leaders – Accreditation 'Safest Bank in Tanzania'
3. Global Finance Awards – Best Bank's in Tanzania
4. Global Business Magazine Award – Best Trade Finance Bank in Tanzania
5. Global Business Magazine Award – Best CSR Initiative in Tanzania
6. African Leadership Award – African Banking Personality of the Year Award'
7. Digital Banker Awards – Outstanding Achievement in the AML/CFT in the Middle/East Africa
8. International Business Magazine Awards – Best Bank in Mobile Banking App Tanzania
9. The Banker - 'Deal of the Year-Africa – Loans (Nedbank CIB – USD1.3bn syndicated loan for the United Republic of Tanzania)'
10. International Business Magazine Awards – Best SME Bank in Tanzania
11. TOP 100 Executive Awards – Best Banking CEO of the Year
12. TOP 100 Executive Awards – Best Head of Procurement of the Year
13. Consumer Choice Awards – Most Preferred Domestic Bank in Customer Service
14. Consumer Choice Awards – Most Advanced Digital Banking services in East Africa
15. EMEA Awards – Best Bank in Tanzania
16. GTR Awards – Best Trade Finance Bank in Tanzania
17. European Society for Quality Research – European Award for Best Practices
18. The Citizen Rising Women Initiative – Women of the Future Awards
19. Best Presented Financial Statements Banking Category - Large Banks

Investor Information

CRDB Bank Plc. Share Information

Number of Issued Shares	2,611,838,584
Total Number of Authorized shares	4,000,000,000
Number of shareholders as of 31st December 2022	31,160
Primary listing exchange	Dar es Salaam Stock Exchange
Ticker	CRDB
Listing year	2009
Cross-listed exchange	NIL
Free float	65.3%
Closing share price on 31 December 2022	TZS. 380.00
Price appreciation in 2022	41%
Market capitalization as of 31 December 2022	TZS 993.6 trillion
Price/Book	0.7x
Earning per share	TZS. 134.5
Dividend per share	TZS 45
Dividend policy	Up to 35% distributable profits
Total shareholder's equity	TZS. 1,479,076 billion

2023 Investor Calendar

Date	Event
27th January 2023	4Q22 Financial Results Announcement
13th April 2023	Publication of Audited Financial Statements
20th May 2023	Annual General Meeting (AGM)
27th July 2023	IH 2023 Financial Results Announcement
27th October 2023	3Q23 Financial Results Announcement

Shareholders per category

Govt. Institutions & Cooperatives	41%
Local Investors	36%
Foreign Investors	23%

Major shareholders (Above 5%)

Entity	Number of Shares	% Shareholding
Danida Investment Fund	548,067,648	21%
PSSSF Pension Fund	346,761,028	13.3%
National Social Security Fund - UGANDA	196,456,402	7.5%

As of 31 December 2022

OUR CORPORATE PROFILE

About our Group

We are an integrated financial services provider listed at the Dar es Salaam Stock Exchange (DSE). We operate two subsidiaries, CRDB Bank Burundi (S.A) and CRDB Insurance Broker Limited. We are among the largest bank in Tanzania. We offer a comprehensive range of financial services to individuals, Small and Medium-sized Enterprises (SMEs) and corporations.

OUR PURPOSE

To transform lives through financial sector innovation, intuitive action and sustainable business.

OUR MISSION

To provide competitive and innovative financial solutions through digital transformation, to achieve a distinctive customer experience, while caring for our people and delivering a sustainable contribution to the society.

OUR VISION

To be the leading Bank, which is customer needs driven with competitive returns to shareholders.

OUR STRENGTH

We have a robust portfolio supported by a resilient balance sheet and great talent. We invest in people, technology and processes to deliver value in a responsible and sustainable manner.

OUR ASPIRATION

We aspire to grow and deliver value for all our stakeholders. For us, value is best illustrated in the quality of lives of our shareholders, our people and the community around us

OUR VALUES

EFFICIENT
(We Create VALUE)

PROFESSIONAL
(We DO what is right)

RESPONSIVE
(We VALUE every voice)

ACCOUNTABLE
(We Own our ACTIONS)

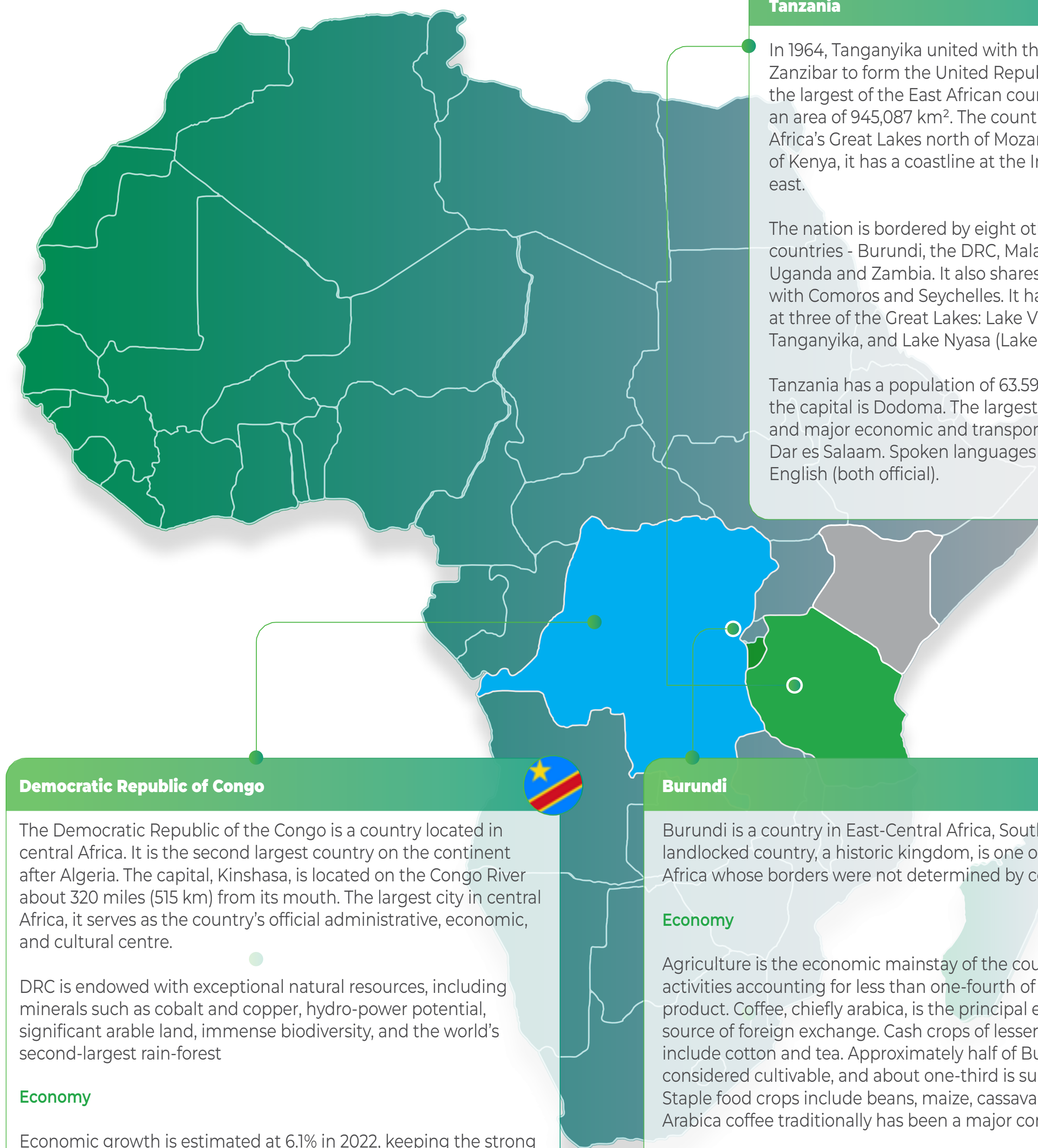
COMMITTED
(We are DEDICATED to the mission)

TEAM PLAYER
(We Work together towards a COMMON GOAL)

INNOVATIVE
(We Make a DIFFERENCE)

COURTEOUS
(We Engage, LISTEN & Act)

Regional Presence



Tanzania

In 1964, Tanganyika united with the Island of Zanzibar to form the United Republic of Tanzania, the largest of the East African countries, occupying an area of 945,087 km². The country is located east of Africa's Great Lakes north of Mozambique and south of Kenya, it has a coastline at the Indian Ocean in the east.

The nation is bordered by eight other African countries - Burundi, the DRC, Malawi, Rwanda, Uganda and Zambia. It also shares maritime borders with Comoros and Seychelles. It has shorelines at three of the Great Lakes: Lake Victoria, Lake Tanganyika, and Lake Nyasa (Lake Malawi).

Tanzania has a population of 63.59 million people, the capital is Dodoma. The largest city, chief port, and major economic and transportation hub is Dar es Salaam. Spoken languages are Swahili and English (both official).

Democratic Republic of Congo

The Democratic Republic of the Congo is a country located in central Africa. It is the second largest country on the continent after Algeria. The capital, Kinshasa, is located on the Congo River about 320 miles (515 km) from its mouth. The largest city in central Africa, it serves as the country's official administrative, economic, and cultural centre.

DRC is endowed with exceptional natural resources, including minerals such as cobalt and copper, hydro-power potential, significant arable land, immense biodiversity, and the world's second-largest rain-forest

Economy

Economic growth is estimated at 6.1% in 2022, keeping the strong momentum from 2021 (6.2%). Mining sector investment and exports remain the key drivers of growth supported by improved mineral prices and higher public investment. Non-mining sectors (particularly services) are likely to slow down to 4.1% in 2022, from 4.5% in 2021.

Summary

- Capital: Kinshasa
- Area: 2,345,409 sq km
- Population: 108.4 million
- Languages: French, Kikongo ya leta, Lingala, Swahili, Tshiluba
- Life expectancy: 59 years (men), 62 years (women)

Burundi

Burundi is a country in East-Central Africa, South of the Equator. The landlocked country, a historic kingdom, is one of the few countries in Africa whose borders were not determined by colonial rulers.

Economy

Agriculture is the economic mainstay of the country, with industrial activities accounting for less than one-fourth of the gross domestic product. Coffee, chiefly arabica, is the principal export crop and source of foreign exchange. Cash crops of lesser importance include cotton and tea. Approximately half of Burundi's land area is considered cultivable, and about one-third is suitable for pasture. Staple food crops include beans, maize, cassava, and sorghum. Arabica coffee traditionally has been a major commodity for Burundi.

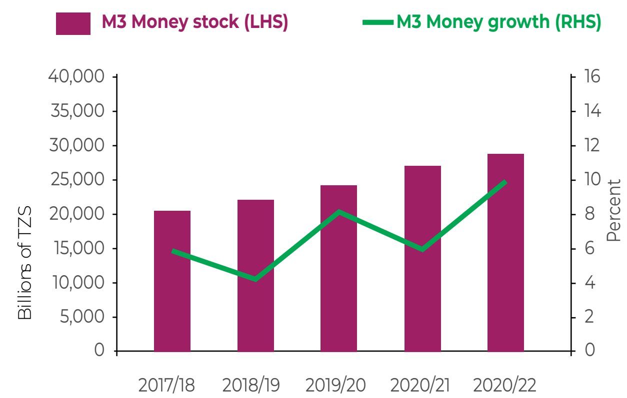
Summary

- Capital: Gitega (political), Bujumbura (economic)
- Area: 27,834 sq km
- Population: 11.8 million
- Languages: Kirundi, French, English
- Life expectancy: 62 years (men and women)

An Overview of our Operating Environment

TANZANIA OPERATING ENVIRONMENT

Chart 2.1: Development in Money Supply



Source: Bank of Tanzania and banks
Note: LHS denotes Left Hand Scale; and RHS, Right Hand Scale

Political Environment

Tanzania continues to enjoy political stability, benefitting from the strong institutions and political goodwill in the current administration.

The Implication

Being our anchor market, political stability provides a good opportunity for the bank to fully flex its capabilities and drive economic transformation as the country's largest commercial bank and market leader.

Economic Environment

The Tanzanian economy performed relatively well, maintaining a GDP growth of 5.2%, contributed by the agriculture, construction, and transport sectors. High inflation in most of the country's trading partners and elevated commodity prices in the world market continued to exert pressure on domestic inflation. As a result of the unfavourable external environment, coupled with elevated domestic supply-side constraints, inflation rose to 4.6%. Despite edging up, inflation remained in line with the target for 2022/23, as well as East African Community (EAC) and Southern Africa Development Community (SADC) convergence criteria. The main drivers were food prices, transport, and building materials.

In Zanzibar, headline inflation rose to an average of 5.6%, driven by food inflation. The East African Community (EAC) and the Southern African Development Community (SADC) regional blocs experienced a similar rising pattern of inflation. The rising inflationary pressures complicated the conduct of monetary policy by heightening the inflation-growth trade-off. As a result, the Bank of Tanzania (BOT) lessened monetary policy accommodation to align liquidity with monetary targets and safeguard the growth of economic activities.

Extended broad money supply (M3) recorded an average growth of 11% during the year, while credit to the private sector grew by 21%.

The Implication

The positive economic indicators suggest supportive macros and immense opportunities in the economy, which provides the group with an enabling environment for growth and expansion.

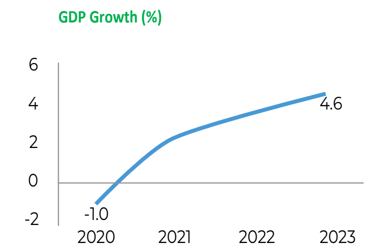
Regulatory Environment

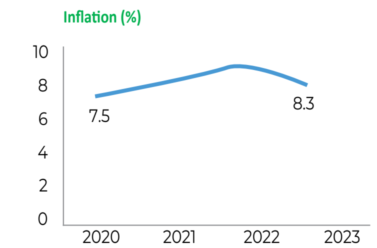
The regulatory environment remains supportive with increased oversight of the banking sector from the regulator. In December 2022, the Central Bank released a second draft of regulations on the implementation of Basel II and III regarding the computation of capital charges for market risk, capital charges for operational risk, capital charges for credit risk, and liquidity requirement and metrics.

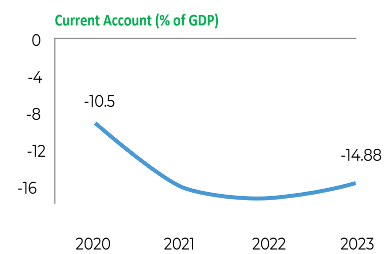
The Implication

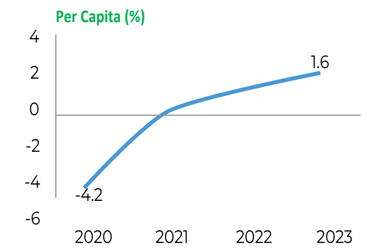
By lowering available capital and raising risk-weighted assets, the implementation will have a negative impact on capital, reducing capital ratios. The bank will continue to focus on increasing sources of revenue to increase available capital and growing assets with low-risk weights to reduce the anticipated capital stress resulting from the new Basel II and III regulations

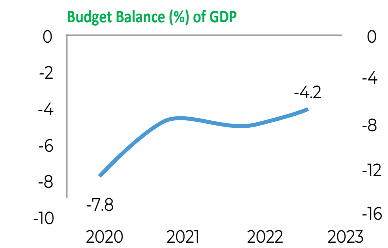
BURUNDI OPERATING ENVIRONMENT











Political Environment

Burundi continues to experience political stability with an improved security situation. The country promulgated a new constitution in 2020 and extended the presidential term to seven years. This means the incumbent President will be in office until 2027. In addition, there are ongoing government reforms, focused on strengthening the country's well-being and long-term growth.

The favourable and stable political environment provides us with the leeway to pursue our short and long-term activities in line with the new medium-term strategy - MTS 2023 -2027, we also have an opportunity to lend to the government and support its economic transformation agenda, while unlocking the economic opportunities in key strategic sectors.

Economic Environment

- The country's GDP is projecting steady growth, growing from the economic transformation initiatives.
- The high inflation rates are projected to decline in the subsequent years informing the bank of the possibility of interests' rates going down in the market.
- Per capita income is rising, indicating that the population is being empowered economically.
- Balance of trade is improving, indicating the government's enhanced capabilities to improve revenue and control their expenditures.
- Current Account is improving, depicting vibrancy in the trade space.

The Implication

- The growth in GDP portends great prospects for the bank's growth and expansion.
- The projected decline in inflation implies a resultant decline in interest rates since inflation is a key factor in determining the interest rates

Regulatory Environment

- There have been positive financial reforms, associated with the new regimes, especially around the financial landscape with the strengthening of the regulator (central bank) and the Ministry in charge.
- During the 2022 FY, a circular on recovery was issued to improve the loan recovery process.
- Regulation around charging taxes on financial transactions is in the pipeline;
- Regulations on credit referencing, Anti-Money Laundering (AML), Introduction of the 'financial ID', and Changes in the Labour Law are in the pipeline.

The Implication

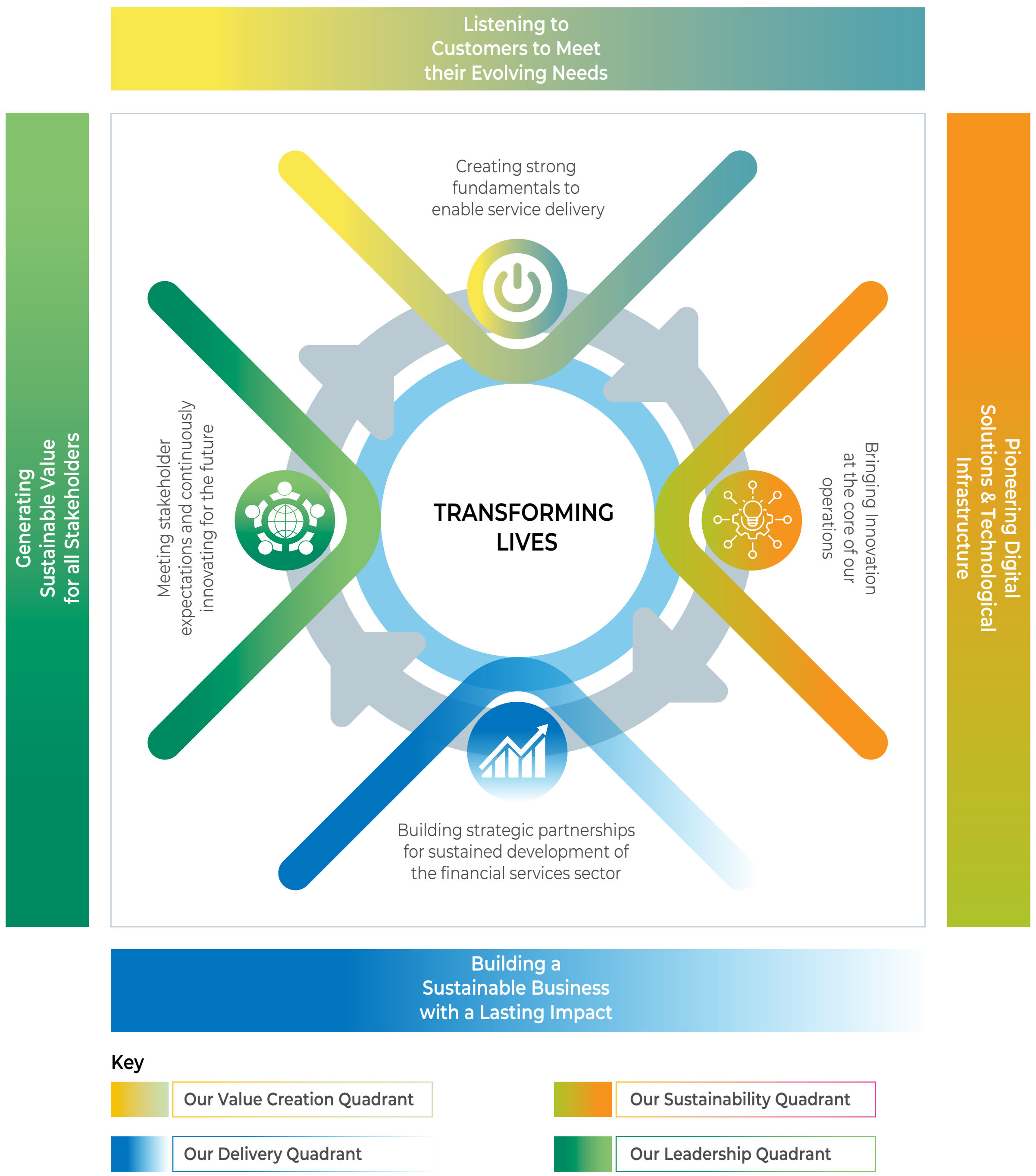
- In general, the regulatory environment is favourable and supports the bank's growth.
- However, the bank needs to consider creating mitigation measures, concerning anticipated tax on financial transactions, in order to safeguard its sustainability.
- With the anticipated changes in regulation, the bank has an opportunity to lead the market considering its experience, drawing from the parent company.

The Evolution of Our Growth

CRDB Bank's growth is heavily influenced by the directional selection that we made as a Group, growing from our formative years as a cooperative rural development bank. The productive and sustainability advantages associated with the size of our operations favour slower but steady growth, owing to the many factors within our markets of operation. For us, realized growth rate is thus a result of a compromise between the costs and advantages of growing rapidly.

Achieving our Purpose

In the greater scheme of things, our endeavours are designed to meet the needs of our customers, from individual, communal and societal levels; consistent with our guiding purpose of transforming lives. We operate in cyclic evolution architecture that guides our business along four distinctive delivery targets Delivery, Leadership, Value Creation and Sustainability.



Areas of Strength & Differentiation

We aspire to grow and deliver value for all our stakeholders. For us, value is best-illustrated in the quality of lives of our shareholders, our people and the community around us. In driving value for our stakeholders, we anchor our actions on a firm foundation defined by strong values. We also have a robust portfolio supported by a resilient balance sheet and unmatched talent. We invest in people, technology and processes to deliver value responsibly and sustainably.

DIVERSITY

At CRDB Bank, we believe that by employing people with different cultural experiences and perspectives, we can eliminate blind spots while developing solutions to customer problems. We reckon that by enhancing our understanding of how our services are received, we gain a competitive edge in responding to the needs in the market. For us, diversity is a source of our strength because it fosters innovation and problem-solving by pushing everyone to look at things from different perspectives.

DISTRIBUTION

With 240 branches and 28,241 banking agents, CRDB Bank is one of the region's most present banks. We have a simple yet powerful conviction that for us to serve our customers better, we must bring services closer to them. Leveraging innovation and strategic investments, we will continue to expand our delivery channels to deepen access to financial services. We have a robust plan to drive financial inclusion to serve the under-served communities and include the lower segment of the market into the financial ecosystem.

CAPITALISATION

We have a strong capital position with diverse investments that solidify our liquidity and ability to fund growth. We focus on value-chain financing, especially in performing sectors in our markets, to ensure sustainability. Our subsidiary businesses continue to yield strong results to build onto our long-term growth agenda. Our investment at the Dar es Salaam Stock Exchange (DSE) provides us with the liquidity needed to finance our growth aspirations.

BRAND

We have a strong heritage as a brand made in Tanzania. We have an enduring history spanning over a quarter a century. Our story of progress is centred around supporting economic transformation and building sustainable livelihoods for our customers. We believe in the African virtues of kindness and embody the African spirit of resilience. Our long term vision is to drive impact across all our markets through financial sector innovation and become an orchestrator of transformation in the financial services sector.

INNOVATION

Innovation is at the core of our thinking. For the last 26 years, we have set the pace for the industry pioneering many firsts. We are focused on building a business that responds not only to the changing needs of our customers but also creates a lasting impact. Our sustainability strategy speaks to our desire to spearhead innovation in the financial services sector.

Management Team

CRDB Group believes in its people. We've been privileged to play leading a role in helping millions of people in East Africa to meet their financial needs. As the financial industry evolves and the needs of our customers grow, so do we. More importantly, we've helped shape and define what financial services mean in every day lives and supported millions of dreams. Our products, services, ideas and giving now touch the lives of millions of people every day. We credit our strength and endurance to a consistent approach to managing our business, and to the character of our people. Our forward-looking leadership team is made up of dedicated, focused and experienced executives. Working with each other and with our employees across our markets, their knowledge and experience combine to make a difference for all our stakeholders – customers, partners, regulators, employees, investors and communities around East Africa.

Executive Leadership

Management Team

1. Abdulmajid Nsekela
Group CEO & Managing Director
MBA-IBF, Birmingham University (UK)
PGD-Business Administration, Birmingham University, UK.

2. Boma O. Raballa
Chief Commercial Officer (CCO)
MBA, Mzumbe University, BA (Accounting) Kampala International Univ. UG.

3. Bruce Mwile
Chief Operations Officer (COO)
MBA - Finance (UDSM), B.com (Finance), (UDSM).

4. Frederick Nshekanabo
Chief Finance Officer (CFO)
Msc. Finance - University of Strathclyde (UK), CPA (T), Advanced Dip Accountancy (IFM).

5. Tully Esther Mwambapa
Director of Corporate Affairs & Public Relations
MBA, BA Public Administration & International Relations, (UDSM).

6. Leo Patrick Ndimbo
Director of Business Transformation
PGD- BA (CBE), Int'l Adv. Dip in Computer Engineering (IADCE) - New Horizon University.

7. Alexander Ngusaru
Director of Treasury & Capital Markets
MBA, UDSM Strategic Leadership Training (DBS, University of Virginia).

8. Pendason Philemon
Director of Procurement
MBA-ESAMI, CSP (T), CIPP-Zhuhai CHINA.

9. Jessica Nyachiro
Managing Director CRDB DRC Subsidiary
MA International Business (IFM)
B.Ed, University of Nairobi (KE).

10. James Mabula
Director, Risk & Compliance
Msc. Finance (University of Strathclyde, UK), PG Dip. Financial Management (IFM) Certified Company Director – IoD UK and Advanced Diploma in Certified Acc (IDM Mzumbe).

11. Xavery Makwi
Director of Credit
CPA from NBAA, PGD (Legal Practice), LST, LLB (Open University of Tanzania), MBA, B.Com (Finance) UDSM.

12. Leslie Mwaikambo
Director of Business Operations
B.Com (Finance) – UDSM Higher Dip. Banking (Milpark Business School, SA).

13. John Baptiste Rugambo
Company Secretary
MA – International Business Administration (USIU, KE), BA – USIU.

14. Frederick Siwale
Managing Director CRDB Burundi Subsidiary
MBA (UDSM) PGD in Business Administration – CBE.

15. Godfrey Rutasingwa
Director of Human Resources
MPA - Public Administration (Mzumbe)
B.Ed, UDSM.

16. Deusdedit Massuka
Director of ICT
MSc. Computer Numerical Control (CNC) Systems - St-Petersburg STU, Russia

17. Bonaventure Paul
Ag. Director Retail Banking
MSc. Accounting & Finance, Mzumbe University, CPA (T), Certified Professional Banker (CPB).

18. Godfrey Sigalla
Director of Internal Audit
CPA (T) PGD (Tax management), B. Com (Accounting, UDSM & MBA (Finance, UDSM).

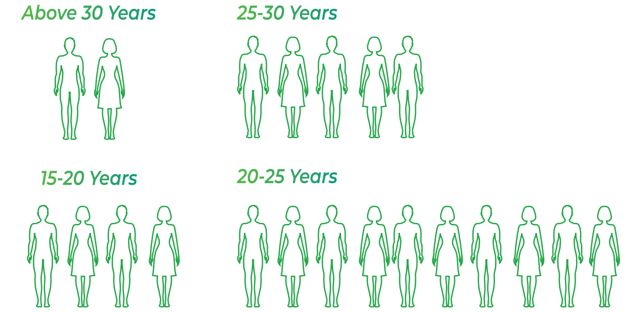
19. Willson Mzava
General Manager CRDB Insurance Broker Limited
MSc in Insurance & Actuarial Science – IFM
Post Graduate Diploma in Cooperative – SUA.

20. Prosper Nambaya
Director of Corporate Banking
MSc, Business Management (Birmingham City University), BA, Economics (UDSM); Adv. Certificate in Credit Skills, London Institute of Banking & Finance (LIBF).

Expertise

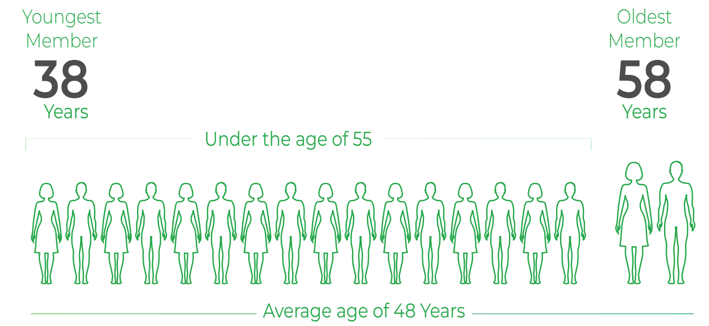
16	Risk Management
9	Business Management
5	Banking Operations
3	Finance & Audit
3	Strategy & Innovation
3	Digital Transformation
5	HR, Markerting and Strategy
9	Retail Banking

Experience



Gender Diversity

Age Diversity



Our Capitals

HOW WE DEFINE OUR CAPITALS	WHAT THE CAPITALS COMPRISE	HOW WE MANAGE OUR CAPITALS	HOW WE ASSESS OUR CAPITALS	LONG TERM PERSPECTIVE
FINANCIAL CAPITAL Our financial capital comprises shareholder equity, debt and customer deposits. We leverage our financial resources to support our strategic activities as outlined in our medium-term strategy	• Strong balance sheet with total assets TZS 11.6 trillion and equity TZS 1.5 trillion • Market capitalization TZS 993.6 billion • Leading market share of total customer deposits 27% and 25% of total assets	By effectively managing capital flows, we maintain a strong balance sheet, sustain our capacity to invest in future growth, and satisfy the banking requirements of our clients.	Our ability to provide financial value to our shareholders, enable other capitals in contributing to the overall performance of the organization, and provide sustainable returns to our stakeholders all depend on our ability to maintain a solid capital position.	The stability of the bank Group, and the nations where we operate are the key indicators of our efficient management of our financial capital.
HUMAN CAPITAL We nurture talented, healthy and engaged employees, harnessing their collective knowledge and expertise to deliver impact for our stakeholders.	• The Group total workforce stood at 3,726 employees, where 2,106 (57%) were males and 1,620 (43%) females. • The biggest age group in our workforce is below 35 years of age (50%),(48%) are between the age of 36-55 years and (2%) are above 56 years.	Our HR strategy considers three components in building our human resource pool; skills and capabilities, Innovative mindsets, Processes and value proposition.	We continually benchmark our compensation and benefits plans for our employees to ensure that we remain competitive in the market. We reckon that consistent growth requires us to adapt to a dynamic, competitive environment without adding bulk.	Our priority is to ensure that our employees are invested in their results and willing to go the extra mile to ensure the company's long-term success.
INTELLECTUAL CAPITAL We have an array of assets including the brand, reputation, integrated footprint, and innovation capabilities.	• Strong heritage brand made in Tanzania • Our philosophy of service is driven by our deep belief in innovation. • Our sustainability strategy speaks to our desire to spearhead innovation in the financial services sector.	We strive to maintain a favourable image, solid reputation, and franchise value.	We have invested in strong brand and subsidiary businesses, strategic partnerships and innovative products and solutions that offer to our customers. We have made commendable progress in digital adoption with a focus on automation, which is a key driver of delivering our digital strategy.	Our priority is to ensure customer loyalty, intellectual property protection, organizational competency and technological capabilities.
MANUFACTURED CAPITAL Our Manufactured capital includes branches, buildings, a tier 3 data Centre, disaster recovery sites, remote and digital channels.	Our distribution network comprising; • Banking outlets (240), • ATMs (554) including deposit ATMs, • POS machines (3,380), • CRDB Wakala (28,241) • IT also covers our IT infrastructure and security.	We maintain and develop our infrastructure, properties, and technology equipment/hardware to ensure they remain productive.	We continue to invest in more efficient technologies such as paperless banking, to improve efficiencies and reduce the adverse impact. In addition, we continue to upgrade our fleet to minimise our carbon footprint.	Our priority is to build an enterprise that thrives on innovation by adopting the right business models, integration strategy, and organisational form.
SOCIAL & RELATIONSHIP CAPITAL We forge and maintain close relationships with our stakeholders in the communities we operate. This helps understand their expectations and engage responsibly in a way that ensures satisfaction leading to support.	• Stakeholders' relationship is key for the success. • Continuous engagement with regulators • The Group policy of 1% after tax profit goes back to the community on health, education and environmental matters.	We continuously strive to deliver a meaningful value exchange. We value the views of our stakeholders because they play a significant role in shaping our response to business and societal issues.	We aim to generate a positive impact on society by improving how people live and how businesses operate. Our products and services are designed to support the wellbeing and competitiveness of the markets that we operate in.	The viability of our business depends on our ability to create and sustain strong relationships with customers and the wider community.
NATURAL CAPITAL Constitutes the environmental resources used throughout the Group's operations	• The Group is keen on the consumption of electricity, fuel, water at our offices and driving paperless culture. • The Bank finance projects and businesses which manage their social and environmental impact in a responsible manner. • The Group embraces a culture of responsible living, with the ultimate intention of building a sustainable work environment.	We have developed frameworks and practices to consider the direct and indirect impact of our operations on natural resources while sensitizing our staff and the general public on the pertinent issues	The Group is actively engaged in sustainable environmental management and contributes to various initiatives on afforestation, tree planting and urban hygiene programs.	We believe that preserving natural capital ensures a sustainable foundation for a circular economy. A circular economy contributes to maintaining natural capital by reducing the environmental burden resulting from the use of material resources.

Our Material Matters

New technologies, financial innovations, and the liberalization of national as well as international markets have changed the environment in which banks operate. Add to that the recent disruptions occasioned by the COVID-19 pandemic and war in Ukraine, the external environment is more unpredictable than ever before. Our Group is continuously working to adapt to these pervasive changes and cope with increased competition from other financial institutions as well as to changes in the regulatory environment. Our strategy in these unpredictable times is to look for economies of scale and scope, through consolidation and a widening of the range of products and services.

Understanding Our Stakeholders

CRDB Bank Group often converses with a broad spectrum of stakeholders, each of whom represents a unique set of goals and interests. Our business stakeholders include a wide range of parties, including partners, regulators, customers, employees, and the local community. We constantly work to take all of our stakeholders' demands and viewpoints into account while running our business so that we can add value. In addition, our company helps consumers meet their financial needs in a significant way. We also firmly believe in promoting the economies of the nations where we conduct business.

Engaging our Stakeholders

The Group regularly engages all stakeholders at different levels, covering a broad range of material issues. We communicate with our numerous stakeholders on a myriad of schedules and through a variety of channels. We regularly discuss operational and policy issues with the Tanzanian government as well as with the Regulator (Bank of Tanzania).

The Group has procedures in place to handle service interruptions for our clients, and we regularly improve its systems to ensure the availability of our services. To ensure transparency in our business, we constantly ask our stakeholders to interact with us and share information about our daily activities. Most essential, we operate in strict accordance with all applicable rules and regulations.

Determining our Material Matters

The Board of Directors takes a leading role in these interactions. The topics that are covered in our stakeholder discussions are chosen based on the important factors that steer CRDB Bank Group and are detailed in the yearly report. When a topic has an important impact on the Group's economy, society, or environment, or when it affects our stakeholders' choices, it is judged to be of material importance and is included in our materiality matrix.

IDENTIFYING

We proactively identify issues that have the potential to impact our earnings sustainability and create, preserve or erode value for our stakeholders.

ASSESSING

We continually assess the material issues to ensure our strategy remains relevant.

PRIORITIZING

We endeavour to prioritize issues with the greatest relevance in our operating context as material matters.

APPLYING & VALIDATING

We use the determined material matters to inform ourstrategyandtargets.

2022 Materiality

In order to determine the Group's materiality, CRDB Bank Group has employed a participatory approach. We evaluated the expectations of internal and external stakeholders and took into account the most significant themes to illustrate the Group's materiality, which will serve as the foundation for subsequent reporting. We will continue to have in-depth discussions with all of our stakeholders before updating the matrix in 2023.

During the year under review, we managed the following issues in the context of the medium-term strategy and the operating environment that was characterised by disruptions in the global supply chains.

Issue	Risks/Impact on Value Creation	Our Response
Increasing competition	Loss of market share, coupled with pressure on revenues and possible loss of revenues if our offerings don't remain competitive.	Delivering innovative products and services through an increasingly automated and digitised environment.
Disruptive technologies and digital adoption	Digital transformation is changing the way we do business, from client onboarding and products sales to servicing.	Improving our partnerships to drive greater alignment between our business and technology partners to ensure we remain agile in the face of change.
Rising stakeholder expectations	Stakeholders' sentiments can impact our reputation and, affect the cost and availability of funding that is required to drive long-term performance.	• We are increasing engagements with stakeholders to best understand their expectations to incorporate into our strategic planning. • Adopting integrated reporting to increase transparency on our value creation process.
Ongoing regulatory and policy changes	Growing compliance costs which may have to be passed on to customers and ultimately impact shareholder returns.	• Allocating a material proportion of our investment to regulatory compliance and risk prevention initiatives • We engage with policy makers and communities to advocate for appropriate regulatory reform. • Maintaining constructive and proactive relationships with key regulators.
Significant disruptions in the global supply chains	Slowdown in market growth which diminishes trade volumes impacting revenues.	Increased focus business diversification, risk management, liquidity management and capital preservation.
Rising inflationary pressure in some of our markets of operation	Significant increase in the bank's cost of operation, impacting our efficiency.	We have launched a number of initiatives to optimize our cost structure and grow our revenue lines.

Our Stakeholder Register

Stakeholder Cluster	Stakeholder Type	Interest	Level of Influence
Shareholders/Investors	INSTITUTIONAL INVESTORS	●●●○○	●●●○○
	INDIVIDUAL INVESTORS	●●●○○	●●○○○
System Associates/Partners	CRDB WAKALA AGENTS	●●●○○	●●●○○
	SUPPLIERS/SERVICE PROVIDERS	●●●○○	●●●○○
Regulators / Scrutineers	BANK OF TANZANIA (BOT)	●●●○○	●●●○○
	CAPITAL MARKETS & SECURITIES AUTHORITY (CMSA)	●●●○○	●●●○○
	TANZANIA REVENUE AUTHORITY (TRA)	●●●○○	●●●○○
Media	PRINT	●●○○○	●●●○○
	RADIO	●●○○○	●●●○○
	SOCIAL MEDIA	●●○○○	●●●○○
Professional Bodies	TANZANIA BANKERS ASSOCIATION (TBA)	●●○○○	●●●○○
	NATIONAL BOARD OF ACCOUNTS & AUDITORS (NBAA)	●●○○○	●●●○○
Community	SOCIAL GROUPS	●●○○○	●●●○○
	ACADEMIC INSTITUTIONS	●●○○○	●●●○○
Government	OFFICE OF THE PRESIDENT (TZ)	●●●○○	●●●○○
	MINISTRIES, STATE DEPARTMENTS (TZ)	●●●○○	●●●○○
	GOVERNMENT OF BURUNDI	●●●○○	●●●○○
Customers	CORPORATE CUSTOMERS	●●●○○	●●●○○
	RETAIL CUSTOMERS	●●●○○	●●●○○
Special Interest Groups	TRADE UNIONS	●●○○○	●●○○○
	WORKERS UNIONS	●●○○○	●●○○○
Staff	MANAGEMENT TEAM	●●●○○	●●●○○
	EMPLOYEES/SUPPORT STAFF	●●●○○	●●●○○

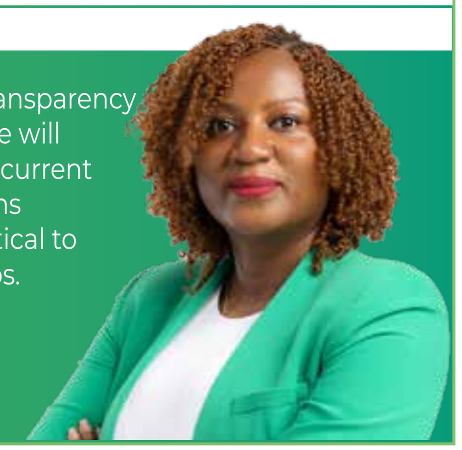
* Please note that this list is not exhaustive

Meeting Stakeholder Expectations

As a financial services provider we are deeply connected and committed to the environment we operate in and the societies we serve. Our ability to deliver value is dependent on our relationships and the contributions and activities of our stakeholders. We engage in dialogue with our stakeholders to understand their needs and seek to meet their expectations to create value for them and for the CRDB Group:

STAKEHOLDERS	SHAREHOLDERS AND INVESTORS	EMPLOYEES	CUSTOMERS	REGULATORS AND POLICY MAKERS	SOCIETY	PLANET
THEIR NEEDS AND EXPECTATIONS	• Shareholder value creation through share price appreciation and an attractive and sustainable dividend stream. • Continuous engagement to inform their investment decisions.	• Career development and advancement opportunities • Challenging work, with opportunities to make a difference • Employment at a company with a strong brand • An empowering and enabling environment that embraces diversity and inclusivity • Fair remuneration, effective performance management, and recognition • A safe and healthy work environment	• Innovative financial solutions and services • Convenient access to banking services through a variety of channels • Excellence in client service • Value-for-money banking that is competitive and transparent in pricing	• Compliance with all legal and regulatory requirements • Being a responsible taxpayer in all jurisdictions where we conduct business • Active participation and contribution to industry and regulatory working groups	• CRDB providing access to relevant financial solutions that help to achieve desired outcomes for individuals, their families, their businesses and their communitie • CRDB influencing its stakeholders to act responsibly in environmental, social and governance matters • CRDB partnering with the community to address common social and environmental issues to build a thriving society	• CRDB Bank is playing an active role in ensuring the sustainability of the planet • The Group is committed to supporting global initiatives towards reducing greenhouse gas emissions through sustainable practices • We are an accredited entity with the Green Climate Fund and we are committed to helping in the achievement of the SDGs
KEY OBJECTIVES AND METRICS WE TRACK	• Return on Equity • Cost-to-Income Ratio • Dividends paid to share holders • Profitability	• A culture that is client-centred and innovative growth • A diverse and inclusive staff profile • Staff Productivity • Employee engagement • Talent retention/attrition rate • Diversity and inclusion (Ration of male to female)	• Customer Net Promoter Score • Client complaints • Digital service rollouts; • Simbanking registered customers • Dormancy Rate	• Compliance to minimum regulatory requirements • Direct and indirect tax contributions • Core Capital (Tier 1) • Total Capital • Loan to Deposit Ratio	• Corporate social investment spend and activities • Employment opportunities Consumer Loans • Number of service providers/ suppliers	• Achievements against SDGs Number of green loans • Energy conservation/ green energy projects • Conservation projects

> At the heart of our commitment lies a dedication to transparency and responsible corporate behaviour. As part of this, we will be increasing our interactions with our investors, both current and prospective. We believe that ongoing conversations about expectations and areas for improvement are critical to maintaining trust and building long- term relationships.
>
> *Anna Mwasha – Senior Manager, Investor Relations*



Serving Our Customers

CRDB Bank is founded upon the philosophy of service. We pride in providing an unmatched service experience to our customers. Going out of our way to satisfy our customer is engrained in our DNA.

Product suite

Providing Tailored Solutions to Suit Individual, SME and Corporate Needs

Access to Financial Services
We have a dynamic financial ecosystem that allows our customers to access bespoke financial services that enable them achieve their financial goals.

Transactional Services
We provide convenient solutions to facilitate payments, collections and cash transfers.

Trading
We support multi-currency transactions across the globe to facilitate secure dealings in the international markets.

Credit Extension
We provide tailored credit including working capital to support our customer's growth ambitions to enable them achieve both short-term and long-term financial goals.

Insurance
We provide protection against financial loss and offer life cover among other forms of mitigations to give our customers the ability to deal with uncertainties.

Investment
We support wealth creation for customers through short term and long- term financing.

Interaction Channels

Providing a superior experience for our customers

For our Group, the customer is king. We endeavour to provide the best possible experience, understanding that our success as a business is pegged on our ability to meet the financial needs of our customers.

We are always interacting with our customers at different times and through diverse channels. We have integrated our service channels with our Core banking system which ensures that all customer issues are ticketed, escalated and addressed promptly.

Robust Branch Network

We have more than 240 branches and offices where our customers can obtain services.

Modern, 24-Hour Call Centre

Our customers can reach us any time through our modern call centre, which is designed to offer round-the clock support on all customer issues.

A Varierty of Digital Channels

Interaction with customers via CRDB website, WhatsApp and other social media platform including the Instagram, Facebook, and Twitter.

240	554	3,380	28,241
Banking outlets	ATMs including deposit ATMs	POS machines	CRDB Wakala

Our efforts are measured in a variety of ways, but most importantly in the way our customers feel about our service to them. These interactions often provide the necessary feedback that informs our approach to developing new products and services as outcomes of the engagements

Transact

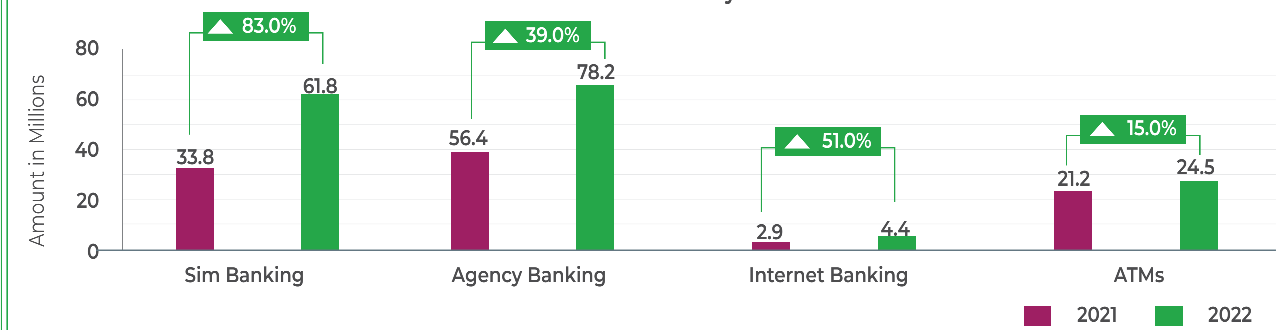
Leveraging digital technology for service

In today's interconnected world, technology plays an important role in keeping people connected, engaged and productive. We understand that we have a responsibility to support our customers' aspirations and lifestyles.

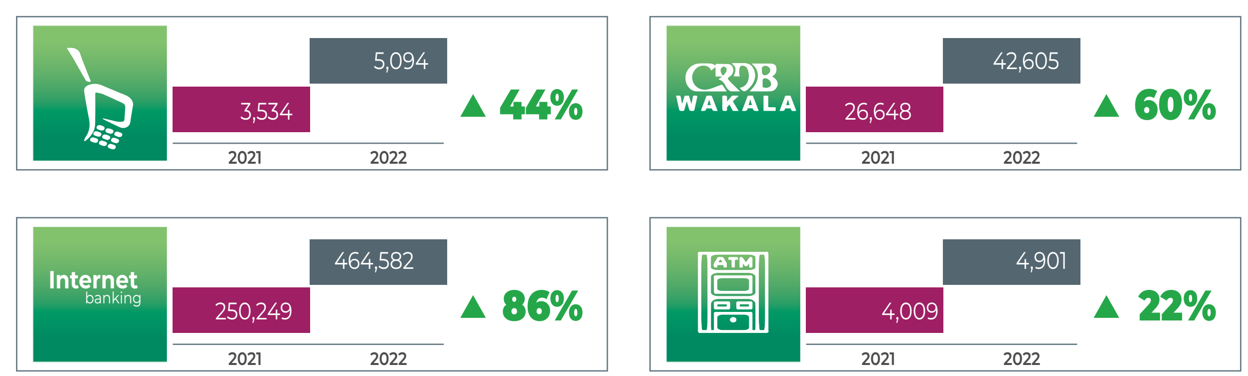
	SimBanking	Internet banking	TemboCard	CRDB Wakala
Solution	**SimBanking** Is a mobile platform that allows CRDB Bank customers to access their bank accounts through their mobile handset by dialing *150*03# anytime anywhere	**Internet Banking** This is instant access to online financial management that allows customers to access their account information and perform various transactions securely and conveniently, any time of day and anywhere in the world.	**TemboCard** This is a globally accepted model of paying electronically, through any VISA, Mastercard, or China Union Pay (UPI) affiliated merchant outlets or ATMs worldwide.	**CRDB Wakala** Is an Independent, company-trained banking agents offering services on behalf of CRDB Bank in accordance with the regulator's guidelines and in observance of the company's service charter.
Platform Type	Available on both USSD/ Mobile Application	Webb-based application	VISA, Mastercard and China Union Pay (UPI) debit and credit cards	Physical outlets and franchises
How it works	The mobile app gives a customer full visibility of their accounts and total control over their money. It's more secure, simpler, and faster! With the app, one can open an account, buy insurance, block, or apply for TemboCard.	Internet banking allows a customer to complete most of their basic banking transactions. All one needs is a device, an Internet connection, and a bank card to register. Once registered, the consumer sets up a password to begin using the service.	The card allows customers to Enjoy unlimited possibilities and convenience by providing instant and safe access to their bank account from any place and at any time.	CRDB Wakala is an agent that allows our customer to initiate and complete any transaction using their TemboCard, SimBanking or USSD. Customers can also pay their bills, including utilities such as LUKU, airtime, water bills, air tickets, and TV subscriptions.

Channel Perfomance (YOY)

Channel Transaction by Volume



Channel Transaction by Value (in TZS Billions)



Our Products & Services

We provide a wide range of products and solutions to suit the needs of different segments in the market through four main clusters: - Retail, Corporate & institutional, Treasury and Bancassurance. All our solutions are designed to empower our customers to meet their unique financial needs and position them for future success

Service Cluster	What we offer	Key Solutions	Who we serve	Our competitive advantage	KPIs	How we performed
Corporate & Institutional Banking 	We offer a full range of wholesale banking solutions, including investment banking and corporate lending, global markets and treasury, commercial-property finance, deposit-taking, and transactional banking.	• Working Capital • Guarantees/Project financing • Investments • Advisory Services • Asset Financing	Corporates, institutions and parastatals with an annual turnover of >TZS 20 billion.	• A team of seasoned professionals providing professional counsel on financial management & investments. • Strong goodwill within the corporate and public sectors. • Innovative products and financial solutions designed to respond to market challenges .	Customer growth &retention, Deposits, Portfolio growth, Income and Portfolio Quality	**Interest Income** TZS 146 billion **NPL Ratio** 3.65% **Loan Portfolio** 49% YoY Growth TZS **711** Billion Extended to New to Bank Customers
Retail Banking 	We have a wide range of services comprising transactional banking, card and payment solutions, lending solutions, deposit-taking services, card-acquiring services for businesses, agency and tech-based banking solutions	• Business Loans • Personal Loans • Asset Financing • Investments • Payments and transfers • Guarantees	Individuals, MSEs SMEs, AMCOs, investment groups, SACCOs with an annual turnover of < TZS 20 billion	• Robust distribution comprising a wide branch network of 240 branches, 28,241 agents and 554 ATMs, complemented by versatile digital channels. • Innovative products that have been tried and tested in the market.	Customer growth & retention, Deposits, Portfolio growth, Income, Portfolio Quality, Channel perfromacne, Digital adoption Accessibility and penetration	▲ 27% YoY growth of SME Loans to TZS 712 billion ▲ 28% YoY growth of Personal Loans to TZS 2.9 trillion ▲ 27% YoY growth of SME Loans to TZS 712 billion ▲ 20% YoY growth of Microfinance Loans to TZS 136 billion **NPL Ratio** Personal Loans - 1.11% SME Loans - 6.49% Microloans - 4.16% TZS **3.9** Trillion Gross Loans and Advances to Customers
Treasury & Capital Markets 	We provide a wide range of services and solutions pertaining to foreign trading and exchange services, advisory services relating to capital market investments and fully-fledged custodial services - safe keeping, asset servicing and record keeping.	• Foreign currency exchange • Hedging (managing currency and interest rates risk) • Custodial Services • Advisory services.	High-net-worth individuals, and other retail, business and corporate clients.	• Experienced team capabale of providing market – level advisory services and investment insights. • Fairly acceptable credit rating B2 (stable Outlook), and a positive long-term deposit rating	Balancesheet health, Trade Income /forex, Capital Management, investments	▲ 52% YoY increase in Forex Income to TZS 57.5 billion TZS **5.1** Billion 96% YoY Growth in Trading Income
Al-Barakah Banking 	Al Barakah Banking services were established with the primary goal of extending product diversity, customer satisfaction and most importantly; aligning with the government's ongoing agenda of driving financial inclusion for all Tanzanians and ultimately to boost the bank's overall performance. The proposition serves both Retail Banking customers and our Corporate Banking customers.	• Shariah-compliant financing • Shariah-compliant asset-based financing	• Individuals, groups and SMEs • Corporates, institutions with an annual turnover of over TZS 20 billion.	• CRDB Al Barakah Banking is the country's only Shariah-compliant financing service, providing Shariah-compliant asset-based financing to new and existing customers. • We provide vehicle, equipment, and machinery financing without the need for landed property collateral.	Customer growth & retention, Deposits, Portfolio growth, Income and Portfolio Quality	• CRDB Al Barakah Banking services managed to achieve solid penetration with more than 34,000 customers • Achieved TZS 73 billion in financing (TZS 58 billion on balance and TZS 15 billion off balance), and a growing stable deposit base of TZS 30.8 Billion. TZS **73** Billion in Sharian-compliant financing during the 2022 financial year.

Our Value Creation Business Model

OUR CAPITALS

OUR RESOURCES AND RELATIONSHIPS

FINANCIAL CAPITAL

We leverage our financial resources to support our strategic activities as outlined in our medium-term strategy. Our financial capital comprises shareholder equity, debt and customer deposits.

HUMAN CAPITAL

We nurture talented, healthy and engaged employees, harnessing their collective knowledge and expertise to deliver impact for our stakeholders. Our HR strategy considers three components in building our human resource pool; skills and capabilities, Innovative mindsets, Processes and value proposition.

INTELLECTUAL CAPITAL

We have an array of assets including the brand, reputation, integrated footprint, and innovation capabilities. We strive to maintain a favourable image, solid reputation, and franchise value. Our priority is to ensure customer loyalty, intellectual property protection, organisational competency and technological capabilities.

MANUFACTURED CAPITAL

We maintain and develop our infrastructure, properties, and technology equipment/hardware to ensure they remain productive. Our Manufactured capital includes branches, buildings, a tier 3 data Centre, disaster recovery sites, remote and digital channels.

SOCIAL & RELATIONSHIP

We maintain and develop our infrastructure, properties, and technology equipment/hardware to ensure they remain productive. Our Manufactured capital includes branches, buildings, a tier 3 data Centre, disaster recovery sites, remote and digital channels.

NATURAL CAPITAL

We have developed frameworks and practices to consider the direct and indirect impact of our operations on natural resources while sensitising our staff and the general public on the pertinent issues. Our natural capital has two components, namely environmental .resources, and the biodiversity ecosystem.

INPUTS

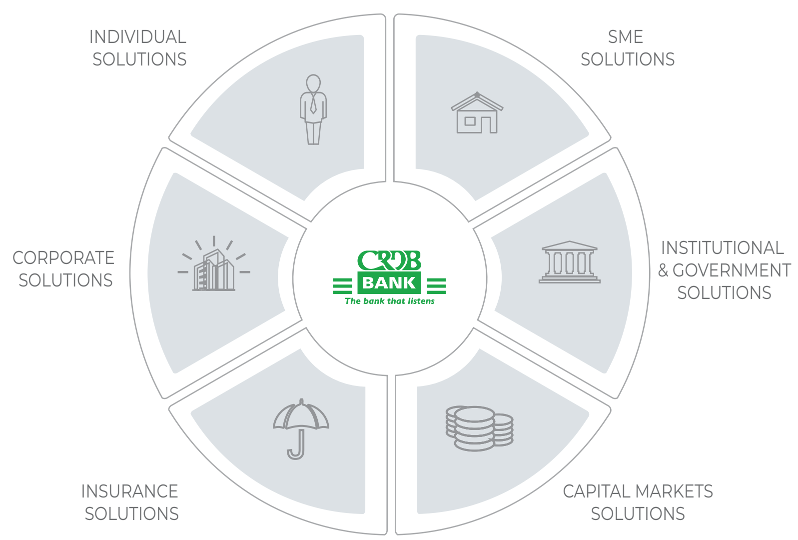
OUR STRATEGY AND FOCUS AREAS

OUR MISSION

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

To transform lives through financial sector innovation, intuitive action and sustainable business.



STRATEGIC THEMES

Transform the existing machine

Achieve best-in-class productivity and proactive credit management.

Build the Bank of the future

Provide a seamless digital experience and create value for customers, employees, and shareholders

Address the enablers

Improve organisational health and performance

OUR 2022 KPIs

- ROE of > 25%
- Cost-to-income Ratio of < 55%
- PAT growth > 15% every year
- ROA > 4%
- NPL ratio of below 5%
- Liquidity ratio of > 25%

OUR VISION

To be the leading bank, which is customer needs-driven with competitive returns to shareholders.

MATERIAL ESG MATTERS

OUR MATERIAL CONSIDERATIONS

PRIORITY TOPICS

Customer Experience

While the shifts in the marketplace have impacted the CX landscape, our priority is to keep up with the CX trends and get insights on how to best adapt for better engagements with customers.

Digital Transformation

With consumers and organizations finally ready to embrace digital change at a large scale, our consideration as a Group is how to leverage that shift to facilitate future transformations.

Sustainability

As a Group, we focus on a few but more critical SDGs for our business environment. Underneath, we have a framework that is aligned with priority goals and where our specific focus is.

Regulatory Compliance

Regulatory compliance has become one of the most significant banking industry challenges as a direct result of the growing number of regulations that banks must comply with.

Business Growth

We remain fully cognizant that for us to be sustainable, we must achieve excellence in our operations, especially in the context of the changes occurring in the marketplace.

IMPORTANT TOPICS

- Corporate Culture
- Talent Attraction, Growth and Retention
- Diversity and Inclusion
- Stakeholder Management
- Efficiency

OUR ACCOUNTABILITY

OUR INTERNAL CONTROLS

GOVERNANCE AND LEADERSHIP

Focus

Oversight for effectiveness in service delivery, institutional integrity and enterprise risk management

Accountability

Board of Directors, Group Management Committee, Group Director of Risk, Group Legal and Compliance Office.

Controls

Internal and External Independent Audits

GROUP KPIs & SCORECARDS

Focus

Key measures of performance, profitability, cost, capital, strategic initiatives, risk, audit and compliance

Accountability

Board of Directors, Group CEO, and Group Management Committee

Controls

Group Human Resources Committee, Group CEO

CORE VALUES

Focus

PRACTICE is designed to drive service delivery and organisational excellence

Accountability

PRACTICE is designed to drive service delivery and organisational excellence

Controls

Group Director of Human Resources, Human Resource Business Partners

Focus

Accredited with the UN Green Climate Fund (GCF) as a financial intermediary and executing entity for green projects in Tanzania

Key Policies/Controls

Tanzania Environmental Management Act of 2004 and its EIA & Audit regulations of 2005 (and its revised EIA and Audit-amend Regulation 2018) Environmental and Social Management Systems (ESMS

OUR IMPACT

THE VALUE WE CREATED IN 2022

TO OUR SHAREHOLDERS

Business Growth

TZS 351.4
Billion in profit

TZS 134.5
in Earnings Per Share

TZS 1,479.1
in Shareholder Funds

TO OUR CUSTOMERS

Enhanced Service Delivery

1.8 Million
Active Accounts

96%
Digital Channel Usage

87%
Customer Satisfaction

TO SOCIETY AND COMMUNITY

Supporting Transformative Social Causes

TZS 8.8 Billion
Spent on deserving social causes through our CSR initiatives over the last five years

100,000
Trees planted in the last five years

100+
Heart Surgeries for children sponsored in the last five years

Our Strategy

Our strategy is the compass that provides the roadmap of where we want to go and how to get there

Our Risk Appetite

Our People, Our Shareholders & Other Stakeholders

Our Strong Value System

Our strategic value drivers and focus areas align with our resource allocation mechanism to drive impact

Key Inputs

- Financial Capital
- Social & Relationship Capital
- Human Capital
- Intellectual Capital
- Manufactured Capital
- Natural Capital

STRATEGIC THRUSTS

- Improve the quality of our operations
- Digital transformation
- Inclusive financing
- Business diversification
- Cross-border expansion

Beneficiaries

- Our customers
- Our employees
- Regulators and government bodies
- Shareholders and investors
- The community

Our Vision

To be the leading Bank which is customer needs-driven, with competitive returns to shareholders

Our Purpose

To transform lives through financial sector innovation, intuitive action and sustainable business.

Our Mission

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.

STRATEGY

Pillars

- Transform the existing machine
- Build the bank of the future
- Address the enablers

TRANSFORM

Reengineer the business to acquire new capabilities and build a renewed, future-oriented mindset to drive sustainable growth

GROW

Leverage the opportunities in the market to extend the Group's influence and accelerate growth, while delivering optimal value to stakeholders

LONG TERM ADVANTAGE

- **Integrated business model**
  Leverage our business model to create innovative products that address the financial needs of our diverse customers
- **Culture transformation**
  To embed required culture shifts that will improve overall employee experience, and in turn motivate employees to be more purposeful.

KEY PERFORMANCE INDICATORS

FINANCIAL

- Achieve an ROE of > 25%
- Attain a Cost-to-income Ratio of < 55%
- Maintain annual PAT growth > 15% every year
- Achieve a ROA > 4%
- Maintain an NPL ratio of below 5%
- Liquidity ratio of > 25%

NON- FINANCIAL

CUSTOMERS

- No of new customers/accounts opened
- Retention Rate/dormancy rate
- Channel performance
- Customer Satisfaction Index
- Net Promoter Score (NPS)
- Customer engagements and interactions
- Product adoption rate

INTERNAL PROCESSES

- Turnaround time
- Number of processes automated
- Risk compliance levels (all risk indicators)

LEARNING & GROWTH

- Number of trainings provided in a year
- Talent retention rate
- Diversity and inclusion

Strategic Value Unlocks (KPIs)

KEY INDICATOR	Value Drivers	YOY Change	KPI UNIT	2022	2021	2020	2019	2018	CAGR	BENCHMARK	2022 TARGET	OUTLOOK 2023	OUTLOOK MEDIUM TERM	OUTLOOK LONG TERM	ASSURANCE TYPE
PROFITABILITY															
Group Profit After Tax (PAT)	Growth/productivity	▲	TZS (Billion)	**351.4**	268.2	165.2	120.1	64.1	41%	N/A	308	>20.0%	Increase	Increase	MBO
Subsidiary Contribution to Group PAT	Growth/productivity	▲	Percentage	**6.6%**	4.8%	6.8%	3.9%	3.1%		N/A	>5.0%	>5.0%	Increase	Increase	MBO
Return on Equity (ROE)	Productivity/value creation	▲	Percentage	**26.0%**	22.0%	16.3%	13.8%	8.3%	-	N/A	25.00%	>20.0%	Increase	Increase	MBO
Return on Assets (ROA)	Productivity/value creation	▲	Percentage	**4.9%**	4.4%	3.3%	2.6%	1.6%	-	N/A	5.00%	>5.0%	Increase	Increase	MBO
Cost-to-income Ratio (CIR)	Capital Risk Management	▲	Percentage	**49.4%**	55.3%	61.6%	64.4%	66.7%	-	50.00%	<50.0 %	<49.0%	<49.0%	Lower	MBO
Net Interest Margin	Growth/productivity	▼	Percentage	**8.2%**	9.7%	10.7%	11.3%	10.1%	-	N/A	>10.0 %	>10.0%	Increase	Increase	MBO
Non-Funded Income Contribution to Total Income	Growth/Productivity	▲	Percentage	**34.5%**	32.6%	29.2%	27.6%	29.5%		N/A	34.00%	39.00%	40.00%	Grow	MBO
BUSINESS GROWTH															
Total Assets	Business Growth	▲	TZS (Billion)	**11,636.6**	8,817.6	7,170.5	6,597.2	6,035.4	14.0%	N/A	10,000.00	12,000.00	Grow	Increase	MBO
Loans and Advances	Growth/productivity	▲	TZS (Billion)	**6,876.6**	5,040.4	3,929.1	3,382.0	3,126.7	17.1%	N/A	Grow		Grow	Grow	MBO
Customer Deposits	Business Growth	▲	TZS (Billion)	**8,200.4**	6,489.6	5,434.6	5,202.2	4,687.2	11.8%	N/A	Grow	>26.0%	35.00%	Increase	MBO
Shareholders' Funds	Growth/productivity	▲	TZS (Billion)	**1,479.1**	1,219.3	1,011.0	873.1	773.6	13.8%	N/A	-	-	Increase	Grow	MBO
ASSET QUALITY															
NPL Ratio	Capital Risk Management	▲	Percentage	**2.8%**	3.3%	4.4%	5.5%	8.5%		<5.0%	<5.0%	<3.0%	Decrease	Maintain	MBO
Cost of Risk	Capital Risk Management	▲	Percentage	**1.0%**	1.1%	2.5%	2.9%	3.6%		N/A	<2.0%	<2.0%	Maintain	Maintain	MBO
Gross Loans to Customer Deposit	Capital Risk Management	▲	Percentage	**85.8%**	78.8%	75.0%	68.1%	70.7%		80	85.00%	82.00%	74.00%	Decrease	MBO
CAPITAL & LIQUIDITY															
Core Capital (Tier 1)	Capital Risk Management	▼	Percentage	**17.0%**	20.0%	17.8%	17.2%	14.3%		12.50%	12.50%	17.00%	14.0 - 18.0%	14.0 - 18.0%	MBO
Total Capital (Tier 1 + Tier 2)	Capital Risk Management	▼	Percentage	**18.5%**	20.0%	17.9%	17.4%	16.0%		14.50%	14.50%	18.00%	16.0 - 20.0%	16.0 - 20.0%	MBO
Liquidity Ratio	Capital Risk Management	▲	Percentage	**27.0%**	27.5%	25.5%	31.0%	25.8.%		25%	25%	25%	Maintain	Maintain	MBO
SHAREHOLDER VALUE															
Earnings Per Share (EPS)	Business Growth	▲	(TZS)	**134.1**	102.7	63.2	46.0	24.6	40%	N/A	-	>140.0	Increase	Increase	MBO
Dividend Per Share		▲	(TZS)	**45**	36	22	17	8		8 (Baseline)	-	>60	Increase	Increase	MBO
Share Price		▲	(TZS)	**380**	280	225	95	150		Book Value	Book Value	Book Value	Increase	Increase	MBO
DEEPENING ACCESS TO FINANCE															
Number of Bank Agents (CRDB Wakala)	Productivity/Efficiency	▲	Numeral	**28,241**	19,165.00	17,031.00	14,761.00	5,457.00	29%	N/A	22,000.00	26,000.00	42,000.00	Grow	MBO
Digital Adoption & Usage (Trans' Vol)	Productivity/Efficiency	▲	No (in Millions)	**2.5**	1.8	1.2	1.6	1.3		N/A	-	>2.0	Increase	Grow	Management
Digital Channel Usage	Productivity/Efficiency	►	Percentage	96.00%	96.00%	90.00%	87.00%	87.00%		90.0%	>90.0%	>90.0%	Increase	Increase	Management
Dormancy Rate	Productivity/Efficiency	►	Percentage	19.00%	19.00%	56.00%	52.00%	11.00%		10.0%	<20%	<20%	Improve	Maintain <20%	MBO
SERVING OUR CUSTOMERS															
Net Promoter Score (NPS)	Productivity	▲	Percentage	**45.0%**	41.00%	-	-	-		50.00%	>50.0%	52.00%	60.00%	Increase	Management
Mystery Shopping Score	Productivity	▲	Percentage	**81.0%**	79.00%	-	-	-	-	85.00%	>80.0%	82.00%	90.00%	Improve	Management
Customer Satisfaction Index (CSAT)	Productivity	▲	Percentage	**87.0%**	77.00%	-	-	-		95.00%	>80.0%	>80.0%	90.00%	Increase	Management
EMPLOYEE EXPERIENCE AND INCLUSIVITY															
Attrition Rate	Productivity	►	Percentage	**2.0%**	2.0%	2.0%	2.0%	3.0%			80.00%	>80.0%	>95.0%	Increase	Management
Diversity & Inclusion (Male:Female)	Productivity	►	Ratio	**57:43**	57:43	56:44	56:44	56:44	-	50:50	57:43	56:44	Maintain	Equalize	MBO

KEY: MBO - Management and Board Oversight ▲ Positive Change ▲ Moderate Change ▼ Negative Change ► Un-changed

DELIVERING ON OUR STRATEGY

Message from the Group Chairman

Dr Ally Hussein Laay
Board Chairman

Dear Shareholders,

It is with great pleasure, that I present to you the Annual Report and Financial Statements for the financial year ending December 31, 2022. This report highlights our Group's initiatives and successes during the year. It outlines our next steps as we continue to build a resilient enterprise committed to creating sustainable impact. I sincerely thank our shareholders for the steadfast support, which has enabled the Group to rise to the apex of the nation's financial industry. Your commitment to the Bank's progress is undeniable in your continuous engagement, and the unwavering support.

Overview of the Economy

Tanzania

The 2022 financial year continued to experience spill-over effects of global shocks, which included high commodity prices, the resurgence of COVID-19 in some countries, climate change, and high inflation. The shocks emanated from the disruptions in the global supply chains caused by the war between Russia and Ukraine, and a resurgence of COVID-19 in some counties.

Despite these challenges, the Tanzanian economy performed relatively well, maintaining a GDP growth of 5.2%, contributed by agriculture, construction and the transport sectors.

High inflation in most of Tanzania's trading partners and elevated commodity prices in the world market continued to exert pressure on domestic inflation. As a result of the unfavourable external environment, coupled with elevated domestic supply-side constraints, inflation rose to 4.6%. Despite edging up, inflation remained in line with the target for 2022/23, as well as East African Community (EAC) and Southern Africa Development Community (SADC) convergence criteria. The main drivers were food prices, transport, and building materials.

The East African Community (EAC) and the Southern African Development Community (SADC) regional blocs experienced a similar rising pattern of inflation.

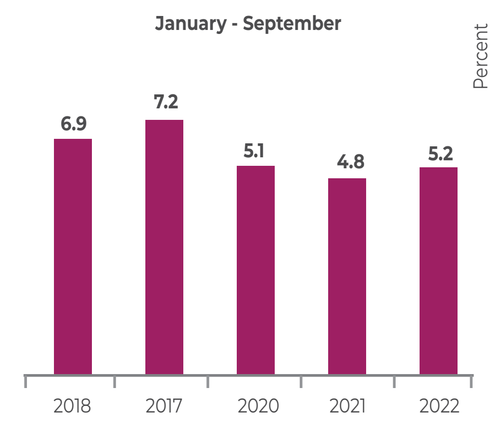
The rising inflationary pressures complicated the conduct of monetary policy by heightening the inflation-growth trade-off. As a result, the Bank of Tanzania (BOT) lessened monetary policy accommodation to align liquidity with monetary targets and safeguard the growth of economic activities.

Extended broad money supply (M3) recorded an average growth of 11% during the year, while credit to the private sector grew by 21%.

Burundi

Burundi's economy remained stable, albeit faced with similar challenges resulting from the global disruptions in supply chain and the Ukraine war. Like the other East African countries, Burundi experienced high inflation reaching 26.6%, driven by food and transport costs. The situation was further compounded by foreign currency shortages, which impeded trade. During the 2022 financial year, the country's GDP averaged 3.6%, driven by a continued recovery of the agriculture and public investment sectors. The inflation rate is projected to decrease in 2023.

Chart 5.1: Real GDP Growth Rates



Source: Office of Chief Government Statistician and Bank of Tanzania Computations

The rising oil prices pushed up the country's commercial deficit, aggravating the current account deficit, which increased from 15.4% of GDP in 2021 to 15.9% in 2022. This evolution affected foreign exchange reserves. Public debt stood at 70% of GDP in 2022 compared to 71.9% reported in 2021 on budget consolidation.

Reflecting on the Group's Financial Performance

Despite the pervasive challenges presented by the year, the Group continued to perform well, pivoting on sound investment decisions and sustained innovation. The Group's profitability sustained a positive streak with a 31% growth in Profit After Tax (PAT) to TZS 351.4 billion from TZS 268.2 billion reported in 2021. The performance signals the bank's strengthening fundamentals, resulting from the reforms undertaken over the previous years.

I wish to take this opportunity to sincerely thank the management team and the entire staff for the efforts they continue to make in ensuring the Group remains profitable. The Board of directors is committed to providing the required support and continues to play its oversight role in guiding the team in implementing the strategy.

Strategic Focus

During the year under review, the Group upheld a focus on sustainable value creation, pointing resources towards high-impact initiatives and innovations in line with the long-term objectives. Specifically, the Group made considerable investments in deepening access to financial services through alternative channels, including expansion of the agency banking network (CRDB Wakala) and enabling account opening through mobile devices.

As a result of these investments, the Group achieved yet another major milestone by crossing the TZS 10 trillion balance sheet threshold. The milestone indicates the Group's growing financial strength in the region and the inherent potential, powered by a resplendent workforce and innovative propositions.

I also wish to thank our government stakeholders, including the industry regulator (BOT), government ministries and the Office of the President, for the continued support throughout the years. More importantly, we acknowledge the government's sustained effort and commitment in creating an enabling environment that supports business growth.

Building Organisational Resilience

Our experience over the last five years has enlightened us on the value of adopting a resilient business model to navigate the ever-evolving challenges, and the continuously shifting business landscape. Like the preceding years, 2022 had its fair share of challenges, mostly emanating from the disruptions in the global supply chains and the elevated commodity prices in the world market. Faced with constituent challenges, our Group prioritized high-value activities and supported local value chains for greater impact.

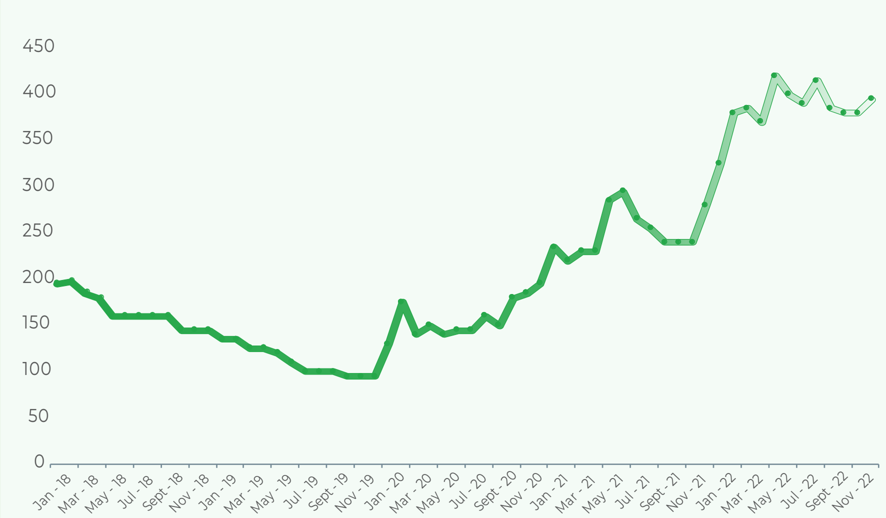
We continue to adapt our model to the changing times to solidify our position in the market in line with our long-term ambitions. In this respect, the Board has approved a new medium-term strategy,

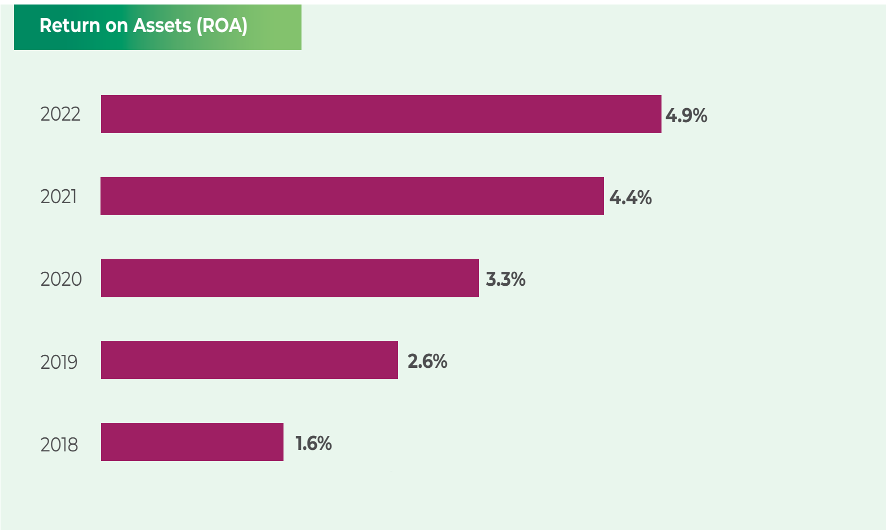
GDP 5.2% Tanzania GDP Growth

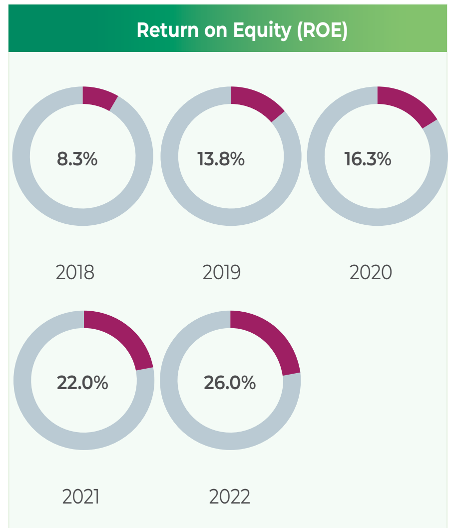
GDP 3.6% Burundi GDP Growth

4.6% Tanzania Inflation

CRDB Share Price (5 Year Trend)







which targets to fuel the Group's growth engines and make it the undisputed market leader. I believe the strategy will provide a new impetus and inspire renewed growth over the next three to five years.

In last year's report, I shared that we were developing an Environmental Social and Governance (ESG) Framework to broaden our sustainability agenda and foster long term growth. I am happy to report that the framework is now in play, and we have begun aligning our strategies to the ESG principles. Moreover, the new medium-term strategy, which took effect in January 2023, fully addresses the key areas identified in the framework.

Governance

The Group continues to maintain a highly skilled board, which has ably guided the achievement of the results detailed in this Annual Report. Over the past five years, directors serving on the Group's board have devoted their time and expertise to helping steer the Group in the wake of the various crises, signalling organisational maturity. We will continue to implement policies to ensure stronger and more resilient governance even as we advance into the next strategic dispensation.

In line with the Group's memorandum and articles of association, shareholders – during the 2021 Annual General Meeting (AGM) re-elected Messrs. Martin Warioba as an independent, non-executive director and Mr. Abdul Ally Mohammed as non--executive director representing shareholders holding below 1%. Both will server for another term of three years.

The year also saw the board approve several changes in the management team in line with the Group's HR policy. Mr Boma Raballa, who served as Director of Retail Banking, was elevated to the position of Chief Commercial Officer (CCO) after the retirement of Dr Joseph Ochieng Witts. Dr Witts had served the Bank for more than two decades. Following the elevation, the Board appointed Mr Bonaventura Paul to serve as Director of Retail Banking in an acting capacity. Similarly, Mr Godfrey Rutasingwa, who was serving as acting Director of Human Resources, was confirmed during the year to serve in a substantive capacity. I wish to, on behalf of the board of directors, heartily thank Dr Joseph Witts for his service and wish him well in his retirement.

Increasing Shareholder Value

In line with our long-term growth strategy, the bank endeavoured to enhance the shareholder value by strengthening performance in key indicators. The efforts returned good tidings with the increase in profitability, which translates to an increase in the dividends recommended. The good performance also continues to inspire investor confidence as seen in the performance of our share price at the bourse. The Bank's shares the highest counter for most part of the year and the biggest gainer with TZS 440.0 per share as at the end of December 2022. This represents a 203% growth from TZS 145.0 recorded in 2018, which was the first year of our medium-term strategy.

Investing in the Society

Our Group continues to lead in addressing socioeconomic challenges through community projects and investments. During the year under review, the Bank invested over TZS 3.1 billion in social causes, aligning with the four strategic pillars - education, health, youth & sports, and environment. The biggest activity was the CRDB Bank Marathon, which attracted more than 6,000 participants and raised above TZS 1 billion towards supporting various social causes, including TZS 250 million extended to the Jakaya Kikwete Cardiac Institute (JKCI), TZS 220 million to CCBRT for mother and child healthcare, and the remainder amount channelled towards supporting cultural programs in Zanzibar. You can read more about our corporate social investment activities in the later pages of this report.

As we implement the ESG principles, we will continue to align our activities to the community's needs, taking into account the emergent challenges and risks associated with global disruptions and the adverse impacts of climate change.

26.0%
Return on Equity (ROE)

154%
YoY Growth in market capitalization over the last five years

TZS 134.5
Earnings per share (TZS)

463%
Growth in dividend per share over the last five years

203%
Growth in share price from TZS 145 in 2018 to TZS 440 in 2022

TZS 470 Million
Funds given towards supporting the Jakaya Kikwete Cardiac Institute (JKCI)

6,000
Partcipants of CRDB Bank Marathon, part of the banks CSR

TZS 3.1 Billion
Given in support of social causes, aligning with our four strategic pillars

Looking Ahead

As we embark on the next phase of growth, we are committed to strengthening our performance, leveraging the new medium strategy to explore new opportunities and frontiers within our anchor market Tanzania, and in Burundi and the DRC. Already, we have made great strides in solidifying our position as a tier 1 bank in Burundi, just a decade after entry. The success of our Burundi operations offers great lessons and insights for our regional expansion strategy.

In the 2023 FY, we expect to commence operations in DRC's Haut Katanga province, a strategic metropolis for copper and cobalt mining. We have engaged with the administrative organs and created stronger allies to support our take-off and subsequent growth in the populous nation.

Our priority, in the medium term, is to strengthen governance frameworks and optimize performance using proper metrics to ensure an accurate assessment of the Group's future prospects. The Board will continue to diligently guide the management team and build stronger relationships for better synergy and greater results.

Dividend Recommendation

The Board endeavours to maintain a balance between maximizing shareholder value and reinvesting money in the company to support future growth. As a result, it has recommended a dividend of TZS 45 per share for the fiscal year ending December 31, 2022, subject to shareholder approval at the Annual General Meeting (AGM).

Acknowledgements

The milestones we continue to achieve as a Group are a product of strong collaborations, unwavering commitment and sheer belief in the greater good. On behalf of the Board of Directors of CRDB Bank, I convey our profound gratitude to all who have contributed to this success. We pay special tribute to our customers in Tanzania and Burundi, who continue to choose our brand as their preferred partner in growth. We are grateful to our partners, suppliers and regulators for their continued patronage and support, without which the strides we've made would be an illusion. I acknowledge the government authorities in our markets, for their steadfast support and continued engagements.

In the same breath, I sincerely thank the management team and staff of CRDB Bank for their undying commitment and efforts that have enabled us to build a strong and compact-led financial entity in the region.

Finally, I wish to acknowledge the support of our shareholders, who continue to trust us with their investments. We are because you are.

Dr. Ally Hussein Laay
Board Chairman

Taarifa ya Mwenyekiti

Dr Ally Hussein Laay
Mwenyekiti wa Bodi

Ndugu Wanahisa,

Kwa furaha kubwa ninawasilisha kwenu Ripoti ya Mwaka na Taarifa za Fedha kwa mwaka wa fedha unaoishia Desemba 31, 2022. Ripoti hii inaangazia juhudi na mafanikio ya Kundi katika mwaka huu. Inaainisha pia hatua zetu zijazo tunapoendelea kujenga biashara thabiti yenye jukumu la kujenga thamani endelevu. Ninawashukuru kwa dhati wanahisa wetu kwa msaada thabiti, ambao umeifanya Kundi kuwa kinara katika sekta ya fedha nchini. Kujitolea kwenu kwa maendeleo ya Benki kunaakisiwa na namna ambayo mmekuwa mkishiriki na kusaidia ukuaji endelevu bila kuchoka.

Muhtasari wa Uchumi

Tanzania

Mwaka wa fedha wa 2022 uliendelea kushuhudia athari za misukosuko na majanga ya kimataifa, ambayo yalijumuisha na bei kubwa za bidhaa, kurejea tena kwa UVIKO-19 katika baadhi ya nchi, mabadiliko ya tabianchi, na mfumuko mkubwa wa bei. Msukosuko wa mfumuko wa bei uliotokana na changamoto katika mnyororo wa usambazaji bidhaa wa kimataifa uliosababishwa na vita kati ya Urusi na Ukraine, na kuibuka upya kwa UVIKO-19 katika baadhi ya nchi.

Licha ya changamoto hizi, uchumi wa Tanzania ulifanya vizuri kwa kiwango cha wastani, ukiendelea kuwa na ukuaji wa Pato la Taifa wa 5.2%, ambao ulichangiwa na kilimo, ujenzi, na sekta ya uchukuzi.

Mfumuko mkubwa kwa washirika wengi wa biashara wa Tanzania na kupanda kwa bei za bidhaa katika soko la dunia kuliendelea kuweka shinikizo kwenye mfumuko wa bei ndani ya nchi. Kutokana na mazingira hafifu ya nje, pamoja na changamoto za usambazaji katika soko la ndani, mfumuko wa bei uliongezeka hadi kufikia 4.6%. Licha ya kuongezeka kidogo, mfumuko wa bei uliendelea kubaki ndani ya makadirio ya mwaka wa fedha 2022/23, pamoja na viwango vya Umoja wa Afrika Mashariki (EAC) na Jumuiya ya Maendeleo ya Kusini mwa Afrika (SADC). Vichochezi vikuu vilikuwa bei za vyakula, usafiri, na vifaa vya ujenzi.

Jumuiya ya Afrika Mashariki (EAC) na Jumuiya ya Maendeleo ya Nchi za Kusini mwa Afrika (SADC) pia zilishuhudia mwenendo sawa wa kuongezeka kwa mfumuko wa bei.

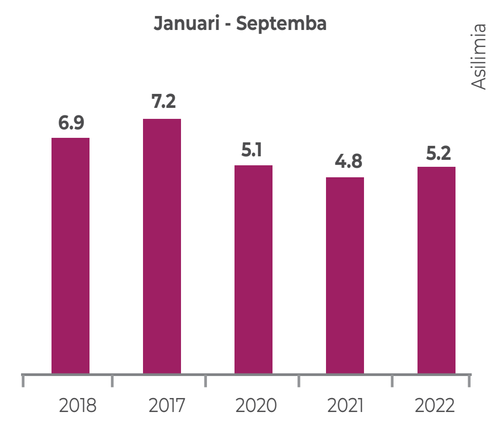
Kuongezeka kwa shinikizo la mfumuko wa bei kulifanya sera ya fedha kuwa ngumu na kuathiri ukuaji wa uchumi. Kutokana na hali hiyo, Benki Kuu ya Tanzania (BOT) iliimarisha sera ya fedha ili kuoanisha ukwasi na malengo ya fedha, na kulinda ukuaji wa shughuli za kiuchumi.

Ujazi wa fedha (M3) ulirekodi ukuaji wa wastani wa asilimia 11 katika mwaka, wakati mikopo kwa sekta binafsi iliongezeka kwa asilimia 21.

Burundi

Uchumi wa Burundi uliendelea kuwa imara, ingawa pia ulikabiliwa na changamoto zilizosababishwa na vikwazo vya kimataifa vya ugavi na vita vya Ukraine. Kama nchi zingine za Afrika Mashariki, Burundi ilipata mfumuko mkubwa wa bei uliotokana na gharama za chakula na usafiri. Hali hiyo iliongezeka kutokana na uhaba wa fedha za kigeni, jambo ambalo lilikwamisha biashara. Katika mwaka wa fedha wa 2022, Pato la Taifa la nchi hiyo lilikua kwa wastani wa 3.6%, likichagizwa na kuendelea kuimarika kwa sekta ya kilimo na uwekezaji wa umma. Shinikizo la mfumuko ulimwenguni, uliochochewa na mgogoro kati ya Urusi na Ukraine, ulipelekea kuongezeka kwa kwa mfumuko wa

Chati ya 5.1: Viwango Halisi vya Ukuaji wa Pato



Chanzo: Ofisi ya Mtakwimu Mkuu wa Serikali na Benki Kuu ya Tanzania ya Mahesabu

bei hadi 26.6%, ingawa kiwango hicho kinakadiriwa kupungua kwa mwaka 2023.

Kupanda kwa bei ya mafuta kuliongeza nakisi ya biashara ya nchi, ikiongeza nakisi ya urari wa biashara ya bidhaa, huduma na uhamisho mali nchi za nje, ambayo iliongezeka kutoka 15.4% ya Pato la Taifa mwaka wa 2021 hadi 15.9% mwaka wa 2022. Hali hii ilikuwa na athari kwa akiba ya fedha za kigeni. Deni la taifa lilikuwa asilimia 70 ya Pato la Taifa mwaka wa 2022 ikilinganishwa na asilimia 71.9 iliyoripotiwa mwaka wa 2021 wakati wa bajeti.

Tathmini ya Utendaji wa Kifedha wa Kundi

Licha ya changamoto mbalimbali zilizojitokeza mwaka 2022, Kundi liliendelea kuwa imara kwa kuzingatia maamuzi sahihi ya uwekezaji na uvumbuzi endelevu. Faida ya Kundi iliendelea kushuhudia ukuaji chanya kwa kuongezeka kwa 31% hadi Shilingi bilioni 351.4 kutoka Shilingi bilioni 268.2 iliyoripotiwa mwaka 2021. Matokeo haya yanaashiria kuimarika kwa misingi ya benki, kutokana na mageuzi yaliyofanywa katika miaka ya nyuma.

Napenda kuchukua fursa hii kuishukuru kwa dhati menejimenti na wafanyakazi wote kwa juhudi wanazoendelea kufanya katika kuhakikisha Kundi linabakia kuwa imara. Bodi ya Wakurugenzi imejitolea kutoa usaidizi unaohitajika na inaendelea kutekeleza jukumu lake la uangalizi katika kuongoza timu kutekeleza mkakati wake wa biashara.

Mtazamo wa Kimkakati

Katika mwaka 2022, mtazamo wa Kundi ulijikita katika kujenga thamani endelevu, kwa kuelekeza rasilimali katika miradi na uvumbuzi wenye athari kubwa kulingana na malengo ya muda mrefu. Kwa ujumla, Kundi lilifanya uwekezaji mkubwa katika kuongeza ufikiaji wa huduma za kifedha kupitia njia mbadala, ikiwa ni pamoja na upanuzi wa mtandao wa benki kupitia wakala (CRDB Wakala) na kurahisisha ufunguzi wa akaunti kupitia simu za mkononi.

Kufuatia uwekezaji huu, Kundi lilifikia hatua nyingine kubwa kwa kuvuka kiwango cha mizania cha shilingi trilioni 10. Hatua hiyo inaashiria kuongezeka kwa uwezo wa kifedha, unaochagizwa na wafanyakazi wenye weledi wa hali ya juu na ubunifu katika huduma na bidhaa. Napenda kuwashukuru kwa dhati menejimenti na wafanyakazi kwa juhudi zao za kuendelea kujitolea, ambazo zimeleta matokeo chanya. Nawashukuru pia wadau wa serikali yetu, wakiwemo Benki kuu (BOT), wizara za serikali na Ofisi ya Rais, kwa kuendelea kuniunga mkono kwa miaka yote. Muhimu zaidi, tunatambua juhudi endelevu na kujitolea kwa serikali katika kuunda mazingira wezeshi ambayo yanasaidia ukuaji wa biashara.

Kujenga Ustahimilivu wa Taasisi

Uzoefu wetu katika miaka mitano iliyopita umetufundisha umuhimu wa kuwa na muundo thabiti wa biashara ili kukabiliana na changamoto na mazingira ya bishara yanazoendelea kubadilika kila wakati. Kama miaka iliyopita, mwaka wa 2022 ulikuwa na changamoto zake, kwa sehemu kubwa zikitokana na kuvurugika kwa minyororo ya usambazaji ulimwenguni na bei kubwa ya bidhaa katika soko la dunia. Kutokana na kukabiliwa na changamoto hizo, tulitoa kipaumbele kwa shughuli zenye kuleta thamani kubwa na kusaidia minyororo ya thamani ya ndani ili kuchochea ukuaji wa uchumi.

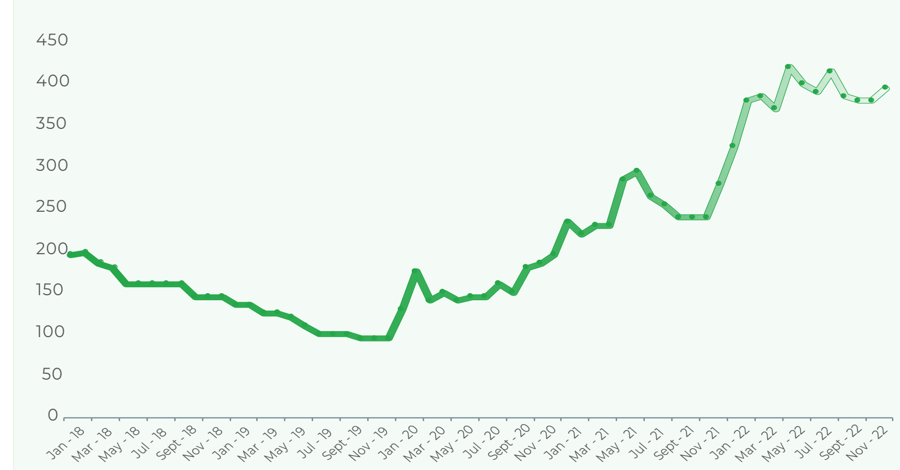
Tunaendelea kuboresha muundo wetu wa biashara kuendana na mabadiliko ili kuimarisha nafasi yetu katika soko kulingana na matarajio yetu ya muda mrefu. Katika minaajiri hiyo, Bodi imeidhinisha mkakati mpya wa muda wa kati, ambao unalenga kuwezesha ukuaji wa Kundi na kutufanya kuwa

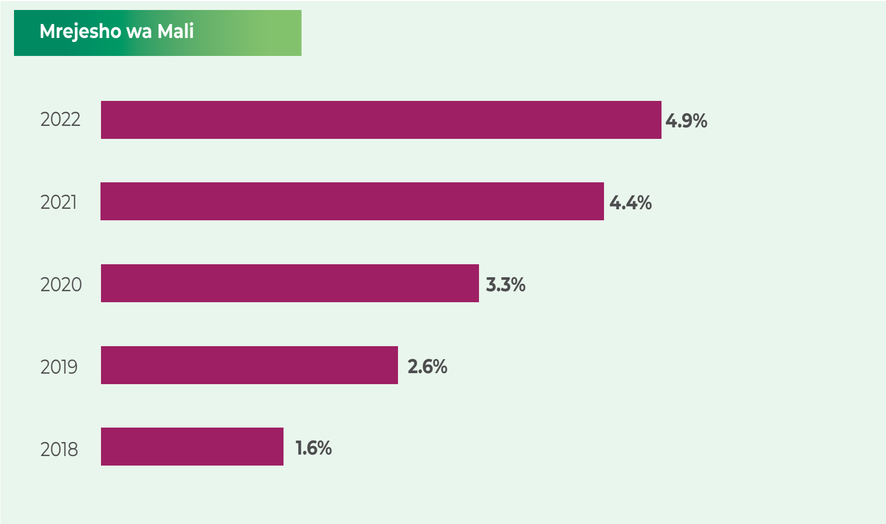
5.2% GDP Ukuaji wa GDP - Tanzania

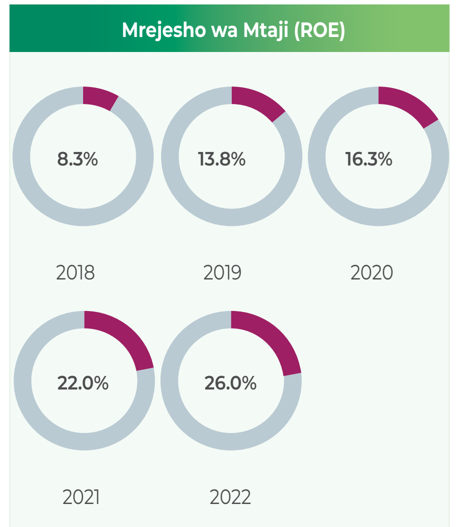
3.6% GDP Ukuaji wa GDP Burundi

4.6% Mfumuko wa bei Tanzania

CRDB Share Price (5 Year Trend)







kiongozi katika soko. Ninaamini mkakati huo utatoa msukumo mpya na kuhamasisha ukuaji mpya katika kipindi cha miaka mitatu hadi mitano ijayo.

Katika ripoti ya mwaka uliopita, nilieleza kuwa tulikuwa tunaandaa Mfumo wa Mazingira, Jamii na Utawala (ESG) ili kupanua ajenda yetu ya ukuaji endelevu na kuchochea ukuaji wa muda mrefu. Nafurahi kuripoti kwamba mfumo huo umekamilika na umeanza kutumika, na tumeanza kuoanisha mikakati yetu na kanuni za ESG. Aidha, mkakati mpya wa muda wa kati, ulioanza kutekelezwa Januari 2023, unashughulikia kikamilifu maeneo muhimu yaliyoainishwa katika mfumo huo.

Uongozi

Benki yetu inaendelea kudumisha bodi yenye Kundi limeendelea kuwa na Bodi yenye ujuzi mkubwa, ambayo imeongoza kwa ufanisi katika kufikia matokeo yaliyotajwa katika Ripoti hii ya Mwaka. Katika kipindi cha miaka mitano iliyopita, Wakurugenzi wanaohudumu katika bodi ya Kundi wametumia muda wao na ujuzi wao kusaidia kuongoza Kundi katika kukabiliana na changamoto mbalimbali, na hii ni ishara ya ukomavu wa taasisi. Tutazidi kutekeleza sera za kuhakikisha utawala bora na usimamizi imara na thabiti hasa tunapoingia katika kipindi cha utekelezaji mkakati mpya.

Kwa kuzingatia Katiba ya Kundi, Wanahisa - wakati wa Mkutano Mkuu wa Mwaka (AGM) wa 2021, walimchagua Bw. Martin Warioba kama mkurugenzi huru, na Bw. Abdul Ally Mohammed kama mkurugenzi anayewakilisha wanahisa walio na hisa chini ya 1%. Wote wawili watahudumu kwa muhula mwingine wa miaka mitatu.

Mwaka huo pia bodi iliidhinisha mabadiliko kadhaa katika uongozi kulingana na sera ya Utumishi ya Kundi. Bw. Boma Raballa, ambaye alikuwa Mkurugenzi wa Wateja Wadogo na wa Kati, alipandishwa cheo na kuwa Afisa Mkuu wa Biashara (CCO) kufuatia kustaafu kwa Dkt Joseph Ochieng Witts. Dk. Witts alitumikia Benki kwa zaidi ya miongo miwili. Kutokana na mabadiliko hayo, Bodi ilimteua Bwana Bonaventura Paul kukaimu nafasi ya Mkurugenzi wa Wateja Wadogo na wa Kati. Vilevile, Bwana Godfrey Rutasingwa, ambaye alikuwa Kaimu Mkurugenzi wa Rasilimali Watu, alithibitishwa kuhudumu katika nafasi hiyo. Kwa niaba ya Bodi ya Wakurugenzi, napenda kumshukuru sana Dk. Joseph Witts kwa utumishi wake na kumtakia kila la kheri katika ustaafu wake.

Kuongeza Thamani ya Uwekezaji wa Wanahisa

Kwa kuzingatia mkakati wetu wa ukuaji wa muda mrefu, benki ilijitahidi kuongeza thamani kwa wanahisa kwa kuboresha utendaji katika viashiria muhimu. Juhudi hizo zilisababisha kuongezeka kwa faida, na hivyo kupeleka kuongezeka kwa gawio linalopendekezwa. Utendaji mzuri pia unaendelea kujenga imani ya wawekezaji kama inavyoonekana katika bei ya hisa zetu. Hisa za benki zinaongoza kwa kuuzwa na kununuliwa katika vipindi vingi vya mwaka, hivyo kupelekea kupanda kwa thamani ya hisa kufikia shilingi 440.0 Desemba 2022. Huu ni ukuaji wa asilimia 203 kutoka shilingi 145.0 iliyorekodiwa mwaka 2018, ambao ulikuwa mwaka wa kwanza wa utekelezaji wa mkakati wetu uliopita.

Uwekezaji katika Jamii

Benki yetu kinaendelea kuongoza katika kushughulikia changamoto za kijamii na kiuchumi kupitia miradi, na majukwaa ya uwezeshaji na uwekezaji kwa jamii. Katika mwaka uliomalizika, Benki iliwekeza zaidi ya shilingi bilioni 3.1 katika masuala ya kijamii, kwa kuzingatia nguzo nne za kimkakati - elimu, afya, mazingira, na uwezeshaji kwa vijana na wanawake. Jukwaa kubwa zaidi la uwezeshaji ni lile la mbio za hisani za kimataifa za CRDB Bank Marathon zilizovutia zaidi ya washiriki 5,000 na kukusanya shilingi milioni 200 ili kusaidia Taasisi ya Moyo ya Jakaya Kikwete (JKCI), shilingi milioni 220 kusaidia wakinamama wenye ujauzito hatarashi hospitali ya CCBRT. Benki pia ilitumia mbio hizo kukusanya fedha kwa ajili ya kutangaza utalii kupitia mchezo wa resi za ngalawa kupitia Tamasha la Kizimkazi. Unaweza kusoma zaidi kuhusu shughuli zetu za uwekezaji kwa jamii katika kurasa za mbele za ripoti hii.

Tunapotekeleza kanuni za mfumo wa ESG, tutaendelea kuoanisha shughuli zetu na mahitaji ya kijamii, kwa kuzingatia changamoto na hatari zinazojitokeza zinazohusishwa na vikwazo vya kidunia na athari za mabadiliko ya tabianchi.

26.0%	154%	TSH 134.5	463%
Mapato yanayotokana Uwekezaji (ROE)	Ukuaji wa mtaji wa soko katika miaka mitano iliyopita	Mapato kwa kila hisa (TSH)	Ukuaji wa gawio kwa kila hisa katika kipindi cha miaka mitano iliyopita
203%	TSH 470 Milioni	6,000	TSH 3.1 Bilioni
Ukuaji wa bei ya hisa kutoka TSH 145 mwaka 2018 hadi TSH 440 mwaka 2022	Fedha zilizotolewa kusaidia Taasisi ya Moyo ya Jakaya Kikwete (JKCI)	Washiriki wa CRDB Bank Marathon, sehemu ya benki CSR	Imetolewa kwa kuunga mkono sababu za kijamii, kupatanisha na nguzo zetu nne za kimkakati

> Tunapotekeleza kanuni za ESG, tutaendelea kuoanisha shughuli zetu na mahitaji ya jumuiya, kwa kuzingatia changamoto na hatari zinazojitokeza zinazohusishwa na usumbufu wa kimataifa na athari mbaya za mabadiliko ya hali ya hewa.

Mtazamo wa Siku za Usoni

Tunapoanza awamu inayofuata ya ukuaji, tumedhamiria kuimarisha utendaji wetu, kwa kutumia mkakati mpya wa kati kutafuta fursa mpya katika soko letu kuu Tanzania, Burundi na DRC. Tayari, tumepiga hatua kubwa katika kuimarisha nafasi yetu sokoni kama benki ya daraja la 1 nchini Burundi, ndani ya muongo mmoja tu baada ya kuingia. Mafanikio ya shughuli zetu za Burundi yanatoa somo na mwanga mzuri kwa mkakati wetu wa kukua kikanda.

Katika mwaka wa fedha 2023, tunatarajia kuanza shughuli zetu nchini Congo (DRC) katika jimbo la Haut Katanga, mji wa kimkakati wa uchimbaji wa madini ya shaba na kobalti. Tumefanikiwa kujenga uhusiano mzuri na taasisi muhimu unaosaidia uanzishaji wa shughuli zetu na kujihakikishia ukuaji wa kibiashara katika taifa hilo lenye idadi kubwa ya watu.

Kipaumbele chetu, katika kipindi cha utekelezaji wa mkakati mpya, ni kuimarisha mfumo wa utawala na kuongeza ufanisi kwa kutumia viashiria sahihi ili kuhakikisha tathmini sahihi ya matarajio ya siku za usoni ya Kundi. Bodi itaendelea kuiongoza timu ya menejimenti kwa bidii na kujenga uhusiano imara kwa ajili ya ushirikiano bora na matokeo makubwa zaidi.

Mapendekezo ya Gawio

Bodi imedhamiria kuendelea kuweka uwiano mzuri kati ya kuongeza thamani ya uwekezaji wa wanahisa na uwekezaji wa faida ili kusaidia ukuaji wa siku zijazo. Kutokana na hali hiyo, Bodi imependekeza gawio la shilingi 45 kwa kila hisa kwa mwaka wa fedha unaoishia Desemba 31, 2022, kwa kuzingatia idhini ya wanahisa katika Mkutano Mkuu wa Mwaka (AGM).

Shukrani

Mafanikio tunayoendelea kuyapata kama Kundi ni matokeo ya ushirikiano imara, kujitoa kwetu, na imani ya wadau katika utendaji wetu. Kwa niaba ya Bodi ya Wakurugenzi wa Benki ya CRDB, ninatoa shukrani za dhati kwa wote waliochangia katika mafanikio haya. Tunatoa shukrani za kipekee kwa wateja wetu Tanzania na Burundi, ambao wanaendelea kuchagua benki yetu kama mshirika namba moja katika ukuaji. Tunawashukuru washirika wetu, wazabuni, na mamlaka za usimamizi na udhibiti kwa kuendelea kutuunga mkono katika kila hatua. Nazishukuru mamlaka za serikali katika masoko yetu kwa uungwaji mkono wao thabiti na ushirikiano wanaoendelea kutupatia.

Aidha, kwa dhati kabisa ninawashukuru Menejimenti na wafanyakazi wa Benki ya CRDB kwa weledi na juhudi zao ambazo zimetuwezesha kujenga taasisi imara ya fedha inayoongoza nchini.

Mwisho, ninapenda kutambua uungwaji mkono wa wanahisa wetu, ambao wameendelea kutuamini katika kusimamia uwekezaji wao. Kufanikiwa kwetu kunatokana na imani yenu.

Dr Ally Hussein Laay
Mwenyekiti wa Bodi

Group CEO's Statement

Abdulmajid Nsekela
Group CEO & Managing Director

Dear Shareholders,

When the board handed me the assignment to steer this Group five years ago, I was determined to live up to the expectations by turning around the bank's financial performance, and engendering sustainability in its operations. Whereas it has not been a walk in the park, today I am proud that we can look back with pride, acknowledging the strides we've made in building a resilient institution and a market leader.

First of all, I wish to thank each of you for the continued support and the unflinching guidance that I continue to receive in the course of my duties. Today, CRDB Bank occupies an enviable position as our country's largest commercial bank and a market leader, not by chance but by the will, grit and the sweat of our shareholders, partners, staff and a host of other persons of goodwill. We remain eternally grateful to all of you for the continued partnership, and commit to doing more for the greater good.

Reflecting on Our Performance

The last five years provide a good test case of the potential of CRDB Bank Group in terms of performance and impact creation. Despite the challenges in the external environment, the Group continues to exhibit great prospects, underlined by strong fundamentals and dynamic offerings that capture the market's needs. The positive position is a result of the successful implementation of the medium-term strategy (2018 -2022), premised on three pillars:

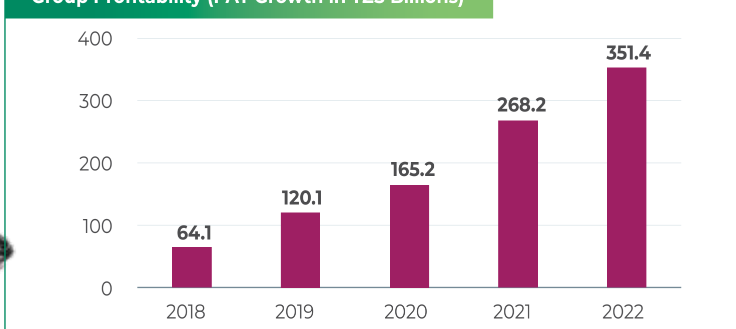
- Transforming the existing machine
- Building the Bank of the future
- Addressing enablers

When we embarked on this journey in 2018, our priority was to ensure painstaking execution of the five-year strategy to achieve the optimal potential of the Group. To ensure a perfect take-off, we implemented a raft of reforms within the first two years with a focus on strengthening the operating model and remodelling the leadership structure for efficient delivery. I am glad that the interventions, alongside other strategic initiatives and investments, have yielded positive results and positioned our Group on a steady path to sustainability.

The 2022 financial year was the final year of the strategy's implementation and the results achieved showcase the actual value of a sound strategy, complemented by dexterity of execution. Looking at the key indicators, it is evident that the reforms undertaken over the period have aligned the bank fit for growth.

During the 2022 FY, the Group's PAT grew by 31% to TZS 351.4 billion, from TZS 268.2 billion reported in 2021. The growth is attributable to the Group's sustained efforts and initiatives to deepen access to financial services, which have expanded the customer base and unlocked new opportunities and a fresh potential of business in our markets.

Group Profitability (PAT Growth in TZS Billions)



Our efforts to enhance the efficiency of our operations continue to bear results with significant improvements in our cost of business, as reflected in the cost-to-income ratio, which has improved significantly from 66.7% in 2018 to 49.4% in 2022. Key interventions implemented to enhance efficiency included:

- Increasing productivity by optimizing resources to address cost leversEngendering prudent financial management
- Engendering prudent financial management
- Automating key processes
- Optimising the workforce to guarantee value for money.

A key strategic consideration during the five years was to ensure high asset quality. To accelerate gains in this aspect, the Group implemented far-reaching reforms in its credit administration processes, leveraging technology to increase efficiency and ensure portfolio quality. Specifically, the automation of the credit processes has enabled the Group to underwrite a good calibre of clients, effectively monitor facilities, efficiently manage delinquencies and undertake swift recoveries. As a result, the Bank's asset quality has improved significantly, with the Group Non- Performing Loans (NPL) ratio moving from 8.5% in 2018 to 2.8% in 2022.

The improved operational capabilities and enhanced service delivery have enabled the Group to scale up its services and deploy innovative solutions that continue to transform the market.

Over the period, the Bank introduced new products to cater to various market segments, ostensibly to empower the population to achieve financial freedom. Some innovative products launched over the time include an enhanced SimBanking platform, which provides a dynamic user-interface, and tailored products for special groups such as microentrepreneurs, SMEs and underserved groups such as youth and women.

In addition, The Group continued to bolster its Burundi subsidiary, which led to better performance and the biggest profit recorded since its establishment in 2012. The subsidiary's post-tax profit increased 79.7% from TZS 12.8 billion in 2021 to TZS 23.0 billion in 2022, contributing 7.0% to the Group's profit.

On the other hand, the Group has finalised plans to commence operations in the Democratic Republic of Congo (DRC), in line with its ambitions to expand regionally. We expect to conclude all the red tape and begin serving our clients within the second half of 2023.

2.8%
Group NPL Ratio, down from 8.5% in 2018

49.4%
Cost of business, down from 66.87% in 2018

40.5%
Five-year cumulative growth in PAT

351.4 Billion
Profit After Tax up from 268.2 billion in 2021

26.0%
Return on Equity up from 22.0 in 2021

23.0 Billion
Burundi Subsidiary's PAT, an increase from 12.8 billion in 2021

At the core of our Group's purpose is the desire to build economies and facilitate sustainable livelihoods. Over the past five years, we have continued to develop solutions aimed at unlocking opportunities for commerce and providing credit to accelerate growth in the various sectors of our country's economy.

We have endeavoured to invest in every sector, remaining cognisant of the challenges and risks specific to the sector. For instance, our investments in agriculture, which is the mainstay of our economy, are premised on the strategic intent to facilitate achievement of food security, and driving value addition along the entire value chain. Since 2018, agriculture has constituted the largest portfolio on our loan book, which explains the commitment to growing the sector.

We have also paid considerable attention to all the other sectors, including infrastructure, construction, mining, fishing, health, hospitality and tourism. We have modelled our financing solutions around the wider economic transformation agenda to provide much-needed support to the government and other stakeholders in building a robust economy that guarantees prosperity for all.

Driving Financial Inclusion

As the market leader in Tanzania, CRDB Bank continues to play an active role in driving financial inclusion, which we see as integral to our growth. Over the past five years, the Bank has made various strategic interventions to deepen access to financial services, leveraging technology and the agency banking model to reach the underserved segments of the population. As a result, the Bank's customers have grown nearly three-fold from just about 1.5 million in 2018 to more than 3.4 million in 2022.

From a technology perspective, we have invested in a robust digital banking platform that is in sync with the lifestyles of most of our customers and offers unrivalled convenience in the market. Today, more than 95% of the transactions in our bank are occurring digitally. We see this as an opportunity to lead from the front in driving access, which has multiplier effect on the livelihoods of the disenfranchised segments. The expansion our agency banking services has also played a crucial role in deepening access to financial services. Over the last five years, we have grown the agency network exponentially from 5,457 wakala agents in 2018 to more than 28,241 in the 2022 FY. The growth showcases the premium value we have placed on delivering services to far-flung areas and facilitating commerce for economic building.

Similarly, through specialised products and propositions such as the machinga loan, Women Access to Finance (WAFI) and Malkia Account, CRDB Bank has continued to scale support underserved segments, further unlocking new growth opportunities.

Leveraging Strategic Partnerships to Drive Growth

As a Group, we appreciate the value of partnerships in delivering services to our customers. During the five years, the Group made tremendous gains in building strategic partnerships, which have proven instrumental in many ways. Over the period, partnerships have enabled the Group to marshal capital, deploy new technologies and integrate services that have enriched our customers' experience. In addition, the Group has, through

3.4m

Number of Customers, up from 1.5m in 2018

96%

Transactions occuring digitally

28,241

Number of Agency banking outlets, up from 5,457 in 2018

70%

knowledge sharing partnerships upskill

18.5%

Jumla ya Uwiano wa Mtaji kutoka 20.0% mwaka 2021

knowledge-sharing partnerships, been able to upskill nearly 70% of its staff through training and exchange programs. The results we witness today are a culmination of the various partnership efforts that we continue to build, even as we angle for more opportunities in the future.

We have also devoted resources to creating international networks through strategic engagements. Over five years, we have showcased the Bank's propositions worldwide, and successfully positioned the Group as a strategic partner to those looking to invest in or trade with East Africa. Our strategy is to expand the horizon and reach out to more partners to build stronger and more meaningful partnerships.

Investing in Our People

The goal of CRDB Bank is to excel as a High-Performance Organization (HPO) and a model employer in the region. To best support our long-term ambitions, we are continuously improving our human capital in readiness for the future. Over the past five years, a key priority has been creating an atmosphere that fosters excellence, creativity, and innovation.

During this period, the Group focused on reforming the work environment, improving employee welfare, capacity building, and retooling its workforce. In addition, the Group introduced various strategic forums to drive employee engagements through sporting tournaments for different sports such as football and basketball among other field activities activities. These initiatives have not only improved team synergy across the network, but also added impetus to the culture transformation program that we are implementing to fully transform our workforce. During the year under review, the bank rolled out a culture transformation program that is designed to drive a mindset change among employees and shape new perspectives that are aligned with the long-term ambitions. In the long term, the Bank targets to create propitious grounds for efficiently delivering essential HR services and ensuring that all employees and HR processes work in close alignment to build customer connectivity, innovation, and talent capabilities across the organisation.

To create flexible and realistic action points for the organisation, the Group continues to make purposeful investments in understanding its human resource development challenges and priorities.

Integrating ESG in Our Operations

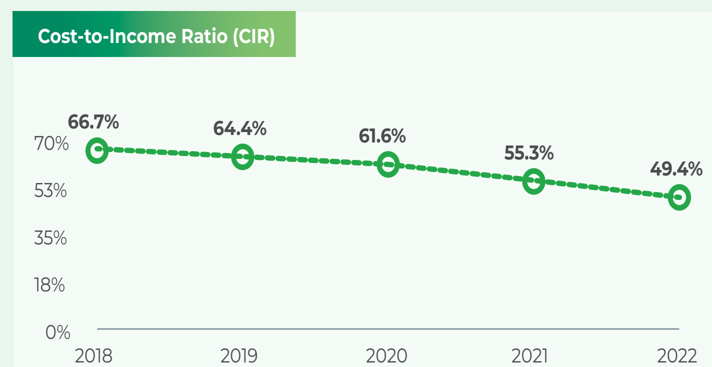
Over the past year, environmental, social, and governance (ESG) efforts have become a

> The expansion our agency banking services has also played a crucial role in deepening access to financial services. Over the last five years, we have grown the agency network exponentially from **5,457** wakala agents in 2018 to more than **28,241** in the 2022 FY.

strategic necessity for all firms. ESG is an issue that is crucial at the board level and essential to cascade throughout organisations operationally, owing to increased focus and demand from investors, regulators, employees, and other stakeholders. Our Group understands the importance of these efforts and has developed a framework for implementation, as you will later read in this report. Specifically, we have outlined key results areas and developed strategies to actualise them within the next five years. Our new medium-term strategy fully addresses the key social, environmental, and governance risks that may impede the achievement of the objectives and has developed practical metrics to track implementation efforts.

In terms of environmental sustainability, our Group has made significant achievements in driving climate adaptation and technology deployment to mitigate the impacts of climate change in Tanzania. The Bank has been actively involved in the climate action agenda and participated in both COP26 and COP27. As the country's sole accredited Direct Access Entity (DAE) with the Green Climate Fund (GCF), CRDB Bank is championing the green agenda in Tanzania, and has made significant contributions to the national ambitions, in mitigating the impact of climate change through climate adaptation.

We are in the advanced stages of rolling out the 200-million-dollar Tanzania Agriculture Climate Adaptation and Technology Deployment Program (TACATDP), which targets to benefit more than six million people over five years. Through the program, the bank will provide affordable credit to farmers engaged in climate resilient agricultural practices in line with climate action.



Looking Ahead

The 2023 financial year marks the first of our new five-year strategy. The strategy addresses the gaps we have identified, considers the disruptions in the business environment, and captures our long-term aspirations as a business. It is themed 'Evolve', which means 'to grow gradually', but its derived meaning implies 'changing with the times.' For our Group, changing with the times is imperative and smart. Smart because it will ensure the Group's relevance and longevity. As a concept of our strategy, EVOLVE means focusing on building the economy, generating sustainable value, and leveraging partnerships to drive growth and impact. It also means providing leadership in sustainability and addressing vulnerabilities (risks) that may impede these goals' achievement.

The strategy has put the customer at the centre of all our actions. This means that going forward, we will endeavour to undertake initiatives that aim to enhance the experience of our customers and respond to their unique financial needs. More importantly, the new strategy has redefined our core purpose and outlined the long-term aspirations in the context of the shifting business landscape. As a result of this, we have new vision and mission statements that place more focus on the ultimate purpose – to improve livelihoods and deliver sustainable Impact. I am confident that the new vision and mission will steer the Group toward future relevance by integrating our efforts on People, Planet, and Profit to create sustainable outcomes.

Adopting this holistic view will create a positive multiplier effect that benefits our business, the community, and the economies in which we operate. We will complement the new vision and mission with our strong value system to reinforce the desired culture and achieve our targeted results.

Appreciation

The success we have realised over the five years is a result of the explicit support we continue to receive from our stakeholders. We don't take it for granted that our customers, partners, suppliers, regulators and other stakeholders have chosen to remain with us, throughout the uneven times. I sincerely thank each of you for the collaboration, guidance, feedback and the support you have rendered to us.

I also thank the management team and staff of CRDB Bank for their continued commitment to keep the dreams of shareholders alive. I am particularly grateful to the board of directors, for their steadfastness and dedication with which they continue to provide leadership. In a similar scope, I acknowledge and appreciate the support given by the government, under the leadership of Her Excellency President Samia Suluhu and the entire administration for the incessant support. Lastly, on behalf of the board of directors and staff of CRDB Bank, I extend my heartfelt gratitude to you, our shareholders, for the continued trust and belief in this investment.

Abdulmajid Nsekela
Group CEO & Managing Director

Taarifa ya Afisa Mtendaji Mkuu wa Kundi na Mkurugenzi Mtendaji wa Benki ya CRDB

Abdulmajid Nsekela
Mkurugenzi Mtendaji

Ndugu Wanahisa,

Nilipokabidhiwa jukumu la kuongoza Benki miaka mitano iliyopita, nilidhamiria kutimiza matarajio kwa kuboresha utendaji wa kifedha wa benki, na kuhakikisha tunakuwa na ukuaji endelevu katika biashara yetu. Ingawa haikuwa rahisi, lakini leo ninajivunia kuona tunaweza kutazama nyuma tulipotoka kwa furaha kubwa, tukitambua hatua kubwa tuliyopiga katika kujenga Benki imara na kiongozi katika soko.

Kwanza kabisa, napenda kushukuru kila mmoja wenu kwa ushirikiano na ushauri ambao mmekuwa mkinipatia katika kutekeleza majukumu yangu. Leo hii, Benki ya CRDB inashikilia nafasi ya benki kubwa zaidi ya biashara na Benki kiongozi nchini, si kwa bahati mbaya bali kwa utashi, imani na kujitoa kwa wanahisa wetu, washirika, wafanyakazi na watu wengine wengi wenye nia njema na Benki yetu. Ninawashukuru wote kwa ushirikiano mnaotupatia, na ninaahidi kuendelea kufanya kazi kwa bidii na weledi mkubwa kwa manufaa makubwa zaidi kwetu sote.

Tafakari ya Utendaji Wetu

Miaka mitano iliyopita inatoa taswira nzuri ya uwezo wa Kundi katika utendaji na uzalishaji wa matokeo chanya. Licha ya changamoto katika mazingira ya nje ya biashara, Kundi linaendelea kuonyesha matarajio makubwa ya kibiashara, yakichagizwa na misingi thabiti na huduma na bidhaa madhubuti ambazo zinazingatia mahitaji ya soko. Mafanikio yaliyopatikana ni matokeo ya utekelezaji mzuri wa mkakati wetu wa muda wa kati 2018 -2022, uliojikita kwenye nguzo tatu:

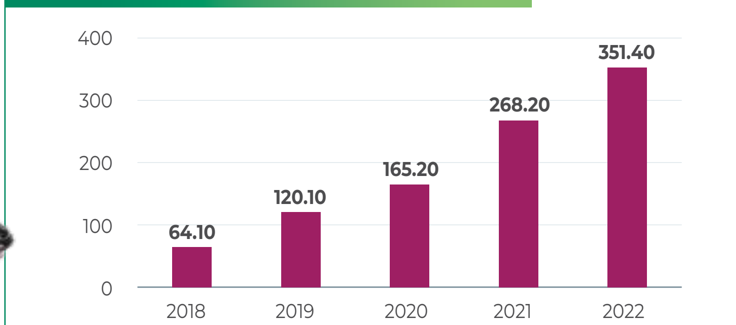
- Kuboresha miundombinu ya utoaji huduma
- Kujenga Benki ya Kesho
- Kuboresha mazingira ya utendaji/ ufanyaji kazi

Tulipoanza safari hii mwaka 2018, kipaumbele chetu kilikuwa ni kuhakikisha utekelezaji wa makini wa mkakati wa miaka mitano ili kufikia uwezo kamili wa Kundi. Katika kuhakikisha tunaanza vizuri utekelezaji, tulifanya mageuzi kadhaa katika kipindi cha miaka miwili ya mwanzo kwa lengo la kuimarisha mfumo wa uendeshaji na kurekebisha muundo wa uongozi kwa ajili ya kuongeza ufanisi. Ninafurahi kuona kuwa hatua zilizochukuliwa, pamoja na mipango mingine ya kimkakati na uwekezaji, imeleta matokeo chanya na kuweka Kundi kwenye njia thabiti ya uendelevu.

Mwaka wa fedha wa 2022 ulikuwa mwaka wa mwisho wa utekelezaji wa mkakati huo na matokeo yaliyopatikana yanaonyesha thamani halisi ya mkakati thabiti, na uliotekelezwa kwa ustadi mkubwa. Tukiangalia viashiria muhimu, ni Dhahiri kuwa mageuzi yaliyofanywa katika kipindi hicho yaliiweka Benki katika njia sahihi ya ukuaji.

Katika mwaka wa 2022, Faida Baada ya Kodi ya Kundi ilikua kwa 30.5% hadi kufikia shilingi bilioni 351.4, kutoka shilingi bilioni 269 zilizoripotiwa mwaka 2021. Ukuaji huu unatokana na juhudi endelevu za Kikundi za kuongeza upatikanaji wa huduma za kifedha, ambazo zimepanua wigo wa wateja na kufungua fursa mpya za biashara katika masoko yetu.

Faida ya Taasisi (Ukuaji wa PAT kwa Bilioni za TZS)



Juhudi zetu za kuimarisha ufanisi wa shughuli zetu zinaendelea kuleta matokeo chanya, kuna maboresho makubwa katika gharama zetu za biashara, kama inavyodhihirika katika uwiano wa gharama na mapato, ambao umeimarika kwa kiasi kikubwa kutoka 66.7% mwaka 2018 hadi 49.8% mwaka wa 2022. Hatua muhimu za maboresho zilizotekelezwa ili kuongeza ufanisi ni pamoja na:

- Kuongeza uzalishaji kwa kuboresha matumizi ya rasilimali
- Kuboresha usimamizi wa fedha
- Matumizi ya mifumo ya kiteknolojia katika maeneo muhimu ya utoaji huduma na,
- Matumizi sahihi ya nguvu kazi ili kuhakikisha thamani kwa pesa.

Jambo muhimu la kimkakati lililotiliwa mkazo katika kipindi cha miaka mitano iliyopita lilikuwa ni kuhakikisha ubora wa mali unaongezeka. Kuhakikisha mafanikio katika eneo hili, Kundi lilitekeleza mageuzi makubwa katika mfumo wake wa usimamizi wa mikopo, tukitumia fursa ya teknolojia kuongeza ufanisi na kuhakikisha ubora wa mikopo. Mifumo ya kiteknolojia imeiwezesha Benki kuweza kutoa mikopo kwa wateja wa kiwango bora, kufuatilia mikopo kwa urahisi, kudhibiti makosa kwa ufanisi na kuwezesha marejesho ya mikopo kwa wakati. Kutokana na hali hiyo, ubora wa mali za Benki umeimarika kwa kiasi kikubwa, huku uwiano wa Mikopo Chechefu wa Kundi ukipungua kutoka 8.5% mwaka 2018 hadi 3.3% mwaka 2022.

Kuboreshwa kwa uwezo wa kiutendaji na kuimarishwa kwa utoaji wa huduma kumewezesha Kundi kuongeza ubora wa huduma zake na kuleta masuluhisho ya kibunifu ambayo yanaendelea kuboresha soko. Katika kipindi cha miaka mitano, Benki ilianzisha bidhaa mpya kwa ajili ya kukidhi makundi mbalimbali katika soko, ili kuwawezesha watu kupata uhuru wa fedha. Baadhi ya bidhaa bunifu zilizozinduliwa kwa wakati huo ni pamoja na SimBanking iliyoboreshwa ambayo inamuwezesha mtumiaji kuzifikia huduma nyingi zaidi kupitia simu yake ya mkononi, pamoja na bidhaa zilizoboreshwa kwa ajili ya makundi maalum kama vile wajasiriamali wadogo wadogo na wa kati, na makundi ambayo hayajafikiwa ipasavyo kama vile vijana na wanawake.

Aidha, Kundi limeendelea kuimarisha kampuni yake tanzu ya Burundi, hali iliyopelekea utendaji bora na faida kubwa zaidi iliyoripotiwa tangu kuanzishwa kwake mwaka 2012. Faida ya kampuni tanzu ya Burundi baada ya kodi iliongezeka kwa asilimia 79.7 kutoka shilingi bilioni 12.8 mwaka 2021 hadi shilingi bilioni 23.0 mwaka 2022, ikichangia asilimia 7.0 katika faida ya Kundi.

Kwa upande mwingine, Benki imemaliza mipango ya kuanza shughuli zake Jamhuri ya Kidemokrasia ya Congo (DRC), kulingana na malengo yake ya kupanua wigo wa kibiashara katika ukanda huu. Tunatarajia kuhitimisha taratibu zote na kuanza kutoa huduma ndani ya nusu ya pili ya mwaka 2023.

Kuwezesha Ukuaji wa Uchumi

Azma ya Benki yetu chetu ni kujenga uchumi na kuhakikisha kuwa maisha ya watu yanakuwa endelevu. Katika miaka mitano iliyopita, tumeendelea kuendeleza kubuni masuluhisho yanayolenga kufungua fursa za biashara na kutoa mikopo kwa ajili ya kuchochea ukuaji katika sekta mbalimbali za uchumi wa nchi yetu. Tumejitahidi kuwekeza katika kila sekta,

2.8% Uwiano wa Kundi wa NPL, kutoka 8.5% mwaka wa 2018	49.4% Gharama ya biashara, kutoka 66.87% mwaka 2018	40.5% Ukuaji wa jumla wa PAT kwa miaka mitano
351.4Billion Faida Baada ya Kodi kutoka bilioni 268.2 mwaka 2021	26.0% RoE imependa kutoka 22.0 mwaka 2021	23.0Billion Faida ya baada ya kodi ya Kampuni Tanzu ya Burundi, ikiwa ni ongezeko kutoka bilioni 12.8 mwaka 2021.

tukizingatia changamoto na vihatarishi mahsusi katika sekta hizo. Kwa mfano, uwekezaji wetu katika kilimo, ambacho ndicho msingi wa uchumi wetu, umejikita katika dhamira ya kimkakati ya kuwezesha upatikanaji wa uhakika wa chakula, na kuongeza thamani katika mnyororo mzima wa thamani. Tangu 2018, kilimo kimechukua sehemu kubwa zaidi ya mikopo yote inayotolewa na benki, hii inadhihirisha nia yetu ya kukuza sekta hiyo.

Pia tumetoa kipaumbele kikubwa kwa sekta nyingine zote, ikiwa ni pamoja na miundombinu, ujenzi, madini, uvuvi, afya, na utalii. Tumetengeneza suluhisho za kifedha kuzingatia ajenda pana ya mageuzi ya kiuchumi ili kutoa msaada muhimu kwa serikali na wadau wengine katika kujenga uchumi imara unaohakikisha ustawi kwa wote.

Ujumuishi wa Kifedha

Kama Benki kiongozi katika soko nchini Tanzania, Benki ya CRDB inaendelea kuchukua jukumu kubwa katika kukuza ujumuishi wa kifedha, ambao tunaona ni muhimu kwa ukuaji wetu. Katika kipindi cha miaka mitano iliyopita, Benki imefanya maboresho mbalimbali ya kimkakati ili kuongeza wigo wa upatikanaji wa huduma za kifedha, ikitumia fursa ya teknolojia na mfumo wa utoaji huduma kupitia mawakala kufikia makundi ambayo hayajafikiwa na huduma za kifedha. Jitihada hizo zimepelekea wateja wa Benki kuongezeka karibu mara tatu kutoka milioni 1.5 mwaka 2018 hadi zaidi ya milioni 3.4 mwaka 2022.

Kwa mtazamo wa kiteknolojia, tumewekeza katika mfumo thabiti wa kidijitali ambao unaendana na mitindo na maisha ya wateja wetu wengi na unatoa urahisi wa huduma katika soko. Leo, zaidi ya 95% ya miamala katika benki yetu inafanyika kidijitali. Tunaiona hii kama fursa ya kuongeza ufikishaji wa huduma, hasa kwa kundi kubwa ambalo lilikuwa halijafikiwa. Uboreshaji wa huduma za CRDB Wakala pia umekuwa na jukumu muhimu katika kuongeza ufikishaji wa huduma za kifedha. Katika miaka mitano iliyopita, tumekuza mtandao wa wakala kwa kasi kikubwa kutoka mawakala 5,457 mwaka 2018 hadi kufikia zaidi ya mawakala 28,241 katika mwaka wa fedha 2022. Ukuaji huu unaonyesha thamani ya juu ambayo tumeiweka katika kutoa huduma kwa maeneo yaliyopo mbali ili kuwezesha biashara kwa ajili ya kujenga uchumi.

Vile vile, kupitia bidhaa na huduma maalum kama vile mkopo wa machinga, Mpango wa Uwezeshaji wa Wanawake (WAFI), na Akaunti ya Malkia, Benki ya CRDB imeendelea kuongeza wigo wa huduma kwa sehemu ambazo hazijafikiwa, na hivyo kufungua fursa mpya za ukuaji.

Kutumia Ubia wa Kimkakati kuchochea Ukuaji

Kama Kundi, tunathamini umuhimu wa ushirikiano katika kutoa huduma kwa wateja wetu. Katika muda wa miaka mitano, Benki ilipata mafanikio makubwa katika kujenga ubia wa kimkakati, ambao umeonekana kuwa na athari kwa kiasi kikubwa. Katika kipindi hicho, ubia umewezesha Kundi kupata mtaji, kuja na teknolojia mpya, na kuunganisha huduma ambazo zimesaidia kuboresha uzoefu wa wateja wetu. Zaidi ya hayo, Kundi, kupitia ushirikiano wa kubadilishana ujuzi, limeweza kuongeza ujuzi kwa takribani 70% ya wafanyakazi wake kupitia mafunzo na programu za kubadilishana. Matokeo tunayoshuhudia leo ni sehemu ya juhudi mbalimbali za ushirikiano tunaoendelea kujenga, na ni matumaini yetu kuwa tutaendelea kutumia fursa hizi za ushirikiano katika siku zijazo.

3.4m

Idadi ya Wateja, kutoka 1.5m mwaka 2018

96%

Shughuli zinazofanyika kidijitali

28,241

Idadi ya Wakala wa benki, kutoka 5,457 mwaka 2018

70%

ustadi wa kugawana maarifa

18.5%

Ukuaji wa Uwiano wa Mtaji kutoka 20.0% mwaka 2021

Pia tumewekeza rasilimali kutengeneza ushirikiano wa kimkakati katika nyanja ya kimataifa. Kwa muda wa miaka mitano, tumeonyesha mwelekeo wa Benki yetu duniani kote, na tumefanikiwa kufanya Kundi kuonekana kama mshirika wa kimkakati kwa wale wanaotaka kuwekeza au kufanya biashara ndani ya Afrika Mashariki. Mkakati wetu ni kuongeza wigo na kuwafikia washirika wengi zaidi ili kujenga ushirikiano imara na wenye tija zaidi.

Kuwekeza kwa Watu Wetu

Lengo la Benki ya CRDB ni kuwa Shirika Bora Kiutendaji na mwajiri wa mfano katika ukanda huu. Ili kufikia malengo haya, tunaendelea kuwapa mafunzo na kuwaanda wafanya kazi wetu kuendana na mabadiliko katika soko. Katika kipindi cha miaka mitano iliyopita, kipaumbele kikuu kimekuwa ni kutengeneza mazingira ya kukuza ubora, ubunifu na uvumbuzi.

Katika kipindi hiki, Kundi lilijikita katika kurekebisha mazingira ya kazi, kuboresha ustawi wa wafanyakazi, kujenga uwezo, na kurekebisha nguvu kazi yake kwa ujumla. Aidha, Kundi lilianzisha na kuendesha shughuli mbalimbali za kimkakati ili kuwakutanisha wafanyakazi ikiwa ni pamoja na kuanzisha mashindano ya michezo mbalimbali kama vile mpira wa miguu na mpira wa kikapu na michezo mingineyo. Juhudi hizi sio tu zimeboresha ushirikiano wa wafanyakazi wetu, pia zimeongeza chachu ya mabadiliko ya utamaduni wa kiutendaji ambao tunautekeleza ili kuboresha nguvu kazi yetu kikamilifu. Katika mwaka uliopita, benki ilianzisha programu ya kubadilisha utamaduni wa mahala pa kazi ambayo inalenga kuleta mabadiliko ya fikra miongoni mwa wafanyakazi na kuunda mitazamo mipya inayowiana na matarajio ya benki ya muda mrefu. Kwa muda mrefu, Benki inalenga kujenga misingi mizuri ya kutoa huduma muhimu za Rasilimali Watu kwa ufanisi na kuhakikisha kwamba wafanyakazi wote wanaenda sambamba na taratibu za kiutumishi ili kujenga muunganiko wa wateja, kukuza uvumbuzi na vipaji katika taasisi yetu.

Katika kuhakikisha tunaweza kuainisha maeneo muhimu ya kufanyiwa kazi, Benki inaendelea kuwekeza katika kuelewa changamoto na vipaumbele vya maendeleo ya rasilimali watu.

Kuunganisha ESG katika Uendeshaji Wetu

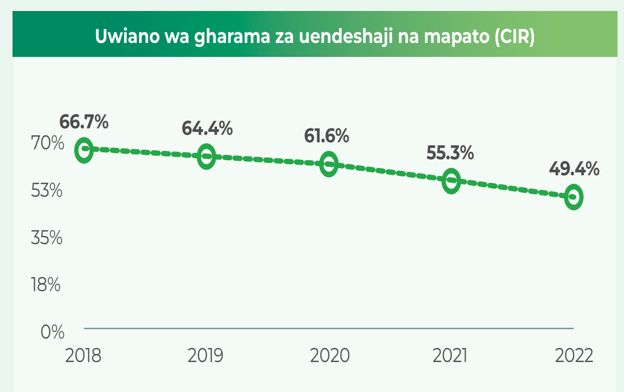
Katika mwaka uliopita, utekelezaji wa Mfumo wa Mazingira, Jamii na Utawala (ESG) umekuwa ni hitaji la kimkakati kwa kampuni na taasisi zote. ESG ni suala ambalo ni muhimu sana katika ngazi ya bodi na ni muhimu kutekelezwa katika ngazi zote za kiutendaji, kutokana na kuongezeka kwa umakini na mahitaji kutoka kwa wawekezaji, wadhibiti, wafanyakazi na wadau wengine. Benki yetu inaelewa umuhimu wa juhudi hizi na imetengeneza mfumo wa utekelezaji, kama

> Upanuzi wa huduma za benki za wakala wetu pia umekuwa na jukumu muhimu katika kuongeza ufikiaji wa huduma za kifedha. Katika miaka mitano iliyopita, tumekuza mtandao wa wakala kwa kasi kutoka mawakala **5,457** mwaka wa 2018 hadi zaidi ya **28,241** katika mwaka wa fedha 2022.

ilivyoainishwa katika ripoti hii. Tumeelezea maeneo muhimu ya matokeo na kuandaa mikakati ya kuyakamilisha ndani ya miaka mitano ijayo. Mkakati wetu mpya wa muda wa kati unashughulikia kikamilifu vihatarishi vikuu vya kijamii, mazingira, na utawala ambavyo vinaweza kuzuia kufikiwa kwa malengo na imeunda utaratibu maalum wa kufuatilia juhudi za utekelezaji.

Kuhusu uendelevu wa mazingira, Kundi limepata mafanikio makubwa katika kuendesha sera ya kushughulikia mabadiliko ya hali ya hewa na matumizi ya teknolojia kupunguza athari za mabadiliko ya tabianchi nchini. Benki imekuwa ikishi-riki kikamilifu katika ajenda ya hatua dhidi ya mabadiliko ya tabianchi na kushiriki katika Mikutano ya Umoja wa Mataifa ya Mabadiliko ya Tabianchi ya COP26 na COP27. Kama taasisi pekee iliyoidhinishwa na Mfuko wa Umoja wa Mataifa Unaosh-ughulikia Masuala ya Mabadiliko ya Tabianchi (GCF) nchini, Benki ya CRDB inaen-delea kuwa mstari wa mbele katika kusimamia ya ajenda ya ukuaji wa uchumi wa ki-jani nchini, na imetoa mchango mkubwa kwa taifa utekelezaji wa mikakati ya kupun-guza athari za mabadiliko ya tabianchi.

Tuko katika hatua za mwisho za kuzindua Programu ya Uwezashaji Sekta ya Kilimo kupitia Teknolojia kusaidia kukabiliana na Mabadiliko ya Hali ya hewa (TACATDP) yenye thamani ya dola milioni 200 ambayo inakwenda kuwanufaisha zaidi ya watu milioni sita kwa kipindi cha miaka mitano. Kupitia programu hiyo, benki itatoa mikopo nafuu kwa wakulima wanaojihusisha na mazao yanayostahimili hali ya hewa kulingana na sera za kupunguza athari za mabadiliko ya tabianchi.



Matazamio ya Siku za Usoni

Mwaka wa fedha wa 2023 ni mwanzo wa utekelezaji wa mkakati wetu mpya wa miaka mitano. Mkakati huu unashughulikia mapungufu ambayo tumeyabainisha, kwa kuangalia changamoto katika mazingira ya biashara, na kutuweka katika njia sahihi ya kufikia matarajio yetu ya muda mrefu ya kibiashara. Mkakati huu unabebwa na kaulimbiu ya 'Evolve', ambayo ina maana ya 'kukua hatua kwa hatua', lakini kwa tafsiri ya moja kwa moja inamaanisha 'kubadilika kulingana na nyakati.' Katika biashara yetu kubadilika kulingana na wakati ni muhimu sana. Hii ni kwa sababu itatuhakikisha nafasi nzuri katika soko na maisha marefu ya Kundi. Ikiwa ni dhana ya mkakati wetu, EVOLVE inalenga kujenga uchumi, kuzalisha thamani endelevu, na kutumia fursa ya ushirikiano kufikia ukuaji na kuleta athari chanya. Inamaanisha pia kutoa muongozo katika kuendelea kushughulikia vihatarishi ambavyo vinaweza kuzuia mafanikio ya malengo haya.

Mkakati huu umemuweka zaidi mteja mbele. Hii inamaanisha kwamba kwenda mbele, tunakwenda kutekeleza mipango ambayo inalenga kuboresha uzoefu wa wateja wetu na kukidhi mahitaji yao ya kifedha. Muhimu zaidi, mkakati huu umefafanua upya dhumuni letu la msingi na kubainisha matarajio ya muda mrefu katika muktadha wa mazingira ya biashara yanayobadilika kulingana na wakati. Kutokana na hili, tuna dira na azma mpya ambazo znaweka mkazo zaidi katika lengo kuu - kuboresha maisha na kutengeneza athari chanya endelevu. Ninahakika kuwa dira na azma mpya zitatoa muongozo mzuri kwa Kundi kuendana na soko la kisasa kwa siku zijazo kwa kuweka Jamii, Mazingira, na Uchumi katikati ya mkakati wetu wa biashara ili kutengeneza matokeo endelevu.

Utekelezaji wa mkakati huu utaleta athari chanya ambayo inamanufaa kwa biashara yetu, jamii na sekta ya uchumi. Tutaoanisha dira na azma mpya na mfumo wetu thabiti wa thamani ili kuimarisha utamaduni unaotakiwa na kufikia matokeo yaliyokusudiwa.

Shukrani

Mafanikio tuliyoyapata katika kipindi cha miaka mitano ni matokeo ya ushirikiano usio na shaka tunaoendelea kuupata kutoka kwa wadau wetu. Tunajivunia kuona wateja wetu, washirika, wazabuni, wadhibiti na wadau wengine wameendelea kutuamini kuwa mtoa huduma wao wa kifedha, hata katika nyakati ngumu. Ninawashukuru kwa dhati kila mmoja wenu kwa ushirikiano, ushauri, maoni na usaidizi ambao mmetupatia.

Naishukuru pia Menejimenti na Wafanyakazi wa Benki ya CRDB kwa kujitolea kwao kuendelea kuhakikisha kuwa ndoto za wanahisa wetu zinatimia. Naishukuru sana Bodi ya Wakurugenzi, kwa miongozo na kujitolea kwao katika kuhakikisha Benki inaendelea kuimarika kiutendaji. Sambamba na hivyo, ninatambua na kuthamini uungwaji mkono na Serikali yetu, chini ya uongozi wa Mheshimiwa Rais Dkt. Samia Suluhu Hassan, na mamlaka za usimamizi na udhibiti kwa miongozo na msaada wao usio na kikomo. Mwisho, kwa niaba ya Bodi ya Wakurugenzi, Menejimenti na Wafanyakazi wa Benki ya CRDB, natoa shukrani zangu za dhati kwenu, wanahisa wetu, kwa kuendelea kutuamini na kutuunga mkono.

Abdulmajid Nsekela
Mkurugenzi Mtendaji

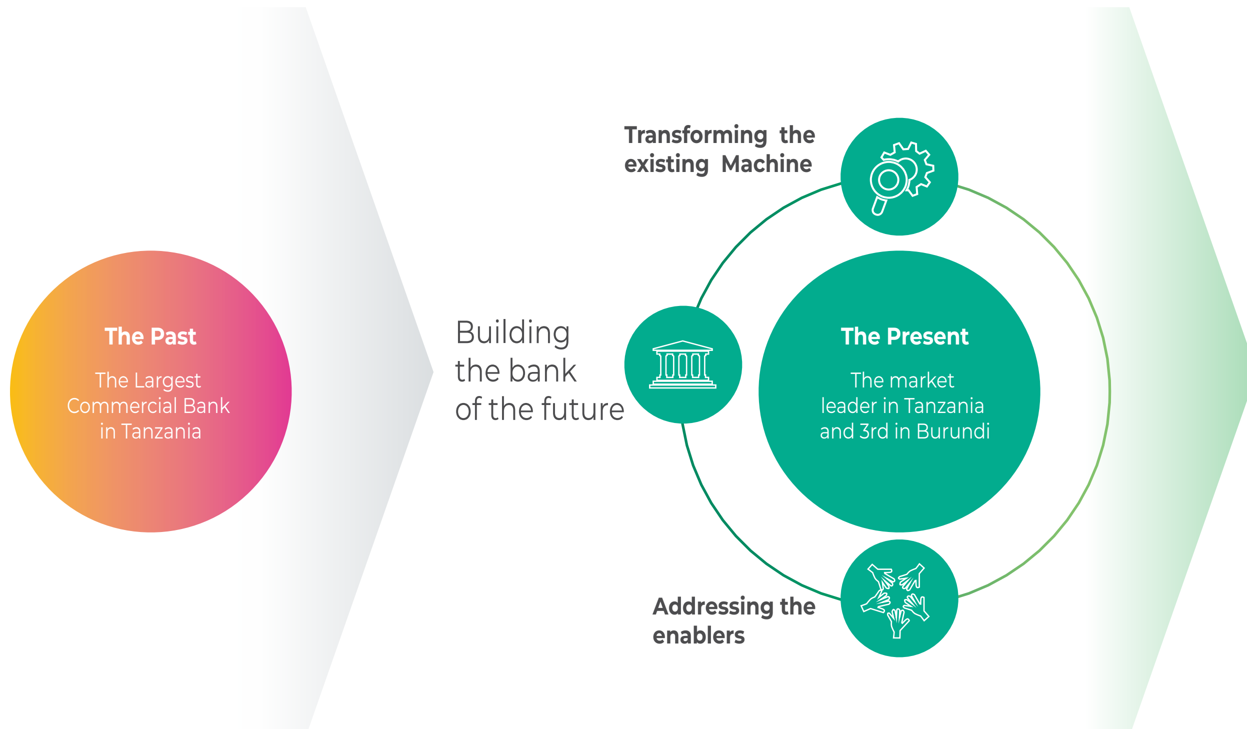
Our Evolution
How we Envision the Future

We have learned over the past five years that for us to sustain value creation and drive impact, we must evolve, in tandem with the changing times, and endeavour to lead on every front. Our strategy - MTS 2023 - 2027 captures our new ambitions in the context of the pervasive disruptions and evolving customer needs.

Where we are coming from

Where we are

The MTS 2018-2022 focused on building a solid foundation to propel us forward and enable us to deliver more efficiently while realising our growth ambitions. However, the market still offers many opportunities while the environment continues to change.



The priority of our focus during this era was on facilitating transactions, supporting communities, utilising people to Optimising talent, and actively engaging stakeholders.

> CRDB's business transformation model, which is R&D enabled, is designed to develop coherent and methodical ways to create solutions that integrate banking into the customer lifestyle as customers expect us to know them. Therefore, our propositions will deliver next-level hyper-relevance and understanding.
>
> *Winifrieda Wanyancha - Head of Business Transformation*

During this period, the Group will focus on building a winning workforce, acquiring new and optimising existing partners, elevating oversight frameworks, and enhancing our technological capability to scale and accelerate growth. The bank will increase focus to significantly grow the retail business particularly by targeting youth, women, MSMEs and Agribusiness while maintaining the corporate business and strategically growing treasury & capital markets

Where we are going

Our new brand foundation is aligned to the three pillars and seven key strategic objectives that have been identified to make CRDB an undisputed leader in the next five years.

Our renewed brand foundation positions the bank to focus on people, the planet, and profit, which means we will evolve from our legacy business model to an impact and value-based model by achieving socio-economic prosperity and improving livelihoods in our markets

KEY DRIVERS OF OUR STRATEGY

RESPONSIBLE BUSINESS
Creating impact and prioritising sustainability

DYNAMISM & FUTURE-READINESS
Focusing on lifestyle banking & offering socially-driven services

BUSINESS DIVERSIFICATION
Moving Beyond banking and creating more value through partnerships

CUSTOMER EXPERIENCE
Focusing on lifestyle banking & offering socially-driven services

GROWTH & EXPANSION
Increasing market share & unlocking the potential of African economies

PERFORMANCE REVIEW

Group CFO's Reflections

Frederick Nshekanabo
Chief Finance Officer (CFO)

The past three years have presented an interestingly unique environment for business and heralded a new age in financial management. As many sectors of the economy continue to adjust to the changes brought about by significant disruptions, the banking industry is swiftly adapting, underscoring the value of building resilient ecosystems in times of crisis.

As a market leader in Tanzania, CRDB Bank Group's priority in 2022 was to adapt fully to the changing environment and capitalize on its dynamic business model to drive growth and sustain impact value creation.

The 2022 financial year, like its predecessor, brought with it a myriad of challenges, including high inflation rates, spiralling commodity prices and disruptions in the global supply chains, mainly caused by the war in Ukraine and a resurgence of COVID-19 in some countries. These challenges, coupled with market-specific dynamics, continued to exert pressure on economies, eroding some of the gains made in the pandemic recovery.

Against these challenges, nonetheless, our Group reported better performance on the back of a sound adaptive strategy, complemented by key innovations that were deployed during the period. Generally, the Group sustained a positive streak in profitability with above-target achievements in the strategic objectives set out in the Medium-Term Strategy 2018-2022 (MTS 2018 - 2022).

Performance Overview

The Group's Profit After Tax (PAT) grew by 31.0% to TZS 351.4 billion from TZS 268.2 billion reported in 2021. This positive movement represents a CAGR of 40.5% from TZS 64.1 billion reported in 2018 - the first year of the MTS 2018 - 2022. Indeed, the turnaround in performance over the period is a culmination of sustained reforms undertaken under the strategy, alongside the strategic investments geared towards enhancing service delivery and ensuring competitive returns to our shareholders. In the year, Return on Equity (ROE) increased to 26.0% from 22.0% in 2021. The investments made over the period include the material inputs in the Group's subsidiary, which continued to record positive contributions to the Group's performance.

CRDB Bank Burundi SA, which marked its 10th anniversary since opening its doors, posted a PAT of TZS 23.0 billion, representing an 79.7% YoY growth from TZS 12.8 billion recorded in 2021. The subsidiary's assets grew by 54.3% YoY to TZS 850.5 billion. Total deposits grew by 59.4% YoY to TZS 525.1 billion.

Group Performance Summary

Key Financial Performance Indicator	Target 2022	2022	2021	2020	2019	2018
Return on Equity	> 25%	**26.0%**	22.0%	16.3%	13.8%	8.3%
Return on Assets	> 4%	**4.9%**	4.4%	3.3%	2.6%	1.6%
Cost to income ratio (CIR)	< 55%	**49.4%**	55.3%	61.6%	64.4%	66.7%
Growth in customer deposits	> 12%	**26.4%**	19.4%	4.5%	11.0%	8.4%
Non-Performing Loans	< 5%	**2.8 %**	3.3%	4.4%	5.5%	8.5%
Growth in loans & advances	> 10%	**36.4%**	28.3%	16.3%	8.2%	8.0%
Growth in total assets	> 15%	**31.8%**	23.0%	8.7%	9.3%	2.3%
Total Capital ratio	> 14.5%	**18.5%**	20.0%	17.9%	17.4%	16.0%

Balance Sheet Growth

The MTS 2018-2022 aimed to transform the Group into a model bank with optimal and sustainable returns to its shareholders. The transformation was centred on a performance turnaround and incremental growth, driven by digital transformation. I am happy to report that the transformation efforts have paid off, as reflected in the strong growth of the Bank's balance sheet, which registered a 31.8% growth from TZS 8.8 trillion in 2021 to TZS 11.6 trillion in 2022 and a cumulative annual growth rate (CAGR) of 41% over that last five years.

Loans and Advances

Net loans and advances grew by 36.4% YoY to TZS 6.9 trillion driven by strong growth in corporate loans, personal loans and Small and Medium Enterprise (SME) loans. Lowered interest rates in some ket sectors resulted in higher demand for loans.

In line with the MTS 2018-2022, the Group continued to implement strategies to ensure the quality of assets. Our close relationships with customers have enabled us to understand their unique challenges better and support them during difficult periods.

31.0%
PAT growth to 351.4billion from 268.2b in 2021

40.5%
Cumulative PAT growth over five years from 64.1b in 2018

26.0%
ROE increase from 22.0% in 2021

4.9%
ROA increase from 4.4% in 2021

79.9%
Burundi PAT YoY growth (TZS 23 Billion from TZS 12.8Billion in 2021)

55.0%
YoY subsidiary asset growth to TZS 854.3 Billion

As a result, we have seen a significant decline in non-performing loans (NPL) from 3.3% in 2021 to 2.8% in 2022. Our strategy to streamline credit underwriting processes and enhance oversight has strengthened our ability to managed portfolio risks and build a sustainable business.

Funding and Liquidity

In the year, the Group maintained sufficient liquidity to support business growth. The Group closed the year with a liquidity asset ratio of 27.0%, aganst the regulatory limit of 20.0%. Customer deposits grew by 26.4% YoY to TZS 8.2 trillion, reflecting successful deposit mobilization campaigns carried out in the year. The Group's primary source of funding during the year was deposits from customers (Demand deposits, Savings deposits, and Time/ fixed deposit) which commands 80% of the total funding, equity 14% and borrowings 6%. The Current/ Savings Account (CASAs) represented 83% of total customer deposits.

Capital Management

The Bank remains well capitalized to support its business growth. I am pleased to report that during the year under review, the Group continued to prudently manage its capital resources, selective growth of portfolio with high-yield and lower Risk-Weighted, and de-risking to ensure optimal utilization. We closed the year with core capital ratio of 17.0% and total capital ratio of 18.5% while maintaining healthy buffers above the regulatory requirements of 12.5% and 14.5%, respectively.

Income Generation

The Group's time efforts to strengthen income continued to yield positive results with a 28% growth in operating income to TZS 497.7 billion. The growth was fuelled by an increase in the net interest income, which grew by 15.5% YoY to TZS 745.8 billion, driven by the loan book growth.

The Group's Non-Interest Income grew by 32% to TZS 437.9 billion, primarily due to a 28% YoY increase in net fees and commissions. The Group recorded a growth in client activity levels and transactional values in the alternative channels i.e., SimBanking, internet banking, and the agency network. In the year, the revenue collected from alternative channels grew by 33.4% as we enriched the digital functionalities and increased the number of active agents and merchants.

Revenue from foreign currency (FX) dealings increased 52.4% YoY to TZS 57.5 from TZS 37.8 billion in 2021 following the execution of strategic initiatives to increase the FX inflows into the bank.

Cost Saving and Efficiencies

The MTS 2018-2022 sought to address the Group's efficiency. I am pleased to report that during the 2022 financial year, the Group sustained a focus on cost optimization delivering a more efficient operation as evidenced by the significant improvement in our efficiency ratio. The improvement represents 5.3% cumulative growth in costs from 2018. We continued to simplify and automate our business processes and invest in our people, our systems, our digital solutions and our data management, while maintaining good cost discipline.

The Group's operating expenses grew by a single digit at 8.1% to TZS 554.8 billion, resulting to efficiency ratio of 49.4%, compared to 55.3% reported in 2021. The single-digit growth results from the cost-optimization strategies, mainly strict prioritisation on spending, continued negotiations with suppliers and automation, which continues to increase the Group's efficiency in service delivery.

We remain committed to sustaining the efficiency initiatives to further improve the overall health of the enterprise, while enhancing our customers' experience. Our new medium-term strategy fully considers the efficiency ambitions and has put the customer at the centre of our investments.

Amount in TZS Million	2018	2019	2020	2021	2022
Interest Income	586,288	660,397	699,294	790,445	**967,285**
Interest Expense	(143,444)	(116,308)	(118,814)	(144,570)	**(221,452)**
Net Interest Income	442,844	544,089	580,480	645,875	**745,332**

Income Statement for the Year Ended 31 December 2022

In TZS' Million	Note	GROUP 2022	GROUP 2021	BANK 2022	BANK 2021
Interest income Calculated using the Effective Interest Method	11	**965,471**	789,666	**917,649**	758,261
Other interest and similar income	11	**1,814**	779	**1,814**	779
Interest expense Calculated using the Effective Interest Method	12	**(219,472)**	(142,239)	**(209,218)**	(134,781)
Other Interest and Similar expense	12	**(1,980)**	(2,331)	**(1,952)**	(2,278)
Net interest income		**745,833**	645,875	**708,293**	621,981
Fees and commission income	13A	**333,909**	257,305	**328,883**	253,060
Fees and commission expense	13B	**(70,737)**	(51,248)	**(69,544)**	(51,150)
Net fees and Commission Income		**263,172**	206,057	**259,339**	201,910
Net foreign exchange income	14	**57,557**	37,768	**54,786**	36,502
Credit Loss expense on financial assets	31	**(60,435)**	(23,255)	**(59,675)**	(23,433)
Net gains on financial assets at fair value through profit or loss	15	**2,613**	1,447	**1,814**	546
Net gains/(losses) on equity investment at FVPL	15	**(595)**	331	**(595)**	331
Net gains on derecognition of financial assets measured at fair value through OCI	16	**44,268**	31,084	**44,268**	31,084
Other Operating income	17	**98**	1,408	**4,442**	6,541
Net Operating Income		**1,052,511**	900,715	**1,012,672**	875,462
General and administrative expenses	18	**(178,693)**	(150,661)	**(168,589)**	(144,123)
Depreciation and amortisation	19	**(70,918)**	(66,520)	**(69,605)**	(65,060)
Employees benefits expenses	20	**(300,482)**	(293,788)	**(292,363)**	(286,246)
Impairment Other Assets	33	**(4,709)**	(2,380)	**(4,710)**	(2,520)
Total Operating Expenses		**(554,802)**	(513,349)	**(535,267)**	(497,949)
Profit before income tax		**497,709**	387,366	**477,405**	377,513
Income tax expense	21A	**(146,302)**	(119,205)	**(144,925)**	(117,896)
Profit for the year		**351,407**	268,161	**332,480**	259,617
Profit attributable to:					
Owners of the parent entity		**351,407**	268,161	**332,480**	259,617
Non-Controlling interests*		**-**	-	**-**	-
		351,407	268,161	**332,480**	259,617
Basic and diluted earnings per share attributable to equity holders of the parent entity (TZS)	22	**134.54**	102.67		

Net Interest income

The interest received on credit products that and investment in debt instruments, less the interest paid on the deposits and debt funding sourced from other sources.

Drivers: Loans and advances extended: lending rates and cost of funds.

Non-interest revenue

This comprises net fee and commission revenue, trading revenue and other revenue.

Drivers: number of clients, transactional banking volumes and pricing, capital markets activity, trading volumes and market volatility, property-related revenue, and income from bancassurance and unlisted investments.

Operating expenses

These are costs that are incurred to generate future and current revenues.

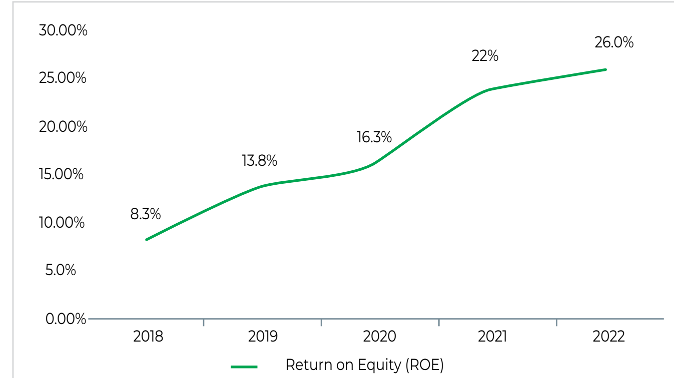
Drivers: alternative channels utilization, forex volatility, income from bancassurance, trade finance transactions/volumes.

Income Tax

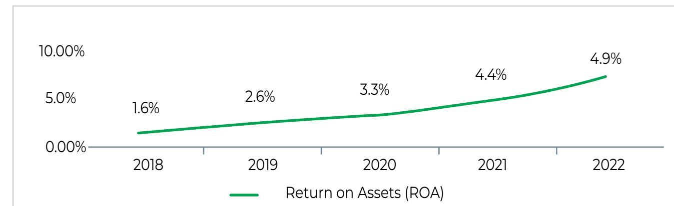
This is a mandatory contribution payable by businesses after accounting for allowable deductions.

Drivers: corporate tax rates in the countries in which the group operates, level of profitability of our operations, interest income from certain bonds and treasury bills, dividends on investments that are exempt, and costs that are not tax deductible.

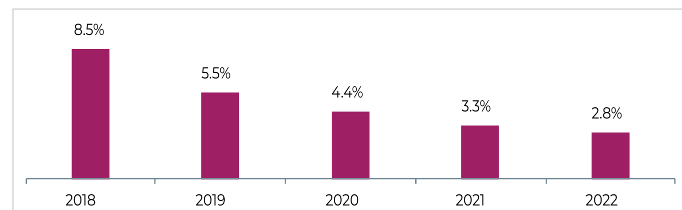
Return on Equity (ROE) 5 year trend



Return on Assets (ROA) 5 year trend



Evolution of NPL Ratio - Qualitative Assessment of Loan Book



Developments on the Regulatory Front

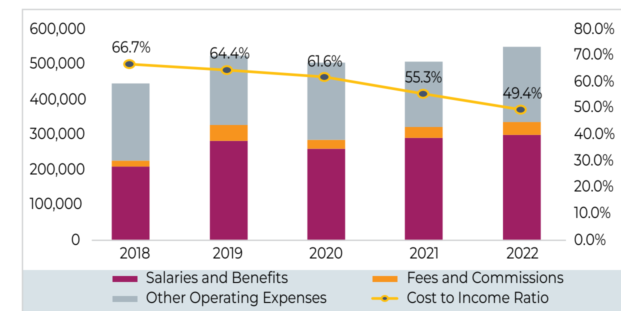
The banking environment remained sound, stable and resilient with adequate capital to support economic activities. The Central bank continued to strengthen risk management practices in the financial sector by implementing various policies and regulatory reforms to safeguard the stability of the industry.

During the year, the Central bank issued various regulations which includes;

- The Financial Leasing Regulations,
- Mortgage Refinance Companies Regulations,
- The foreign exchange Regulations.

The Group is well placed to comply with laws and regulations and meet requirements to embrace the positive effects they will have on the industry, its customers and other stakeholders. In December 2022, the Central bank also issued a second draft of regulations on the implementation of Basel II and III on the computation of capital charges for market risk, capital charges for operational risk, capital charges for credit risk and Liquidity Requirement and Metrics. Implementing the regulations will affect capital by increasing Risk-Weighted Assets and decreasing available capital; which will deteriorate capital ratios. I am pleased to report, based on the stress testing done, considering all the requirements of the regulations, the bank will still comply with all capital ratios. The bank will continue to focus on increasing sources of revenue to increase available capital and growing assets with low-risk weights to reduce the anticipated capital stress resulting from the new Basel II and III regulations.

Operating Expenses



Future Outlook

The Group's outlook in 2023 and beyond is positive, judging by the strides we have made over the last five years. The MTS 2018 -2022 has placed the Group on a firm pedestal for growth, addressing major performance, operational gaps, and legacy issues.

The 2023 FY will be the first of our new medium-term strategy (MTS 2022 -2027), which addresses the systemic issues identified over the last year. The Strategy - themed evolve - presents a unique opportunity for the Group to consolidate its business, leveraging the enterprise strengths and its dynamic business model to adapt to changes in the external environment and shape the financial ecosystem in the region.

We remain cognisant of the reality that even with the pervasive disruptions, competition remains strong as players in the industry continue to deploy strategies to support their survival. Our priority in the MTS 2023 -2027 is to streamline our investments to sharpen the group's competitive advantage, building on the solid foundation laid out by the MTS 2018 -2022.

The Group will continue to strengthen investment in our people, taking care of our planet, ICT infrastructure for future growth, transform how we operate and offer services, and create sustainable value to our stakeholders.

Frederick Nshekanabo
Chief Finance Officer (CFO)

Tafakari ya Afisa Mkuu wa Fedha

Frederick Nshekanabo
Afisa Mkuu wa Fedha

Miaka mitatu iliyopita imewasilisha changamoto za kipekee kwa biashara na kuangazia enzi mpya katika usimamizi wa fedha. Huku sekta nyingi za uchumi zikiendelea kukabiliana mabadiliko yanayoletwa na na majanga ya kimataifa, sekta ya benki inabadilika haraka, ikisisitiza thamani ya kujenga mifumo inayostahimili usumbufu.

Kama benki kinara nchini Tanzania, kipaumbele cha Benki ya CRDB mwaka 2022 kilikuwa kukabiliana kikamilifu na mabadiliko ya mazingira na kutumia mtindo wake wa kibiashara ili kukuza ukuaji na kuendeleza uundaji wa thamani.

Mwaka wa fedha wa 2022, kama uliyotangulia, ulileta changamoto nyingi, ikiwa ni pamoja na viwango vya juu vya mfumuko wa bei, kupanda kwa bei za bidhaa na usumbufu katika minyororo ya usambazaji wa kimataifa, iliyosababishwa na vita vya Ukraine, na kuibuka tena kwa UVIKO-19 katika baadhi ya nchi. Changamoto hizi, pamoja na mienendo mahususi ya soko, ziliendelea kutoa shinikizo kwa uchumi, na kuzorotesha baadhi ya mafanikio yaliyopatikana katika ufufuzi baada ya janga la UVIKO 19.

Licha ya changamoto hizi, benki yetu iliripoti utendaji bora ikiendeshwa na mkakati mzuri mabadiliko, ukisaidiwa na ubunifu muhimu ambao ulitekelezwa katika kipindi hicho. Kwa ujumla, Benki ilidumisha msururu mzuri wa faida kwa mafanikio yaliyolengwa katika malengo ya kimkakati yaliyowekwa katika Mkakati wa Muda wa Kati 2018-2022 (MTS 2018 - 2022).

Muhtasari wa Utendaji

Faida ya Baada ya Kodi ya iliongezeka kwa asilimia 31.0 hadi TZS 351.4 bilioni kutoka TZS 268.2 bilioni zilizoripotiwa mwaka 2021. Harakati hizi chanya zinawakilisha kasi ya ukuaji wa kila mwaka (CAGR) ya asilimia 40.5kutoka Tsh 64.1 bilioni iliyoripotiwa mwaka 2018 - mwaka wa kwanza wa MTS 2028. Hakika, mabadiliko ya utendaji katika kipindi hicho ni kilele cha mageuzi endelevu yaliyofanywa chini ya mkakati, pamoja na uwekezaji wa kimkakati unaolenga kuimarisha utoaji wa huduma na kuhakikisha mapato ya ushindani kwa wanahisa wetu. Katika mwaka huo, Uwiano wa mali na mtaji (ROE) uliongezeka hadi 26.0% kutoka 22.0% mwaka 2021. Uwekezaji uliofanywa katika kipindi hicho ni pamoja na nyenzo za nyenzo katika kampuni tanzu ya Kundi, ambayo iliendelea kurekodi michango chanya katika utendaji wa Kikundi.

Kampuni tanzu ya CRDB Burundi SA, ambayo iliadhimisha miaka kumi tangu kufunguliwa kuanzishwa, ilipata faida ya Tsh 23.0 bilioni, ikiwa ni ukuaji wa 79.7% kutoka Tsh 12.8 bilioni mwaka 2021. Raslimali za kampuni tanzu zilikua kwa 54.3% YoY hadi 50.5 bilioni Tsh 850.5. Jumla ya amana zilikua kwa 59.4% hadi TZS 525.1 bilioni.

Muhtasari wa Utendaji wa Taasisi

Kiashiria cha Utendaji wa Kifedha	Target 2022	2022	2021	2020	2019	2018
Mrejesho wa mtaji	> 25%	**26.0%**	22.0%	16.3%	13.8%	8.3%
Mrejesho wa Mali	> 4%	**4.9%**	4.4%	3.3%	2.6%	1.6%
Uwiano wa gharama kwa mapato (CIR)	< 55%	**49.4%**	55.3%	61.6%	64.4%	66.7%
Ukuaji wa amana za wateja	> 12%	**26.4%**	19.4%	4.5%	11.0%	8.4%
Mikopo chehefu	< 5%	**2.8 %**	3.3%	4.4%	5.5%	8.5%
Ukuaji wa mikopo	> 10%	**36.4%**	28.3%	16.3%	8.2%	8.0%
Ukuaji wa jumla ya amana	> 15%	**31.8%**	23.0%	8.7%	9.3%	2.3%
Uwiano wa jumla ya mtaji	> 14.5%	**18.5%**	20.0%	17.9%	17.4%	16.0%

Ukuaji wa Mizania

Mkakati wa MTS 2018-2022 ulilenga kubadilisha taasisi yetu kuwa benki ya mfano yenye faida bora na endelevu kwa wanahisa wake. Mabadiliko hayo yalilenga uboreshaji wa utendaji na ukuaji unaoongezeka, unaoendeshwa na mabadiliko ya kidijitali. Nina furaha kuripoti kwamba juhudi za jitihada hizi zimezaa matunda, kama inavyoonekana katika ukuaji mkubwa wa mizania ya Benki, ambayo ilisajili ukuaji wa asilimia 31.8 kutoka Tsh 8.8 trilioni mwaka 2021 hadi Tsh 11.6 trilioni mwaka 2022.

Mikopo kwa Wateja

Mikopo halisi ilikua kwa 36.4% hadi Tsh 6.9 trilioni kutokana na ukuaji mkubwa wa mikopo ya makampuni, mikopo ya watu binafsi na mikopo ya Biashara Ndogo na za Kati (SME). Kupungua kwa viwango vya riba katika baadhi ya sekta za ket kulisababisha mahitaji ya juu ya mikopo.

Sambamba na mkakati was MTS 2018-2022, Benki iiliendelea kutekeleza mikakati ya kuhakikisha ubora wa mali. Uhusiano wetu wa karibu na wateja umetuwezesha kuelewa vyema changamoto zao za kipekee na kuwasaidia katika nyakati ngumu. Kwa sababu hiyo, tumeona kupungua kwa kiasi kikubwa kwa mikopo chechefu (NPL) kutoka 3.3% mwaka 2021 hadi 2.8% mwaka 2022.

Ufadhili na Ukwasi

Katika mwaka unaongaziwa, Benki ilidumisha ukwasi wa kutosha kusaidia ukuaji wa biashara.

31.0%
Ukuaji wa faida baada ya ushuru (PAT) hadi 354.1 billion kutoka 268.2b mnamo 2021

40.5%
Ongezeko la ukuaji wa faida baada ya kodi katika kipindi cha miaka mitano kutoka 64.1b mwaka 2018

26.0%
Ukuaji wa mrejesho wa mtaji (ROE) kutoka 24.7% mnamo 2021

4.9%
Ukuaji wa mrejesho wa mali (ROE) kutoka 4.4% mnamo 2021

79.9%
Ukuaji wa PAT YoY Burundi (TSH 23 Bilioni kutoka TZS 12.8 Bilioni mwaka 2021)

55.0%
Ukuaji wa mali ya kampuni tanzu ya Burndi (YoY) TSH 854.3 Billion

Benki yetu ilifunga mwaka kwa uwiano wa mali ya ukwasi wa 27.0%, dhidi ya kikomo cha udhibiti cha 20.0%. Amana za wateja zilikua kwa 26.4% hadi Tsh 8.2 trilioni, ikionyesha mafanikio ya kampeni za uhamasishaji wa kuweka amana zilizofanyika mwaka huo. Chanzo kikuu cha ufadhili wa Benki katika mwaka huo kilikuwa amana kutoka kwa wateja (amana za mahitaji, amana za Akiba, na Muda/amana zisizohamishika) ambazo huchangia 80% ya jumla ya fedha, usawa 14% na mikopo 6%. Akaunti ya Sasa/ ya Akiba (CASAs) iliwakilisha 83% ya amana zote za wateja, ambayo inatafsiri gharama ya chini ya fedha kwa Benki.

Usimamizi wa Mtaji

Benki bado ina mtaji wa kutosha kusaidia ukuaji wa biashara yake. Nina furaha kuripoti kwamba katika mwaka unaoangaziwa, Kikundi kiliendelea kusimamia rasilimali zake za mtaji kwa uangalifu, ukuaji wa kuchagua wa kwingineko wenye mazao ya juu na ya chini ya Mizani ya Hatari, na kupunguza hatari ili kuhakikisha matumizi bora. Tulifunga mwaka kwa uwiano wa msingi wa mtaji wa 17.0% na uwiano wa jumla wa mtaji wa 18.5% huku tukidumisha buffers zenye afya zaidi ya mahitaji ya udhibiti ya 12.5% na 14.5%, mtawalia.

Vyanzo vya Mapato

Juhudi za muda za kuimarisha mapato ziliendelea kutoa matokeo chanya na ukuaji wa asilimia 28 katika mapato ya uendeshaji hadi kufikia Tsh 497.7 bilioni. Ukuaji huo ulichochewa na ongezeko la mapato halisi ya riba, ambayo yalikua kwa 15.5% hadi Tsh 745.8 bilioni, kutokana na ukuaji wa kitabu cha mkopo.

Mapato Yasiyo ya Riba yalikua kwa 32% hadi Tsh 437.9 bilioni, hasa kutokana na ongezeko la 28% ya ada na kamisheni. Benki iilirekodi ukuaji wa viwango vya shughuli za mteja na thamani za miamala katika njia mbadala yaani, SimBanking, huduma ya mtandaoni, na mawakala. Mapato yaliyokusanywa kutoka kwa njia mbadala yalikua kwa 33.4% tulipoboresha utendakazi wa kidijitali na kuongeza idadi ya mawakala na wauzaji wanaofanya kazi.

Mapato kutokana na mauzo ya fedha za kigeni (FX) yaliongezeka kwa 52.4% hadi Tsh57.5 kutoka Tsh 37.8 bilioni mwaka 2021 kufuatia utekelezaji wa mikakati ya kuongeza mapato ya FX benki.

Uokoaji wa Gharama na Ufanisi

Mkakati wa MTS 2018-2022 ulilenga kushughulikia ufanisi wa benki. Nina furaha kuripoti kwamba katika mwaka wa fedha wa 2022, Benki yetu ilitilia mkazo uboreshaji wa gharama na kutoa utendaji zaidi kama inavyothibitishwa na matokeo makubwa katika uwiano wetu wa ufanisi. Uboreshaji huu unawakilisha ukuaji wa jumla wa asilimia 5.3 katika gharama kuanzia 2018. Tuliendelea kurahisisha na kurahisisha michakato yetu ya biashara kiotomatiki na kuwekeza kwa watu wetu, mifumo yetu, suluhisho zetu za kidijitali na usimamizi wetu wa data, huku tukidumisha nidhamu nzuri ya gharama.

Gharama za uendeshaji zilikua kwa tarakimu moja kwa asilimia 8.1 hadi Tsh 554.8 bilioni, na hivyo kusababisha uwiano wa ufanisi wa 49.4%, ikilinganishwa na 55.3% iliyoripotiwa mwaka 2021. Ukuaji wa tarakimu moja unatokana na mikakati ya uboreshaji wa gharama, hasa kipaumbele kikubwa cha matumizi, kuendelea kwa mazungumzo na wauzaji bidhaa na mitambo otomatiki, ambayo inaendelea kuongeza ufanisi wa benki katika utoaji wa huduma.

Tumejitolea kudumisha mipango ya ufanisi ili kuboresha zaidi afya ya biashara, huku tukiboresha utoaji huduma wa wateja wetu. Mkakati wetu mpya wa muda wa kati unazingatia kikamilifu matarajio ya ufanisi na umeweka mteja katikati ya uwekezaji wetu.

Kiasi TSH (Milioni)	2018	2019	2020	2021	2022
Mapato ya Riba	586,288	660,397	699,294	790,445	**967,285**
Gharrama ya Riba	(143,444)	(116,308)	(118,814)	(144,570)	**(221,452)**
Mapato Halisi	442,844	544,089	580,480	645,875	**745,332**

Taarifa ya Mapato ya Mwaka ulioisha tarehe 31 Desemba 2022

				Kwa TSH' Milioni	
		TAASISI	TAASISI	BENKI	BENKI
	Noti	2022	2021	2022	2021
Mapato ya riba Inakokotolewa kwa kutumia Mbinu Inayofaa ya Maslahi	11	**965,471**	789,666	**917,649**	758,261
Maslahi mengine na mapato sawa	11	**1,814**	779	**1,814**	779
Gharama ya riba Imekokotolewa kwa kutumia Mbinu Inayofaa ya Maslahi	12	**(219,472)**	(142,239)	**(209,218)**	(134,781)
Riba Nyingine na Gharama zinazofanana	12	**(1,980)**	(2,331)	**(1,952)**	(2,278)
Mapato halisi ya riba		**745,833**	645,875	**708,293**	621,981
Ada na jukumu la tume	13A	**333,909**	257,305	**328,883**	253,060
Ada na gharama za tume	13B	**(70,737)**	(51,248)	**(69,544)**	(51,150)
Ada halisi na Mapato ya Tume		**263,172**	206,057	**259,339**	201,910
Mapato halisi ya fedha za kigeni	14	**57,557**	37,768	**54,786**	36,502
Gharama ya Upotezaji wa Mikopo kwenye mali ya kifedha	31	**(60,435)**	(23,255)	**(59,675)**	(23,433)
Manufaa halisi kwenye mali ya kifedha kwa thamani ya haki kupitia faida au hasara	15	**2,613**	1,447	**1,814**	546
Manufaa halisi/(hasara) kwenye uwekezaji wa hisa katika FVPL	15	**(595)**	331	**(595)**	331
Manufaa halisi kutokana na kutotambuliwa kwa mali iliyopimwa kwa thamani ya haki kupitia OCI	16	**44,268**	31,084	**44,268**	31,084
Mapato mengine ya Uendeshaji	17	**98**	1,408	**4,442**	6,541
Mapato halisi ya Uendeshaji		**1,052,511**	900,715	**1,012,672**	875,462
Gharama za jumla na za kiutawala	18	**(178,693)**	(150,661)	**(168,589)**	(144,123)
Kushuka kwa thamani na kushuka kwa thamani	19	**(70,918)**	(66,520)	**(69,605)**	(65,060)
Gharama za faida za wafanyikazi	20	**(300,482)**	(293,788)	**(292,363)**	(286,246)
Uharibifu wa Mali Nyingine	33	**(4,709)**	(2,380)	**(4,710)**	(2,520)
Jumla ya Gharama za Uendeshaji		**(554,802)**	(513,349)	**(535,267)**	(497,949)
Faida kabla ya kodi ya mapato		**497,709**	387,366	**477,405**	377,513
Gharama ya ushuru wa mapato	21A	**(146,302)**	(119,205)	**(144,925)**	(117,896)
Faida kwa mwaka		**351,407**	268,161	**332,480**	259,617
Faida inayotokana na:					
Wamiliki wa shirika kuu		**351,407**	268,161	**332,480**	259,617
Maslahi Yasiyodhibiti*		**-**	-	**-**	-
		351,407	268,161	**332,480**	259,617
Mapato ya kimsingi na yaliyopunguzwa kwa kila hisa yanayotokana na wamiliki wa shirika kuu (TSH)	22	**134.54**	102.67		

Mapato halisi ya riba

Riba iliyopokelewa kwa bidhaa za mkopo ambazo na uwekezaji katika vyombo vya deni, chini ya riba inayolipwa kwa amana na ufadhili wa deni kutoka vyanzo vingine.

Vichochezi: Mikopo: riba ya mikopo na gharama ya fedha.

Mapato yasiyo ya riba

Hii inajumuisha ada halisi na mapato ya tume, mapato ya biashara na mapato mengine.

Vichochezi: nidadi ya wateja, kiasi cha benki za miamala na bei, shughuli za masoko ya mitaji, kiasi cha biashara na kuyumba kwa soko, mapato yanayohusiana na mali, na mapato kutoka kwa bima na uwekezaji ambao haujaorodheshwa.

Gharama za uendeshaji

Hizi ni gharama zinazotumika kuzalisha mapato ya baadaye na ya sasa.

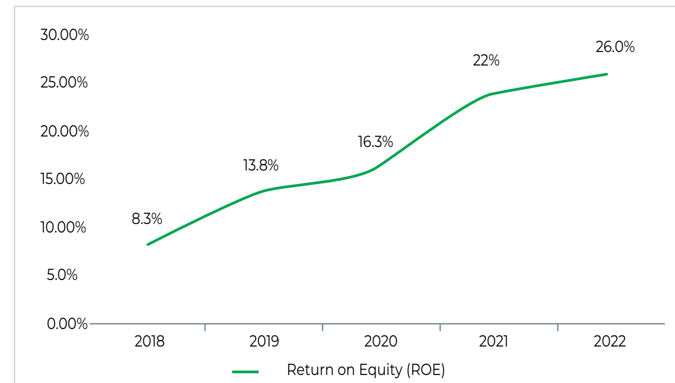
Vichochezi: mfumuko wa bei, idadi ya watu, uwekezaji katika miundomsingi ya tawi na TEHAMA ambayo husababisha kushuka kwa thamani/mapato na gharama za jumla za uendeshaji (pamoja na zile zinazohusiana na uvumbuzi na programu za ufanisi wa kazi).

Kodi ya mapato

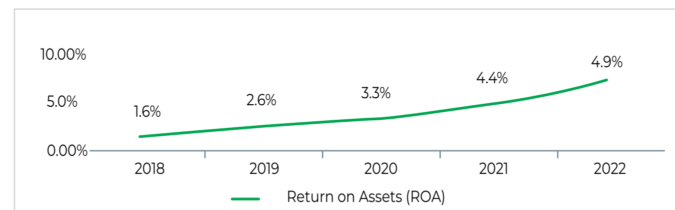
Huu ni mchango wa lazima unaolipwa na biashara baada ya kuhesabu makato yanayoruhusiwa.

Vichochezi: viwango vya kodi vya kampuni katika nchi ambamo kundi linaendesha shughuli zake, kiwango cha faida ya shughuli zetu, mapato ya riba kutoka kwa dhamana fulani na bili za hazina, mgao wa faida kwa uwekezaji ambao hautozwi na gharama ambazo hazitozwi kodi.

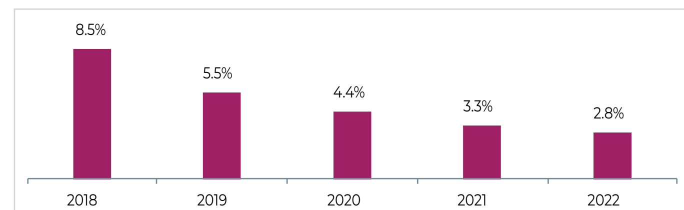
Return on Equity (ROE) 5 year trend



Return on Assets (ROA) 5 year trend



Evolution of NPL Ratio - Qualitative Assessment of Loan Book



Maadiliko kwenye Udhibiti wa Sekta

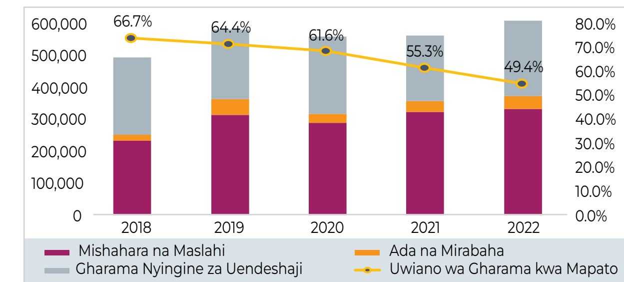
Mazingira ya benki yalibakia kuwa mazuri, thabiti na yenye mtaji wa kutosha kusaidia shughuli za kiuchumi. Benki Kuu iliendelea kuimarisha mbinu za udhibiti wa vihatarishi katika sekta ya fedha kwa kutekeleza sera mbalimbali na marekebisho ya udhibiti ili kulinda utulivu wa sekta hiyo.
Katika mwaka wa 2022, Benki Kuu ilitoa kanuni mbalimbali ambazo ni pamoja na;

- Kanuni za Ukodishaji wa Fedha,
- Kanuni za Kampuni za Refinance Rehani,
- Kanuni za Fedha za Kigeni.

Benki yetu ipo katika nafasi nzuri ya kuzingatia sheria na kanuni na kukidhi mahitaji ili kukumbatia athari chanya zitakazokuwa nazo kwa tasnia, wateja wake na washikadau wengine.

Mnamo Desemba 2022, Benki Kuu pia ilitoa rasimu ya pili ya kanuni za utekelezaji wa Basel II na III juu ya hesabu ya gharama za mtaji kwa hatari ya soko, malipo ya mtaji kwa hatari ya uendeshaji, malipo ya mtaji kwa hatari ya mkopo na Mahitaji ya Ukwasi na Vipimo. Utekelezaji wa kanuni utaathiri mtaji kwa kuongeza Raslimali Zilizopimwa na Hatari na kupunguza mtaji unaopatikana; ambayo itadhoofisha uwiano wa mtaji. Nimefurahiya kuripoti, kulingana na upimaji wa dhiki uliofanywa, kwa kuzingatia mahitaji yote ya kanuni, benki bado itazingatia uwiano wote wa mtaji. Benki itaendelea kuzingatia kuongeza vyanzo vya mapato ili kuongeza mtaji unaopatikana na kukuza mali zenye viwango vya chini vya hatari ili kupunguza mkazo wa mtaji unaotarajiwa unaotokana na kanuni mpya za Basel II na III.

Gharama za Uendeshaji



Mtazamo wa Baadaye

Mtazamo wa Benki mwaka wa 2023 na kuendelea ni mzuri, tukizingatia hatua ambazo tumepiga katika miaka mitano iliyopita. Mkakati wa MTS 2018 -2022 umeiweka taasisi kwenye msingi thabiti wa ukuaji, kushughulikia utendakazi mkubwa, mapungufu ya kiutendaji.

Mwaka wa 2023 utakuwa wa kwanza wa mkakati wetu mpya wa muda wa kati (MTS 2022-2027), ambao unashughulikia masuala ya kimfumo yaliyotambuliwa katika mwaka uliopita. Mkakati - mabadiliko ya mada - inatoa fursa ya kipekee kwa Benki kuunganisha biashara yake, kutumia nguvu za biashara na muundo wake wa biashara unaobadilika kukabiliana na mabadiliko katika mazingira ya nje na kuunda mfumo wa kifedha katika eneo.

Tunafahamu kwamba hata kwa usumbufu ulioenea, ushindani unasalia kuwa na nguvu huku wachezaji kwenye tasnia wakiendelea kupeleka mikakati ya kusaidia maisha yao. Kipaumbele chetu katika mkakati wa MTS 2023 -2027 ni kurahisisha uwekezaji wetu ili kuimarisha faida ya ushindani ya kikundi, tukijenga msingi thabiti uliowekwa na mkakati wa MTS 2018-2022.

Benki itaendelea kuimarisha uwekezaji kwa watu wetu, kutunza sayari yetu, miundombinu ya teknohama kwa ukuaji wa siku zijazo, kubadilisha jinsi tunavyoendesha na kutoa huduma, na kuunda thamani endelevu kwa wadau wetu.

Frederick Nshekanabo
Afisa Mkuu wa Fedha

Boma Raballa
Chief Commercial Officer

> During the year under review, we increased our focus on performing and emerging sectors of the economy to accelerate growth while contributing to the mainstream. We actively participated in the financing and provision of guarantees to the Government to support large economic infrastructure projects.

Commercial Report

Addressing Customer Challenges is Our Priority

Our commercial strategy is centered around creating the necessary capabilities to support customers and businesses to realize value during different times. In the wake of pervasive disruptions in the global economy, we have seen customers struggling to meet their ambitions while not knowing how to navigate.

In 2022, we prioritized tech adoption and the use of data to observe trends, define and monitor critical uncertainties, and evaluate potential impact. We also enhanced our scenario planning to ensure that we align ourselves better to enable our customers to unlock maximum value by seizing opportunities and addressing their operational challenges through conventional and unconventional financial solutions and capacity building.

Our success stories begin by building resilient business models across value chains by getting close to our key stakeholders to understand their needs and develop different and agile approaches for each scenario. During the year under review, we increased our focus on performing and emerging sectors of the economy to accelerate growth while contributing to the mainstream. We actively participated in the financing and provision of guarantees to the Government to support large economic infrastructure projects. Further we extended our solutions to the entire value chain by supporting MSMEs from different sectors by addressing capital challenges, building technical capabilities, including exposure, and supporting them in sourcing for markets.

We deliberately reviewed our proposition catalogue by creating special attention to youth and women as special segments which play a significant role in the economy and community development. By enhancing the accessibility of our services through scalable digital platforms, we have given the community opportunities to enjoy transacting and interacting with us seamlessly while expanding avenues for additional income.

To counter the increasing cost of living, we approached our pricing based on value creation and adaptability as part of inclusive financing to support customers and win market share. As nations strive to become self-sufficient food producers, we understand the importance of modernizing agriculture. We therefore strengthened our agriculture operations and embeded technological solutions to address the value chain.

As we start a new chapter, we set to move quickly from assessment to action and seize growth opportunities that will strengthen our competitive advantages. We will prioritize pursuing a partnership approach to scale our operations through holistic integrations and increase our service capacity. We will leverage technology to innovate new business models and simplify customer operations to stay ahead of the competition by driving higher returns through comprehensive margins management, and capturing opportunity in regional intra-trade by facilitating cross-border transactions and penetrating to underserved markets.

Our new strategic direction is designed to deliver impact and sustain success with execution certainty. Our transformation excellence approach ensures that the desired culture is prioritized and reinforced, leaders are onboarded and equipped to drive change, people are empowered with the appropriate delivery capabilities, and execution is focused on sustainable impact. Our competitive advantage will be fostered by executing impactful ESG transformation from reducing the impact of climate change and supporting social progress to future-proofing the business by mitigating risk and capturing value.

Facilitating Economic Transformation

Our long-term strategy recognizes the role that CRDB Bank plays in the economic transformation agenda in our markets. Tanzania, being our anchor market, provides the model approach in fulfilling our obligation as the country's financial partner in economic development.

Reflecting on the last five years, I am pleased to note that the Bank has played a pivotal role in driving the economic transformation agenda in Tanzania, leveraging strategic partnerships with the government and aligning with the country's development plans - the Tanzania National development plan, with the ambition of realising competitiveness and industrialization for human development that aims to increase efficiency and productivity in manufacturing using the resources available in abundance within the country.

During the period under review, the bank has successfully supported critical value chains, augmenting government efforts in accelerating economic growth. Specifically, the bank has a notable footprint in infrastructure, trade, and the Oil & Gas value chain.

Supporting the infrastructure value chain

Infrastructure development is a critical priority for Tanzania's long-term economic growth and competitiveness as it impacts economic activities by increasing productivity, facilitating trade, and promoting innovation. The sector also provides the foundation upon which other sectors such as agriculture, manufacturing, and services can grow.

As the country's largest commercial bank, we have been at the forefront of mobilising resources to fund infrastructure projects in the country. We leverage our international partnerships and positive credit ratings to secure portfolio guarantees, alongside international finance arrangements with leading development finance institutions.

During the period under review, the bank secured a USD 50 million, 5-year portfolio guarantee to grow its infrastructure loan book from Guarantors - a Private Infrastructure Development Group (PIDG) company.

Financing the trade value chain

CRDB Bank believes in empowering individuals, SMEs, and large enterprises to conduct their business efficiently and with ease. Our strategy to facilitate trade centres around providing affordable credit and facilitating payments. We have a wide range of products and financial solutions tailored to suit every segment of the market.

Under the MTS2018 -2022, we continued to expand our offerings for the trade sector with a view to driving productivity and enhancing employment creation. Our strategy paid off as demonstrated in the growth of our SME portfolio.

Powering the Energy Sector

As part of our business diversification strategy, we refocused on the energy sector as a new frontier of business. The renewed focus was informed by the role the sector plays in keeping our economy running.

The strategy returned good tidings with new opportunities, mainly with Oil Marketing Companies (OMCs), further expanding our revenue pipelines. In response to this, we developed structured commodity financing solutions for OMCs under the Petroleum Bulk Procurement Agency (PBPA) and the Tanzania Petroleum Development Corporation (TPDC) to facilitate bulk procurement of petroleum products. Under the arrangement, the bank opened Letters of Credit to the tune of USD350 million as of December 31, 2022.

To fully support clients in markets where the bank has no presence, we established Non-Presence-Country (NPC) desk, to identify new trade partners, strengthen relationships, and increase confirmation lines with new and existing ones.

Loans and advances to customers

Segment	2022		2021		2020	
- Corporate	3,085,765		2,057,610		1,416,684	
- SME	692,326		551,554		460,730	
- Microfinance	135,605		112,779		79,962	
- Mortgage	59,343		56,196		49,209	
- Personal	2,903,470		2,262,229		1,922,511	
Total Portfolio	**6,876,509**		**5,040,368**		**3,929,096**	
Portfolio mix		%		%		%
Corporate	3,085,765	45%	2,057,610	41%	1,416,684	36%
Retail	3,790,744	55%	2,982,758	59%	2,512,412	64%

> CRDB Bank has been a steadfast supporter of the government's ambitions since its inception. We are firm believers that by contributing to the growth of the community, we can drive our business forward.
>
> *Noelina Kivaria – Head, Government Business*

Agriculture Financing

CRDB Bank recognizes the importance of agriculture as the country's economic backbone, and the primary source of employment and livelihood.

Our strategy is to enhance access to credit for all actors in the agriculture value chain, with a special focus on smallholder farmers. We have a diverse range of financing solutions targeted at farmers for both production-related activities and post-harvest management.

As part of our sustainability strategy, we also make efforts to provide credit to other value-chain participants, including traders and processors; to ensure sustained value.

In the wider scheme of things, our investments are focused on enabling sectors such as infrastructure. We see road and market infrastructure as important, as they provide critical linkages for connections and transactions between value chain participants aside from the other rural functions, they perform that indirectly support value chain development.

During the year under review, the agriculture business value chain received TZS 953 billion from the bank, in line with the national efforts to achieve food security, enhanced nutrition and promote sustainable agriculture.

Strategically, we have placed notable effort into the sector, which we see as one of our core business areas. Our introduction of medical insurance (Ushirika Afya) through cooperatives has taken into account our commitment to assisting small-scale farmers. The insurance targets farmers in the sisal, sugarcane, cashew, cotton, dairy, coffee, and tobacco sub-sectors.

Along with government initiatives, our ability to support the industry will now be enhanced thanks to the Green Climate Fund's (GCF) recent approval of a USD100 million facility. An estimated 6.1 million people will gain from the GCF grant.

Our new medium-term strategy has identified and prioritized strategic areas in line with the market and the Group's core capabilities, including sharpening focus on the MSME and Agriculture sectors, climate change initiatives, regional expansion strategy, and digital transformation.

Inclusive Financing

At CRDB Bank, we have placed a high premium on enhancing access to financial services for individuals, micro-, small and medium-sized enterprises. We see this as an integral part of our long-term growth strategy and have continued to invest in solutions that cater to all segments of society.

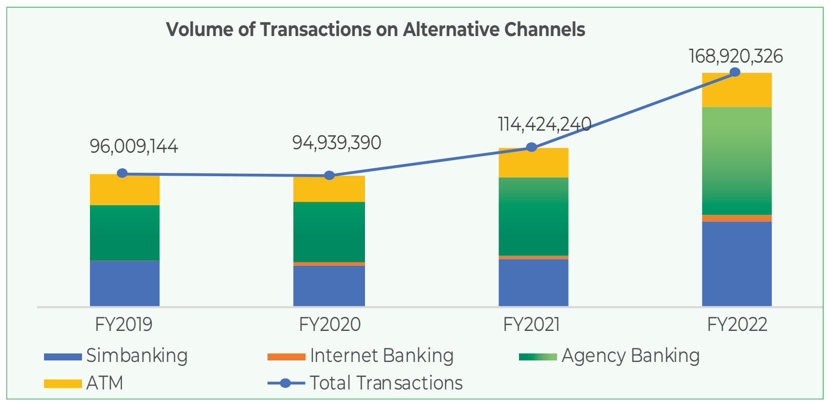
Over the last five years, the Bank has made significant gains in deepening access to financial services through alternative channels, which we see as cost-effective. Under the MTS 2018-2022, the bank focused on leveraging digital technologies, mainly mobility and card services to deliver banking solutions to underserved populations in rural Tanzania. Specifically, we have grown our agency banking network - CRDB WAKALA, from 5,457 agents in 2018 to 28,241 in 2022; becoming the largest agency network in the country, providing essential financial services.

Our success in agency banking is reflected in the impact that the solution continues to provide and its contribution to the bank's growth. Today, the network serves an average of 780,000 unique customers Monthly (translates to 60% of the monthly transacting base); with more than 546% growth over the period, making it the leading Channel in transactions, transacting customers, and transaction value. An approximated 2.5 million non-bank customers use the service to make utility payments and other government fees and levies.

During the year under review, CRDB Wakala processed in excess of 78 million transactions, worth more than TZS 56 trillion, including the collection of nearly TZS 1 trillion in in government taxes and fees.

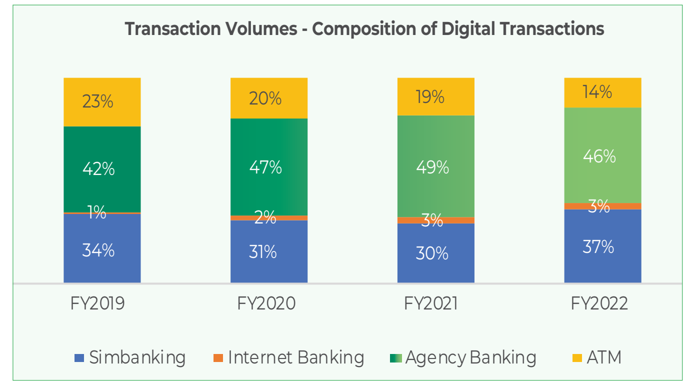
Summary Channel Performance over the past four (4) years

	FY2019	FY2020	FY2021	FY2022	% Growth
SimBanking	32,597,149	29,768,379	33,849,509	61,824,559	90%
Internet Banking	997,776	1,791,649	2,911,581	4,409,999	342%
Agency Banking	39,961,414	44,319,837	56,425,273	78,200,284	96%
ATM	22,452,805	19,059,525	21,237,877	24,485,484	9%
Total Transactions	96,009,144	94,939,390	114,424,240	168,920,326	76%



As we strive to build a sustainable community, we seek to forge new collaborations with global partners to achieve our priority Sustainable Development Goals. We are confident that our dedicated team of professionals will spearhead the acquisition of strategic partners who share our vision, paving the way for us to build economies and develop communities through the financial service sector.

Masele Msita - Senior Manager, Strategic Partnerships & Alliances



To further improve the experience of our customers, we launched a first-in-market Agency App, dubbed CRDB Wakala APP "Kitu Kimesimama". The Application runs on Smartphone devices and Smart Point of Sale (POS) terminals. The app will enable our agents to offer service more efficiently and reduce TAT for agent onboarding while enabling the bank to load more products and services.

Leveraging mobility to drive access

In line with our financial inclusion strategy, we continued to expand our digital banking solutions through mobile phones. Our proprietary SimBanking platform, which is available on USSD and mobile applications, continued to capture the market with more features and productivity tools. We have continued to upgrade the service, responding to customer needs for a more elevated user experience.

We doubled our efforts to make banking more inclusive and accessible by driving innovation, tapping into new sectors, broadening our reach, improving credit management, using technology to our advantage, and elevating the customer experience. We also stayed on top of regulations and policies to ensure everything ran smoothly. This hard work paid off: more people were able to access financial services, and we tackled socioeconomic hurdles, making life better for our customers.

Caroline Yambesi – Head of Strategy

Social Transformation

CRDB Bank embraces the culture of responsible living, with the ultimate intention of building a sustainable work environment that has minimal or no adverse effects on the environment. We have integrated sustainability principles into our business, including adopting paperless banking, leveraging technology through platforms like SimBanking, and continuing to roll out e-banking services to all customer correspondences.

We have developed and deployed an online lending solution for salaried employees, pensioners, and agents using our digital platforms, which allow customers to apply without the need to visit branches.

Driving social change through digital banking

As the country's leading financial services provider, we have learned that to best foster social change, our services must be inclusive and cater to the needs of all. We have active initiatives to drive financial inclusion and reach the underserved segments of the population.

Financing Social Services

CRDB Bank recognizes the importance of education as an equaliser and has, over time, prioritised projects that contribute to the expansion of the education sector. Our lending considers investments in the sector and often provides attractive interest rates to deserving projects, taking into consideration the long-term impact.

Health directly influences economic growth by boosting labour productivity and lowering the cost of illnesses. A healthy family may produce a healthier future generation as a result of a healthy individual indirectly contributing to economic prosperity. This is our reasoning when it comes to financing the health sector.

Under the MTS 2018-2022, the bank made significant investments in the health sector, financing tens of projects including the construction of hospital facilities, and facilitating the purchase of medical equipment, alongside competitive health insurance products.

Developing Entrepreneurship

We have an ambitious plan to grow the entrepreneurial spirit in the markets we operate. This ambition is informed by the bank's strategy to build capacity among youth and women. We leverage strategic partnerships to acquire funds for onward lending.

We have a range of tailored products targeting specific groups such as Jiwezeshe, which provides on-demand capital for micro-entrepreneurs. Machinga loan is a mobile loan, available to street vendors and other micro traders.

Women form a critical segment in the economic setup of our markets; and considering that they have been long been marginalised, we have developed inclusive solutions that speak to their unique needs. We have an affinity for women-led enterprises and often provide training and capacity-building to foster growth.

In financing the various value chains, we also consider the supply ecosystem. We have specialised financing solutions for suppliers servicing national projects and those working in the key sectors of the economy, including education and health.

Bridging the Wealth Gap

In line with our sustainability ambitions, we continue to provide services that are aimed at strengthening social structures, especially the economic well-being of households.

At CRDB Bank, we reckon that building wealth and achieving financial security are important concerns for everyone, but many communities face distinct challenges in reaching these goals. Through continuous engagements with stakeholders, CRDB Bank listens, learns and identifies areas where the need is greatest. We work to bridge the wealth gap across diverse segments including women, youth and people living with disabilities.

Driving Inclusion Through Sharia Compliant Banking

CRDB BANK Al-Barakah BANKING

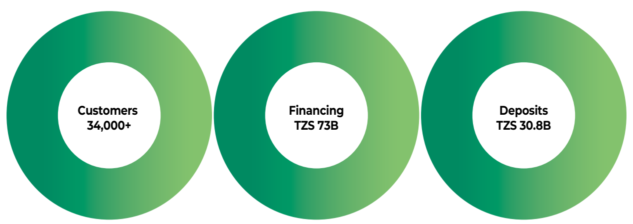
Al Barakah Banking services were established with the primary goal of extending product diversity, customer satisfaction and most importantly; aligning with the government's ongoing agenda of driving financial inclusion for all Tanzanians. The proposition serves both Retail and Corporate Banking customers.

Governance

CRDB Albarakah Banking services are considered alternative banking solutions of CRDB Bank PLC that are in conformity to Shariah principles. As in the case of all banking services, the offering was approved by the Regulator, The Bank of Tanzania in November 2021. In terms of Shariah governance, CRDB Bank through its Main Board has established a well rounded Shariah Advisory Committee to oversee and guide Shariah compliance aspect of the products offering through the proposition, The Advisory committee meets on quarterly basis to guide the operations and also engage with the customers from time to time to increase awareness and boost confidence to the target customers.

Penetration

After one year of operation, by the end of Dec 2022, CRDB Al Barakah Banking services managed to achieve solid penetration with more than 34,000 customers, TZS 73 billion in financing (TZS 58 billion on balance and TZS 15 billion off balance), and a growing stable deposit base of TZS 30.8 Billion.



The encouraging penetration has been possible through regular awareness initiatives within the bank and our target customers, regular engagements are done in order to be able to serve the target customers supported by time to time marketing and sales initiatives also targeting the focus market.

The rapid penetration also reflect the underlying market demands for these financial inclusion solution oriented.

Demographics

30% of Al Barakah Banking deposit customers are based solely in the Zanzibar Islands due to the high demand of Islamic Banking services in the islands. Respectively our Eastern Zone has the most Albarakah Banking customers (51%), followed by our Western Zone (12.5%), and Highland (11%), others Zones picking the rest.

Al Barakah Banking has already made significant contributions to salaried employees, the educational sector, the health sector, and many micro, small, and medium enterprises (MSMEs). Al Barakah financed TZS 1.4 billion to salaried employees, TZS 300 million to the educational sector, TZS 200 million to the health sector, and more than TZS 400 million to MSMEs.

In terms of financing, the trade sector contributes 32%, followed by the oil and gas sector 22%, and finally the fishing and transportation sectors (9% and 6%, respectively). With a composition of 60% and 40% for and Retail Banking and Corporate Banking respectively.

The importance of these subsectors in the daily development of individual welfare and, ultimately, the overall economy is recognized by CRDB Bank.

Peculiarity

CRDB Al Barakah Banking is the country's only Shariah-compliant financing service, providing Shariah-compliant asset-based financing to new and existing customers. We provide vehicle, equipment, and machinery financing without the need for landed property collateral. Depending on the credit merit, our customers are usually required to put down a small deposit (Hamish jiddiya) in order to qualify for financing CRDB Al Barakah Banking is the country's only Shariah-compliant financing service, offering Shariah-compliant financing to salaried employees through memorandums of understanding with employers that include Shariah financing as an option with government and private institutions. For example, ZSSF, NSSF, NHC, GSM, USAD, and many others have already subscribed to CRDB Albarakah Banking services.

Al Barakah Banking is also the only Shariah compliant service that can be obtained across the country due to the vast network reach of CRDB Bank PLC.

Future outlook

Al Barakah Banking is working on a Shariah-compliant financing proposition for women groups in order to promote gender equality while also expanding financial inclusion.

CRDB Bank PLC is set to create more initiatives tied to this specialized proposition in order to continue creating its unique identity, this includes tailor made ATM/Debit cards that are designed with the appeal and pride of our CRDB Albarakah Banking customers.

Al Barakah Banking services are inclusion services, which means anyone can access the service regardless of their ethical background or religious beliefs.

CRDB Bank PLC continues to strive to be a one-stop shop for financial solutions and inclusion. Albarakah Banking is set for further penetration and growth.

Our Passion to Serve is Paying Off, as Reflected in Our Growth

Bonaventure Paul
Ag. Director of Retail Banking

Retail Banking

As the global environment continues to evolve, customer needs are also evolving. This is the understanding upon which we based our approaches for 2022.

I am happy that we have good results to show for it as evidenced by the performance recorded. Despite external challenges, we achieved significant growth in business volume in terms of deposits, loans and transactions on our alternative channels.

Deepening Access to Financial Services Through Agency Banking

Our medium-term strategy (2018-2022) placed much emphasis on expanding our distribution through alternative channels to drive financial inclusion. During the year, the bank continued to recruit agents, seeing the success of the model in taking services closer to communities.

As of the end of the year, the bank had recruited 27,065 agents, with more than 89% actively providing active service. Courtesy of the growth of the agency network, the bank recruited more than 141,000 new customers and amassed retail deposits totalling TZS 45 billion through agents.

In addition, the number of CRDB Bank non-bank customers utilising the channel were pegged at 2.5 million, while bank customers stood at 780,000. In absolute terms, the growth in customers and the increase in transactions translated to a 75% YoY growth in revenue, with the monthly revenue averaging TZS 6 billion.

To enhance the experience of our customers using the Wakala network, we launched a first-in-market agent mobile application christened "Kitu Kimesimama". The app is the first of its kind and enables agents to offer services more efficiently through their smartphone devices. The app also allows for new customer onboarding and offers an adynamic platform for more products and services.

Optimising the Branch Network

In line with the business transformation initiatives outlined in the MTS 2018 -2022, the bank continued to optimise its branch network ostensibly to free up resources and drive productivity. During the year under review, a total of eleven (11) branches were decommissioned, and 13 new ones were completed.

Elevating the Digital Banking Experience

Following the upgrades on the SimBanking platform, there was significant growth in customer activity, reinforcing our ambitions to fully transition our younger customers to the digital banking ecosystem. Today, customers can open and operate bank accounts without visiting a branch and get assistance from bank personnel. Our strategy is to continue simplifying

access and tap into the market potential using the national identification card as the primary KYC document.

Supporting Medium-size Enterprises (SMEs)

We have a deliberate strategy to support MSEs, seeing the integral role they play in driving economic growth. During the year, we scaled our support to this category by digitizing the Hodari account, which is tailored for this group. The digitisation has enabled swift customer onboarding for an enhanced experience and efficiency of service.

Similarly, we achieved significant gains in the card business segment with the successful onboarding of AMEX for issuing and acquiring cards, issuance of credit cards to premier customers and the implementation of a new card management system to accommodate the diverse modern card payment technologies.

Successful Deposit Mobilisation

Experience has taught us that to be able to effectively mobilise deposits, we must create sufficient team motivation. Consequently, during the year, we upscaled our internal deposit mobilization campaigns, and promoted healthy competition among staff to raise deposits for attractive prizes. In 2022, the internal campaigns included our flagship Game of Zones Campaign, Race of Champions and Mchaka Mchaka, which resulted in more than 180K accounts and raised more than TZS 132 billion in deposits. During the campaign period, we have witnessed retail deposits growing by a whooping TZS 250 billion.

Externally, we ran a deposit mobilisation campaign dubbed Mzigo Flexi where customers were given a chance to invest in term deposits of various amounts in specific periods with a high return on their investment. This campaign managed to mobilize a total of TZS 102 billion.

Providing Affordable Credit

Our strategy considers supporting the national economic transformation agenda, including enhancing access to affordable credit. During the year, the bank continued to explore ways to make credit affordable including reducing interest rates on loans for strategic sectors of the economy. Specifically, we reduced the interest loans to the agriculture sector to 9%, while loans to salaried employees were pegged at 13%. This reduction significantly increased access to credit with personal loan portfolio increasing by TZS 577 billion, while loans to MSMEs increased by TZS 115 billion.

23%

Retail loan book (YOY). From 3.01 Trn in 2021 to 3.7 Trillion in 2022

24%

MSE loans growth, fom 103Bn in 2021 to 124 Billion in 2022

24%

Personal Loan growth, fom 2.2 Trn in 2021 to 2.8 Trillion in 2022

2.68%

NPL, down from 2.7% recorded in 2021

TZS **250** Billion

Retail deposits growth as a result of Game of Zones, Race of Champions and Mchaka Mchaka Campaign.

Bancassurance

Since the launch of Bancassurance in 2021, we have witnessed tremendous growth in the portfolio. As of the end of December 2022, the bank has signed partnerships with 10 insurance companies providing general, medical and life insurance. The partnerships have created flexibility for customers to choose their preferred insurer. For a better experience, we have integrated our systems to enable customers to obtain tax invoices and GEPG control numbers (NIC) instantly and efficiently. In addition, we have also partnered with The Tanzania Insurance Regulatory Authority (TIRA) for motor vehicle verification.

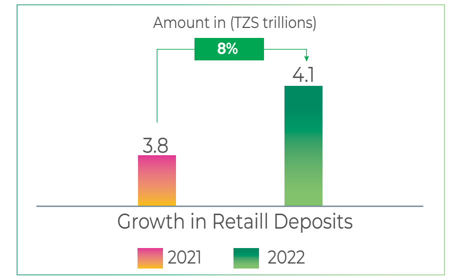
I am happy today that the growth realized in the Bancassurance business has elevated the bank into a market leader in general insurance, contributing to 32.6% of general insurance premiums underwritten by banks in 2022. We are also the first bank to launch a digital insurance platform through Simbanking App, which enables customers to purchase motor insurance and receive digital stickers and policy documents instantly.

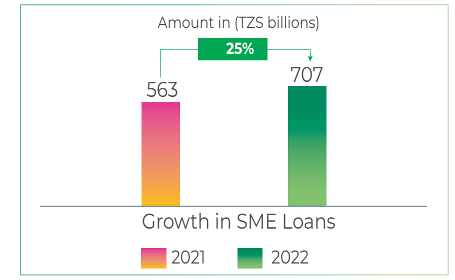
Performance Summary

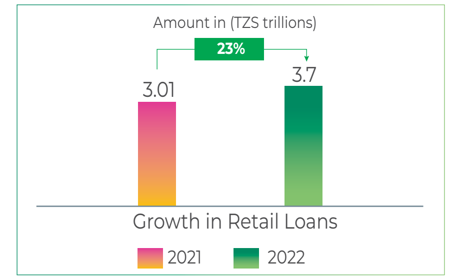
During the year, the bank deposits grew by 6% to a total of TZS 4.1 trillion as of Dec 2022, up from TZS 3.88 trillion as of Dec 2021. Retail loan books increased by 23% YoY, from TZS 3.01 trillion in Dec 2021 to TZS 3.7 trillion in December 2022. There was significant growth in most retail lines - MSE loans grew by 20% from TZS 103 bn in 2021 to TZS 129 billion in 2022, while SMEs grew by 13% from TZS 563 billion in 2021 to TZS 650 bn in 2022. Personal grew by 25% from TZS 2 trillion to TZS 2.8 trillion, while Mortgage loans grew by 2.2% from TZS 57 billion to TZS 61 billion on a YoY basis.

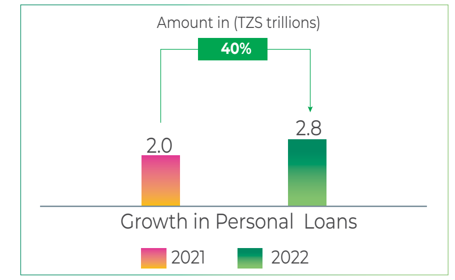
In addition to growing the retail loan portfolio, the bank maintained its quality with an NPL of 2.68%, down from 2.7% recorded in December 2021.

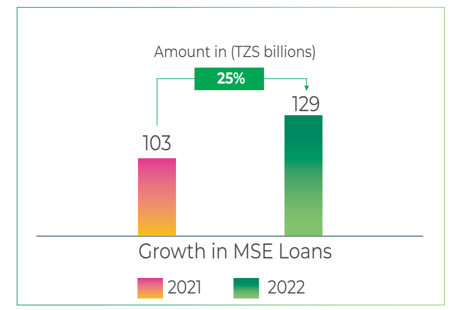
Performance Summary

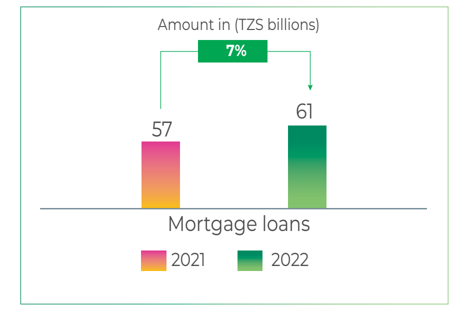












Future Outlook

As we advance into 2023, we are optimistic that the operating environment will remain conducive to business growth opportunities. While we continue to enhance our sales and awareness initiatives, we will strive to keep our promise of offering the best customer service to our customers and maintain sustainable growth by retaining and improving the quality of our business portfolios.

> "Our branding efforts are central to creating awareness in the highly competitive market. We have created a brand identity that embodies our values, mission, and vision, building customer trust and loyalty. We use a multi-channel communication strategy to reach a wider audience, including social media platforms, providing real-time customer engagement opportunities.
>
> ***Joseline Kamuhanda – Head of Marketing***

Cultivating Stronger Relationships with Customers as a Strategy to Drive Growth

Prosper Nambaya
Director of Corporate & Institutional Banking

Corporate & Institutional Banking

Against the backdrop of global disruptions in supply chains and high inflationary pressures, businesses globally are devising ways to navigate the shifting landscape, cope with the changes and grow.

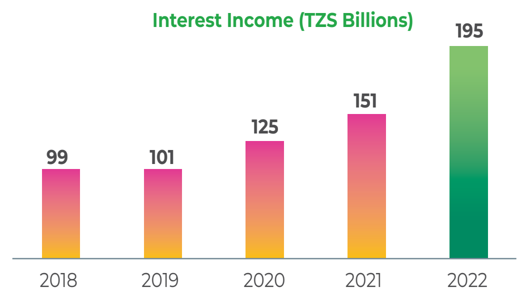
Our priority during the 2022 financial year was to help our clients navigate the challenges, drawing from our financial expertise and leveraging good relationships. This approach paid off, as reflected in the growth of our portfolio and the increased uptake of our services throughout the reporting period.

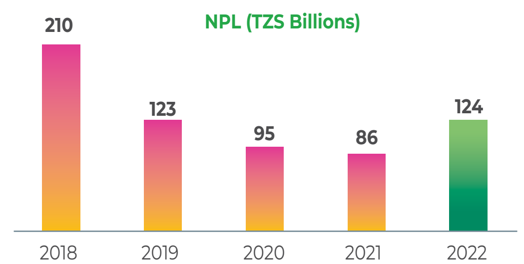
More importantly, we sustained the growth trajectory, benefiting from the strategic reforms undertaken over the past five years. Specifically, the digital transformation initiatives, which include payment integrations with public institutions to provide cash management solutions through GePG, MUSE, ERMS, TAUSI, and DIDIS; have significantly improved our value proposition to government entities and increased the number of customers paying government bills through MNOs.

In addition, the roll-out of innovations such as the e-CIT solution for Tanzania filling stations, retail outlets, and other cash-heavy customers resulted in the growth of our non-funded income. We have also seen an increase in the retention of government collections through 10% from municipal collections operated in more than 8,000 group accounts.

Enhancing client experience

In line with the MTS 2018-2022, the bank continued to undertake reforms to better client experience through automation and strategic integration. During this period, the bank established a transaction banking unit to support the growth of NFI & cash management.





Additionally, we strengthened the syndication desk to offer more comprehensive solutions and advisory services.

Building on the gains made in the Group's culture transformation journey, the Bank rolled out unit-specific initiatives to accelerate the achievement of a performance-driven culture. Specifically, we introduced a business analysis function to address the credit turnaround time and quality of credit appraisals.

Strengthening Partnerships

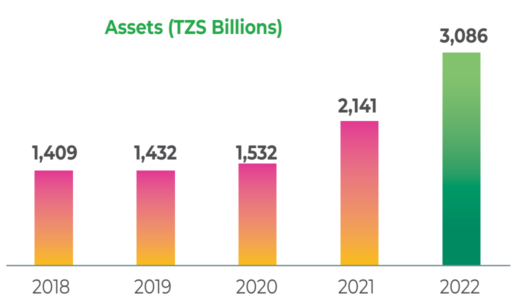
Over the years, we have learned that leveraging strategic partnerships enhances our capability to serve, hence the enhanced focus on strengthening our stakeholder engagements and building stronger relationships. During the year under review, we continued to engage private and government stakeholders to fan our growth ambitions. Through partnerships, the Bank secured a USD 50 million portfolio guarantee with GuarantCo and participated in government projects, including the Hydropower Project, SGR, and a further USD 100 million URT project.

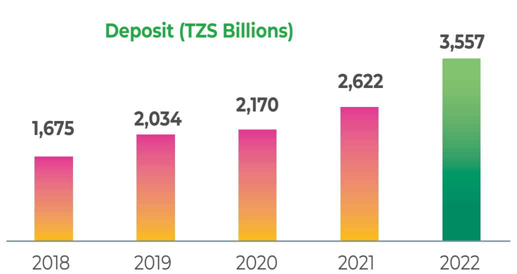
Additionally, we focused on structured commodities financing to allow more financing solutions, which has enabled us to book over USD 313 Million in the oil marketing category.

Looking Ahead

We have a positive outlook for 2023. Learning from the experiences of the past three years, we plan to continue forging close ties with our clients to understand their unique challenges and to support them. Our new medium-term strategy (MTS 2023 -2027) provides a firm basis for our actions since it puts the customer at the core of our focus.

Going into 2023, our priority will be to optimize our balance sheet by creating business value from the base. We will also expand our offering for agribusiness to tap into more commercial crops. In addition, we will continue to strengthen partnerships to support our syndication services and Investment banking capabilities.





Accelerating Credit Reforms to Spur Growth

Xavery Makwi
Director of Credit

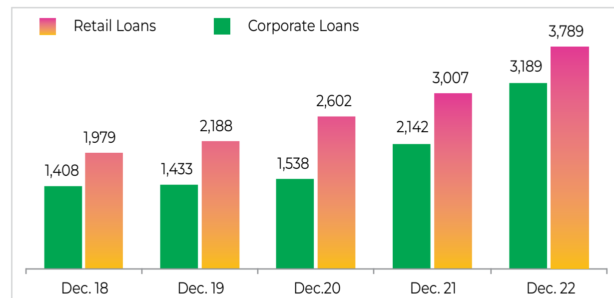
Credit

In the aftermath of the disruptions in the global supply chains, high commodity prices, and rising inflationary pressures, the focus for many financial institutions shifted from recovery to building resilient business models that can withstand significant disruptions.

Banks, in particular, are actively implementing reforms in their credit administration, especially monitoring and delinquency management For CRDB Bank, the 2022 FY provided a good test environment for the digitisation projects and served to accelerate the push toward full technology integration in credit processes. The acceleration brought positive results, enabling the bank to maintain a healthy portfolio, despite the challenges presented during the year.

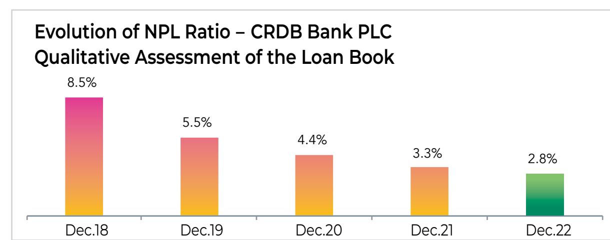
During the year under review, the Bank performed well, achieving a 36% growth of portfolio, amounting to over TZS 1.8 trillion in new loans to close the year at TZS 6.9 trillion. The growth was in line with the Group's strategy, which focused on growing the retail loan book, which accounted for 54% of the total portfolio.

Composition of Loan Book Review conducted in the past 5 years
Amount showing end of year position in TZS Billion

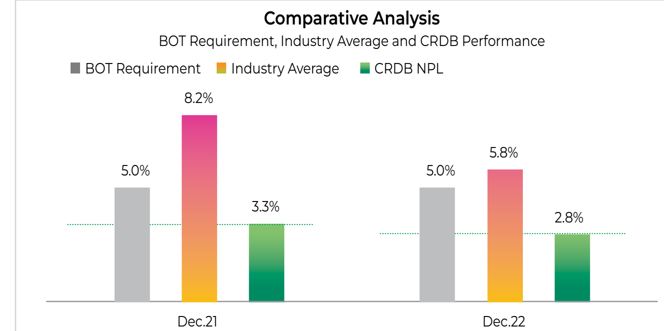


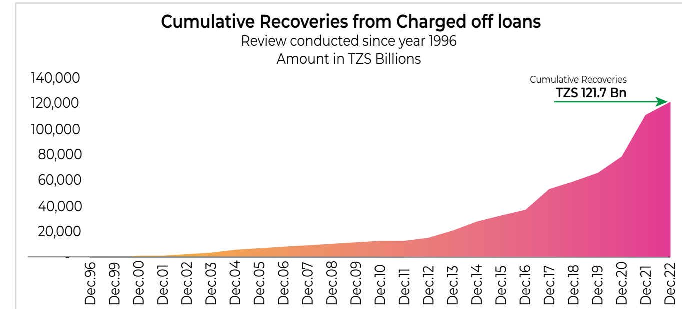
Portfolio Oversight & Monitoring

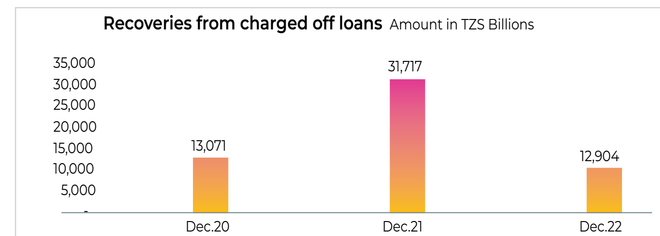
In line with the long-term strategy to maintain a healthy portfolio, the Group continued to implement portfolio quality management strategies that included automation of key credit processes and effective monitoring and recovery. As a result, the bank recorded the lowest Non-Performing Loans (NPL) ratio in the market at 2.94% as at December 2022.



Key among the interventions implemented during the year included the enhancement of portfolio oversight and monitoring teams (Branches, Credit, and Business units); the establishment of monthly oversight of Portfolio performance through Committees namely; Branch Credit Committee, Loan Collection Committees (Retail & Corporate) and Loan Portfolio Quality Committee (LPQ). Additionally, there was a deliberate investment in proactive actions on delinquencies and recoveries of Non-Performing Accounts







Digitization and Automation Efforts during the year

During the year, the accelerated implementation of various digitisation projects included the deployment of an overdraft monitoring that relay automatic alerts and reminders. We also operationalized a limit-monitoring tool that generates automatic alerts of potential breaches of limits. In addition to that, we also deployed collateral monitoring, covenant Monitoring, and document monitoring tools to complement the credit oversight and administration processes within the Group. To enhance compliance, the Group also Implemented automation geared towards enhancing compliance with BOT requirements on credit referencing including submission of Digital Loans to CRD, submission of Charged-off loans to CRD, and foreign loans management.

Looking Ahead

Going into 2023, the Group will continue implementing strategies to maintain a healthy portfolio through diversification, primarily by focusing on commercially wealthy sectors of the economy. As part of a goal to boost efficiency and improve performance, the Bank will keep automating the credit operations in the interim. The Bank will also work to improve its human capital through new recruits, particularly in the area of credit risk management. We will broaden our collaboration initiatives to include a range of stakeholders in order to promote business expansion and efficient relationship management.

Navigating the Turbulent Global Economy

Alex Ngusaru
Director of Treasury and Capital Markets

Treasury & Capital Markets

The global economy continues to face turbulence arising from disruptions occasioned by world events, including the war in Ukraine and a resurgence of COVID-19 in some markets.

The 2022 financial year saw economies grapple with high commodity prices and global supply chain disruptions, mainly occasioned by China's zero-COVID policy and the shock from the Russia-Ukraine war.

Resulting from these disruptions, high inflationary pressure unravelled throughout the year after a decade-old fiscal and monetary support to combat deflationary forces exacerbated by the full impact of the pandemic in 2020.

The events required a swift response from central banks during the year, especially from those in advanced economies, which resulted in tight global funding conditions (higher interest rates and tight US dollar supply). The future state of the world economy will heavily depend on how well monetary policies are adjusted, how the war in Ukraine unfolds, and how supply chains, particularly those in China, are doing.

Following the aforementioned, the Tanzanian economy showed sustained resilience, bolstered by a significant improvement in the tourism industry as the global reopening gained steam in the wake of the extensive reach achieved in COVID-19 vaccination efforts. The country, however, was not exempt from the high commodity prices, as demonstrated by the high costs of importing oil and fertilizers and the purchase of capital goods. Owing to the slow rise in goods exports, the US dollar was scarce.

Weathering the Storm

Given the challenges in operating the operating environment and considering the unpredictability of the market, the Group reconsidered its policies to remain robust and continue to service the needs of its customers in terms of foreign currency.

As part of the Group's adaptive strategy, the Group fully migrated to a new Treasury Management System (TMS) to maintain its competitive advantage in line with its digital transformation ambitions. The Treasury Management System has significantly increased efficiency and enabled the Group to provide a broader range of solutions to clients.

It is important to note that the Central Bank has continued to support the market in this effort through various interventions, such as lowering credit costs to increase activity in important economic sectors that have been severely affected by the unstable environment; while maintaining the soundness and stability of the financial system.

Sustaining Wealth Creation

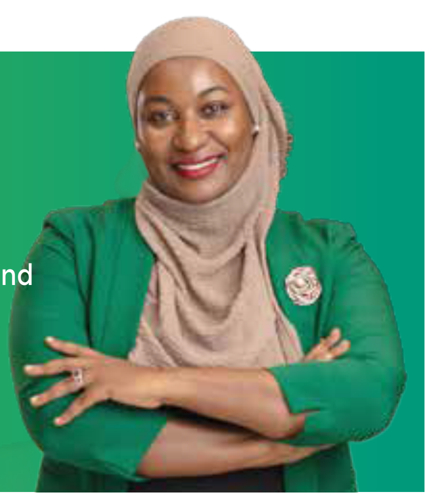
Referencing the five-year strategy, which was approaching its end, the Group continued to expand and sustain performance, building on the post-covid recovery. The priority was building a foundation for new medium-term goals that guarantee capital optimization and effective liquidity management, allowing the Group to satisfy its funding needs in the future.

To continue building a sustainable fund base, the Group took advantage of the expanded balance sheet as reflected in the bank's global rating (Improvement from B2 with a stable outlook to B2 with a positive outlook) from Moody's Investor Relations.

The Group's capital levels remain adequate and above the regulatory minimum. This has been made possible by the retention of bank profitability as well as the purchase of subordinated loans to spur the bank's expansion. The bank's funding base has remained mostly stable, thanks to consistent increases in bank deposits acquired at competitive prices, which have a favourable effect on the Group's profitability.

Given the stable domestic foreign exchange market and the Bank's resilient capital basis to meet client expectations, it could offer reasonable prices.

> CRDB Bank group believes that working toward gender equity and increasing female economic participation will result in higher growth, more favourable development outcomes, and lower-income inequality. CRDB Bank believes in implementing programs that promote gender diversity within its operations and developing products that foster access to finance and financial inclusion of women.
>
> *Natasha Ng'wanakilala - Strategic Alignment Specialist*



CRDB Bank Burundi SA

Board of Directors

Mr. Hosea Kashimba
Board Chairman

Dr. (Mrs.) Oda Sindayizeruka
Independent Director

Mr. Salvator Minani
Independent Director

Mr. Fredrick Siwale (MD)
Board Secretary

Dr. Elizabeth Mkoba
Independent Director

Mr. Jean Sindayigaya
Independent Director

****Dr. Joseph Witts**
Chief Commercial Officer CRDB Bank Group
** Retired on 31 May 2022

Mrs. Kahumbya Kalaule Bashige
Independent Director

Operating Environment

Despite the disruptions associated with the 2022 financial year, the Burundi economy remains resilient with a positive outlook in 2023. The economy sustained GDP growth of 3.6% in 2022 and is projected to expand by 4.6% in 2023, fuelled by the continued recovery of the agriculture sector and the sustained public investment in infrastructure.

Global inflationary pressure, intensified by the Russia–Ukraine conflict, pushed the country's inflation to 26.8%, although the rate is expected to decrease in 2023. The sharp rise in inflation was further exacerbated by the spiralling cost of food and housing, especially in urban areas. Similarly, the rising cost of oil product imports pushed up the commercial deficit, aggravating the current account deficit, which increased from 15.4% of GDP in 2021 to 15.9% in 2022. This evolution affected foreign exchange reserves.

Public debt stood at 70% of GDP in 2022 compared to 71.9% reported in 2021 on budget consolidation. The BIF/USD exchange closed at 2,063 at the end of Q4 2022 compared to 2.048 reported in Q3 2022.

15.9%
Current Account defcit affectting foreign echange reserves

3.6%
GDP Growth in 2022, Projected to expand to 4.6% in 22023

70%
Percentage Public Debt against GDP

26.8%
Inflation after global pressure, intensified by Russia - Ukraine conflict

CRDB Bank Celebrates 10 years in Burundi

Supporting Efforts to Rebuild the Economy in Burundi

Fredrick Siwale
Managing Director

Subsidiary Performance

Even as stakeholder expectations continue to rise, the unpredictable nature of the global business environment and local dynamics continue to confront businesses with novel and distinct problems.

The new challenge facing company executives is the delicate balance between achieving stakeholder expectations and generating long-term value. For the 2022 fiscal year, which was the fifth year of the medium-term strategy 2018-2022, we focused on maintaining this delicate balance.

Looking back, the year was marked by various challenges that were aggravated by high inflation, skyrocketing commodity prices, and interruptions in the global supply chain brought on by Russia's conflict in Ukraine. The aforementioned interruptions caused Burundi, like many other developing economies, to face a variety of challenges. The local factors, such as the lack of foreign cash and other difficulties, further complicated the situation.

Our main aim during the year under review was to safeguard the business while pursuing fresh and creative ways to expand by taking advantage of new market opportunities. The excellent results recorded for the year demonstrates that the strategy was effective.

Performance Summary

During the year under review, the Bank's Profit Before Tax (PBT) jumped by 80% to TZS 24.7 billion from TZS 13.7 billion recorded in 2021. The bank's tax obligation amounted to TZS 1.6 billion, translating into 80% growth in Profit After Tax (PAT) to TZS 23.0 billion, from TZS 12.8 billion recorded in 2021. The growth in profitability is attributed to an increase in income resulting from the strategic initiatives undertaken during the year.

During the year, the bank's Interest income grew by 51% from TZS 38.2 billion reported in 2021 to TZS 57.7 billion as of 31st December 2022. Net Fees and commission income increased by 48% from TZS 2.5 billion in 2021 to TZS 3.7 billion as at 31st December 2022.

80%
The bank's profit before Tax (PBT) jumped to 24.7 billion from 13.7 in 2021

45.2%
the bank's efficiency ratio as at 31st December 2022 (2021: 52.1%)

65
Number of SMEs supported by the bank in 2022

28.3%
Total capital as at December 31st 2022 (2021: 24.40%)

70%
Overal achievement against medium term stragery (2018-2022)

Key Performance Indicators

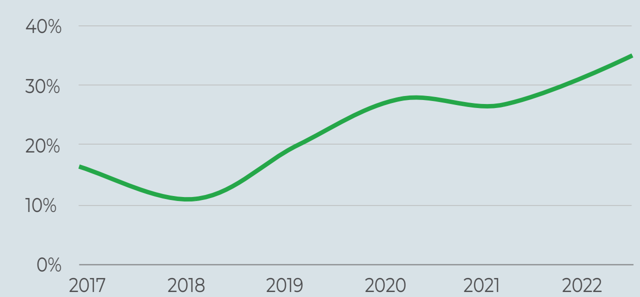
PERFORMANCE INDICATOR	DEFINITION & CALCULATION METHOD	2022	2021
Return on Equity	(Net Profit / Total Equity) * 100%	35.01%	26.75%
Return on Assets	(Profit Before Tax / Average Assets) *100%	3.52%	3.02%
Efficiency Ratio	(Non-Interest Expense/Total Income net of Interest Expense) *100%	45.23%	52.11%
Earnings per share (TZS)	Profit attributable to equity shareholders / Number of Ordinary shares in issue	586,268	316,088
Gross loans to customer deposits	(Gross loans to customers/Total deposits from customers) *100%	57.93%	49.03%
Growth in total assets	(Current year total assets – Previous year total assets)/Previous year total assets) * 100%	55.15%	64.86%
Growth in customer deposits	(Current year Deposits-Previous year deposits)/ Previous year deposits) *100%	61.95%	73.35%
Core Capital ratio	(Core capital/Risk weighted assets including off balance sheet items) *100%	27.70%	24.90%
Total Capital Ratio	(Total capital/Risk weighted assets including off balance sheet items) *100%	28.30%	25.40%

Operating Expenses

Under the MTS 2018-2022, the bank placed significant emphasis on cost management, and optimization of resources to address the efficiency gaps. During the year under review, the bank continued to focus on cost optimization initiatives delivering a more efficient operation as evidenced by the significant improvement in our efficiency ratio.

The bank's operating expenses grew by 33%, driven by general provisions and staff expenses. In absolute terms, staff and administrative expenses increased from TZS 14.0 billion recorded in 2021 to TZS 18.6 billion as of 31 December 2022. Our priority under the new medium-term strategy (MTS 2023 -2027) is to sustain the efficiency initiatives to further improve the overall health of the bank, while enhancing our customers' experience.

ROE trend over the last five years



(Calculated as Net Profit / Total Equity * 100%). During the year, Return on Equity (ROE) increased to 35.01% from 26.8% in 2021

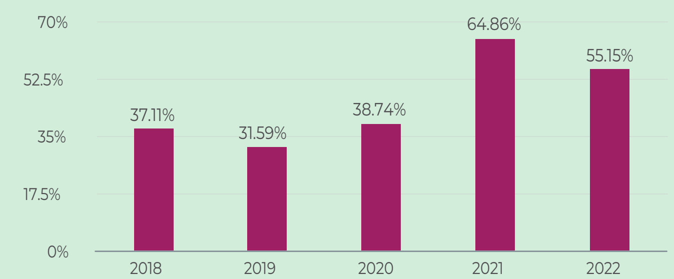
Balance Sheet growth

In line with the MTS 2018 - 2022 the bank targeted to sustainably grow its balance sheet, with a view of increasing value to shareholders. During the year under review, the bank continued to implement various strategic initiatives to grow the balance sheet with a focus on earning assets. Total assets during the year increased by 54% from TZS 551.1 billion in 2021 to TZS 850.4 billion.

Following successful mobilization initiatives, the bank's total deposits grew by 62% from TZS 324.3 billion in 2021 to TZS 524.2 billion as of 31 December 2022.

Loans and advances grew by 58.4% from TZS 137.0 billion in 2021 to TZS 346.7 billion on account of growth in loans.

Growth in total Assets



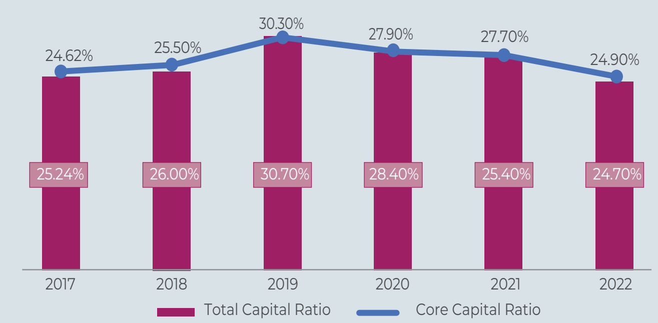
Total assets increased from TZS 551,159 million in 2021 to TZS 850,480 million in 2022 translating to a 55% growth.

Capital Position

To ensure prudent capital management, the bank adopted the capital management framework from the parent company, intending to utilise its capital resources efficiently in line with the MTS 2018-2022. The framework placed a strong emphasis on ensuring that there is adequate capital to meet or exceed regulatory thresholds.

During the year under review, the bank sustained focus on prudent capital management; selective growth of portfolio with high-yield and lower Risk-Weighted, and de-risking to ensure optimal utilization of capital. The Bank closed 2022 with adequate capital, liquidity, and risk foundations well placed to meet the opportunities and challenges that lie in 2023 and beyond.

Capital Position



Future Outlook

Based on the progress we have made over the last five years; the bank has a promising view for 2023 and beyond. After addressing the significant operational and performance gaps, including legacy challenges, the MTS 2018 – 2022 has placed the the bank on a pedestal for accelerated growth.

Our new medium-term strategy (MTS 2022–2027), which addresses the systemic issues identified over the previous year, will be implemented beginning January 2023. The strategy provides a unique opportunity for the bank to consolidate its business in Burundi, leveraging both the parent company's strengths, and the dynamic business model to respond to external environment changes.

We continue to be aware that despite the ubiquitous disruptions, there is still a fierce rivalry in the market as competitors implement new survival tactics. Our top priority in the MTS 2023 – 2027, which builds on the strong framework established by the MTS 2018 – 2022, is to streamline our investments in order to enhance the bank's competitive advantage.

Bruce Mwile
Chief Operations Officer (COO)

> Our ambitions to build the bank of the future were anchored in the idea to create a high-performance environment where our employees are productive, highly motivated, and engaged. Towards this end, we have made tremendous milestones in improving employee welfare, adopting a new culture, and building digital platforms for upskilling.

Operations Report

We Are Now Future-ready and Agile Enough to Maintain Market Leadership

On the back of the challenges in the external environment, our Group continues to strengthen its operations to unlock its full potential and value creation. Over the past five years, we have made commendable strides in modernizing our operations in line with the MTS 2018-2022, which was premised on three pillars: (i) transforming the existing machine, (ii) building the bank of the future, and (iii) addressing the enablers.

Transforming the existing machine focused on addressing operational gaps and modernizing operations through digitization and automation. I am happy that over the period, we have successfully automated more than two-thirds of our processes and resilient platforms for service. Through digitization and automation, we have transformed our branches to be more efficient and sales oriented. This has enhanced our cost management and improved the Group's cost to income ratio.

Our ambitions to build the bank of the future were anchored in the idea to create a high-performance environment where our employees are productive, highly motivated, and engaged. Towards this end, we have made tremendous milestones in improving employee welfare, adopting a new culture, and building digital platforms for upskilling. We have also forged strategic partnerships that help in our growth.

The third pillar - addressing the enablers - elaborated our broad ambition to create a superior customer experience through digital solutions as an enabler for growth. It also spelt out our work steps towards diving financial inclusion as a long-term strategy. I am delighted to report that today, our Group is leading the market with innovative digital solutions. Under this pillar, we also set out to build strong technology ecosystems to power the dream of delivering a digital experience. Today, we have a robust IT infrastructure with capable Human Resources to drive growth into the future.

The Group made significant progress in enhancing compliance by putting in place procedures to assure optimal adherence to both internal statutes and regulatory standards, consequently reducing associated risks. As you will see in the risk report in the later pages of this annual report, the group closed the most compliance matters as a result.

IT Service Management (ITSM)

The Group commissioned a state-of-art Help Desk / Ticketing system for end-to-end handling of requests and incidents reported by end-users. There is also in place a fully-fledged Network Operating Center (NOC) for monitoring systems (servers, network, ATMs) & services availability in order to proactively address customer concerns and improve customer experience.

International Certifications

The Group was certified for ISO 27001:2013 – Information Security Management System (ISMS) about people, processes & technology in the year 2017. In 2022, the bank maintained the integrity of its approaches, successfully passing the surveillance audits and a re-certification process in the year. Other international certifications which were maintained through successful surveillance audits are PCI-DSS (Payment Card Indistry - Data Security Standard) and ISO 22301:2019 (Business Continuity Management System).

Cyber Security Maturity

The Group conducted a cyber security assessment in the year 2020 where it was rated 2.4/5.0 according to KPMG's Cyber Maturity Assessment (CMA) methodology. This was followed by cyber security roadmap implementation which enabled the bank to reach a rating of 3.43/5.0 in the year 2022, mainly due to the implementation of a fully equipped Security Operating Center (SOC). The target rating by end of the year 2023 is 3.75/5.0.

Business Continuity Plan (BCP)

To Future Proof the Business, the Bank built a tier 3 Primary data centre and runs Disaster Recovery (DR) systems in a co-location tier 3 data centre, both equipped with remote infrastructure monitoring capability. The bank has successfully tested all business systems continuously throughout the year.

Mission Critical Systems

To ensure that the bank remains competitive in the market, today and in the future, it is implementing best-of-breed World-class mission-critical business systems which are ranked in the Leader's quadrants of Gartner and Forrester benchmarking reports and have global support and R&D roadmaps. These include Core Banking System, Treasury Management System, ATM Switch & Card Management System, Agency, Internet & Mobile Banking Systems, Enterprise Service Bus (ESB), Reconciliation System, AML & Fraud Management System.

Enterprise Architecture (EA) Governance

The Group has adopted and implemented The Open Group Architecture Framework (TOGAF) EA to ensure that investments made in ICT are well aligned with business requirements in terms of designing, planning, implementing, and governing an enterprise information technology architecture for each of the 5 EA domains: Business, Applications, Data, Technology & Security.

ICT Staff capacity building

Having a workforce of over 150 staff, the ICT department implements annual capacity-building plans to continuously upscale knowledge, skills & professional certifications of its human resources, such as ITIL, COBIT, Cisco, BCP, VMWare, TOGAF, ISACA, and Microsoft.

Data Management

ICT has implemented a robust and complete Data Warehousing (DWH) system that consolidates data from all systems through Extract, Transform, Load (ETL) process. This valuable resource data is thereafter used for generating various regulatory and operational reports, business performance dashboards, etc. A Data Management roadmap is in place for building strong Metadata management, data quality, data governance, data security, business intelligence, data analytics & science, Artificial Intelligence (AI) data.

> Our digital transformation strategy envisages leadership in technology adoption. This means that our next phase of growth will be powered by more disruptive technologies such as Robotic processes automation and Blockchain. Robotic processes automation (RPA) technology makes it possible to automate many tasks that were once done manually. With RPA, we will be able to handle all the details associated with new account setups, verify data submitted by a customer, conduct security checks, manage data analysis and even handle responses to customer concerns.
>
> Today, we are able to offer a secure application process via our SimBanking mobile app and internet banking. Anyone wishing to open an account can provide basic information, upload documents to establish his or her identity and provide the required opening account balance and voila, an account will be live.

Mwanaisha Kejo -
Head of ICT Projects and Channel Support

Future Outlook

The 2023 financial year is the first of five in the implementation of our new medium-term strategy (MTS 2023-2027). Our priority under the new strategy is to optimize our operations and strengthen our enterprise risk management.

By embracing technology-driven advancements, we plan to put strategies into place that will position the company to meet expanding client expectations and regulatory obligations. In addition to embracing technology-driven advances, we want to put into practice tactics that will position the company to meet growing client and regulatory demands.

Our goal is to create a more adaptable and resilient business that can handle the risks of the future, whether they come in the form of a cyberattack, a financial crisis, or a revival of the pandemic. To ensure that the Group's operations are intelligent and digitally capable across technology, processes, and people, we have established a power-boosting transformation strategy.

Aligning our Human Capital with our Long-term Strategy

Godfrey Rutasingwa
Director of Human Resources

HR Report

Our employees are one of the critical recipes of our success as a business. For years, they have fueled our business machine with vast innovation, dedication, efforts, and passion, to deliver value for our customers, shareholders, and communities.

Our teams constitute a sustainable cross-generation split, comprising a sizeable 44% senior employees, who bring in a wealth of experience, institutional memory, wisdom, and maturity and a majority 56% of Millennials, who are much younger, full of dreams, innovation, technological connections, ambitions as well as energetic to power the value generators of our Business. In terms of gender, we are the industry's most promising gender split, with 43% of employees being female and 57% male.

Investing in Strong Leadership

Our leadership structure includes skills and diversity (backgrounds, gender, competence, and management experience).

As the country's largest financial services provider, CRDB Bank understands that a good build and competent leadership structure plays a vital role in value generation. We have been around long enough to know that the success of any business is greatly influenced by the type/of its leaders who need a broad range of skills to create value for the shareholders. In response to the fast-changing world, increased customer expectations, and volatile needs for new ways of working; the management has made sure that there is an appropriate mix of skills and competencies in the senior leadership positions. We have worked to grow the number of female employees into leadership positions. Our efforts have placed a total of 38% of leadership positions on our female talents. We are working to increase the number to 45% in the coming 3 years.

Aspiring to nurture more competent, We implemented our three flagship programs to accelerate female employees' growth into middle and senior leadership positions.

- Through our She is ready to Lead; we aim at reaching out to 200 female employees who have the potential to step into leadership roles as well as those who are into the roles. In Quarter 3 a total of 68 female employees graduated from the program.
- Through the Female Future program; 11 candidates attended modules 3 & 4 of the program.
- In partnership with the UDBS, 15 employees attended the Women Leading Change program.
- In CRDB, we leverage partnerships in most of the initiatives we implement. Working with Strathmore business school, 40 Senior Leaders have been enrolled in the executive leadership program.

Banking on the right culture to drive growth

Our culture is the instrument that distinguishes us from the competition, and it is a unique competitive identifier that shapes our services, people, product offerings as well as thinking. At the dawn of the year 2022, the Bank embarked on a journey to evolve into a new culture. Through a wide and deep engagement with the employees across the business; practical behaviour and undesirable behaviours have been developed as measurable indicators of a new culture. Envisioning the needs of the customers, shareholders, and employees as well as the business environment, we have anchored our culture to influence our people, processes, and policies as we evolve with the new strategy.

Building a strong proposition for our employees

We attribute the success of our business to an engaged, developed, recognized, and retained the team of employees. Therefore the Management has continuously put in place a well-suited employee value proposition which for the year 2022, has yielded a 78% employee satisfaction score, <3% attrition rate, 200 average learning hours/employee as well as a 6.7 employee net promoter score.

Our employees' financial well-being is one of the critical factors of our employee value proposition (EVP); The Bank had deliberately pegged our employee salaries at the 75th percentile to be able to attract, retain and develop its key talents. We lead in the provision of well-suited employee value propositions across the Market; as we strive to continue being a market leader, we have worked to improve on our staff loan propositions by providing additional relief to employees and added allowances that enable employees to lead a decent and successful life.

Employee wellbeing

We believe that our employee well-being is a critical factor for productivity. Healthy employees bear fruits that reach out to all stakeholders. At the beginning of the year 2022, we engaged the National Health Insurance Fund to provide medical services to more than 12,000 employees and their dependents. Additionally, Our employee welfare program has helped ensure that our employees are in a healthy emotional state at all times.

We conducted training and awareness sessions for all employees and some of their families around Mental Health, Grieving and Loss of loved ones, Healthy Living as well as Exercising.

We launched our state of the Art gym, which comprises state-of-the-art equipment and trainers to assist the employees at the Head office, exercise and connect. Our modern sauna facility is keeping our employees happy and healthy. We continued supporting employees who are working outside of the Head office to access fitness services in various fitness centres near them.

We opened our modern restaurant at the new head office; enabling employees to access meals and refreshments at a convenient place.

Community involvement

We value the community in which we work. Every year, the Bank has opened its doors to students from various learning institutions for a practical experience in our midst. In the year 2022, the Bank enrolled 1,120 students from various higher learning institutions for an internship that lasted for 6 to 12 weeks. Our internship program has been instrumental in building the capability of the youth for the future of the nation.

Our disruptive employee engagement strategy

Engaged employees are the catalyst for the sustainability of our Business. Our annual employee engagement survey has been one of the ways we listen to our employees. We have implemented a second phase of the CRDB super cup in the year 2022. A league of competitive football and netball games was arranged across the country, engaging thousands of employees and nonemployees as spectators. Through the tournaments, the demonstrated physical fitness of the employees demonstrates our readiness to serve the customer and deliver returns to the shareholders.

Employee skilling and upskilling

At CRDB, we believe that everyone has the potential to continuously grow. We are committed to cultivating a culture of lifelong learning and our development proposition is designed to support colleagues at every stage of their careers. We aligned our development initiatives to reflect on critical business needs as well as employee career development.

Through a partnership with Udemy a wide range of courses was made available to help employees build their careers anytime, anywhere while learning anything. Through our classroom sessions, a total of 27 learning manhours was attained by employees. We implemented the 2nd phase of implementation of our leadership program which reached out to all leadership levels are described below.

We implemented fit for purpose technical trainings which enables employees to grow their career and professions as well as be able to deliver on the expectations of the customers as well as business at large.

Building capabilities of our Talents and Successors Development Program

Our talent pool and succession pipeline, constitute a significant group of employees that the Bank identifies and develops for resilience and sustainability. In the year 2022, successors (Both internal and external) were identified to cover all critical positions across the business. A talent pool was established through a robust methodology that earmarks talents by considering their consistent performance and potential. We implemented various development initiatives to the talent pool and succession bench; More than 50% of all the identified employees participated in development initiatives that had been identified to accelerate them. In addition, we enhanced our performance management process to ensure that all employees contribute to overall Bank strategy.

78%
Employee satisfaction score in 2022

<3%
Attrition rate in the 2022 financial year

200
Average learning hours/employee

1,120
Students enrolled from various higher learning institutions for an internship that lasted for 6 to 12 weeks

12,000
Employees and their dependents who benefited from National Health Insurance Fund enrolment

Sn	Program	Program Description	Objectives	Target Audience
1	Lead	High Level Executive program for topmost team who are responsible for strategic functions of the Bank	Build capability to formulate and lead, engage, motivate, and grow teams which translates and implements the strategy	• Executive team • Directors • Successors to the Executive team/Directors
2	Leap	Action Learning and Case based program aiming at enabling departmental heads to lead managers in	Ability to lead strategy implementation and application of the Leadership competencies to build a performance culture	• Department heads • Successors department heads
3	Seal	Action Learning and Case based leadership program on self-awareness, awareness of others and transformative leadership.	Senior Managers to lead managers and individual contributor in execution of regular activities in an engaging and aligned framework	• Senior Managers • Middle Managers in succession to Senior Manager's roles
4	Accelerate	A classroom session and case-based program aimed at enabling Middle Managers in	Ability to Lead front line teams in execution of planned activities and projects across departments/branches	• Middle Managers • Junior Managers in succession to Senior Manager's role
5	Emerge	A classroom session and case-based program aimed at enabling Junior Managers in leading front-line teams in execution of planned activities and projects across departments/branches.	Ability to adopt to the changing roles and stepping to leadership positions from being an individual contributor	• Branch Departmental Managers • Supervisors • Middle Managers who are new to the role

"As part of our commitment to a sustainable, inclusive future, we have incorporated DEI as a top priority goal in line with the United Nations' Sustainable Development Goals (SDGs). By embracing DEI, we believe we can achieve our ambition of harvesting the best talents in and outside the organization while positively impacting the broader community.

Martha Kimweri – Head, Human Resources Business Partners

Driving Impact Through Strategic Procurement

Pendason N. Philemon
Director of Procurement

Procurement

Streamlining investments to drive value

CRDB Bank has, over the last four years, been undertaking reforms with a view to building efficiency and achieving sustainability in the long term. The reforms are part of the wider business transformation agenda that seeks to position the Group as a financial powerhouse and a model bank in the region.

Under the transformation agenda, the Group's supply chain management is earmarked as one of the areas that require continuous innovation, modelling along best-case studies in the region and developed markets. Since 2019, the Group has successfully revamped the entire supply chain management, adopting more agile processes in identifying, negotiating and engaging suppliers.

Key transformations over the past four years include groupwide supply chain automation, the harmonization of procurement projects to drive the strategic value of critical systems and solutions, and the implementation of a cost-efficient strategy. The latter resulted in 40% savings on procurement costs in the last financial year alone.

During the 2022 FY, the procurement function continued to deliver on its mandate, realizing significant achievements. A notable milestone was the successful budgeting, sourcing, and deployment of the Group's cross-border investments, including the establishment of a new subsidiary in the Democratic Republic of Congo (DRC). In terms of performance, the initiatives undertaken during the year resulted in cost savings amounting to TZS 28 billion within the twelve months of 2022.

Harnessing Organizational Strengths to Achieve Sustainability

To foster sustainable growth in the context of the changing business environment, the Group has adopted a holistic approach to reforming the sourcing process to address business needs and build a more resilient supply chain ecosystem. The Group has adopted a framework to ensure alignment of business goals and needs with the right suppliers with the right capabilities.

In the year under review, the Bank continued to maximize its performance to gain a competitive edge in the market, leveraging digitalization and vendor partnerships to co-innovate products. In addition, the Bank optimized its Procurement Business Partnership Models (PBPM) to deliver more value consistent with the year's objectives. Similarly, there was a sustained focus on cost-saving initiatives and an emphasis on quality products and services to drive long-term value while proactively managing risk through procurement contracts.

Generally, strategic sourcing continues to yield immense benefits and has enabled the Group to build long-term relationships with suppliers. This has reinforced the focus on the core capabilities of individual suppliers and created synergy in the entire supply chain.

Enhancing Transparency in Procurement

In line with the Group's governance practices, the Bank continues to foster transparency in the procurement processes, maintaining openness and scrutiny from a cross-section of stakeholders. During the 2022 FY, the Bank invested in a secure procurement process, providing visibility to stakeholders and improving the control environment through an auditable process.

Looking ahead

Going into the new dispensation, the Bank will continue to streamline its supply chain processes and enhance the strategic sourcing practice to ensure the achievement of the objectives outlined in the new medium-term strategy. A key consideration will be continued investment in technology to optimize the efficiency of service and strengthen risk management in the face of the changing business environment.

Re-imagining Assurance in Dynamic Times

Godfrey Sigalla
Director Internal Audit

Internal Audit

Aligning to the bank's strategy

The bank in its 2018-2022 strategy had a dominant focus on "fostering transformation towards building the bank of the future" that was driven by digital transformation, cultural transformation, and operational efficiency. This guided our Internal Audit strategy and audit plan which considered a mix of enhanced assurance, risk insights and business improvements – all attuned to the focus areas of the bank's strategy.

The culmination of these changes was Internal Audit's ability to cover all strategically important and future-focused emerging risks in a three-year cycle.

Stakeholder engagement and trust

In the audit profession, trust is the coveted ticket to play. When you earn the trust of your stakeholders, from the board to senior management to the regulators, it permits you to become the strategic adviser. Our Internal Audit department is guided by principles and practices that ensure we earn and retain the trust of our key stakeholders, starting with embracing the Internal Audit core principles of demonstrating Integrity in all that we do and performing our audit work with competence and due professional care. It is through this trust that we have been advisors on key strategic projects such as the core banking system, due diligence for various mergers and acquisition projects, and technical expertise on various financial reporting models. Whilst these engagements have cemented our role as strategic advisers, we intend further development or stakeholder engagements to become influential in executive conversations on key strategic initiatives.

New ways of working

Our transformational goal to move into a more strategic, advisory role to management was achieved by adapting an audit methodology that provides an optimum blend of the traditional Internal Audit approach with a more technical and data-driven approach. This entailed the change of the structure, directing our hiring approach to a more business acumen and technical focus, upskilling the team through various training and capacity enhancement initiatives, strengthening our partnership through business continuous monitoring, and enhancing assurance synergies through a combined assurance approach. As we stand today, the Internal Audit team has a good number of seasoned auditors with a speciality in the Information Technology and Communications domain, with the ambition to grow this to at least 50-50 split shortly. The key training and capacity-building initiatives have seen more than 50% of the Internal Audit team acquire multiple certifications in key disciplines of Internal Audit.

Data Analytics and Insights

In the digital and data-driven economy, being a trusted advisor requires a keen understanding of the technologies and the ability to derive useful and actionable insights from data. Our Internal Audit prides itself in its use of data analytics to assess risks and provide insights to assist management decision-making on process improvements and the effectiveness of controls. Albeit our analytics maturity is still in the early development stages, our goal in three years is leveraging the enterprise data to deliver real-time insights and foresight into the risks facing the bank grounded on advanced analytics.

Conformance to International Professional Practices Framework (IPPF)

In 2021, the Internal Audit function went through an external quality review, which assessed the conformance of its approaches to the key requirements of the professional standards and regulatory requirements governing the practice of internal audit. The outcome of the review is that the Internal Audit function 'Generally Conforms' to the requirements of the IPPF standards.

The exciting future

Having delivered the 2018-2022 Internal Audit strategy successfully, we look forward to an exciting and transformational future as trusted advisors to our stakeholders.

Our focus is to leverage technology and data analytics to provide a 360° view of the client's profile, productivity and efficiency of the balance sheet, and productivity/efficiency of bank products and services in line with the bank's strategy. This will be supplemented with the consulting role on key bank initiatives on digital transformation and culture transformation, along with accommodating advisory requests from key stakeholders.

> "We understand that our stakeholders are vested in CRDB's success, and we take that responsibility seriously. Our reporting approach is designed to give readers a comprehensive view of our corporate transformation story, and we're committed to aligning our efforts with current internal and external environments. Through our reports, stakeholders can clearly understand our past, present, and future direction, and we hope this transparency helps build trust and fosters long-term relationships.
>
> ***Fortunata Skauki - Head, Financial Reporting***

Doing Good is Part of Our Long-term Strategy

Tully Esther Mwambapa
Director of Corporate Affairs

CSR Report

Even as the world grapples with pervasive challenges occasioned by disruptions, CRDB Bank Group has not flinched in supporting social causes. If anything, we are now more energized than ever to do more and touch more lives. During the year under review, the Group invested a total of TZS 3.1 billion on various social initiatives, focusing on the strategic sectors of Education, Health, Environment, Women and Youth empowerment, and other Corporate Social Investment (CSI) initiatives.

Health

CRDB Bank supports better health outcomes for Tanzanians by investing in health-focused CSI programs to improve access to quality health services. In 2022, the Group extended TZS 840 million to the health sector. The amount was invested towards improving health infrastructure ranging from construction or renovation of dispensaries and wards and procurement of medical equipment and consumables totalling TZS 370 million.

Furthermore, the bank covered various health-related activities with highlights on TZS 220 million to support CCBRT Hospital fundraising for the construction of a new maternity wing to serve and care for high-risk and emergency cases, including mothers with disabilities, histories of fistula, and adolescents. In addition to the above, the Bank supported and implemented its long-term partner - the Jakaya Kikwete Cardiac Institute (JKCI), with a TZS 250 million grant towards funding cardiac surgeries for 100 underprivileged children.

The two grants were proceeds of our charity-led flagship annual event dubbed CRDB Bank Marathon held in August 2022, which brought together over a dozen corporate partners and attracted more than 6,200 participants.

Education

The Bank believes education is critical in driving economic development, creating thriving communities, and inspiring young people to reach their full potential. During the financial year under review, the Group invested more than TZS 260 million in the sector. The investment mainly targeted infrastructure upgrades to improve the learning conditions for students resourcing schools with tools to facilitate learning. A substantial amount went into the construction and renovation of more than 15 classes, the provision of more than 1,000 desks, the construction of dormitories, and the support of orphanage centres in the country. Besides that, the Bank funded the construction of a laboratory in Kizimkazi, Zanzibar, and handed it to Her Excellency President Hon. Samia Suluhu Hassan.

Youth and Women Empowerment

In line with the Government's agenda to empower women and youth as emphasized in National Five Years Development Plan III (FYDPIII) 2021/22 - 2025/26, CRDB Bank is actively supporting youth and women by providing them with the necessary tools, skills, and resources needed to excel in their areas.

In supporting the underserved segment, the bank invested about TZS 1 billion in Women & Youth programs. The Bank collaborated with different women's groups and associations on entrepreneurship projects to improve livelihoods. Specifically, the bank collaborated with reputed foundations, including Mwanamke Initiative Foundation (MIF), Maisha Bora Foundation, Tulia Trust, and many others in the implementation.

In supporting the youth, the Bank funded various sporting activities, including an inaugural water sports tournament dubbed CRDB Bank Ngalawa Race in Zanzibar. The initiative benefited 20 youngsters from fishing communities who learned entrepreneurship skills. Winners in the competition took home cash prizes, while the grand winners received a modern motor-powered speedboat.

The programs included a basketball tournament for the youth dubbed CRDB Bank Taifa Cup. The basketball tournament pooled together more than 36 teams (12 female & 24 male) from all the regions in a high-octane fete that provided a unique scouting ground for basketball talent. At the end of the fete, more than 20 students received scholarships bringing the total number of beneficiaries to 40 over the last two years.

> To drive sustainable impactful programs, the Group has established the CRDB Bank Foundation. The Foundation will play a vital role in contributing to the country's economic prosperity and supporting social programs that create shared value.
>
> *Joyceleane H. Makule - Senior Maanager - Corporate Social Investment*

SUSTAINABILITY PERSPECTIVE

Our Approach to Sustainability

Our Approach to Sustainability

CRDB Bank prides in being a socially conscious enterprise that is founded on the principle of honest living. For us, sustainability of the environment, economy and society is an inescapable responsibility to ensure that the way we conduct ourselves today will not impose unfair costs on future generations.

CRDB Bank Sustainability Highlights

SOCIAL	**8.8 Billion** Amount spent on deserving social causes in the areas of health, environment, education and youth & sports	**8.2 Billion** Amount budgeted towards promoting positive transformation in the community during the 2023 financial year	**5.0 Billion** Amount spent towards youth and women empowerment under the Imbeju program in 2022	**15,000 women** formally trained on entrepreneurship & financial skills during the 2022 financial year under the Malkia Account	**600 Billion** The amount in loans given to more than +55,000 women under the Malkia Account
ENVIRONMENT	**112,145 litres** Amount of water saved in 2022 in the efforts of implementing responsible consumption of natural resources within the group.	**136 Cubic Meters** of landfill space saved for other potential projects under our solid waste management program	**24,103 Bottles** recycled in the financial year 2022 through our efforts of initiating recycling and pollution prevention actions.	**1.7 Tonnes** Amount of cardboards reduced which is equivalent of reducing the cut down of 83 trees.	**27,824 Kgs** Total amount of solid waste recycled since June 2001 when the bank adopted sustainability practices
ECONOMY	**6.9 trillion** In loans advanced to individuals, businesses and large corporations in the course of 2022	**8.3 trillion** The total deposits mobilised from customers in 2022, injecting liquidity into the economy	**351 Billion** Amount in Profit achieved in 2022 signalling improved business and increased shareholder value.	**460 Billion** Amount of money set aside to finance climate-resilient agriculture in Tanzania under the GCF program	**23 Billion** Profit from our Burundi subsidiary the 2022 FY, attributed to an increase in income resulting from the strategic initiatives undertaken during the year.

Our Sustainability Priorities

Decent work and Economic Growth

CRDB Bank supports customers and small businesses with essential products and services. We make significant contributions to economic growth through various innovative financial products, including personal and business loans, working capital provisions, guarantees, financial advice, periodic trainings, awareness-raising, and capacity-building on financial literacy for small and medium-sized entrepreneurs. These initiatives aim to eliminate poverty while also creating long-term employment and infrastructure.

Reduced Inequalities

We endeavor to support the advancement of women in business and the economy by identifying and removing gender barriers. In assisting our customers in empowering women and girls, CRDB Bank has established unique financial products for business and women's financial inclusion, including a special account called the Malkia Account, where women can set up a savings plan and access loans from their savings at a very special and concessional rate. The bank has adopted IFC's performance standards in environmental and social risk assessment and project categorization, where gender assessment is the key component to assess.

Quality Education

The Bank is keen to ensure inclusive and equitable quality education and promote lifelong learning opportunities for all. The bank is committed to creating good and attractive infrastructure and a conducive study environment for both private and public institutions at all levels, including primary schools, high schools, medium colleges, and higher learning institutions across our operating region communities.

Climate Action

We support green and climate finance initiatives, deploying environmental best practices that we incorporate into our investment and credit processes through a comprehensive Environmental and Social Management System (ESMS). The bank collaborates with different climate practitioners to mobilize financial resources and develop climate change mitigation and adaptation projects with the aim of meeting climate ambition targets.

Our Perspective

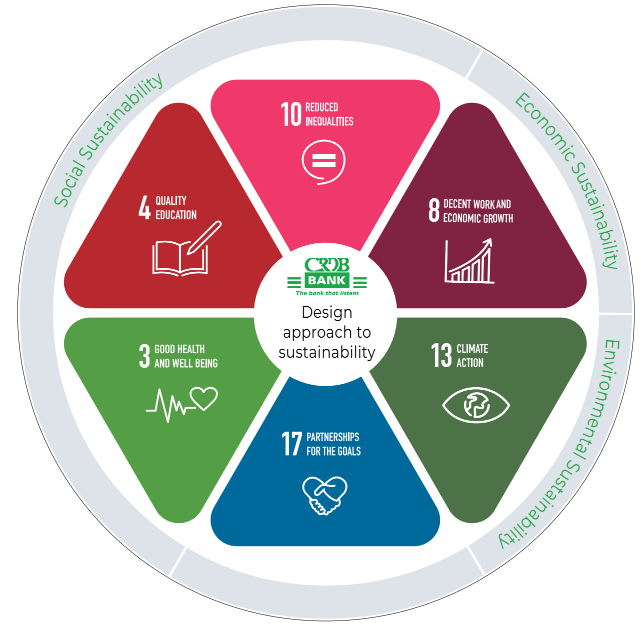
At CRDB Bank, we have identified six priority goals that align directly with our business and community priorities, and toward which we can make the greatest contribution. We have deliberately made the decision to focus on a few but more critical SDGs for our business environment.

Good Health and Well-being

The bank contributes to ensuring sustainability in the community's access to quality health care and well-being for all, at all ages, by supporting both private sector and public health investments to promote balanced lives and invest in communities to promote long-term mental and physical health and well-being. The bank has a corporate and social investment policy with four components; health and well-being are two of the imperative pillars.

Partnerships for the Goals

CRDB Bank collaborates with different stakeholders and partners in the fulfillment of its various investment ambition targets, including SDGs. By working together to achieve the goals, the strategic setup in sustainable finance has been accelerated through environmental and social management systems, sustainable finance initiatives, and strategic partnerships.



Our Sustainability Approach in Lending

CRDB Bank has robust Environmental and Social Management Systems (ESMS). The bank has developed a set of policies, procedures, tools, and a dedicated unit equipped with knowledge for the implementation of the ESMS and experience of applying local and national environmental and social laws and regulations as well as international standards. The unit is also in charge of innovating and formulating transformative ideas that will lead to the implementation of green and sustainability projects based on the bank's credit policies, environmental and social policies and procedures, as well as adhering to international treaties and standards. Our environmental and social policies and procedures are guided by the Tanzania Environmental Management Act (2004) and its specific regulations and guidelines, as amended and issued from time to time, and the best international practices, including the Performance Standards issued by the International Finance Corporation (IFC) Performance Standards.

The bank's Environmental and Social Impact Assessment (ESIA) and monitoring process for the projects being financed by the bank forms part of the Bank's Environmental and Social Management (ESM) procedure while also adhering to the Environmental and Social (E&S) policy, the Credit Operating Manual, and the Credit Policy. The bank has an internally developed Environmental and Social Due Diligence (ESDD) template and tool that is used in the assessment of environmental and social risks of projects.

POLICY

CRDB Bank's E&S Commitments and Standards

E&S CAPACITY

Training
Roles and Responsibilities

E&S PROCEDURES

Environmental and social screening
- Exclusive List Screening
- Environmental & Social Risk Assessment (ESRA)
- ESRA & ESDD tools
- Approval and Conditions of Financing
- E&S convenants/clause in the legal document
- E&S Monitoring
- Monitoring E&S identified issues & Financing Conditions

REPORTING

E&S Performance and monitoring Report

Integrating ESMS into Our Financing & Investments

We innovate and formulate transformative ideas that will promote the implementation of green and climate action projects based on our Credit Policies, E&S policies and procedures as well as adhering to international treaties and standards. These policies and procedures adhere to the Tanzania Environmental Management Act (2004) and its specific regulations and guidelines as well as the best practices issued by the IFC Performance Standards.

Sustainable Project Financing

As a matter of policy, CRDB Bank Group finances projects and businesses that manage their social and environmental impacts responsibly. We independently conduct environmental and Social Impact Assessment (ESIA) based on the Tanzanian Environmental Management Act of 2004 and its EIA & Audit regulations of 2005 (and its revised EIA and Audit-amend Regulation 2018).

Further assessment is done following adopted international best practices, particularly IFC 8 Performance Standards to assess and manage environmental and social impacts. We apply international best practices, (including IFC Performance Standards) and adhere to international treaties and conventions, which have been ratified by the respective governments in our markets of operation.

Our decisions to fund projects gives us the ability to make an impact in the community we serve. Neither do we cater to any project that has direct adverse impact on the environment, health and safety (EHS) aspects nor do we fund businesses that produce ozone-depleting outputs. In the year 2022, we screened an increasing number of projects that we financed, conducted site visits, and approved funding proposals that were in line with our ESMS framework.

We have Embarked on Certifying our HQ Building

Our efforts towards implementing sustainable activities are also embedded in the pertinent technologies we used to develop the state-of-the-art with many features to qualify for a green building located Plot No.25 & 26 Ali Hassan Mwinyi Road & Plot No.21 Barack Obama Road. Our headquarters have been carefully designed to meet the required standards as per the current sustainability requirements, including health and safety, and technological best practices that allow efficient use of resources for the staff and visitors.

Our design and the choice of using glass reflects light which helps significantly reduce carbon emissions from energy use as well as reduced need of power and utilities during the day making energy use more efficient. The facility has implemented 100% of the mitigative measures recommended in the Environmental and Social Management Plan (ESMP) from the design and operational requirements, which include construction and operation with ISO 2201:2019 Business Continuity Management.

Building Equitable and Resilient Communities

As a Group, CRDB Bank has taken several steps to help vulnerable communities reduce climate change risks and expand economic opportunities in the face of extreme or unpredictable weather conditions. We focus on addressing socio-economic challenges through our business to foster sustainable growth. We focus on five thematic areas namely:

1. Addressing social inequalities (income and gender)
2. Achieving food security
3. Driving financial inclusion
4. Supporting economic growth
5. Environmental stewardship

Addressing Social Inequalities

CRDB Bank believes that every human being deserves to live a dignified life, where they are healthy and productive. It is in this belief that we have anchored most of our initiatives around tackling social inequalities in our markets.

(I) Addressing income inequality

Addressing income inequality in our markets is central to our strategy to contribute to the achievement of Sustainable Development Goals (SDGs). Leveraging strategic relationships, we invest in programs designed to help reduce inequality in our markets.

For our Group Equality is one of the foundations of our business and is embedded in most of our policies as a corporation. In our view, tackling inequality is, therefore, an integral part of our long-term strategy, and focuses on providing equal opportunities and improving outcomes for all, including through the redistribution of resources, supporting a more sustainable economy, and protecting people from risks, including those associated with climate change.

Under the 2018- 2022 medium term strategy, our Group implemented initiatives to empower individuals, groups and small and medium enterprises with a view of building income streams across the segments.

Through our financial literacy programs, we provided financial training business incubation and lending programs targeting women-led enterprises, youth and self-help groups.

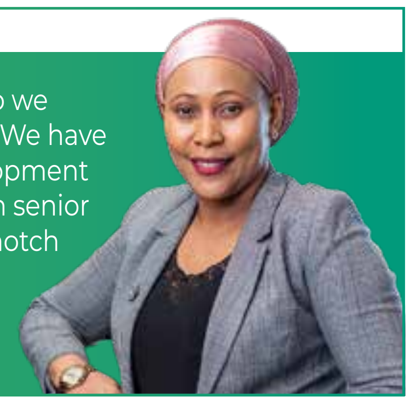
(ii) Diversity and Inclusion

Our Group has various initiatives for diversity and empowerment. Over the past two years, we have continued to adopt diversity and inclusion through a comprehensive policy, which requires a gender action plan during project preparation especially those supported by the UN-GCF. We also support consideration of gender in the design and development of solutions such as saving schemes and loan products.

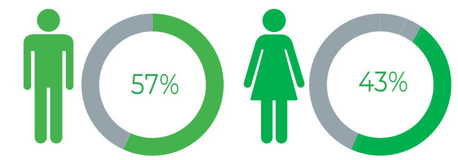
On leadership, we have mentorship programme dubbed SHE Initiative, which supports women in achieving their goals in leadership and career growth. During the 2022 FY, we conducted a Group Mentoring session which aims at building confidence/capacity on female employees to enable them grow in their careers.

One of the benefits of group mentoring approach is having a mix of experienced professionals that the mentees get to interact with and learn from them. It also supports a diversity of perspectives. The Theme was "Essential Things to Win the Market"

> We have recognised the significance of sustainability and ESG, so we have integrated a sustainability context internally and externally. We have also established six priorities aligned with the Sustainable Development Goals (SDGs). Additionally, we have set up a dedicated function in senior management positions to address these concerns and hire top-notch resources to drive the agenda forward.
>
> *Ramla Msuya – Head of Sustainability Programs*



Gender Diversity at CRDB Bank

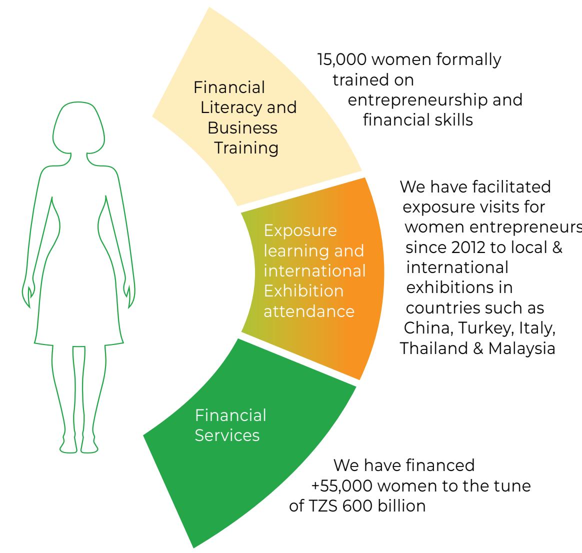


Gender distribution across organisational functions

Number of Employees	Total	M	% of M	F	% of F
Executive Management	4	4	100%	0	0%
Directors/Senior Management	12	11	92%	1	8%
Heads	50	36	72%	14	28%
Senior Managers	87	60	69%	27	31%
HQ Managers	179	119	66%	60	34%
GMs	3	2	67%	1	33%
Zonal Management	28	21	75%	7	25%
Branch Managers	205	122	60%	83	40%
Department (Junior Managers)	374	209	56%	165	44%
Professionals (Officers)	2,505	1,292	52%	1,213	48%
Support	282	233	83%	49	17%
Total	**3,729**	**2,109**	**57%**	**1,620**	**43%**

Strong Value Proposition for Women

We have provided a range of non-financial services to enable women grow as individuals and as business owners



Employee Wellness

At CRDB Bank, employee wellness is built on the premise that healthy employees have a positive impact on the bottom line in many ways. 'Healthy employees' leads to 'Happy employees' and often translates to 'Engaged and Productive' employees – which is good for business.

During the years the bank held various employee engagement activities across the Zones in line with the yearly ambitions. The Programs focused on promoting individual health living, preventing non-communicable diseases through physical exercises, healthy eating and instilling a behavior of taking medical check-ups among staff.

In addition, we engaged Assemble Insurance, Tanzania to provide Psychological Support to employees needing such services so as to relieve/prevent impacts from psychological related problems and foster productivity and employee wellbeing.

Achieving Food Security

CRDB Bank has a long heritage of supporting agriculture as means of addressing food insecurity and building sustainable livelihoods. As the country's largest commercial bank, Agriculture constitutes over 45% of our lending portfolio, which reinforces our commitment to financing the sector that is the mainstay of the Tanzanian economy. We focus on financing the entire agriculture value chain from inputs, production and post-harvest management. We have a range of products designed to support both smallholder and large-scale farmers.

As a first Commercial Bank in Africa, to have our full Funding Proposal to be approved by the Green Climate Fund in 2021, we have now finalized the legal agreement (The Funded Activity Agreement), for a total funding value of US$200 million (GCF US$100 million and CRDB Bank co-financing US$100 million). Using GCF's concessional resources, CRDB Bank will launch three new financial products to support local agribusiness: a dedicated credit line for climate adaptation technologies and practices, a credit guarantee facility to expand access to new borrowers, and a weather-indexed insurance product to help protect against losses from climate-related events. This program aims to reach more than 6.1 million direct and indirect beneficiaries through the transformation of the country's climate financing processes better to address affordable climate adaptation technologies in the agriculture sector. This will ultimately lead to boosting food security and enhancing the resilience of the agricultural sector, including smallholder farmers, thereby improving our citizens' livelihoods and quality of life.

Driving Financial Inclusion

CRDB Bank is dedicated to advancing initiatives to improve access to financial services in its target markets. We have embraced a broad concept of financial inclusion, with a focus to increasing access to guarantee the quality of, and the practical use of financial products and services, such as credit, insurance, payments, remittances, and savings. We leverage technology to deliver financial services in a way that benefits everyone.

Supporting Economic Growth

CRDB Bank fully understands the role it plays in the economic transformation agenda in its markets. Over the last five years, the Bank has played a pivotal role in driving the economic transformation agenda in Tanzania, leveraging strategic partnerships with the government and aligning with the country's development plans - the Tanzania National development plan, with the ambition of realising competitiveness and industrialisation for human development that aims to increase efficiency and productivity in manufacturing using the resources available in abundance within the country.

The bank focused financing critical value chains, augmenting government efforts in accelerating economic growth. Specifically, the bank has a notable footprint in infrastructure, trade, and Oil & Gas.

Supporting the infrastructure value chain

We have been at the forefront of mobilising resources to fund infrastructure projects in the country. We leverage our international partnerships and positive credit ratings to secure portfolio guarantees, alongside international finance arrangements with leading development finance institutions.

During the period under review, the bank secured a USD 50 million, 5-year portfolio guarantee to grow its infrastructure loan book from GuarantCo - a Private Infrastructure Development Group (PIDG) company.

Financing the trade value chain

CRDB Bank is committed to giving individuals, small and medium-sized businesses, and big businesses the tools they need to operate successfully. Our trade facilitation strategy focuses on supplying accessible loans and processing payments. Every market niche is catered to by our broad selection of financial products and productions. In order to boost efficiency and increase job creation, we kept growing our trade sector products under the MTS2018–2022. As evidenced by the expansion of our SME portfolio, our plan was successful.

Adhering to laws and regulations

Environmental and Social Risk Assessments (ESRA) on projects financed by the bank are conducted in accordance with a combination of guidelines, regulations, international agreements as well as best practices. Our E&S policy and procedures aligns with the Tanzanian Environment Management Act of 2005 and Environmental Impact Assessment (EIA) and Audit Regulations of 2005 amended in 2018, NEMC operating rules and guidelines, OSHA and other related safety regulatory guidelines.

We have incorporated the adopted IFC performance standards into our internally developed Environmental and Social Due Diligence (ESDD) tool used in assessing environmental and social impacts on financed projects. Additionally, we have voluntarily adopted other ESG/Climate-related frameworks from the Green Climate Fund (GCF), International Capital Market Association (ICMA), the Grievance Redress Mechanism and the ISO 2001:2019 for Business Continuity Management.

Corporate Security and Business Continuity

We have a strong Corporate Security and Business Continuity Management (BCMs) department, which is in charge of overseeing all internal security, occupational health and safety during regular business operations, and continuity procedures during any disruptions.

Health and Sanitation

The Organization provides its employees, their dependents, and the general public life and health insurance. We also handle all issues pertaining to information on human health, such as wellness initiatives for cancer, pandemics, HIV, and encouraging active lives.

With a variety of initiatives, including funding for food security, access to clean and safe water, and WASH programs, we demonstrate our commitment to safeguarding our clients and vulnerable communities from the negative effects of climate change. In order to educate the community and the workforce about sustainable practices, we also run awareness initiatives.

Loans and advances to customers loans by sector as at December 31, 2022

Managing Climate Change and Supply Chain

	Financial institutions	Manufacturing	Trading	Transport & comm's	Hotel & restaurant	Agriculture	Individuals	Others
Corporate	208,664	365,388	941,714	136,948	41,177	786,259	-	605,614
SME	11,312	6,773	245,516	42,129	27,767	162,709	-	196,121
Microfinance	2,497	1,215	103,976	4,808	4,509	2,918	14	15,668
Mortgage	-	-	-	-	-	-	-	59,343
Personal	-	-	-	-	-	-	2,703,962	199,508

Risks

Climate change has critically impacted our supply chains with effects being realised from our customer base. Being the country's largest lender to the agriculture sector we are exposed to significant risks. More than 75% of the region's investing in agriculture have been affected as a result of climate change.

To ensure we drive resilience and sustainability in our business operations, we make sure that we include environmental and social risk assessments in project financing across key sectors in decision-making processes and its implications are reviewed in detail.

Climate Finance Status

As a certified climate finance bank, we have actively engaged in managing various climate-related projects. We continue our aspirations as a team and as a responsible corporate citizen to channel efforts towards sustainable national development and economic development.

One of our flagship projects under the GCF is the Tanzania Agriculture Climate Adaptation Technology Deployment Programme (TACATDP) which is expected to start implementation in 2023. The project's primary objective is to strengthen resilience in the agricultural sector by facilitating access to agricultural climate adaptation technologies. This allows the sector to overcome various major financial, regulatory, and technical barriers.

TACATDP Overview/Components

Component 1: Innovative financial products for adaptation and climate resilient agriculture technologies		
Establishment of a **dedicated credit line for CRDB ARA lending operations**	Establish and implement a dedicated **ARA Guarantee Credit Facility**	Establishment of an **insurance scheme dedicated to ARA** for smallholder farmers
US$70M from GCF **US$100M from CRDB**	**US$10M from GCF**	**US$10M from GCF**

Component 2: Policy interventions and Technical Assistance to advance ARA in Tanzania	
Capacity building sub-activities	Policy interventions
US$10M from GCF	

**245,152 indirect beneficiaries per year, *4,903,056 indirect beneficiaries over the programme's lifetime*

This will provide efficient farming resources thereby increasing yield as well as competitive advantages in both local and international markets. Additionally, this project will also address the agricultural climate adaptation requirements for smallholder farmers in the entire country (Tanzania mainland and Zanzibar Island), which are impacted by the effects of climate change.

Our efforts will deliver outcomes in reducing carbon emissions, encourage the use of renewable energy, blue economies and promoting green industries.

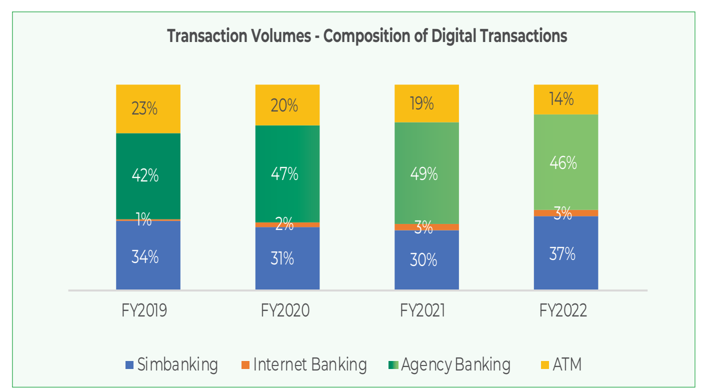
Digital Transformation

As a market leader, we aim to revolutionize digital transformation by creating value in how we interact with our customers and manage our operations. Our investment in the digital space has allowed us to reach a wider audience, provide personalized services and offer new products and services such as real-time and secured payment options.

Our progressive digital transformation initiative has allowed us to reduce the use of paper and improve on developing various digital platforms such as phone banking, net banking, ATM banking and mobile wallets. Moreover, it has given us the opportunity to reshape our competitive landscape and drive innovation in our operations and value propositions, ultimately leading to a more efficient customer-centric banking experience.

Our digital platform allows us to improve our ability to reduce carbon emissions and eliminate the need of paper recycling.

Summary Channel Performance over the past four (4) years



MOODY'S ESG Rating

MOODY'S INVESTORS SERVICE

ESG considerations

CRDB Bank Plc's ESG Credit Impact Score is Neutral-to-Low CIS-2

Exhibit 4
ESG Credit Impact Score

CIS-2
Neutral-to-low

NEGATIVE IMPACT | POSITIVE IMPACT

For an issuer scored CIS-2 (Neutral-to-low), its ESG attributes are overall considered as having a neutral-to-low impact on the current rating; i.e., the overall influence of these attributes on the rating is non-material.

Source: Moody's Investors Service

CRDB's ESG Credit Impact Score is neutral-to-low **(CIS-2)**. This score reflects our view that the high probability of government support in case of need mitigates the potential risk that any environmental, social and governance factors pose to the bank's credit profile.

Exhibit 4
ESG Credit Impact Score

ENVIRONMENTAL	SOCIAL	GOVERNANCE
E-3	S-3	G-3
Moderately Negative	Moderately Negative	Moderately Negative

Source: Moody's Investors Service

Environmental

CRDB faces moderate environmental risks primarily because of its portfolio exposure to agriculture that exposes it to heightened physical climate risk such as droughts. Additional environmental risk emanate from the manufacturing and transport sectors and, in line with peers, CRDB is facing mounting business risks and stakeholder pressure to meet broader carbon transition goals. In response, CRDB is developing its climate risk and portfolio management capabilities.

Social

CRDB faces moderate social risks, primarily related to customer relations. Such risk exposure is lower than the industry average, reflecting the fact that Tanzanian banks have historically faced limited legal and regulatory actions related to mis-selling or misrepresentation. High personal data risks are partly mitigated by a solid IT framework. Risks related to societal and demographic trends are also lower than those for global peers, with the bank benefitting from Tanzania's young population and rising digitalisation and financial inclusion.

Governance

CRDB faces moderate governance risks, reflecting the constraints resulting from operating in a country with still-developing risk and governance structures. The bank has credible management and track record. Its compliance, reporting and organisational structure are in line with industry practices and are adequate for its business complexity.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com.

RISK MANAGEMENT REPORT

Managing Risk in Times of Uncertainty

We Have a Robust Framework of Managing Risk

James Mabula
Director of Risk & Compliance

Our reputation as a market leader is founded on the strength of our risk management processes and ethical market and societal conduct. These foundations protect the value we create for all our stakeholders. As a leading financial services provider with diverse clients within the region, uncertainty and change remained features of our risk landscape in 2022.

The market risks posed by global events such as the Russia-Ukraine war, high inflation, and the rising cost of essential commodities continued to impact economic growth in both our markets and maintained financial pressure on many of our clients.

The rapid digitization of business activities increased the competition for customers and put more pressure on traditional financial services to become platform organizations in order to grow, remain relevant, and be sustainable.

Our regulatory landscape remained complicated as well as shifting. As a regulated institution, we remain alert to this reality and have taken into careful consideration the shifting business landscape, emanating from changes in the regulatory landscape and the competition stemming from FinTechs and MNOs.

Managing risk

Our effective risk management approach is governed by the group risk management framework supported by a strong Board with mandate to strategically oversee the business. We take calculated risks within the Board-established risk appetite for the group and periodically evaluated by executive management and approved by the Board.

In order to match regulatory capital needs with shareholder expectations for risk-adjusted returns, our risk metrics are established. They give us the ability to actively manage our capital, liquidity, and funding allocations in order to grow the company while preserving the faith of depositors and creditors. We are constantly working to enhance how we handle complex non-financial risks that come up as we explore business opportunities that benefit all of our stakeholders

Top 6 Risks During the 2022 FY

TOP 6 RISKS IN 2022			
Description	2022	2021	Change
Disruption on Supply chains	1	3	▲
Interest Rates	2	2	►
Rising inflation	3	4	▲
Geopolitical conflicts	4	6	▲
Foreign currency risk	5	5	►
COVID-19	6	1	▼

Our Priority, under the New Medium-term Strategy is to Adequately Meet the Needs of Our Customers

- We focus on doing the right things the right way. We have inculcated a culture of conscious risk-taking.
- We endeavour to comply with all applicable laws and regulations and satisfy the highest standards of ethical business conduct.
- In whatever we do, we preserve our reputation from damage.
- We uphold ethical corporate citizenship standards, support the country's aspirations for sustainability, social and economic development, and uphold good corporate governance.
- We contribute to safe and efficient financial systems in and across the markets in which we operate.

The Risk Report

RISK MANAGEMENT

The group is committed to meeting stakeholders' expectations in mitigating risks through a robust enterprise-wide risk management framework. The framework aims at ensuring that risks are identified, quantified, managed, and monitored to achieve an optimal-risk reward profile. Our enterprise risk management framework has well-defined the internal structures, adequate processes, systems, and policies, which monitor and help to mitigate existing and prospective risks or threats of damage, injury, liability, loss, and any other negative occurrence that may arise from external or internal vulnerabilities, and which may be avoided through preventive action.

We strongly believe that preventing risks enhances shareholder value because it allows us to manage risks proactively and intelligently, which maximizes the group's potential for earnings, ensures stability and takes measures to protect the business against adverse volatilities. Primarily, our risk management aims at protecting value through the preservation of high asset quality, efficient operations and prudent capital management resulting in sustained earnings that augment our core capital thus enabling regulatory compliance, enhancing market reputation and stakeholders' confidence.

RISK MANAGEMENT PRINCIPLES

In managing risk, we consider the value of our group risk management framework and ensure it creates value to the group's objectives. This is achieved through continuous review of internal processes and systems to identify current and prospective risks and ensure such risks are well mitigated. Strategically, we have an integrated risk management governance framework which define our structures and culture towards risk management.

All key decisions are made based on adequate information and proactive risk management principles to identify set of priorities based on available resources. Our risk management framework guides us on determining how all-available information informs the risk management process, taking into consideration both the internal and external operating environment.

We address uncertainties by proactively identifying potential risks and implementing adequate mitigations and treatments to maximize likelihood of risk crystalizing

We appreciate the role of human and cultural factors in risk management. Our risk management framework recognize the role of people and diverse culture in achieving our business objectives. For this reason, we constantly engage stakeholders through an effective communication and consultation and monitor effectiveness of this engagement.

Besides, we acknowledge that managing risk needs flexibility, hence our focus on dynamism. We operate in a challenging environment and this, therefore, requires that we stay alive to need context for managing risk and continuously work to identify new risks that emerge while making allowances for those risks that no longer exist. CRDB Group aspires to improve its risk management processes and culture by allocating adequate resources and ensure the ability to demonstrate continual achievement.

GROUP'S ATTITUDE TOWARD RISK

We take calculated risks within our risk appetite as defined and approved by the Board of Directors and in line with prudential regulatory requirements while maxing return of our shareholders.

GROUP APPROACH IN MANAGING RISK

The primary responsibility for managing risk resides with the business and functional areas where the risk is taken. The Group Business and Subsidiary function owners are responsible for ensuring that the Group Risk Management Framework has been embedded within the Group and Subsidiary daily risk management processes. In addition, all employees have the responsibility to ensure an effective management of risk and must report appropriately any known breakdowns/omissions in control, or any potential exposures that may result in financial or reputational loss to the Group.

For every product, process or system that is introduced or implemented, an internal control document is developed and made available to all relevant employees. This document includes the following elements at a minimum; Statement of accountabilities, risk identification and controls in place to mitigate risks, Objectives of the internal controls being proposed and description of the control environment which must be implemented and maintained including monitoring and reporting

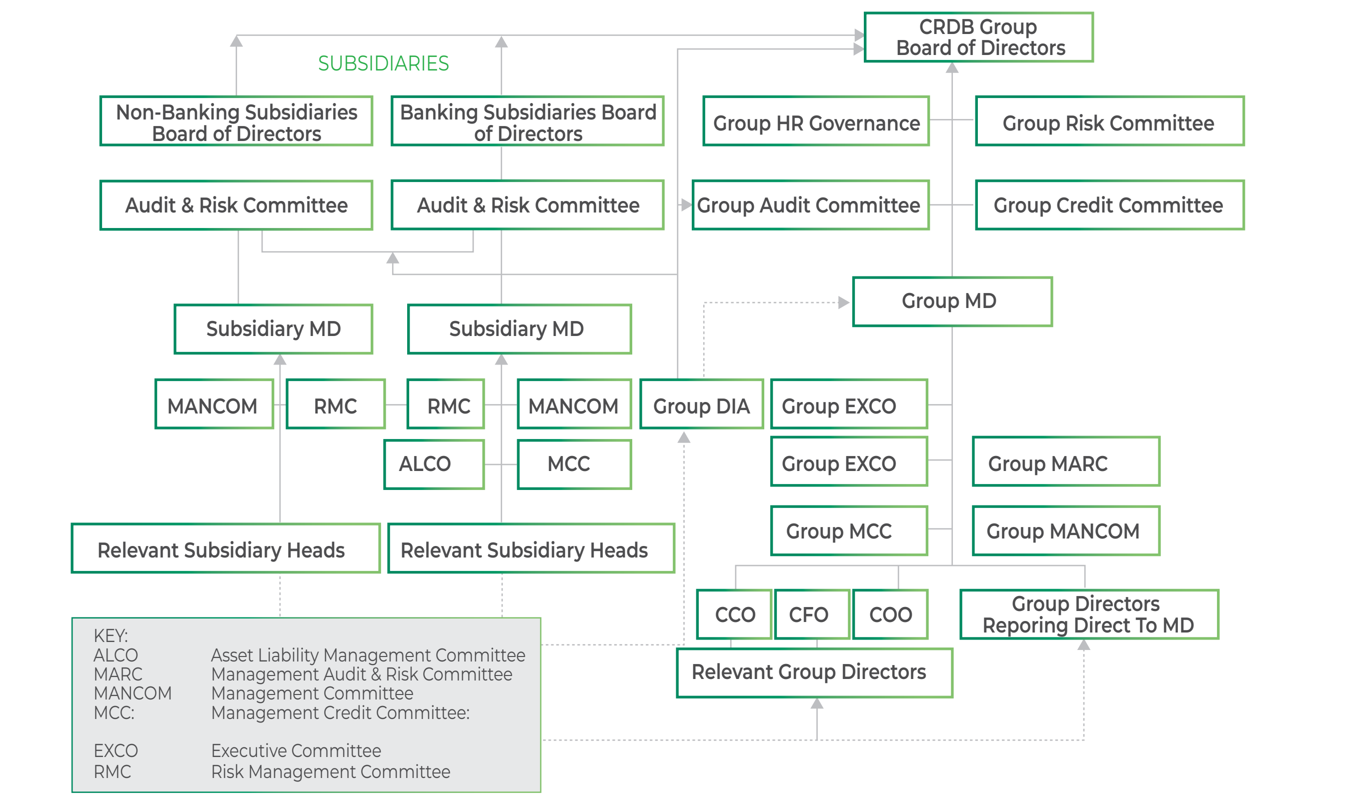
The Group Management Audit & Risk Committee and Subsidiary's Audit & Risk Committees are established to oversee implementation of the risk management practices in their entities and/or areas of control.

The Group Risk and Compliance function provides an independent oversight and monitoring process for Group risk and controls across the Group and reports to the Group CEO & Managing Director.

RISK PHILOSOPHY AND APPETITE

The Group considers risk management as its core factor for business continuity and providing stable and good return to its shareholders. Various policies, procedures and tools that spell out the risk appetite commensurate to the risk taken and expected return have been developed and implemented. In this process, the Group strives to match the best practices in risk management and ensure that risks are adequately managed throughout the group.

DETAILED GROUP RISK MANAGEMENT GOVERNANCE STRUCTURE



ROLES AND RESPONSIBILITIES OF THE GROUP BOARD OF DIRECTORS IN RISK MANAGEMENT

The Group Board of Directors has an ultimate responsibility of risk management across the Group including setting the tone and influence the culture of risk management within. Specific responsibilities of the Board include:

i. Approve the overall business strategy, risk appetite and limits, Group Risk Management Framework and its key policies.
ii. Ensure adequate implementation of the risk management framework and its policies and adherence to regulatory requirements.
iii. Monitor implementation and/or execution of the business strategy.
iv. Defining the nature, responsibility, and authority of the risk management function within the Group including the scope of risk management work.
v. Monitor the Group risk profile to determine the level of risk exposure and whether it is within the Board's risk appetite and take remedial actions in a timely manner.

RESPONSIBILITY OF GROUP SENIOR MANAGEMENT IN MANAGING RISK

Setting the tone of risk management and influence risk management culture within the Group. More specifically, the group executive team has the following responsibilities:

i. Facilitate the review or development of the Group Risk Management Framework and its related policies and recommend changes to the Group Board for approval.
ii. .Provides an oversight to the Bank and subsidiaries operations covering risk management and strategy formulation and execution.
iii. Implementing strategies in a manner that limits risks associated with each strategy and that ensures compliance with laws and regulations on both long term and day-to-day basis.
iv. Ensure appropriate policies, controls and risk monitoring systems are in place and that accountability and lines of authority are clearly defined.
v. Establishing and communicating strong awareness of and the need for effective internal controls and high ethical standards.

SEGREGATION OF DUTIES IN MANAGING RISKS

A 'three-lines-of-defence' approach is used to allocate risk management responsibilities to areas of the Group. The first line-of-defence is made up of the business functions who are responsible for identifying, assessing, controlling, and mitigating risks, and ensuring that the activities within their remit are consistent with the approved risk appetite, limits, and policies.

The second line-of-defence are the Group's risk management function which is responsible for defining and ensuring implementation of risk management framework by the first line, including defined policies and procedures for risk identification, assessment, mitigation, and reporting. The third line-of-defence is provided by the Internal Audit function which provides the Board and senior management with comprehensive risk-based assurance on the effectiveness of governance, risk management, and internal controls, including the way the first and second lines of defence achieve risk management and control objectives.

COMBINED ASSURANCE

The Group has implemented a combined assurance framework CAF), which require coordinated activities across the three lines of defense to achieve an effective control oversight. This has maximized oversight, minimized duplication of efforts and optimized the overall assurance provided to senior management and the Board of Directors about risk oversight and overall control environment of the Bank and Group.

STRESS TESTING

Stress testing is performed to supplement the other risk management approaches and measures. It covers five principal risks that the Group is exposed to, primarily, it covers; credit, interest rate, foreign exchange, liquidity and operational risks which are likely to occur due to market shocks and have impact on the group's financial soundness. Stress testing provides an indication of potential loss that could arise under extreme or worst-case conditions. The group applies risk factor stress testing, where stress movements are applied to each risk factor.

Stress testing is carried out based on three-time horizons i.e., quarterly, annually and five years to determine resilience of capital and whether available capital is enough to withstand adverse developments within the horizons. The aim of stress testing is to alert and inform senior management and the Board of how much capital may be needed to withstand shocks as posed by unexpected risk events and develop strategies to manage and minimize risk should it crystalize.

CLASSIFYING RISKS

The group's risk-management strategy aims to support achievement of the business objectives while identifying and quantifying risks, establishing risk ownership, and maximizing business value, taking into consideration the costs in terms of risk, by every responsible individual at all levels of the organization. Consequently, we have classified risks into distinct areas based on ownership and operation set up of our business. These are set out in the table presented in the next page:

Risk	Our approach to managing the Risk
Credit Risk *The risk that arises from unmet customer obligations, either willingly or unwillingly, which results in economic loss to the group.* Our credit risk management strategies based on achieving the right asset quality and concentration. To achieve this, credit risk is assessed and managed right from credit origination to recovery management. Our assessment methodologies ensures that risks are clearly articulated and managed in place throughout the credit management life circle. At Management level, this risk is governed by the Loan Portfolio Quality Committee and Management Audit and Risk Committee. At the Board level, the Credit and Risk Committees of the Board provides overall oversight and advises on all matters relating to Credit risk.	· Credit policy that stipulates the credit risk appetite, structure, roles and responsibilities with regards to credit risk management · The limits policy that sets the level of credit risk appetite to achieve the right portfolio mix · Credit Sanction Mandate which spells out the maximum single credit accommodation which an individual or committee can sanction. · Early Warning Signs Model (EWSM), which is able to predict for a default or challenge on customer meeting future repayments early enough before customer gets into actual default. This helps the group in taking proactive measures before it is actually too late. · Existence of effective MIS which enables production of key reports on portfolio quality including portfolio at risk, Non-performing loans (NPL), key sectoral, product and segment reports. · Independent credit processes reviews by the second line of defense to highlight areas of improvement in the end to end credit risk management value chain · The Expected Credit Loss (ECL) Framework that enables expected credit loss recognition in line with international requirements. · Existence of dedicated special assets management Unit that deals with the stressed asset book and providing feedback to the origination team to inform and adjust lending strategies and policies.
Operational Risk *This refers to the risk of loss resulting from inadequate or failed internal processes, people and system or from external events. It includes legal risk covering, but not limited to, exposure to fines, penalties, or punitive damages resulting from supervisory actions, as well as private settlements.* At Management level, the Operational Risk Committee and the Management Audit and Risk Committee govern this risk whereas, at the Board, the Risk Committee Board provides an oversight role.	· Operational Risk Management Processes, which outlines the sequence of activities and decisions in managing operational risk; namely: identification; assessment; monitoring; controlling / mitigation and reporting; · Real time incident management for early identification of control failures and for continuous effective root cause analysis thus preventing failure recurrence. · Risk and Control Self Assessments (RCSAs) by the first line of defense to self assess effectiveness of controls in mitigating risks. · Key Risk Indicators (KRIs) for monitoring key risk trends and exposures. · Independent risk assessments by the second line of defense for identification of inherent risks in processes, products and projects. · Each individual risk exposure is graded to arrive at a risk score which depicts a risk profile of a product, process or business unit and the group at large.
Information and Communication Technology Risk *ICT risk is a risk associated with the use, ownership, operation, involvement and adoption of ICT within the Group. It refers to technology-related events and conditions that could potentially impact business.* It can originate from inadequate management and support of ICT systems and infrastructure, compromise of information security controls, failed systems, or other external factors such as cyber-attacks and/or technology absolute.	· The Group has in place Board-approved policies which govern the usage and operations of ICT systems and infrastructure in the organization, the policy stipulates measures to protect information assets from all threats, whether internal or external, so as to ensure continuity of its business operations and control potential damage that may occur as a result of technology risk events. · Continuous assessment and monitoring which is done by use of key risk indicators, risk and control self-assessments, and other reviews performed by the second and third line of defense. · Emerging IT risk exposures, performance of established controls and areas that need improvement are reported to and deliberated in Management and Board Risk Committees.

Risk	Our approach to managing the Risk
Fraud Risk The group has adopted a zero tolerance approach toward employee related and/or internal fraud.:	The Group has comprehensive fraud risk management practices which covers the following: · Anti-Corruption and Fraud Risk Management Policy, which defines fraudulent acts and prohibits all Group staff to engage in fraudulent practices across the Group. · Continuous fraud management awareness programs across all staff and customers. · Professional investigation conduct on all reported fraudulent incidents. · Whistleblowing Policy which enables staff members to report any kind of miscount anonymously and without retaliation. The group has adopted two reporting channels i.e. one managed internally and other managed by third-party who is among the top four Audit and Consulting firms to create confidence.
Market Risk (Price, Foreign Exchange and Interest rate risks) *The risk of financial loss on earnings or capital arising from adverse movement in market rates or prices such as interest rates, foreign exchange rates and equity prices. Market risks arise from open positions in interest rate, currency and equity investments,* The risk of financial loss on earnings or capital arising from adverse movement in market rates or prices such as interest rates, foreign exchange rates and equity prices. Market risks arise from open positions on interest rate, currency and equity investments. The Group separates exposures to market risk into either trading or non-trading portfolios. The group's Treasury Department where the trading and the Asset and Liability Management functions reside manages market risk, and the Risk and Compliance function independently monitors and reports on the risk taking. Regular reports on positions are submitted to the Board of Directors and the Management Risk Committee.	*Market Risk Measurement Techniques* The Group applies interest rate gap analysis coupled with Earning at Risk (EaR), Value at Risk (VaR) and stress testing analysis in measuring exposure to market risk for the purpose of managing market risk exposures within acceptable risk appetite while optimising return on investments. *Price Risk* The group is exposed to equity securities price risk as it has investment in listed stocks and to debt securities price risk classified on the balance sheet as available for sale and trading financial instruments. The Board sets risk limits on the level of exposure for investment as well as stop loss triggers to minimize equity price risk on in case of declining price of listed stocks investment, and to minimise losses from market price changes on the available for sale and trading portfolio. *Foreign Exchange Risk* The group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets risk limits on the level of exposure by currency and in aggregate, for both overnight and intra-day trading positions, which the second line of defence monitors daily. *Interest Rate Risk* Interest rate risk is the probability of financial loss to earnings or capital arising from unfavourable movement of interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The group takes on exposure to the effects of fluctuations of the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase because of such changes but may produce losses in the event of adverse movement arise. The Group's Board sets risk limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is regularly monitored by the second line of defence reported to the Management Audit and Risk Committee and Board Risk Committee respectively.
Liquidity Risk *Liquidity risk is the possibility that the group will not have sufficient cash to meet liquidity demands or situations on which it cannot raise enough liquidity in a cost effective manner.*	The liquidity risk management process that is carried out within the group and monitored by the Asset and Liability Committee (ALCO) includes: · Day-to-day funding management which is managed by monitoring future cash flows to ensure that funding requirements can be met. These include replenishment of funds as they mature or are loaned to customers. The group maintains an active presence in money markets to enable this to happen. · Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow; · Monitoring balance sheet liquidity ratios against internal and regulatory limit requirements; · Managing concentration and profile of debt maturities; and · Monitoring maturity gaps to ensure that the 0-90 day (short-term) gaps remains positive at all times. The 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. *Funding Approach* The group's major source of funding comes from customers core deposits. To this end, the group maintains a diversified and stable funding base comprising of current/demand, savings and time deposits. A considerable importance is placed on the stability of these deposits, which is achieved through the retail grouping activities, and by maintaining depositors' confidence in the business strategies and financial strength. The group borrows from the local interbank market for short term liquidity requirement whereas the medium and long term funds are borrowed the international financial markets. Moreover, the group has established funding lines with both local and foreign banks for short term funding requirements as part of its Contingency Funding Plan (CFP).

Risk	Our approach to managing the Risk
Strategic Risk Refers to current and prospective impact on earnings and capital arising from adverse long-term business decisions, improper implementation or execution of decisions and/or strategies, or lack of responsiveness to industry changes.	At Management level, the Executive Committee (EXCO) governs this risk with the Board responsible for an oversight role for this risk.
Compliance Risk Refers to current or prospective risk to earnings and capital arising from violations or non-compliance with laws, rules, regulations, agreements, prescribed practices, or ethical standards, as well as from the possibility of incorrect interpretation of effective laws or regulations.	The Management Audit & Risk Committee and the Board have oversight responsibility around Compliance Risk Management for the Group. The Group manages regulatory compliance risk through a dedicated regulatory compliance function which monitors regulatory changes and its effects to the business, disseminate the requirements across the Bank to ensure employees are not in violation and make changes to Group's policies and procedures affected by changes in laws and regulations. The function conducts regular compliance tests across the Group with a view of identifying gaps in enforcement of regulatory requirements and reports to the Risk Committees of the Management and the Board on compliance status of the Group.
Climate related financial risks Climate related financial risks are exposures which may arise from physical and/or transition risk from climate change or change of technology in use and /or policies/laws aiming at protecting the climate thus resulting into inadequate cash flows of financed projects.	The bank established its Environmental and Social Management System (ESMS) and is governed by; · Environmental and Social (E&S) Policy · Environmental and Social Management (ESM) Procedure which is used as a guideline on assessing environmental and social risks on projects being financed by the bank. There is a Sustainable Financing Unit (SFU) that has an overall responsibility of management of E&S function within the Group including conducting site visits to various projects financed by the bank for ESDD. E&S due diligence is done for both existing and potential projects. Following issuance of the Climate related financial risks management guidelines by the bank of Tanzania in 2022, the bank is in the process of improving its policies to incorporate the new requirements for further improvement of climate risk management.
AML/CFT Compliance CRDB Group is strictly committed to continued compliance with all laws, regulations and standards as well as any other relevant provisions which apply to the Group with regard to Anti-Money Laundering (AML), Counter-Terror Financing (CFT) and Sanctions.	The Group through its AML and Sanctions policies has implemented a robust AML and CFT compliance program aligned to international best-practice which is applicable across branches and subsidiaries. The Group has a strong Compliance Function that provides oversight on AML/CFT and sanctions risk and has put in place robust IT systems, processes and procedures to prevent persons engaged in money laundering, terrorist financing, fraud, tax offences, or other financial crimes, from utilizing the Group's network, products and/or services. AML risk management is an integral part of our customer onboarding and due diligence processes (KYC and CDD). Compliance-related issues and escalations are referred to the Management Audit and Risk Committee (MARC) and the Board Risk Committee as appropriate for attention and timely resolution. All employees are required to adhere to the AML/CFT policies and program, which provide that no customer relationship is worth compromising the Group's commitment to AML/CFT.

> We recognize the need for continued learning and changes to succeed in today's environment. By adopting a comprehensive Risk Management System, the group can navigate the complex risk landscape with automated workflows and processes, in-depth data analytics, and constant updates to match the unique environment of each day. This strategic approach allows the bank to remain relevant and successful in an evolving global economy.
>
> ***Wankyo Komogo – Head of Risk***

CORPORATE GOVERNANCE

How we are Governed
Our Accountabilities & Conduct

We are a Relationship Bank

Our Group is committed to healthy corporate governance practices, which we see as integral to strengthening and maintaining stakeholder confidence in the Bank.

The board fully appreciates its responsibility to ensure the long-term success of the Group and has made the commitment to ensure compliance with all applicable laws and regulations and considers adherence with non-binding rules, codes, and standards.

As a market leader, we tirelessly work to safeguard the interests of our stakeholders and strive to engage in a responsible manner.

We have established a robust administration system that adheres to good corporate governance practices in carrying out the affairs of the Bank. This includes processes on how we develop and implement the bank's strategy and objectives, how we select and oversee personnel, and how we manage our day-to-day operations.

We ensure that our depositors' interests are well-protected and strive to meet our diverse shareholder obligations while considering the interests of other recognised stakeholders.

Our corporate activities and behaviour are all aligned to ensure that we operate in an ethically sound manner, defined by integrity and compliance with applicable laws and regulations.

We believe that effective governance is critical for the proper functioning of our Group and the economy as a whole.

Board Charter

The Group has a board charter that sets out the key values and principles of the board of directors of the Bank.

It provides the specific responsibilities of the board and how it shall operate within the applicable legal and regulatory framework; and clearly specifies the powers of the board and its Committees, the separation of roles between the board and Management; and the practice of the board in respect of corporate governance matters.

Role of the board

The board is the ultimate decision-making body and its key role is to provide strategic leadership and guidance to the Bank and its controlled subsidiaries (the Group) and effective oversight of risk management. The board is accountable to the shareholders for the performance of the Bank's (Group's) businesses.

Our corporate governance approach ensures the Group;

Board Meetings

The board has in place an annual work plan that sets out the board activities in a year. The main board meets at least eight times a year, and, when necessary, to consider all matters relating to the overall risk management, Group performance, implementation of the strategy and succession planning.

We have a diverse board of directors that has the right balance of skills and experience to steer our Group into prosperity

Composition of those charged with governance

As of 31 December 2022, those charged with governance "the board" comprised thirteen Directors - Twelve (12) Non- executive Directors and the Managing Director who is an Ex-officio member.

Board independence

Director independence is critical to effective corporate governance and providing objective independent judgment that represents the interests of all shareholders is at the core of the board's oversight function.

Assessing Independence

the board consider all relevant facts and circumstances, focusing on whether the director has any relationships, either direct or indirect, with the company, senior management or other directors that could affect actual or perceived independence.

This includes relationships with other companies that have significant business relationships with the company or with not-for-profit organisations that receive substantial support from the company.

Training and development of the members of the board

To ensure that the board adequately supports our growth ambitions, we provide specialised training for the board to help them gain a clear understanding of their role in corporate governance and be able to exercise sound and objective judgment about the affairs of the Bank.

Code of conduct and Ethical behaviour

The Group maintains a code of conduct for all directors and employees that addresses conflict of interest among other things and is constantly reviewed and revised. All workers and directors are informed of the code of conduct each year, and they are expected to certify in writing that they have complied with it.

Board members are expected to act in accordance with the highest ethical standards, supporting and promoting policies that call for Directors and all workers to uphold a high standard of integrity and show honesty in their interactions.

Trainings Attended by Board Members in 2022

	Training Type	When
1	Orientation and induction for newly appointed Board Members	February 2022
2	Master Class on Strategic Corporate Governance for High performing Board	14th to 17th March 2022
3	Accelerated Certificate in Company Direction	February 2022
4	Senior Executive Fellows	May 23rd to June 24th 2022
5	Board Exposure visit on MSMEs digitization, Islamic Banking, ESG and Experiences on Corporate Governance	September 26th to 30th 2022

Board Committees

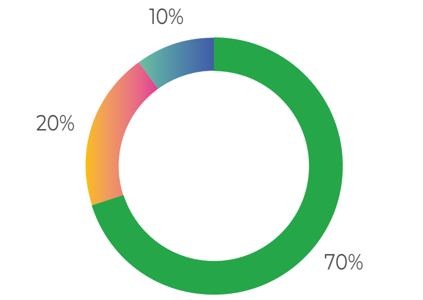
The board discharges its mandate through three main subcommittees -

1	Audit Committee	Oversees the Group's internal audit function
2	Governance and Human Resource Committee	Responsible for ensuring that the board remains balanced, both in terms of skills and experience and independence
3	Credit Committee	Ensure that the quality of the Bank'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
4	Risk Committee	Oversees and advises on current and potential risk exposures of the Bank and ensures adherence to the bank's risk management framework

Our Board Profile

Independence – Protecting the Interests of all Shareholders

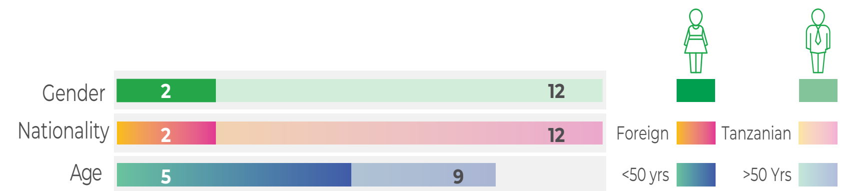
The majority of CRDB Bank's board members are independent non-executive directors, which complies with global best-practice governance. We are guided by strong principles of good corporate governance, which we conceive as integral to our prosperity.



Board Diversity - Being Relevant in a Transforming Society

Our Group considers board diversity as a critical factor in ensuring the Group remains committed to its purpose of transforming lives through financial sector innovation and intuitive action. We have learned from other markets that diversity matters, as companies that embrace gender, race and ethnic diversity perform better financially.

As part of our long term strategy, CRDB Bank. is committed to promoting diversity at board level, with diversity and inclusion being key considerations in our board selection processes. We strive for a transformed board transcends biases and stereotypes. The group's policy on the promotion of gender diversity at board level has been incorporated into the board continuity programme.



Succession Planning

The committee, together with the board, are actively conduct succession planning for the board of directors. The committee proactively identifies director candidates by canvassing a variety of sources for potential candidates and retaining search firms. Shareholders invested in the long-term success of the Group should have a meaningful opportunity to nominate directors and to recommend director candidates for nomination by the committee. However, the final responsibility for selecting director nominees rest with the Governance and Human Resources Committee and the board. One of the responsibility of the board is to review and define the succession planning of the board Chair, board vice Chair and Committee chairs.

Balance of Knowledge, Skills and Experience Well Diversified to add Value to All Aspects of Crdb Bank Group

Over the years, we have learned that to succeed in this fast-paced business environment, our Group. Needs a broad range of skills to ensure and create value in the interest of all stakeholders. The board determines the required composition of skills in response to the rapidly changing environment and shifts in CRDB Bank's own long-term strategy. Having the appropriate mix of skills and experience ensures that the Board is well-equipped to guide and drive the bank's strategy into the future and thereby create value.

Board skills and Experience

Retail Banking	10
Accounting & Auditing	10
Technology & Innovation	7
Macroeconomic & Public Policy	6
Environment & Climate	8
Human Resource Management	10
Business Strategy	7
Risk Management	9

Our Board of Directors

1 DR. ALLY HUSSEIN LAAY
Group Chairman

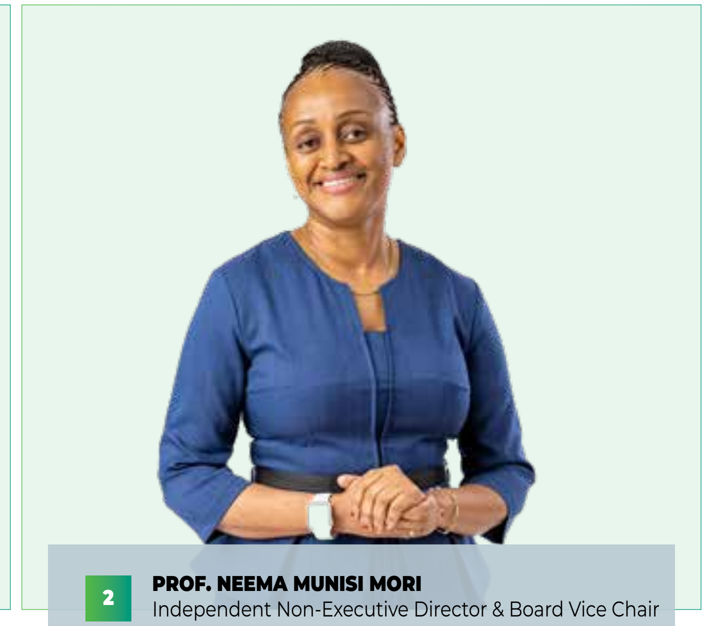
Dr. Laay has worked at various organizations and in different capacities including Principal Management Accountant at TANESCO, Management Consultant at PWC, Counterpart Director of Finance and Administration at the Medical Stores Department, Director of Finance and Administration at TASAF, Director of Finance at ICAP of Columbia University and Director of Finance and Administration at the National Economic Empowerment Council.

Currently the Chairman of the Board of Directors of CRDB Bank Plc, CRDB Bank Plc has maintained its position as the largest Bank in Tanzania in terms of resources, customer deposits, loan portfolio, profits, and branch network under his stewardship. He is also a part-time consultant in Financial Management, Accountancy, Auditing, and Corporate Governance.

Dr. Laay holds an Advanced Diploma in Accountancy (ADA), Post Graduate Diploma in Accountancy (PGDA), Certified Public Accountant (CPAT), Master of Business Administration (MBA) from the University of Wales, Cardiff Business School in the UK and Ph.D. in Business Administration in Finance and Accounting from Commonwealth University, United Kingdom.

While being the CRDB Board Chairman, Dr Laay also serves as Board Chairman of the Southern Agricultural Growth Corridor of Tanzania (SAGCOT). He is also a member of a number of boards, including the Foundation for Civil Society (FCS). (where he is the Board Chairman) and the Legal and Human Rights Center (LHRC).

He previously served as a Board member at the Institute of Accountancy Arusha (IAA), National Housing Corporation (NHC), Aerial Glacier Pediatric Health Initiative (AGPAHI), and Tanzania Family Planning.



2 PROF. NEEMA MUNISI MORI
Independent Non-Executive Director & Board Vice Chair

Prof. Neema Munisi Mori is an Associate Professor of Finance and Director of Public Services at the University of Dar es Salaam, Tanzania.

She also worked as a Senior Lecturer at the Department of Finance, University of Dar es Salaam, Research Fellow at University of Agder, Norway, Assistant Lecturer and Tutorial Assistant at University of Dar es Salaam and Audit Trainee at KPMG Tanzania.

She is the Co-founder of MTI Investment Company in Tanzania, Norway and Sweden, which is an equity investment firm that focuses on growing Small and Medium Enterprises. Prof. Mori is impacting positively on women and youth as a trainer, researcher and mentor in leadership and entrepreneurship with over 15 years of experience in teaching, researching and consulting in areas of banking, finance, investment, corporate governance, microfinance and entrepreneurship. She is active in research and has published academic papers in international refereed journals such as Journal of Management and Governance, Journal of Emerging Market Finance and Journal of African Business.

She holds a PhD in International Business majoring in Corporate Governance and Boards of Financial Institutions from University of Agder Norway, Masters of Business Administration (MBA) majoring in Finance and Bachelor of Commerce (B.Com) majoring in Finance both from the University of Dar es Salaam. Prof. Mori is the Vice chairperson of the Board, Chairperson of the Credit Committee and Member of the Risk Committee.

She holds a Certification in Company Direction offered by the Institute of Directors – UK. She likes reading, singing and dancing and enjoys outside walking and exercising.

Our Board of Directors

3 GERALD P KASAATO
Non- Executive Director

Gerald is a finance and management professional with over 14 years of experience in multiple markets. Gerald has a track record of achievement and has consistently outperformed performance objectives, selecting lead systems, which have resulted in the efficiency of projects and assignments. He has managed high performance teams, demonstrating strong leadership, analytical and problem-solving skills.

He is the current Chief Investment Officer (CIO) at the National Social Security Fund- (NSSF) Uganda, overseeing a portfolio of approximately USD 5 billion invested in fixed income, equities and real estate. Gerald spearheaded the diversification of the NSSF Uganda investment portfolio, making it the only institutional investor in East Africa investing in all the East African markets.

Before the role, Gerald served as Portfolio Manager - Equities at the same organisation. Before joining NSSF Uganda, he was Finance & Investment Manager at the National Housing & Construction Company Uganda, and Investment & Treasury Manager at the National Insurance Company, Uganda ltd. Gerald started his career as an Associate Audit/Tax (March 2003 to Apr 2005) at PTAP/Philips, Kobbs & Co, a Chartered Certified Accountants firm based in London, UK.

He holds an MBA(Finance) from the University of Exeter, UK, and an MSc. International Finance & Investment, London South Bank University, UK and a BSc. (Hons) Accounting, Oxford Brookes University, UK. Gerald is an alumnus of Harvard Business School

He is also a CFA Charter holder, UK Chartered Accountant (Fellow), a Fellow of the Chartered Management Institute (FCMI), and a member of the Institute of Certified Public Accountants of Uganda (ICPAU).

He is a member of the Audit Committee of the Board of CRDB. Gerald is also a Board member of Trade Development Bank (TDB) representing the constituency of Uganda, Sudan, DRC Congo, Angola, and Comoros. He is the Vice Chairperson of the TDB Board. He is also Chairman Investment Committee, and Vice Chairman Finance Committee of the TDB Board.

4 DR. FRED M. MSEMWA
(Board Chairman- CRDB Bank DR Congo S.A.)

Dr. Fred Msemwa is the Managing Director of Watumishi Housing Investments (WHI), a fund management firm responsible for management of Watumishi Housing Real Estate Investment Trust (REIT) and FAIDA Fund which is an open ended Collective Investment Scheme (CIS). He has more than twenty years' professional experience spanning across sectors including real estate, tourism, construction, energy and water regulation, accountancy, audit, fund management, bank governance, and risk management.

Dr. Msemwa previously served as Director of Audit at the Energy and Water Regulatory Authority – EWURA, Deputy Principal at National College of Tourism and rose from an Accountant to Finance Manager at National Housing Corporation (NHC). Fred graduated in accountancy from the Institute of Finance Management (IFM) and holds MBA Finance (UK).

He is a certified Board Director and holds PhD in Business Administration (Audit) from the Open University of Tanzania. He sits on the Risk and Credit Committees of CRDB Bank Plc and saves on the Boards of Dar es salaam Water and Sanitation Authority (DAWASA) and Business Registration Agency. He volunteers as the Chair of the Youth Dream Foundation (YDF); a youth empowerment NGO that seeks to empower the youth through education, entrepreneurial development and career guidance.

5 MR. HOSEA EZEKIEL KASHIMBA
Non – Executive Director

Mr. Hosea Ezekiel Kashimba is the Director General of Public Service Social Security Fund (PSSSF). He previously held various posts within PPF Pensions Fund (PPF) namely Director of Internal Audit, Internal Auditor and Payroll Accountant. While at PPF he championed establishment of risk management function whereby the risk management framework was prepared in 2007 and adopted by the Board together with risk management policy.

He holds a Master of Business Administration, (Corporate Management) – Mzumbe University, Advanced Diploma in Certified Accountancy– IDM Mzumbe also holds Certified Public Accountant (CPA) T. He holds a Certificate of Directorship – Institute of Directors Tanzania (IoDT). He is the Chairman of the Audit Committee and Board Chairman of CRDB Bank Burundi S.A.

Mr. Kashimba enjoys mentoring audit and accounting professionals and is keen on being a role model in good governance. Naturally compassionate, Mr. Kashimba is an active member of a church choir and is renowned for his problem solving and mobilization skills.

6 MR. ABDUL ALLY MOHAMED
Non – Executive Director

Mr. Abdul Ally Mohamed is an accomplished Financial Specialist with a proven track record in delivering consistent profit growth for businesses through high quality leadership management.

Mr. Mohamed has extensive experience across a broad spectrum of fast paced and challenging industries including, financial services, media and commercial football. He is a positive and driven team player with a strong background in media industry, pay TV business and digital marketing, specializing in content marketing, social, affiliates channels and on site optimization.

He has served as Commercial Director at Azam Media Ltd since 2018 and served as Chief Executive Officer of Azam Football Club, Bakhresa Group from 2016 to 2018, and was appointed General Manager of Azam Football Club in 2016. Between 2014 and 2015 he did E & Y Summer Internship and served as senior broadcasting Clouds Media Group (2010-2012) and ITV and Radio One (2003-2012). He holds a Bachelor's Degree in Accounting and Finance from Middlesex University. He's also CFA Associate member and ACCA affiliate member from UK. An ardent football lover, Mr. Mohamed is a diehard fan of English Premier League giants, Manchester United and has strong passion for cycling and tennis.

He is a member of the Audit Committee of the Board of Directors of CRDB Bank Plc.

Our Board of Directors

7 ENG. BONIFACE CHARLES MUHEGI
Non – Executive Director

Engineer Boniface Charles Muhegi is the Managing Director of JMK International Consultants Ltd (an engineering and project management consulting firm). He was the Registrar (Chief Executive Officer) of the Contractors Registration Board for 15 years up to 2014 and is credited for the major strides made by CRB in conformity to its mission of regulating and developing a competitive and sustainable contracting industry with capable contractors who deliver quality works and observe safety in pursuit of economic growth.

He boasts of vast experience in the engineering and construction fields, having previously worked with the National Construction Council and Tanzania Electric Supply Company LTD (TANESCO). Engineer Muhegi obtained his training in the spheres of engineering and construction management from reputable higher learning institutions namely; Master of Science in Engineering from University of Melbourne, Australia, Bachelor of Science in Engineering (Civil) from University of Dar es Salaam, Advanced Post Graduate Diploma in Construction Management from the Institute of Housing Studies (his) Rotterdam, Netherlands. He has also attended short courses and seminars locally and abroad on technical, management and governance issues.

He served as vice chair on the Advisory Board of Tanzania Building Agency (TBA) up to early 2014 and on the Board of Public Procurement Regulatory Authority (PPRA) up to 2018. He is a Chairperson of Governance and Human Resources Committee and member of the Credit Committee. He enjoys doing volunteer work in his spare time and his hobbies include reading and playing basketball.

8 PROF. FAUSTINE KARRANI BEE
Non – Executive Director

Prof Faustine Karrani Bee is a Professor in Development Studies at Sokoine University of Agriculture (SUA) since August, 2022. From March, 2019 to July, 2022, Prof Bee served as Professor in Development Studies and also as Vice Chancellor at the University of Dodoma (UDOM). Prior to his appointment at UDOM, he was the Vice-Chancellor at the Moshi Co-operative University (MoCU), where he was also a Professor in Development Economics.

Prof. Bee was first employed as Tutor by the then Co-operative College Moshi in 1988 and became a lecturer in 1993. In 2004 the Co-operative College Moshi was transformed into the Moshi University College of Co-operative and Business Studies (MUCCoBS), a Constituent University College of the Sokoine University of Agriculture (SUA), where Professor Bee rose through the academic ranks to the position of a Professor.

Prof. Bee served as Deputy Principal (Academic) between 2007 and 2010 and became the Principal between 2010 and 2014. He spearheaded the transformation of MUCCoBS into a full-fledged University - the Moshi Co-operative University (MoCU), where he was appointed its first Vice Chancellor.

He holds a Doctorate and a Master's degree in Development Studies; and a Bachelor Degree in economics. He was a Visiting Research Fellow of the Institute of Developing Economies in Tokyo, Japan between 1995 and 1996. He has attended various conferences and workshops organized locally and internationally. He has published widely.

Prof. Bee has vast leadership experience and exposure. He has served in various University Councils and Board of Directors as a member or/ and Chairperson. Prof. Bee served on the Board of the CRDB Bank from 2018 – 2021 and re-elected in 2021 for a second term of three years (2021 – 2024). Currently, he is representing CRDB Bank Board on the KCBL Board where CRDB has strategic interest. He is a member of the CRDB Bank Credit Committee; and Governance, Nomination and Human Resource Committee.

9 MR. JES KLAUSBY
Non- Executive Director

Mr Jes Klausby is a Senior Bank Analyst at the Danish Central Bank. He worked as Executive Vice President, Head of Group Finance at Nykredit Group, Chairman/ Board Member of Dansk Pantebrevsbors, a subsidiary of Nykredit Realkredit, Managing Director at Nykredit Bank, a subsidiary of Nykredit Realkredit, Executive Vice President, Head of Central retail units in Nykredit Realkredit. He was also an External examiner in Finance at Danish Universities and a Teacher in Finance at Copenhagen Business School.

He has experience in financial reporting in a Danish bank, managing balanced scorecards, and implementing income and cost allocation in a complex financial organization.

Mr Klausby holds MSc in Mathematics and Economy from Aarhus University Denmark. He has attended a change management program at INSEAD. Jes loves travelling with a focus on cultural experiences, trekking and cycling; he is interested in economics and politics. Mr Klausby is Chairman of the Risk Committee and member of the Governance and Governance, Nomination and Human Resource Committee.

10 MS. MIRANDA NAIMAN MPOGOLO
Independent Non- Executive Director

Miranda describes herself as 'an unstoppable force for good' and is the Founder and Managing Partner of Empower - a disruptive Consulting Firm that passionately provides Talent, Advisory and Insight services to clients across the African continent. She is a Forbes-acclaimed, Tanzanian Entrepreneur who recently won the Tanzania Consumer Choice Award for 'Most Preferred Female CEO' and is a Member of The Africa List – a select community of next generation CEOs in Africa's most exciting growth markets.

She is a People & Culture guru with 18 years experience, who's Consumer Choice Award-winning firm Empower consults for and advises Boards & Management of multinational organisations across all industries while simultaneously making a huge impact in the Talent Development space on a pro bono basis through their 'Generation Empower' Programme.

Miranda holds an MA Theatre & Development Studies from the University of Leeds (UK) and a BA (Hons) in Drama, Applied Theatre & Education from The Central School of Speech & Drama (UK). She is dedicated to life-long learning having attended numerous executive programmes in Leadership, Strategy, Finance and Governance with the Institute of Directors (UK).

Miranda is Board Chair of the African Women Entrepreneurship Cooperative that empowers hundreds of women from across the continent. She is Board Vice Chair of CCBRT Hospital and an active member-leader of the Entrepreneurs' Organization (EO) where she serves as Chair of Global Learning.

As a reflection of her passion for Education and Youth Empowerment Miranda previously served as Board Member for READ International that builds libraries in Tanzanian public schools and continues to serve as an Advisor to AIESEC; empowering young people to make a progressive social impact.

Miranda relishes connecting with nature by spending time on the beach, hiking mountains (she has summited Mt Kilimanjaro) and sharing quality moments with family enjoying great food. She is a member of the Board Credit and Governance & Human Resources Committees of CRDB Bank

Our Board of Directors

11 MR. MARTIN STEVEN WARIOBA
Independent Non- Executive Director

Martin Warioba is Founder and Managing Partner at Warioba Ventures, Africa-focused investment and advisory firm that provides early stage investment funding and builds sustainable ecosystem to support fintech and other technology-related startups focusing on tackling Africa's great challenges. Martin oversees management and operations of Warioba Ventures.

He has over 21-year experience in Information Technology and payments, both as consultant, project manager and software developer. Martin is one of key Payments and Digital Financial Services (DFS) experts in Africa and he was instrumental in development of payment scheme rules for world's first mobile wallet-to-mobile wallet interoperability between Mobile Network Operators (MNOs) in Tanzania as well as Democratic Republic of Congo, Rwanda, and Uganda. He advices Central Banks, Commercial Banks, MNOs, FinTech, Startups, Public and Private Sector, NGOs on Corporate Strategy, Technology, Payments, DFS Interoperability, Policy & Regulations, and Digital Economy

Previously, Martin was a founder and Managing Partner at WS Technology Consulting, a technology consulting firm that operated across East Africa for 11 years. He also worked with Deloitte Consulting US LLP and Central Bank of Tanzania. Mr. Warioba has Computer Science degree with a minor in mathematics from Louisiana State University as well as MBA and MSc in Information Management degrees from Arizona State University. Martin sits on the board of CRDB Bank PLC and its Audit committee as Independent, Non-Executive Director since January 2020 as well as Chairman of CRDB Bank Foundation from May 2022.

Mr. Warioba has MBA & MSc Information Management as dual degree pgogramme. He is a certified Project Management Professional (PMP) and one of Tanzania Project Management Institute (PMI) Chapter founders. Martin is committed in mentoring young African professionals in areas of technology, corporate governance, and leadership. Due to his well-rounded technology and management expertise, Mr. Warioba is a regular speaker in many conferences and events across Africa. In his spare time, Martin enjoys reading, traveling and sports especially golf, basketball, athletics, and soccer.

12 MR. ROYAL JOHN LYANGA
Non- Executive Director

Royal Lyanga is a finance and tax expert with 20 years of experience in tax administration, financial planning and public policy. He currently serves as the Assistant Commissioner for National Planning and Development at the Ministry of Finance and Planning, responsible for coordinating the preparation and review of long-term Development perspectives for the government of the United Republic of Tanzania. He is a key resource in formulating the medium and long-term plans to implement the Tanzania Development Vision.

Before joining the Ministry of Finance and National Planning, Royal served as Manager, Statistics & Business Intelligence at Tanzania Revenue Authority (TRA). Before that, he worked variously as the Principal Statistician at the Revenue Authority, where he rose through the ranks from a statistician then principal statistician. Earlier in his career, Royal had worked as an Assistant Lecturer at the Institute of Finance Management (IFM) in Dar es Salaam-Tanzania.Royal also serves on the Board Tembo Nickel Corporation, the world's largest nickel deposit project, being undertaken as a joint venture between the Tanzanian government and a British firm, Kabanga Nickel. He also serves as a representative of the Ministry of Finance and Planning on the Committee of Finance and Budget of the Board of Directors for TAZAMA Pipeline Limited; and a member of the Commission for Review of Government Revenue and Expenditure Systems (CRGRES). In addition, Royal is a Presidential appointee to several negotiations and technical committees, particularly in the extractives industry. He is Board Member of the National Bureau of statistics, Chairman of Statistical operation committee and member of Governance and Human Resource committee.

He has over 15 years of experience in financial risk management, statistics and data analysis, research and policy analysis, tax revenue forecasting, financial modelling, planning, monitoring & evaluation, fiscal policy formulation and trade statistics. He holds a Master's Degree in Statistics from the University of Dar es Salaam, Tanzania. He has attended diversified training from acclaimed institutions, including Duke University (North Carolina, USA), Pretoria University (South Africa).

13 MR. ABDULMAJID NSEKELA
Chief Executive Officer and Managing Director

Mr. Abdulmajid Mussa Nsekela joined CRDB Bank Plc in October 2018, after more than a decade of service at National Microfinance Bank Plc. Before this role, Nsekela served as Chief/ Head of Retail Banking at NMB Bank Plc and in other leadership positions at the bank, including as Head of Personal Banking and as Senior Manager, Personal Banking. Nsekela's career in Banking spans over twenty (20) years, covering Retail Banking, Corporate Banking, Branch Operations and Control Functions. He has immense experience in Strategic Management, Transformational Leadership and Business Turnaround Strategy. He has successfully led teams to deliver on various key projects that have revolutionized the banking sector in Tanzania; including driving adoption of digital banking and development of financial delivery channels, through digital payment platforms. He is credited with the transformation of the retail banking infrastructure at NMB Bank and the branch network expansion.

Nsekela astuteness in business leadership has earned him key roles on various Management Boards in the United Republic of Tanzania. He is the current Chairman of Tanzania Bankers Association, an umbrella body that brings together players in the Banking industry in Tanzania. He also serves as a council member of Tanzania National Business Council (TNBC) and the Tanzania Financial Inclusion National Council. Nsekela is an esteemed member of the boards of Tanzania Private Sector Foundation (TPSF) and Tanzania Mortgage Refinance Company Limited (TMRC).

Nsekela holds a Master's Degree in Business Administration majoring in International Banking and Finance (MBA-IBF) and a Post Graduate Diploma in Business Administration from Birmingham University. He has also attended Executive Development and Leadership program; Authentic Leader Development at Harvard Business School in Boston, Leadership and Diversity for Innovation Program at Wharton School of the University of Pennsylvania as well as Leadership Program in Management at Gordon Institute of Business Science from the University of Pretoria. He is also an alumnus of the Institute of Finance Management (IFM) with a specialty in Banking Finance.

14 JOHN BAPTISTE RUGAMBO
Company Sectertary

John Baptiste Rugambo is an experienced corporate secretary with more than 20 years of experience. He joined CRDB Bank Plc in November 1999 and rose through the ranks to the current designation. Before being appointed Company Secretary, Mr Rugambo served in various positions within the bank, including working as Director of Marketing and Research, Marketing Manager, Project Manager Tembo Card and Manager Institutional Customers.

Before joining CRDB Bank Rugambo worked for Citibank as Head of Customer Service and Relationship Officer Financial Institutions. He serves on the Advisory Board of AIESEC in Tanzania and is a Founder Member of the Institute of Directors Tanzania, where he previously served as Vice Chairman and Chairman of the Institute.

He holds an MBA in International Business Administration and a Bachelor's degree in the same field from the United States International University of Africa (USIU) in Nairobi, majoring in Marketing. He has also attended the Senior Executive Leadership Program of the London Business School (LBS).

FINANCIAL STATEMENTS

The Report by those Charged with Governance

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THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

1 INTRODUCTION

Those charged with governance have the pleasure to submit their report and the audited financial statements for the year ended 31 December 2022, which disclose the state of affairs of CRDB Bank Plc ("the Bank") and its subsidiaries, CRDB Bank Burundi S.A. and CRDB Insurance Broker Limited (together "the Group").

This report has been prepared in compliance with TFRS 1 that has been issued by National Board of Accountants and Auditors (NBAA) which became effective on 1st January 2021.

2 INCORPORATION

The Bank was incorporated in the United Republic of Tanzania under the Companies Act No.12 of 2002 as a Public Company limited by shares with registration number 30227. The Bank was established in 1996 and listed on the Dar es Salaam Stock Exchange on 17th June 2009 and has established two wholly owned subsidiaries namely CRDB Insurance Broker Limited, and CRDB Bank Burundi S.A. incorporated in the Republic of Burundi in 2012.

3 VISION

To be the leading bank, which is customer need driven with competitive returns to shareholders.

4 MISSION

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.

5 ENTITY OPERATION

The Bank is licensed in Tanzania under the Banking and Financial Institutions Act, 2006. The Bank's subsidiary, CRDB Bank Burundi S.A is a licensed bank in Burundi under the Banks and Financial Institutions Act, 2003 of the Republic of Burundi. The principal activity of the Bank and its subsidiary CRDB Bank Burundi S.A is the provision of banking services and CRDB Insurance Broker Limited is engaged in providing insurance brokerage Services.

The Bank is a public listed company on the Dar es Salaam Stock Exchange. The share price as at 31 December 2022 was TZS 380 (2021: TZS 280). Market capitalization as at 31 December 2022 was TZS 993.55 billion (2021: TZS 731.31 billion).The Bank remains to be the largest commercial Bank in Tanzania with a leading share of total customer deposits of 27%(2021:24%) and 25% (2021:22%) of assets as of 31st December 2022.

Environmental matters and impact to Group's business operations

The Group believe that taking care of the environmental and social matters is a serious responsibility for every individual. As a corporate citizen we have embraced a culture of responsible living, with the ultimate intention of building a sustainable work environment with insignificant impact on the environment which can impact business operations. Details on environmental matters, impact and what the bank is doing to reduce the adverse effects of the environment and social risks has been disclosed under section 23.

Bank's Employees

At CRDB Bank, we believe our people are the cornerstone of our success. Their engagement and commitment make us who we are. Our employees play an important role in contributing to the long-term success and performance of the bank. The employee focus is centered on Learning and Development, Employee Well-being, Employee Engagement, Diversity and inclusion.

- Learning and Development

Despite operating in a very tight schedule, Learning is the Top priority of the Bank. The Bank introduced the digital learning platform (UDEMY) last year to facilitate self-learning among employees across the network. Convenience is guaranteed, the platform is accessed also in mobile phones hence enable staff to access anywhere.

The bank has a special unit to facilitate learning among staff and continues to promote the leaning through recognizing staff who put effort into learning in semi-annual basis. The top learners are selected based on the Udemy report from the period based on number of courses completed.

- Employee Well-being

Employee wellness is an integral component of our employee value proposition, centring around the value of 'Care'. We constantly explore possibilities and opportunities to deliver the finest customer experience. In the process, we realised that an engaged workforce is not just a productive one, but also a key element for creating 'Happy Customers'. It begins with health. The key health issues at the workplace stem from sedentary lifestyle, coupled with improper posture and stress. We conduct regular medical check-ups and create awareness on best health practices. We also provide counselling to help our people deal with issues of mental health through a dedicated helpline. All our employees are provided medical cover. For our female employees on the path to embracing motherhood, we have a maternity care programme.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

5 ENTITY OPERATION (Continued)

Bank's Employees (Continued)

Bank also pays special attention to the importance of good nutrition, physical fitness, and stress reduction. Our Bank firmly believes that quality health plays an important role in the success of the organization and to promote health and wellbeing among our staff. The Bank launched wellbeing services in 2021 with the focus on empowering colleagues and eligible dependents to address individuals' challenges which require support in physical and social wellbeing.

The Services includes;

i. Professional telephone counselling in Swahili and English: Counselling for psychosocial problems, substance abuse, and addiction, relationship problems, financial management, health, personal, or work-related problems, and all mental disorders.
ii. Professional face-to-face Counselling: For any psychological, relationship, medical stress, financial problems, marital and prenatal counselling, trauma-focused counselling, teenage counselling, family therapy, individual and corporate coaching, fitness, nutrition, and lifestyle management.
iii. Managerial Consultation for stress management, crisis management, assistance in managing risk cases, cultural diversity, or performance management of employees.
iv. Psychiatric care arrangement: outpatient assessment and care through an accredited Psychiatrist.
v. Emergency response critical incident stress debriefing (CISD): Worksite counselling and stress management support such as armed robbery, death, or disaster at a worksite.
vi. Education Support and awareness: Conduct an awareness program across the network to equip employees on key psychological threats/signs periodically.

- Employee Engagement

The Group believes Employee engagement is the foundation which support several positive business outcomes such as productivity, improved bottom lines, growth, customer experience, employee retention and safety. At CRDB employees are engaged at three different levels: physical, emotional, and cognitive. These are not only to ensures full commitment from the employees but also creates passionate and enthused workers who strive hard to work towards the Banks's vision and their personal goals. Apart from work related activities the Bank initiated sports events (CRDB Super Cup) and empowering youth talents through UniTalent Sponsorship.

Employees need to feel committed to the organizations they work for, need to feel valued, and need to feel that they are contributing to something meaningful, all of which can influence and be influenced by emotions. Emotionally engaged employees are more invested in their jobs and more likely to experience job satisfaction. Having a high level of emotional engagement contributes to a positive work environment where it is easier for other employees to engage with their work.

On the aspect of physical engagement, the Bank believes employees who are physically engaged feel enthusiasm for the work they do and have improved mindset tied to mental well-being and devote their emotional and physical energy to their work. Employees with a lot of energy have better overall health, which allows them to contribute more to the business.

Fundamentally, people want to be recognized and appreciated for the efforts they make. To emphasize this in 2020 the Bank formally launch an award with the name "CEO awards" aiming at recognizing excellence at the workplace. The awards were structured in line with our strategic themes to recognize key drivers of change within the Bank. As a future-oriented employer, we believe in rewarding excellence among our staff as not only a motivating factor, but also as a noble action.

The Bank believes that, to continue becoming an employer of choice in the market, it must keep its employees engaged and listened too. From time to time, the Bank has used an employee satisfaction survey as a tool to listen and engage its employees. The survey is conducted annually with the main aim to get a better understanding of employees' morale, satisfaction, and engagement across the bank and our subsidiaries. The survey is very important for the group as it provide feedback to management to improve the working environment.

The modality of survey is conducted via research, an online survey tool which is simple and easy to use. Employee's survey responses are anonymous and survey team cannot trace an individual. The result of survey is communicated to staff via organize group sessions to discuss ways of improving our culture, performance and addressing problem areas.

The survey results are basically used for three purposes;
i. Identify areas of strength, best practice, and potential improvement of our policies to make them more practical and effective
ii. Understand engagement drivers, satisfaction levels and team effectiveness
iii. Formulate actions to resolve issues that demotivate people, compromise customer satisfaction and /or diminish performance.

Furthermore, the Bank conducts quarterly town hall sessions branded as "CEO Town Hall" a platform where management communicates with employees on strategy, performance, and any key updates. The platform also allows employees to ask various questions on performance and issues on staff matters. It is conducted physically from head office and virtually to enable all staff to participate.

- Diversity, inclusion, Equity and Belonging

Diversity, Inclusion, Equity and Belonging create a positive work environment for all, which leads to better ideas and helps foster a positive work environment that not only promotes equality but delivers results. A diverse and inclusive workplace is one that makes everyone, regardless of who they are or what they do for the business, feel equally involved in and supported in all areas at the workplace.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

5 ENTITY OPERATION (Continued)

Bank's Employees (Continued)

With over 3,500 employees in multiple countries, a key focus point for the bank is to be able to recruit, develop and retain a diverse workforce. By actively seeking and including a diverse range of ideas, perspectives and approaches, the bank is better able to reflect, understand and connect with customers; foster creativity and innovation; solve complex problems; improve the quality of business decisions; and boost employee engagement and morale. Our leaders are committed to providing opportunities that allows all employees to reach their full potential.

CRDB Bank Plc is committed to being a leader in supporting and valuing the diversity of the people, organizations, and communities, we serve by recognizing and respecting human difference and similarities. The Bank strives to create 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, and we believe that, by employing people with different cultural experiences and perspectives, we can eliminate these blind spots in how we develop solutions to customer problems. We hold the belief that by enhancing understanding of how messaging, products, and services are received by people with different points of view, we gain a competitive edge to respond to the needs in the market appropriately. For us, diversity is an integral source of our strength, because it fosters innovation and problem-solving by pushing everyone to look at things from different perspectives.

Our response

The Group has developed a Diversity, inclusion, equity and belonging policy, aiming to ensure that the Bank adhere to the best human resources practices and standards. The Group is an equal gender employer and there several efforts being taken to maintain gender balance. As at 31 December 2022, the Group total workforce stood at 3,726 staff where 2,106 (57%) were males and 1,620 (43%) females. The biggest age group in our workforce is below 35 years of age (42%), (56%) are between the ages of 36-55 years and (2%) are above 56 years. The Bank continued to focus on driving women agenda through special sessions which aimed at inspiring and empowering more women to draw unique leadership qualities that would enable them to rise to the highest levels of leadership.

The Bank introduced She initiatives program as one of the initiatives aiming at empowering women through training, coaching, and mentoring.

Social and community issues

The Group acknowledges that Corporate Social and community issues are of increasing importance to our stakeholders and are vital to the continued success of the Group. The Bank is committed to contribute to sustainable developments by delivering economic, social, and environmental benefits for all its stakeholders. This is recognized as an important element of good corporate citizenship, alongside sustainability and good governance, aims to improve the lives of disadvantaged people across multiple development sectors.

As a result, we have a Corporate Social Investment policy (CSI) that guarantees the Group always operates in a responsible manner for the benefit of our stakeholders. The Group implement CSI by partnering with and investing in communities to find sustainable solutions.

The Bank's Corporate Social Investment strategy focus on providing solutions for significant social problems with the aim of creating long term sustainability particularly on the areas of health and wellness, education, environment, women and youth and enhancement of financial capabilities (financial literacy and financial inclusion) to the society. The Bank also focuses on programs that enable communities to provide for their own immediate needs and empower them to improve themselves in the future to earn a living and become self-sustainable and/or self-reliance.

Employees are also encouraged to be involved in CSI programs aimed at improving the standard of living of the communities surrounding them.

For further details on our Environmental, social and Governance (ESG) section 23.

The governance

Our Group is founded on strong principles of good corporate governance, which we conceive as integral to our prosperity. We understand the depth of the responsibility placed upon us by our shareholders to safeguard their hard-earned investments. Therefore, we conduct our business openly and in transparent manner adhering to tenets of good corporate governance. We have a diverse board of directors that has the right balance of skills and experience to steer our Group into prosperity.

Those charged with Governance are vested with the responsibilities to control the strategic direction of entity including the financial reporting processes.

The Group has Risk Management Framework which forms the Bank's integral part of corporate governance. It defines the Bank's high-level governance structure; it documents the key responsibilities and accountabilities that are in place to manage risks inherent in the Group's business and operations.

For further details on our corporate Governance structure, section 21.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

5 ENTITY OPERATION (Continued)

The Bank's operating model

Our integrated business model is designed to address the widespread needs covering all market segments by responding to the rapidly changing world. Our governance operating model ensure a robust internal governing bodies and proper systems and processes are in place to support our customers and stakeholders.

The Bank continues to be innovative and adopt an agile operating model to be able to respond rapidly to our customers' ever-changing needs. More details of bank's operating model are disclosed under section 9.

Contractual arrangements

The group entered into several contract arrangement which are grouped as enumerated below;

- Contractual arrangements with customers whom we are providing loans and advances, Letter of credits and guarantees.
- Long term Borrowings with various reputable local and International Development Financial Institutions IFC, AfDB, EIB, PROPACO, TIB, NBC and TMRC, as details in note 46 of the consolidated financial statement.
- Contract with vendors/Suppliers of goods and services to the Group and Bank for provision of various services as details in note 43A (other liabilities) of the consolidated financial statement.
- Professional service contracts with Lawyers and Tax advisory firms.

6 OPERATING STRUCTURE

The Bank provides a wide range of products which suit the needs of different segments in the market, through our business divisions namely Retail, Corporate, Treasury and Insurance. We are transforming our digital presence, providing simpler, seamless interactions through digital platforms while sustaining extensive customer reach through our leading branch network by offering digital solutions including simbanking, internet banking, point of sale (POS) machines and Agency banking (Fahari-Huduma). Further details on our operating model are on section 9.

Products and services offered

The Bank has grown to become the most innovative and preferred financial services partner in East Africa, supported by uniquely and updated services like CRDB agency banking, Mobile banking, and internet banking. The main services provided by CRDB are, corporate banking, small business banking, Institution banking, Consumer banking, Capital market, Insurance brokerage service through a network of 240 branches including mobile branches, 554 ATMs which include depository ATMs, 3,380 Point of Sales (POS) terminals and more than 28,241 banking Agents.

7 OPERATING ENVIRONMENT

Global Economic growth

The global economy continued to face challenges associated with high inflation, tight financial conditions and volatile energy prices. However, signs of improvements have been noted, particularly on easing inflation for some countries towards end of the year. Financial conditions have also started to ease from tight levels mainly supported by lessening of tightening monetary policy following stabilization of prices of food and energy products. Generally, commodity prices have seen a downward trend on account of slowing global demand.

Global growth is projected to fall from an estimated 3.4% in 2022 to 2.9% in 2023, then rise to 3.1% in 2024. The rise in central bank rates to fight inflation and Russia's war in Ukraine continue to weigh on economic activity. The rapid spread of COVID-19 in China dampened growth in 2022, but the recent reopening has paved the way for a faster-than-expected recovery. Global inflation is expected to fall from 8.8% in 2022 to 6.6% in 2023 and 4.3 percent in 2024, still above pre-pandemic (2017–19) levels of about 3.5%.

In most economies, amid the cost of living crisis, the priority remains achieving sustained disinflation. With tighter monetary conditions and lower growth potentially affecting financial and debt stability, it is necessary to deploy macroprudential tools and strengthen debt restructuring frameworks. Accelerating COVID-19 vaccinations in China would safeguard the recovery, with positive cross-border spillovers. Fiscal support should be better targeted at those most affected by elevated food and energy prices, and broad-based fiscal relief measures should be withdrawn. Stronger multilateral cooperation is essential to preserve the gains from the rules-based multilateral system and to mitigate climate change by limiting emissions and raising green investment.

Macro and micro economic overview

Tanzania

Economic activity in Tanzania is recovering, with the 2022 real GDP growth rate projected to reach 4-5%. The accommodation and restaurants, mining, ICT, transport, and electricity sectors are driving the recovery. High-frequency indicators suggest that while economic activities were expanding, they have not yet reached pre-pandemic levels.

The government has revived proactive engagement with multilateral and bilateral development partners in the region and worldwide and has implemented a strategy to contain the COVID-19 pandemic, including a COVID-19 National Vaccine Deployment Plan.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

7 OPERATING ENVIRONMENT(Continued)

Macro and micro economic overview (Continued)

Tanzania (Continued)

The economy is projected to grow at 5.6% in 2023, due to improved performance in tourism, the reopening of trade corridors, and the accelerated rollout of vaccines. The major downside risks relate to new COVID-19 variants and associated disruptions to economic activity but should be mitigated by increased public awareness and uptake of vaccines.

Financial markets remained active, in line with continued prudent and supportive monetary and fiscal policy conditions. Domestic money market was characterized by adequate supply of shilling liquidity, reflected by low and stable money market interest rates. Foreign exchange market remained active and liquid, facilitating trading of foreign exchange for balance of payment transactions. Consistently, the shilling remained stable against global trading currencies.

Money supply growth sustained an upward trend in the year ending December 2022, consistent with strong growth of credit to the private sector. Specifically, extended broad money supply (M3) recorded an annual growth of 11.6%, 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. Growth of private sector credit remained strong, with an annual rate of 22.5% 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 Central Bank to provide cost effective credit intermediation to agriculture and agri-business activities. Interest rates charged on loans by banks continued to decrease marginally, with overall lending rates averaging 16.1% in December 2022, compared with 16.5% in corresponding period in 2021.

Climate change issues and policy options

Agriculture, manufacturing, and energy are among the key sectors most vulnerable to climate change, with drought affecting agriculture and reliable power supply. Tanzania is 67 on the 2021 Global Conflict Risk Index (GCRI) . Its latest review of the 2015 Nationally Determined Contribution (NDC) estimated the economic costs from climate shocks at about 1% of GDP. The government has developed policies to support climate resilience, including the National Climate Change Strategy 2021–2026, the Zanzibar Climate Change Strategy (2014) and the Environmental Management Act Cap. 191. Tanzania's Nationally Determined Contribution (NDC) has a target of reducing Greenhouse Gas Emissions (GHG) by 10–20% by 2030 through actions including promotion of clean technologies and renewable energy sources. The country is on track to achieve SDG 13 on climate action.

Regulatory environment in Tanzania Financial Sector

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. During the year, BOT issued several guidelines which includes guideline on Climate risk, Contingency Planning Guidelines for Banks and Financial Institutions, Recovery planning guidelines for banks and financial institutions, Tanzania quick response code standard (TANQR CODE standard 2022) and Stress testing guidelines for Banks and Financial Institutions.

Climate related financial risks within the banking sector

To address climate related financial risks within the banking sector, the Basel Committee on Banking Supervision issued the Principles for Effective Management and Supervision of Climate-related Financial Risks, 2022. In recognition of that, and to align with these Principles, the Bank of Tanzania on October this year has issued a Guidelines on Climate-Related Financial Risks Management, which set out its expectations of a prudent approach to climate-related financial risks with a view to enhancing the resilience of the banking sector against these risks such as physical and transition risks that could affect the safety and soundness of banks and financial institutions and have broader financial stability implications in the banking system.

These Guidelines are intended to assist banks and financial institutions in incorporating sound governance and risk management frameworks for climate related financial risks within their existing risk management frameworks. This will enable the Bank to better understand, identify, assess, monitor, and mitigate these risks. The Guidelines further outline the broad principles which banks and financial institutions may use to develop their climate-related financial disclosures.

Contingency Planning Guidelines for Banks and Financial Institutions

The main objective of these guidelines is to provide a framework to guide banks and financial institutions in developing and implementing contingency planning arrangements with a view to minimizing business disruptions ensuring continuity of critical functions, and instilling public confidence in a cost effective manner, prior and during crises.

Recovery planning guidelines for banks and financial institutions

These guidelines are issued to provide guidance for banks and financial institutions to develop recovery plan in order to protect their critical functions and to uphold public confidence in the financial system during severe stress situation. These guidelines set out key principles, requirements and supervisory prospects on the development and maintenance of recovery plans. As part of recovery planning, Bank need to identify and plan for the execution of a suite of recovery options to restore long term viability under a range of wide stress events.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022
7 OPERATING ENVIRONMENT(Continued)
Macro and micro economic overview (Continued)
Tanzania (Continued)

Quick Response (QR) Code

Quick Response (QR) Code payment solution provides an alternative channel for initiating and accepting payments between customer and merchant. It also enables a customer to make non-cash payments. The Bank of Tanzania Act 2006, and the National Payment System Act, 2015, give the Bank mandate to manage, promote and establish payment systems in the country. In this regard, The Bank of Tanzania is issuing a National QR Code Standard for Local Currency Payments that will be known as Tanzania QR Code (TANQR) Standard. This TANQR Code standard will promote customer convenience, security, and support interoperability amongst different payment service providers.

The TANQR Code Standard enables The Bank of Tanzania to boost up the use of e-payments under the Retail Payment ecosystem, hence enabling more Tanzanians to make electronic payments and deepening financial inclusion. It will also enhance payment security, to prevent data breaches and payment fraud.

Stress Testing Guidelines for Banks and Financial Institutions

Stress testing has become an integral part of the bank's risk management system aiming at evaluating potential vulnerability to unlikely but plausible events in the financial and macroeconomic environment. In 2009, the Basel Committee on Banking Supervision (BCBS) issued "Principles on stress testing practices and supervision" to address issues identified during the Global Financial Crisis. In 2018, the principles were revised to set out comprehensive standards on sound governance, design, and implementation of stress testing frameworks for banks and financial institutions. The Bank of Tanzania in ensuring the banking sector's resilience has issued these guidelines to align with the Basel Committee of Banking Supervision Stress Testing Principles, 2018.

Burundi

Burundi's economy has been challenged by the COVID-19 pandemic and Russia's war in Ukraine. However, the economy is showing resilience and the outlook is favourable, with a GDP growth rate of 3.6 percent in 2022 and projected to be 4.6 percent in 2023 owing to the continuing recovery of agriculture and public investment. Macroeconomic hurdles persist in Burundi, including deteriorating terms of trade and accelerating domestic inflation that is threatening already challenging living standards. The effects of the war in Ukraine have driven food, housing, and fuel prices up, with overall inflation at 26.8 percent end of December 2022, from 10.5 percent in December 2021. The BIF/USD closed at 2,063 on 31st December 2022 compared to 2,005 reported on 31st December 2021.

Before the war in Ukraine, the economic outlook of Burundi had been promising, with growth projected to a robust 4.7 percent in the medium term, supported by several positive developments including the impact of reforms, projects in the agricultural and mining sectors, and financial deepening. Economic growth prospects remain strong, also supported by the country's progressive re-engagement with the IMF and the international community.

Climate change issues and policy options

Burundi is known as one of the most vulnerable countries to climate change in the world due to its geographical (rugged relief) and climatic (floods, droughts, desertification, heat) characteristics, worsened by the socio-economic situation of a large part of the population living below the poverty line. The observed and predicted impacts of climate change progressively undermine development efforts and risk hampering the aspirations of the Burundian people contained in Vision 2025.The Vision of Burundi 2025 describes actions and goals that the government will take to ensure sustainable development of Burundi until 2025.

In the respect of the energy sector, the goal is to reduce wood burning for heating and cooking in households. Promotion and deployment of renewable technologies will provide the population with better quality of energy, minimize health hazards, and reduce the deforestation process. Micro and mini renewable plants are particularly a focus of Vision 2025.

Furthermore, Burundi completed a Green climate fund (GCF)readiness grant aimed at strengthening the National Designated Authority (NDA) to better perform the coordination role for climate change initiatives and the establishment of a sustainable mechanism of engaging key stakeholders, including women groups and the private sector in climate finance decision-making. In its current updated Nationally Determined Contribution (NDC), Burundi expanded the geographical and sectoral scope of its adaptation ambition, while making an unconditional pledge to reduce emissions by 3.0% by 2030, or 12.6% with international support. The NDC includes the development of a logical framework to monitor and assess the implementation of the priority mitigation and adaptation actions.

The Group response to the regulatory environment

- The Group is well placed to comply with laws and regulation and meet requirements to embrace the positive effects on the industry, its customers, and other stakeholders. The Group has designated department (Risk and compliance) whose main responsibility is to ensure the compliance is adhered to laws, regulations, rules, codes of conduct in matters concerning proper standards of market conduct, managing conflict of interest, and specifically dealing with matters such as prevention of money laundering and terrorist financing. This is done through the continuous awareness to all staff on the new and changes of regulations via physical and virtual meetings.

- On climate, the Group promotes responsible citizenship, sustainability, and social consciousness. It recognizes the urgent need to address causes and consequences of climate change and has been undertaking various climate change-related projects and programmes within the

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

7 OPERATING ENVIRONMENT(Continued)

Macro and micro economic overview (Continued)

Burundi (Continued)

context of the United Nations Framework Convention on Climate Change. By becoming accredited to GCF, the Group aims to catalyze low emissions and climate resilient development by implementing various projects with grants, loans and other fit-for-purpose bank products.

- The Group maintain good and ethical relationship with Government and Regulatory bodies to support on the implementation of laws and regulation through engagement to ensure the sustainable economic development.

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. CRDB will continue to drive a digital transformation agenda towards building the Bank of the future and creating value to our society through access to credit, financial inclusion and social responsibility programs.

The Group will continue to leverage its competitive advantage through customer centricity, improved technology, wide network of 240 outlets and a committed work force to deliver value to all stakeholders. The Bank continuing to support customers demand which has been a sustainable focus of the CRDB Group throughout the year. This has been achieved through providing banking services to all over Tanzania and Burundi. We also took steps to support customers by bringing banking services near them through mobile and agency banking.

Our response

Building on our strong brand, we have a unique opportunity to further enhance customer experience. The Group continues to respond to innovation and meet the needs of diverse customer base whilst ensuring system resilience and security. The Group continue to drive a digital transformation agenda towards building the Bank of the future and creating value to our society through access to credit, financial inclusion and social responsibility programs. The Group continue to leverage its competitive advantage through customer centricity, improved technology, and a committed work force to deliver value to all stakeholders.

Speed and effect of technological change

In today's world, bank offers most of its banking services online through digital channels, including the Internet and mobile applications with limited physical presence. Bank's business operation is based on the application of financial technology (fintech) and innovation. Technology plays a pivotal role in determining what customers want and how their needs can be met. With the benefits of a technology-driven operation and a cloud-native banking model, new customer experiences and financial inclusion can be achieved.

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 customers' demands and remain competitive. The Bank committed to adopting new technologies and business models that support growth and driving digital adoption.

The emergence of online banking has changed the way banks operate, and the risk profile. With a heavy reliance on technology banks are exposed to various risks like information and cybersecurity risks. Data leakage and confidentiality breaches due to unauthorized access or cyberattack may result in legal costs and serious damage to the bank's reputation. CRDB has established a cyber risk management plan that safeguards its network from any breach efforts and ensures financial security for its clients to prevent breaches. CRDB bank's information security is of paramount importance as its core business area is the provision of banking services to clientele both within the country and in the Diaspora through our outlets physical and online.

Our response

The Group continue to keep pace with the advancement in technology so as to make it fast, convenient, and safer for customers to perform financial transactions. We are not only competing in this space but also innovating new products that promise easier access to banking services. The Group continue to strengthen ICT infrastructure and transform on how we operate and offer services through implementation and completion of ICT projects. Currently the Group is implementing New core Banking system aimed at creating scalable infrastructure for future growth.

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 seamless 24/7 banking with 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.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

7 OPERATING ENVIRONMENT(Continued)

SWOC analysis

Strengths	Weaknesses
▪ Strong brand ▪ Asset size: CRDB is the market leader in terms of asset size in Tanzania. ▪ Digitalization and innovation: Being at the forefront of innovation allows us to deliver excellent customer and client experiences and enables growth. ▪ Operations and governance: The Group Risk Management Framework forms the Bank's integral part of corporate governance. ▪ Customer focus: we are the Bank that listen. The Group maintains a customer centric focus. ▪ Large footprint: The bank has the largest network of branches & agents. ▪ Strong stakeholder relations: The Bank has strong relations with multiple stakeholders, including the Government ▪ Strong CSI: The Bank has invested in community development.	▪ *Competitive model:* The Bank to differentiate itself more through products, customer experience, and pricing.
Opportunities	**Challenges**
▪ *Youth:* a growing, vibrant population ▪ *Women, Informal, and SME sectors:* underserved segments with limited offerings in the markets we operate ▪ *Agriculture Value Chains:* The agriculture sector is heavily underinvested with few forward linkageres in industries ▪ *Strategic Partnerships:* collaboration with diverse stakeholders to support growth and speed of execution ▪ *Regional Brand:* Position CRDB as a pan-African bank and cement the bank as an important regional player	▪ *Cyber risk* ▪ Macro-economic and geopolitical uncertainties ▪ Climate risks ▪ Disruptions caused by changes in technology.

Societal matters in the environment we operate

Financial inclusion

Building on our desire to transform, we remain keen on deepening access to financial services in the East African region 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.

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.

Our response

- The Bank made reforms in its business which is concentrated in creating sustainable value, increasing financial inclusion, and building the economy integrated through products, services, and innovative service delivery systems through our wide range of network, ATMs, mobile branches, Agency banking and point of sales. Our distribution network for example CRDB Wakala increased significantly to reach 28,241 from 19,165 recorded last year.
- Burundi Subsidiary also rolled out Sim banking on February this year and agency banking has continued to do well with more than 600 agents providing services and increase access to financial services in the region which focus on strengthening financial inclusion.
- Furthermore, CRDB Al Barakah Banking hailed the move up the government's financial inclusion agenda. There are some people who stay away from formal banking services due to lack of access to financial services that align with their religious beliefs. Therefore, the introduction of CRDB Al Barakah comes as a response to such a stand through offering Shariah Banking services in a manner that aligns with Muslims' religious beliefs.
- CRDB Bank partners with DFIDs to enhance financial inclusion by assisting Tanzanian small businesses who are critical to Tanzania's economy by extending credit ,advise and assist them in modernizing and digitizing their businesses. The highlight of this initiative is our commitment to encouraging Tanzanian women and youth entrepreneurs for being a meaningful partner in their entrepreneurial journey. During the year, the Bank received a credit line more than TZS 200bn which comes along with technical assistance to enhance the Bank's capacity to reach out to more women owned enterprises.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

7 OPERATING ENVIRONMENT(Continued)

Societal matters in the environment we operate (Continued)

Human rights

CRDB Group complies with 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 Constitution of Tanzania and Burundi.

Health

The Bank is 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 2022. Page 10 of 21 and Health Act.No.5 of 2003). The Bank strive to provide a safe and healthy 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.

Our response

- Considering the importance of the health of employees, the Group invest in the best office chair which are comfortable and ergonomic seating for reducing backache.
- Our office buildings have adequate lighting which enables employees to easily view their work and environment without the need to strain their eyes.
- The Group has been running various programs for employees across the country including health check-ups for all employees each year including introducing a special day for physical exercises.
- The Bank has set up a special first aid room and Lactation room for mothers and children.
- The Bank effectively adheres to workplace health and safety policy for its employees as a result during the year, scooped two awards organized by the Occupational Safety and Health Authority (OSHA).

Poverty

The Group stand with society to create a brighter and more prosperous future toward the country's journey to self-reliance. The Bank strive to implement new solutions to improve access to finance for small businesses and entrepreneurs to enhance their growth and job creation potential whilst alleviating poverty.

Our response

- The Group has been setting aside 1% of net profit back to community on corporate social investment.
- During the year the group launched the programme named IMBEJU which goes in line with the slogan "Leave No One Behind" of the Sustainable Development Goals (SGD) 2030 which emphasizes the empowerment of marginalized groups and tackling inequality in economic opportunities.
- The Bank also enter into several agreements with International agencies and get fund to facilitate issuing affordable loans to women and youth. These funds assist Bank to expand access to finance for women and youth borrowers in education & health sectors, MSMEs, and the informal sector throughout Tanzania.

Population and demographic changes

There has been a tremendous increase in the access to financial services by a larger proportion of the population in Tanzania.

Our response

The Group maintains a customer-centric focus and consider demographic data such as age, education, income, ethnicity, and gender to create business models that meet the customer demands by using all valuable pieces of information when developing new products, creating marketing campaigns or deciding where to place branches and agencies. With all the parameters of demographic the Group consider age as very crucial that need to be tracked because of the move of wealth into younger generations.

Environmental challenges

In a bid to enhance the economy and maximize wealth, humans continue to engage in activities that are detrimental to the environment. As a result, the world is faced with the challenges of climate change, such as floods, loss of ecosystem, heat waves and resource shortages as planetary limit are approached. Concern for environment related issues is increasing globally and, recently, among enterprises and institutions, leading to the development of various means of evaluating it. Climate change presents a conspicuous threat to societies as well as natural environments.

As a financial services provider, the Group continue to promote environmental sustainability to mitigate climate change risk in Tanzania and outside Tanzania while using constructive and advanced initiatives to contribute towards a more sustainable future for the societies in which we operate.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

7 OPERATING ENVIRONMENT(Continued)

Political environment

CRDB group is operating under stable political environment in countries in which it operates to safeguard the interests of shareholders and meet stakeholders' needs, and overall stabilization and growth of the bank and economy at large. The stable political environment has also promoted the increase in foreign and domestic investments and operations through fair and stable tax regime, and policies induced by the government leading to the increase of production capacity. The country political stability provides assurance to both local and international stakeholders, increased investments.

Key stakeholders' legitimate needs and interests

Stakeholders	Needs and interest	Our response
Shareholders/ Investors	▪ Return on investment ▪ Growth in share price ▪ Regular engagements	▪ value creation through share price appreciation and an attractive and sustainable dividend stream. ▪ Continuous engagement to inform their investment decisions through AGM, shareholders Seminar and Uwekezaji/ Analyst day.
Employees	▪ Fair compensation ▪ Work life balance ▪ Recognition and awards ▪ Conducive and safe work environment ▪ Well defined career progression ▪ Feedback on performance	▪ Effective performance management system. ▪ Special committee for recognition and awards ▪ Career development and advancement opportunities. ▪ A safe and health work environment ▪ Continuous engagement between management and employees for all matters pertaining staff issues.
Customers	▪ Innovative financial solutions and services ▪ Convenient access to banking services through digital channels. ▪ Excellence in client service. ▪ Strong cyber risk management	▪ Continuous improvement of system and uptime. Currently is implementing new core banking system. ▪ Wider network ▪ A call centre is there to ensure constant engagement with the customers; and ▪ Interaction with customers via Group website and social media.
Suppliers	▪ Fair bidding and timely payments ▪ Governance and ethical practices. ▪ Feedback on goods delivered and services provided.	▪ Formalized procurement policies and procedures have been established throughout the Group; and ▪ Competitive procurement is always exercised, and fairness is of utmost importance while awarding supply contract to selected service providers. ▪ Regular engagement to provide feedback virtually and physically.
Regulatory authorities	▪ Compliance on legal and regulatory obligation. ▪ formulation of relevant policies frameworks, and enforcement thereof. ▪ Financial stability. ▪ Fair treatment of customers and employees.	▪ The Group is in compliant with laws and regulations ▪ Active participation and contribution to industry and regulatory working groups
Community/Society	▪ Access to funding. ▪ Community support on education, health, and sports -related opportunities. ▪ Innovative products which cater their needs and environmental friendly.	▪ The Group set aside 1% of profit each year to contribute back to the community. ▪ Continuous innovation of the products offered ▪ Wider network to serve unbanked population through Agency banking (Wakala)

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

8 GROUP STRATEGY AND OBJECTIVES

Highlight of implementation of five years strategy

In 2018, CRDB Bank embarked on a five-year business strategy (2018 – 2022) focused around three main areas - fixing the existing machine to improve the efficiency and productivity of the bank; building the bank of the future through digital innovation; and addressing the enablers, through enhancing system stability. The pillars provide a wider context of the Group's growth ambitions, considering the challenges within the markets of operations, and our stakeholders' aspirations.

2022 was the 5th and the last year of implementation of the Bank's five-year business strategy for the period 2018-2022. Being the last year of the strategy implementation with the strategic aspiration of "customer first, innovative mind and efficiency at core," the Group aimed at deploying bold strategies to address internal setbacks which hinder our performance goals.

The Group also focused on building efficiencies that will enable long term business sustainability while keeping the customer at the centre of all that we do. Most paramount, we were keen to ensure that we implement holistic transformation leading to creation of the bank of the future. Since the strategy inception in 2018, the Group has made commendable progress in its implementation, resulting in significant gains in terms of positioning the Group for sustainable growth. To ensure optimal delivery on the strategy, the Group uses strategic themes for each financial year, which are informed by both the external environment and the challenges within the organization.

The strategic themes play a significant role in ensuring fidelity to the medium-term strategy, and a sustained focus on seven strategic thrusts within the context of the long-term vision of the organization. The strategic thrusts are well aligned with our business model for ease of tracking and reporting. The thrusts are: - Business Growth, Service enhancement, Channel optimization, Technology enhancement, Operational efficiency, Credit management and People.

Following completion of the current five-year strategy, CRDB recognizes the need to identify and prioritize strategic areas in line with the market and its core capabilities, including sharpening focus on the MSME and Agriculture sectors, climate change initiatives, regional expansion strategy and digital transformation.

The Group's strategic progress

The Group reports on the outcomes of the strategic progress that we have made from 2018-2022 by evaluating our financial and non-financial performance against our strategic value drivers. As we move towards completion of the ending strategy, the Group has sustained growth amid market dynamics and performed remarkably well when compared to the set strategic financial KPIs. This achievement was made possible through enhancement of balance sheet efficacy, driving a seamless digital experience for our customers, addressing productivity and efficiency gaps, revamping the distribution model, and maximizing on strategic partnerships and stakeholders' engagement. As a result, the Group experienced growth in all angles of the Business:

- An increased customer base and transaction channels
- Increased financial inclusion, accessibility, and penetration through digital channels
- Higher efficiency and optimized costs through improvements in technology
- Enhanced portfolio quality
- A strong market presence with a recognizable brand
- Strengthened compliance and good corporate governance

The below is the performance trend of key performance indicators for the five-year strategy

Key financial performance Indicator	Target 2022	2022	2021	2020	2019	2018
Return on Equity	> 25%	**26.0%**	22.0%	16.3%	13.8%	8.3%
Return on Assets	> 4%	**4.9%**	4.4%	3.3%	2.6%	1.6%
Cost to income ratio (CIR)	< 55%	**49.4%**	55.3%	61.6%	64.4%	66.7%
Growth in customer deposits	> 12%	**26.4%**	19.4%	4.5%	11.0%	8.4%
Non-performing loans to total loans	< 5%	**2.8 %**	3.3%	4.4%	5.5%	8.5%
Growth in loans and advances to customers	> 10%	**36.4%**	28.0%	16.3%	8.2%	8.0%
Growth in total assets	> 15%	**32.0%**	23.0%	8.7%	9.3%	2.3%
Total Capital ratio	> 14.5%	**18.5%**	20.0%	17.9%	17.4%	15.2%

The Group continued to be resilient as it recovered from the impact of the COVID-19 pandemic and emerging risks such as climate change and geopolitical conflicts, which have created high volatility and instability in the global markets.

To shield itself from the effects of global turbulence, the Group continued to implement measures to enhance our ability and flexibility to adapt to the constantly evolving business environment. These measures include capacity building, strengthening of our balance sheet, harmonization of our channel distribution and enhancement of portfolio quality management. In return, the Group recorded high growth in profit after tax (30.5% YOY), with other critical parameters being above budget.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

8 GROUP STRATEGY AND OBJECTIVES (Continued)
The Group's strategic progress (Continued)

Group short, medium, and long-term strategic objectives

For the Group to create long-term sustainable value, we recognize the need for an appropriate strategy, focused leadership, healthy corporate values, and timely response to shareholder's needs. In the long term, the Group's primary objective is to attain undisputed market leadership.

As we embark on our new strategy 2023-2027, we are confident that we will continue to respond effectively to the industry's challenges and most importantly, the Group has re-imagined itself to improve its competitiveness and secure its sustainability for decades to come. We have continued to prioritize efficiency, innovation, competitiveness, and our focus on sustainability to deliver our 2027 ambitions and fulfil our purpose.

In developing the Group 5-year strategy (2023-2027) , the Group has:

- Identified its goals and aspirations
- Identified priority areas of focus i.e., customer segments, products, geographical locations and channels
- How CRDB will position itself as a preferred Bank for the selected markets to ensure success
- How CRDB will configure itself internally to capture and maintain clients within the selected markets

Strategies to implement strategic objectives

- The Group aims to achieve digitalization across all our transactions through increasing accessibility of banking services by encouraging virtual money management through providing value-adding internet and mobile banking functionalities.
- The Group will continue to optimize the balance sheet, capitalize on stakeholder engagements for business growth, and build capacity to hasten execution of the strategy. The Group shall also continue to create technological strength to increase our capacity to serve.
- We aspire to enhance service experience through process simplification and automation. We will therefore prioritize the delivery of critical technology projects as enablers and accelerate process reengineering programs.

Group vision (2023-2027): Transform lives and develop economies to their fullest potential.

Group strategic pillars

Our new strategic priorities shall be centred around cementing our position in the market, business growth, sustainability and building strong foundations for future growth. Everything we do will focus on the below three priorities and we have set targets against which we will track our progress.

Strategic Pillars	Ringfence the Business	Strengthen our service offerings and cement our presence in the market
	Grow the Business	Tap into our unrealized potential and introduce offerings that are new to the Bank
	Futureproof the Business	Enhance Sustainability and Governance, explore new horizons to adapt to evolving client demands

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

8 GROUP STRATEGY AND OBJECTIVES (Continued)

Group strategic pillars (Continued)

Our strategic framework

The bank set a framework which set the strategy to achieve the objective set

Objective	Strategy
Strategic	▪ Provide distinctive customer experience. ▪ Attract new and retain existing customers ▪ Increase the transaction income ▪ Compliance with Regulation ▪ Increase in market share
Economic	▪ Improve the return on equity ▪ Grow quality loan book responsibly ▪ Improve the efficiency ratio
Operational	▪ Digital transformation ▪ Develop automated solutions ▪ Train and develop employees
Social	▪ Help surrounding communities ▪ Financial inclusion ▪ Build a reputation as an employer of choice
Environmental	▪ Ensure environmental sustainability

Implementation status of strategic objectives

Those charged with governance manage the Bank's operations by monitoring the achievement of KPIs set on a quarterly basis through the performance reports which are being presented by Management, highlighting the achievement of each KPI, challenges if any regarding the internal or external environment and the support required to achieve the set objectives.

9 GROUP BUSINESS OPERATING MODEL

CRDB Bank plays a key role in connecting the providers and users of capital. We recognize the role we play in 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 in the quality of lives of our shareholders, our people, and the community around us. In driving value for our stakeholders, we anchor our actions on a firm foundation of the defined strong values.

The Group's mission is to provide disruptive solutions to unlock social-economic value for our stakeholders while our purpose is to improve livelihoods and deliver sustainable impact.

We have a robust portfolio supported by a resilient balance sheet and great talent. 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.

The Group has a robust plan to drive financial inclusion with a clear aim to serve underserved communities and include the lower segment of the market into the financial ecosystem. As a leading commercial bank in Tanzania, our relevance today and in the future, along with our ability to create value for our stakeholders is dependent on our capability to effectively manage and leverage the forms of resources available by transforming inputs, through our operating activities, into outputs and outcomes that aim to fulfil the Bank's strategic purposes and create value over the short, medium, and long term.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

9 GROUP BUSINESS OPERATING MODEL (Continued)

Resources employed to provide service to our Stakeholders

Type	Inputs	Group activities for value creation	Output	Outcome	Factors affecting availability of resource	Group response
Financial resource	▪ Shareholders fund ▪ customer deposits ▪ Borrowings	▪ Accepting customer's deposits ▪ Provisions of Loans and advances ▪ Local and International fund transfer ▪ Insurance services	▪ Equity of TZS 1.5 trillion ▪ Total assets TZS 11.6 trillion ▪ customer deposits of TZS 8.2 trillion ▪ Borrowings TZS 0.5 trillion ▪ Market share of 27% deposits and 25% total assets	▪ Return on equity 26.0% ▪ Return on asset 4.9% ▪ Dividend per share TZS 45 ▪ Cost to income ratio 49.4%	▪ Competition. ▪ Complicated Terms of Borrowing covenants. ▪ Changes in regulatory environment. ▪ Geopolitical and macro-economic uncertainties	▪ The Group maintained a solid capital base and diversified funding sources that enabled us to provide banking solutions competitively across the markets we operate. ▪ Group access fund at the competitive rates, to efficiently create and maximize shareholder value.
Human resources	▪ The Group total workforce stood at 3,726 employees, where 2,106 (57%) were males and 1,620 (43%) females. ▪ Experienced and competent key personnel management team. ▪ Experienced and competent Board of Directors with mix of skills.	▪ Various Trainings and development programs. ▪ Competitive salary packages and benefits. ▪ Continuous Employee engagement ▪ Employee wellbeing initiatives ▪ Occupational health and safety.	▪ Improved staff morale. ▪ Increase of staff Productivity. ▪ Lower staff turnover rate. ▪ Improved staff Skills ▪ Good health and safety records – award from OSHA	▪ Remarkable performance ▪ Competent and efficient workforce	▪ Location of some branches are not conducive for some staff. ▪ Experienced staff turnover	▪ continuous training and development programmes. ▪ Focused on embedding a culture of continuous development, which increases competitiveness and investment in the development of skills required by employees to serve the digital customer of the future. ▪ Extra compensation to staff works in rural and risky areas. eg risk allowance, rent subsidy

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

9 GROUP BUSINESS OPERATING MODEL (Continued)

Resources employed to provide service to our Stakeholders (Continued)

Type	Inputs	Group activities for value creation	Output	Outcome	Factors affecting availability of resource	Group response
Intellectual resources	▪ Focus in technology. ▪ Robust Loan origination and underwiring ▪ Risk enterprise Management framework ▪ Collaboration with fintech and start-ups branded as "IMBEJU". ▪ Brand positioning	▪ Digital Transformation ▪ Continuous improvement of system and processes. ▪ Increase awareness on the brand through various marketing activities and CSI.	▪ Innovative products and solutions ▪ Automated processes ▪ Collaborative teams through shared service model	▪ Strong Brand ▪ Increase in digital transactions ▪ Operational efficiency.	▪ Cyber risk ▪ Tremendous change in technology	▪ Robust technology and infrastructure capabilities that drive seamless customer experiences and support strong resiliency. ▪ Group invested in a strong brand and subsidiary businesses, strategic partnerships and innovative products and solutions that we offer to our customers.
Natural resources	▪ LED lights. ▪ Digital solutions. ▪ Installation of sensor taps on in our office buildings.	▪ Reduction of paper usage through; i. Implementation of Digital Banking Mobile and Internet banking, ATM. ii. Automated processes. iii. Implementation of paperless solution "Optima". ▪ Reduction of energy consumption initiatives.	▪ Innovative and sustainable digital solutions.	▪ Reduced electricity cost by 2% ▪ Improvement of TAT ▪ Reduction number of paper usage by 48% (number of reams to 23,715 from 45,225 in 2021)	▪ Iinvestments in R&D in innovative sustainable digital products. ▪ Climate change as a global challenge.	▪ Continue monitoring of resources usage (water, fuel, power, and paper) ▪ Instituted clear governance and oversight of environmental matters.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

9 GROUP BUSINESS OPERATING MODEL (Continued)

Resources employed to provide service to our Stakeholders (Continued)

Type	Inputs	Group activities for value creation	Output	Outcome	Factors affecting availability of re-source	Group response
Manufactured resources	▪ Banking outlets including mobile branches. ▪ ATMs cash deposit and withdrawal machines. ▪ Agency Banking. ▪ Merchants.	▪ Investment on digital solutions. ▪ Investment in banking outlets and alternative channels.	▪ Easy access of financial services. ▪ Financial inclusion.	▪ Banking outlets (240), ▪ ATMs (554) including depos-it ATMs, ▪ POS machines (3,380), ▪ CRDB Wakala (28,241)	▪ Changes in Technol-ogy. ▪ Slow pace on digital adoption.	▪ Continues with awareness and training on digital solutions. ▪ Continuous improvement of our systems and processes. ▪ Continue increase in outreach – increase accessibility of finan-cial services.
Social and relationship resources	▪ 1% of CSR budget on net profit. ▪ Strategic Partner-ship on the execu-tion of community matters.	▪ CSR programmes executed. focused on health, education and environment. ▪ Youth and women empowerment pro-grammes ▪ Engagement with community via mar-athon and sports.	▪ Contribute on the im-plementation of Goal no 1 "No poverty. ▪ Contribute on the im-plementation of Goal no 3 "Good health and wellbeing" ▪ Contribute on the implementation of Goal no 4 "Quality education" ▪ Reduce unemploy-ment rate.	▪ 250mn support children with congenital heart diseases. ▪ 220mn support women with risky pregnancies ▪ 370mn to support health infrastructure of various health centers. ▪ 260mn to support educa-tion ▪ 130mn to support environ-mental initiatives. ▪ 1bn to support women and youth programmes. ▪ Increase Net promoter score 45% from 41% in 2021.	▪ Budget constraints to cover larger pop-ulation.	▪ Continue to increase annual budget to save large popula-tion. ▪ Continue to increase customer experience that is seamless across all our touchpoint.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

9 GROUP BUSINESS OPERATING MODEL (Continued)

Bank approaches the need to innovation

Innovations which are being implemented by the bank come from the business strategy and customer needs. CRDB is the bank that listens, we listen what our customers need at that specific moment and our align our strategy to meet the customer's needs.

Operating model and response to change

The Bank's operating model is designed to be flexible and provide room to quickly adapt to changes in the environment we operate. It requires continuous innovation and proactiveness for the bank to stay competitive in addressing market demands while improving customer experience. The bank's strategy is to continuously promote and drive an agile culture throughout the organisation to speed-up execution and adapt the changes in the environment we operate.

Our delivery channels

- We have a robust branch network comprising 240 branches inclusive of 20 mobile units in all districts across mainland Tanzania.
- Robust Mobile Banking Services (Simbanking), Self-Account opening, Bills Payment, etc.
- Internet Banking, International Money Transfers
- Debit and Credit Cards VISA, Union Pay, Mastercard cards
- We have motorised branches that provide services in remote locations and 20 Mobile Bank Units
- Banking Agents-the agents are spread across the country to complement our service points. End of the year, the Group had 28,241 banking agents

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

9 GROUP BUSINESS OPERATING MODEL (Continued)

Outcomes

We deliver value to our stakeholders and fulfilling a vital role in the economies in which we operate.

Stakeholders	Positive Outcome	Negative outcome	Group response/ actions
Employees	- Conducive work environment. - Recognition and reward. - Self-led development and an opportunity for career progression. - Gender and diversity inclusiveness - Equal opportunities in training and development - Free of discrimination and harassment	- Branch locations in rural areas which result to staff turnover.	- Extra motivations including rent payments
Customers	- Innovative, efficient cost-effective banking solutions that meet their needs. - Improved access to financial services. - A safe and trustworthy financial services provider - Supporting financial goals for our customers with products and services delivered through a superior offering.	- Lack of education on financial services to underserved communities which slow down the pace on financial inclusion.	- Continuous training on awareness and advantages of financial services through various campaigns e.g, road shows
Regulators	- Compliance with laws and regulations. - Continuous engagement. - Payment of taxes ,2022 TZS 156.1bn (202:TZS 99.6bn) was paid to the Government	- Decrease in amount to be paid as Tax due to decrease in profitability. - Non-compliance to the regulations resulting to penalty and fines.	- Increase in profitability in line with strategic objectives. - The Group has dedicated department which ensure compliance.
Society	- 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.	- Lack of presence in some areas especially in rural areas.	- Continue to increase a wide network through the Agency banking to reach unbanked populations.
Investors/ shareholders	- Delivering attractive and sustainable shareholder returns on their investment on the foundation of a strong balance sheet. - Attractive dividends and growth in share price. The Bank paid TZS 36 per share as dividends in year 2022 for 2021 performance and expect to pay TZS 45 per share in 2023 for 2022 performance.	- Decrease in amount to be paid as dividend due to decrease in profitability.	- Continuous engagement through AGM and shareholders seminar - Investor's awareness day branded as "Uwekezaji day" which is being done annually.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

10 STAKEHOLDER RELATIONSHIP

Effective relationship through consistent dialogue with key stakeholders is central to business sustainability.

Stakeholders	Modes of engagement	Frequency	Key Concerns and expectations	Response/ Mitigation
Shareholders/ Investors	▪ Annual General Meeting (AGM) ▪ The annual report ▪ Shareholder's seminar ▪ Investor's meeting ▪ Quarterly reports	Continuously.	▪ Return on investment ▪ Compliance ▪ Governance and ethical practices	▪ Continuous engagement. ▪ Robust risk management and Internal control processes. ▪ Continuous improvements of business performance.
Employees	▪ Annual performance appraisal. ▪ Employee engagement initiatives ▪ Employee annual feedback survey	Continuously/ Annual performance review.	▪ Fair remuneration. ▪ Effective performance management and recognition. ▪ Career development. ▪ A safe and health work environment.	▪ Employee engagement. ▪ Health and wellness. programs ▪ Continuous training. ▪ Embracing equity, diversity, and inclusiveness.
Customers	▪ Customer visits. ▪ A call centre is there to ensure constant engagement. ▪ CRDB website and other social media platform. ▪ Customer satisfaction survey	Continuously.	▪ Innovative financial solutions and services ▪ Convenient access to banking services through digital channels. ▪ Excellence in client service. ▪ Strong cyber risk management	▪ Awareness on data security and privacy ▪ Improvement of products and services to cater their financial goals ▪ Work on the feedback obtained from the survey.
Suppliers	▪ Regular meetings with suppliers. ▪ Phone calls and surveys.	Continuously/ Annual performance review.	▪ Fair bidding and timely payments ▪ Governance and ethical practices. ▪ Feedback on delivery goods and services ▪ Timely settlement of the invoice	▪ Ensure timely payments for services. ▪ Whistleblower policy to ensure good practices. ▪ Continuous engagement through meetings ▪ Monthly reconciliations of supplier's account.
Regulatory authorities	▪ Regular meetings. ▪ Policy updates and directives. ▪ Mandatory fillings with Key Regulators	Continuously.	▪ Compliance	▪ Compliance including formulation of relevant policy framework and enforcement thereof.
Community/ Society	▪ Regular meetings.	Continuously.	▪ Financial literacy. ▪ Inclusive growth. ▪	▪ Providing support to our communities, and access to financing to address societal needs ▪ Partnering with the community to address common social and environmental issues to build a thriving society.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

11. FACTORS IMPACTED OUR ABILITY TO CREATE VALUE

Our operating environment is characterised by increased competition, disruptive technologies, changing consumer behaviour and regulatory and policy changes. Within the context of our current strategic, cultural, and digital journey. The Bank manages the following material matters;

MATERIAL MATTERS	RISK/IMPACT ON VALUE CREATION	OUR RESPONSE
Increasing Competition	Loss of market share coupled with pressure on revenues and possible loss of revenues if our offerings do not remain competitive.	Delivering innovative products and services through an increasingly automated and digitized environment.
Disruptive technologies and digital adoption	Digital transformation is changing the way we do business, from client on-boarding and products sales to servicing.	Improving our partnerships to drive greater alignment between our business and technology partners to ensure we remain agile in the face of change.
Rising stakeholder expectations	Stakeholders' sentiments can impact our reputation and, affect the cost and availability of funding that is required to drive long-term performance.	Increased engagements with stakeholders to best understand their expectations to incorporate into our strategic planning. Adopting integrated reporting to increase transparency on our value creation process.
Ongoing regulatory and policy changes	Growing compliance costs which may have to be passed on to customers and ultimately impact shareholder returns.	Allocating a material proportion of our investment to regulatory compliance and risk prevention initiatives. Engagement with policy makers and communities to advocate for appropriate regulatory reform. Maintaining constructive and proactive relationships with key regulators.
Current and emerging risks	▪ Risk of cyber-attacks on our Bank's systems through hacking, phishing, ransomware, and other means, may result in disruption of our services or leak of Group's confidential and customer information. ▪ Climate change is the major emerging risk in the world with a potential disruptive impact on the economy. It poses both physical and transition risks to our business, as the world transitions to a low-carbon economy.	▪ The Group have a robust data protection and cybersecurity framework in place which comprise technological infrastructure and personnel with strong expertise in the field. ▪ The integration of long-term ESG criteria into business decisions, with the goal of providing more equitable, sustainable, and inclusive benefits to our stakeholders.

12 CURRENT FINANCIAL PERFORMANCE AND FUTURE DEVELOPMENT PLANS

FINANCIAL PERFORMANCE

Those charged with governance are responsible for the vision, mission, and strategic objectives of the Group and ensure the overall objectives are being supported by business plan, budgets, and marketing plan. The board is also responsible for the review and approval of operational and financial objectives of the Group, amendments of key performance indicators, financial statements before publication and succession plan of senior management including chief executive officer. On Quarterly basis, management presents the Group performance to the board for their review and guidance.

In 2022 the Group focused on the below five strategic key areas namely:

- Protecting the bank financial strength,
- Building resilience business models,
- Workforce optimization,
- Accelerating automation, innovation and digital adoption
- Prioritizing regulatory and compliance

Group Performance

CRDB Bank remains to be the largest commercial Bank in Tanzania with a leading share of total deposits (27%) and total assets (25%) in the market. During the year, the Group's total asset grew 32.0% to TZS 11,636.5 billion (2021: TZS 8,817.6 billion) whereas customer deposits increased by 26.4% to TZS 8,200.4 billion (2021: TZS 6,489.6 billion). Loans and advances to customers increased by 36.1% from TZS 5,040.4billion in 2021 to TZS 6,876.5billion in 2022. Innovative products and services that were offered to the public contributed such positive trend.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

12 CURRENT FINANCIAL PERFORMANCE AND FUTURE DEVELOPMENT PLANS (Continued)

FINANCIAL PERFORMANCE (Continued)

Group Performance (Continued)

In 2022 the Group recorded a profit before tax of TZS 497.7 billion (2021: TZS 387.4billion), an increase of 28.3% from the previous year. During the year, interest income increased from TZS 790.4 billion recorded in 2021 to TZS 968.3 billion in 2022, an increase of 22.5%. The interest expenses increased from TZS 144.6billion in the prior year to TZS 217.4 billion, an increase of 50.3%. Combined with commissions and fees, total non-interest income increased from TZS 329.3 billion to TZS 437.9 billion, an increase of 32.9%. Operating cost increased by 8.1% from TZS 513.3 billion in 2021 to TZS 554.8 billion in 2022 because of growth of business.

Performance in the Banking industry

CRDB Bank continue to remain among the top leading Bank in Tanzania in terms of balance sheet size with 25% market share in total assets, 27% market share in deposits, 26% Loans and advances and 21% in capital base.

Key performance indicators of the Bank in comparison with the industry in 2022;

KPI	INDUSTRY AVERAGE	CRDB
Non-performing loans	5.2%	2.8%
ROA	3.2%	4.9%
ROE	13.3%	26.0%
CIR	53.9%	49.4%

CRDB Bank Burundi S.A.

During the year under review, CRDB Bank Burundi made 79.7% growth of post-tax profit from TZS 12.8 billion recorded in 2021, up to TZS 23.0 billion in 2022. Financial spread grew by 57.6% to TZS 36.4 billion from TZS 23.1 billion recorded in 2021 mainly due to growth in the Government securities and credit facilities. Total deposits increased by 59.4% to TZS 525.1 billion compared to TZS 329.4 billion recorded in 2021. Total assets grew by 54.3% to TZS 850.5billion from TZS 551.1 billion recorded in 2021.

CRDB Insurance Broker Company Limited

During the year, the insurance company recorded a profit of TZS 222mn resulting from a loss of TZS 63mn from normal operations and a tax credit of TZS 285mn from investment income (TZS 798mn) which is tax exempted. The company did not conduct any insurance business following TIRA Regulation 27(3) of Insurance (Bancassurance regulations) that prohibits a bank from engaging in insurance broking services. The only source of income was from investment income.

CRDB Bancassurance

The Bancassurance operations within the Group has continued to grow since it was launched in March 2021 through partnerships with ten insurance companies. The solution enables customers to conveniently access insurance products including life and non-life under one roof, through mobile banking solutions and our wide range of networks across the country. The solution serves both, CRDB and non-CRDB customers starting from customer onboarding, claims, underwritings, commission collections and payments. As at December 2022, commissions of TZS 17.38 billion (2021: TZS 10.7 billion) was earned from life and non-life insurance products. Total operating expenses was TZS 2.3 billion (2021: TZS 2.6 billion).

Al Barakah Banking

The Group launched Al barakah Banking in Nov 2021 by facilitating the financing needs by using Murabaha contract, whereby the bank facilitates financial service through the concept of buying the needed goods or commodity and selling the same to the customer with an agreed profit mark up. The Group is in process of launching other Islamic products to widen our Islamic Banking services.

Al Barakah accounts don't have interest and have special controls and oversight that ensures the deposits from Al Barakah accounts holders are not channelled into interest-based activities. The deposits from Al Barakah accounts are also restricted not to be invested into non-Shariah compliant investments. Al barakah Banking established several shariah compliant deposit accounts, all existing bank accounts has a replica option of Shariah compliant accounts, such as Al barakah Scholar account for children, Al barakah Tanzanite account for diaspora, Al barakah Hajj account for hajj savings etc.

The Group through its newly established Al-barakah Banking initiative, has managed to register 34,000 customers, TZS 71 billion in financing and a growing stable deposit base of TZS 30.8 billion within the first year of operation. To address the deposit-financing mismatch, Al Barakah Banking employs a Shariah-compliant arrangement in which conventional banking deposit proceeds are used to fund the excess Shariah-compliant financing book. It worth noting that, conventional banking deposits can be used to obtain Shariah-compliant financing; however, Shariah-compliant deposits cannot be used to finance non-Shariah business initiatives.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

12 CURRENT FINANCIAL PERFORMANCE AND FUTURE DEVELOPMENT PLANS (Continued)

FINANCIAL PERFORMANCE (Continued)

Key performance indicators (KPIs)

Those charged with Governance approve and monitor the implementation of the Group KPIs in line with the strategic objectives, on quarterly basis through the performance report presented by management by highlighting the achievement of key KPI, Challenges if any regarding the internal and external environment and support required to achieve the set objectives.

In managing the KPI, the Group does the following;

- The Group KPIs are proposed by management and approved by those charged with Governance.
- The CEO and managing Director of the Group cascades the KPI developed to senior management and discuss and agree on the implementation.
- The Senior management team cascades to Departmental heads and departmental balance score card is developed for monitoring the KPI set to contribute to the Group KPIs.
- Monthly review is performed for each department to ensure the Group strategic objectives are implemented as per KPI set and monitored. On quarterly basis is presented to the Board.
- Ensure the availability of resources needed to implement the set KPIs.
- Assess impact (positive and negative) to our stakeholders on the implementation of the KPIs and ensure their expectations are met.

Key performance indicators both financial and non-financial, are used by those charged with Governance to assess the Group's performance against its strategic objectives.

Below are the financial KPIs as at 31 December.

KPI	Definition and Formula	2022	2021	Purpose
Return on Equity	(Net profit/Total equity) *100%	**26.0%**	22.0%	Measure the ability of the Bank to generate profit from the shareholders' investment.
Return on Assets	(Profit Before Tax/Total assets) *100%	**4.9%**	4.4%	The ratio determine how efficiently a Bank uses its assets to generate a profit.
Operating expenses to Operating Income	(Operating expense/Net interest income + non-Interest income) *100%	**49.4%**	55.3%	Measure the operating cost as compared to the income it is generate. The lower the cost the better the performance of the Bank.
Gross loans to customer deposits	(Gross loans to customers/Total deposits from customers) *100%	**85.8%**	78.8%	Used to assess a bank's liquidity by comparing a bank's total loans to its total deposits for the same period.
Growth in customer deposits	(Increase in customer deposits/ Opening balance of customer deposits) *100%	**26.4%**	19.4%	Measure the growth of customer deposits from previous year
Non-performing loans to total loans	(Non-performing loans/Gross loans and advances) *100%	**2.8%**	3.3%	Measure the quality of loan portfolio
Growth in loans and advances to customers	(Increase in Loans and advances / Opening balance of loans and advances) *100%	**36.4%**	28.0%	Measure the growth of loans and advances to customers from previous year
Growth in total assets	(Increase in assets for the year/Total asset opening balance) *100%	**32.0%**	23.0%	Measure the growth of total assets from previous year
Tier 1 Capital ratio	(Core capital/Risk weighted assets including off balance sheet items) *100%	**17.0%**	20.0%	Measure the Group financial strength.
Total Capital ratio	(Total capital/Risk weighted assets including off balance sheet items) *100%	**18.5%**	20.0%	This is a supplementary capital used to measure the Group financial strength
Earnings per share	Profit attributable to equity shareholders/ Number of ordinary shares in issue (TZS)	**134.5**	102.7	Indicates how much money a Bank makes for each share invested.

- *The source of the above KPI computed is based on the numbers of the audited financial statements and no adjustment made.*
- *The computation of the KPIs were based on the actual numbers, no assumptions made.*

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

12 CURRENT FINANCIAL PERFORMANCE AND FUTURE DEVELOPMENT PLANS (Continued)

FINANCIAL PERFORMANCE (Continued)

Key performance indicators (KPIs) (Continued)

During the year there were no changes to either KPIs or the computation method that needed to be disclosed in the underlying accounting policies adopted in the financial statements compared to previous financial years.

Group complied with all the regulatory ratios during the year.

The Group KPI targets for 2022 are disclosed in section 8.

Performance of Non-Financial KPIs

Description	2021	2022	YoY
***Simbanking* (USSD & App)**			
Volume (transactions)	29,768,379	61,824,559	107.7%
Number of registered accounts	1,177,710	1,746,144	48.3%
Internet banking			
Volume (transactions)	1,791,649	4,409,999	146.1%
Number of registered customers	45,266	65,310	44.3%
Agency banking			
Volume (transactions)	44,319,837	78,200,284	76.4%
Number of registered agents	19,165	28,241	47.4%
ATMs			
Volume (transactions)	19,059,525	24,485,484	28.5%
Number of registered cards	2,498,971	3,862,243	54.6%

How we Delivered KPI set

- Strong relationship with our stakeholders
- Strong and competent board, leadership, and management team
- Well aligned Group strategy and business objectives
- Major investment in digital transformation which led to efficient operations - rrevamped and launched new SimBanking App and USSD to increase experience and drive usage.
- Aligned branch operations to the new operating model to fit service demands, increase productivity and improve controls.
- Promoted self-learning and accelerated capacity building socially and professionally.
- Conducted HQ and branch processes alignment to optimize resource utilization.
- Paper-less withdrawal at branches using SimBanking
- Automated SLA across the bank to drive customer satisfaction and accountability.
- Migrated disaster recovery data - centre to a robust colocation facility enhance ICT resilience

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

12 CURRENT FINANCIAL PERFORMANCE AND FUTURE DEVELOPMENT PLANS (Continued)

FINANCIAL PERFORMANCE (Continued)

Achievement against budget

In 2022 the Bank achieved remarkable performance and sustained growth amid market dynamics.

Based on the planned activities which was well aligned with the Bank strategy, business environment and assumptions used, the Group managed to deliver all the budgeted numbers as per below with KPIs;

KPI (amount in TZS' billion)	ACTUAL 2022	TARGET 2022	Variance	Remarks
Profit before Tax	497.7	438.8	13.4%	Mainly due to increase in interest income resulted from the growth in loans and advances at 36% YoY
Profit after Tax	351.4	296.8	18.4%	Mainly due to increase in interest income resulted from the growth in loans and advances at 36% YoY.
Total Assets	11,636.6	10,226.7	13.8%	Mainly due to growth of balances with other banks 62%, government securities (38%), and Loans and advances (36%). The growth driven by the growth in the funding base.
Total Deposits	8,200.4	7,377.3	11.2%	Mainly driven by growth in term deposits (41%), demand deposit (35%), and savings deposits (12%), resulting from various deposit mobilization campaigns implemented by the Bank
Net Loan & Advances	6,876.5	5,618.5	22.4%	Growth was attributed to an increase in Corporate by 44%, Personal by 31%, and SME by 26%. The growth driven by the increase in liquidity during the year.
Return on asset	4.9%	4.0%	22.5%	Resulted from remarkable performance during the year - growth in profits
Return on equity	26.0%	25.0%	23.2%	Resulted from remarkable performance during the year – growth in profits.
Cost to income ratio	49.4%	52.4%	5.7%	Resulted from various initiatives the Group took to reduce costs and grow revenue.
Non-Performing loan ratio	2.8%	3.0%	6.7%	Mainly attributed by growth of quality portfolio.

FUTURE DEVELOPMENT PLANS

In 2023 the Bank will start the implementation of the new 5-years strategy (2023-2027) by building up from the foundation of 2022.The Bank will focus on growing and ringfencing the business and put the customer at the centre of what we do by addressing their evolved needs. In addition, we will remain relevant in the business by responding to the market dynamics.

Looking ahead, the Group shall focus on retaining and growing our market share, while driving the business in the region through strategic partnership and innovative digital solutions. Our customer needs and preferences are continuously evolving and our ability to respond with robust offerings will determine our key success in the market. The Group shall continue to focus on delivering our customers digital strategy, enabling process optimisation, enhancing customer experience, and ensure ease of use.

The Group shall continue to strengthen the ICT infrastructure for future growth and transform how we operate and offer services. Our service experience aspiration is to enhance the entire operations value chain through process simplification and automation. Thus, we will prioritize the delivery of critical technology projects as enablers and accelerate process reengineering programs. Most paramount, we are committed to implementing a holistic transformation leading to the bank of the future.

Adapting new culture will drive performance, productivity, and profitability. Create technological capabilities to transform how we operate and offer services, enhancing cyber maturity posture and data protection. Specifically, our strategic direction will strike the right balance between business growth and compliance.

On Sustainability, the Group ESG priorities are important component of our future growth and shall become a crucial point of investment and capital allocations decision. As countries develop transition plans towards achieving net zero, this shall provide us with opportunities to further partner with our customers in their sustainability journey and Sustainable Development Goals (SDGs) implementation.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

12 CURRENT FINANCIAL PERFORMANCE AND FUTURE DEVELOPMENT PLANS (Continued)

FINANCIAL PERFORMANCE (Continued)

2023 Group aspirations:

- Elevate Governance, risk management and sustainability
- Transform and align business models to address changing customers and key stakeholders' needs.
- Embed climate risk into risk management.
- Maintain focus on digital transformation and accelerate delivery of digital transformation strategy.
- Leverage on the new and existing competitive advantages to attain market leadership
- Acquire new and optimize existing partnerships to enhance ability to serve and grow.
- Increase focus on financial inclusion to acquire new customers through micro-save & micro-lending.
- Maintain healthy and quality loan portfolio.
- Accelerate delivery of technology projects to address system challenges

Investment in capital expenditure in 2023

- The Bank will focus on implementation and completion ICT projects aimed at creating a scalable infrastructure for future growth i.e., implementation of core banking system.
- Continue investing in digital transformation

The Group's expectations from the investment

The investment made during the year together with a planned investment expenditures will result into an increase in operational efficiencies, costs reduction, increase profitability and create sustainable business. The transformation targets to build a superior banking experience and generate value for all stakeholders. To achieve a more prolific performance, the Bank will harness the opportunities brought about by the transformation initiatives being implemented. The Bank will endeavour to ensure continuity of the 5-year business strategy, building on the gains made during the year.

In 2023, the Group strategy is to develop new products and services that will fit the recent needs of our customers to catch-up with the technology to help and support our customers in a sustainable way. The 2023 strategy also aims to unlock the full potential of the Group by entrenching the efficiency of service and transforming our sales force. We have adopted a futuristic model which guarantees the longevity of our Group.

We plan to leverage technology, talent, and opportunities to build a robust proposition for our customers. Key considerations for us in the coming year include sustained expansion of our agency banking business, seeing that it is a cost-effective avenue through which the Group can expand its reach to provide access to financial services for underserved communities in rural areas. We will also continue to accelerate automation with the view to reduce manual interventions. We believe that this will enhance efficiency in our service delivery and, in turn, deliver a superior experience for our customers. We resolve to get close to our customers more so that we can understand their pain points and help them achieve their financial goals.

13 MAIN TRENDS AND FACTORS LIKELY TO AFFECT FUTURE DEVELOPMENT PLANS

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 on the way to conduct businesses.

Increasing Competition

The competition posed by FinTech, which mainly target some of the most profitable areas in financial services is substantial. It is expected that these Fintech and start-ups would divert revenue from traditional banks and financial Institutions. These new industry entrants are forcing many financial institutions to strive for partnerships and/or acquisition opportunities as a measure to survive. For the traditional bank to continue to maintain a competitive advantage, must learn from FinTech, by providing a simplified and intuitive customer experience.

Cultural Shift

In the digital world, there is no opportunity for manual processes and procedures. Banks need to think of technology-based resolutions to banking industry challenges. As a result, it is important that banks and financial institutions institute a culture of innovation, in which technology is leveraged to optimize existing processes and procedures for maximum efficiency. The cultural shift towards new technologies is reflective acceptance of digital transformation.

Regulatory Compliance

Regulatory compliance has become one of the most significant banking industry challenges as a direct result of the growing number of regulations that banks must comply with. In some cases, banks incur additional cost to stay up to date on the latest regulatory changes to implement the necessary controls. Overcoming regulatory compliance challenges requires banks to foster a culture of compliance within the organization, as well as implement formal compliance structures and systems.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

13 MAIN TRENDS AND FACTORS LIKELY TO AFFECT FUTURE DEVELOPMENT PLANS (Continued)

Rising Expectations

Customers of today's world are very smart and more informed than ever before and expect a high degree of personalized services and convenience out of their banking experience as a result, an increased expectation of digitized experiences. Millennials have led the charge to digitization whereby they prefer to interact with brands via social media and found that they make the larger percentage of mobile and internet banking user. As a result of this this trend, banks can expect future generations to be more users of mobile banking rather than visiting physical branches. The challenge for banks is to maintain a hybrid banking model which can serve both the older and younger generations.

Continuous Innovation

For banks to sustain in the current world, it requires continuous innovation which helps banks stay competitive and address market demands while improving customer experience. Innovation stems from insight, and insight tend to be discovered through customer interactions and continuous analysis. Banks needs to build advanced analytics capability to maximise the utilisation of the data asset in revenue growth, risk/ fraud control and efficiency (financial control and operational cost). The banks should also continuously promote and drive agile culture throughout the organisation to manage speed, scale, and value of the digital transformation.

Emerging risk

Climate change is the major emerging risk in the world with a potential disruptive impact on the economy. It poses both physical and transition risks to our business, as the world transitions to a low-carbon economy. The banking industry is currently working on two interconnected objectives. At the same time figuring out the impact of climate change on the strategy and operations, banks are attempting to help customers and societies to navigate this complicated and fast-moving market dynamics too.

The Group categorize climate-related risks into two;

- Physical risks, which cover those risks that impact the premises and operations of the bank, its customers, and the wider economy. These includes extreme weather events and long-term shifts in climate leading to the closing of branches or facilities, negatively impacting the creditworthiness of clients, and adversely affecting value asset prices.
- Transition risks: which cover those that impact a bank's products and services because of the move toward a lower carbon economy. These includes the extent to which a Group' funds or has a stake in entities that emit greenhouse gases (GHGs), evolving stakeholder expectations, and associated legal or regulatory changes.

14 OUR RISK MANAGEMENT

The Group is committed to meeting stakeholders' expectations in mitigating risks through a robust enterprise-wide risk management framework. The framework aims at ensuring that risks are identified, quantified, managed, and monitored to achieve an optimal-risk reward profile. Our enterprise risk management framework has well-defined the internal structures, adequate processes, systems, and policies, which monitor and help to mitigate existing and prospective risks or threats of damage, injury, liability, loss, and any other negative occurrence that may arise from external or internal vulnerabilities, and which may be avoided through preventive action.

The Group's Risk Management Framework is implemented through a 'three lines of defence' model which defines clear responsibilities and accountabilities and ensures effective independent oversight and assurance activities take place covering key decisions. Details of the three lines of defence disclosed in Note no 10.2 of the financial statements.

Risk Management Principles

In managing risk, CRDB Group considers the value our risk framework creates to ensure it contributes to the group's objectives. This is achieved through continuous review of processes and systems. Strategically, we have an integrated risk management and governing structures which form part of our planning processes, at both operational and strategic levels.

All key decision-makers within CRDB Group rely on proactive risk management principles to make informed choices, identify priorities, and choose the appropriate action. We address uncertainties by proactively identifying potential risks and implementing controls and treatments to maximize the chance of gain while minimizing the chances of loss.

From experience we know that to effectively manage risk, we must strive to understand and consider all available information relevant to an activity, while being conscious to the fact that there may be limitations on that information.

Our risk management framework guides us on determining how all-available information informs the risk management process, taking into consideration both the internal and external operating environment.

We also appreciate the role of human and cultural factors in risk management. This framework recognizes the contribution that people and culture make in achieving the group's business objectives. For this reason, we constantly engage stakeholders, both internally and externally, throughout the risk management process, recognizing that communication and consultation are key to identifying, analyzing, and monitoring of risk.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

14 OUR RISK MANAGEMENT (Continued)

Risk Management Principles (Continued)

Besides, we acknowledge that managing risk needs flexibility, hence our focus on dynamism. We operate in a challenging environment and this, therefore, requires that we stay alive to need context for managing risk and continuously work to identify new risks that emerge while making allowances for those risks that no longer exist. CRDB Group aspires to improve its risk management culture by allocating adequate resources, over time to efficiently manage risks and ensure the ability to demonstrate continual achievement.

Group's attitude toward risk

We actively take risks, as allowed within our risk appetite and risk tolerance levels. In taking Risks, we exhaustively examine adequacy of the benefit in business terms. Unacceptable risks are risks at a level that exceeds the maximum risk tolerance level, as defined by the Board of Directors, or risks that may impair the growth of the group and perhaps cripple operations. We take a comprehensive perspective, considering regulatory requirements to maximize the group's profitability at a risk level in line with our risk appetite.

Risk Philosophy and appetite

The Group considers management of risk as one of its core functions and a key factor for business continuity and providing stable and good return to its shareholders. Various policies, procedures and tools that spell out the risk appetite commensurate to the risk taken and expected return have been developed and implemented. In this process, the Group strives to match the best practices in risk management and ensure that risks are adequately managed throughout the group.

Group approach in managing risk

The primary responsibility for the management of risk resides with the business and functional areas where the risk is taken. The Group Business and Subsidiary function owners are responsible for ensuring that the Group Risk Management Framework has been embedded within the Group and Subsidiary daily risk management processes. In addition, all employees have the responsibility to ensure an effective management of risk and must report appropriately any known breakdowns/omissions in control, or any potential exposures that may result in financial or reputational loss to the Group.

For every product, process or system that is introduced or implemented in the Group, an internal control document is developed and made available to all relevant employees. This document includes the following elements at a minimum; Statement of accountabilities, risk identification and controls in place to mitigate the risks, Objectives of the internal controls being proposed and description of the control environment which must be implemented and maintained including monitoring and reporting.

The Group Management Audit & Risk Committee are established to manage risks and monitor effectiveness of controls implementation. The Group Risk and Compliance function provides an independent oversight and monitoring process for Group risk and controls across the Group and reports to the Group CEO & Managing Director.

Roles and responsibilities of the group board of directors in risk management

The Group Board of Directors is having an ultimate responsibility for Risk Management function across the Group including setting the tone and influence the culture of risk management within the Group. Other responsibilities include:

- Approving the overall business strategies, Group Risk Management Framework, and its associated policies.
- Ensure adequate implementation of risk management framework by the management
- Defining the nature, role, responsibility and authority of the risk management function within the Group including the scope of risk management work;
- Monitoring of the Group risk profile through reports from Management to determine the level of risk exposure and whether it is within the Board's risk appetite and take remedial actions in a timely manner.

Responsibility of group senior management in managing risk

Setting the tone of risk management and influence risk management culture within the Group. More specifically, the Group Executive team is having the following responsibilities:

- Facilitate the review or development of the Group Risk Management Framework and its related policies and recommend changes to the Group Board for approval.
- Provides an oversight to the Bank and subsidiaries operations covering Risk Management and Strategy formulation and execution.
- Implementing strategies in a manner that limits risks associated with each strategy and that ensures compliance with laws and regulations on both long term and day-to-day basis.
- Ensure appropriate policies, controls and risk monitoring systems are in place and that accountability and lines of authority are clearly defined.
- Establishing and communicating strong awareness of and the need for effective internal

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

14 OUR RISK MANAGEMENT (Continued)

Uncertainties in operating environment

In the environment we operate there are unforeseen circumstances which the Group cannot predict in certain. Uncertainty implies the outlook for the economy is unpredictable and there is a high likelihood of negative economic events, however in case of uncertainties the Group has in place a robust risk management process where risk management tools have been deployed to ensure proactive measures are achieved at largest extent.

The Bank continues to monitor the economic environment and execute measures to protect the business by reinventing processes and systems to ensure that we adapt the ongoing changes of economic environment and at the same time protect our customers by offering an enhanced value proposition and having in place contingencies in our business strategy.

We strongly believe that preventing risks enhances shareholder value because it allows us to manage risks proactively and intelligently, which maximizes the Group's potential for earnings, ensures stability and takes measures to protect the business against unexpected losses. Primarily, our risk management processes aim at protecting the Group's solvency through the preservation of high asset quality, efficient operations and prudent capital management resulting in sustained earnings that augment core capital, enabling regulatory compliance, enhancing market reputation and stakeholder support.

The table below show the principal risk, the description of the risk, opportunities, and mitigations to address the risk, strategies and capital impacted.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

15 PRINCIPAL RISK, UNCERTAINTIES, OPPORTUNITIES AND MITIGATIONS

Principal Risk	Context	Cause/ Circumstance	Key risk indicators (KRI)	Likelihood	Magnitude/ impact	Opportunities and Mitigations
Credit Risk	A risk of financial loss arising from non-payment of principal and/or interest of credit accommodations.	▪ Significant adversely changes in political, economic, regulatory, and technological environment of the borrowers or in its business activities. ▪ Death of a Borrower ▪ Borrower becomes bankrupt.	Significant increases in credit risk and default.	Risk event is likely to occur.	Severe - it increases impairment losses which affect the Group profitability and liquidity.	▪ All credit facilities are insured. ▪ Credit risk is assessed and managed right from credit origination to recovery management. ▪ Monitoring is done throughout the credit management life circle.
Liquidity Risk	Liquidity Risk is a risk of loss arising from a situation where there will not be enough cash and/or cash equivalents to meet maturing obligations.	▪ Mismatch between loans and deposits. ▪ Mismatch of maturity between assets and liabilities ▪ Decrease of money supply in the economy.	Decrease in Liquidity ratio below internal limit.	Risk event is likely to occur.	Severe – will result to. ▪ fines and penalties due to non-compliance to regulatory liquidity ratio of 20% and above. ▪ Failure to meet maturing obligation ▪ Failure to meet day to day operation.	The liquidity risk management process is monitored by the Asset and Liability Committee (ALCO) which includes. ▪ Day-to-day funding. ▪ Ensure liquidity is managed within the limits set. ▪ Ensure diversification of funding sources to minimise liquidity concentration risk.
Market Risk	The risk of financial loss on earnings or capital arising from adverse movement in market rates or prices such as interest rates, foreign exchange rates and equity prices.	Market risks arise from open positions in interest rate, currency, price, and equity investments, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices.	▪ Changes in interest rate. ▪ Forex fluctuations. ▪ Changes in equity prices.	Risk event is likely to occur	Severe – will result into adverse movements of interest rate, foreign exchange rates and equity prices, hence impact profitability.	▪ Matching the sensitivity of Group assets and liabilities from changes in market interest rate. ▪ Matching of assets and liability of the same currency. ▪ Close monitoring of equity price movement
Compliance Risk	Refers to current or prospective risk to earnings and capital arising from non-compliance with laws, rules, regulations, as well as from the possibility of incorrect interpretation of effective laws or regulations.	▪ Incorrect interpretations of laws and regulations ▪ Non-compliance with laws/ regulations and prescribed standards ▪ Changes in regulatory environments. ▪ Contradicting laws in Parent and subsidiary jurisdiction.	Late submission of returns and statutory payments.	Risk event is likely to occur.	Severe – will result to. ▪ fines and penalties due to non-compliance to laws and regulations which affect Group profitability.	▪ Daily monitoring of regulatory changes. ▪ Awareness to all staff on the new regulations. ▪ Conformance tests across the Group to detect compliance gaps ▪ Engaging policy makers when contradiction arise among jurisdictions.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

16 CAPITAL STRUCTURE AND FUNDING MIX

Capital structure

The Bank's capital structure for the year under review is as follows:

Authorized
4,000,000,000 ordinary shares of TZS 25 each
Issued and fully paid
2,611,838,584 ordinary shares of TZS 25 each

There were no changes on capital structure as compared to the previous financial year. Details of share capital are disclosed under Note 49 in the notes to the financial statements.

The Bank continue to remain strong in term of financial position, well capitalized and closed the year with core capital ratio of 17.0% and total capital ratio of 18.5% both above the regulatory requirement of 12.5% and 14.5%. During the year, the factors which impacted the financial position of the Bank includes increased competition, disruptive technologies, and digital adoption, raise stakeholder's expectation, and challenges associated with macroeconomics and geopolitical uncertainties. However, the Bank manage to withstand all the mentioned challenges as can be evidenced by remarkable performance of year in year growth of 30.5% profit after tax.

More details on the factors impacted on our ability to create value are disclosed under section 11.

The Group anticipate the same factors likely to affect future financial position. However, the Bank has a bold strategy in place to overcome the noted challenges.

Funding mix

The Group's primary source of funding during the year was deposits from customers (Demand deposits, Savings deposits, and Time/ fixed deposit) which commands 80% of the total funding, equity 14% and borrowings 6%. There was no major change in the funding mix in 2022 compared to the year 2021. The Current/ Savings Account (CASAs) represented 84% of total customer deposits in 2022 (2021:84%). This interprets a lower cost of funds for the Bank. During the year, the bank increases the borrowing to align with bank's growing customer credit demands, liquidity, and maturity mismatch.

The balance between debt and equity was as follows;

Debt	GROUP		BANK	
In TZS' Million	**2022**	2021	**2022**	2021
Customer deposits	**8,200,339**	6,489,614	**7,677,675**	6,153,920
Borrowings - Current	**63,906**	58,251	**63,906**	58,251
Borrowings – Non-current	**548,113**	139,611	**548,113**	139,611
	8,812,358	6,351,782	**8,289,694**	6,351,782
Equity				
Issued capital	**65,296**	65,296	**65,296**	65,296
Share premium	**158,314**	158,314	**158,314**	**158,314**
Retained earnings	**1,196,472**	943,500	**1,158,830**	**919,841**
Other reserves	**58,994**	52,218	**46,011**	**43,475**
	1,479,076	1,219,328	**1,428,451**	**1,186,926**

Borrowings includes subordinated debts.

The balance between equity and debt, the maturity profile of debt, type of capital instruments used, currency, regulatory capital and interest rate structure are under Treasury and capital market department and are being monitored by ALCO committee which meet monthly .The maturity profile of the Group and Bank's financial assets and the undiscounted cash flows of its financial liabilities as of 31 December disclosed in note 10.4.4 of the financial statement.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

16 CAPITAL STRUCTURE AND FUNDING MIX (Continued)

Funding mix (Continued)

Treasury and capital market department are also in charge of short and longer- term funding plans to support the strategies of those charged with governance to achieve the Bank's objectives. As per funding mix there are short and long-term borrowing likewise for deposits there are time deposit with longer term to match the maturity profile of Bank's financial assets.

The Group has adopted the above capital structure of deposits (80%), equity (14%) and borrowings (6%) because of associated cost.

Funding approach

The Group's major source of funding is customer deposits. The Group maintain a diversified and stable funding base comprising demand, savings, and time deposits. The Group places considerable importance on the stability of these deposits, which is achieved through the Group's retail banking activities and by maintaining depositor confidence in the Group's business strategies and financial strength.

The Group borrows from the interbank market through transactions with other banks for short term liquidity requirements. As part of the contingency funding plan, the Group has funding lines with both local and foreign banks for short term funding requirements.

Other Group's source of funding is borrowings which are long term, and the Group has entered covenants in some borrowings in financing contracts, however none of the borrowing have the effect of restricting the use of financing arrangements or credit facilities, and negotiations with the lenders on the operation of these covenants.

The Group and Bank has not had any defaults of principal, interest, or other breaches regarding borrowings during 2022 or 2021.During the year, the Bank has not entered any covenant in financing contracts which could have the effect of restricting the use of financing arrangements or credit facilities.

Assets available to meet all the liabilities and to cover outstanding loan commitments include cash, balances with central Bank, items in the course of collection and treasury and other eligible bills; Due from 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

17 TREASURY POLICIES

Treasury conducts its activities within a comprehensive framework provided by the Board approved Financial Policies and Treasury Policies. These policies are reviewed and approved by the Board on an annual basis. Treasury is guided by the principles of professionalism, transparency, accountability, and profit maximization objective within conservative set of risk parameters.

The overall responsibility for the management of market risks (liquidity risk, Interest rate risk) rested on the Board of Directors, through its Board Risk Committee. At management level, Asset Liability Management Committee (ALCO) and Management Risk Committee are responsible for the management of Market Risk.

Treasury being the main player in the market risk space; is performing her roles and functions under the oversight of the Assets Liabilities Committee (ALCO) which seats monthly.

Treasury policies are structured in a way to achieve strategic management of Group's statement of financial position with the focus of realizing optimal returns while minimizing risk exposure and related funding costs. Within this framework, Treasury applies the best available market knowledge and techniques to achieve the Group's strategic objectives.

Objectives

The overall objective provides guidance on the management of assets and liabilities as they fall due in the most cost-effective way. The policy aims at providing guidance on:

- Managing liquidity and funding under normal and stressful conditions.
- Establishing internal limits and triggers for liquidity risk management.
- Coordinating decisions made within operating areas that affect the Bank's liquidity position.
- Establishing responsibility and framework for decision-making that may affect the Bank's liquidity position.
- Compliance to regulatory requirements.

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.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

17 TREASURY POLICIES (Continued)

Liquidity Policy

The policy provides guidance on management of liquidity risk under normal and crisis situations. The policy sets out a liquidity management decision-making structure in the Bank, approaches to funding and liquidity operations, limits to liquidity risk exposures, procedures and systems for liquidity planning and management, regulatory compliance, reporting, control, and contingency funding planning.

The Group places a strong emphasis on managing liquidity risk and daily cash flows, which is handled by the Treasury Department through Asset Liability Committee (ALCO) to ensure the Group holds sufficient liquid assets to enable it to continue with its normal operations. Asset Liability Committee (ALCO) also manages the Bank's exposure to liquidity risk by ensuring that limits are in line with realistic assumptions and tracking compliance monthly. The Group closed the year with liquidity ratio of 27.0%, which is above regulatory requirement of 20%.

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

The Group does not foresee problems on the liquidity in the next 12 months which can affect the business operations.

There is no any restriction on the ability to transfer funds from a parent or its subsidiary to meet the obligations of another part of the group.

Liquidity management process

The Group's liquidity management process, is being carried out within the Group and Bank and monitored by the Asset and Liability Committee (ALCO) of the individual banks which include:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. These include replenishment of funds as they mature or are borrowed by customers. The Group and Bank maintain an active presence in money markets to enable this to happen;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring 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.

Contingency Funding Policy

The policy provides guidance for managing stressed liquidity situation created by a problem or market wider 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.

Limit Policy

The policy provides guidance/framework for managing market and liquidity risks for the counterparts at domestic and international level. It also provides guidance for investment and credit exposures limits.

Asset Liability Management (ALM) and Investment Policy

The policy highlights a set of actions and procedures designed to manage the Bank's financial risks to ensure competitive return on assets by putting in place specific predefined risk management policies. It covers strategic management of the Bank's statement of financial position and off-balance sheet items intending to achieve sustained growth, profitability, and solvency. It involves a multiplicity of management activities and responsibilities, including the formulation of short and long-term strategic goals, objectives, and the management of financial risks.

Fund Transfer Pricing (FTP) Model

The model highlights the process of charging fund users and crediting fund providers to enable the Bank to evaluate profitability of deposits and loans in line with bank's own Assets and Liability management strategies.

Major financing transactions

During the year, the Group did not undertake any significant financing transactions. The Group's operations were mainly financed by the increase in customer deposits.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

18 CASH FLOWS

The Group's major source of cash flow was from operating activities, which was attributable to increase in customer deposits by TZS 1,789.0 billion (2021: increase of TZS 1,054.1 billion). The funds generated in 2022 was mainly utilised to increase the Group's investment in debt instruments by TZS 581.8 billion (2021: increase of TZS 47.5 billion), servicing borrowings by TZS 86.7 billion (2021: TZS 77.6 billion) and increase lending to customers by TZS 1,895.4 billion (2021: increase of TZS 1,145.9 billion). Such investment activities and customer deposits are the major factors explaining the Group's movement in cash flow generated from operations. The Group's cash projections indicate that future cash flows will mostly be generated from deposits. The Group continues to implement different strategies to mobilise deposits and maintain sound liquidity position to meet its cash flow commitments.

19 BORROWING

The Bank has been working with various reputable local and International Development Financial Institutions who have shown interest to support the market. Over the years, the Bank has worked with various Institutions including DEG/KfW, IFC, AfDB, EIB, DANIDA, PROPACO, TIB, NBC and TMRC to support key sectors of the economy. As at 31 December 2022, the Group had an outstanding exposure of TZS 612,019mn which includes subordinated debts, for financing various business segments in the economy. The Group has contributed greatly to the economy through knowledge sharing, technical assistance, and job creation.

As at 31 December 2022, the Group and Bank were compliant with all the lender's covenants and expect to comply in the future.

20 SHAREHOLDERS OF THE BANK

The Bank's Articles of Association recognize three categories of shareholders namely, shareholders holding 10% or more of the total paid up shares, shareholders holding less than 10% of the total paid up shares and shareholders holding less than 1%.

As at the end of the year, the shareholding of these three Groups was as follows:

Group Shareholding	2022		2021	
	No. of shares	%	No. of shares	%
10% and more	**894,828,676**	**34.3**	894,828,676	34.3
Less than 10%	**651,813,909**	**25.0**	642,280,316	24.6
Less than 1%	**1,065,195,999**	**40.7**	1,074,729,592	41.1
Total	**2,611,838,584**	**100.0**	2,611,838,584	100.0

Companies Shareholding

Shareholders holding 1% or more of the total paid up capital as at 31 December are listed here under:

	2022		2021	
Shareholders	**No. of shares**	**%**	No. of shares	%
DANIDA Investment Fund	**548,067,648**	**21.0**	548,067,648	21.0
PSSSF Pension Fund	**346,761,028**	**13.3**	346,761,028	13.3
National Social Security Fund - Uganda	**196,456,402**	**7.5**	196,456,402	7.5
Kimberlite Frontier Master Africa Fund LP RCKM	**104,831,106**	**4.0**	113,050,049	4.3
Patrick Schegg	**50,754,057**	**2.0**	50,754,057	1.9
Change Global Frontier Market, PL Fund-CGPA	**48,066,540**	**1.8**	48,066,540	1.8
Abbas Export Ltd.	**56,000,000**	**2.1**	45,000,000	1.7
Duet Africa Opportunities Master Fund IC	**31,569,430**	**1.2**	37,583,840	1.4
Hans Aingaya Macha	**32,764,200**	**1.3**	32,764,200	1.3
National Health Insurance Fund	**32,040,040**	**1.2**	32,040,040	1.2
Zanzibar Social Security Fund	**36,828,104**	**1.4**	-	-
CMG Investment Limited	**29,330,971**	**1.1**	29,330,971	1.1
Balvinder Singh Virdi (Mehar Singh Virdi)	**-**	**-**	29,263,958	1.1
Wegen Kilimanjaro Frontier Africa Fund	**33,173,059**	**1.3**	27,970,259	1.1
Total	**1,546,642,585**	**59.3**	**1,537,108,992**	**58.9**

The total number of shareholders by end of 2022 stood at **31,162** (2021: 30,632 shareholders).

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

20 SHAREHOLDERS OF THE BANK (Continued)

Directors Shareholding

Shareholdings by those charged with governance as at 31 December are listed here under;

Name	Status	Number of share 2022	Number of share 2021
Dr. Ally H. Laay	Chairman	**28,812**	28,812
Abdulmajid M. Nsekela	Group CEO and Managing Director	**134,650**	134,600
Prof. Neema M. Mori	Independent Non-executive Director	**118,084**	118,084
Jes Klausby	Non-executive Director	**-**	-
Boniface C. Muhegi	Non-executive Director	**2,241,352**	2,241,352
Hosea E. Kashimba	Non-executive Director	**64,875**	64,875
Prof. Faustine K. Bee	Non-executive Director	**41,536**	41,536
Dr. Fred M. Msemwa	Non-executive Director	**12,612**	12,612
Abdul A. Mohamed	Non-executive Director	**2,450**	2,450
Martin S. Warioba	Independent Non-executive Director	**-**	-
Miranda N. Mpogolo	Independent Non-Executive Director	**111,302**	43,392
Gerald P. Kasaato	Non-Executive Director	**-**	-
Royal J. Lyanga	Non- Executive Director	**-**	-

21 CORPORATE GOVERNANCE

Code of Corporate practice of good corporate governance

- The Board is committed to the principles of good corporate governance to strengthen and maintain the stakeholder's confidence. The Board retains full and effective control over the Group, monitor the executive management and make sure the decision of material matters is in the hands of the board to fulfil the Group strategic objectives.
- The Board is committed to healthy corporate governance practices, which strengthens and maintains confidence in the Bank, thereby contributing to optimal long-term value creation for shareholders and other stakeholders. The board recognizes its collective responsibility for the long-term success of the Group. Board has a commitment to ensure compliance with all applicable laws and regulations and considers adherence with non-binding rules, codes, and standards; and that compliance is an agenda in all its meeting through board risk committee.
- Through the board risk committee, the board is able to identify all regulations relevant to the group and monitors changes to the regulations and new regulations impacting the group.

Board Structure

The Board of directors is primarily responsible for monitoring managerial performance and providing strategic and leadership guidance to the management on strategic areas within an established framework of controls designed to assess and manage risk to ensure long-term sustainability of the Group. The Board has an ultimately accountability for the performance and position of the Group and ensuring the Group adheres to high standards of ethical behaviour

Therefore, the board sets up specialised committees to carry out specific duties and responsibilities with a view to support and improves its work. Committees perform both monitoring and advisory functions for the board, knowing that the latter retains collective responsibility for decision-making. Each committee comprises aptly skilled directors with written terms of reference that are reviewed annually and mapped to applicable regulations and governance practices to ensure relevance and compliance.

The key functions of each Board committee are outlined on pages 166 to 169. The Board monitors these responsibilities to ensure effective coverage of, and control over, the operations of the Group. Each committee Chair provides written and verbal feedback at quarterly Board meetings and the Group Chairman reports back on engagements with the chairs of our subsidiaries.

Roles and functions of the board

The board is responsible for ensuring adherence to the code of corporate governance/ board charter. It is the ultimate decision-making body, and its key role is to provide strategic leadership and guidance to the Bank and its controlled subsidiaries (the Group) and effective oversight of risk management. The board is accountable to the shareholders for the performance of the Bank (Group's) businesses.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

21 CORPORATE GOVERNANCE (Continued)

Board Structure (Continued)

Roles and functions of the board (Continued)

The specific roles and responsibilities of the board include but not limited to the following:

- To prepare financial statements of the Group which show a true and fair view in accordance with applicable standards, rules, regulations, and legal provisions which covers the period from the beginning of the financial year to the end. The Statement of Directors' responsibility is found in page 73.

  This responsibility covers the period from the beginning of the financial year to the date those charged with governance approve the audited financial statements and it involves all those charged with governance who acted in this capacity during any part of the period covered by financial statements.

- Determine the Bank's vision, mission and values that promote sustainability of the Bank.
- Appointing the CEO to whom the responsibility of managing the Bank is being delegated and review and evaluate the performance of the Group's CEO regularly including reviewing and defining succession planning of the CEO and senior management.
- Approving Corporate strategy, monitor and evaluate the implementation of the strategy that are designed to create long-term value for the Group. The board is required to understand the risks inherent in the Group's strategic plans and how those risks are being managed.
- The board is responsible in determining and amending the KPIs to be applied in relation to the strategy such as financial ratios.
- Establishing adequate policies and procedures that ensure the integrity and effective internal controls and adequate risk management practices across the Group.
- Setting the Group's risk appetite, reviewing and understanding the major risks, and overseeing the risk management processes and internal control systems.
- Reviewing the Group's plans for business resiliency. As part of its risk oversight function, the board periodically reviews management's plans to address business resiliency, including such items as business continuity, physical security, cybersecurity and crisis management.
- Ensure the Bank is adequately always capitalized.
- Approving significant capital expenditures and changes in capital structure of the Bank, acquisitions and dispositions and new subsidiaries investments.
- Ensure the Group adheres to compliance in laws and regulations and maintains ethical conduct.
- Continuously monitoring the performance of the Bank and management.
- Reviewing and defining the succession planning of the Board and Committee Chair, Board vice Chair, CEO, and senior management.

During the year, the board performed their roles and responsibilities as evidenced by a remarkable performance of the Bank and subsidiaries (Group). All members of the board were collectively responsible and complied with the code of good corporate governance.

Value creation through good corporate Governance

The Group practice good corporate governance through well-defined governance structures which are vital to support our ability to create and preserve value. Our approach to good corporate governance enhances the achievement of our strategic objectives over time and bring together the interests of all our stakeholders in creating sustainable value. Furthermore, Our Board is committed to continue to improve corporate governance principles, policies, and practices by remaining up to date of the changes in regulations and best practices.

Our corporate governance approach ensures the Group;

- Adheres to applicable legal, regulatory and practice of good corporate governance.
- Deliver sustainable impact to our stakeholders while caring for our community, contribute to our economy and the environment through our business activities.
- Embedded an ethical and risk-awareness culture.
- Promote transparency, accountability and empathy in managing our stakeholders' relationships.

Board Meetings and workplan

The board has in place an annual workplan that sets out the board activities in a year. The board meets at least eight times a year, and, when necessary, to consider all matters relating to the overall risk management, Group performance, implementation of the strategy and succession planning. The Group Chairman together with the company secretary and chief executive officer prepare the annual work plan and agenda for each meeting.

The notice, agenda and detailed board papers are circulated seven days in advance of the meetings. Those charged with governance are allowed to request additional information to support their decision making when necessary.

During the year, the board met eight (8) times as planned and during the eight meetings had several discussions regarding the operations of the Bank together with its controlled subsidiaries. Below are some of the matters discussed during the meetings;

- The board had a discussion on the quarterly performance of all KPIs of the Group as presented by the management and directed management accordingly on expected performance of the bank, its subsidiaries and investment made by the bank.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

21 CORPORATE GOVERNANCE (Continued)

Board Structure (Continued)

Board Meetings and workplan (Continued)

- The board discussed and approved the Group's budget and strategy for year 2023 as presented by the management by adding inputs and enlightening management on its expectations on the implementation of the strategy and budget.
- During the meetings, the board also discussed the reports received from all board committees and deliberated accordingly.

The board annually elect a chair who is non-executive director. The elected chair is not supposed be a member of any Committee. The chair may be invited to attend any of the committees' meetings when deemed fit excluding Audit Committee.

Board Charter

The Group has a board charter which sets out the key values and principles of the board of directors of the Bank. It provides the specific responsibilities of the board and how it shall operate within applicable legal and regulatory framework; and clearly specifies the powers of the board and its Committees, separation of roles between the board and Management; and the practice of the board in respect of corporate governance matters. This board charter is subject to the requirements contained in the Bank's Memorandum and Articles Association (MEMARTS), the Banking and Financial Institutions Act, 2006 (BFIA), CMSA Act & Guidelines, Company Laws and other applicable laws and regulatory provisions. The charter is being reviewed after every two years or on need basis to ensure it remains adequate and consistent with the board's purpose. Changes are subject to approval by the board of Directors.

Those charged with governance

The board is confident that it consists of sufficient members with the right mix of skills, experiences and knowledge to challenge and help develop proposals on strategy and bring independent judgement on issues of performance and risk. It consists independent non-executive Directors who provides independent opinion on various matters pertaining to the board.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

21 CORPORATE GOVERNANCE (Continued)

Composition of those charged with governance

Name	Gender	Position	Qualifications	Age	Nationality	Date of Appointment/ Resignation
Dr. Ally H. Laay	M	Chairman	PhD in Business Administration in Finance and Accounting, MBA, PGDA, ADA, CPA(T)	66	Tanzanian	Re-appointed May 2022
Abdulmajid M. Nsekela	M	Managing Director, Ex Officio	MBA-IBF, PGD-Business Administration	51	Tanzanian	Appointed October 2018
Prof. Neema M. Mori	F	Independent Non-executive Director	PhD in International Business	44	Tanzanian	Re-appointed June 2020
Martin S. Warioba	M	Independent Non-executive Director	MSc in Information Management	45	Tanzanian	Re-appointed May 2022
Jes Klausby	M	Non-executive Director	MSc Mathematics - Economics	67	Danish	Re-appointed July 2021
Boniface C. Muhegi	M	Non-executive Director	MSc Engineering	68	Tanzanian	Re-appointed May 2022
Hosea E. Kashimba	M	Non-executive Director	MBA Corporate Management	52	Tanzanian	Re-appointed August 2021
Prof. Faustine K. Bee	M	Non-executive Director	PhD in Development Studies	63	Tanzanian	Re-appointed May 2021
Dr. Fred M. Msemwa	M	Non-executive Director	PhD in Business Administration; Public Sector Audit	50	Tanzanian	Re-appointed May 2022
Abdul A. Mohamed	M	Non-executive Director	BSc in Accounting & Finance	32	Tanzanian	Re-appointed May 2022
Ms. Miranda N. Mpogolo	F	Independent Non-Executive Director	MA Theatre Arts and Development Studies	39	Tanzanian	Appointed June, 2020
Mr. Gerald P. Kasaato	M	Non-Executive Director	MBA(Finance)and MSc. International Finance & Investment	43	Ugandan	Appointed May, 2021
Mr. Royal J. Lyanga	M	Non-Executive Director	MA -Statistics	52	Tanzanian	Appointed August, 2021

As of 31 December 2022, those charged with governance "the board" comprised thirteen Directors - Twelve Non- executive Directors and the Managing Director who is an Ex-officio member.

The Company Secretary during the year ended 31 December 2022 was Mr. John-Baptist Rugambo (Tanzanian), 55 years old.

M - Male F – Female

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

21 CORPORATE GOVERNANCE (Continued)

Company secretary

The Company secretary is being appointed by the board to assist and advice the board and all board Members. The Company Secretary is the Secretary of the board and is charged with the following responsibilities:
The company secretary plays a leading role in good governance by helping the board and its committee's function effectively and in accordance with their terms of reference and best practice. 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 is the secretary of the board

The specific roles and responsibilities of the Company secretary include but not limited to the following;

- Assists the Chairman to conduct board evaluation, induction, and training
- Assist the Chairperson of the board in organizing the boards activities.
- Maintain and update the register of conflict of interest.
- Facilitate board and Shareholders meetings.
- Custodian of all Board's official records including board packs, minutes, and bank's MEMARTS.
- Facilitate effective communication between the bank and shareholders.

Both the appointment and removal of the Company Secretary is a responsibility of the board.

Conflict of interest and Related party transactions

The board has established a policy and a set of procedures relating to Directors' conflicts of interest and related party transactions. In all board meetings, there is an agenda of declaration of conflict of interest, and there is a conflict of interest register which is being reviewed regularly.

Those charged with governance are expected to avoid any action, position, or interest that conflicts with the interest of the Bank or gives the appearance of a potential conflict. In this regard, all directors are required to:

- Declare any interests that may give rise to potential or perceived conflict e.g., multiple directorships, business relationships or other circumstances that could interfere with exercise of objective judgment;
- Declare as soon as they become aware that a subject to be discussed at a board or committee meeting may give rise to a conflict of interest at the outset of the applicable meeting. The conflicted director is not allowed to participate further in the discussion of that subject, nor vote on it.
- Director(s) with a continuing material conflict of interest is required to consider resigning from board.

Board members are required to inform the Company Secretary of any changes with respect to directorships and conflict of interest within 30 days. The board is required to evaluate all potential or perceived conflict of interest as declared and approve such transactions with the bank as may be appropriate.
A register of declared conflicts of interest is being maintained by the Company Secretary.

During the year, none of the Directors had a material interest, directly or indirectly, in any contract of significance with the Group.

Separation of roles and responsibilities

The roles of the Chairman, a non-executive role, and the Managing Director are separate. The Chairman is responsible for the leadership and management of the board and for ensuring that the board and its committee's function effectively.

The Managing Director bears overall responsibility for the implementation of the strategy agreed by the board, the operational management of the Company and the business enterprises connected with it. Senior Management team supports him in this.

The Senior 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 Bank. Board meetings are held on a quarterly basis to deliberate on the results of the Group.

While the Chairman and Chief Executive Officer are collectively responsible for the leadership of the Group and for promoting the highest standards of integrity and probity, there is a clear and effective division of accountability and responsibility between the Chairman and the Chief Executive, and each plays a distinctive role but complementing each other to ensure that there is a balance of power and authority, and no individual has unfettered powers of decision and control.

Key roles and responsibilities of Chairman of the board;

- Provides leadership and governance of the board to create the conditions for overall board's and individual Director's effectiveness and ensures that all key and appropriate issues are discussed by the board in a timely manner.
- Promotes effective relationships and open communication and creates an environment that allows constructive debates and challenges, both inside and outside the boardroom, between Non-executive Directors and the management.
- Ensures that the board plays a full and constructive part in the development and determination of the Group's strategies and policies, and that board decisions taken are in the Group's best interests and fairly reflect Board's consensus.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

21 CORPORATE GOVERNANCE (Continued)

Separation of roles and responsibilities (Continued)

- Ensures that the strategies and policies agreed by the board are effectively implemented by the Chief Executive and the management.
- Establishes good corporate governance practices and procedures and promotes the highest standards of integrity, probity, and corporate governance throughout the Group and particularly at board level. It is the responsibility of chairman to adhere to the code of corporate governance/ board charter.

Key roles and responsibilities of Chief Executive Officer

- Leads the management in the day-to-day running of the Group's business in accordance with the business plans and within the budgets approved by the board.
- Leads the management to ensure effective working relationships with the Chairman and the board by meeting or communicating with the Chairman on a regular basis to review key developments, issues, opportunities, and concerns.
- Develops and proposes the Group's strategies and policies for the board consideration.
- Implements, with the support of the management, the strategies and policies as approved by the board and its committees in pursuit of the Group's objectives.
- Conducts the affairs of the Group in accordance with the practices and procedures adopted by the board and promotes the highest standards of integrity, probity, and corporate governance within the Group.

Board independence

Director independence is critical to effective corporate governance and providing objective independent judgment that represents the interests of all shareholders is at the core of the board's oversight function. Accordingly, a substantial majority of the board's directors should be independent, according to applicable rules and regulations and as determined by the board.

An independent director should not have any relationships that may impair, or appear to impair, the director's ability to exercise independent judgment.

Assessing independence.

When evaluating a director's independence, the board consider all relevant facts and circumstances, focusing on whether the director has any relationships, either direct or indirect, with the company, senior management or other directors that could affect actual or perceived independence. This includes relationships with other companies that have significant business relationships with the company or with not-for-profit organizations that receive substantial support from the company.

The independence of the board is assessed annually based on the National Board of Accountants and Auditors, Tanzania (NBAA) regulations. In addition, through the Regulator, Bank of Tanzania (BOT), all members of the board are evaluated. The Board constitute some Non-executive Directors who are members of NBAA; Certified Public Accountant CPA (T).

During the year, the board had not received any complaints regarding Board Independence from NBAA being the professional body.

Restrictions on insider trading

It is the Group policy that directors and employees considered to have privileged knowledge, from time to time, of material facts or changes in the affairs of the Group, which have not been disclosed to the public, including any information likely to affect the market price of the Bank's securities, cannot buy or sell ("trade") Group securities, except in accordance to the requirements of the Group policy.

CRDB Insiders are prohibited from trading Group securities either on their own behalf or on behalf of someone else when the trading window is closed. Insiders are required to keep any unpublished and non-public sensitive information received by them whether in the ordinary course of their employment or office or otherwise, confidential and with sufficient protection from unauthorized disclosure or access.

Appointments of the members of 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. Non-executive Directors are appointed for an initial three-year term and subject to re-election by shareholders at each AGM.

In identifying suitable candidates, the committee does the following;

- The Group advertise the vacancy and, in some cases, use external consultant to facilitate the search.
- The Group consider academic qualifications, technical expertise, experience, nationality, age, gender, integrity, and ethical standards.
- Recommendations for new nominees for appointment to the Board are made by the Group Board Governance and Human resource Committee. In order to make it effective, the Board's size, and diversity are taken into consideration when electing Board members.

The board consist of both Non-Executive Directors (NED) and Independent Non-Executive Directors (INEDs). The board recommend Directors for election and/or appointment by the shareholders at the Annual General Meetings (AGMs). The number of board members is determined by

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

21 CORPORATE GOVERNANCE (Continued)

Appointments of the members of the boardContinued)

the Bank's Articles of association and regulatory requirements. A board member elected/appointed by shareholders is not allowed to attend board meetings or be assigned any responsibility until he/she obtains approval of the Bank of Tanzania.

All directors are required to disclose outside directorships business and conflict of interest on annual basis and inform the Company Secretary of any changes to such directorships and conflict of interest within 30 days.

Training and development of the members of the board

Each new board member is required to participate in an induction program that is tailored to effectively orient the member to the Bank's business and organization structure including subsidiaries, roles/responsibilities of the board and its various committees, strategy, objectives, policies, procedures, operations, senior management, and the business environment. The induction package also includes all the necessary information that is required by a member for effective performance in the board (including all policies, charters, recent financial reports and governing laws and regulations). They receive comprehensive guidance from the Company Secretary on the Group's corporate governance framework.

The board members are also being introduced to their fiduciary duties and responsibilities as well as any other aspects that are unique to the business. Therefore, the main purpose of the training is to ensure board members have a clear understanding of their role in corporate governance and be able to exercise sound and objective judgment about the affairs of the Bank.

The board are required to ensure adequate training and development of the members through continuous training to keep them well informed on critical information pertinent to the business and corporate governance environment. It is the responsibility of the board to conduct an annual review to identify training needs for each member on a regular basis and facilitate up skilling as well as continuous development of each member.

Non-executive directors also develop and refresh their skills and knowledge through periodic interactions and briefings with senior management of the Group's businesses functions, changes in laws and regulations, policies, and practices. All Non-executive directors have access to independent professional advice/ external specialists to enable them to discharge their duties when the expertise needed is not possessed by existing directors or staff within the Group.

During the year, the board completed the planned training and development sessions as per table below;

S/N	Training Type	When
1	Orientation and induction for newly appointed Board Members	February 2022
2	Master Class on Strategic Corporate Governance for High performing Board	14th to 17th March 2022
3	Accelerated Certificate in Company Direction	February 2022
4	Senior Executive Fellows	May 23rd to June 24th 2022
5	Board Exposure visit on MSMEs digitization, Islamic Banking, ESG and Experiences on Corporate Governance	September 26th to 30th 2022

Succession planning

The Group has in place a succession plan for those charged with governance on all critical skills which is being reviewed regularly. The governing body bears ultimate responsibility for the succession plan. This is through the Board governance and Human resources committee. The committee plays a key role in devising criteria for governing body membership and governing body positions and possibly, with the assistance of external advisors, to identify specific individuals for nomination.

The succession discussion features on the Board governance and Human resources committee agenda as often as it required for the committee to fulfil its duties. This allows the succession plan to take account of the changing dynamics of the business and makes the Bank more agile and enhances its ability to satisfactorily react to any sudden changes that may occur. The committee maintains a profile of desired skills and competencies, and skills gaps that need to be filled by potential candidates.

In some cases, the committee may consult external resources (example external search firms) to identify appropriate individuals to fill vacant positions.

The group also practices rotation of the board members between committees to ensure continuity of experience and knowledge and to introduce people with new ideas and expertise.

Access to information

Those charged with the governance have unrestricted access to information, and they are provided with timely information and comprehensive reports on material operational, risk management and financial matters of the Group to facilitate informed discussions during meetings. Those

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

21 CORPORATE GOVERNANCE (Continued)

Access to information (Continued)

charged with the governance have access to the advice of the Company Secretary, who provides support to the Board and is responsible for advising the Board on governance matters. Those charged with the governance also have access to independent professional advice at the Group's expense where they deem necessary to discharge their roles.

Board relationships/ engagement with shareholders/ Stakeholders

Regular shareholder outreach and ongoing dialogue are critical to developing and maintaining effective investor relations, understanding the views of shareholders, and helping shareholders understand the plans and views of the board and management.

The board maintains regular dialogue with analysts and investors and considers it very important to inform shareholders and investors about the Bank's financial performance. The Bank strives to continuously publish all relevant information to the market in a timely, effective, and non-discriminatory manner. Financial reports and stock exchange announcements are made available on the Bank's website and on the Dar es Salaam Stock Exchange website.

The board recognize, respect, and protect the rights of shareholders and ensure equitable treatment of all shareholders in the same class of issued shares whether minority, institutional or foreign. It also provides shareholders with information as required under the applicable law and has established mechanisms to ensure effective communication with shareholders including the media if found appropriate.

The board have a stakeholder-inclusive approach and is responsible for giving due consideration to the legitimate interests and expectations of the bank's stakeholders in its deliberations, decisions, and actions. Shareholders are not a uniform group, and their interests may be diverse. Although board considers the views of shareholders, the duty of the board is to act in what it believes to be the long-term best interests of the bank and all its shareholders. The views of certain shareholders are one important factor that the board evaluates in making decisions, however the board is required to exercise its own independent judgment. Once the board reaches a decision, the Group consider how best to communicate the board's decision to shareholders.

The Group engage with long-term shareholders in a manner consistent with the respective roles of the board and maintain effective protocols for shareholder communications with directors and for directors to respond in a timely manner to issues and concerns that are of widespread interest to long-term shareholders. The board has delegated the responsibility of managing stakeholder's relationships to management.

Group Communication/ Public Relations Policy

The policy aims at ensuring that the information originating from the Bank is accurate, complete, reflects the official position of the Bank and is released to the media and targeted public in a consistent and in a timely manner. The ultimate objective is to build mutually beneficial relationship between the Bank and the public. The board has established effective communication with the Bank's stakeholders including the media and other channels found appropriate.

Key stakeholder communication includes the Group's Annual Report, published quarterly financial reports, Investors presentation and other publications. The Group website www.crdbbank.co.tz whereby stakeholders can be able to view all publications including general information about the bank and its subsidiaries.

Board committees

An effective committee structure permits the board to address key areas in more depth than may be possible at the full board level. Decisions about committee membership and chairs should be made by the full board based on recommendations from the nominating/corporate governance committee.

The responsibilities of each committee and the qualifications required for committee membership is clearly defined in a written charter that is approved by the board. Each committee is required to review its charter annually and recommend changes to the board. All committees are required to update the full board of their activities on a regular basis. The report to include findings, matters identified for specific recommendation to the Board, action points and any other issues as deemed appropriate.

The Group is committed to maintaining a high standard of corporate governance. The directors also recognize the importance of integrity, transparency, and accountability. During the year 2022, the board constituted four sub-committees for improving corporate governance by delegating specific tasks from the main board to a smaller group and harnessing the contribution of non-executive directors. Committee members are be elected annually from among the board members.

The board remains collectively responsible for the decisions of any committee and are required to review the effectiveness and performance of committees annually

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

21 CORPORATE GOVERNANCE (Continued)

Board committees (Continued)

These sub-committees are;

- Audit Committee
- Governance and Human Resources Committee
- Credit Committee and;
- Risk Committee

All these board Committees are constituted and chaired by non-executive directors.

The table below shows the number of board and Committee meetings held during the year and the attendance by those charged with governance:

S/N	Name of Director	Board	Audit Committee	Credit Committee	Governance and Human Resource Committee	Risk Committee
1	Dr. Ally H. Laay	4/4				
2	Prof. Neema M. Mori	4/4		17/18		4/4
3	Boniface C. Muhegi	3/4		16/18	5/6	
4	Hosea E. Kashimba	4/4	10/10			
6	Jes Klausby	4/4			6/6	4/4
7	Prof. Faustine K. Bee	4/4		16/18	6/6	
8	Dr. Fred M. Msemwa	3/4		17/18		4/4
9	Abdul A. Mohamed	4/4			6/6	4/4
10	Martin S. Warioba	4/4	10/10			
11	Miranda N. Mpogolo	3/4		15/18	4/6	1/4*
12	Gerald P. Kasaato	4/4	10/10			
13	Royal J. Lyanga	4/4			5/6	3/4

During the year, the Group has complied with the principles and codes of best practice.

There was no regulatory requirement that influence the design of the governance above.

**Director Miranda N. Mpogolo was a member of Risk Committee until 15th February 2022 after her appointment on 18th February 2022 to join Credit Committee.*

Audit Committee

The committee oversees the Group's internal audit function and ensures that the internal audit staff has adequate resources and support to carry out its role. The committee reviews the scope of the internal/ external audit plan, significant findings by the internal/ external audit and management's response, and the appointment and replacement of the senior internal auditing executive and assesses the performance and effectiveness of the internal audit function annually.

The Audit Committee is also responsible for overseeing the financial reporting process, ensuring that internal control systems are adequate and effective; and acting as a bridge between the external auditors and the management.

This committee planned and met ten (10) times during the year.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

21 CORPORATE GOVERNANCE (Continued)

Audit Committee (Continued)

The committee comprised of the following members:

S/N	Name	Nationality	Qualification
1	Hosea E. Kashimba	Tanzanian	MBA Corporate Management
2	Martin S. Warioba	Tanzanian	MSc in Information Management
3	Gerald Kasaato	Ugandan	MBA(Finance)and MSc. International Finance & Investment

To ensure full separation of membership, members serving in the Audit Committee are not allowed be elected to serve in any other Committee. The committee like other committees, has a charter that describes its oversight function. All members served in this committee during the year are non-executives and independent with no financial interest in the entity or significant relationships with major shareholders, management, suppliers, or customers.

Two members in the committee are accountants holding professional certifications from various bodies. Mr. Hosea E. Kashimba who is the chair of the board audit committee holds Certified Public Accountant (CPA) from National Board of Accountants and Auditors (NBAA) and Gerald Kasaato a CFA Charter holder, UK Chartered Accountant (Fellow), a Fellow of the Chartered Management Institute (FCMI), and a member of the Institute of Certified Public Accountants of Uganda (ICPAU).

In the 10 meetings conducted during the year, the committee apart from other things, discussed the following;

- The quarterly financial reports for publication which was presented by the management and requested the board audit committee to deliberate and approve the reports which was audited by the internal auditors to be published as required by the regulations 7 and 8 of the banking and Financial Institutions (Disclosures) Regulations, 2014. The board audit committee discussed the reports and approved for publication for respective quarters.
- Discussed quarterly internal audit reports done in various departments including payments, procurement, finance,marketing and branch operations on selected branches which was presented by the Department of Internal audit. The report was discussed by the members of the board and directed management to increase the coverage of the areas to be audited to reduce risks of fraud, over/understatement of the numbers. Emphasis was pressed on the internal controls, to make sure that strong internal controls are in place and are being reviewed regularly.
- Discussed External Auditors Audit report and Audited financial statement for the year ended 31 December 2022 presented by the External Auditors (EY) and directed the External auditors and the management accordingly for future improvements.
- Discussed on the performance of the internal audit department, whether the department has enough and competent staff to properly perform audit tasks.

Governance and Human Resources Committee

The Committee is responsible for ensuring that the board remains balanced, both in terms of skills and experience, and between executive and non-executive Directors. It leads the process for appointments to the board, and make recommendations to the board, ensuring there is a formal, rigorous, and transparent procedure. It also decides on recruitment at senior levels based on responsibilities and remuneration of management staff and directors.

The committee establish, and recommend to the board for approval, criteria for board membership and periodically review and recommend changes to the criteria. The committee review annually the composition of the board, including an assessment of the mix of the directors' skills and experience; an evaluation of whether the board as necessary tools to effectively perform its oversight function and an identification of qualifications and attributes that may be valuable in the future based on, among other things, the current directors' skill sets, the company's strategic plans and anticipated director exits.

This committee planned and met six (6) times during the year.

The committee comprised of the following members:

	Name	Nationality	Qualification
1	Boniface C. Muhegi	Tanzanian	MSc Engineering
2	Jes Klausby	Danish	MSc Mathematics - Economics
3	Abdul A. Mohamed	Tanzanian	BSc in Accounting & Finance
4	Miranda N. Mpogolo	Tanzanian	MA Theatre Arts and Development Studies
5	Prof. Faustine K. Bee	Tanzanian	PhD in Development Studies
6	Royal J. Lyanga	Tanzanian	MA Statistics

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

21 CORPORATE GOVERNANCE (Continued)

Governance and Human Resources Committee (Continued)

In the 6 meetings conducted during the year, the committee apart from discussions on staff issues, discussed all matters pertaining the board and management including diversity to the board and management as a whole and the strategies in place to empower and encourage women to take positions. Also, during the meeting, the committee discussed staff productivity and directed management to ensure staff productivity is enhanced to increase revenues and consequently increase profits of the Group.

Credit Committee

The Credit Committee seeks to ensure that the quality of the Bank'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.

This committee planned to and met eighteen (18) during the year.

The committee comprised of the following members:

	Name	Nationality	Qualification
1	Prof. Neema M. Mori	Tanzanian	PhD in International Business
2	Boniface C. Muhegi	Tanzanian	MSc Engineering
3	Dr. Fred M. Msemwa	Tanzanian	PhD in Business Administration: Public Sector Audit
4	Faustine K. Bee	Tanzanian	PhD in Development Studies
5	Miranda N. Mpogolo	Tanzanian	MA Theatre Arts and Development Studies

During the year, the committee had several discussions with the main topic being loan portfolio quality to ensure the Group comply with internal limit set on NPL ratio and regulatory requirement of not more than 5%. The committee also approved several loans and advances to customers which needed board approval and recommended the same to the main board for approvals. Apart from other things, the board directed management to ensure the bank always comply with single borrower limit.

Risk committee

The committee oversees and advises on current and potential risk exposures of the Bank; the Bank's Risk Management Framework; the future risk strategy of the Bank, including strategy for capital and liquidity management and promoting a risk awareness culture in the Bank, alongside established policies, and procedures.

This committee planned and met four (4) times during the year.

The committee comprised of the following members:

S/N	Name	Nationality	Qualification
1	Jes Klausby	Danish	MSc Mathematics – Economics
2	Dr. Fred M. Msemwa	Tanzanian	PhD in Business Administration: Public Sector Audit
3	Miranda N. Mpogolo	Tanzanian	MA Theatre Arts and Development Studies
4	Prof. Neema M. Mori	Tanzanian	PhD in International Business
5	Abdul A. Mohamed	Tanzanian	BSc in Accounting and Finance
6	Royal J. Lyanga	Tanzanian	MA –Statistics

The board risk committee met four (4) times during the year, and in the four meetings apart from other issues of the Group, the main discussion cantered on the risk assessment and management and compliance issues to avoid unnecessary penalties which can be resulted from non-compliance on the internal controls and regulators.

The main responsibility of the board risk committee is Group risk oversight and is required to provide the full board regularly with the information it needs to understand all the Group's major risks, their relationship to the Group's strategy and how these risks are being addressed. The same was discussed in each of the four meetings together with Group's compliance issues including the Group's code of conduct, reporting compliance and compliance of all internal ratio set by the board.

The Group has been tasked by the board risk committee to conduct risk assessment every year and present to board, maintain a risk register of each department and consolidated risk register for the Group and the register is being reviewed by the board regularly. During the year, the Group conducted the risk assessment, risk register updated and presented to the board risk committee and thereafter to the main board and deliberated accordingly.

In addition to the above committees, there are committees on a management level comprised of senior management whose frequency of meetings is weekly, monthly, and quarterly.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

21 CORPORATE GOVERNANCE (Continued)

Board and committees' performance revaluation

The board have effective mechanism for evaluating its performance on a continuing basis. The evaluation is based on the assessment of the effectiveness of the full board, the operations of board committees, contributions of individual directors on an annual basis. The results of these evaluations are being reported to the full board, and thereafter a follow-up on issues and concerns that emerge from the evaluations.

The board periodically consider a combination of methods to result in a meaningful assessment of the board and its committees. Common methods include the use of written questionnaires. After evaluation, the Board discuss the results of the evaluation exercise which inform the board on the training needs for its members.

After every three years, board evaluation and assessment are being done by an external party/consultant to ensure the Bank and the board continues operate consistently within good governance and best practice principles. During the year, evaluation of the board, its committees and the individual directors was performed internally using questionnaires, results discussed, and training needs of the members was identified which will be implemented in year 2023.

Code of conduct and Ethical behaviour

The board has adopted a code of conduct for all directors and employees including chief executive officer that addresses, among other things, conflict of interest which is being reviewed and updated regularly. The code of conduct is shared annually to all employees and directors and are required to confirm in writings that they have complied with the code of conduct.

Board members are expected to observe the highest standard of ethical behaviour which supports and encourages policies that require Directors and all employees to observe high standard of integrity and display honesty in their dealings.

We are committed to high standards of ethical behaviour and operate a zero-tolerance approach to bribery and corruption, which we consider unethical and contrary to good corporate governance. It is the utmost responsibility of all staff within the Bank to comply with the Group's code of conduct. In addition, the code of conduct has emphasised the responsibility of the board, internal and external auditors to ensure confidentiality of the group information.

Whistle blowing policy

The Group has strong whistle blowing policies and procedures with the main objective to promote a framework within the Bank where staff are encouraged and feel confident to reveal and report any fraudulent, immoral, unethical, or malicious activity or conduct of fellow employees, management, those charged with governance, clients, consultants, vendors, contractors, and/or any other parties with business relationship with the Bank which in their opinion may cause financial or reputational loss to the Bank.

The policy is essential for maintaining a positive compliance culture in which employees adhere to all internal bank policies and respect all applicable laws and regulations in the country. The Bank is committed to maintaining the highest possible standards of ethical and legal conduct within all its projects, programs, and businesses. In line with this commitment and to enhance good governance and transparency, this policy provides an avenue for raising concerns related to fraud, corruption, or any other misconduct and to assure that persons who disclose information relating to these misconducts will be protected from any retaliation.

The policy sets out the mechanism for employees and/or non-employees to report any concerns or suspicions regarding possible violations of laws, rules or regulations or possible violations or suspected wrongdoing of internal Bank policies, standards, or procedures. The whistle blower and Witness Protection Act of 2015 makes it illegal for employers to retaliate against whistle blowers.

Staff are periodically trained on as part of induction and ongoing development which encourage staff and other stakeholders to bring out information helpful in enforcing good corporate governance practices. The whistle blower section also found on the website of the bank where customers and other stakeholder are advised to whistle blow on the misconducts through the following channels: internal or external - Independent third party from the Bank. The whistle-blowers have options of whether to reveal the identity or remain anonymous.

Group culture, ethics, and organisational values

The Group's code of conduct embodies its culture and values and reflect its commitment to operating responsibly and ethically with high standards of integrity. It provides a comprehensive description of the employees' responsibilities towards customers, other employees, business, and the society. The code of conduct is designed to empower employees and enable effective decision making at all levels of our business according to defined ethical principles.

The Group have in place mechanisms for employees to seek guidance and to alert management and the board about potential or actual misconduct without fear of retribution. As part of fostering a culture of compliance, the Group encourage employees to report compliance issues promptly and emphasize their policy of prohibiting retaliation against employees who report compliance issues in good faith.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

21 CORPORATE GOVERNANCE (Continued)

Risk management and Internal control

The board ensures that the Bank has sound risk management and an internal control system that is appropriate to its activities. The risk management and internal control systems are based on the Bank's corporate values, ethics guidelines and principles for sustainability and corporate social responsibility ("CSR"). It is the responsibility of the Management to ensure that adequate internal control systems are developed and maintained on an ongoing basis to provide reasonable assurance regarding:

- Operational effectiveness and efficiency;
- Safeguarding of the Group's assets;
- Reliability of accounting records;
- Responsible behaviours towards all stakeholders
- Compliance with applicable laws and regulations; and
- Business continuity.

To ensure the internal controls, remain adequate, the Bank has a fully-fledged Risk and Compliance function that coordinates and oversees the implementation of enterprise-wide risk management framework within the Group. The audit committee on behalf of the board assess issues related to financial review and internal control, and the external audit of Group's accounts. The board ensures that the Bank can produce reliable annual reports and that the external auditor's recommendations are given thorough consideration. During the year, internal control systems were assessed by the board and was found to be at an acceptable level.

IT governance

IT governance is part of the overall corporate governance of the Group which aimed at improving the overall management and implementation of IT structure to derive value from investment in information technology. The Group has in place IT charter and policies which govern the structure and operations of ICT and is being reviewed annually. The charter enables the Group to manage IT risks effectively. It is a responsibility of the board to ensure the activities associated with information and technology are aligned with the overall Group strategies/business objectives.

Financial reporting and auditing

The Bank publishes its quarterly financial statements within thirty days after the end of the quarter and publishes the annual audited financial statements within fifteen days after approval of the board but not later than one hundred and five days after the end of the financial year as required by the "Banking and Financial Institutions (Disclosures) Regulations, 2014". Copies of the Bank's last audited financial statements are exhibited in the Bank's branches, website and the annual report made available to public two weeks prior to the AGM.

Those charged with governance are responsible for preparing the Annual Report, including the Consolidated and Parent Company Financial Statements in accordance with International Financial Reporting Standards (IFRS) as comply with the Companies Act 2002. In preparing these financial statements, the Directors are required to:

- Adopt the going concern basis unless it is inappropriate to do so;
- Select suitable accounting policies and then apply them consistently; and
- Make judgements and accounting estimates that are reasonable and prudent

The external auditor presented the result of the audit to the audit committee and the board in the meeting dealing with the annual financial statements, including presenting any material changes in the Bank's accounting principles and significant accounting estimates, and reported on whether the financial statements give a true and fair view of the state of affairs of the Group.

Remuneration policy

The Group has in place remuneration policy to determine the remuneration of directors, which considers the demands, complexities, and performance of the Group. Management periodically prepares a proposal for fees and other emoluments to be paid to directors. Proposals include benchmark against similar companies or the industry, market realities, the need to attract and retain skilled, experienced directors to drive the business. The same is forwarded to the Annual General Meeting (AGM) for final approval. The remuneration policy is in line with the Group strategy and linked to individual performance. The policy is being reviewed annually.

Directors' Remuneration

Remuneration of all directors is subject to annual review to ensure that levels of emoluments and compensation are appropriate and adequate in comparison with the industry benchmark. The non-executive directors are not eligible for pension scheme membership and are not part of Bank's remuneration scheme.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

21 CORPORATE GOVERNANCE (Continued)

Directors' Remuneration (Continued)

Information on aggregate amounts of the emoluments and fees paid during the year to directors in comparison to previous year is disclosed below: -

Name	2022 TZS Million	2021 TZS' Million
Dr. Ally H. Laay	**89**	89
Boniface C. Muhegi	**84**	84
Rose F. Metta	**-**	40
Hosea E. Kashimba	**82**	82
Prof. Neema M. Mori	**86**	87
Ellen G. Rwijage	**-**	60
Jes Klausby	**80**	80
Prof. Faustine K. Bee	**80**	78
Abdul A. Mohamed	**76**	76
Dr. Fred M. Msemwa	**80**	80
Martin S. Warioba	**76**	76
Miranda N. Mpogolo	**80**	76
Gerald P. Kasaato	**76**	38
Royal J. Lyanga	**76**	10
Abdulmajid M. Nsekela**	**-**	-
TOTAL	**965**	956

**Mr. Abdulmajid Nsekela (Managing Director) is ex-officio member who is paid monthly salary by the Bank, this is part of key management remuneration.

CEO & Management

The Bank's executive office consists of the Managing Director who is the Chief Executive Officer is flanked by the Chief Commercial Officer, Chief Operations Officer and the Chief Finance Officer who report directly to him. They oversee various functions via Directors of departments within the Bank.

The Bank is organized in the following functions/ departments:

▪ Finance	▪ Procurement	▪ Corporate Affairs
▪ Credit	▪ ICT	▪ Corporate Banking
▪ Risk and Compliance	▪ Banking Operations	▪ Business Transformation
▪ Treasury and Capital Markets	▪ Retail Banking	▪ Internal Audit
▪ Human Resources	▪ Internal Audit	

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

21 CORPORATE GOVERNANCE (Continued)

CEO & Management (Continued)

The key management personnel who served during the year, and to date of this report, were:

Name	Position	Qualification	Age
Abdul-Majid Nsekela	Managing Director & Chief Executive Officer	MBA-IBF, PGD-Business Administration,	51
Boma Raballa	Chief Commercial Officer	MBA, BA (Accounting)	39
Bruce Mwile	Chief Operations Officer	MBA (Finance), B.com (Finance)	52
Frederick Nshekanabo	Chief Financial Officer	MSc. Finance, CPA (T), Advanced Dip Accountancy	51
Alex Ngusaru	Director of Treasury and Capital Markets	MBA (Finance)	54
Pendason Philemon	Director of Procurement	MBA, CSP (T), CIPP	49
Godfrey Sigalla	Director of Internal Audit	CPA (T), PGD (Tax management), B, Com (Accounting) and MBA (Finance)	49
Bonaventure Paul	AG. Director of Retail Banking	MSc. Accounting and Finance, ADA, CPA(T), CPB.	42
Leslie Mwaikambo	Director of Banking Operations	B. Com (Finance), Higher Dip. Banking	59
Godfrey Rutasingwa	Director of Human Resources	Master's Degree in Public Administration, Bachelor's degree in education.	42
James Mabula	Director of Risk and Compliance	MSc. Finance, PG Dip. Financial Management, Advanced Diploma in Accounting.	48
Tully-Esther Mwambapa	Director of Corporate Affairs	MBA, BA Public Administration & International Relations.	55
Xavery Makwi	Director of Credit	CPA (T), PGD (Legal Practice), LST, LLB, MBA, B.com (Finance)	55
Deusdedit Massuka	Director of Information, Communication and Technology	MSc. Computer Numerical Control (CNC) Systems	56
Prosper Nambaya	Director of Corporate Banking	MSc, Business Management, BA, Economics.	43
Leo Ndimbo	Director of Business Transformation	PGD- BA, Int'l Adv. Dip in Computer Engineering (IADCE)	38
Fredrick Siwale	Managing Director – CRDB Bank Burundi (subsidiary)	MBA, PGD in Business Administration	46
Wilson Mnzava	Ag. General Manager – CRDB Insurance Company Ltd (subsidiary)	MSc in Insurance & Actuarial Science, PGD in Cooperative.	48

The CEO and Management, under the CEO's direction, are responsible for the development of the Group's long-term strategic plans and the effective execution of the Group's business in accordance with those strategic plans. As part of this responsibility, management is charged with the following duties:

- **Business operations-**The CEO and management run the Group's business under the board's oversight, with a view toward building long-term value.
- **Strategic planning -**The CEO and senior management generally take the lead in articulating a vision for the Group's future and in developing strategic plans designed to create long-term value for the Group, with meaningful input from the board. Management implements the plans following board approval, regularly reviews progress against strategic plans with the board, and recommends and carries out changes to the plans as necessary.
- **Identifying, evaluating, and managing risks -** Management identifies, evaluates, and manages the risks that the Group undertakes in implementing its strategic plans and conducting its business. Management also evaluates whether these risks, and related risk management efforts, are consistent with the Group's risk appetite. Senior management keeps the board and relevant committees informed about the Group's significant risks and its risk management processes.
- **Accurate and transparent financial reporting and disclosures -** Management is responsible for the integrity of the Group's financial reporting system and the accurate and timely preparation of the Group's financial statements and related disclosures. It is management's responsibility under the direction of the CEO and Group's Chief Financial Officer to establish, maintain and periodically evaluate the Group's internal controls over financial reporting and Group's disclosure controls and procedures, including the ability of such controls and procedures to detect and deter fraudulent activity.
- **Annual operating plans and budgets -** Senior management develops annual operating plans and budgets for the Group and presents them to the board. The management team implements and monitors the operating plans and budgets, adjusting considering changing conditions, assumptions, and expectations, and keeps the board apprised of significant developments and changes.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

21 CORPORATE GOVERNANCE (Continued)

CEO & Management (Continued)

- **Business resiliency -** Management develops, implements, and periodically reviews plans for business resiliency that provide the most critical protection considering the Group's operations. It is the responsibility of Management to identify the Group's major business and operational risks, including those relating to natural disasters, leadership gaps, physical security, cybersecurity, regulatory changes, and other matters. Management develops and implements crisis preparedness and response plans and works with the board to identify situations (such as a crisis involving senior management) in which the board may need to assume a more active response role.

Compensation of Key Management Personnel

On annual basis, the board reviews and approves compensation of key management personnel. The remuneration of key management personnel during the year was TZS 10,007 million (2021: TZS 10,515million). Details are in note 55 of the financial statement.

Group Performance evaluation and reward

The Group's performance and reward approach ensures remuneration structures are balanced and is designed to drive sustainable performance, by ensuring that reward programmes support our business strategy and are both supportive of, and aligned to, sound remuneration practices. Individual reward and incentives are linked directly to the performance and behaviour of the employee, the performance of their respective business units and the interests of shareholders. Details on the remuneration of the key management personnel are disclosed in Note 55 to the financial statements.

22 QUALITY MANAGEMENT

Information security management system

The Bank is certified with ISO 27001: 2013 (Information security management system) international standard by the British Standard International (BSI). The certificate indicates the secure management of financial products and services, information processing and store facilities, databases, clients' data, and Bank's financial information in core banking operations in the Bank.

The Bank has been certified as complaint with Payment Card Industry Data Security Standard (PCI-DSS) which is applicable to any company that accepts, stores, processes or transmits cardholder data. The certification was presented to the Bank following an in-depth assessment by Qualified Security Assessor (QSA) - Advantio Limited and after the Bank was found to have met all requirement of the standards. This compliance helps the Bank protect its payment systems from breaches and theft of cardholder data.

Business Continuity

Being the leading Bank in Tanzania, we found it imperative to be at the forefront of improving our business resilience by benchmarking our practices against the best management system/standards in the market. In this regard we have been certified by British Standards institute (BSI) as ISO22301:2019 BCMS certified. ISO 22301 is the international standard for Business Continuity Management (BCM), and it provides a practical framework for setting and managing a business continuity management system, aiming to prevent, prepare for, respond to, and recover from unexpected and disruptive incidents.

23 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

Environment Footprint

For us, environmental and social sustainability are fundamental aspects of achieving desired outcomes and are consistent with our long-term growth strategy. Our credit policy gives priority to projects that foster environmental and social sustainability. The Group finances projects and businesses that have a clear strategy of managing social and environmental resources responsibly. We apply international best practices, (including IFC Performance Standards) and adhere to international treaties and conventions, which have been ratified by the respective governments in our markets of operation. We aspire to become a sustainability champion in the region with an enduring commitment to climate action. Our social investment strategy focuses on creating enablers of social transformation by touching the lives of vulnerable communities.

Considering the crucial impact of environmental conservation, the bank has developed a specific environmental and social policy. The policy articulates the commitments of the Bank to sustainable development, elaborates how the Bank integrates environmental and social issues into its processes and activities, and sets the roles and responsibilities including the requirements to deliver these commitments. The policy defines how the Bank manage the environmental and social risks and impacts, and how it supports the overall sustainability of its operations and investments in line with its obligations under national and international law and other relevant standards.

In additional to the developed environmental and social policy, the Bank has also established a unit designated for the assessment and management of Environmental and Social Risks associated with financed projects and advise management accordingly. In carrying out its mandate of promoting sustainable development, the Bank effectively and equitably manage environmental and social risks and impacts and improve outcomes of the financed activities. Through this policy, the bank commits to:

- 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.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

23 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) (Continued)

Environment Footprint (Continued)

- Where avoidance is impossible, mitigate adverse impacts to people and the environment.
- Give due consideration to vulnerable and marginalised populations, groups, individuals, local communities, indigenous peoples, and other marginalized groups of people and individuals that are affected or potentially affected by the Bank-financed activities.

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

The Bank finance projects and businesses which manage their social and environmental impact in a responsible manner based on the Tanzania national Environmental Management Act (EMA 2004), Environmental Impact Assessment (EIA) and Audit Regulations of 2005 and its revised EIA and Audit-amend Regulations of 2018. The Bank adopted international best practices, particularly the IFC Performance Standards to assess and manage environmental and social impact on projects with high risks/impacts.

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

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

The Group embraces a culture of responsible living, with the ultimate intention of building a sustainable work environment that has minimal or nil adverse effects on the environment. Among the efforts done by the Group to minimize ecological footprint are:

- Implementation of Paper-less withdrawal at branches using Sim Banking and continuing rolling out e-banking services to all customer correspondences.
- Continuing creating awareness to the public on web and mobile - based banking solutions that have cut off the amount of paper used.
- Use of automated internal memo and approval workflow system to track and control the number of printouts monthly.
- Continuing creating awareness on an online lending solution for salaried employees, pensioners and agents using the Simbanking mobile application, in which customers apply without visiting branches as well as elimination of the paper trail throughout the processes.
- Adopting collaboration technologies within the Bank's communication systems, such as videoconference kits to cut the number of hours and material resources spent travelling, by air or road for meetings and the use of electronic reports for management meetings.

Environmental conservation has become one of the core issues that need to be addressed to battle climate change and global warming. Through "Pendezesha Tanzania" an environmental campaign that was launched in 2020, aiming to help the government's quest to re-green the country. Through the campaign, CRDB Bank promotes awareness about climate change and the importance of tree planting, while aiming to encourage the larger community to join the initiative.

The initiative earned the Bank an ambassadorial appointment from the Office of Vice President as a partner in the government environmental campaign and our Director of Corporate was appointed as an Environmental Ambassadors in the country.

Pendezesha Tanzania conceptualized to champion tree planting in urban areas to mitigate human pollution brought about by human activity and urban settlement. It also seeks to drive public awareness initiatives on sanitation through regular public cleaning exercises and awareness to the masses. The initiative also cascaded to branches through our Zonal Offices that successfully planted trees in primary and secondary schools in their communities as well as extending support to councils.

In total, our Bank invested more than TZS 130 million in environment-related initiatives.

Sustainable Development Goals (SDGs)

The Group has several initiatives to ensure Group strategies align with the Sustainable Development Goals (SDGs) through our banking products, processes, and loan investment goals, including various efforts to reduce carbon emissions. The Group also is investing in environmental sustainability best practices to promote climate change resilience.

The Group is committed to address climate change and its consequences. To ensure our investors and other stakeholders on the initiatives, the bank incorporated sustainability assessment into its investment and credit processes. Through GCF arrangements, the Bank will finance and assist low-emission projects and activities that will aid in climate change adaptation.

In 2022, the Bank participated in COP27 at Sharm el-Sheikh Egypt, and the main discussion was on the global climate change. As the only GCF recognized entity and the National Direct Access Entity, in collaboration with the Vice President Office (VPO) Division of Environment to represent all other Banks and Financial Institutions.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

23 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) (Continued)

National Climate Change Strategy for the years 2022-2026.

The Group contributed significantly to the environmental and climate change documentation through National Climate Change Strategy for the years 2022-2026.The bank were fully involved in the development and finalization of the strategy, which aims to enable Tanzania to effectively adapt to climate change and participate in global efforts to mitigate climate change in order to achieve sustainable development in line with the Tanzania Development Vision 2025 and the Five-Year National Development Plan.

Social Investment Footprint

The Group continued to advance its sustainability agenda in 2022 with a TZS 3.1 billion investment in corporate social initiatives, focusing on the strategic sectors of Education, Health, Environment, Women and Youth empowerment, and other Corporate Social Investment (CSI) initiatives. The strategic sectors form the basis of the Group's corporate social investment approach and its policy that aims at transforming lives for the betterment of our society whilst benefiting our stakeholders and strengthening the Bank's brand and reputation. Every year we set aside 1% of our gross profit towards investing in various social initiatives with a view of improving lives and creating an impact in the society. We strongly believe that by empowering the community through financial and in-kind support, we will be able to make a greater impact, albeit little by little.

Health

The adage "A healthy Nation Is a Wealthy Nation" is central to CRDB Bank's CSI philosophy. The Bank supports better health outcomes for Tanzanians by investing in health-focused CSI programs to improve access to quality health services. In the year 2022, the Bank extended TZS 840 million to the health sector. The support has been channeled towards improving health infrastructure ranging from construction, and/or renovation of dispensaries, wards as well as the purchase of medical equipment and consumables to the tune of TZS 370million.

Furthermore, various health-related activities were covered in 2022. With highlights on TZS 220 million to support CCBRT Hospital's fundraising for the establishment of the new state-of-the-art Maternity Wing to serve and care for high-risk and emergency cases, including mothers with disabilities, histories of fistula, and adolescents. Additionally, another key health-related support implemented through our long-standing partnership with the Jakaya Kikwete Cardiac Institute (JKCI), the Group also extended its support with a TZS 250 million grant to fund cardiac surgeries for 100 underprivileged children. The two grants were proceeds of our charity-led flagship annual event dubbed CRDB Bank Marathon held in August 2022, which brought together over a dozen corporate partners and attracted more than 6,200 participants.

Education

Education CRDB Bank is committed to fostering a learning environment in the country. The Bank believes that education is a critical component in driving economic development, creating thriving communities, and inspiring young people to reach their full potential. This year, the Group invested more than TZS 260 million in the sector. The investment mainly targeted infrastructure upgrades to improve the learning conditions for students resourcing schools with tools to facilitate learning. Most funds were extended to cater for the construction and renovation of more than 15 classes, provision of more than 1000 desks, construction of dormitories, and support to orphanage centers in the country. Apart from that the bank constructed a laboratory and supported the lab with its equipment in Kizimkazi, Zanzibar, and the same was handed over to the President of the URT; Her Excellency Hon; Samia Suluhu Hassan.

Youth and Women Empowerment

In line with the Government's agenda to empower women and youth as emphasized in National Five Years Development Plan III (FYDPIII) 2021/22 - 2025/26, CRDB Bank is actively supporting youth and women by providing them with the necessary tools, skills, and resources needed to excel in their areas.

Approximately TZS 1 billion has been invested in Women & Youth programs in the year 2022. Highlighting our key activities such as the CRDB Bank Taifa Cup. A national basketball tournament hosted by the Bank and its partners for three years consecutively held in Tanga Region. The tournament pooled together more than 36 teams (12 female & 24 male) from all the regions in Tanzania mainland and isles. This a high-octane fete that provided a unique scouting ground for basketball talent. The tournament provides academic scholarships to more than 20 students every year with 2022 being an addition to a pool of 40 awardees from the previous 2 years.

In the youth sphere, we also did the first-ever CRDB Bank Ngalawa Race that was held in Zanzibar. The initiative supported 20 youths coming from fishing communities who participated in the "Ngalawa race" competition where monetary prizes were won, and the grand winners were awarded a modern motor-powered speedboat.

The Bank also collaborated with different women groups and associations to support women, and entrepreneurship all aiming at improving their livelihoods. The Bank collaborated with different Organizations like the Mwanamke Initiative Foundation (MIF), Maisha Bora Foundation, Tulia Trust, and many others in the implementation.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

24 RESULTS AND DIVIDENDS

The board recommends a dividend of TZS 45 per share from the year 2022 profit after Tax (2021: TZS 36 per share). The total amount of dividend recommended is TZS 117.5 billion (2021: TZS 94.0 billion), which is 33.4% of the net profit.

25 CRITICAL ACCOUNTING POLICIES AND JUDGEMENTS

Results of the Group are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of the financial statements. When preparing the financial statements, it is the Directors' responsibility under the Tanzania Companies Act 2002 to select suitable accounting policies and to make judgments and estimates that are reasonable and prudent. The accounting policies that are deemed critical to our results and financial position, in terms of the materiality of the items to which the policies are applied and the high degree of judgment involved, including the use of assumptions and estimation, are described in notes 5 and 8 to the Financial Statements.

26 SOLVENCY

The state of affairs of the Group and the Bank as at 31 December 2022 is set out on page 191 of the financial statements. The Directors consider the Group and Bank to be solvent within the meaning ascribed by the Tanzania Companies Act No.12 of 2002.

27 ACQUISITIONS AND DISPOSALS

During the year there were neither acquisitions nor disposals of subsidiaries.

28 INVESTMENTS

The Group held the following equity investments:

Investments as at 31 December 2022:	Number of shares	Value of shares (TZS' Million)
Tanzania Mortgage Refinance Company (TMRC)	3,000,000	4,866
Dar es Salaam Stock Exchange (DSE)	327,632	557
Tandahimba Community Bank (TACOBA)*	3,300,000	2,291
Burundi National switch	10,000	113
Kilimanjaro Cooperative Bank (KCBL)	1,400,000	6,108
31 December 2021:		
Tanzania Mortgage Refinance Company (TMRC)	3,000,000	4,866
Dar es Salaam Stock Exchange (DSE)	327,632	426
Tandahimba Community Bank (TACOBA)*	3,300,000	2,886
Burundi National switch	10,000	136
Kilimanjaro Cooperative Bank (KCBL)	1,400,000	5,187

*The Group holds 3.2 million preference shares and 100,000 ordinary shares of TACOBA

29 INVESTMENTS IN SUBSIDIARIES

The Bank has established two wholly owned subsidiaries namely CRDB Insurance Broker Limited, incorporated in the United Republic of Tanzania in 2007 and CRDB Bank Burundi S.A. incorporated in the Republic of Burundi in 2012.

The countries of incorporation are also their principal place of business.

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

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

30 EMPLOYEES WELFARE

CRDB Bank is committed to achieving its business objectives through its people. 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.

This is based on the conviction that a pleasant and safe working climate, with an emphasis on the enduring availability of satisfactorily trained, active, and motivated workforce evidenced by very low employee turnover which is critical success factor for the Bank and its subsidiaries. The Bank strives to create 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.

There are a lot of talks these days about the importance of good nutrition, physical fitness, and stress reduction. Our Bank firmly believes that quality health plays an important role in the success of the organization and to promote health and wellbeing among our staff. The Bank launched wellbeing services in 2021 with the focus on empowering colleagues and eligible dependents to address individuals' challenges which require support in physical and social wellbeing.

The Services includes;

- *Professional telephone counselling in Swahili and English*: Counselling for psychosocial problems, substance abuse, and addiction, relationship problems, financial management, health, personal, or work-related problems, and all mental disorders.
- *Professional face-to-face Counselling*: For any psychological, relationship, medical stress, financial problems, marital and prenatal counselling, trauma-focused counselling, teenage counselling, family therapy, individual and corporate coaching, fitness, nutrition, and lifestyle management.
- *Managerial Consultation* for stress management, crisis management, assistance in managing risk cases, cultural diversity, or performance management of employees.
- *Psychiatric care arrangement:* outpatient assessment and care through an accredited Psychiatrist.
- *Emergency response critical incident stress debriefing (CISD):* Worksite counselling and stress management support such as armed robbery, death, or disaster at a worksite.
- *Education Support and awareness:* Conduct an awareness program across the network to equip employees on key psychological threats/signs periodically.

Management and Employees Relationship

The Group's management focuses on building the right culture as a strategic human resource priority by ensuring that Bank's culture is embedded across all levels and the same is driven across the entire workforce. Having the right culture is an essential element for the Group's future development as we transform towards creating the digital era banking. Amongst the key components in this development is ensuring that our leaders are charged by the major roles of fostering strong leadership capabilities, talent management, enhancing employee relationship and development.

Our leaders believe and always strive in creating an enabling environment where all employees will be able to utilize their fullest potentials while allowing them to connect to each other with dignity and respect. Through this approach, the management maintains a harmonious working environment with both the employees and the Trade Union.

Resultant to these initiatives the Group has been able to retain its key staff and maintained the turnover rate below 2 percent, which is far below the industry rate. Additionally, CRDB Bank continued to maintain a strong organization health index as compared to the global benchmarks as rated by McKenzie and which indicates strong capacity to continuously improve its performance in future.

Employees Performance Management

The Bank uses Performance Management System to evaluate employee's performance against set and agreed objectives. The system forms the basis for providing employees with performance feedback, recognition, development, and corrective action plan to promote effective performance.

The Performance Management System is an integrated process with full participation of managers and staff in both setting and reviewing of performance objectives. The Bank uses the Balanced Scorecard and Competencies Based Framework as a tool for assessing performance of its employees. The Balanced Score Card Performance review is conducted semi-annually where the Line Manager and the subordinate meet to review the performance of that ending period and as a session for giving feedback. The Performance assessment results form a valuable component on one's reward.

Training and Development

The role of training is to improve performance in the job, to develop skills and to prepare individuals for other roles and responsibilities. As with promotion and career development, decisions in respect of who is trained and how that training will be facilitated will be based on individual development needs and not on age, disability, gender, socio-economic status, ethnicity, religion.

The Bank regards its employees as the most valuable asset and is committed to the learning, development, and growth of its employees. The Bank realizes that in discharging its objectives it needs to have trained and skilled personnel to maintain a well-balanced organization and a

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

30 EMPLOYEES WELFARE (Continued)

Training and Development (Continued)

management team capable of performing the duties of the bank properly. To meet its present and future human capital demands, the Bank train and develop its employees through various development programs. The Bank encourages its employees to train and develop themselves to acquire skills, knowledge and competencies which is necessary for their productivity, efficiency, and career development plan.

The Bank has adopted a 70-20-10 model which reveals that individuals tend to learn 70% of their knowledge from challenging experiences and assignments (On the job),20% from developmental relationships, and 10% from coursework and training.

The Group continued to take advantage of the modern facilities at the Training Centre for the development of its workforce. The Group used different learning methodologies to offer these trainings which included: blended learning through different facilities like Video Conferencing which allowed facilitators from one point to interact with different business units; web-based learning (eLearning) whereby one could learn at their own pace; Distance Learning Programs for Professional Banking Qualification; and face to face training sessions which were conducted within and outside the Group. All employees of the Group, have access to more than one learning option and are encouraged to use the opportunity to re-tool and up-skill themselves in their specialised area of working and personal development to enable them to discharge their duties effectively.

Youth Programs

During the year, the Bank launched Graduate Program which focuses on preparing college graduates to become experts in banking and building them into future leaders. The program is a rich career and professional development opportunity for committed graduates that aim to make a positive impact in the Banking Sector.

The program came at the right time when the government and development partners in the country are investing heavily in ensuring that university graduates in the country find employment and create a self-employed environment. The program provides more than a job it creates a fast-paced journey to grow the skills of young graduates, develop their carrier, and unlock their potential. A total of 32 young graduates were enrolled both from Tanzania and Burundi. In the course the trainees receive field training through branches, departments, and units within the bank to build their resilience. As a local Bank We are proud to be part of the youth employment solution.

Employee Wellbeing Initiatives

The Bank have an employee wellness program which is a professional service that offers confidential counselling, sensitization training, capacity building and support with regards to health-related issues. The program aims at sensitizing staff to change and live healthier lifestyles. It emphasizes on the balancing of work/life within dimensions like emotional control, behaviour change, mind and body health, physical fitness etc. Employees have access to a range of health and wellbeing resources, including medical cover, occupational health services and an employee assistance program. The Bank continued to offer employee wellness programs which are unique and far beyond the normal offerings to employees and their family members. The offerings included the programs for teenagers, housemaids and counselling sessions for all staff and their dependents.

Occupational health and safety policy

The Bank has occupational and health and safety policy aiming at ensuring Occupational Health and Safety (OHS) to CRDB Bank staff, its customers, and premises. It specifies the control requirements and guidelines with respect to Occupational Health and Safety, and provides obligations and responsibilities to staff, board of Directors, and the Management to ensure they act in a manner consistent with regulatory requirements and this Policy.

The primary objective of the policy is to ensure premises and OHS key risk, is understood across the Bank, assessed, and mitigated appropriately and adequately managed. The policy set out the minimum control requirements to address the Premises & OHS framework by explaining 'what' Business Units and Functions need to do; and ensure compliance with relevant legal and regulatory requirements, including any required authorizations, permissions, and licenses.

Furthermore, employees are encouraged to participate in various sports activities and working in partnership with external leading health specialists to ensure that health and fitness are a top priority.

In addition, the Bank provides medical benefits through medical insurance scheme to all employees' spouse and to a maximum of four dependents on non-contributory basis.

Annual leave

Every employee is entitled to 30 calendar days annual paid leave once in each calendar year. For every full month worked an employee earns 2.5 leave days. Out of the 30 leave calendar days, an employee is required to take at least 14 days consecutive leave in a calendar year.

Employee grievance and complaints management mechanism

The Bank recognize the value and importance of having harmonious environment at the workplace and made effort to ensure any reported complaints and grievances are expeditiously handled.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

30 EMPLOYEES WELFARE (Continued)

Financial Assistance to staff/ Staff loan scheme

The Bank offers staff loans to enable its employees acquire capital goods, property, to effect improvements to their properties, to meet educational expenses for themselves or dependents and to meet unforeseen financial commitments. Staff loans are guided by the Bank's Credit Policy and Credit Manual. Loans are available to all confirmed employees depending on the assessment of the need and circumstances if it is in line with the Human Resources and Credit Policies.

Staffing

The Group has a clear hiring policy, which is built on the provision of equal employment opportunities to all genders. It ensures to provide equal access to employment free from discrimination of any kind and without regard to factors like race, colour religion, sex, nationality, national origin, tribe, age or disability, social origin, political opinion, gender, pregnancy, marital status, HIV/AIDS, station of life which does not impair someone's abilities to carry out his duties.

Decisions in respect of promotions and career development focus on skills and talents rather than assumptions based on age, disability, gender, socioeconomic status, ethnicity, religion.

The hiring policy is annually reviewed through process views and recommendations from key stakeholders such as "Trade Union" are considered.

Persons with Disabilities

It is the Group's policy to provide employment to disabled persons wherever practicable. The Group has always considered this policy whenever it recruits. As at 31 December 2022, there were two (2) persons with disabilities who are employees of the Bank. We practise a non-discrimination policy against qualified individuals with disabilities in job application procedures, hiring, firing, promotion, compensation, job training, and other areas of employment.

In the event of any employee becoming physically challenged in the course of employment, where possible, the bank can arrange training to ensure the continuous employment of such a person without subjecting him/her to any disadvantage in his/her career development.

If an employee has a disability, the Group make reasonable adjustments, to accommodate individual requirements. Where possible a range of training options will be used, such as e-learning and regional seminars, to ensure that everyone has equal access to training irrespective of disability, location, or hours of work. Training materials will aim to reflect, in the language and images, the diversity of our employees and customers.

Non-discrimination/ harassment

To provide equal employment and advancement opportunities to all individuals, employment decisions in the Bank are based on merit, qualifications, and abilities. There is no discrimination on employment opportunities or practices because of race, colour, religion, sex, nationality, tribe, age disability, social origin, political opinion, gender, pregnancy, marital status, HIV/AIDS, and status of life.

The Bank is committed to providing a work environment that is free of discrimination and harassment including sexual harassment. Actions, words, jokes, or comments based on an individual's sex, race, ethnicity, age, religion, or any other legally protected characteristic is not tolerated.

Employees with questions or concerns about discrimination and/or being harassed in any way in the workplace are encouraged to inform or report to their direct reports. If the Supervisor is the one accused, the staff is advised to report such an incident to the next Manager or Director in the chain of command. Staff found to be engaging in unlawful discrimination is subject to disciplinary action including termination of employment. Employees are encouraged to raise concerns and report all discriminatory and harassment incidents without fear of reprisal.

Employee Benefit Plan

CRDB Bank Plc is a registered member of the Public Service Social Security Fund, which the employee and the employer make monthly contributions according to the law. The Bank and employees both contribute 15% and 5% respectively of the employees' basic salaries to PSSSF. The Group's contributions are charged to profit or loss when incurred. The Group's obligations under the schemes are limited to specific contributions legislated from time to time.

The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

31 TALENT MANAGEMENT AND SUCCESSION PLANNING

Succession planning

The Bank endeavours to minimize the risk of key man dependence by creating a succession pool. Successor's development plans are established in preparation for their readiness. The succession pool creates a provision for talent sourcing in the event of an attrition in a critical position. The Succession planning process in the Bank is mainly built to address the following main objectives: Identify high-potential

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

31 TALENT MANAGEMENT AND SUCCESSION PLANNING (Continued)

Succession planning (Continued)

employees capable of rapid advancement to positions of higher responsibility than those they presently occupy, ensure the systematic and long-term development of individuals to replace critical job incumbents as the need arises, provide 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.

Talent management

The Bank undertakes to identify, develop, and retain talented employees. The Bank has its talent management framework which provides a guideline on how talent will be identified in the bank linking performance to potential. To enable the Bank, remain competitive and successfully carry out its activities, ensure long-term supply of required skills and expertise for its business development and sustainability, it is in the bank's best interests to develop staff to be prepared to assume different leadership levels rather than position. Talent Management and development is a model developed to ensure a knowledgeable labour supply exists within the Bank to replace personnel leaving the organization regardless of the reason.

32 RELATED PARTY TRANSACTIONS

Parties are related if one party can control the other party or exercise significant influence over the other party in making financial or operational decisions. In the normal course of business, several banking relationships are entered into with related parties' i.e., key management staff, Directors, their associates, and companies associated with Directors. Such relationships are guided by policies approved by the board to ensure the same is done at arm's length. Loans and advances to companies associated with Directors amounted to TZS 729 million (2021: TZS 684 million), while loans and advances to Directors and other key management personnel amounted to TZS 10,768 million (2021: TZS 7,423 million). The volumes of related party transactions for the year and the outstanding amounts at the year-end are provided under Note 55 of the financial statements.

The transactions with related parties are carried at arm's length basis.

33 POLITICAL AND CHARITABLE CONTRIBUTIONS

The Group did not make any political contributions during the year (2021: Nil).

34 SERIOUS PREJUDICIAL ISSUES/ MATTERS

During the year 2022, there were no serious legal matters which could affect the Group or Bank (2021: None).

35 EVENTS AFTER REPORTING PERIOD

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

36 STATEMENT OF COMPLIANCE

The Report by those charged with governance has been prepared in compliance with the Tanzania Financial Reporting Standard No. 1 (The Report by those charged with governance). This standard replaces TFRS 1 on Directors report that was issued by NBAA on 1 January 2010.The standard becomes operative for financial statements covering accounting periods beginning on or after 1st January 2022.

37 APPOINTMENT OF AUDITORS

Ernst & Young,
EY House, Plot 162/1 Mzinga Way,
14111 Oysterbay,
P.O. Box 2475,
Dar es Salaam, Tanzania.
Telephone: +255 22 2924040/41/42 Fax +255 22 2924043
Email. Info.Tanzania@Tz.Ey.Co
Website: Http://Www.Ey.Com
Firms' Registration Number: 151
Tin Number: 100-149-222

Our External auditor (EY) has been appointed as per the 'Banking and Financial Institutions (External Auditors) Regulation, 2014, section 5 (1) 'A bank or financial institution shall appoint annually an external auditor who has no conflict of interest and notify the Bank within seven days of such appointment'. Ernst & Young has been re-appointed for the second term of three years from 2021 through a competitive bidding as required by Banking and Financial Institutions (External Auditors) Regulation, 2014, section 6 (2) 'the re-appointment of an external auditor for a second term of three years shall be subject to a competitive bidding' .

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

37 APPOINTMENT OF AUDITORS (Continued)

EY was approved at the Annual General Meeting held in 22 May 2022. To comply with the 'Banking and Financial Institutions (External Auditors) Regulation, 2014, section 6 (4) 'An external auditor shall rotate the engagement partner in charge of audit of a bank or financial institution after every three years', the engagement partner in charge of the audit of the bank has been changed.

Partner's PF Number: ACPA 3438

38 RESPONSIBILITY OF THE AUDITORS

Auditor is responsible to provide assurance of the correctness and consistency of each information contained in the report by those charged with governance with those provided in the financial statements.

39 STATEMENT OF RESPONSIBILITY BY THOSE CHARGED WITH GOVERNANCE

It is the responsibility of those charged with governance to prepare financial statements of the Group which show a true and fair view in accordance with applicable standards, rules, regulations, and legal provisions. This responsibility covers the period from the beginning of the financial year to the date those charged with governance approve the audited financial statements and it covers all those charged with governance who acted in this capacity during any part of the period covered by financial statements.

BY ORDER OF THOSE CHARGED WITH GOVERNANCE

SIGNED ON ITS BEHALF BY:

Dr. Ally H. Laay
Chairman

28 March 2023
Date

Hosea E. Kashimba
Non-executive Director

28 March 2023
Date

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

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

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

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

Signed on behalf of the Board of Directors by:

Dr. Ally H. Laay
Chairman

28 March 2023
Date

DECLARATION OF THE CHIEF FINANCIAL OFFICER FOR THE YEAR ENDED 31 DECEMBER 2022

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

It is the duty of a Professional Accountant to assist the board of Directors to discharge the responsibility of preparing financial statements of an entity showing a true and fair view of the entity's position and performance in accordance with applicable International Financial Reporting Standards (IFRS) and statutory financial reporting requirements.

Full legal responsibility of the preparation of financial statements rests with the board of those charged with governance as declared under the Statement of Directors' Responsibility on page 183.

I Frederick Bayona Nshekanabo, being the Chief Financial Officer of CRDB Bank Plc, hereby acknowledge my responsibility of ensuring that consolidated and separate financial statements of CRDB Bank Plc (the "Bank") and its subsidiaries for the year ended 31 December 2022 have been prepared in compliance with International Financial Reporting Standards (IFRS) and the requirements of Companies Act No.12 of 2002 and Banking and Financial Institutions Act (BFIA), 2006 and its regulations.

I, thus confirm that the consolidated and separate financial statements give a true and fair view position of CRDB Bank Plc and its subsidiaries as on that date and that it has been prepared based on properly maintained financial records.

Signed By:

28 March 2023

Frederick B. Nshekanabo | **Date**

Chief Financial Officer
ACPA 1388

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CRDB GROUP AND BANK

REPORT ON THE AUDIT OF THE GROUP AND BANK FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of CRDB Bank Plc (the "Bank") and its subsidiaries (together, the "Group") set out on pages 189 to 447, which comprise the consolidated and separate statements of financial position as at 31 December 2022, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group and the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the 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.

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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provided the basis for our audit opinion on the accompanying consolidated and separate financial statements.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CRDB GROUP AND BANK (Continued)

REPORT ON THE AUDIT OF THE GROUP AND BANK FINANCIAL STATEMENTS (Continued)

Key Audit Matters (Continued)

No.	Key audit matter	How our audit addressed the key audit matter
1.	**Credit risk and impairment of loans and advances to customers**	
	As at 31 December 2022, the provision for impairment on loans and advances to customers was TZS 23.04 billion (2021: TZS 74.46 billion) This represents the estimation of expected losses on loans and advances to customers at the year end. The determination of appropriate provisions for impairment is a key audit matter as it requires management judgement, is subject to estimation uncertainty and relies on available data. Management's assessment of significant increase or decrease in credit risk involves judgments and if not properly performed may result into misallocation of loans in different categories based on levels of risks hence misstatement of the impairment amount. There is a risk that the provision for impairment of financial assets does not represent a complete and accurate estimate of expected losses and that the carrying value of these items is misstated. This includes the risk that the ECL model is not in compliance with IFRS 9. The accounting policy and key sources of estimation uncertainty in relation to financial asset impairment provisions are disclosed in Note 7 (7.15) to the financial statements on pages 218 to 221.	Our audit procedures included: • We undertook an assessment of the Bank's provisioning methodology and compared it with the requirements of IFRS 9. • We evaluated the design and operating effectiveness of the Bank's controls and IT controls around credit management, ECL model and provision assessment. • We tested key controls over completeness and accuracy of data inputs to loan loss provisioning. • We assessed management's judgements and assumptions in relation 'significant increase or decrease in credit risk' and the allocation of loans into different categories. • We tested a sample of loans to ensure that they have been included in the correct stage in accordance with the Bank's methodology and IFRS 9. • We reviewed the IFRS 7 disclosures for compliance with the amendments relating to IFRS 9.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CRDB GROUP AND BANK (Continued)

REPORT ON THE AUDIT OF THE GROUP AND BANK FINANCIAL STATEMENTS (Continued)

Other Information included in the Group's 2022 Annual Report

The other information comprises the Bank Information, Directors' Report, Statement of Directors' responsibilities, and the declaration by the Head of Finance. The other information does not include the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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

In connection with our audit of the 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 and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2002 and the Banking and Financial Institutions Act, 2006 of Tanzania, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors are responsible for overseeing the Group's and the Bank's financial reporting process.

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 scepticism throughout the audit. We are also:

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

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

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

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CRDB GROUP AND BANK (Continued)

REPORT ON THE AUDIT OF THE GROUP AND BANK FINANCIAL STATEMENTS (Continued)

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

- In our opinion, the capital adequacy ratios as presented in Note 10.11 to the financial statements have been computed in accordance with the Banking and Financial Institutions Act, 2006, and the Banking and Financial Institutions (Capital Adequacy) Regulations, 2014 of Tanzania.

The engagement partner on the audit resulting in this independent auditor's report is Deokari S. Mkenda.

31 March 2023

Deokari S. Mkenda (ACPA 3438)
For and behalf of:
Ernst & Young
Certified Public Accountants
Dar es Salaam

Date

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

STATEMENTS OF PROFIT OR LOSS

					In TZS' Million
		GROUP	GROUP	**BANK**	BANK
	Note	**2022**	2021	**2022**	2021
Interest income Calculated using the Effective Interest Method	11	**965,471**	789,666	**917,649**	758,261
Other interest and similar income	11	**1,814**	779	**1,814**	779
Interest expense Calculated using the Effective Interest Method	12	**(219,472)**	(142,239)	**(209,218)**	(134,781)
Other Interest and Similar expense	12	**(1,980)**	(2,331)	**(1,952)**	(2,278)
Net interest income		**745,833**	645,875	**708,293**	621,981
Fees and commission income	13A	**333,909**	257,305	**328,883**	253,060
Fees and commission expense	13B	**(70,737)**	(51,248)	**(69,544)**	(51,150)
Net fees and Commission Income		**263,172**	206,057	**259,339**	201,910
Net foreign exchange income	14	**57,557**	37,768	**54,786**	36,502
Credit Loss expense on financial assets	31	**(60,435)**	(23,255)	**(59,675)**	(23,433)
Net gains on financial assets at fair value through profit or loss	15	**2,613**	1,447	**1,814**	546
Net gains/(losses) on equity investment at FVPL	15	**(595)**	331	**(595)**	331
Net gains on derecognition of financial assets measured at fair value through OCI	16	**44,268**	31,084	**44,268**	31,084
Other Operating income	17	**98**	1,408	**4,442**	6,541
Net Operating Income		**1,052,511**	900,715	**1,012,672**	875,462
General and administrative expenses	18	**(178,693)**	(150,661)	**(168,589)**	(144,123)
Depreciation and amortisation	19	**(70,918)**	(66,520)	**(69,605)**	(65,060)
Employees benefits expenses	20	**(300,482)**	(293,788)	**(292,363)**	(286,246)
Impairment Other Assets	33	**(4,709)**	(2,380)	**(4,710)**	(2,520)
Total Operating Expenses		**(554,802)**	(513,349)	**(535,267)**	(497,949)
Profit before income tax		**497,709**	387,366	**477,405**	377,513
Income tax expense	21A	**(146,302)**	(119,205)	**(144,925)**	(117,896)
Profit for the year		**351,407**	268,161	**332,480**	259,617
Profit attributable to:					
Owners of the parent entity		**351,407**	268,161	**332,480**	259,617
Non-Controlling interests*		**-**	-	**-**	-
		351,407	268,161	**332,480**	259,617
Basic and diluted earnings per share attributable to equity holders of the parent entity (TZS)	22	**134.54**	102.67		

*The Group's subsidiaries are 100% owned by the parent entity.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

STATEMENT OF COMPREHENSIVE INCOME

	Note	GROUP 2022	GROUP 2021	BANK 2022	BANK 2021
					In TZS' Million
Profit for the year		**351,407**	268,161	**332,480**	259,617
Items that may be subsequently reclassified to profit or loss:					
Gain on Debt instruments at FVOCI		**47,654**	26,467	**47,654**	26,467
Gain on Debt instrument at FVOCI reclassified to Profit or loss		**(44,268)**	(31,084)	**(44,268)**	(31,084)
Translation reserve		**(694)**	(791)	**-**	-
Income tax relating to these items**	40	**(1,016)**	2,915	**(1,016)**	2,915
Total items that will be reclassified to the statement of profit or loss		**1,676**	(2,493)	**2,370**	(1,702)
Items that may not be subsequently reclassified to profit or loss:					
Revaluation gains/(losses) on equity instrument at FVOCI		**1,053**	1,991	**1,053**	1,991
Revaluation surplus – Motor vehicles and mobile branches		**-**	-	**-**	-
Income tax relating to these items**	40	**(353)**	(824)	**(353)**	(824)
Total items that will not be reclassified to the statement of profit or loss	50	**700**	1,167	**700**	1,167
Other comprehensive income for the year, net of tax		**2,376**	(1,326)	**3,070**	(535)
Total comprehensive income		**353,783**	266,835	**335,550**	259,082
Total comprehensive income attributable to:					
Owners of the parent entity		**353,783**	266,835	**335,550**	259,082
Non-controlling interests*		**-**	-	**-**	-
		353,783	266,835	**335,550**	259,082

*The Group's subsidiaries are 100% owned by the parent entity.
**Taxes relates to Revaluation gain on equity and debt instrument at FVOCI.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	Note	GROUP 2022	GROUP 2021	BANK 2022	BANK 2021
					In TZS' Million
ASSETS					
Cash and balances with central bank	24	**982,435**	888,698	**864,565**	869,079
Due from banks	25	**693,506**	493,216	**711,979**	442,784
Financial Assets at FVPL	26	**23,703**	27,097	**17,417**	20,807
Debt Instruments at FVOCI	27	**786,118**	424,160	**786,118**	424,160
Credit cards	28	**1,248**	1,844	**1,248**	1,844
Equity investment at FVPL	29A	**2,291**	2,886	**2,291**	2,886
Equity investment at FVOCI	29B	**11,644**	10,595	**11,531**	10,479
Loans and advances to customers	30	**6,876,509**	5,040,368	**6,706,018**	4,903,448
Debt Instrument at amortised cost	27	**1,483,968**	1,202,593	**1,148,248**	1,001,563
Other assets	33	**246,824**	210,932	**249,586**	213,012
Current income Tax recoverable	21B	**8,098**	8,940	**9,854**	9,619
Investment in subsidiary	34	**-**	-	**21,683**	21,683
Non-Current Assets Held for Sale	35	**16,600**	16,600	**16,600**	16,600
Property and equipment	36A	**18,780**	20,685	**17,911**	19,815
Motor vehicles and Mobile Branches	36B	**353,491**	357,556	**340,437**	346,040
Right-of-use assets	37	**29,287**	35,355	**29,041**	34,939
Prepaid operating leases	38	**9,306**	9,730	**9,306**	9,730
Intangible assets	39	**40,800**	25,174	**39,889**	24,173
Deferred income tax asset	40	**51,949**	41,130	**51,743**	41,138
TOTAL ASSETS		**11,636,557**	8,817,559	**11,035,465**	8,413,799
LIABILITIES					
Deposits from Customer	41	**8,200,393**	6,489,614	**7,677,675**	6,153,920
Deposits and balances due to other banks	42	**1,127,369**	715,202	**1,103,605**	682,948
Other liabilities	43A	**181,671**	150,468	**177,967**	147,614
Lease Liability	43B	**31,437**	37,676	**31,156**	37,120
Provisions	44	**1,580**	2,679	**1,580**	2,679
Grants	45	**3,012**	4,730	**3,012**	4,730
Borrowings	46	**491,277**	197,862	**491,277**	197,862
Subordinated Debts	47	**120,742**	-	**120,742**	-
TOTAL LIABILITIES		**10,157,481**	7,598,231	**9,607,014**	7,226,873
EQUITY					
Share capital	49	**65,296**	65,296	**65,296**	65,296
Share Premium	50	**158,314**	158,314	**158,314**	158,314
Retained earnings	50	**1,196,472**	943,500	**1,158,830**	919,841
Legal Provision Reserve	50	**11,065**	6,951	**-**	-
Regulatory reserve	50	**1,576**	756	**-**	-
Translation Reserve	50	**342**	1,036	**-**	-
Revaluation Reserve	50	**46,011**	43,475	**46,011**	43,475
TOTAL EQUITY		**1,479,076**	1,219,328	**1,428,451**	1,186,926
TOTAL LIABILITIES AND EQUITY		**11,636,557**	8,817,559	**11,035,465**	8,413,799

The financial statements on pages 189 to 447 were approved and authorised for issue by those charged with governance on 17 February 2023 and signed on its behalf by:

Dr. Ally H. Laay **Chairman**	**Abdulmajid M. Nsekela** **Managing Director**	**Hosea E. Kashimba** **Non-executive Director**

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

STATEMENTS OF CHANGES IN EQUITY

GROUP									In TZS' Million
Year ended 31 December 2022	Note	Share capital	Share premium	Retained earnings	Regulatory reserve	Legal provision reserve	Revaluation reserve	Translation reserve	Total
At 1 January 2022		65,296	158,314	943,500	756	6,951	43,475	1,036	1,219,328
Profit for the year		-	-	351,407	-	-	-	-	351,407
Comprehensive income									
Gain on Debt instruments at FVOCI		-	-	-	-	-	47,654	-	47,654
Gain on Debt instrument at FVOCI reclassified to Profit or loss		-	-	-	-	-	(44,268)	-	(44,268)
Revaluation gain/ (loss) on equity instrument at FVOCI		-	-	-	-	-	1,053	-	1,053
Tax on other comprehensive income	40	-	-	-	-	-	(1,369)	-	(1,369)
Translation reserve		-	-	-	-	-	-	(694)	(694)
Total comprehensive income		-	-	351,407	-	-	3,070	(694)	353,783
Transfer of excess depreciation net of deferred tax	50	-	-	534	-	-	(534)	-	-
Transfer to general Banking reserve and regulatory Banking risk reserve		-	-	(830)	820	-	-	-	(10)
Legal Provision		-	-	(4,114)	-	4,114	-	-	-
Transactions with shareholders		-	-	-	-	-	-	-	-
Dividends declared	23	-	-	(94,025)	-	-	-	-	(94,025)
At 31 December 2022		65,296	158,314	1,196,472	1,576	11,065	46,011	342	1,479,076

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

GROUP									In TZS' Million
Year ended 31 December 2021	Note	Share capital	Share premium	Retained earnings	Regulatory reserve	Legal provision reserve	Revaluation reserve	Translation reserve	Total
At 1 January 2021		65,296	158,314	735,698	1,259	3,346	45,224	1,827	1,010,964
Profit for the year		-	-	268,161	-	-	-	-	268,161
Comprehensive income									
Gain on Debt instruments at FVOCI		-	-	-	-	-	26,467	-	26,467
Gain on Debt instrument at FVOCI reclassified to Profit or loss							(31,084)		(31,084)
Revaluation gain/ (loss) on equity instrument at FVOCI		-	-	-	-	-	1,991	-	1,991
Tax on other comprehensive income	40						2,091		2,091
Translation reserve		-	-	-	-	-	-	(791)	(791)
Total comprehensive income		-	-	268,161	-	-	(535)	(791)	266,835
Transfer of excess depreciation net of deferred tax	50	-	-	1,214	-	-	(1,214)	-	-
Transfer to general Banking reserve and regulatory Banking risk reserve		-	-	(508)	(503)	-	-	-	(1,011)
Legal Provision		-	-	(3,605)	-	3,605	-	-	-
Transactions with shareholders									
Dividends declared	23	-	-	(57,460)	-	-	-	-	(57,460)
At 31 December 2021		65,296	158,314	943,500	756	6,951	43,475	1,036	1,219,328

*The amount relates to the retain earnings of the MFSCL subsidiary liquidated during the year by transferring its operations to the parent company.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

BANK Year ended 31 December 2022	Note	Share capital	Share premium	Retained earnings	Revaluation reserve	In TZS' Million Total
At 1 January 2022		**65,296**	**158,314**	**919,841**	**43,475**	**1,186,926**
Profit for the year		**-**	**-**	**332,480**	**-**	**332,480**
Comprehensive income						
Gain/ (Loss) on debt instruments at fair value through OCI	50	**-**	**-**	**-**	**47,654**	**47,654**
Reclassified to profit or loss		**-**	**-**	**-**	**(44,268)**	**(44,268)**
Revaluation gain/ (loss) on equity instrument at FVOCI		**-**	**-**	**-**	**1,053**	**1,053**
Tax on other comprehensive income		**-**	**-**	**-**	**(1,369)**	**(1,369)**
Total comprehensive income		**-**	**-**	**332,480**	**3,070**	**335,550**
Transfer of excess depreciation net of deferred tax	50	**-**	**-**	**534**	**(534)**	**-**
Transactions with shareholders						
Dividend declared	23	**-**	**-**	**(94,025)**	**-**	**(94,025)**
At 31 December 2022		**65,296**	**158,314**	**1,158,830**	**46,011**	**1,428,451**

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

BANK Year ended 31 December 2021	Note	Share capital	Share premium	Retained earnings	Regulatory reserve	Revaluation reserve	In TZS' Million Total
At 1 January 2021		65,296	158,314	716,470	-	45,224	985,304
Profit for the year		-	-	259,617	-	-	259,617
Comprehensive income							
Gain/ (Loss) on debt instruments at fair value through OCI	50					26,467	26,467
Reclassified to profit or loss		-	-	-	-	(31,084)	(31,084)
Revaluation gain/ (loss) on equity instrument at FVOCI						1,991	1,991
Tax on other comprehensive income		-	-	-	-	2,091	2,091
Total comprehensive income		-	-	259,617	-	(535)	259,082
Transfer of excess depreciation net of deferred tax	50	-	-	1,214	-	(1,214)	-
Transactions with shareholders		-	-	-	-	-	-
Dividend declared	23	-	-	(57,460)		-	(57,460)
At 31 December 2022		65,296	158,314	919,841	-	43,475	1,186,926

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

STATEMENT OF CASH FLOWS

In TZS' Million

	Note	GROUP 2022	GROUP 2021	BANK 2022	BANK 2021
Cash flow from operating activities					
Profit before income tax		**497,709**	387,366	**477,405**	377,513
Adjustment for:					
Depreciation of property and equipment	36A	**48,066**	40,862	**47,310**	39,941
Depreciation of motor vehicle and mobile branches	36B	**3,467**	3,314	**3,328**	3,170
Depreciation of right-of-use assets	37	**9,499**	13,041	**9,312**	12,856
Amortization of intangible assets	39	**9,608**	9,005	**9,377**	8,795
Depreciation of prepaid operating leases	38	**278**	298	**278**	298
Loss/(Gain) on disposal of property and equipment*	17	**1,712**	78	**1,712**	78
Loan impairment charges	30	**72,224**	54,788	**71,461**	54,944
Provisions - Debt instruments	31	**117**	41	**117**	41
Provisions - Placements	31	**864**	(203)	**864**	(203)
Provisions - Off balance sheet	31	**(298)**	1,050	**(298)**	1,050
Provisions - Credit cards	31	**435**	(682)	**435**	(682)
Dividend income	17	**-**	38	**(4,344)**	5,171
Other assets impairment charges	33	**4,709**	2,380	**4,710**	2,520
Grant utilization	45	**(1,718)**	(1,402)	**(1,718)**	(1,402)
Interest income	11	**(967,285)**	(790,445)	**(919,463)**	(759,040)
Interest expense	12	**221,452**	144,570	**211,170**	137,059
Loss/(Gain) on FVPL		**595**	(1,778)	**595**	(877)
Foreign currency exchange gain on borrowings	46	**(1,327)**	(74)	**(1,327)**	(74)
Foreign currency exchange loss on subordinated debt	47	**83**	-	**83**	-
Foreign currency exchange loss/(gain) on cash and cash equivalents		**(1,832)**	(6,353)	**(1,832)**	**(6,353)**
		(599,352)	(531,472)	**(568,231)**	**(502,708)**
Changes in operating assets and liabilities:					
Statutory minimum reserve		**(158,334)**	(1,387)	**(158,334)**	1,387
Due from banks		**(201,154)**	(133,451)	**(268,722)**	(57,429)
Financial Assets at FVPL		**2,497**	(22,194)	**2,493**	(20,574)
Debt Instruments at FVOCI		**(305,041)**	134,344	**(305,973)**	134,344
Credit card		**161**	(631)	**161**	(631)
Loans and advances to customers		**(1,895,526)**	(1,145,226)	**(1,859,436)**	(1,097,684)
Debt Instrument at amortised costs		**(276,762)**	(181,820)	**(146,426)**	(138,960)
Other assets		**(40,578)**	(6,998)	**(41,342)**	(10,969)
Deposits from customers		**1,788,983**	1,054,061	**1,556,726**	921,092
Deposits and balances due to other bank		**476,763**	485,709	**583,506**	381,335
Other liabilities		**29,423**	31,280	**28,554**	30,472
Provisions		**(1,109)**	(2,703)	**(1,099)**	(2,292)
Interest received from loans and advances to customers		**761,006**	569,687	**734,125**	568,231

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

STATEMENT OF CASH FLOWS (CONTINUED)

In TZS' Million

	Note	GROUP 2022	GROUP 2021	BANK 2022	BANK 2021
Interest received from credit card		**1,088**	692	**1,088**	**692**
Interest received from Debt instruments at amortised cost		**116,264**	96,937	**96,585**	85,554
Interest received from Debt instruments at FVOCI		**63,464**	67,771	**63,464**	67,771
Interest received from financial assets FVPL		**2,711**	1,447	**2,711**	546
Interest paid		**(175,649)**	(110,159)	**(162,383)**	(105,585)
Income tax paid	21B	**(156,050)**	(99,618)	**(155,537)**	(98,937)
Net cash generated from operating activities		**(69,486)**	593,635	**(120,665)**	533,168
Cash flows from investing activities					
Purchase of property and equipment	36A	**(45,552)**	(63,890)	**(42,814)**	(63,108)
Purchase of motor vehicle and mobile branches	36B	**(1,944)**	(6,339)	**(1,944)**	(6,049)
Purchase of intangible assets	39	**(25,667)**	(4,449)	**(25,496)**	(3,863)
Investment in shares	33	**-**	-	**-**	-
Dividend received		**-**	38	**4,344**	38
Proceeds from disposal of property and equipment, motor vehicle and intangible assets		**665**	988	**665**	566
Net cash used in investing activities		**(72,498)**	(73,652)	**(65,245)**	(72,416)
Cash flows from financing activities					
Dividends paid		**(91,928)**	(57,546)	**(91,928)**	(57,546)
Borrowings received	46	**349,880**	20,970	**349,880**	20,970
Repayment of borrowings	46	**(59,202)**	(59,450)	**(59,202)**	(59,450)
Interest paid on borrowings	46	**(24,663)**	(14,201)	**(24,663)**	(14,201)
Subordinated debt received/(repayment)	47	**116,597**	(30,000)	**116,597**	(30,000)
Interest paid on subordinate debt	47	**(2,920)**	(3,998)	**(2,920)**	(3,998)
Interest paid on lease liabilities	43B	**(1,979)**	(2,331)	**(1,952)**	(2,278)
Principal payment on lease liabilities	43B	**(9,075)**	(12,745)	**(8,880)**	(12,369)
Net cash (used in) financing activities		**276,710**	(159,301)	**276,932**	(158,872)
Cash and cash equivalents at 1 January		**1,151,892**	784,857	**1,081,842**	773,609
Net cash generated from operating activities		**(69,486)**	593,635	**(120,665)**	533,168
Net cash used in investing activities		**(72,498)**	(73,652)	**(65,245)**	(72,416)
Net cash used in financing activities		**276,710**	(159,301)	**276,932**	(158,872)
Effect of exchange rate change on cash and cash equivalents		**1,832**	6,353	**1,832**	6,353
Cash and cash equivalents at 31 December	51	**1,288,450**	1,151,892	**1,174,696**	1,081,842

Includes Loss on disposal of Property plant & Equipment's, Motor Vehicles and Mobile Branches, Intangibles, Prepaid Operating leases.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

1 CORPORATE INFORMATION

CRDB Bank Plc (the "Bank") and its subsidiaries CRDB Insurance Broker Limited, and CRDB Bank Burundi S.A (together, "the Group") provide corporate and retail Banking services including microfinance and insurance services. The Bank is a public limited company incorporated under the Companies Act No.12 of 2002 and is domiciled in Tanzania.

The Bank and CRDB Insurance Brokerage Limited operate in Tanzania. CRDB Bank Burundi S.A. operates in Burundi.

The Bank's shares are listed on the Dar es Salaam Stock Exchange (DSE).

The address of its registered office is as follows:

CRDB Headquarters,
Plot No.25 & 26 Ali Hassan Mwinyi Road &
Plot No.21 Barack Obama Road
P.O. Box 268, 11101 Dar es Salaam, Tanzania

The consolidated and Bank's financial statements for the year ended 31 December 2022 were approved for issue by Those Charged with governance on 18th Feb 2022. Neither the entity's owners nor others have the power to amend the financial statements after issue.

2 BASIS OF PREPARATION

The consolidated financial statements have been prepared on a historical cost basis, except for the following;

- Debt instrument at fair value through OCI and motor vehicles and/or mobile branches measured at fair value
- Other financial assets and liabilities measured at amortised cost as explained in the accounting policies.
- Financial assets measured at FVPL
- Equity instrument measured at FVOCI
- Equity instrument measured at FVPL

In the preparation of financial statements, the Bank has considered the impact of macro-economic and geopolitical uncertainty especially on areas which needs significant estimates and judgements and considered materiality assessments.

The financial statements are presented in Tanzania shillings (TZS) which is the functional currency, and the amounts are rounded to the nearest million, except where otherwise indicated.

The Bank has prepared its consolidated financial statement on the basis that it will continue to operate as a going concern-refer to note 8.3

3 STATEMENT OF COMPLIANCE

The Group's consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

The Group's consolidated and separate financial statements, except for cashflow statement, have been prepared using the accrual basis of accounting.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the Group's accounting policies.

Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. The directors believe that the underlying assumptions are appropriate and that the Group's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 8.

4 PRESENTATION OF FINANCIAL STATEMENTS

These financial statements comprise the statements of financial position (also referred to as the balance sheet) as at 31 December 2022, the income statement; and statement of other comprehensive income, statements of changes in equity and statements of cash flows for the year ended; as well as the notes, which comprise a summary of significant accounting policies and other explanatory notes.

The Bank presents its statement of financial position in order of liquidity based on the Bank's intention and perceived ability to recover/settle most assets/liabilities of the corresponding financial statement line item. Financial assets and financial liabilities are generally reported gross in the consolidated statement of financial position except when IFRS netting criteria are met.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

4 PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

Application of the going concern principle

VThe Group's management has assessed its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. In making this assessment, the Bank has considered the impact of climate-related matters on going concern assessment. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

5 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has not early adopted any new standards, interpretations or amendments that have been issued but are not yet effective in these financial statements. Other amendments and interpretations apply for the first time in 2022, but do not have an impact on the Bank's consolidated financial statements.

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

(i) New and amended standards adopted by the Group and Bank

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

International Financial Reporting Standards and amendments effective for the first time for *December* 2022 year-end		
Standards & Amendments	**Effective date**	**Executive summary**
Amendment to IFRS 3, 'Business combinations' Asset or liability in a business combination clarity	Annual periods beginning on or after 1 January 2022 (Published May 2021)	The Board has updated IFRS 3, 'Business combinations', to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. In addition, the Board added a new exception in IFRS 3 for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', or IFRIC 21, 'Levies', rather than the 2018 Conceptual Framework. The Board has also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date. Based on management assessment, the amendment is not expected to have a significant impact to the bank's financial statements.
Amendments to IAS 37 Onerous Contracts—Cost of Fulfilling a Contract	Annual periods beginning on or after 1 January 2022 (Published May 2020)	The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract. Based on management assessment, the amendment does not have a significant impact to the bank's financial statements.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
5 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

International Financial Reporting Standards and amendments effective for the first time for *December* 2022 year-end		
Standards & Amendments	**Effective date**	**Executive summary**
Annual improvements cycle 2018 - 2021	Annual periods beginning on or after 1 January 2022 (Published May 2021)	These amendments include minor changes to: IFRS 1, 'First time adoption of IFRS' has been amended for a subsidiary that becomes a first-time adopter after its parent. The subsidiary may elect to measure cumulative translation differences for foreign operations using the amounts reported by the parent at the date of the parent's transition to IFRS. *IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities* IFRS 9, 'Financial Instruments' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation. The Group applied the amendments to financial liabilities that are modified or exchanged. The amendment had no material impact on financial statements. IFRS 16, 'Leases', amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives. No material impact to the Group.
IFRS 16, 'Leases' COVID-19-Related Rent Concessions Amendment	Annual periods beginning on or after 1 April 2021 (early adoption is permitted) (Published March 2021	The IASB has provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification, provided that the concession meets certain conditions. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. The March 2021 amendment will only be available if an entity chose to apply the May 2020 optional practical expedient. The Bank has performed an assessment there was no rent concessions that met the criteria under the amendment.
Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use	Annual periods beginning on or after 1 January 2022 (Published May 2020)	The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss. Based on management assessment, the amendment does not have a significant impact to the bank's financial statements.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
5 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(ii) New standards and interpretations not yet adopted by the Group and Bank

International Financial Reporting Standards, interpretations and amendments issued but not effective		
Standards & Amendments	**Effective date**	**Executive summary**
IFRS 17, 'Insurance contracts' IFRS 17, 'Insurance contracts'	Annual periods beginning on or after 1 January 2023 Early application is permitted for entities that apply IFRS 9, 'Financial Instruments', and IFRS 15, 'Revenue from Contracts with Customers', at or before the date of initial application of IFRS 17. (Published May 2017)	The IASB issued IFRS 17, 'Insurance contracts', and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators. Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period. Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less. For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract. Management has performed a preliminary assessment and it is expected that IFRS 17 will have an impact on Bank's portfolio of performance bonds which meet the definition of insurance contract. The majority of Bank's performance Bond are short term, and these will qualify for the premium allocation approach. Under the premium allocation approach the measurement of insurance contracts will follow the following IFRS 17 principles; ▪ The liability for remaining coverage as the amount of premiums received net of acquisition cash flows paid, less the net amount of premiums and acquisition cash flows that have been recognised in profit or loss over the expired portion of the coverage period based on the passage of time. ▪ For group of contracts that are assessed as onerous at initial recognition(loss making groups), an onerous loss will be recognised in profit or loss with the corresponding increase in the liability of remaining coverage. ▪ The liability for incurred claims will be measured at the amount of the fulfilment cash flows relating to incurred claims, in accordance with the fulfilment cash flow requirements of the general measurement model. As at 31 December 2022 the bank had exposure of performance bonds amounting to TZS 578,006mn.Management is still assessing which of these performance bonds will meet the definition of insurance contracts as per IFRS 17.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

5 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

International Financial Reporting Standards, interpretations and amendments issued but not effective		
Standards & Amendments	**Effective date**	**Executive summary**
Amendment to IAS 1 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current	Annual periods beginning on or after 1 January 2023 (Published Jan 2021)	The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The Group does not expect the amendment will have significant impact to the financial statements. The Group is expecting to apply the standard/ amendment on 1 January 2023.
Definition of Accounting Estimates - Amendments to IAS 8	The amendments are effective for annual reporting periods beginning on or after 1 January 2023	In February 2022, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted if this fact is disclosed. The amendments are not expected to have a material impact on the Group. The Group is expecting to apply the standard/ amendment on 1 January 2023.
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted.	In February 2022, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures. The Group is expecting to apply the standard/ amendment on 1 January 2023.
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	The amendments apply for annual reporting periods beginning on or after 1 January 2023	The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g., leases. For leases, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented. Under the amendments, the Group will recognise a separate deferred tax asset and a deferred tax liability. The amendments are not expected to have a material impact on the Group. The Group is expecting to apply the standard/ amendment on 1 January 2023.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

5 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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

For all new standards and interpretations not yet adopted and the Group and Bank, will be adopted on the respective effective dates.

6 BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Bank and its subsidiaries, CRDB Insurance Broker Limited and CRDB Bank Burundi S.A. for the year ended 31 December 2022. The reporting date for all subsidiaries is 31 December.

The Bank consolidates a subsidiary when it controls it. Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When assessing whether it has power over an investee and therefore controls the variability of its returns, the Bank considers all relevant facts and circumstances, including:

- The purpose and design of the investee
- The relevant activities and how decisions about those activities are made and whether the Bank can direct those activities
- Contractual arrangements such as call rights, put rights and liquidation rights

Whether the Bank is exposed, or has rights, to variable returns from its involvement with the investee, and has the power to affect the variability of such returns. Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Bank and to the non-controlling interests (NCIs), even if this results in the NCIs having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Bank's accounting policies.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations by the Group.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Bank loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, NCI, and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value at the date of loss of control. Disclosures for investment in subsidiaries, are provided in Note 34

Non-controlling interests (NCI)

NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of financial position, respectively.

Transactions eliminated on consolidation

All Intercompany transactions/ balances (assets, liabilities, equity, income, expenses, and cash flows) between members of the Bank are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

7.1 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in 'Tanzanian Shillings (TZS), which is the Group's presentation and functional currency. The Bank uses the direct method of consolidation.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.1 Foreign currency translation (Continued)

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency at the spot rate of exchange ruling at the date of the transaction. Transactions in foreign currencies during the year are converted into Tanzanian Shillings using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

All foreign exchange differences arising on non–trading activities are taken to other operating income/expense in the income statement, except for the effective portion of the differences on foreign currency borrowings that are accounted for as an effective hedge against a net investment in a foreign entity. These differences are recognised in OCI until the disposal of the net investment, at which time, they are recognised in the income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI. Non–monetary items that are measured at historical cost in a foreign currency are translated using the prevailing exchange rates as at the date of recognition.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows: -

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period.
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income and accumulated in 'translation reserve' in equity.

7.2 Recognition of interest income and expense

Interest income includes:

- Interest on financial instruments measured at amortised cost and debt instruments measured at fair value through other comprehensive income.
- Interest on financial asset debt instruments measured at fair value through profit or loss that are held by and managed as part of the group's funding operations.

7.2.1 The effective interest rate method

The Bank recognise interest income for all financial assets measured at amortised cost and FVOCI using the effective interest rate method. Interest expense is also calculated using the effective interest rate method for all financial liabilities held at amortised cost.

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' or 'interest expense' in the statement of profit or loss. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

The calculation includes loan application and loan commitment fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

The EIR (and therefore, the amortised cost of the financial asset) is calculated by considering transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Bank recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, the EIR calculation also considers the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations of fixed rate financial assets or liabilities' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount. The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset or liability on the balance sheet with a corresponding increase or decrease in Interest revenue/expense calculated using the effective interest method

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.2 Recognition of interest income and expense (Continued)

7.2.1 The effective interest rate method (Continued)

For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest also alters the effective interest rate, but when instruments were initially recognised at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability. The IBOR reform Phase 2 amendments allow as a practical expedient for changes to the basis for determining contractual cash flows to be treated as changes to a floating rate of interest, provided certain conditions are met. The conditions include that the change is necessary as a direct consequence of IBOR reform and that the transition takes place on an economically equivalent basis.

7.2.2 Interest and similar income/expense

Net interest income comprises interest income and interest expense calculated using both the effective interest method and other methods. These are disclosed separately on the face of the income statement for both interest income and interest expense to provide symmetrical and comparable information. The Group calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial asset.

In its Interest income/expense calculated using the effective interest method, the Bank only includes interest on those financial instruments that are set out in Note 7.2.1 above. Other interest income/expense includes interest on all financial assets/liabilities measured at FVPL, other than those held for trading, using the contractual interest rate. Interest income/expense on all trading financial assets/liabilities is recognised as a part of the fair value change in 'Net trading income'.

When a financial asset becomes credit-impaired (as set out in Note 7.15) and is therefore regarded as "stage 3" the interest income is calculated by applying the EIR to the net amortised cost of the credit-impaired financial asset (i.e., the gross carrying amount less the allowance for expected credit losses (ECLs). If the financial asset cures (as outlined in Note 7.16) and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

For financial assets originated or purchased credit impaired (POCI) the EIR reflects the ECLs in determining the future cash flows expected to be received from the financial asset. This interest rate is determined based on the amortised cost and not the gross carrying amount of the financial asset and incorporates the impact of expected credit losses in the estimated future cash flows of the financial asset.

7.3 Fees and commission income

The Bank earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Bank's revenue contracts do not include multiple performance obligations, as explained further in note 7.3.1 and 7.3.2 below.

When the Bank provides a service to its customers, consideration is determined as per the Banks' rates and charges and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time. The Bank has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

Based on the nature of Bank's revenue contracts which is in a single performance obligation the Bank has not made any significant judgement when allocating the transaction price to the performance obligation.

Fees and commissions that form an integral part of the effective interest rate are excluded from fees and commissions from customers.

Performance obligations satisfied over time includes, Loan commitment fees, Loan syndication fees, custody fees, interchange fees and other services, where the customer simultaneously receives and consumes the benefits provided by the Bank's performance as the Bank performs.

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

7.3.1 The Group's fees and commission where performance obligations are satisfied over time.

Loan commitment fees: These are fixed annual fees paid by customers for loan and other credit facilities with the Bank. Commitment/Facility fees received by the Group to originate loan at market interest rate are integral to the effective interest rate if it is probable that the Group will enter a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. Commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and amortised over the loan tenure.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.3 Fees and commission income (Continued)

As the benefit of the services is transferred to the customer evenly over the period of entitlement, the fees are recognised as revenue on a straight-line basis. Payment of the fees is due and received
monthly in arrears. But, where it is unlikely that a specific lending arrangement will be entered into with the customer, the loan commitment is not measured at fair value.

The Group does not designate loan commitments as financial liabilities at fair value through profit or loss. Commitment fees, together with related direct costs, for loan facilities where draw down is probable are deferred and recognised as an adjustment to the effective interest on the loan once drawn. Commitment fees in relation to facilities where draw down is not probable are recognised over the term of the commitment.

Loan syndication fees: These are recognised as revenue when the syndication has been completed and the Group has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commission and fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as the arrangement of the acquisition of shares or other securities, or the purchase or sale of businesses – are recognised on completion of the underlying transaction.

Custody fees: The Bank earns a fixed annual fee for providing its customers with custody services, which include the safekeeping of purchased securities and processing of any dividend income and interest payments. As the benefit to the customer of the services is transferred evenly over the service period, these fees are recognised as revenue evenly over the period, based on time elapsed. Payment of these fees is due and received quarterly in arrears.

Interchange fees: The Bank provides its customers with credit card processing services (i.e., authorisation and settlement of transactions executed with the Bank's credit cards) where it is entitled to an interchange fee for each transaction (i.e., when a credit cardholder purchases goods and services from merchants using the Bank's credit card).

The fees vary based on the number of transactions processed and are structured as either a fixed rate per transaction processed or at a fixed percentage of the underlying cardholder transaction. Interchange and merchant fees are recognised upon settlement of the card transaction payment.

Other non-banking fee and commission income relates to fees and commissions earned for rendering services to customers other than those related to the banking operations. This includes fee and commission income earned from providing services on behalf of third-party service providers, in effect acting as an agent. Commissions and brokerage earned on the sale of insurance products to customers of the group on behalf of an insurer (Bank assurance services) are recognised at the point that the significant obligation has been fulfilled.

7.3.2 The Group's fees and commission where performance obligations are satisfied at a point in time.

Services provided where the Bank's performance obligations are satisfied at a point in time are recognised once control of the services is transferred to the customer, where the customer does not simultaneously receive and consumes the benefits of the Bank's performance as it performs the service. This is typically on completion of the underlying transaction or service or, for fees or components of fees that are linked to a certain performance, after fulfilling the corresponding performance criteria.

These include fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party, such as Salary processing fees, Insurance Commission from Insurance brokerage services, Sale of cheque books, ATM withdrawal charges, statement charges, and other fees and commissions of that nature. The Bank has a single performance obligation with respect to these services, which is to successfully complete the transaction specified in the contract.

The Bank's fee and commission income from services where performance obligations are satisfied at a point include the following:

Transactional fees: Transactional fees are service charges on deposit accounts, cash management services and transactional processing fees such as fees income generated from credit and bank card usage. Fees earned on the execution of a significant act typically includes transactional fees. Transaction and processing fees are recognised at the point in time the transaction occurs, or service is performed. They include banking services such as Automated Teller Machine (ATM) fees, wire transfer fees, overdraft or late fees and foreign exchange fees, among others.

These fees are received, and the Group's provides the service, monthly; the fees are recognised in income on this basis. The Group also receives certain fees in respect of its asset finance business where the performance obligations are typically fulfilled towards the end of the customer contract; these fees are recognised in income on this basis.

7.3.3 Contract balances

Fees and commissions receivables are recognised in the statement of financial position under 'Other assets. The receivable is arising from revenue from contracts with customers which represent the Bank's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). These are measured at amortised cost and subject to the impairment provisions of IFRS 9. Revenue recognised from contract with customers are disaggregated based on nature and timing of revenue recognition.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.3 Fees and commission income (Continued)

7.3.3 Contract balances (Continued)

Fees and commissions receivables are recognised in the statement of financial position under 'Other assets. The receivable is arising from revenue from contracts with customers which represent the Bank's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

These are measured at amortised cost and subject to the impairment provisions of IFRS 9. Revenue recognised from contract with customers are disaggregated based on nature and timing of revenue recognition.

'Unearned fees and commissions' included under 'Other liabilities', which represent the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. A liability for unearned fees and commissions is recognised when the payment is made, or the payment is due (whichever is earlier). Unearned fees and commissions are recognised as revenue when (or as) the Group performs.

7.4 Net trading income

Net trading income includes all gains/ (losses) from changes in fair value and the related interest income or expense and dividends, for financial assets and financial liabilities held for trading.

7.5 Net gains / (losses) on financial assets at fair value through profit or loss

Net gains/ (losses) on financial asset at FVTPL represents revenue from non-trading asset invested for the purpose of cashflow management. The financial asset is designated at FVTPL and measured at FVTPL as elected under IFRS 9. The line item represents fair value changes.

7.6 Net gains/(losses) on derecognition of financial assets measured at amortised cost or FVOCI

Net gain/(loss) on derecognition of financial assets measured at amortised cost includes income (or loss) recognised on sale or derecognition of financial assets measured at amortised costs calculated as the difference between the book value (including impairment) and the proceeds received. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and presented in the profit or loss statement within 'net gains/ (losses) on derecognition of financial assets measured at fair value through OCI'.

7.7 Financial instruments - initial recognition

7.7.1 Date of recognition

Financial assets and liabilities, except for loans and advances to customers and balances due to customers, are initially recognised on the date on which the Bank becomes a party to the contractual provisions of the instrument. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Bank recognizes balances due to customers when funds are transferred to the Bank.

7.7.2 Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value (as defined in Note 7.7). Except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Receivables are measured at the transaction price.

Immediately after initial recognition, an expected credit loss allowance is recognised for newly originated financial assets measured at amortised cost or fair value through other comprehensive income debt instruments (refer to note 27 for further details).

7.7.3 Day 1 profit or Loss

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

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.7.4 Measurement categories of financial assets and liabilities

Classification and subsequent measurement of financial assets depends on;

- The Bank's business model for managing the asset; and
- The cash flow characteristics of the asset.

Based on these factors, the Bank 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 the profit or loss statement within 'net gains/ (losses) on financial assets at fair value through profit or loss' in the period in which it arises. Financial assets designated in this class are not held for trading.

- **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 are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in profit or loss. Interest income from these financial assets is included in interest income' using the effective interest rate method.

The business model assessment is not performed on an instrument-by-instrument basis, but at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The main consideration in determining the different business models across the group is whether the objectives of the business model are met primarily through holding the financial assets to collect contractual cash flows, through the sale of these financial assets, by managing assets and liabilities on a fair value basis, or through a combination of these activities.

The Group classifies the financial instruments into classes that reflect the nature of information and consider the characteristics of those financial instruments. The classification made can be seen in the table below:

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.7.4 Measurement categories of financial assets and liabilities (Continued)

Category (as defined by IFRS 9)		Class (as determined by the Bank)		Subclass
Financial Assets	Amortized cost	Due from banks		
		Loans and ad-vances to cus-tomers	Loans to individu-als (personal lend-ing)	Personal Loans
				Mortgage Loans
			Loans to corporate entities	Corporate Cus-tomers
			Loans to SMEs	SME Loans
			Loans to Micro-finance	Microfinance Loans
		Credit cards		
		Other assets (excluding non-financial assets)		
		Investment in Debt securities	Debt instruments	Treasury Bill and Bonds (SPPI)
			Private Bonds	Private Bonds
		Settlement and clearing accounts		
		Cash balances with central bank		
	Fair value through other comprehensive income (FVOCI)	Equity investments designated at FVOCI		
		Other treasury bonds held to collect contractual cash flows and sale		
	Fair value through Profit or Loss (FVPL)	Equity investments designated at FVPL		
		Financial asset designated at FVPL		
Financial assets Held for trading	Fair value through Profit or Loss (FVPL)	Debt Instruments		
Financial liabilities	Financial liabilities at amortised cost	Deposits from Banks		
		Borrowings, subordinated debts, and other liabilities		
		Deposits from customers	Retail customers	
			Corporate customers	
Off-balance sheet financial instruments	Loan commitments			
	Guarantees, acceptances and other financial liabilities			

7.8 Fair value measurement

The Group measures financial instruments such as equity investments and debt instruments at FVTPL and FVOCI investment securities at fair value at each reporting date. Fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, if market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
7.8 Fair value measurement (Continued)

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 financial instruments: Those financial instruments traded in active markets, the determination of fair values 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 the above 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.

Level 2 financial instruments: Where the fair value of financial instruments 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, FX rates, volatilities, and counterparty spreads) existing at the balance sheet date.

In cases when the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at FVOCI. The fair value for loans and advances as well as liabilities to banks and customers are determined using a present value model based on contractually agreed cash flows, considering credit quality, liquidity and costs. The fair values of contingent liabilities and irrevocable loan commitments correspond to their carrying amounts.

Level 3 financial instruments: Those that include one or more unobservable input that is significant to the measurement as whole.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets at the reporting date without any deduction for transaction costs.

The Group's fair value methodology and the governance over its models includes several controls and other procedures to ensure appropriate measures are in place to ensure its quality and adequacy. All new product initiatives including their valuation methodologies are subject to approvals by various functions of the Group including Risk Department and Finance. The responsibility of ongoing measurement resides with Finance which reports to Chief Financial Officer.

The fair value estimates are being validated by:
- Benchmarking prices against observable market prices or other independent sources
- Evaluating and validating input parameters

Gains or losses on valuation of FVOCI are recognised in other comprehensive income.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models.

For fair value disclosures, the Group has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Transfers between levels of the fair value hierarchy are recognized by the Group at the end of the reporting period during which the change occurred.

The fair value of financial instrument is generally measured on individual basis however when the bank manages a group of financial assets and liabilities on the basis of its net market or credit risk exposure (as defined in IFRS 7), the bank can opt to measure the fair value of that group on the basis of the net position (that is, the net position is the unit of account that is being measured at fair value, not the individual financial assets and liabilities).The underlying financial assets and liabilities are presented separately in the financial statements, unless they satisfy the IFRS offsetting criteria.

The Bank periodically reviews its valuation techniques including the adopted methodologies and model calibrations. However, the base models may not fully capture all factors relevant to the valuation of the Bank's financial instruments such as credit risk, own credit and/or funding costs.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
7.8 Fair value measurement (Continued)

Therefore, the Bank applies various techniques to estimate the credit risk associated with its financial instruments measured at fair value, which include a portfolio-based approach that estimates the expected net exposure per counterparty over the full lifetime of the individual assets, to reflect the credit risk of the individual counterparties for non-collateralized financial instruments.

The Bank estimates the value of its own credit from market observable data, such as secondary prices for its traded debt.

The Bank evaluates the levelling at each reporting period on an instrument-by-instrument basis and reclassifies instruments, when necessary, based on the facts at the end of the reporting period

7.9 Financial assets and liabilities per financial statement line

7.9.1 Loan and advances to banks, Loans and advances to customers, Debt instruments measured at amortized cost, Credit cards, financial assets measured at FVPL, Equity instrument measure at FVPL, Equity instrument measured at FVOCI.

The Bank measures Loan and advances to banks, Loans and advances to customers, Debt instruments measured at amortized cost, Credit cards, financial assets measured at FVPL, Equity instrument measure at FVPL, Equity instrument measured at FVOCI only if both of the following conditions are met:

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

The details of these conditions are outlined below.

7.9.1.1 Business Model Assessment

The business model reflects how the Group manages the assets 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 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.

In considering whether the business objective of holding a group of financial assets is achieved primarily through collecting contractual cash flows, among other considerations, management monitors the frequency and significance of sales of financial assets out of these portfolios for purposes other than managing credit risk. For the purposes of performing the business model assessment, the group only considers a transaction a sale if the asset is derecognised for accounting purposes.

For example, a repurchase transaction where a financial asset is sold with the commitment to buy back the asset at a fixed price at a future date is not considered a sale transaction because substantially all the risks and rewards relating to the ownership of the asset have not been transferred and the asset is not derecognised from an accounting perspective.

If sales of financial assets are infrequent, the significance of these sales is considered by comparing the carrying amount of assets sold during the period and cumulatively to the total carrying amount of assets held in the business model. If sales are either infrequent or insignificant, these sales will not impact the conclusion that the business model for holding financial assets is to collect contractual cash flows.

Determining whether sales are significant or frequent requires management to use its judgement. The significance and frequency of sales are assessed on a case-by-case basis at the business model level.

7.9.1.2 The SPPI test

The frequency is assessed on an annual basis and sales of assets that take place once or less per annum is infrequent. If sales take place more than once per annum it does not mean that the business models are not to collect contractual cash flows, but rather that the reasons for the sales need to be more carefully considered. Management will consider both the volume and number of sales relatives to the total assets in the business model to determine whether it is significant.

The expected frequency, value and timing of sales are also important aspects of the Bank's assessment. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.9 Financial assets and liabilities per financial statement line (Continued)

7.9.1.2 The SPPI test (Continued)

If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

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 as held for trading business model and measured at FVPL.

The Bank assesses the contractual terms of the financial asset to identify whether they meet the SPPI test. 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.

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

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set. 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 SPPI test is applied on a portfolio basis for all loans and advances as the cash flow characteristics of these assets are standardized. Where the cash flow characteristics of an instrument is not standardized then the SPPI test will be performed at an individual instrument at initial recognition.

In the context of IBOR reform, the Group has assessed the transition of financial assets from IBOR to RFRs and concluded that the impact is not substantial. It is expected that most reforms affecting the Group will be completed by the end of 2022.Management has determined that, the asset's amended contractual cashflow continues to represent solely payments of interest and principal (SPPI), and the basis for determining the contractual cashflows is economically equivalent to the previous basis.

7.9.2 Financial assets or financial liabilities held for trading

The Bank classifies financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short-term profit-making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking.

Held for trading assets and liabilities are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognised in net trading income. Included in this classification are debt securities and equities that have been acquired principally for the purpose of selling or repurchasing in the near term.

7.9.3 Debt instruments at FVOCI

The Group classifies debt instruments at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortized cost as explained in note 7.2.2

The ECL calculation for debt instruments at FVOCI is explained in Note 7.12.3. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

7.9.4 Equity instruments at FVOCI

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.

The Group's policy is to designate equity investments as FVOCI when those investments are held not for trading. Such classification is determined on an instrument-by instrument basis. Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established. Equity instruments at FVOCI are not subject to an impairment assessment.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.9 Financial assets and liabilities per financial statement line (Continued)

7.9.5 Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities in this category are those that either have been designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met.

Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis, Or
- The liabilities are part of a group of financial liabilities, which are managed, and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss except for movements in fair value of liabilities designated at FVPL due to changes in the Group's own credit risk. Such changes in fair value are designated through OCI and do not get recycled to the profit or loss.

Interest earned or incurred on instruments designated at FVPL Interest earned on assets mandatorily required to be measured at FVPL is recorded using the contractual interest rate.

Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other operating income when the right to the payment has been established.

7.9.6 Financial guarantees, letters of credit and undrawn loan commitments

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements. The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the statement of financial position. Acceptances and letters of credit are accounted for as off-balance sheet transactions and disclosed as contingent liabilities. The Bank has elected not to apply IFRS 4 Insurance contracts as permitted for financial guaranteed contracts since the Bank has not explicitly asserted that it considers such contracts to be insurance contracts.

7.10 Reclassification of financial assets and liabilities

A change in business model only occurs on the rare occasion when the group changes the way in which it manages financial assets. Any change in business models would result in a reclassification of the relevant financial assets 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. Financial liabilities are never reclassified.

7.11 Modifications of financial assets and financial liabilities

7.11.1 Modification of financial assets

The Group sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. 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. If the terms of a financial asset are modified, then the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired.

In this case, the original financial asset is derecognised, and a new financial asset is recognised at fair value plus any eligible transaction costs. To renegotiate or modify the contractual cash flows of loans to customers, the Bank assesses whether the new terms are substantially different to the original terms. The Bank does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.11 Modifications of financial assets and financial liabilities (Continued)

7.11.1 Modification of financial assets (Continued)

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Group plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss.

Any costs or fees incurred, and modification fees received adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

7.11.2 Modification of Financial liabilities

The Group derecognises a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value.

The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

A substantial modification of the terms occurs where the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss.

Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

7.12 Derecognition of financial assets and liabilities

7.12.1 Derecognition due to substantial modification of terms and conditions

- The Bank derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it become a new loan, with the difference recognise as a derecognition gains or losses to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as stage 1 for ECL measurement purposes unless the new loan is deemed to be POCI.
- In the context of IBOR reforms, the Bank's assessment of whether a change to an amortized cost financial instrument is substantial, is made after applying the practical expedient introduced by IBOR reform phase 2. This requires the transitions from an IBOR to an RFR to be treated as a change to a floating interest rate as described in note 7.2.1.

7.12.2 Derecognition other than substantial modification of terms and conditions

7.12.2.1 Financial assets

A financial asset is derecognized when the rights to receive cash flows from the financial asset have expired. The Bank also derecognizes the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

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

- The Bank has transferred its contractual rights to receive cash flows from the financial asset, or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement
  Pass-through arrangements are transactions whereby the Bank retains the contractual rights to receive the cash flows of a financial asset (the original asset), but assumes a contractual obligation to pay those cash flows to one or more entities (the eventual recipients), when all the following three conditions are met:
- The Bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates
- The Bank cannot sell or pledge the original asset other than as security to the eventual recipients.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.12 Derecognition of financial assets and liabilities (Continued)

7.12.2.1 Financial assets (Continued)

- The Bank must remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents, including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.
- A transfer only qualifies for derecognition if either:
- The Bank has transferred substantially all the risks and rewards of the asset, or
- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

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

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

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

7.12.2.2 Financial Liabilities

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

7.13 Forborne modified Loans

The Bank sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Bank considers a loan forborne when such concessions or modifications are provided because of the borrower's present or expected financial difficulties and the Bank would not have agreed to them if the borrower had been financially healthy.

Indicators of financial difficulties include defaults on covenants, or significant concerns raised by Credit analysts. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. It is the Bank's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur. If modifications are substantial, the loan is derecognised, as explained in Note 7.12. Once the terms have been renegotiated without this resulting in the derecognition of the loan, any impairment is measured using the original EIR as calculated before the modification of terms.

The Bank also reassesses whether there has been a significant increase in credit risk, as set out in note 10.3.2.5 and whether the assets should be classified as Stage 3. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

Once an asset has been classified as forborne, it will remain forborne for a minimum of 6-month for credit revolving facilities and 4 consecutive instalments for term loans as a probation period. For the loan to be reclassified out of the forborne category, the customer must meet all the following criteria:

- All of its facilities have to be considered performing.
- The probation period of two years has passed from the date the forborne contract was considered performing
- Regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period
- The customer does not have any contracts that are more than 30 days past due Details of forborne assets are disclosed in Note 10.3.5.

Following the outbreak of Covid-19 at the beginning of 2021, the circumstances in which payment holidays and similar measures were normally granted changed significantly. Various payment deferral arrangements were initiated by borrowers, banks, and governments, which were not necessarily prompted by an assessment of the financial condition of the borrower.

Based on regulators' published guidance, large scale moratoria were generally not considered forbearance measures and did not rigger Stage 2 transfers in a stand-alone basis.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.14 Offsetting financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Financial assets and financial liabilities are generally reported gross in the consolidated statement of financial position except when IFRS netting criteria are met.

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

7.15 Impairment of financial assets

7.15.1 Overview of the ECL principles

The Group recognises loss allowances for ECLs on the following financial instruments that are not measured at FVPL:

- Due from banks;
- Loans and advances to customers;
- Debt instrument at FVOCI;
- Credit cards;
- Loan commitments issued;
- Financial guarantee and letter of credit; and
- Other assets (excluding non-financial assets).

Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit losses), 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) as outlined in Note 7.15.2. The Bank's policies for determining if there has been a significant increase in credit risk are set out in Note 10.3.2.5.

Except for POCI financial assets (which are considered separately below), ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e., ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- Lifetime ECL, i.e., ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL. The Group apply low credit risk exemption for financial instruments with no significant increase in credit risk.

Both Lifetime CL and 12month ECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The Bank's policy for grouping financial assets measured on a collective basis is explained in Note 10.2.3.6.

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

As part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikeness to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as stage 3 for ECL calculations or whether stage 2 is appropriate. Based on the above process, the Bank groups its loans into Stage 1, Stage 2, and Stage 3 as described below:

- <u>Stage 1:</u> When loans are first recognized, the Bank recognizes an allowance based on 12-month ECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- <u>Stage 2:</u> When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the Lifetime ECL. Stage 2 loans also include facilities, where the credit risk has improved, and the loan has been reclassified from Stage 3.
- <u>Stage 3:</u> Loans considered credit-impaired (as outlined in Note 10.3.8) The Bank records an allowance for the Lifetime ECL.
- <u>POCI:</u> Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit adjusted EIR. The ECL allowance is only recognised or released to the extent that there is a subsequent change in the expected credit losses.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.15 Impairment of financial assets (Continued)

7.15.1 Overview of the ECL principles (Continued)

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

7.15.2 Calculation of ECL

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

The Group calculates ECL 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 the ECL calculations are outlined below and the key elements are, as follows:

PD – The *Probability of Default* is an estimate of the likelihood of default over a given time horizon. It 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 influence 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 – The *Exposure at Default* is an estimate of the exposure at a future default date, considering 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, amortisation, 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.

LGD – The *Loss Given Default* is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Bank 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.

When estimating the ECL, the Bank considers three scenarios (a base case, an upside, and a downside). Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

Except for credit cards and other revolving facilities, for which the treatment is separately set out in Note 7.15.4, the maximum period for which the credit losses are determined is the contractual life of a financial instrument.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value. The Group measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original effective interest rate, regardless of whether it is measured on an individual basis or a collective basis. 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.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.15 Impairment of financial assets (Continued)

7.15.2 Calculation of ECL (Continued)

The mechanics of the ECL method are summarised below:

Stage 1: The 12-month ECL is calculated as the portion of Lifetime ECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12-month 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 an allowance for the Lifetime ECL. The mechanics are like those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the Lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3: For loans considered credit-impaired, the Group recognizes the Lifetime expected credit losses for these loans. The method is like that for Stage 2 assets, with the PD set at 100%.

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

Loan commitments and letters of credit: When estimating Lifetime ECL for undrawn loan commitments, the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Group if the holder of the commitment draws down the loan and the cash flows that the Group expects to receive if the loan is drawn down. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

For credit cards and revolving facilities that include both a loan and an undrawn commitment, ECL is calculated and presented together with the loan. For loan commitments and letters of credit, the ECL is recognised within other Liabilities

Financial guarantee contracts: the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Group expects to receive from the holder, the debtor, or any other party. The ECL related to financial guarantee contracts are recognised within Provisions.

7.15.3 Debt instruments measured at fair value through OCI

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

7.15.4 Credit cards and other revolving facilities

The Bank's product offering includes a variety of corporate and retail overdraft and credit cards facilities, in which the Bank has the right to cancel and/or reduce the facilities within a notice period. The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is like other lending products. This is based on shifts in the customer's internal credit grade, but greater emphasis is also given to qualitative factors such as changes in usage. The interest rate used to discount the ECL for credit cards is based on the average effective interest rate that is expected to be charged over the expected period of exposure to the facilities. This estimation considers that many facilities are repaid in full each month and are consequently not charged interest.

7.15.5 Purchased or originated credit impaired financial assets (POCI)

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

7.15.6 Forward-looking economic information

In its ECL models, the Bank relies on a broad range of forward-looking information as economic inputs, such as, GDP growth, unemployment rates, inflation rates, lending rate, and money supply. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Detailed information about these inputs and sensitivity analysis are provided in Note 10.3.3.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type. Refer to note 7.15.2 for an explanation of forward- looking information and its inclusion in ECL calculations.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.15 Impairment of financial assets (Continued)

7.15.6 Forward-looking economic information (Continued)

There were no changes in estimation techniques/ assumptions made during the reporting period.

Despite COVID-19 pandemic in respect of forward-looking information applied in ECL model there was insignificant changes, hence no significant adjustment with respect to economic assumptions applied and disclosed by the bank as at 31 December 2022.

7.15.7 Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the consolidated statement of financial position as follows:
- financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: as a provision under other liabilities; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the consolidated statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the cumulative changes in fair value reserve.

7.15.8 Limitation of estimation techniques

The models applied by the Group may not always capture all characteristics of the market at a point in time as they cannot be recalibrated at the same pace as changes in market conditions. Interim adjustments are expected to be made until the base models are updated. Although the Group uses data that is as current as possible, models used to calculate ECLs are based on data that is up to date except for certain macro-economic factors for which the data is updated once it is available.

7.16 Credit enhancements: collateral valuation and financial guarantees

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/guarantees, real estate, receivables, inventories, and other non-financial assets. Collateral, unless repossessed, is not recorded on the Group's statement of financial position. Cash flows expected from credit enhancements which are not required to be recognised separately by IFRS standards and which are considered integral to the contractual terms of a debt instrument which is subject to ECL, are included in the measurement of those ECL.

On this basis, the fair value of collateral affects the calculation of ECL. Collateral is generally assessed, at a minimum, at inception and re-assessed upon issuing an additional loan or restructuring a loan. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

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

Guarantees held are included in the measurement of loan ECL when either they are specified in the contractual terms of the loan or else are integral to the loan, in that they formed part of the basis on which the loan was extended. Guarantees that are not integral to the loan's contractual terms are accounted as separate units of accounts subject to ECL.
Because of the impact of COVID-19 on markets and financial instrument valuations there was insignificant impact on the value with respect to COVID-19 which were considered in the measurement of ECL.

7.17 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 value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Group's policy.

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

7.18 Write-offs

Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery. 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.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.18 Write-offs (Continued)

The Group writes off non-performing financial assets that have been past due for more than four (4) consecutive quarters. The Group may write-off financial assets in whole or in part, when it has exhausted all practical recovery efforts and has concluded 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. The assessment is done to specific borrower.

7.19 Cure of non-performing financial assets including modified 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 Bank shall consider criteria for upgrade of credit accommodations as follows:

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

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.

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

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

Upgrade from stage 2 to stage 1 shall be subject to a monitoring period of 90 days for conventional loans and 30 days for Microfinance loans to confirm if the risk of default has decreased sufficiently before upgrading such exposure. For credit exposures that have cured i.e., shifted from stage 2 to stage 1, or stage 3 to stage 2, interest income is calculated on gross carrying amount of the asset at the beginning of the period before allowance for ECLs using effective interest rate. The gross carrying amount of the exposure shall be the amortized cost at the end of the period less allowance for ECL computed.

7.20 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, including: cash and non-restricted balances with Central bank, Investment securities and amounts Due from banks that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. Cash and cash equivalents include the cash reserve requirement held with Central bank.

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

7.21 Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specified future date are not derecognised from the statement of financial position as the Bank retains substantially all the risks and rewards of ownership. The corresponding cash received is recognised in the consolidated statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within cash collateral on securities lent and repurchase agreements, reflecting the transaction's economic substance as a loan to the Bank. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the EIR. Because the Group sells the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred assets during the term of the arrangement.

Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the statement of financial position. The consideration paid, including accrued interest, is recorded in the statement of financial position, within cash collateral on securities borrowed and reverse repurchase agreements, reflecting the transaction's economic substance as a loan by the Bank. The difference between the purchase and resale prices is recorded in net interest income and is accrued over the life of the agreement using the EIR.

7.22 Leases

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

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.22 Leases (Continued)

The Bank leases office space in various parts of the region. Rental contracts are typically made for fixed periods of three to ten years but may have extension options as described in (v) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Contracts may contain both lease and non-lease components. The Bank allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Bank is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Bank. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Bank. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable.
- variable lease payment that are based on an index or a rate.
- amounts expected to be payable by the lessee under residual value guarantees.
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option.
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option; and
- Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Bank, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security, and conditions.

To determine the incremental borrowing rate, the Bank:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and.
- adjusts specific to the lease, such as term, country, currency, and security

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability.
- any lease payments made at or before the commencement date less any lease incentives received.
- any initial direct costs; and
- restoration costs

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

i. *Extension and termination options* - Extension and termination options are included in a number of property leases contracts. These terms are used to maximise operational flexibility in terms of managing contracts.
ii. *Critical judgements in determining the lease term*

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

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

- If there are significant penalties to terminate (or not extend), the Bank is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Bank is typically reasonably certain to extend (or not terminate).

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
7.22 Leases (Continued)

Otherwise, the Bank considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset. Most extension options in offices and vehicles leases have not been included in the lease liability, because the Bank could replace the assets without significant cost or business disruption. The lease term is reassessed if an option is actually exercised (or not exercised) or the Bank becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

a) Group as a lessee

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

b) Right-of-use asset

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are amortized on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in note 7.22 Impairment of non-financial assets.

c) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments.

d) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets (i.e. those that have the value of TZS 2 million or below) recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low- value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Bank does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component based on their relative stand-alone selling prices.

When the Group acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for a major part of the economic life of the asset

Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

7.23 Property and equipment, motor vehicles, and mobile branches

Recognition and measurement

Upon initial recognition motor vehicles and/or mobile branches are recorded at cost which includes expenditure that is directly attributable to the acquisition of the items.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
7.23 Property and equipment, motor vehicles, and mobile branches (Continued)

Subsequently, motor vehicles and/or mobile branches are stated in the statement of financial position at revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The valuation is determined by independent valuers with reference to the market value of the motor vehicles and/or mobile branches. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from it carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Any revaluation increase arising on the revaluation of such motor vehicles and/or mobile branches is recognized in other comprehensive income and cumulated in revaluation reserve in equity except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed.

A decrease in the carrying amount arising on the revaluation of such motor vehicles and/or mobile branches is recognized in profit or loss to the extent that it exceeds the balance, if any, held in revaluation reserve relating to a previous revaluation of that asset. Excess depreciation arising on the revaluation is amortized over the remaining useful life of the revalued assets through a transfer from revaluation reserve to retain earnings.

Land and buildings comprise mainly conventional branches and offices. All property and equipment except motor vehicles and mobile branches are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

An annual transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. When revalued assets are sold, the amounts included in revaluation surplus relating to those assets are transferred to retained earnings.

Depreciation

Depreciation of assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives (or lease periods if shorter), as follows:

Bank buildings	66 years
Computer equipment	5 years
Motor vehicles:	
Hardtop	10 years
Other Motor vehicles	7 years
Motorcycle	3 years
Office equipment	5 years
Furniture and fittings:	
Hardwood	10 years
Softwood	5 years
Smart card equipment	8 years
Mobile branch	10 years
Security equipment	5 years
Leasehold improvement (ATM and Branches):	
Leasehold for ATM	8 years
Leasehold for Branches	10years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.23 Property and equipment, motor vehicles, and mobile branches (Continued)

Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

7.24 Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful lives of intangible assets are: 10 years for the Core Banking System and 5 years for other systems.

The amortization method, useful life and the residual value are reviewed at each reporting date and adjusted if appropriate. Changes in the expected useful life, residual value or amortization method are accounted for as changes in accounting estimates.

Acquired computer software licences are capitalised based on the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (ten years for the core banking system, and three to five years for other systems).

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as it is incurred.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

The Group has no intangible assets with indefinite useful lives.

7.25 Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU.

For the purposes of assessing impairment, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets (Cash Generating Units or CGUs). The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably.

The Group's corporate assets do not generate separate cash inflows and are used by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGUs to which the corporate assets are allocated. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

7.26 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation because of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The expense relating to any provision is presented in the income statement net of any reimbursement in other operating expenses. The detailed exposures are provided in Note 44. The unwinding of the discount is recognised as finance cost.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.27 Taxes

7.27.1 Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from, or paid to, the Tanzania Regulatory Authority. Income tax expense is the aggregate of the charge to the 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 period determined in accordance with the Tanzanian Income Tax Act.

Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income respectively and not in the statement of profit or loss. Detailed disclosures are provided in Note 21.

7.27.2 Deferred tax

Deferred income tax is provided in full, using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred income tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit/loss, it is not accounted for. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. The most significant management assumption is the forecasts that are used to support the probability assessment that sufficient taxable profits will be generated by the entities in the group to utilise the deferred tax assets.

Current and deferred taxes are recognised as income tax benefits or expenses in the income statement except for tax related to the fair value remeasurement of debt instruments at fair value through OCI, foreign exchange differences and the net movement on cash flow hedges, which are charged or credited to OCI. These exceptions are subsequently reclassified from OCI to the income statement together with the respective deferred loss or gain. The Bank also recognises the tax consequences of payments and issuing costs, related to financial instruments that are classified as equity, directly in equity.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities .The deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

7.27.3 Uncertain tax positions

The group recognises liabilities for uncertain tax positions in accordance with the criteria defined within IAS 12 and IFRIC 23, based on objective estimates of the amount of tax that may be due, which is calculated, where relevant, with reference to expert advice received. Where payment is determined to be possible but not probable, the tax exposure is disclosed as a contingent liability. The group recognises probable liabilities based on objective estimates of the amount of tax that may be due. Where the final tax determination is different from the amounts that were initially recorded, the difference will impact the income tax and deferred income tax provisions in the period in which such determination is made.

7.27.4 Levies and similar charges

The Group recognises the liability arising from levies and similar charges such as City service levy paid quarterly to the local government authority, excise and stamp duty paid monthly to the Tanzania Revenue Authority (TRA). These charges are to be legally enforceable in the

reporting period. A revision for levies is recognised when the condition that triggers the payment of the levy is met.

7.28 Equity instruments

Own equity instruments of the Group which are acquired by it or by any of its subsidiaries (treasury shares) are deducted from equity. Consideration paid or received on the purchase, sale, issue, or cancellation of the Bank's own equity instruments is recognised directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue, or cancellation of own equity instruments.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.29 Borrowing costs

The Group incurs borrowing costs in relation to the acquisition of borrowed funds. General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period to get ready for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred.

7.30 Financial liabilities

Financial liabilities are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method. Financial liabilities are derecognized when extinguished. Such financial liabilities include deposits from banks or customers, other liabilities, subordinate debts and borrowings.

7.31 Share capital and reserves

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity. Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

The reserves recorded in equity (OCI) on the Bank's statement of financial position include:

- The cumulative net change in the fair value of debt instruments classified at FVOCI, less the allowance for ECL
- The cumulative net change in fair value of equity instruments at FVOCI

7.32 Share capital and reserves

- Foreign currency translation reserve, which is used to record exchange differences arising from the translation of the net investment in foreign operations.
- Revaluation of gain on property and equipment.
- Other capital reserve (further details are provided on note 50).

7.33 Earnings per share

The Group and Bank presents basic and diluted earnings per share (EPS) in their financial statements. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group and Bank 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.

7.34 Dividend income

Dividend income is recognized in profit or loss when the right to receive payment is established.
The presentation of dividend income in the consolidated statement of profit or loss depends on the classification and measurement of the equity investment, i.e.

- for equity instruments designated at FVOCI dividend income is presented in other income; and
- for equity instruments not designated at FVOCI and not held for trading, dividend income is presented as net income from other instruments at FVPL.

7.35 Dividend on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders at the Annual General Meeting. Payment of dividends is subjected to withholding tax at the enacted rate of 5%.

7.36 Legal and other claims

Provisions for legal claims are recognised when the Group has a present legal or constructive obligation because of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where there are several similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7.37 Contingencies and commitments

Transactions are classified as contingencies where the Group's obligations depend on uncertain future events. Items are classified as commitments where the Group commits itself to future transactions if the items will result in the acquisition of assets.

7.38 Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount because of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided and recognised as employee benefit expenses in profit or loss. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.
The Group also contributes to the statutory defined contribution in the various countries in which it operates. The Group's contribution to these schemes is recognised in the profit or loss.

Gratuity

Contract staff are entitled to gratuity payment at the completion of the contract. Provision is made for gratuity in line with the contracts. The gratuity is not a defined benefit arrangement. The estimated monetary liability for employees accrued annual leave entitlement at the balance sheet date is recognised as an expense accrual.

Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

7.39 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with any of the Group's other components, whose operating results are regularly reviewed by the Group's chief operating decision maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Operating segments are reported in a manner consistent with the internal reporting provided to the Bank's Management Team, which is chief operating decision maker. The Group's is divided into three business segments and two geographic segments. Details of the Group's segments are provided under Note 9.

8 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

8.1. Impact of climate risk on accounting judgments and estimates

The Bank and its customers are exposed to the physical risks from climate change and risks of transitioning to a net-zero economy. Most climate-related physical risks are expected to manifest over a term that is generally longer than the maturity of most of the outstanding exposures.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

8 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

8.1. Impact of climate risk on accounting judgments and estimates (Continued)

The following balances may be impacted by physical and transition risks:

- *Expected credit losses (ECL):* Customers and portfolios with exposure to climate risk may have a resultant deterioration in creditworthiness, which has an impact on ECL. An analysis was performed of the exposure of counterparties to climate risk, which determined that, overall, counterparties are not expected to be materially impacted by physical or transition risks associated with climate change. For example, most of the counterparties are not employed, or do not operate, in high-risk sectors, nor are they located in high risk geographical areas. A detailed analysis of the exposure to climate risk also indicated that for a significant part of the portfolio the time horizon for any physical impact of climate risk is longer than the maturity of most of the assets. Refer to note 10.4.4 where this is evidenced in the analysis of the contractual maturities.

  Where the maturity of the exposures is longer than the estimated time horizon for climate risk impact, for example, for those assets with a longer maturity, such as the mortgage book, the nature of the counterparties was assessed. This assessment showed that for these assets, the nature of the counterparties as described above would limit any material impact. Refer to note 10.3.6 where credit risk per industry segment is disclosed. As a result of the factors outlined here, it was assessed that the magnitude of any impact of climate risk would not be material in the current reporting period.

- *Classification of ESG-linked (or sustainability-linked) loans*: For loans with sustainability linked features, the Bank determines whether the instrument passes the solely payments of principal and interest test by considering whether they provide commensurate compensation for basic lending risks, such as credit risk, or whether they do not introduce compensation for risks that are inconsistent with basic lending arrangements. Some features may be de minimis or non-genuine. Refer to Note 7.9.1.2 above for further considerations. Based on the size of the portfolio of these products held by the Bank at 31 December 2022, any impact was assessed to be immaterial.

- *Fair value measurement:* The Bank has assumed that any climate change variables incorporated in fair value measurement are those that market participants would consider when pricing the asset or liability, in line with IFRS 13 Fair Value Measurement. The Bank has concluded that climate risk has been adequately reflected within the fair value. Where prices are observable, it is assumed that the fair value already incorporates market's participants view of climate risk variables. Where a proxy valuation approach has been used for unobservable prices, the selection of the proxy includes consideration of climate risk factors where appropriate.

8.2 Impairment losses on financial assets

The measurement of impairment losses both under IFRS 9 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

a) The Bank's internal credit grading model, which assigns PDs to the individual grades.
b) The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment :- 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 several quantitative and qualitative factors (as per note 4), the weight of which depends on the type of product and counterparty. 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.
c) 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 loss given default and is computed at the overall credit portfolio level. Consideration of movement of accounts is done annually.
d) 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.

Development of ECL models, including the various formulas and the choice of inputs.

e) Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs.
f) The segmentation of financial assets when their ECL is assessed on a collective basis :- 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 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 differ.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8.2 Impairment losses on financial assets (Continued)

g) Development of ECL models, including the various formulas and the choice of inputs.
h) Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs.
i) Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models :- The evolving economic environment is a key determinant of the ability of a Bank's clients to meet their obligations as they fall due. It is a fundamental principle of IFRS 9 that the provisions banks hold 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, GDP Growth, oil prices fluctuation, average electricity generation, natural gas, population, total household spending, total food sales, total public debt, Government spending in priority sector, unemployment rate, exchange rate movement.

It has been the Bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary. Moreover, the Bank regularly review its models in the context of expected loss experience and adjust when necessary.

8.3 Going Concern

The Bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. In making this assessment, the Bank has considered the impact of climate-related matters on their going concern assessment. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

8.4 Fair value of financial instruments

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

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 qualified personnel independent of those that sourced them. Changes in valuation assumptions could affect the reported fair value of the financial instruments. The impact on change in assumptions on the fair value is disclosed under Note 7.8.

8.5 Derecognition of financial instruments in the context of IBOR reform

The Bank derecognises financial assets and financial liabilities if there has been a substantial modification of their terms and conditions. In the context of IBOR reform, many financial instruments will be amended in the future as they transition from IBORs to RFRs. In addition to the interest rate of a financial instrument changing, there may be other changes made to the terms of the financial instrument at the time of transition.

For financial instruments measured at amortised cost, the Bank first applies the practical expedient as described below in Note 8.5, to reflect the change in the referenced interest rate from an IBOR to an RFR. Second, for any changes not covered by the practical expedient, the Bank apples judgement to assess whether the changes are substantial and if they are, the financial instrument derecognised and a new financial instrument recognised. If the changes are not substantial, the Bank adjust the gross carrying amount of the financial instrument by the present value of the changes not covered by the practical expedient, discounted using the revised EIR.

8.6 Effective Interest Rate (EIR) method

The Bank's EIR method, recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans and deposits and recognises the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges).In making this assessment, the Bank considers the extent of any changes to the contractual cash flows because of the transition and the factors that have given rise to the changes, with consideration of both quantitative and qualitative factors. This estimation, by nature, requires an element of judgement regarding the expected behaviour and life cycle of the instruments, as well expected changes to Bank's base rate and other fee income/expense that are integral parts of the instrument.

IBOR reform Phase 2 requires, as a practical expedient that changes to the basis for determining contractual cash flows that are necessary as a direct consequence of IBOR reform are treated as a change to a floating rate of interest provided that the transition from IBOR to an RFR takes place on a basis that is 'economically equivalent'. To qualify as 'economically equivalent', the terms of the financial instrument must be the same

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

8 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

8.6 Effective Interest Rate (EIR) method (Continued)

before and after transition except for the changes required by IBOR reform. For changes that are not required by IBOR reform, the Bank applies judgement to determine whether they result in the financial instrument being derecognised as described in Note 8.4 above.

Therefore, as financial instruments transition from IBOR to RFRs, the Bank applies judgment to assess whether the transition has taken place on an economically equivalent basis. In making this assessment, the Bank considers the extent of any changes to the contractual cash flows because of the transition and the factors that have given rise to the changes, with consideration of both quantitative and qualitative factors. Examples of changes that are economically equivalent include changing the reference interest rate from an IBOR to an RFR, changing the reset period for days between coupons to align with the RFR.

8.7 Deferred tax assets

The recognition of a deferred tax asset relies on an assessment of the probability and sufficiency of future taxable profits and future reversals of existing taxable temporary differences. Judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax-planning strategies. The judgments take into consideration the effect of both positive and negative evidence, including historical financial performance, projections of future taxable income, and future reversals of existing taxable temporary differences.

8.8 Provisions and other contingent liabilities

The Group operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in various litigation, arbitration and regulatory investigations and proceedings arising in the ordinary course of the Bank's business.

When the Bank can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Bank records a provision against the case. Where the probability of outflow is remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed. However, when the Bank is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Bank does not include detailed, case-specific disclosers in its financial statements.

Given the subjectivity and uncertainty of determining the probability and amount of losses, the Bank considers several factors including legal advice, the stage of the matter and historical evidence from similar incidents.

8.9 Determination of the lease term for lease contracts with renewal and termination options (Group as a lessee)

The group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Bank has several lease contracts that include extension and termination options. The Bank applies judgement in evaluating whether it is reasonably certain to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination.

After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

8.10 Property, equipment, and intangible assets

Critical estimates are made by those charged with governance in determining the useful lives of property, equipment, and intangible assets as well as their residual values. The Group reviews the estimated useful lives of property, equipment, and useful lives at the end of each reporting period. Applicable useful rates are provided under Note 7.23.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

9 SEGMENT INFORMATION

In accordance with IFRS 8, the Group has the following business segments: Treasury, Retail Banking and Microfinance services and Corporate Banking.

Operating segments are reported in a manner consistent with the internal reporting. All transactions between business segments are conducted on an arm's length basis, with intra-segment revenue and costs eliminated in head office. Income and expenses directly associated with each segment are included in determining business segment performance.

The following segment information has been prepared in accordance with the "management approach" which requires presentation of segments based on the internal reports about components of the entity which are regularly reviewed by the executive committee who are the chief operating decision makers to allocate resources to segments and to assess their performance. The agreed allocation basis between segments was not changed during the year.

The following business segments represent the Group's organization structure as reflected in the internal management reporting system. For management purposes, the Group is divided into the following three segments:

i) Corporate Banking

Includes services and products to corporate and high net worth individuals including deposits, letters of credit, guarantee, lending and other products and dealing with financial institutions.

ii) Retail Banking and microfinance

Includes services and products to individuals and small and medium enterprises, including deposits and lending.

iii) Treasury

Includes treasury services, investment management services and asset management activities related to dealing, managing and custody of securities. This segment also includes all other cost centers and profit centers in the head office in areas of technology services and support and currency exchange.

The Executive Management Committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profits or losses and is measured consistently with operating profits or losses in the consolidated financial statements.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
9 SEGMENT INFORMATION (CONTINUED)

9.1 Profit segments

An analysis of the Profit or Loss statement, total assets and liabilities are, as follows.

GROUP				TZS'Million'
31-Dec-22	Corporate Banking	Retail Banking	Treasury	Total
External Operating income				
Interest income Calculated using the Effective Interest Method	208,064	544,440	212,967	965,471
Other Interest and Similar Income	-	-	1,814	1,814
Interest expense Calculated using the Effective Interest Method	(68,253)	(72,096)	(79,123)	(219,472)
Other Interest and Similar expense	(596)	(1,370)	(14)	(1,980)
Internal net interest income/(expense)	7,283	9,268	(16,551)	-
Net interest income	146,498	480,242	119,093	745,833
Fee and Commission income	113,961	214,788	5,160	333,909
Fee and Commission expense	(57,614)	(13,123)	-	(70,737)
Net Fee and Commission income	56,347	201,665	5,160	263,172
Net foreign exchange income	-	-	57,557	57,557
Credit Loss expense on financial assets	(24,828)	(34,626)	(981)	(60,435)
Net gains on derecognition of financial assets measured at fair value through OCI	-	2,613	-	2,613
Net losses on financial assets at fair value through profit or loss	-	-	(595)	(595)
Net gains on derecognition of financial assets measured at fair value through OCI	-	-	44,268	44,268
Other Operating income	-	98	-	98
Net Operating Income	178,017	649,992	224,502	1,052,511
General and Administrative Expense	(57,373)	(102,907)	(18,413)	(178,693)
Depreciation and amortisation	(21,195)	(49,241)	(482)	(70,918)
Employee benefit expenses	(84,880)	(166,720)	(48,882)	(300,482)
Impairment Other Assets	(1,439)	(3,238)	(32)	(4,709)
Total Operating Expenses	(164,887)	(322,106)	(67,809)	(554,802)
Profit Before Tax	28,849	311,383	157,477	497,709
Income Tax Expense	(7,017)	(91,259)	(48,026)	(146,302)
Profit for the year	21,832	220,124	109,451	351,407
Asset and Liability				
Segment assets*	2,140,147	4,737,610	2,969,408	9,847,165
PPE Additions	52	8,284	3,297	11,633
Unallocated Asset	-	-	-	1,777,759
Total Assets	2,140,199	4,745,894	2,972,705	11,636,557
Segment liabilities**	(1,879,346)	(6,316,997)	(1,739,241)	(9,935,584)
Unallocated liabilities	-	-	-	(221,897)
Total Liabilities	(1,879,346)	(6,316,997)	(1,739,241)	(10,157,481)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
9 SEGMENT INFORMATION (CONTINUED)

9.1 Profit segments (Continued)

An analysis of the Profit or Loss statement, total assets and liabilities are, as follows.

GROUP				TZS'Million'
31-Dec-21	Corporate Banking	Retail Banking	Treasury	Total
External Operating income				
Interest income Calculated using the Effective Interest Method	131,723	544,440	212,967	965,471
Interest expense Calculated using the Effective Interest Method	459,159	199,562	790,444	1,814
Other Interest and Similar expense	(42,691)	(68,211)	(31,337)	(142,239)
Internal net interest income/(expense)	(559)	(1,759)	(13)	(2,331)
Net interest income	2,418	7,089	(9,507)	-
Net interest income	90,892	396,278	158,705	645,875
Fee and Commission income	77,409	177,296	2,600	257,305
Fee and Commission expense	(15,649)	(35,599)	-	(51,248)
Net Fee and Commission income	61,760	141,697	2,600	206,057
Net foreign exchange income	-	-	37,768	37,768
Credit Loss expense on financial assets	(10,230)	(13,186)	161	(23,255)
Net gains on derecognition of financial assets measured at fair value through OCI	-	1,447	-	1,447
Net gains on financial assets at fair value through profit or loss	-	-	331	331
Net gains on derecognition of financial assets measured at fair value through OCI	-	-	31,084	31,084
Other Operating income	-	1,408	-	1,408
Net Operating Income	142,422	527,644	230,649	900,715
General and Administrative Expense	(41,143)	(92,825)	(16,693)	(150,661)
Depreciation and amortisation	(13,117)	(41,503)	(11,900)	(66,520)
Employee benefit expenses	(40,874)	(198,426)	(54,488)	(293,788)
Impairment Other Assets	(583)	(1,784)	(13)	(2,380)
Total Operating Expenses	(95,717)	(334,538)	(83,094)	(513,349)
Profit Before Tax	46,705	193,106	147,555	387,366
Income Tax Expense	(14,374)	(59,424)	(45,407)	(119,205)
Profit for the year	32,331	133,682	102,148	268,161
Asset and Liability				
Segment assets*	2,140,147	2,902,064	2,146,881	7,189,092
PPE Additions	22,065	29,920	22,071	73,906
Unallocated Asset	-	-	-	1,554,561
Total Assets	2,162,212	2,931,985	2,168,951	8,817,559
Segment liabilities**	(2,050,561)	(4,443,783)	(913,065)	(7,407,409)
Unallocated liabilities	-	-	-	(190,822)
Total Liabilities	(2,050,561)	(4,443,783)	(913,065)	(7,598,231)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
9 SEGMENT INFORMATION (CONTINUED)
9.1 Profit segments (Continued)

An analysis of the Profit or Loss statement, total assets and liabilities are, as follows.

BANK 31-Dec-22	Corporate Banking	Retail Banking	Treasury	TZS'Million' Total
External Operating income				
Interest income Calculated using the Effective Interest Method	203,182	519,270	195,197	917,649
Other Interest and Similar Income	-	-	1,814	1,814
Interest expense Calculated using the Effective Interest Method	(60,292)	(70,552)	(78,374)	(209,218)
Other Interest and Similar expense	(596)	(1,342)	(14)	(1,952)
Internal net interest income/(expense)	6,896	8,130	(15,026)	-
Net interest income	149,190	455,506	103,597	708,293
Fee and Commission income	112,161	211,572	5,150	328,883
Fee and Commission expense	(55,595)	(12,732)	(1,217)	(69,544)
Net Fee and Commission income	56,566	198,840	3,933	259,339
Net foreign exchange income	-	-	54,786	54,786
Credit Loss expense on financial assets	(24,828)	(33,866)	(981)	(59,675)
Net gains on derecognition of financial assets measured at fair value through OCI	-	1,814	-	1,814
Net losses on financial assets at fair value through profit or loss	-	-	(595)	(595)
Net gains on derecognition of financial assets measured at fair value through OCI	-	-	44,268	44,268
Other Operating income	-	98	4,344	4,442
Net Operating Income	196,432	604,952	211,288	1,012,672
General and Administrative Expense	(57,373)	(93,480)	(17,736)	(168,589)
Depreciation and amortisation	(21,195)	(47,691)	(719)	(69,605)
Employee benefit expenses	(84,880)	(159,098)	(48,385)	(292,363)
Impairment Other Assets	(1,439)	(3,238)	(33)	(4,710)
Total Operating Expenses	(164,887)	(303,507)	(66,873)	(535,267)
Profit Before Tax	28,463	304,526	144,416	477,405
Income Tax Expense	(8,640)	(92,445)	(43,840)	(144,925)
Profit for the year	19,823	212,081	100,576	332,480
Asset and Liability				
Segment assets*	2,140,147	4,597,492	2,608,189	9,345,828
PPE Additions	52	5,505	3,297	8,854
Unallocated Asset	-	-	-	1,680,783
Total Assets	2,140,199	4,602,997	2,611,486	11,035,465
Segment liabilities**	(1,879,346)	(5,789,486)	(1,499,021)	(9,167,853)
Unallocated liabilities	-	-	-	(439,161)
Total Liabilities	(1,879,346)	(5,789,486)	(1,499,021)	(9,607,014)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
9 SEGMENT INFORMATION (CONTINUED)
9.1 Profit segments (Continued)

An analysis of the Profit or Loss statement, total assets and liabilities are, as follows.

BANK 31-Dec-21	Corporate Banking	Retail Banking	Treasury	TZS'Million' Total
External Operating income				
Interest income Calculated using the Effective Interest Method	131,725	445,418	181,897	759,040
Interest expense Calculated using the Effective Interest Method	(42,692)	(61,413)	(30,676)	(134,781)
Other Interest and Similar expense	(558)	(1,707)	(13)	(2,278)
Internal net interest income/(expense)	2,724	7,983	(10,707)	-
Net interest income	91,199	390,281	140,501	621,981
Fee and Commission income	77,202	173,258	2,600	253,060
Fee and Commission expense	(15,860)	(35,290)	-	(51,150)
Net Fee and Commission income	61,342	137,968	2,600	201,910
Net foreign exchange income	-	-	36,502	36,502
Credit Loss expense on financial assets	(10,921)	(12,673)	161	(23,433)
Net gainson derecognition of financial assets measured at fair value through OCI	-	546	-	546
Net gains on financial assets at fair value through profit or loss	-	-	331	331
Net gains on derecognition of financial assets measured at fair value through OCI	-	-	31,084	31,084
Other Operating income	-	6,541	-	6,541
Net Operating Income	141,620	522,661	211,181	875,462
General and Administrative Expense	(41,019)	(86,451)	(16,653)	(144,123)
Depreciation and amortisation	(13,103)	(40,079)	(11,878)	(65,060)
Employee benefit expenses	(40,734)	(191,203)	(54,309)	(286,246)
Impairment Other Assets	(617)	(1,889)	(14)	(2,520)
Total Operating Expenses	(95,473)	(319,622)	(82,854)	(497,949)
Profit Before Tax	46,147	203,039	128,327	377,513
Income Tax Expense	(14,411)	(63,408)	(40,077)	(117,896)
Profit for the year	31,736	139,631	88,250	259,617
Asset and Liability				
Segment assets*	2,093,614	2,811,678	1,889,869	6,795,161
PPE Additions	22,498	30,214	20,309	73,021
Unallocated Asset	-	-	-	1,545,617
Total Assets	2,116,112	2,841,892	1,910,177	8,413,799
Segment liabilities**	(2,336,900)	(3,821,750)	(880,811)	(7,039,461)
Unallocated liabilities	-	-	-	(187,412)
Total Liabilities	(2,336,900)	(3,821,750)	(880,811)	(7,226,873)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
9 SEGMENT INFORMATION (CONTINUED)

9.2 Geographical information

Geographically, the Group operates in the United Republic of Tanzania and in the Republic of Burundi. The financial performance and financial position of the Group by the geographic segments is as follows:

GROUP				TZS'Million'
31-Dec-22	Tanzania	Burundi	Consolidation adjustment	Total
External Operating income				
Interest income Calculated using the Effective Interest Method	919,463	57,701	(9,879)	967,285
Interest expense Calculated using the Effective Interest Method	(209,217)	(20,134)	9,879	(219,472)
Other Interest and Similar expense	(1,952)	(28)	-	(1,980)
Internal net interest income/(expense)	-	-		-
Net interest income	708,294	37,539	-	745,833
Fee and Commission income	328,979	6,170	-	333,909
Fee and Commission expense	(74,649)	(2,410)	-	(70,737)
Net Fee and Commission income	254,330	3,760	-	263,172
Net foreign exchange income	54,786	2,771	-	57,557
Credit Loss expense on financial assets	(59,675)	(760)	-	(60,435)
Net gains on derecognition of financial assets measured at fair value through OCI	2,613	-	-	2,613
Net losses on financial assets at fair value through profit or loss	(595)	-	-	(595)
Net gains on derecognition of financial assets measured at fair value through OCI	44,268	-	-	44,268
Other Operating income	4,442	-	(4,344)	98
Net Operating Income	1,013,545	43,310	(4,344)	1,052,511
General and Administrative Expense	(168,555)	(10,138)	-	(178,693)
Depreciation and amortisation	(70,079)	(839)	-	(70,918)
Employee benefit expenses	(292,860)	(7,622)	-	(300,482)
Impairment Other Assets	(4,710)	1	-	(4,709)
Total Operating Expenses	(536,204)	(18,598)	-	(554,802)
Profit Before Tax	477,341	24,712	(4,344)	497,709
Income Tax Expense	(144,640)	(1,662)	-	(146,302)
Profit for the year	332,701	23,050	(4,344)	351,407
Asset and Liability				
Segment assets*	9,345,829	751,520	(250,184)	9,847,165
PPE Additions	9,354	2,279	-	11,633
Unallocated Asset	-	-	-	1,717,759
Total Assets	9,355,183	753,799	(250,184)	11,636,557
Segment liabilities**	(9,167,853)	1,218,130	228,502	(10,157,481)
Total Liabilities	(9,167,853)	(1,218,130	228,502	(10,157,481)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
9 SEGMENT INFORMATION (CONTINUED)
9.2 Geographical information (Continued)

GROUP				TZS'Million'
31-Dec-21	Tanzania	Burundi	Consolidation adjustment	Total
External Operating income				
Interest income Calculated using the Effective Interest Method	759,040	38,280	(6,875)	790,445
Interest expense Calculated using the Effective Interest Method	(134,781)	(14,333)	6,875	(142,239)
Other Interest and Similar expense	(2,278)	(53)	-	(2,331)
Internal net interest income/(expense)	-	-		-
Net interest income	621,981	23,894	-	645,875
Fee and Commission income	253,859	3,446	-	257,305
Fee and Commission expense	(50,307)	(941)	-	(51,248)
Net Fee and Commission income	203,552	2,505	-	206,057
Net foreign exchange income	36,504	1,264	-	37,768
Credit Loss expense on financial assets	(23,433)	178		(23,255)
Net gains on derecognition of financial assets measured at fair value through OCI	1,447	-		1,447
Net gains on financial assets at fair value through profit or loss	331	-		331
Net gains on derecognition of financial assets measured at fair value through OCI	31,084	-		31,084
Other Operating income	2,519	-	(1,111)	1,408
Net Operating Income	873,985	27,841	(1,111)	900,715
General and Administrative Expense	(144,577)	(6,084)		(150,661)
Depreciation and amortisation	(65,140)	(1,380)		(66,520)
Employee benefit expenses	(287,199)	(6,589)		(293,788)
Impairment Other Assets	(2,380)	-		(2,380)
Total Operating Expenses	(499,296)	(14,053)	-	(513,349)
				-
Profit Before Tax	374,689	13,788	(1,111)	387,366
Income Tax Expense	(117,648)	(949)	342	(118,597)
Profit for the year	257,041	12,839	(769)	268,769
Asset and Liability				
Segment assets*	8,356,235	599,596	(138,272)	8,743,654
PPE Additions	73,021	884		73,905
Total Assets	8,429,256	600,480	(138,272)	8,817,559
Segment liabilities**	(7,227,235)	(487,586)	116,590	(7,598,231)
Total Liabilities	(7,227,235)	(487,586)	116,590	(7,598,231)

* Segment assets maily includes loands and advances to custtomers, and Debt instuments. The amount for these items are shown in the statement of financial position.

** SegmentLiabilities mainly includes deposits from customers, Deposit and balances due to other Banks and Borrowings. The amount of these items are shoewn in the statement of financial positon.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
9 SEGMENT INFORMATION (CONTINUED)
9.2 Geographical information (Continued)

Cash flows from operating, investing, and financing activities for the geographical segments are as follows:

			In TZS' Million
Year ended 31 December 2022	**Tanzania**	**Burundi**	**Total**
Net cash from operating activities	**(105,156)**	**35,670**	**(69,486)**
Net cash used in investing activities	**(69,449)**	**(3,049)**	**(72,498)**
Net cash used in financing activities	**276,710**	**-**	**276,710**
	102,105	**32,621**	**134,726**
Net increase in cash and cash equivalents	**102,105**	**32,621**	**134,726**
Cash and cash equivalents at 1 January	**1,088,274**	**63,618**	**1,151,892**
Effect of exchange rate change in cash and cash equivalent	**1,832**	**-**	**1,832**
Cash and cash equivalent at 31 December	**1,192,211**	**96,239**	**1,288,450**
Year ended 31 December 2021			
Net cash from operating activities	585,299	7,563	593,635
Net cash used in investing activities	(71,205)	(1,674)	(73,652)
Net cash used in financing activities	(190,213)	30,912	(159,301)
	323,881	36,801	360,682
Net increase in cash and cash equivalents	323,881	36,801	360,682
Cash and cash equivalents at 1 January	758,269	26,588	784,857
Effect of exchange rate change in cash and cash equivalent	6,124	229	6,353
Cash and cash equivalent at 31 December	1,088,274	63,618	1,151,892

In computing the above segment information;

- Interest Income, Interest Expense and Loan Impairment charges segmentation computation has been changed from systematic allocation basis using agreed internal allocation basis to specific identification from individual segment.
- Expenses have been specifically identified with individual segment or using agreed internal allocation. Retail (branch) overhead cost has been transferred to Corporate and Treasury due to Retail segment support to corporate and treasury business through branch network whose costs are assumed to be shared at 5 and 10 percent of retail (Administrative and staff overhead) between treasury and corporate segment, respectively.
- Assets and liabilities have been either specifically identified with individual segment or allocated to segment on a systematic basis using an agreed internal allocation basis. Cash, Bank Balances, Debt instruments and Due from banks have been allocated to Treasury; Loans and advances and Deposits have been allocated to Corporate and Retail Segments.
- Unallocated assets includes, Sundry debtors, bills receivables, Bank card stock, advance payment for capital expenditures, prepayments, receivables from mobile phone companies, tax related accounts and due from related party. Unallocated liabilities includes; bills payables, dividends payable, accrued expenses, deferred income, sundry creditors, credit outstanding, unclaimed customers balances and due to related party.
- Inter-segment transactions have been generally based on transfer pricing measures as determined by the Management.

There were no revenues from transactions with a single external customer that amounted to 10% or more of the Group's revenues in 2022 or 2021.

Currently it is not possible to segregate revenues from external customers for each product and service as the information is not available and the cost to develop will be excessive.

There were no any changes from prior periods in the measurement methods used to determine the reported segment profit or loss.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

10 RISK MANAGEMENT

10.1 Risk Management Framework

The group is committed to meeting stakeholders' expectations in mitigating risks through a robust enterprise-wide risk management framework. The framework aims at ensuring that risks are identified, quantified, managed, and monitored to achieve an optimal-risk reward profile. Our enterprise risk management framework has well-defined the internal structures, adequate processes, systems, and policies, which monitor and help to mitigate existing and prospective risks or threats of damage, injury, liability, loss, and any other negative occurrence that may arise from external or internal vulnerabilities, and which may be avoided through preventive action.

We strongly believe that preventing risks enhances shareholder value because it allows us to manage risks proactively and intelligently, which maximizes the group's potential for earnings, ensures stability and takes measures to protect the business against unexpected losses. Primarily, our risk management aims to protect the solvency through the preservation of high asset quality, efficient operations and prudent capital management resulting in sustained earnings that augment core capital, enabling regulatory compliance, enhancing market reputation and stakeholder support.

10.1.1 Introduction and risk profile

CRDB Group is based in Tanzania and has operations in Burundi as well. Whilst risk is inherent in the Group's activities, it is managed through an integrated risk management framework, including ongoing identification, measurement, and monitoring, and subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each employee in the Group is accountable for the risk exposures relating to his or her responsibilities.

The Group has a General Risk Control and Management framework adapted to its business model, organization and the geographical areas in which it operates. The Group operates within the framework of the control and risk management strategy, defined by the Bank's Risk management Committee and adapt to an economic and regulatory environment, addressing management globally and adapted to the circumstances at any time.

The framework establishes a system of risk management that is adapted to the Bank's risk profile and strategy. The risks inherent in the business that make up the risk profile of the Group referred to as Principal Risks which includes credit risk, market risk, operation risk, compliance risk, Information Technology ("IT") Risk, funding risk, strategic risk, and reputation risk which account for most of the total risks faced by the bank and the Group at large:

10.1.2 Risk anagement structure

The board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles. The board has appointed members of the Risk Committee, which is responsible for monitoring the overall risk process within the Bank. The Risk Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies, and limits.

The Risk Committee is responsible for managing risk decisions and monitoring risk levels and reports to the main Board. The Risk Department is responsible for implementing and maintaining risk related procedures to ensure an independent control process is maintained. The department works closely with and reports to the Risk Committee to ensure that procedures are compliant with the overall framework.

The Risk department is responsible for monitoring compliance with risk principles, policies, and limits across the Bank. Each department within the Bank has its own unit, which is responsible for the control of risks, including monitoring the actual risk of exposures against authorised limits and the assessment of risks of new products and structured transactions.

Risk department also ensures that the complete capture of the risks in its risk measurement and reporting systems. A Group Risk Profile report is produced monthly. The same cover all the principal risk inputs into the report for each risk type managed by the relevant Group Risk owner, with the overall report being coordinated and produced by the Group Risk and Compliance department. The Bank's Treasury is responsible for managing its assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Bank.

The Bank's policy is that risk management processes throughout the Bank are audited annually by the Internal Audit function, which examines both the adequacy of the procedures and the Bank's compliance with them. Internal Audit discusses the results of all risk assessments conducted during the year with management and reports its findings and recommendations to the Board. In addition, the group maintains a risk register which is regularly reviewed by the Board.

10.1.3 Risk mitigation and risk culture

As part of its overall risk management, the Group monitors current and forecasted economic variables such as economic growth, inflation, foreign exchange trends, interest rates, loan book performance and determines their impact on its strategies. To remain effective, the Group sets limits to monitor risk exposures to different economic sectors and/or risk areas which are continuously monitored to ensure that appropriate actions are taken timely to address them. We promote a strong risk culture where employees at all levels are responsible for the management and escalation of risks and are empowered and encouraged to act as risk managers.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.1 Risk Management Framework (Continued)
10.1.3 Risk mitigation and risk culture (Continued)

We expect employees to exhibit behaviours that support a strong risk culture in line with our Code of Conduct. This expectation continues to be reinforced through communications campaigns and mandatory training courses for employees. In addition, our board members and senior management frequently communicate the importance of a strong risk culture to support a consistent tone from the top.

10.1.4 Risk measurement and reporting systems

The Group's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Bank also runs worst-case scenarios that would arise if extreme events which are unlikely to occur do, in fact, occur. Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept.

Risk reports are submitted regularly to senior management committees and the board to keep them apprised of the Group's risk profile. A Group Risk Profile report which is produced monthly covers all the significant risks inputs for each risk type that is tabled to the board Risk Committee for review and auctioning on a quarterly basis. Similarly, there is a process to report and monitor intercompany risk exposures through the Group ALCO.

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

10.2 Risk governance and risk management strategies and systems

Our risk governance frameworks, policies and appetite provide the principles and guidance for the Group's risk management activities. They guide our key decisions for capital management, strategic planning and budgeting and performance management to ensure that the risk dimension is appropriately and sufficiently considered. The board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. As part of its governance structure, the board of directors has embedded a comprehensive risk management framework for identifying, measuring, controlling (setting risk mitigations) and monitoring of the Group's risks.

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, Governance, Human Resource, 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 Group's Risk Management Framework is implemented through a 'three lines of defence' model which defines clear responsibilities and accountabilities and ensures effective independent oversight and assurance activities take place covering key decisions.

First Line of Defence – The Risk Owner: The business and support units have primary responsibility for implementing and executing effective controls to manage the risks arising from their business activities. This includes establishing adequate managerial and supervisory controls to ensure compliance with risk policies, appetite, limits, and controls and to highlight control breakdowns, inadequacy of processes and unexpected risk events.

Second Line of Defence – Risk Oversight: The Risk and Compliance department, which is a centralized function, headed by the Director of Risk and Compliance, provide the Second Line of Defence. It supports the Group's strategy of balancing growth with stability by establishing risk frameworks, policies, appetite, and limits within which the business functions must operate. They are also responsible for the independent review and monitoring of the Group's risk profile and for highlighting any significant vulnerabilities and risk issues to the respective senior management committees. The independence of risk and control oversight functions from business functions ensures that the necessary checks and balances are in place.

Third Line of Defence – Independent Audit: The Group's internal auditors conduct risk-based audits covering all aspects of the First and Second Lines of Defence to provide independent assurance to the Audit Committee (AC) and the board, on the effectiveness of the risk management and control structure, policies, frameworks, systems, and processes.

The major risks to which the Group is exposed, including non-financial risks are credit risk, operational risk, compliance risk, reputation risk, business risk, strategic risk, market risk, liquidity risk and capital risk.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.2 Risk governance and risk management strategies and systems (Continued)

A combination of these risks occurring concurrently would be the most likely cause of significant loss. The Group's approach to managing risk on a holistic basis therefore ensures that risks are not managed in isolation.

Combined assurance

The Group has implemented a combined assurance framework, which require coordinated control activities across the three lines of defense for an effective control oversight. This has maximized oversight, minimized duplication of efforts, and optimized overall assurance provided to executive and board of directors about the overall control environment of the Group.

10.2.1 Excessive risk concentration

Concentrations arise when several counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political, or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location. To avoid excessive concentrations of risk, the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. We perform regular assessments of emerging risks and in-depth reviews on industry trends to provide a forward-looking view on developments that could impact the Group's portfolio.

10.3 Credit risk

Credit risk is the risk that the Group will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits. There is also credit risk in the off-balance sheet financial instruments, such as loan commitments, letters of credit and guarantees. The credit risk management and control are centralised under the credit risk management team of the Bank and reported to the board of directors and management regularly.

The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established using a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process aims to allow the Group to assess the potential loss because of the risks to which it is exposed and take corrective actions.

Climate risk considerations

The effect of climate risk on credit risk was assessed, and the impact in the current year was determined to not be material at 31 December 2022. Refer to Note 8.1 for further details on the judgements made as part of this assessment.

10.3.1 Credit-related commitments risks

The Bank makes available to its customers guarantees that may require that the Bank makes payments on their behalf and enters commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Bank to similar risks to loans and are mitigated by the same control processes and policies.

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 authorising a third party to draw drafts on a Bank up to a stipulated amount under specific terms and conditions – are collateralised 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 authorisations 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 and Bank are potentially exposed to loss in amounts 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 and Bank monitor the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

10.3.2 Impairment assessment

10.3.2.1 Definition of default and credit-impaired assets

IFRS 9 does not define default but requires the definition to be consistent with the definition used for internal credit risk management purposes. The Group considers 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:

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.2 Impairment assessment (Continued)
10.3.2.1 Definition of default and credit-impaired assets (Continued)

Loans and advances to customers, credit cards, loan commitments and financial guarantees

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
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses
- payment deferral
- extension of payment period

Due from banks and Cash and Balances with Central Bank

For Due from banks, below are considered as default when they occur

- When repayment of interest and principal are not done on time as per contractual schedules to the extent of 30 days delay
- When a counterparty is taken under management by Statutory Manager
- When a counterparty license has been revoked by the Central bank
- When the counterparty is declared bankrupt by responsible bodies like Registration, Insolvency or court.

Debt instruments

For Debt instruments, below are considered as default when they occur;

Quantitative and qualitative criteria;

- When repayment of interest and principal are not done on time as per contractual schedules to the extent of 30 days delay.
- When repayments of interest and principal are not done on time as per contractual schedules and that such delays considered are not those caused by operational issues
- When the government is downgraded to below rating "C" status by international rating agency such as Moody's, S & P, or Fitch
- When the Government is declared default/bankrupt by responsible agencies i.e. World Bank, IMF etc.

It may not be possible to identify a single discrete event, 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.

It is the Group's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when the customer has met certain criteria. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

Other financial assets

For other financial assets, below are considered as default when they occur;

Quantitative and qualitative criteria;

- The Group considers other financial assets in default when contractual payments are over 90 days past due.
- The Group may also consider other financial assets to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before considering any credit enhancements held by the Group.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.2 Impairment assessment (Continued)

10.3.2.2 Group's internal ratings scale and PD estimation process

Loans and advances to customers, credit cards, loan commitments and financial guarantees

The Group and Bank has its internal credit rating tools tailored in accordance with the Bank of Tanzania (BOT) guidelines that reflect its assessment of the probability of default of individual counterparties. Customers are segmented into five rating classes. The Group's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class.

Group rating	Description of the grade	Stage	PD Range		Number of days past due
1	Current	Stage 1	0.09%	4.68%	0
2	Current	Stage 1	0.57%	13.40%	1-30
3	Especially mentioned 1	Stage 2	2.02%	20.00%	31-60
4	Especially mentioned 2	Stage 2	3.65%	26.37%	61-90
5	Substandard, Doubtful, Loss	Stage 3	100.00%	100.00%	91 and above

The PDs obtained as above are then adjusted for IFRS 9 ECL calculations to incorporate forward looking information. This is repeated for each economic scenario as appropriate.

Due from banks, nostro balances and debt instruments

For internal monitoring, Due from banks, nostro balances and debt instruments are rated into four categories/ staging based on their financial position. Additionally, qualitative characteristics is taken into consideration when scoring a counterparty. Counterparts with history of default are usually rated as High risk and dealing limits are cancelled.

Group's rating	Score	PD range	Staging
Defaulted	3 - 5	100.0%	Stage 3
High	2.51 - 3	22.8%-100.0%	Stage 2
Medium	1.51 – 2.5	0.5%-22.8%	Stage 1
Low	1 - 1.51	0.0%-0.5%	Stage 1

The Due from banks, nostro balances and debt instruments as at 31 December 2022, are all low risk.

Other financial assets (receivables)

The internal ratings of other financial assets are based on their financial position. Additionally, qualitative characteristics is taken into consideration when scoring a counterparty. Counterparts with history of default are usually rated as High risk and dealing limits are cancelled.

Group's rating	Score	Loss rate	Staging
Current	0-30days	0.0%-0.03%	Stage 1
Especially mentioned 1	31-60days	0.04%-11.8%	Stage 2
Especially mentioned 2	61-90	11.9%-17.8%	Stage 2
Substandard and Doubtful	91-180	17.9%-20%	Stage 3
Loss	181 0r more	100%	Stage 3

Off balance sheet facilities

The internal PD ratings for off-balance sheet facilities are same as for on balance sheet facilities.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.2 Impairment assessment (Continued)

10.3.2.3 Exposure at Default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

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

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

10.3.2.4 Loss given default

The credit risk assessment is based on a standardised LGD assessment framework that results in a certain LGD rate. These LGD rates consider the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held. The Bank segments its loans into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g., product type, wider range of collateral types) as well as borrower characteristics. Further recent data and forward-looking economic scenarios are used to determine the IFRS 9 LGD rate for each group of financial instruments. The Bank estimates regulatory and IFRS 9 LGDs on a different basis. Under IFRS 9, LGD rates are estimated for the Stage 1, Stage 2, Stage 3 and POCI IFRS 9 segment of each asset class. The inputs for these LGD rates are estimated and, where possible, calibrated through back testing against recent recoveries. These are repeated for each economic scenario as appropriate.

10.3.2.5 Significant increase in credit risk

The Group continuously monitors all assets subject to ECL. To determine whether an instrument or a portfolio of instruments is subject to 12-month ECL or Lifetime ECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition. When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information.

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

- The remaining lifetime PD as at the reporting date, with
- The remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure

The Bank uses two criteria for determining whether there has been a significant increase in credit risk:

- A quantitative test based on movement in PD
- Qualitative indicators

The Bank considers debt instrument assets, credit cards, loan commitments and financial guarantee contracts to have experienced a significant increase in credit risk when one or more of the following quantitative or qualitative criteria have been met:

Loans and advances to customers, credit cards, loan commitments and financial guarantees

i) *Quantitative criteria*

Based on quantitative review for the purpose of the expected credit losses calculations, loans and advances, loan commitments and financial guarantees shall be classified as follows;

1. **0 – 30 days to be classified as Stage 1**; Loans and advances, loan commitments and financial guarantees which are performing according to contracted terms and conditions with low credit risk at the reporting date with 12-month expected credit losses being recognised.
2. **31 – 90 days to be classified as Stage 2;** Loans and advances, loan commitments and financial guarantees which have had significant increase in credit risk since initial recognition but do not have objective evidence of credit loss event with lifetime expected credit losses being recognized.
3. **90 days or more to be classified as Stage 3;** Loans and advances, loan commitments and financial guarantees which have objective evidence of impairment at the reporting date with lifetime expected credit losses being recognized (credit-impaired assets).

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.2.5 Significant increase in credit risk (Continued)

ii) *Qualitative criteria*

For Personal Loans if the borrower meets one or more of the following criteria:

- Short-term forbearance or restructuring.
- Adverse changes of external data from credit references agencies.

For Corporate and SME portfolios, if the borrower is on the Watch list and/or the instrument meets one or more of the following criteria:

- 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.
- 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.

The Group monitors all financial assets that are subject to assess whether there has been a significant increase in credit risk since initial recognition. When there is a significant increase in credit risk (SICR) since initial recognition is identified, a financial asset is moved from stage 1 to 'Stage 2' but is not yet deemed to be credit impaired. If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.

The table below summarises the 'three-stage' model for impairment based on changes in credit quality since initial recognition.

	Stage 1 (performing loans)	Stage 2 (under per-forming loans)	Stage 3 (non-performing loans)
Credit risk	Financial instruments with low credit risk at the reporting date or which have not had SICR	Financial instruments which have had a significant increase in credit risk since initial recognition but do not have objective evidence of a credit loss event.	Financial assets that have objective evidence of impairment at the reporting date
Recognition of expected credit losses	12 Month expected cred-it losses are recognized.	Lifetime expected cred-it losses are recog-nised.	Financial assets that have objective evi-dence of impairment at the reporting date
Recognition of interest	Interest revenue is calcu-lated on the gross carry-ing amount of the asset.	Interest revenue is cal-culated on the gross carrying amount of the asset.	Interest revenue is cal-culated based on the amortized cost net of the loss provision, (net carrying amount).

Due from banks, Cash and Balances with Central Bank and other financial assets

Below are quantitative and qualitative factors considered as indicators of significant increase in credit risk;

- The counterparty is more than 15 days past due for Due from banks, Cash and Balances with Central Bank on its contractual payments and more than 30 days past due for other financial assets.
- Significant counterparty management restructuring due to continues bad performance of the company.
- Significant adverse change in the regulatory, economic or technology of the borrower that results in a significant change in the borrower's ability to meet its debt obligations.
- Significant reductions in financial support from a parent company that resulted to significant adverse change of operating results of the counterparty.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.2.5 Significant increase in credit risk (Continued)

Debt instruments

Below are quantitative and qualitative factors considered as indicators of significant increase in credit risk

- The counterparty is more than 15 days past due on its contractual payments.
- The Government has received a low credit rating i.e. "C" by the international rating agencies; and
- The Government has initiated debt restructuring process.

10.3.2.6 Grouping of instruments for losses measured on a collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed into segments and sub-segments to account for the differences in risk between segments and sub segments into smaller homogeneous portfolio based on combination of internal and external characteristics of the loan and based on shared risk characteristics, such that risk exposures within a Group are homogeneous.

Furthermore, the sectoral sub-segments are consolidated into segments as per the nature of the activity and similarity in characteristics to arrive at a homogeneous pool. The appropriateness of groupings is monitored and reviewed on a periodic basis by the Credit Risk team.

The default definition has been applied consistently for all the segments to model the probability of default (PD), exposure at default (EAD) and loss given default (LGD) throughout the Group's expected loss calculations.

10.3.3 Analysis of inputs to the ECL model under multiple economic scenarios

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are provided by the Group's economics team on a quarterly basis and provide the best estimate view of the economy over the next five years. After five years, to project the economic variables out for the full remaining lifetime of each instrument, a mean reversion approach has been used, which means that economic variables tend to either a long run average rate (e.g., For unemployment) or a long run average growth rate (e.g., GDP) over a period of two to five years. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

In addition to the base economic scenario, the Group's economics team also provide other possible scenarios along with scenario weightings. The number of other scenarios used is set based on the analysis of each major product type to ensure non-linearity's are captured. The number of scenarios and their attributes are reassessed at each reporting date. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The assessment of SICR is performed using the lifetime PD under each of the base, and the other scenarios, multiplied by the associated scenario weighting, along with qualitative and backstop indicators.

This determines whether the whole financial instrument is in stage 1, stage 2, or stage 3 and hence whether 12-month or lifetime ECL should be recorded. Following this assessment, the Group measures ECL as either a probability weighted 12-month ECL (stage 1), or a probability weighted lifetime ECL (stages 2 and 3). These probability weighted ECLs are determined by running. Each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs). As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearity's and asymmetries within the Group's different portfolio to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

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

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

Note 7.15 provides more detail of how the expected credit loss allowance is measured.

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.3 Analysis of inputs to the ECL model under multiple economic scenarios (Continued)

The following table shows a representative summary of the economic variables and asset prices that the Group considers to be among the most important determinants of the Group's expected credit loss. The variables may vary from one year to another depending on the correlation of the variables to the inputs of ECL assessment. The bank updated the most significant assumptions to include GDP nominal rate, Consumption private real rate, gross value added real and Domestic demand real rate to align with the changes in market conditions.

	2022			2021		
Macroeconomic variable	**Average**	**Max**	**Min**	**Average**	**Max**	**Min**
GDP Nominal Rate %	**8.96**	**14.88**	**6.18**	2.68	3.81	(0.95)
Consumption private Real Rate %	**3.95**	**5.61**	**1.12**	4.09	5.30	3.30
Lending Rate %	**16.89**	**17.77**	**15.96**	9.75	11.60	7.20
Gross Value Added Real%	**6.43**	**7.35**	**4.75**	1.10	12.53	(23.84)
Domestic Demand Real %	**5.70**	**9.73**	**4.52**	102.98	106.85	101.50

The most significant period-end assumptions used for the ECL estimate are set out below;

31-Dec-22	Assigned weight	2022	2023	2024	2025	2026
	%	%	%	%	%	%
GDP Nominal Rate*						
Base Case	68.20%	8.98	12.50	11.78	12.09	11.39
Upside	10.60%	10.41	14.16	13.45	13.76	13.05
Downside	21.20%	7.56	11.22	10.50	10.82	10.11
Consumption Private real Rate**						
Base Case	68.20%	4.54	5.60	5.00	4.89	3.57
Upside	10.60%	5.43	6.47	5.88	5.76	4.44
Downside	21.20%	3.65	4.73	4.13	4.02	2.70
Lending Rate						
Base Case	68.20%	16.36	17.43	17.34	17.28	17.09
Upside	10.60%	15.85	16.75	16.66	16.61	16.41
Downside	21.20%	16.86	17.89	17.80	17.74	17.55
Gross Value Added real***						
Base Case	68.20%	4.35	4.60	4.44	4.47	4.42
Upside	10.60%	5.46	5.65	5.48	5.52	5.47
Downside	21.20%	3.23	3.02	2.86	2.89	2.84
Domestic Demand real****						
Base Case	68.20%	5.36	3.32	4.39	4.52	5.62
Upside	10.60%	7.52	5.36	6.44	6.56	7.67
Downside	21.20%	3.19	1.08	2.16	2.28	3.39

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.3 Analysis of inputs to the ECL model under multiple economic scenarios (Continued)

31-Dec-21	Assigned weight	2021	2022	2023	2024	2025
GDP Real Rate*						
Base Case	68.20%	2.17	3.18	2.74	2.77	2.56
Upside	10.60%	4.26	5.14	4.70	4.73	4.52
Downside	21.20%	0.08	1.09	0.65	0.68	0.47
Inflation Rate**						
Base Case	68.20%	3.80	5.50	5.50	5.50	5.50
Upside	10.60%	2.79	4.49	4.49	4.49	4.49
Downside	21.20%	4.81	6.51	6.51	6.51	6.51
Lending Rate**						
Base Case	68.20%	6.80	8.75	10.00	10.00	10.00
Upside	10.60%	5.09	7.04	8.29	8.29	8.29
Upside	10.60%	5.09	7.04	8.29	8.29	8.29
Downside	21.20%	8.51	10.46	11.71	11.71	11.71
Utilities Gross Value Added**						
Base Case	68.20%	7.33	9.49	10.42	10.43	10.54
Upside	10.60%	20.72	24.65	25.58	25.59	25.70
Downside	21.20%	(6.06)	(3.90)	(2.97)	(2.96)	(2.85)
Total Domestic Demand**						
Upside	10.60%	103.79	104.22	104.66	104.52	104.32
Downside	21.20%	99.21	99.89	100.32	100.18	99.98

* GDP Growth are expressed as an annual percentage change
** These rates are expressed as a percentage as at the end of the forecast year.
*** The value that producers have added to the goods and services they have bought.
**** The monetary value of final goods and services bought by the final users/ consumers in a country in a given period of time.

The weightings assigned to each economic scenario during the year was 68.2%,10.6% and 21.2% for "base", "upside" and "downside" respectively.

Analysis of inputs to the ECL model under multiple economic scenarios relating to loan and advances (which include credit cards under personal segment) and off-balance sheet.

The Bank has assessed the impact of climate risks, macro-economic and geopolitical uncertainties at the end of the reporting period, no material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Furthermore, the Bank has performed sensitivity analysis of the macro-economic variables to the expected credit loss and disclosed only the Lending rate which is the most sensitive to the bank's performance.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.3 Analysis of inputs to the ECL model under multiple economic scenarios (Continued)

If the Lending rate had changed by 10% expected loss allowance would have been as follows:

GROUP	2022		2021	
Sensitivity Analysis	**Expected loss allowance**			
In TZS' Million	**Higher end**	**Lower end**	Higher end	Lower end
31 December				
Corporate	**100,971**	**89,550**	89,801	76,279
SME	**23,422**	**21,475**	10,327	8,791
Microfinance	**609**	**560**	469	402
Mortgage	**1,525**	**1,397**	814	691
Personal loans	**52,455**	**48,097**	44,006	37,374
Off-balance sheet exposures	**1,095**	**1,004**	1,325	1,126
Total expected loss allowance	**180,077**	**165,083**	146,742	124,663

BANK	2022		2021	
Sensitivity Analysis	**Expected loss allowance**			
In TZS' Million	**Higher end**	**Lower end**	Higher end	Lower end
31 December				
Corporate	**100,911**	**88,786**	89,718	76,197
SME	**23,322**	**21,376**	10,188	8,653
Microfinance	**598**	**548**	442	375
Mortgage	**1,525**	**1,397**	814	691
Personal loans	**52,155**	**47,803**	44,000	37,369
Off-balance sheet exposures	**1,085**	**995**	1,324	1,125
Total expected loss allowance	**179,596**	**164,610**	146,486	124,410

Under current and forecasted economic conditions, cash and balances with central bank, other assets, debt instruments and due from banks are not expected to be materially sensitive to changes in macroeconomic assumptions and therefore have not been included in this sensitivity analysis. Instead, ECL for these instruments is more sensitive to obligor-specific factors and recovery strategies that are independent of macroeconomic factors.

The following tables outline the impact of multiple scenarios on the allowance. This table shows both the contribution to total ECL of each probability weighted scenario in addition to the total incremental effect on ECL of applying multiple economic scenarios compared to the ECL that would have resulted from applying a 100% weighting to the base case scenario:

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (Continued)

10.3.3 Analysis of inputs to the ECL model under multiple economic scenarios (Continued)

(a) ECL for each scenario based on the probability allocation

GROUP 31 December 2022							
In TZS' million	**Corporate**	**SME**	**Microfinance**	**Mortgage**	**Personal**	**Off-balance sheet**	**Total**
Gross exposure	**3,184,884**	**712,206**	**136,123**	**60,636**	**2,947,440**	**3,783,334**	**10,824,623**
Upside (10.6%)	**9,880**	**2,292**	**60**	**149**	**5,135**	**107**	**17,623**
Base (68.2%)	**63,570**	**14,750**	**385**	**960**	**33,038**	**690**	**113,393**
Downside (21.2%)	**25,669**	**2,838**	**73**	**184**	**5,797**	**123**	**34,684**
	99,119	**19,880**	**518**	**1,293**	**43,970**	**920**	**165,700**
Effect of multiple economic scenario	**127**	**44**	**15**	**1**	**922**	**27**	**1,136**
31 December 2021							
Gross exposure	2,140,147	561,070	56,945	113,214	2,303,886	2,729,536	7,904,798
Upside (10.6%)	8,762	1,008	39	79	4,433	129	14,450
Base (68.2%)	56,261	6,492	305	511	28,358	831	92,758
Downside (21.2%)	17,514	2,016	91	159	8,865	258	28,903
	82,537	9,516	435	749	41,656	1,218	136,111
Effect of multiple economic scenario	145	31	10	-	16	31	233

BANK 31 December 2022							
Gross exposure	**3,137,686**	**707,411**	**129,671**	**60,636**	**2,834,917**	**3,710,217**	**10,580,538**
Upside (10.6%)	**9,874**	**2,282**	**59**	**149**	**5,103**	**106**	**17,573**
Base (68.2%)	**63,530**	**14,683**	**377**	**960**	**32,834**	**683**	**113,067**
Downside (21.2%)	**25,646**	**2,816**	**71**	**184**	**5,735**	**131**	**34,583**
	99,050	**19,781**	**507**	**1,293**	**43,672**	**920**	**165,223**
Effect of multiple economic scenario	**125**	**44**	**15**	**1**	**919**	**26**	**1,130**
31 December 2021							
Gross exposure	2,140,147	561,070	56,945	113,214	2,303,886	2,729,395	7,904,657
Upside (10.6%)	8,753	993	36	79	4,432	129	14,422
Base (68.2%)	56,264	6,391	287	511	28,389	831	92,673
Downside (21.2%)	17,496	1,986	83	159	8,864	258	28,846
	82,513	9,370	406	749	41,685	1,218	135,941
Effect of multiple economic scenario	145	31	10	-	16	31	233

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (Continued)

10.3.3 Analysis of inputs to the ECL model under multiple economic scenarios (Continued)

The following tables outline the impact on ECL from applying a 100% weighting to each scenario:

(b) ECL under each case assuming 100% weight for each probability scenario

GROUP 31 December 2021							
In TZS' million	**Corporate**	**SME**	**Microfinance**	**Mortgage**	**Personal**	**Off-balance sheet**	**Total**
Upside	92,421	21,264	476	1,396	42,283	802	158,642
Base	93,087	21,583	549	1,406	47,520	984	165,129
Downside	94,033	21,957	653	1,417	54,470	1,201	173,731
Proportion of assets in stage 2							
Upside	0.65%	7.19%	7.58%	9.30%	7.06%	19.58%	3.43%
Base	0.81%	7.74%	8.45%	9.91%	6.75%	17.92%	3.63%
Downside	0.99%	8.26%	8.90%	10.52%	6.29%	16.29%	3.78%

(b) ECL under each case assuming 100% weight for each probability scenario

GROUP 31 December 2021							
In TZS' million	**Corporate**	**SME**	**Microfinance**	**Mortgage**	**Personal**	**Off-balance sheet**	**Total**
Upside	81,270	9,109	426	718	34,901	981	127,405
Base	82,327	9,340	437	749	41,798	1,187	135,838
Downside	83,537	9,599	449	777	48,675	1,436	144,473
Proportion of assets in stage 2							
Upside	5.02%	16.69%	0.84%	30.01%	16.70%	2.53%	6.49%
Base	5.74%	18.74%	1.03%	30.85%	15.64%	2.32%	6.87%
Downside	6.50%	20.70%	1.23%	31.79%	14.80%	2.10%	2.10%

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (Continued)

10.3.3 Analysis of inputs to the ECL model under multiple economic scenarios (Continued)

(b) ECL under each case assuming 100% weight for each probability scenario

BANK 31 December 2022 In TZS' million	Corporate	SME	Microfinance	Mortgage	Personal	Off-balance sheet	Total
Upside	92,376	21,168	468	1,396	42,003	795	158,206
Base	93,030	21,485	538	1,406	47,224	975	164,658
Downside	93,959	21,856	639	1,417	54,153	1,189	173,213
Proportion of assets in stage 2							
Upside	0.65%	7.21%	7.50%	9.30%	4.66%	19.75%	3.39%
Base	0.81%	7.76%	8.41%	9.91%	6.61%	18.09%	3.59%
Downside	0.99%	8.28%	8.90%	10.52%	6.16%	16.46%	3.74%

BANK 31 December 2021 In TZS' million	Corporate	SME	Microfinance	Mortgage	Personal	Off-balance sheet	Total
Upside	81,270	9,109	426	718	34,901	981	127,405
Base	82,327	9,340	437	749	41,798	1,187	135,838
Downside	83,537	9,599	449	777	48,675	1,436	144,473
Proportion of assets in stage 2							
Upside	5.02%	16.69%	0.84%	30.01%	16.70%	2.53%	6.49%
Base	5.74%	18.74%	1.03%	30.85%	15.64%	2.32%	6.87%
Downside	6.50%	20.70%	1.23%	31.79%	14.80%	2.10%	2.10%

Under current and forecasted economic conditions, stage 3 instruments are not expected to be materially sensitive to changes in macroeconomic assumptions and therefore have not been included in this sensitivity analysis. Instead, ECL on stage 3 instruments is more sensitive to idiosyncratic obligor-specific factors and recovery strategies that are independent of macroeconomic factors

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (Continued)

10.3.3 Analysis of inputs to the ECL model under multiple economic scenarios (Continued)

10.3.3.1 Expected credit losses

Summary of credit risk

GROUP
31 December 2022

In TZS' million	Corporate	SME	Microfinance	Mortgage	Personal	Off-balance sheet exposure	Total
	Gross carrying amount					Notional amount	
Stage 1	2,904,920	603,343	127,823	53,545	2,899,597	3,716,964	10,306,192
Stage 2	170,534	66,389	3,754	4,763	16,561	58,705	320,706
Stage 3	109,430	42,474	4,546	2,328	31282	7,665	197,725
Total	3,184,884	712,206	136,123	60,636	2,947,440	3,783,334	10,824,623
ECL							
Stage 1	6,763	1,852	167	22	17,676	643	27,123
Stage 2	19,109	2,935	47	141	3,206	213	25,651
Stage 3	73,247	15,093	304	1,130	23,088	64	112,926
Total	99,119	19,880	518	1,293	43,970	920	165,700
Amortised cost							
Stage 1	2,898,157	601,491	127,656	53,523	2,881,921	-	6,562,748
Stage 2	151,425	63,454	3,707	4,622	13,355	-	236,563
Stage 3	36,183	27,381	4,242	1,198	8,194	-	77,198
Total	3,085,765	692,326	135,605	59,343	2,903,470	-	6,876,509
Coverage ratio[1]							
Stage 1	0.2%	0.3%	0.1%	0.0%	0.6%	0.0%	0.3%
Stage 2	11.2%	4.4%	1.3%	3.0%	19.4%	0.4%	8.0%
Stage 3	66.9%	35.5%	6.7%	48.5%	73.8%	0.8%	57.1%
Total	3.1%	2.8%	0.4%	2.1%	1.5%	0.0%	1.6%
Impairment charge							
Stage 1	(17,018)	1,600	134	(27)	102	(293)	(15,502)
Stage 2	(4,047)	1,999	47	(80)	298	185	(1,598)
Stage 3	60,894	8,519	(91)	765	6,222	(190)	76,119
Total	39,829	12,118	90	658	6,622	(298)	59,019
Cost of risk[2]							
Stage 1	(0.6%)	0.3%	0.1%	(0.1%)	0.0%	0.0%	(0.1%)
Stage 2	(2.4%)	3.0%	1.3%	(1.7%)	1.8%	0.3%	(0.5%)
Stage 3	55.2%	20.1%	(2.0%)	32.9%	19.9%	(2.4%)	38.3%
Total	1.3%	1.7%	0.1%	1.1%	0.2%	0.0%	0.5%

[3]Total cost of risk for the Group 0.5%

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.3 Analysis of inputs to the ECL model under multiple economic scenarios (Continued)
10.3.3.1 Expected credit losses (Continued)
Summary of credit risk (Continued)

GROUP
31 December 2021

In TZS' million	Corporate	SME	Microfinance	Mortgage	Personal	Off-balance sheet exposure	Total
	Gross carrying amount					Notional amount	
Stage 1	1,842,800	467,675	106,286	47,569	2,261,006	2,699,537	7,424,873
Stage 2	210,471	58,235	3,159	5,709	15,444	4,613	297,631
Stage 3	86,876	35,160	3,769	3,667	27,436	25,386	182,294
Total	2,140,147	561,070	113,214	56,945	2,303,886	2,729,536	7,904,798
ECL							
Stage 1	21,674	437	27	53	19,551	936	42,678
Stage 2	22,582	1,197	11	232	3,199	28	27,249
Stage 3	38,281	7,882	451	464	18,906	254	66,238
Total	82,537	9,516	489	749	41,656	1,218	136,165
Amortised cost							
Stage 1	1,821,126	467,238	106,259	47,516	2,241,455	-	4,683,594
Stage 2	187,889	57,038	3,148	5,477	12,245	-	265,797
Stage 3	48,595	27,278	3,318	3,203	8,530	-	90,924
Total	2,057,610	551,554	112,725	56,196	2,262,230	-	5,040,315
Coverage ratio[1]							
Stage 1	1.2%	0.1%	0.0%	0.1%	0.9%	0.0%	0.6%
Stage 2	10.7%	2.1%	0.3%	4.1%	20.7%	0.6%	9.2%
Stage 3	44.1%	22.4%	12.0%	12.7%	68.9%	1.0%	36.3%
Total	3.9%	1.7%	0.4%	1.3%	1.8%	0.0%	1.8%
Impairment charge							
Stage 1	16,920	(150)	(1)	(10)	(13,815)	848	3,792
Stage 2	17,194	(429)	-	(43)	(1,781)	15	14,956
Stage 3	15,912	(2,822)	(10)	(87)	(7,829)	187	5,351
Total	50,026	(3,401)	(11)	(140)	(23,425)	1,050	24,099
Cost of risk[2]							
Stage 1	0.9%	0.0%	0.0%	0.0%	(0.6%)	0.0%	0.1%
Stage 2	8.2%	(0.7%)	0.0%	(0.8%)	(11.5%)	0.5%	5.0%
Stage 3	18.3%	(8.4%)	(0.3%)	(2.4%)	(65.0%)	0.9%	2.9%
Total	2.3%	(0.6%)	0.0%	(0.3%)	(1.0%)	0.0%	0.3%

[3]Total cost of risk for the Group 0.3%

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.3 Analysis of inputs to the ECL model under multiple economic scenarios (Continued)
10.3.3.1 Expected credit losses (Continued)
Summary of credit risk (Continued)

BANK
31 December 2022

In TZS' million	Corporate	SME	Microfinance	Mortgage	Personal	Off-balance sheet exposure	Total
	Gross carrying amount					Notional amount	
Stage 1	2,860,070	599,371	121,420	53,545	2,790,764	3,643,847	10,069,017
Stage 2	170,366	66,621	3,796	4,763	13,478	58,705	317,729
Stage 3	107,250	41,819	4,545	2,328	30,675	7,665	194,282
Total	3,137,686	707,411	129,761	60,636	2,834,917	3,710,217	10,581,028
ECL							
Stage 1	6,710	1,845	157	22	17,658	643	27,035
Stage 2	19,108	2,933	46	141	3,121	213	25,562
Stage 3	73,232	15,003	304	1,130	22,893	64	112,626
Total	99,050	19,781	507	1,293	43,672	920	165,223
Amortised cost							
Stage 1	1,773,656	464,063	96,491	47,518	2,166,936	-	4,548,664
Stage 2	187,144	56,723	3,154	5,477	11,815	-	264,313
Stage 3	48,457	27,057	3,382	3,201	8,374	-	90,471
Total	2,009,257	547,843	103,027	56,196	2,187,125	-	4,903,448
Coverage ratio[1]							
Stage 1	1.21%	0.09%	0.02%	0.11%	0.90%	0.04%	0.61%
Stage 2	10.77%	2.05%	0.16%	4.06%	21.31%	0.61%	9.19%
Stage 3	44.13%	22.33%	10.22%	12.71%	69.30%	1.00%	36.36%
Total	3.94%	1.68%	0.39%	1.32%	1.87%	0.05%	1.81%
Impairment charge							
Stage 1	(17,146)	1,603	151	(27)	86	(293)	(15,626)
Stage 2	(4,034)	2,003	46	(80)	214	185	(1,666)
Stage 3	60,484	8,553	(91)	765	6,030	(190)	75,551
Total	39,304	12,159	106	658	6,330	(298)	58,259
Cost of risk[2]							
Stage 1	(0.6%)	0.3%	0.1%	(0.1%)	0.0%	0.0%	(0.2%)
Stage 2	(2.4%)	3.0%	1.2%	(1.7%)	1.6%	0.3%	(0.5%)
Stage 3	56.4%	20.5%	(2.0%)	32.9%	19.7%	(2.5%)	38.9%
Total	1.3%	1.7%	0.1%	1.1%	0.2%	0.0%	0.5%

[3]Total cost of risk for the Group 0.5%

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.3 Analysis of inputs to the ECL model under multiple economic scenarios (Continued)
10.3.3.1 Expected credit losses (Continued)
Summary of credit risk (Continued)

BANK
31 December 2021

In TZS' million	Corporate	SME	Microfinance	Mortgage	Personal	Off-balance sheet exposure	Total
	Gross carrying amount					Notional amount	
Stage 1	1,795,324	464,470	95,597	47,569	2,238,734	2,699,396	7,341,090
Stage 2	252,045	57,908	3,058	5,709	15,031	4,613	338,364
Stage 3	94,137	41,141	4,346	4,145	30,878	25,386	200,033
Total	2,141,506	563,519	103,001	57,423	2,284,643	2,729,395	7,879,487
ECL							
Stage 1	6,411	407	14	52	19,627	936	27,447
Stage 2	28,226	1,187	4	233	3,205	28	32,883
Stage 3	47,876	7,777	388	464	18,982	254	75,741
Total	82,513	9,371	406	749	41,814	1,218	136,071
Amortised cost							
Stage 1	1,788,913	464,063	95,583	47,517	2,219,107	-	4,615,183
Stage 2	223,819	56,721	3,054	5,476	11,826	-	300,896
Stage 3	46,261	33,364	3,958	3,681	11,896	-	99,160
Total	2,058,993	554,148	102,595	56,674	2,242,829	-	5,015,239
Coverage ratio[1]							
Stage 1	0.4%	0.1%	0.0%	0.1%	0.9%	0.0%	0.4%
Stage 2	11.2%	2.0%	0.1%	4.1%	21.3%	0.6%	9.7%
Stage 3	50.9%	18.9%	8.9%	11.2%	61.5%	1.0%	37.9%
Total	3.9%	1.7%	0.4%	1.3%	1.8%	0.0%	1.8%
Impairment charge							
Stage 1	16,978	(155)	(1)	(10)	(13,818)	848	3,842
Stage 2	17,196	(451)	-	(43)	(1,781)	15	14,936
Stage 3	16,187	(2,933)	(26)	(87)	(7,829)	187	5,499
Total	50,361	(3,539)	(27)	(140)	(23,428)	1,050	24,277
Cost of risk[2]							
Stage 1	0.9%	0.0%	0.0%	0.0%	(0.6%)	0.0%	0.1%
Stage 2	6.8%	(0.8%)	0.0%	(0.8%)	(11.8%)	0.3%	4.4%
Stage 3	17.2%	(7.1%)	(0.6%)	(2.1%)	(25.4%)	0.7%	2.7%
Total	2.4%	(0.6%)	0.0%	(0.2%)	(1.0%)	0.0%	0.3%

[3]Total cost of risk for the Bank 0.3%

[1]The coverage ratio is calculated as the total ECL allowance divided by the average balance of the underlying assets' gross carrying amount (for off balance sheet items – divided by the average notional amount).

[2]The cost of risk ratio is calculated as the impairment charge for the year divided by the average balance of the underlying assets' gross carrying amount.

[3]Total cost of risk for the Group is calculated as the total ECL charge per the Consolidated Statements of Comprehensive income divided by the average balance of loans and advances to customers and off-balance sheet as disclosed above.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.3 Analysis of inputs to the ECL model under multiple economic scenarios (Continued)

10.3.3.2 Analysis of stage 2 loans reflecting the criteria for inclusion in stage 2

An analysis of stage 2 balances at the reporting date reflecting the reasons for inclusion in stage 2 by class of loans and advances to customers (gross carrying amount and corresponding ECL) is presented below. For the purposes of this analysis, where balances satisfy more than one criterion for determining a significant increase in credit risk, the corresponding gross carrying amount and ECL have been assigned in the order of the categories presented, for example, accounts with PD deterioration may also trigger backstops, but are only reported under "PD movement". The indicators of significant increases in credit risk (SICR) are explained in Note 10.3.2.5.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (Continued)

10.3.3 Analysis of inputs to the ECL model under multiple economic scenarios (Continued)

10.3.3.2 Analysis of stage 2 loans reflecting the criteria for inclusion in stage 2 (Continued)

In TZS' Million GROUP 31 December 2022	Corporate	ECL	SME	ECL	Microfinance	ECL	Mortgage	ECL	Personal	ECL	Off-balance sheet exposures	ECL	Total Gross Carrying amount	ECL
Less than 30 Days past due														
▪ Forbearance support provided	**75,770**	**14,283**	**44,475**	**2,116**	**238**	**13**	**-**	**-**	**1,863**	**600**	**7,353**	**35**	**129,699**	**17,047**
▪ Other qualitative reasons	**43,021**	**1,197**	**6,563**	**193**	**86**	**1**	**3,171**	**102**	**3,610**	**839**	**51,352**	**178**	**107,803**	**2,510**
More than 30 days past due	**51,743**	**3,629**	**15,351**	**626**	**3,430**	**33**	**1,592**	**39**	**11,088**	**1,767**	**-**	**-**	**83,204**	**6,094**
Total	**170,534**	**19,109**	**66,389**	**2,935**	**3,754**	**47**	**4,763**	**141**	**16,561**	**3,206**	**58,705**	**213**	**320,706**	**25,651**
31 December 2021														
Less than 30 Days past due														
▪ Forbearance support provided	115,853	16,597	40,164	953	549	9	338	8	990	290	-	-	157,894	17,857
▪ Other qualitative reasons	73,558	5,909	6,098	201	74	-	3,268	140	5,018	999	4,613	28	92,629	7,277
More than 30 days past due	21,060	76	11,973	43	2,536	2	2,103	84	9,436	1,910	-	-	47,108	2,115
Total	210,471	22,582	58,235	1,197	3,159	11	5,709	232	15,444	3,199	4,613	28	297,631	27,249

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (Continued)

10.3.3 Analysis of inputs to the ECL model under multiple economic scenarios (Continued)

10.3.3.2 Analysis of stage 2 loans reflecting the criteria for inclusion in stage 2 (Continued)

In TZS' Million BANK 31 December 2022	Corporate	ECL	SME	ECL	Microfinance	ECL	Mortgage	ECL	Personal	ECL	Off-balance sheet exposures	ECL	Total Gross Carrying amount	ECL
Less than 30 Days past due														
▪ Forbearance support provided	**75,772**	**14,282**	**44,475**	**2,117**	**238**	**13**	**-**	**-**	**1,863**	**600**	**7,353**	**35**	**129,701**	**17,047**
▪ Other qualitative reasons	**42,851**	**1,197**	**6,477**	**192**	**87**	**1**	**3,171**	**102**	**3,055**	**809**	**51,352**	**178**	**106,993**	**2,479**
More than 30 days past due	**51,743**	**3,629**	**15,269**	**624**	**3,381**	**32**	**1,592**	**39**	**8,560**	**1,712**	**-**	**-**	**80,545**	**6,036**
Total	**170,366**	**19,108**	**66,221**	**2,933**	**3,706**	**46**	**4,763**	**141**	**13,478**	**3,121**	**58,705**	**213**	**317,239**	**25,562**
31 December 2021														
Less than 30 Days past due														
▪ Forbearance support provided	115,858	16,640	40,165	948	549	3	338	8	995	291	-	-	157,905	17,890
▪ Other qualitative reasons	73,558	5,909	6,098	201	74	-	3,268	140	5,018	999	4,613	28	92,629	7,278
More than 30 days past due	20,306	29	11,645	36	2,536	2	2,103	84	9,001	1,909	-	-	45,591	2,060
Total	209,722	22,578	57,908	1,185	3,159	5	5,709	232	15,014	3,199	4,613	28	296,125	27,228

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.3 Analysis of inputs to the ECL model under multiple economic scenarios (Continued)

10.3.3.3 Analysis of stage 3 loans

An analysis of stage 3 loans is presented below. The table shows loans less than 90 days past due and loans greater than 90 days past due by portfolio and stage, thus presenting the loans classified as stage 3 due to ageing and those identified at an early stage due to other criteria. Stage 3 exposures are further analysed to indicate those which are no longer credit impaired but in cure period that precedes a transfer back to stage 2.

In TZS' Million GROUP 31 December 2022	Corporate	ECL	SME	ECL	Microfinance	ECL	Mortgage	ECL	Personal	ECL	Off-balance sheet exposures	ECL	Total Gross Carrying amount	ECL
Less than 90 days DPD	**65,590**	**47,719**	**28,012**	**11,571**	**628**	**43**	**1,008**	**553**	**9,490**	**7,090**	**3,398**	**24**	**108,126**	**67,000**
More than 90 days DPD	**43,840**	**25,528**	**14,462**	**3,522**	**3,918**	**261**	**1,320**	**577**	**21,792**	**15,998**	**4,267**	**40**	**89,599**	**45,926**
Total	**109,430**	**73,247**	**42,474**	**15,093**	**4,546**	**304**	**2,328**	**1,130**	**31,282**	**23,088**	**7,665**	**64**	**197,725**	**112,926**
No longer impaired but in cure period	**8,458**	**507**	**4,248**	**420**	**508**	**43**	**837**	**529**	**4,002**	**3,058**	**-**	**-**	**18,053**	**4,557**
Other	**100,972**	**72,740**	**38,226**	**14,673**	**4,038**	**261**	**1,491**	**601**	**27,280**	**20,030**	**7,665**	**64**	**179,672**	**108,369**
31 December 2021														
Less than 90 days DPD	51,671	17,514	13,946	2,577	749	76	1,679	223	8,235	4,929	25,386	254	101,666	25,573
More than 90 days DPD	35,205	20,767	21,214	5,305	3,020	375	1,988	241	19,201	13,977	-	-	80,628	40,665
Total	86,876	38,281	35,160	7,882	3,769	451	3,667	464	27,436	18,906	25,386	254	182,294	66,238
No longer impaired but in cure period	362	-	9,777	462	443	30	785	119	3,504	2,305	-	-	14,871	2,916
Other	86,514	38,281	25,383	7,420	3,326	421	2,882	345	23,932	16,601	25,386	254	167,423	63,322

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.3 Analysis of inputs to the ECL model under multiple economic scenarios (Continued)
10.3.3.3 Analysis of stage 3 loans (Continued)

In TZS' Million BANK 31 December 2022	Corporate	ECL	SME	ECL	Microfinance	ECL	Mortgage	ECL	Personal	ECL	Off-balance sheet exposures	ECL	Total Gross Carrying amount	ECL
Less than 90 days DPD	**63,641**	**47,704**	**27,640**	**11,561**	**628**	**43**	**1,008**	**553**	**9,052**	**6,951**	**3,398**	**24**	**105,367**	**66,836**
More than 90 days DPD	**43,609**	**25,528**	**14,179**	**3,442**	**3,917**	**261**	**1,320**	**577**	**21,623**	**15,942**	**4,267**	**40**	**88,915**	**45,790**
Total	**107,250**	**73,232**	**41,819**	**15,003**	**4,545**	**304**	**2,328**	**1,130**	**30,675**	**22,893**	**7,665**	**64**	**194,282**	**112,626**
No longer impaired but in cure period	**8,458**	**507**	**4,248**	**420**	**508**	**43**	**837**	**529**	**4,002**	**3,058**	**-**	**-**	**18,053**	**4,557**
Other	**98,792**	**72,725**	**37,571**	**13,257**	**3,149**	**234**	**1,225**	**502**	**22,501**	**17,716**	**7,665**	**58**	**170,903**	**104,492**
31 December 2021														
Less than 90 days DPD	59,126	27,075	19,927	2,472	749	76	2,157	224	8,235	4,929	25,386	254	115,580	35,030
More than 90 days DPD	27,600	11,194	14,907	5,305	3,018	309	1,510	242	19,041	13,973	-	-	66,076	31,023
Total	86,726	38,269	34,834	7,777	3,767	385	3,667	466	27,276	18,902	25,386	254	181,656	66,053
No longer impaired but in cure period	362	-	9,777	462	443	30	785	119	3,504	2,305	-	-	14,871	2,916
Other	86,364	38,269	25,057	7,315	3,324	355	2,882	347	23,772	16,597	25,386	254	166,785	63,137

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.3 Analysis of inputs to the ECL model under multiple economic scenarios (Continued)

10.3.4 Model adjustments

Management has determined post model adjustment to incorporate factors which are not specifically embedded in the model used as part of the normal modelling process and those which resulted from qualitative assessment.

Post-model adjustments (both positive and negative) represent adjustments in relation to data and model limitations because of climate risk, macro-economic and geopolitical uncertainties and other qualitative assessment which resulted into management overlay. The adjustments are based on a combination of portfolio level credit risk analysis and an evaluation of ECL coverage at an exposure level.

Assessment and impact on ECL measurement.

The Bank's models have been constructed and calibrated using historical trends and correlations as well as forward looking economic scenarios. Given the degree of uncertainty surrounding the current economic environment, and the potential limitations on reliable data to model the impact on the banking book, as well as operational and timing challenges in incorporating the latest available macroeconomic inputs into the ECL models, the use of judgmental adjustments was applied.

Management overlays

Management overlays are made to incorporate uncertainties resulting from Climate risk, macro-economic and geopolitical impact, and other qualitative assessment considerations. The significant overlay relates to Stage 3 loans. Additional information and sensitivity analysis in respect of the inputs to the ECL model under multiple economic scenarios is provided in Note 10.3.3.

The Bank has incorporated all the relevant information calibrated in the model and applying management overlay. The below were among the factors which were taken into consideration:

- Changes to the economic outlook and the impact on macroeconomic scenarios and assumptions.
- Qualitative assessment in considering portfolio level credit risk analysis by accelerate provision to some customers on a case by case basis.
- Extension of payment term on modified financial assets.
- Assessment on significant increase in credit risk.

10.3.4 Model adjustments

The Group has put in place a robust controls in determining management overlays in the ECL computation. These controls involve regular reviews and approval of material overlay adjustment by senior management team.

Post-model adjustments and management overlays made in estimating the reported ECL for the Group and Bank as at 31 December 2022 are set out in the following table:

In TZS' Million	Modelled ECL	Post-model adjustments	Management overlays	Total ECL	Adjustment as a % of total ECL
Corporate lending	**90,043**	-	**9,076**	**99,119**	**9%**
SME lending	**17,614**	-	**2,266**	**19,880**	**11%**
Mortgage lending	**713**	-	**580**	**1,293**	**45%**
Microfinance lending	**296**	-	**222**	**518**	**43%**
Personal lending	**42,932**	-	**1,038**	**43,970**	**2%**
Total	**151,598**	-	**13,182**	**164,780**	**8%**

The management overlay adjustments relate to adjustment made by management outside the IFRS 9 Model to capture additional qualitative factors that could not be modelled without undue cost and effort. The adjustment mainly relates to staging assessments where additional ECL amount were recorded to take into consideration the significant increase in credit risk in the loan portfolio based on management assessment. The Bank has put in place robust governance processes around the measurement and approval of all overlay adjustments, this involves independent review and approval by the Director of Credit and Board Credit Committee.

Overlay adjustments are reassessed and adjusted where required at every reporting date.

No model adjustments/overlays were done for ECL relating to other financial instruments.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.4 Model adjustments (Continued)

Post-model adjustments and management overlays made in estimating the reported ECL for the Group and Bank as at 31 December 2021 are set out in the following table:

In TZS' Million	Modelled ECL	Post-model adjustments	Management overlays	Total ECL	Adjustment as a % of total ECL
Corporate lending	28,377	54,160	82,537	66%	66%
SME lending	2,830	6,686	9,516	70%	70%
Mortgage lending	671	78	749	10%	10%
Microfinance lending	81	354	435	81%	81%
Personal lending	41,013	644	41,657	2%	2%
Total	72,972	61,922	134,894	46%	46%

10.3.5 Forborne and modified loans

Restructuring of loans with borrowers who are facing financial difficulty which resulted into modification loss has slightly increased during the year to TZS 411.7 billion (2021: TZS 360.0 billion).

Restructuring is a qualitative indicator of default and credit impairment, and expectations of restructuring are relevant to assessing whether there is a significant increase in credit risk. Following restructuring, a customer needs to demonstrate consistently good payment behaviour over a period before the exposure is no longer considered to be in default/credit-impaired or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECLs.

During the year ended 31 December 2022 the bank restructured credit facilities for specific customers with liquidity constraints arising from business operations. The gross carrying amount of restructured loans which resulted into modification loss was TZS 411.7 billion arising from business operations. All restructures were done within the regulatory and credit policy requirements.

The table below include stage 2 and 3 assets which were modified during the period with the related modification loss suffered by the Group and Bank;

Amount in TZS' Million	2022	2021
Amortised costs of financial assets that result into modification loss during the period (carrying amount)	**411,694**	359,983
Amortised costs of financial assets that result into modification loss during the period-COVID 19 restructured loans (carrying amount)	**-**	57,372
Net modification gain/(loss)	**(875)**	4,814

The table below shows the gross carrying amount of previously modified financial assets for which loss allowance has changed to 12-month ECL measurement during the period for the Group and Bank.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.4 Model adjustments (Continued)

31 December 2022	Post modification		Pre-modification	Amount in TZS' Million
	Gross carrying amount	Corresponding ECL	Gross carrying amount	Corresponding ECL
Facilities that have been cured since modification and are now measured using 12-month ECL (Stage 1)	**40,732**	**581**	**216,473**	**31,649**
Facilities that reverted to (Stage 2/3) Lifetime ECL having once cured	**11,051**	**17**	**586,054**	**190**

31 December 2021	Post modification		Pre-modification	Amount in TZS' Million
	Gross carrying amount	Corresponding ECL	Gross carrying amount	Corresponding ECL
Facilities that have been cured since modification and are now measured using 12-month ECL (Stage 1)	297,348	10,729	251,490	2,654
Facilities that reverted to (Stage 2/3) Lifetime ECL having once cured	266,066	14,851	260,323	22,791

10.3.6 Analysis of risk concentration

The following tables break down the Group's and Bank's main credit exposure as categorised by industry sector and geographical sectors as of 31 December 2022.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.6 Analysis of risk concentration (Continued)

(a) Industry sectors

GROUP

In TZS' Million 31 December 2022	Financial institutions	Manufacturing	Government	Trading	Transport and communication	Hotel and restaurant	Agriculture	Individuals	Others	Total
Financial assets										
Balances with central bank*	602,881	-	-	-	-	-	-	-	-	602,881
Due from banks	693,506	-	-	-	-	-	-	-	-	693,506
Financial Assets at FVPL	23,703	-	-	-	-	-	-	-	-	23,703
Debt Instruments at FVOCI	-	-	786,118	-	-	-	-	-	-	786,118
Credit card	-	-	-	-	-	-	-	1,248	-	1,248
Loans and advances to customers										
- Corporate	208,664	365,388	-	941,714	136,948	41,177	786,259	-	605,614	3,085,765
- SME	11,312	6,773	-	245,516	42,129	27,767	162,709	-	196,121	692,326
- Microfinance	2,497	1,215	-	103,976	4,808	4,509	2,918	14	15,668	135,605
- Mortgage	-	-	-	-	-	-	-	-	59,343	59,343
- Personal	-	-	-	-	-	-	-	2,703,962	199,508	2,903,470
Debt Instrument at amortized costs	-	-	1,483,968	-	-	-	-	-	-	1,483,968
Other assets	-	-	-	-	-	-	-	-	132,687	132,687
	1,542,563	373,376	2,270,086	1,291,206	183,885	73,453	951,886	2,705,224	1,208,941	10,600,620
Off-Balance sheet items										
Guarantees and indemnities	-	57	-	46,384	13,004	1	24,016	779	1,366,375	1,450,615
Letters of credit	-	117,895	-	204,817	1,564	-	451,410	2,005	1,092,626	1,870,317
Commitment to extend credit	-	-	-	-	-	-	-	-	462,402	462,402
	-	117,952	-	251,201	14,568	1	475,426	2,784	2,921,403	3,783,334

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.6 Analysis of risk concentration (Continued)
(a) Industry sectors (Continued)

GROUP

In TZS' Million 31 December 2021	Financial institutions	Manufacturing	Government	Trading	Transport and communication	Hotel and restaurant	Agriculture	Individuals	Others	Total
Financial assets										
Balances with central bank*	576,981	-	-	-	-	-	-	-	-	576,981
Due from banks	493,216	-	-	-	-	-	-	-	-	493,216
Financial Assets at FVPL	27,097	-	-	-	-	-	-	-	-	27,097
Debt Instruments at FVOCI	-	-	424,160	-	-	-	-	-	-	424,160
Credit card	-	-	-	-	-	-	-	1,844	-	1,844
Loans and advances to customers										
- Corporate	123,963	327,075	-	444,438	152,215	47,962	562,539	-	399,418	2,057,610
- SME	17,049	7,408	-	211,118	32,947	24,306	100,474	-	158,252	551,554
- Microfinance	2,853	983	-	83,168	4,852	2,915	2,784	-	15,224	112,779
- Mortgage	-	-	-	-	-	-	-	-	56,196	56,196
- Personal	-	-	-	-	-	-	-	2,182,415	79,814	2,262,229
Debt Instrument at amortized costs	-	-	1,202,593	-	-	-	-	-	-	1,202,593
Other assets	-	-	-	-	89,599	-	-	-		89,599
	1,241,159	335,466	1,626,753	738,724	279,613	75,183	665,797	2,184,259	708,904	7,855,858
Off-Balance sheet items										
Guarantees and indemnities	-	6,809	-	197,050	1,465	7	7,005	-	1,445,408	1,657,744
Letters of credit	-	840	-	801,698	-	-	-	-	241	802,779
Commitment to extend credit	838	8,664	-	60,490	14,850	3,911	85,605	28	94,627	269,013
	838	16,313	-	1,059,238	16,315	3,918	92,610	28	1,540,276	2,729,536

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.6 Analysis of risk concentration (Continued)
(a) Industry sectors (Continued)

BANK

In TZS' Million 31 December 2022	Financial institutions	Manufacturing	Government	Trading	Transport and communication	Hotel and restaurant	Agriculture	Individuals	Others	Total
Financial assets										
Balances with central bank	497,347	-	-	-	-	-	-	-	-	497,347
Due from banks	711,979	-	-	-	-	-	-	-	-	711,979
Financial Assets at FVPL	17,417	-	-	-	-	-	-	-	-	17,417
Debt Instruments at FVOCI	-	-	786,118	-	-	-	-	-	-	786,118
Credit card	-	-	-	-	-	-	-	1,248	-	1,248
Loans and advances to customers										
- Corporate	208,664	365,388	-	941,704	136,948	41,177	786,259	10	558,486	3,038,636
- SME	11,312	6,773	-	245,516	42,129	27,767	162,709	-	191,425	687,631
- Microfinance	2,497	1,215	-	103,976	4,808	4,509	2,918	14	9,226	129,163
- Mortgage	-	-	-	-	-	-	-	-	59,343	59,343
- Personal	-	-	-	-	-	-	-	2,703,962	87,283	2,791,245
Debt Instrument at amortized costs	-	-	1,148,248	-	-	-	-	-	-	1,148,248
Other assets	-	-	-	-	-	-	-	-	138,805	138,805
	1,449,216	373,376	1,934,336	1,291,196	183,885	73,453	951,886	2,705,234	1,044,568	10,007,180
Off-Balance sheet items										
Guarantees and indemnities	-	20	-	46,283	13,004	-	24,016	779	1,366,009	1,450,111
Letters of credit	-	117,895	-	204,817	1,564	-	378,797	2,005	1,092,626	1,797,704
Commitment to extend credit	-	-	-	-	-	-	-	-	462,402	462,402
	-	117,915	-	251,100	14,568	-	402,813	2,784	2,921,037	3,710,217

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.6 Analysis of risk concentration (Continued)
(a) Industry sectors (Continued)

BANK

In TZS' Million 31 December 2021	Financial institutions	Manufacturing	Government	Trading	Transport and communication	Hotel and restaurant	Agriculture	Individuals	Others	Total
Financial assets										-
Balances with central bank	564,081	-	-	-	-	-	-	-	-	564,081
Due from banks	442,784	-	-	-	-	-	-	-	-	442,784
Financial Assets at FVPL	20,807	-	-	-	-	-	-	-	-	20,807
Debt Instruments at FVOCI	-	-	424,160	-	-	-	-	-	-	424,160
Credit card	-	-	-	-	-	-	-	1,844	-	1,844
Loans and advances to customers										
- Corporate	123,963	327,075	-	444,438	152,176	47,958	562,537	-	351,108	2,009,255
- SME	17,049	7,408	-	211,021	32,947	24,306	100,474	-	154,639	547,843
- Microfinance	2,853	983	-	83,168	4,852	2,915	2,784	-	5,471	103,027
- Mortgage	-	-	-	-	-	-	-	-	56,196	56,196
- Personal	-	-	-	-	-	-	-	2,182,413	4,714	2,187,127
Debt Instrument at amortized costs	-	-	1,001,563	-	-	-	-	-		1,001,563
Other assets	-	-	-	-	95,061	-	-	-		95,061
	1,171,537	335,466	1,425,723	738,627	285,036	75,179	665,795	2,184,257	572,128	7,453,748
Off-Balance sheet items										
Guarantees and indemnities	-	6,809	-	197,050	1,465	7	7,005	-	1,445,267	1,657,603
Letters of credit	-	880	-	801,658	-	-	-	-	241	802,779
Commitment to extend credit	838	8,664	-	60,490	14,850	3,911	85,605	28	94,627	269,013
	838	16,353	-	1,059,198	16,315	3,918	92,610	28	1,540,135	2,729,395

*Cash and balances with central Bank do not include cash in hand
**Other assets (excludes prepayments, stock, and advanced payment for capital expenditure as they are not financial assets).

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.6 Analysis of risk concentration (Continued)

For these tables, the Group and Bank have allocated exposures to regions based on the country of domicile of its counterparties.

b) Geographical sectors

In TZS' Million 31 December 2022	Tanzania	Europe	America	Burundi	Others	Total
Financial assets						
Balances with central bank	497,347	-	-	105,534	-	602,881
Due from banks	459,014	129,909	76,738	26,793	1,052	693,506
Financial Assets at FVPL	17,417	-	-	6,286	-	23,703
Debt Instruments at FVOCI	786,118	-	-	-	-	786,118
Credit card	1,248	-	-	-	-	1,248
Loans and advances to customers						
- Corporate	2,862,905	-	-	222,860	-	3,085,765
- SME	687,630	-	-	4,696	-	692,326
- Microfinance	129,163	-	-	6,442	-	135,605
- Mortgage	59,343	-	-	-	-	59,343
- Personal	2,791,246	-	-	112,224	-	2,903,470
Debt instrument at amortized cost	1,148,248	-	-	335,720	-	1,483,968
Other assets	131,424	-	-	1,263	-	132,687
	9,571,103	129,909	76,738	821,818	1,052	10,600,620
Off balance sheet items						
Guarantees and indemnities	1,450,111	-	-	504	-	1,450,615
Letters of credit	1,797,704	-	-	72,613	-	1,870,317
Commitment to extend credit	462,402	-	-	-	-	462,402
	3,710,217	-	-	73,117	-	3,783,334

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.6 Analysis of risk concentration (Continued)
b) Geographical sectors (Continued)

For these tables, the Group and Bank have allocated exposures to regions based on the country of domicile of its counterparties.

GROUP

In TZS' Million 31 December 2021	Tanzania	Europe	America	Burundi	Others	Total
Financial assets						
Balances with central bank	576,981	-	-	-	-	576,981
Due from banks	256,463	68,627	126,506	18,635	22,984	493,216
Financial Assets at FVPL	27,097	-	-	-	-	27,097
Debt Instruments at FVOCI	424,160	-	-	-	-	424,160
Credit card	1,844	-	-	-	-	1,844
Loans and advances to customers						
- Corporate	576,981	-	-	-	-	576,981
- SME	256,463	68,627	126,506	18,635	22,984	493,216
- Microfinance	27,097	-	-	-	-	27,097
- Mortgage	424,160	-	-	-	-	424,160
- Personal	1,844	-	-	-	-	1,844
Debt instrument at amortized cost	1,202,593	-	-	-	-	1,202,593
Other assets	89,599	-	-	-	-	89,599
	7,393,536	68,627	126,506	244,204	22,984	7,855,858
Off balance sheet items						
Guarantees and indemnities	1,657,744	-	-	-	-	1,657,744
Letters of credit	802,779	-	-	-	-	802,779
Commitment to extend credit	269,013	-	-	-	-	269,013
	2,729,536	-	-	-	-	2,729,536

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.6 Analysis of risk concentration (Continued)
b) Geographical sectors (Continued)

BANK

In TZS' Million 31 December 2022	Tanzania	Europe	America	Burundi	Others	Total
Financial assets						
Balances with central bank*	497,347	-	-	-	-	497,347
Due from banks	459,014	126,554	76,738	47,622	2,051	711,979
Financial Assets at FVPL	17,417	-	-	-	-	17,417
Debt Instruments at FVOCI	786,118	-	-	-	-	786,118
Credit card	1,248	-	-	-	-	1,248
Loans and advances to customers						
- Corporate	2,862,905	-	-	175,731	-	3,038,636
- SME	687,630	-	-	-	-	687,630
- Microfinance	129,163	-	-	-	-	129,163
- Mortgage	59,343	-	-	-	-	59,343
- Personal	2,791,245	-	-	-	-	2,791,245
Debt instrument at amortized cost	1,148,248	-	-	-	-	1,148,248
Other assets	138,805	-	-	-	-	138,805
	9,578,483	126,554	76,738	223,353	2,051	10,007,180
Off balance sheet items						
Guarantees and indemnities	1,450,111	-	-	-	-	1,450,111
Letters of credit	1,797,704	-	-	-	-	1,797,704
Commitment to extend credit	462,402	-	-	-	-	462,402
	3,710,217	-	-	-	-	3,710,217

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.6 Analysis of risk concentration (Continued)
b) Geographical sectors (Continued)

BANK

In TZS' Million 31 December 2021	Tanzania	Europe	America	Burundi	Others	Total
Financial assets						
Balances with central bank*	564,081	-	-	-	-	564,081
Due from banks	206,030	68,628	126,507	18,635	22,984	442,784
Financial Assets at FVPL	20,807	-	-	-	-	20,807
Debt Instruments at FVOCI	424,160	-	-	-	-	424,160
Credit card	1,844	-	-	-	-	1,844
Loans and advances to customers						
- Corporate	1,920,606	-	-	88,649	-	2,009,255
- SME	547,843	-	-	-	-	547,843
- Microfinance	103,027	-	-	-	-	103,027
- Mortgage	56,196	-	-	-	-	56,196
- Personal	2,187,127	-	-	-	-	2,187,127
Debt instrument at amortized cost	1,001,563	-	-	-	-	1,001,563
Other assets	95,061	-	-	-	-	95,061
	7,128,345	68,628	126,507	107,284	22,984	7,453,748
Off balance sheet items						
Guarantees and indemnities	1,657,603	-	-	-	-	1,657,603
Letters of credit	802,779	-	-	-	-	802,779
Commitment to extend credit	269,013	-	-	-	-	269,013
	2,729,395	-	-	-	-	2,729,395

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.6 Analysis of risk concentration (Continued)

(c) Credit quality per segments, industry and asset classes

GROUP In TZS' Million

31 December 2022	Stage 1	Stage 2	Stage 3	Others***	Total
Financial assets					
Balance with central bank	602,881	-	-	-	602,881
Due from banks	693,506	-	-	-	693,506
Financial Assets at FVPL	23,703	-	-	23,703	23,703
Debt instruments at FVOCI	786,118	-	-	-	786,118
Credit card	1,248	-	-	-	1,248
Loans and advances					
Corporate	2,898,157	151,425	36,183	-	3,085,765
SME	601,491	63,454	27,381	-	692,326
Microfinance	127,656	3,707	4,242	-	135,605
Mortgage	53,523	4,622	1,198	-	59,343
Personal loans	2,881,921	13,355	8,194	-	2,903,470
Debt instruments at amortised cost	1,483,968	-	-	-	1,483,968
Other assets	-	132,687	-	-	132,687
	10,154,172	369,250	77,198	23,703	10,600,620
Off balance sheet					
Guarantees and indemnities	1,450,615	-	-	-	1,450,615
Letters of credit	1,870,317	-	-	-	1,870,317
Commitments to extend credit	462,402	-	-	-	462,402
	3,783,334	-	-	-	3,783,334
Per industry segment					
Financial institutions	1,234,629	508	247	23,703	1,259,087
Manufacturing	407,811	24,246	835	-	432,892
Government	2,292,789	-	-	-	2,292,789
Trading	1,216,306	29,815	23,849	-	1,269,970
Transport and communication	166,741	9,877	9,000	-	185,618
Hotel and restaurant	55,430	18,572	648	-	74,650
Agriculture	947,845	79,692	17,772	-	1,045,309
Individuals	2,739,539	13,339	8,159	-	2,761,037
Others	1,069,379	193,201	16,688	-	1,279,268
	10,130,469	369,250	77,198	23,703	10,600,620

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.6 Analysis of risk concentration (Continued)
(c) Credit quality per segments, industry and asset classes (Continued)

GROUP — In TZS' Million

31 December 2021	Stage 1	Stage 2	Stage 3	Others***	Total
Financial assets					
Balances with Central Bank*	576,981	-	-	-	576,981
Due from banks	493,216	-	-	-	493,216
Financial assets at FVPL	-	-	-	27,097	27,097
Debt instruments at FVOCI	424,160	-	-	-	424,160
Credit cards	1,844	-	-	-	1,844
Loans and advances to customers					
- Corporate	1,821,126	187,889	48,595	-	2,057,610
- SME	467,238	57,038	27,278	-	551,554
- Microfinance	106,313	3,148	3,318	-	112,779
- Mortgage	47,516	5,477	3,203	-	56,196
- Personal	2,241,455	12,245	8,530	-	2,262,230
Debt instruments at amortized cost	1,202,593	-	-	-	1,202,593
Other assets**	-	89,599	-	-	89,599
	7,382,441	355,396	90,924	27,097	7,855,858
Off balance sheet items:					
Guarantees and indemnities	1,657,744	-	-	-	1,657,744
Letters of credit	802,779	-	-	-	802,779
Commitments to extend credit	269,013	-	-	-	269,013
	2,729,536	-	-	-	2,729,536
Per industry segment					
Financial institutions	1,213,264	547	251	27,097	1,241,159
Manufacturing	330,360	4,664	442	-	335,466
Government	1,626,753	-	-	-	1,626,753
Trading	678,863	43,919	15,942	-	738,724
Transport and communication	225,152	38,788	13,758	-	277,698
Hotels and restaurants	60,259	12,691	2,233	-	75,183
Agriculture	542,185	101,987	21,625	-	665,797
Individuals	2,161,650	11,815	10,794	-	2,184,259
Others	543,955	140,985	25,879	-	710,819
	7,382,441	355,396	90,924	27,097	7,855,858

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.6 Analysis of risk concentration (Continued)
(c) Credit quality per segments, industry and asset classes (Continued)

BANK — In TZS' Million

31 December 2022	Stage 1	Stage 2	Stage 3	Others***	Total
Financial assets					
Balances with Central Bank*	497,347	-	-	-	497,347
Due from banks	711,979	-	-	-	711,979
Financial assets at FVPL	-	-	-	17,417	17,417
Debt instruments at FVOCI	786,118	-	-	-	786,118
Credit cards	1,248	-	-	-	1,248
Loans and advances to customers					
- Corporate	2,839,900	164,718	34,018	-	3,038,636
- SME	597,526	63,289	26,815	-	687,630
- Microfinance	121,264	3,659	4,241	-	129,164
- Mortgage	53,522	4,623	1,198	-	59,343
- Personal	2,773,106	10,356	7,783	-	2,791,245
Debt instruments at amortized cost	1,148,248	-	-	-	1,148,248
Other assets**	138,805	-	-	-	138,805
	9,669,063	246,645	74,055	17,417	10,007,180
Off balance sheet items:					
Guarantees and indemnities	1,450,111	-	-	-	1,450,111
Letters of credit	1,797,704	-	-	-	1,797,704
Commitments to extend credit	462,402			-	462,402
	3,710,217	-	-	-	3,710,217
Per industry segment					
Financial institutions	1,414,675	460	248	17,417	1,432,800
Manufacturing	348,482	24,246	621	-	373,349
Government	1,950,783	-	-	-	1,950,783
Trading	1,210,848	29,591	23,124	-	1,263,563
Transport and communication	165,140	9,877	8,869	-	183,886
Hotels and restaurants	54,233	18,572	648	-	73,453
Agriculture	840,250	79,692	17,770	-	937,712
Individuals	2,642,132	10,340	7,747	-	2,660,219
Others	1,042,520	73,867	15,028	-	1,131,415
	9,669,063	246,645	74,055	17,417	10,007,180

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (Continued)

10.3.6 Analysis of risk concentration (Continued)

(c) Credit quality per segments, industry and asset classes (Continued)

BANK **In TZS' Million**

31 December 2021	Stage 1	Stage 2	Stage 3	Others***	Total
Financial assets					
Balances with Central Bank*	564,081	-	-	-	564,081
Due from banks	442,784	-	-	-	442,784
Financial assets at FVPL	-	-	-	20,807	20,807
Debt instruments at FVOCI	424,160	-	-	-	424,160
Credit cards	1,844	-	-	-	1,844
Loans and advances to customers					
- Corporate	1,773,656	187,144	48,455	-	2,009,255
- SME	464,063	56,722	27,058	-	547,843
- Microfinance	96,491	3,154	3,382	-	103,027
- Mortgage	47,518	5,477	3,201	-	56,196
- Personal	2,166,936	11,815	8,376	-	2,187,127
Debt instruments at amortized cost	1,001,563	-	-	-	1,001,563
Other assets**	-	95,061	-	-	95,061
	6,983,096	359,373	90,472	20,807	7,453,748
Off balance sheet items:					
Guarantees and indemnities	1,657,603	-	-	-	1,657,603
Letters of credit	802,779	-	-	-	802,779
Commitments to extend credit	269,013	-	-	-	269,013
	2,729,395	-	-	-	2,729,395
Per industry segment					
Financial institutions	1,149,932	547	251	20,807	1,171,537
Manufacturing	330,360	4,664	442	-	335,466
Government	1,425,723			-	1,425,723
Trading	678,766	43,919	15,942	-	738,627
Transport and communication	230,090	38,788	13,758	-	282,636
Hotels and restaurants	60,255	12,691	2,233	-	75,179
Agriculture	542,183	101,987	21,625	-	665,795
Individuals	2,161,648	11,815	10,794	-	2,184,257
Others	403,739	144,962	25,427	-	574,128
	6,983,096	359,373	90,472	20,807	7,453,348

*Cash and balances with central Bank do not include cash in hand
**Other assets (excludes prepayments, stock, and advanced payment for capital expenditure as they are not financial assets).
***Represents Financial assets not measured using ECL model.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (Continued)

10.3.6 Analysis of risk concentration (Continued)

(c) Credit quality per segments, industry and asset classes (Continued)

Despite the macroeconomic and geopolitical uncertainties, credit portfolio performance has been relatively stable in the year 2022. there was no material adverse impact on portfolio as per industry basis.

10.3.7 Collateral and other credit enhancements

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

In its normal course of business, the Bank engages external agents to recover funds from repossessed properties or other assets in its retail portfolio, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the balance sheet and not treated as non–current assets held for sale.

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 weekly 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.

(a) Collateral

The Group and Bank employ 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 and Bank implement guidelines on the acceptability of specific classes of collateral or credit risk mitigation. Collateralization requirement of 125% is applicable to Corporate, SMEs, Microfinance and Mortgage loans. Personal loans are practically unsecured in terms of physical securities.

The principal collateral types for loans and advances are:

- Mortgages over residential properties;
- Charges over business assets such as premises, inventory and accounts receivable; and charges over financial instruments such as debt securities and equities

Terms and conditions that apply for collateral held as securities

- The collateral must be mortgaged by the Bank
- The borrower is required to pay the land rent if the pledged collateral is a landed property and insure the pledged collateral to a reputable insurance company
- In the event that the borrower default the pledged collateral can be ceased by the Bank and sold

The valuation and management of the collateral across all business units of the group are governed by the Group credit policy.

Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement. To minimise the credit loss, the Group will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Collaterals pledged

The Group has pledged part of its Treasury bills and bonds to fulfil the collateral requirements of various short-term borrowings from other Banks. The Group also holds Treasury Bills and Bonds amounting TZS 540,908 million as at 31 December 2022 (2021: TZS 102,055 million) in respects of short-term borrowings extended to other banks. The Group has no control on collaterals pledged by other banks as it has an obligation to return the securities to the counterparties upon settlement of the loans, and it is not permitted to sell or repledge the collateral in the absence of default by the owner of the collateral. There are no other significant terms and conditions associated with the use of collateral.

Despite the impact of climate risks, macro-economic and geopolitical uncertainties there were no material adverse impact on the value of collaterals pledges as securities which were considered in the measurement of ECL.

Collateral repossessed

It is the Group's policy to dispose-off repossessed properties on the open market, at fair market value. The proceeds are used to reduce or repay the outstanding claim. In general, the Group does not occupy or foreclose repossessed properties for its own business use. As at the year end, the Bank had repossessed collateral with fair value amounting TZS 16.6 billion with intention to sell within a year.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.7 Collateral and other credit enhancements (Continued)
Collateral repossessed (Continued)

It is the Group's policy to dispose-off repossessed properties on the open market, at fair market value. The proceeds are used to reduce or repay the outstanding claim. In general, the Group does not occupy or foreclose repossessed properties for its own business use. As at the year end, the Bank had repossessed collateral with fair value amounting TZS 16.6 billion with intention to sell within a year.

(b) 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 authorising a third party to draw drafts on a Bank up to a stipulated amount under specific terms and conditions – are collateralised 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 authorisations 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 and Bank are potentially exposed to loss in amounts 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 and Bank monitor the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

(c) Write-off

The Group may write-off financial assets that are still subject to enforcement activity while the Bank still seeks to recover amounts it is legally owed in full. The outstanding contractual amounts of such assets written off during the year ended 31 December 2022 was TZS 42,338 million (2021: TZS 66,402 million).

When entering new markets or new industries, to minimise the potential increase of credit risk exposure, the Group focused more on the business with large corporate enterprises or banks with good credit rating or retail customers providing sufficient collateral.

Collateral held against impaired loans is maintained at fair value. The valuation of collateral is monitored regularly and is tested after every three years.

Financial instruments whose carrying amounts represent the maximum exposure to credit risk without taking account of any collateral held or other credit enhancements are shown below: -

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.7 Collateral and other credit enhancements (Continued)

GROUP

	In TZS' Million			
	2022		2021	
		%		%
Financial assets:				
Balances with Central Bank	602,881	4%	576,981	5
Due from banks	693,506	5%	493,216	5
Financial assets at FVPL	23,703	0%	27,097	0
Debt instruments at FVOCI	786,118	5%	424,160	4
Credit cards	1,248	0%	1,844	0
Loans and advances to customers				
- Corporate	3,085,765	22%	2,057,610	19
- SME	692,326	5%	551,554	5
- Microfinance	135,605	1%	112,779	1
- Mortgage	59,343	0%	56,196	1
- Personal	2,903,470	20%	2,262,229	21
Debt instruments at amortised cost	1,483,968	10%	1,202,593	11
Other assets*	132,687	1%	89,599	1
	10,600,620	74%	7,855,858	74
Off balance sheet items:				
Guarantees and indemnities	1,450,615	10%	1,656,766	16
Letters of credit	1,870,317	13%	802,539	8
Commitments to extend credit	462,402	3%	269,013	2
	3,783,334	26%	2,728,318	26
	14,383,954		10,584,176	100

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.7 Collateral and other credit enhancements (Continued)

BANK

	In TZS' Million			
	2022		2021	
		%		%
		%		%
Financial assets:				
Balances with Central Bank	**497,347**	**4**	564,081	6
Due from banks	**711,979**	**5**	442,784	4
Financial assets at FVPL	**17,417**	**0**	20,807	0
Debt instruments at FVOCI	**786,118**	**6**	424,160	4
Credit cards	**1,248**	**0**	1,844	0
Loans and advances to customers				
- Corporate	**3,038,636**	**22**	2,009,257	20
- SME	**687,630**	**5**	547,843	5
- Microfinance	**129,164**	**1**	103,027	1
- Mortgage	**59,343**	**0**	56,196	1
- Personal	**2,791,245**	**20**	2,187,125	21
Debt instruments at amortised cost	**1,148,248**	**8**	1,001,563	10
Other assets*	**138,805**	**1**	95,061	1
	10,007,180	**72**	7,453,748	73
Off balance sheet items:				
Guarantees and indemnities	**1,450,111**	**11**	1,656,625	16
Letters of credit	**1,797,704**	**13**	802,539	8
Commitments to extend credit	**462,402**	**4**	269,013	3
	3,710,217	**28**	2,728,177	27
	13,717,397	**100**	10,181,925	100

*Other assets (excludes prepayments, stock, and advanced payment for capital expenditure as they are not financial assets).

The Group loans and advances to customers and off-balance sheet items comprise of 72% (2021: 73%) of the total credit exposure. The directors are confident in the ability to continue to minimize the credit risk to the Group and Bank.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.7 Collateral and other credit enhancements (Continued)

Due from banks are to reputable banks operating internationally or in Tanzania and East Africa, and generally no securities held. The list of these banks and their nostro and placement accounts balances are shown below;

			GROUP		BANK	
			2022	2021	**2022**	2021
	Name of Bank	Country	**TZS' Million**	TZS' Million	**TZS Million**	TZS Million
1	Kenya Commercial Bank	Tanzania	**62,038**	66,040	**62,038**	66,040
2	Citi Bank	USA	**172,323**	126,887	**172,323**	126,887
3	DZ Bank	Germany	**37,992**	13,959	**37,992**	13,959
4	LLOYDS Bank Plc	UK	**23,396**	31,822	**23,396**	31,822
5	AFRIEXIM Bank Ltd.	Nigeria	**53,741**	23,053	**53,741**	23,053
6	Crown Agents Bank	UK	**50,789**	23,053	**50,789**	23,053
7	Absa Bank	Tanzania	**20,321**	10,000	**20,321**	10,000
8	CRDB Burundi	Burundi	**-**	18,691	**47,622**	18,691
9	NMB Bank	Tanzania	**148,427**	-	**148,427**	-
10	TPB Bank	Tanzania	**43,403**	19,000	**43,403**	19,000
11	PBZ	Tanzania	**10,160**	33,000	**10,160**	33,000
12	Others		**70,916**	127,711	**41,767**	77,279
	Total		**693,506**	493,216	**711,979**	442,784

While collateral is an important mitigant to credit risk, the Group's underwriting policy ensures that loans are strictly granted on a going concern basis with adequate demonstration of repayment capacity. Other than exposures that are unsecured, all other facilities are secured by collateral in the form of charges over cash, land and buildings, marketable securities, plant, and machinery, amongst other.

The tables on the following pages show;

- the maximum exposure to credit risk by class of financial asset. They also show the total fair value of collateral, any surplus collateral (the extent to which the fair value of collateral held is greater than the exposure to which it relates), and the net exposure to credit risk.
- the analysis of the current fair values of collateral held and credit enhancements for stage 3 assets. Dependent on the level of collateral, some Stage 3 exposures may not have individual ECL when the expected value of the collateral, measured using multiple economic scenarios, is greater than the LGD. However, the Stage 3 ECL can be higher than net exposure shown below when the future value of collateral, measured using multiple economic scenarios, is lower than fair value at the reporting date.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.7 Collateral and other credit enhancements (Continued)

Type of collateral or credit enhancement for all financial instruments and associated ECL

GROUP — **Fair value of collateral and credit enhancements held**

In TZS' Million 31-Dec-22	Maximum exposure to credit risk	Securities	3rd party/Gov Guarantees	Property	Other	Surplus collateral	Total Collateral	Net Exposure	Associated ECL
Balance with central bank	602,881	-	-	-	-	-	-	602,881	-
Due from banks	693,506	-	-	-	-	-	-	693,506	
Financial Assets at FVPL	23,703	-	-	-	-	-	-	23,703	
Debt instruments at FVOCI	786,118	-	-	-	-	-	-	786,118	107
Credit card	1,248	-	-	-	-	-	-	1,248	563
Loans and advances									
Corporate	3,085,765	16,340	817,790	4,906,277	1,672,187	(1,620,225)	5,792,369	(2,706,604)	99,119
SME	692,326	39,811	96,213	1,519,135	194,381	(532,444)	1,317,096	(624,770)	19,880
Microfinance	135,605	1,861	65,035	388,292	33,909	(149,795)	339,302	(203,697)	518
Mortgage	59,343	1,039	26	114,732	1,408	(30,803)	86,402	(27,059)	1,293
Personal loans	2,903,470	117,547	23	146,199	26,451	(40,234)	249,986	2,653,484	43,970
Debt instruments at amortised cost	1,483,968	-	-	-	-	-	-	1,483,968	353
Other assets	132,687	-	-	-	-	-	-	132,687	17,588
Total Financial Assets	10,600,620	176,598	979,087	7,074,635	1,928,336	-2,373,501	7,785,155	2,815,465	183,391
Off-Balance sheet items									
Guarantees and indemnities	1,450,615	-	1,498,220	-	-	(19,592)	1,478,629	(28,014)	332
Letters of credit	1,870,317	-	369	-	-	-	369	1,869,948	588
Commitments to extend credit	462,402	-	-	-	-	-	-	462,402	-
	3,783,334	-	1,498,589	-	-	(19,592)	1,478,998	2,304,336	920

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.7 Collateral and other credit enhancements (Continued)

Type of collateral or credit enhancement for all financial instruments and associated ECL

GROUP — **Fair value of collateral and credit enhancements held**

In TZS' Million 31 December 2021	Maximum exposure to credit risk	Securities	3rd party/ gov guarantees	Property	Other	Surplus collateral	Total collateral	Net exposure	Associated ECL
Financial assets									
Balances with central bank	576,981	-	-	-	-	-	-	576,981	-
Due from banks	493,216	-	-	-	-	-	-	493,216	1,329
Financial assets at FVPL	27,097	-	-	-	-	-	-	27,097	-
Debt instruments at FVOCI	424,160	-	-	-	-	-	-	424,160	72
Credit cards	1,844	-	-	-	-	-	-	1,844	129
Loans and advances to customers	-								
- Corporate	2,057,610	14,144	844,327	3,772,481	611,902	(771,825)	4,471,029	(2,413,419)	82,537
- SME	551,554	57,413	88,688	1,295,372	137,629	(240,248)	1,338,855	(787,301)	9,516
- Microfinance	112,779	3,004	2,990	417,340	34,640	(70,573)	387,400	(274,621)	435
- Mortgage	56,196	1,001	31	124,002	905	(20,839)	105,100	(48,904)	749
- Personal	2,262,229	62,924	239	155,183	18,778	(36,391)	200,733	2,061,496	41,657
Debt instruments at amortised cost	1,202,593	-	-	-	-	-	-	1,202,593	271
Other assets	89,599	-	-	-	-	-	-	89,599	15,174
	7,855,858	138,486	936,276	5,764,378	803,854	(1,139,876)	6,503,117	1,352,741	151,869
Off-Balance sheet items									
Guarantees and indemnities	1,657,744		1,499,878			(238,070)	1,261,808	395,936	978
Letters of credit	802,779	-	-	-	-	-	-	802,779	240
Commitment to extend credit	269,013	-	-	-	-	-	-	269,013	-
	2,729,536	-	1,499,878	-	-	(238,070)	1,261,808	1,466,510	1,218

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.7 Collateral and other credit enhancements (Continued)

Type of collateral or credit enhancement for all financial instruments and associated ECL

BANK — Fair value of collateral and credit enhancements held

In TZS' Million 31 December 2022	Maximum exposure to credit risk	Securities	3rd party/Gov Guarantees	Property	Other	Surplus collateral	Total Collateral	Net Exposure	Associated ECL
Balance with central bank	497,347	-	-	-	-	-	-	497,347	-
Due from banks	711,979	-	-	-	-	-	-	711,979	-
Financial Assets at FVPL	17,417	-	-	-	-	-	-	17,417	-
Debt instruments at FVOCI	786,118	-	-	-	-	-	-	786,118	107
Credit card	1,248	-	-	-	-	-	-	1,248	563
Loans and advances									
- Corporate	3,038,636	16,340	774,313	4,897,160	1,459,138	(1,546,862)	5,600,089	(2,561,455)	99,050
- SME	687,630	39,811	96,213	1,519,135	193,756	(525,441)	1,323,475	(635,844)	19,781
- Microfinance	129,164	1,861	65,034	376,705	29,747	(148,325)	325,022	(195,858)	507
- Mortgage	59,343	1,039.36	25.5	114,732	1,408.09	(30,803)	86,403	(27,060)	1,293
- Personal loans	2,791,245	117,547	23.31	134,694	21,079	(25,004)	248,339	2,542,907	43,672
Debt instruments at amortised cost	1,148,248	-	-	-	-	-	-	1,148,248	353
Other assets	138,805	-	-	-	-	-	-	138,805	17,588
Total Financial Assets held at amortised cost	10,007,180	176,598	935,609	7,042,426	1,705,128	(2,276,435)	7,583,328	2,423,852	182,914
Off Balance sheet Items									
Guarantees and indemnities	1,450,111	-	1,497,852	-	-	(19,592)	1,478,260	(28,149)	332
Letters of credit	1,797,704	-	-	-	-	-	-	1,797,704	588
Commitments to extend credit	462,402	-	-	-	-	-	-	-	-
	3,710,217	-	1,497,852	-	-	(19,592)	1,478,260	1,769,555	920

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.7 Collateral and other credit enhancements (Continued)

Type of collateral or credit enhancement for all financial instruments and associated ECL

BANK — Fair value of collateral and credit enhancements held

In TZS' Million 31 December 2021	Maximum exposure to credit risk	Securities	3rd party/ gov guarantees	Property	Other	Surplus collateral	Total collateral	Net exposure	Associated ECL
Financial assets									
Balances with central banks	564,081	-	-	-	-	-	-	564,081	-
Due from banks	442,784	-	-	-	-	-	-	442,784	1,329
Financial assets at FVPL	20,807	-	-	-	-	-	-	20,807	172
Debt instruments at FVOCI	424,160	-	-	-	-	-	-	424,160	72
Credit cards	1,844	-	-	-	-	-	-	1,844	129
Loans and advances to customers									
- Corporate	2,009,257	11,787	703,606	3,143,734	611,902	(905,539)	3,565,490	(1,556,233)	82,513
- SME	547,843	47,844	73,907	1,079,477	137,627	(393,834)	945,021	(397,178)	9,370
- Microfinance	103,027	2,503	2,492	347,783	34,623	(140,581)	246,819	(143,792)	406
- Mortgage	56,196	834	26	103,335	905	(28,719)	76,380	(20,184)	749
- Personal	2,187,125	52,437	199	129,319	18,778	(24,453)	176,280	2,010,845	41,685
Debt instruments at amortised cost	1,001,563	-	-	-	-	-	-	1,001,563	270
Other assets	95,061	-	-	-	-	-	-	95,061	15,141
	7,453,748	115,405	780,230	4,803,648	803,835	(1,493,126)	5,009,990	2,443,758	151,836
Off-Balance sheet items									
Guarantees and indemnities	1,657,603	-	1,499,878	-	-	(238,070)	1,261,808	395,795	978
Letters of credit	802,779	-	-	-	-	-	-	802,779	240
Commitment to extend credit	269,013	-	-	-	-	-	-	269,013	-
	2,729,395	-	1,499,878	-	-	(238,070)	1,261,808	1,467,587	1,218

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (Continued)

10.3.7 Collateral and other credit enhancements (Continued)

The below tables provide an analysis of the current fair values of collateral held and credit enhancements for stage 3 assets. Dependent on the level of collateral, some Stage 3 exposures may not have individual ECL when the expected value of the collateral, measured using multiple economic scenarios, is greater than the LGD. However, the Stage 3 ECL can be higher than net exposure shown below when the future value of collateral, measured using multiple economic scenarios, is lower than fair value at the reporting date.

GROUP

Fair value of collateral and credit enhancements held under base case scenario

In TZS' Million	Maximum exposure to credit risk	Securities	3rd party/ gov guarantees	Property	Other	Surplus collateral	Total collatera	Net exposure	Associated ECL
31 December 2022									
Financial assets									
Loans and advances to customers									
- Corporate	**36,183**	**-**	**10,510**	**144,939**	**17,314**	**(27,766)**	**144,997**	**(108,814)**	**73,247**
- SME	**27,381**	**-**	**13,621**	**78,270**	**9,569**	**(23,001)**	**78,459**	**(51,078)**	**15,093**
- Microfinance	**4,242**	**-**	**60**	**18,439**	**1,674**	**(7,578)**	**12,595**	**(8,353)**	**304**
- Mortgage	**1,198**	**-**	**-**	**3,050**	**-**	**(674)**	**2,376**	**(1,178)**	**1,130**
- Personal	**8,194**	**270**	**-**	**3,090**	**37**	**(198)**	**3,199**	**4,995**	**23,088**
	77,198	**270**	**24,191**	**247,788**	**28,594**	**(59,217)**	**241,626**	**(164,428)**	**112,862**
31 December 2021									
Financial assets									
Loans and advances to customers									
- Corporate	48,595	-	117	168,669	4,798	(49,720)	123,864	75,251	38,281
- SME	27,278	1,740	6,827	89,535	10,836	(41,807)	67,132	39,854	7,882
- Microfinance	3,318	-	79	16,409	1,579	(8,011)	10,056	6,738	451
- Mortgage	3,203	-	-	8,612	-	(2,586)	6,026	2,823	464
- Personal	8,530	-	179	2,878	29	(1,076)	2,010	(6,520)	18,906
	90,924	1,740	7,202	286,103	17,241	(103,199)	209,088	118,146	65,984

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (Continued)

10.3.7 Collateral and other credit enhancements (Continued)

The below tables provide an analysis of the current fair values of collateral held and credit enhancements for stage 3 assets. Dependent on the level of collateral, some Stage 3 exposures may not have individual ECL when the expected value of the collateral, measured using multiple economic scenarios, is greater than the LGD. However, the Stage 3 ECL can be higher than net exposure shown below when the future value of collateral, measured using multiple economic scenarios, is lower than fair value at the reporting date.

BANK

Fair value of collateral and credit enhancements held under base case scenario

In TZS' Million	Maximum exposure to credit risk	Securities	3rd party/ gov guarantees	Property	Other	Surplus collateral	Total collatera	Net exposure	Associated ECL
31 December 2022									
Financial assets									
Loans and advances to customers									
- Corporate	**34,018**	**-**	**10,510**	**144,081**	**12,445**	**(23,288)**	**143,748**	**(109,730)**	**73,232**
- SME	**26,816**	**-**	**13,621**	**78,270**	**9,569**	**(21,130)**	**80,330**	**(53,514)**	**15,003**
- Microfinance	**4,241**	**-**	**60**	**18,439**	**1,674**	**(7,578)**	**12,595**	**(8,354)**	**304**
- Mortgage	**1,198**	**-**	**-**	**3,050**	**-**	**(674)**	**2,376**	**(1,178)**	**1,130**
- Personal	**7,782**	**270**	**-**	**556**	**25**	**(186)**	**665**	**7,117**	**22,893**
	74,055	**270**	**24,191**	**244,396**	**23,713**	**(52,856)**	**239,714**	**(165,659)**	**112,562**
31 December 2021									
Financial assets									
Loans and advances to customers									
- Corporate	48,457	-	101	145,405	4,136	(31,676)	117,966	69,509	38,269
- SME	27,057	1,500	5,886	77,186	9,341	(29,977)	63,935	36,877	7,776
- Microfinance	3,382	-	68	14,145	1,361	(5,998)	9,577	6,195	385
- Mortgage	3,201	-	-	7,424	-	(1,685)	5,739	2,538	466
- Personal	8,374	-	154	2,481	25	(746)	1,914	(6,460)	18,902
	90,472	1,500	6,209	246,641	14,863	(70,082)	199,131	108,659	65,798

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.7 Collateral and other credit enhancements (Continued)

Below table shows financial instruments for which an entity has not recognised a loss allowance because of the collateral.

GROUP

		Fair value of collateral and credit enhancements held under base case scenario							
In TZS' Million	Maximum exposure to credit risk	Securities	3rd party/ gov guarantees	Property	Other	Surplus collateral	Total collatera	Net exposure	Associated ECL
31 December 2022									
Financial assets									
Loans and advances to customers									
- Corporate	**1,512,753**	**16,339**	**479,633**	**4,430,634**	**1,220,485**	**(1,226,765)**	**4,920,325**	**(3,407,572)**	**73,232**
- SME	**86,027**	**36,684**	**74,164**	**1,359,229**	**206,268**	**(502,363)**	**1,173,983**	**(1,087,956)**	**15,003**
- Microfinance	**32,446**	**1,835**	**64,586**	**362,781**	**28,045**	**(147,029)**	**310,218**	**(277,772)**	**304**
- Mortgage	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,130**
- Personal	**64,654**	**110,552**	**16**	**14,973**	**22,314**	**(8,720)**	**139,135**	**67,442**	**22,893**
	1,702,919	**165,410**	**618,399**	**6,167,617**	**1,477,112**	**(1,884,877)**	**6,543,661**	**(4,840,741)**	**112,562**
31 December 2021									
Financial assets									
Loans and advances to customers									
- Corporate	1,154,960	11,644	403,567	2,638,114	402,945	(645,358)	2,810,912	(1,655,952)	38,269
- SME	319,767	44,851	60,568	889,222	110,766	(320,240)	785,167	(465,400)	7,776
- Microfinance	86,422	2,437	2,153	331,564	32,455	(133,440)	235,169	(148,747)	385
- Mortgage	-	-	-	-	-	-	-	-	466
- Personal	30,039	44,199	22	8,506	15,340	(2,823)	65,244	(35,205)	18,902
	1,591,188	103,131	466,310	3,867,406	561,506	(1,101,861)	3,896,492	(2,305,304)	65,798

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.7 Collateral and other credit enhancements (Continued)

Below table shows financial instruments for which an entity has not recognised a loss allowance because of the collateral.

BANK

		Fair value of collateral and credit enhancements held under base case scenario							
In TZS' Million	Maximum exposure to credit risk	Securities	3rd party/ gov guarantees	Property	Other	Surplus collateral	Total collatera	Net exposure	Associated ECL
31 December 2022									
Financial assets									
Loans and advances to customers									
- Corporate	**1,477,640**	**16,340**	**479,633**	**4,428,884**	**1,207,016**	**(1,266,737)**	**4,865,136**	**(3,387,495)**	**(35,567)**
- SME	**84,194**	**36,684**	**74,164**	**1,353,803**	**162,234**	**(457,712)**	**1,169,174**	**(1,084,980)**	**29,879**
- Microfinance	**32,357**	**1,835**	**64,586**	**362,215**	**28,045**	**(142,176)**	**314,506**	**(282,148)**	**2,170**
- Mortgage	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,000**
- Personal	**68,653**	**110,552**	**16**	**11,933**	**19,774**	**(3,867)**	**137,933**	**69,255**	**(49,048)**
	1,662,844	**165,411**	**618,399**	**6,156,835**	**1,416,569**	**(1,866,625)**	**6,348,814**	**(4,823,878**	**(51,566)**
31 December 2021									
Financial assets									
Loans and advances to customers									
- Corporate	1,154,960	11,644	403,567	2,638,114	4,136	(246,549)	2,810,912	(1,655,952)	(62,767)
- SME	319,767	44,851	60,568	889,222	9,341	(218,815)	785,167	(465,400)	(58,753)
- Microfinance	86,422	2,437	2,153	331,564	1,361	(102,346)	235,169	(148,747)	(11,806)
- Mortgage	-	-	-	-	-	-	-	-	(3,757)
- Personal	30,039	44,199	22	8,506	25	12,492	65,244	(35,205)	24,775
	1,591,188	103,131	466,310	3,867,406	14,863	(555,218)	3,896,492	(2,305,304)	(112,307)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (Continued)

10.3.7 Collateral and other credit enhancements (Continued)

The table below summarises the gross carrying amount for loans and advances with significant increase in credit risk and associated collateral.

GROUP In TZS' Million

	Gross carrying amount			Collateral			Net exposure		
31 December 2022	**Total**	**Stage 2**	**Stage 3**	**Total**	**Stage 2**	**Stage 3**	**Total**	**Stage 2**	**Stage 3**
Corporate	**3,184,884**	**170,534**	**109,430**	**5,792,370**	**375,500**	**144,997**	**(2,607,486)**	**(204,966)**	**(35,567)**
SME	**712,206**	**66,389**	**42,474**	**1,328,602**	**91,122**	**12,595**	**(616,396)**	**(24,733)**	**29,879**
Microfinance	**136,123**	**3,754**	**4,546**	**327,715**	**10,198**	**2,376**	**(191,592)**	**(6,444)**	**2,170**
Mortgage	**60,636**	**4,763**	**2,328**	**86,403**	**5,826**	**1,328**	**(25,767)**	**(1,063)**	**1,000**
Personal	**2,947,440**	**16,561**	**31,282**	**249,042**	**1,711**	**80,330**	**2,698,398**	**14,850**	**(49,048)**
Total	**7,041,289**	**262,001**	**190,060**	**7,784,131**	**484,357**	**241,626**	**(742,842)**	**(222,356)**	**(51,566)**
31 December 2021									
Corporate	2,140,147	210,471	86,876	4,471,029	466,774	149,642	(2,330,882)	(256,303)	(62,767)
SME	561,070	58,235	35,160	1,338,855	130,272	93,912	(777,785)	(72,038)	(58,753)
Mortgage	113,214	3,159	3,769	387,400	19,578	15,575	(274,186)	(16,419)	(11,806)
Personal	56,945	5,708	3,667	105,100	9,772	7,424	(48,155)	(4,063)	(3,757)
Microfinance	2,303,886	15,444	27,436	200,733	4,647	2,660	2,103,153	10,799	24,775
Total	5,175,262	293,017	156,908	6,503,118	631,043	269,213	(1,327,856)	(338,024)	(112,307)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (Continued)

10.3.7 Collateral and other credit enhancements (Continued)

The table below summarises the gross carrying amount for loans and advances with significant increase in credit risk and associated collateral.

BANK In TZS' Million

	Gross carrying amount			Collateral			Net exposure		
31 December 2022	**Total**	**Stage 2**	**Stage 3**	**Total**	**Stage 2**	**Stage 3**	**Total**	**Stage 2**	**Stage 3**
Corporate	**3,137,686**	**170,366**	**107,250**	**5,600,089**	**375,500**	**143,749**	**(2,462,403)**	**(205,134)**	**(36,499)**
SME	**707,411**	**66,221**	**41,819**	**1,323,475**	**91,108**	**12,595**	**(616,064)**	**(24,887)**	**29,224**
Microfinance	**129,671**	**3,706**	**4,545**	**325,022**	**10,198**	**2,376**	**(195,351)**	**(6,492)**	**2,169**
Mortgage	**60,636**	**4,763**	**2,328**	**86,403**	**5,826**	**665**	**(25,767)**	**(1,063)**	**1,663**
Personal	**2,834,917**	**13,478**	**30,675**	**248,339**	**1,711**	**80,330**	**2,586,578**	**11,767**	**(49,655)**
Total	**6,870,321**	**258,534**	**186,617**	**7,583,327**	**484,343**	**239,716**	**(713,006)**	**(225,809)**	**(53,099)**
31 December 2021									
Corporate	2,091,770	209,722	86,726	4,471,029	413,121	149,642	(2,379,259)	(203,399)	(62,917)
SME	557,213	57,908	34,834	1,338,855	114,206	93,912	(781,642)	(56,299)	(59,078)
Mortgage	103,433	3,159	3,767	387,400	14,929	15,575	(283,967)	(11,770)	(11,806)
Personal	56,945	5,709	3,667	105,100	8,511	7,424	(48,155)	(2,802)	(3,757)
Microfinance	2,228,810	15,014	27,276	200,733	2,238	2,660	2,028,077	12,776	24,616
Total	5,038,171	291,512	156,270	6,503,118	553,005	269,213	(1,464,947)	(261,494)	(112,941)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)

10.3.8 Analysis of loans and advances to customers

Loans and advances based on internal rating are summarised as follows:

GROUP In TZS' Million 31 December 2022	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
Current	**6,589,228**	**-**	**-**	**6,589,228**
Especially mentioned	**-**	**262,001**	**-**	**262,001**
Sub-standard	**-**	**-**	**34,240**	**34,240**
Doubtful	**-**	**-**	**47,313**	**47,313**
Loss	**-**	**-**	**108,507**	**108,507**
Gross Carrying amount	**6,589,228**	**262,001**	**190,060**	**7,041,289**
ECL allowance	**(26,480)**	**(25,438)**	**(112,862)**	**(164,780)**
Net Loans and advances to customers	**6,562,748**	**236,563**	**77,200**	**6,876,509**
31 December 2021				
Current	4,725,336	-	-	4,725,337
Especially mentioned	-	293,018	-	293,017
Sub-standard	-	-	73,450	73,450
Doubtful	-	-	62,204	62,204
Loss	-	-	21,254	21,254
Gross Carrying amount	4,725,336	293,018	156,908	5,175,262
ECL allowance	(41,689)	(27,221)	(65,984)	(134,894)
Net Loans and advances to customers	4,683,647	265,797	90,924	5,040,368

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.8 Analysis of loans and advances to customers (Continued)

Loans and advances based on internal rating are summarised as follows:

BANK In TZS' Million 31 December 2022	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
Current	**6,425,171**	**-**	**-**	**6,425,171**
Especially mentioned	**-**	**258,535**	**-**	**258,535**
Sub-standard	**-**	**-**	**32,927**	**32,927**
Doubtful	**-**	**-**	**45,270**	**45,270**
Loss	**-**	**-**	**108,419**	**108,419**
Gross Carrying amount	**6,425,171**	**258,535**	**186,616**	**6,870,321**
ECL allowance	**(26,392)**	**(25,349)**	**(112,562)**	**(164,303)**
Net Loans and advances to customers	**6,398,779**	**233,186**	**74,054**	**6,706,018**
31 December 2021				
Current	4,590,389	-	-	4,590,389
Especially mentioned	-	291,512	-	291,512
Sub-standard	-	-	72,946	72,946
Doubtful	-	-	62,070	62,070
Loss	-	-	21,254	21,254
Gross Carrying amount	4,590,389	291,512	156,270	5,038,171
ECL allowance	(41,725)	(27,200)	(65,798)	(134,723)
Net Loans and advances to customers	4,548,664	264,312	90,472	4,903,448

The total impairment provision for loans and advances represents both individually impaired loans and loans assessed on a portfolio basis.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (Continued)

10.3.8 Analysis of loans and advances to customers (Continued)

Corporate lending

An analysis of Loans and advances based on internal rating in relation to corporate lending is, as follows:

GROUP In TZS' Million 31 December 2022	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
Current	**2,904,920**	**-**	**-**	**2,904,920**
Especially mentioned	**-**	**170,534**	**-**	**170,534**
Sub-standard	**-**	**-**	**12,153**	**12,153**
Doubtful	**-**	**-**	**21,429**	**21,429**
Loss	**-**	**-**	**75,848**	**75,848**
Gross Carrying amount	**2,904,920**	**170,534**	**109,430**	**3,184,884**
ECL allowance	**(6,763)**	**(19,109)**	**(73,247)**	**(99,119)**
Net Loans and advances to customers	**2,898,157**	**151,425**	**36,183**	**3,085,765**
31 December 2021				
Current	1,842,800	-	-	1,842,800
Especially mentioned	-	210,471	-	210,471
Sub-standard	-	-	43,742	43,742
Doubtful	-	-	40,468	40,468
Loss	-	-	2,666	2,666
Gross Carrying amount	1,842,800	210,471	86,876	2,140,147
ECL allowance	(21,674)	(22,582)	(38,281)	(82,537)
Net Loans and advances to customers	1,821,126	187,889	48,595	2,057,610

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (Continued)

10.3.8 Analysis of loans and advances to customers (Continued)

SME lending

An analysis of Loans and advances based on internal rating in relation to SME lending is, as follows:

GROUP In TZS' Million 31 December 2022	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
Current	**603,343**	**-**	**-**	**603,343**
Especially mentioned	**-**	**66,389**	**-**	**66,389**
Sub-standard	**-**	**-**	**10,512**	**10,512**
Doubtful	**-**	**-**	**15,166**	**15,166**
Loss	**-**	**-**	**16,796**	**16,796**
Gross Carrying amount	**603,343**	**66,389**	**42,474**	**712,206**
ECL allowance	**(1,852)**	**(2,935)**	**(15,093)**	**(19,880)**
Net Loans and advances to customers	**601,491**	**63,454**	**27,381**	**692,326**
31 December 2021				
Current	467,675	-	-	467,675
Especially mentioned	-	58,235	-	58,235
Sub-standard	-	-	17,181	17,181
Doubtful	-	-	8,755	8,755
Loss	-	-	9,224	9,224
Gross Carrying amount	467,675	58,235	35,160	561,070
ECL allowance	(437)	(1,197)	(7,882)	(9,516)
Net Loans and advances to customers	467,238	57,038	27,278	551,554

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.8 Analysis of loans and advances to customers (Continued)

Microfinance lending

An analysis of Loans and advances based on internal rating in relation to Microfinance lending is, as follows:

GROUP In TZS' Million 31 December 2022	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
Current	**127,823**	**-**	**-**	**127,823**
Especially mentioned	**-**	**3,754**	**-**	**3,754**
Sub-standard	**-**	**-**	**1,473**	**1,473**
Doubtful	**-**	**-**	**1,784**	**1,784**
Loss	**-**	**-**	**1,289**	**1,289**
Gross Carrying amount	**127,823**	**3,754**	**4,546**	**136,123**
ECL allowance	**(167)**	**(47)**	**(304)**	**(518)**
Net Loans and advances to customers	**127,656**	**3,707**	**4,242**	**135,605**
31 December 2021				
Current	106,286	-	-	106,286
Especially mentioned	-	3,159	-	3,159
Sub-standard	-	-	1,657	1,657
Doubtful	-	-	1,107	1,107
Loss	-	-	1,005	1,005
Gross Carrying amount	106,286	3,159	3,769	113,214
ECL allowance	(27)	(11)	(451)	(435)
Net Loans and advances to customers	106,313	3,148	3,318	112,779

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.8 Analysis of loans and advances to customers (Continued)

Mortgage lending

An analysis of Loans and advances based on internal rating in relation to Mortgage lending is, as follows:

GROUP In TZS' Million 31 December 2022	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
Current	**53,545**	**-**	**-**	**53,545**
Especially mentioned	**-**	**4,763**	**-**	**4,763**
Sub-standard	**-**	**-**	**626**	**626**
Doubtful	**-**	**-**	**745**	**745**
Loss	**-**	**-**	**957**	**957**
Gross Carrying amount	**53,545**	**4,763**	**2,328**	**60,636**
ECL allowance	**(22)**	**(141)**	**(1,130)**	**(1,293)**
Net Loans and advances to customers	**53,523**	**4,622**	**1,198**	**59,343**
31 December 2021				
Current	47,569	-	-	47,570
Especially mentioned	-	5,709	-	5,708
Sub-standard	-	-	1,606	1,606
Doubtful	-	-	1,416	1,416
Loss	-	-	645	645
Gross Carrying amount	47,569	5,709	3,667	56,945
ECL allowance	(53)	(232)	(464)	(749)
Net Loans and advances to customers	47,516	5,477	3,203	56,196

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.8 Analysis of loans and advances to customers (Continued)

Personal lending

An analysis of Loans and advances based on internal rating in relation to Personal lending is, as follows:

GROUP In TZS' Million 31 December 2022	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
Current	**2,899,597**	**-**	**-**	**2,899,597**
Especially mentioned	**-**	**16,561**	**-**	**16,561**
Sub-standard	**-**	**-**	**9,478**	**9,478**
Doubtful	**-**	**-**	**8,187**	**8,187**
Loss	**-**	**-**	**13,617**	**13,617**
Gross Carrying amount	**2,899,597**	**16,561**	**31,282**	**2,947,440**
ECL allowance	**(17,676)**	**(3,206)**	**(23,088)**	**(43,970)**
Net Loans and advances to customers	**2,881,921**	**13,355**	**8,194**	**2,903,470**
31 December 2021				
Current	2,261,006	-	-	2,261,006
Especially mentioned	-	15,444	-	15,444
Sub-standard	-	-	9,264	9,264
Doubtful	-	-	10,458	10,458
Loss	-	-	7,714	7,714
Gross Carrying amount	2,261,006	15,444	27,436	2,303,886
ECL allowance	(19,551)	(3,199)	(18,906)	(41,656)
Net Loans and advances to customers	2,241,455	12,245	8,530	2,262,230

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.8 Analysis of loans and advances to customers (Continued)

Corporate lending

An analysis of Loans and advances based on internal rating in relation to corporate lending is, as follows:

BANK In TZS' Million 31 December 2022	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
Current	**2,860,070**	**-**	**-**	**2,860,070**
Especially mentioned	**-**	**170,366**	**-**	**170,366**
Sub-standard	**-**	**-**	**11,938**	**11,938**
Doubtful	**-**	**-**	**19,464**	**19,464**
Loss	**-**	**-**	**75,848**	**75,848**
Gross Carrying amount	**2,860,070**	**170,366**	**107,250**	**3,137,686**
ECL allowance	**(6,710)**	**(19,108)**	**(73,232)**	**(99,050)**
Net Loans and advances to customers	**2,853,360**	**151,258**	**34,018**	**3,038,636**
31 December 2021				
Current	1,795,322	-	-	1,795,322
Especially mentioned	-	209,722	-	209,722
Sub-standard	-	-	43,726	43,726
Doubtful	-	-	40,334	40,334
Loss	-	-	2,666	2,666
Gross Carrying amount	1,795,322	209,722	86,726	2,091,770
ECL allowance	(21,666)	(22,578)	(38,269)	(82,513)
Net Loans and advances to customers	1,773,656	187,144	48,457	2,009,257

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.8 Analysis of loans and advances to customers (Continued)

SME lending

An analysis of Loans and advances based on internal rating in relation to SME lending is, as follows:

BANK In TZS' Million 31 December 2022	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
Current	**599,371**	**-**	**-**	**599,371**
Especially mentioned	**-**	**66,221**	**-**	**66,221**
Sub-standard	**-**	**-**	**9,980**	**9,980**
Doubtful	**-**	**-**	**15,104**	**15,104**
Loss	**-**	**-**	**16,735**	**16,735**
Gross Carrying amount	**599,371**	**66,221**	**41,819**	**707,411**
ECL allowance	**(1,845)**	**(2,933)**	**(15,003)**	**(19,781)**
Net Loans and advances to customers	**597,526**	**63,288**	**26,816**	**687,630**
31 December 2021				
Current	464,471	-	-	464,471
Especially mentioned	-	57,908	-	57,908
Sub-standard	-	-	16,855	16,855
Doubtful	-	-	8,755	8,755
Loss	-	-	9,224	9,224
Gross Carrying amount	464,471	57,908	34,834	557,213
ECL allowance	(408)	(1,185)	(7,777)	(9,370)
Net Loans and advances to customers	464,063	56,723	27,057	547,843

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.8 Analysis of loans and advances to customers (Continued)

Microfinance lending

An analysis of Loans and advances based on internal rating in relation to Microfinance lending is, as follows:

BANK In TZS' Million 31 December 2022	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
Current	**121,420**	**-**	**-**	**121,420**
Especially mentioned	**-**	**3,706**	**-**	**3,706**
Sub-standard	**-**	**-**	**1,473**	**1,473**
Doubtful	**-**	**-**	**1,784**	**1,784**
Loss	**-**	**-**	**1,288**	**1,288**
Gross Carrying amount	**121,420**	**3,706**	**4,545**	**129,671**
ECL allowance	**(157)**	**(46)**	**(304)**	**(507)**
Net Loans and advances to customers	**121,263**	**3,660**	**4,241**	**129,164**
31 December 2021				
Current	96,507	-	-	96,507
Especially mentioned	-	3,159	-	3,159
Sub-standard	-	-	1,655	1,655
Doubtful	-	-	1,107	1,107
Loss	-	-	1,005	1,005
Gross Carrying amount	96,507	3,159	3,767	103,433
ECL allowance	(16)	(5)	(385)	(406)
Net Loans and advances to customers	96,491	3,154	3,382	103,027

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.8 Analysis of loans and advances to customers (Continued)

Mortgage lending

An analysis of Loans and advances based on internal rating in relation to Mortgage lending is, as follows:

BANK In TZS' Million 31 December 2022	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
Current	**53,545**	**-**	**-**	**53,545**
Especially mentioned	**-**	**4,763**	**-**	**4,763**
Sub-standard	**-**	**-**	**625**	**625**
Doubtful	**-**	**-**	**745**	**745**
Loss	**-**	**-**	**957**	**957**
Gross Carrying amount	**53,545**	**4,763**	**2,328**	**60,636**
ECL allowance	**(22)**	**(141)**	**(1,130)**	**(1,293)**
Net Loans and advances to customers	**53,523**	**4,622**	**1,198**	**59,343**
31 December 2021				
Current	47,569	-	-	47,569
Especially mentioned	-	5,709	-	5,709
Sub-standard	-	-	1,606	1,606
Doubtful	-	-	1,416	1,416
Loss	-	-	645	645
Gross Carrying amount	47,569	5,709	3,667	56,945
ECL allowance	(51)	(232)	(466)	(749)
Net Loans and advances to customers	47,518	5,477	3,201	56,196

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.8 Analysis of loans and advances to customers (Continued)

Personal lending

An analysis of Loans and advances based on internal rating in relation to Personal lending is, as follows:

BANK In TZS' Million 31 December 2022	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
Current	**2,790,764**	**-**	**-**	**2,790,764**
Especially mentioned	**-**	**13,478**	**-**	**13,478**
Sub-standard	**-**	**-**	**8,912**	**8,912**
Doubtful	**-**	**-**	**8,173**	**8,173**
Loss	**-**	**-**	**13,590**	**13,590**
Gross Carrying amount	**2,790,764**	**13,478**	**30,675**	**2,834,917**
ECL allowance	**(17,658)**	**(3,121)**	**(22,893)**	**(43,672)**
Net Loans and advances to customers	**2,773,106**	**10,357**	**7,782**	**2,791,245**
31 December 2021				
Current	2,186,520	-	-	2,186,520
Especially mentioned	-	15,014	-	15,014
Sub-standard	-	-	9,104	9,104
Doubtful	-	-	10,458	10,458
Loss	-	-	7,714	7,714
Gross Carrying amount	2,186,520	15,014	27,276	2,228,810
ECL allowance	(19,584)	(3,199)	(18,902)	(41,685)
Net Loans and advances to customers	2,166,936	11,815	8,374	2,187,125

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.8 Analysis of loans and advances to customers (Continued)

An analysis of changes in the gross carrying amount for the Group is, as follows:

GROUP

Loans and advances to customers at amortised cost In TZS' Million 31 December 2022	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2022	**4,725,336**	**293,018**	**156,908**	**5,175,262**
Changes in the gross carrying amount				
– Transfer to stage 1	**73,462**	**(64,818)**	**(8,644)**	**-**
– Transfer to stage 2	**(75,128)**	**81,027**	**(5,899)**	**-**
– Transfer to stage 3	**(68,285)**	**(28,333)**	**96,618**	**-**
New financial assets originated or purchased	**4,283,610**	**-**	**-**	**4,283,610**
Payments received and financial assets derecognised	**(2,413,769)**	**(35,005)**	**(54,871)**	**(2,503,645)**
Effect of modification	**4,143**	**12,428**	**35,212**	**51,783**
Accrued Interest	**59,859**	**3,684**	**13,074**	**76,617**
Write-offs	**-**	**-**	**(42,338)**	**(42,338)**
Gross carrying amount as at 31 December 2022	**6,589,228**	**262,001**	**190,060**	**7,041,289**
Loss allowance as at 31 December 2022	**26,480**	**25,438**	**112,862**	**164,780**
31 December 2021				
Gross carrying amount as at 1 January 2021	3,571,865	324,813	178,924	4,075,602
Changes in the gross carrying amount				
– Transfer to stage 1	26,026	(19,539)	(6,487)	-
– Transfer to stage 2	(54,020)	57,548	(3,528)	-
– Transfer to stage 3	(33,952)	(20,278)	54,230	-
New financial assets originated or purchased	2,966,503	-	-	2,966,503
Payments received and financial assets derecognised	(1,874,490)	(41,384)	(30,330)	(1,946,204)
Effects of modification	76,271	(14,698)	18,169	79,742
Accrued interest	47,133	6,556	12,332	66,021
Write-offs	-	-	(66,402)	(66,402)
Gross carrying amount as at 31 December 2021	4,725,336	293,018	156,908	5,175,262
Loss allowance as at 31 December 2021	41,689	27,221	65,984	134,894

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.8 Analysis of loans and advances to customers (Continued)

An analysis of changes in the corresponding ECL allowances for the Group is, as follows:

GROUP

Loss allowances - Loans and advances to customers at amortised cost In TZS' Million 31 December 2022	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2022	**41,689**	**27,221**	**65,984**	**134,894**
Changes in the loss allowance				
– Transfer to stage 1	**5,975**	**(1,244)**	**(4,731)**	**-**
– Transfer to stage 2	**(3,479)**	**3,600**	**(121)**	**-**
– Transfer to stage 3	**(43,192)**	**(5,385)**	**48,577**	**-**
– Write-offs	**-**	**-**	**(42,238)**	**(42,238)**
New financial assets originated or purchased	**68,051**	**-**	**-**	**68,051**
Financial assets that have been derecognised	**(37,828)**	**(1,097)**	**(3,071)**	**(41,995)**
Unwind discount	**3,203**	**302**	**2,249**	**5,754**
Impact on ECL Transfers	**(7,987)**	**1,897**	**45,806**	**39,716**
Effects of modification	**48**	**144**	**406**	**598**
Loss allowance as at 31 December 2022	**26,480**	**25,438**	**112,862**	**164,780**
31 December 2021				
Loss allowance as at 1 January 2021	38,745	12,280	95,483	146,508
Changes in the loss allowance	-	-	-	
– Transfer to stage 1	4,837	(3,321)	(1,516)	-
– Transfer to stage 2	(501)	1,963	(1,462)	-
– Transfer to stage 3	(385)	(2,260)	2,645	-
– Write-offs	-	-	(66,402)	(66,402)
New financial assets originated or purchased	81,417	-	-	81,417
Financial assets that have been derecognised	(24,267)	(15,537)	(10,117)	(49,921)
Unwind discount	4,057	331	1,908	6,296
Impact on ECL Transfers	2,366	3,953	13,887	20,206
Effects of modification	102	(3,339)	24,239	21,002
Changes in models/risk parameters	(64,682)	33,151	7,319	(24,212)
Loss allowance as at 31 December 2021	41,689	27,221	65,984	134,894

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.8 Analysis of loans and advances to customers (Continued)

An analysis of changes in the gross carrying amount and the corresponding ECL allowances for the Bank is, as follows:

BANK

Loans and advances to customers at amortised cost In TZS' Million 31 December 2022	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2022	**4,590,389**	**291,512**	**156,270**	**5,038,171**
Changes in the gross carrying amount				-
– Transfer to stage 1	**73,082**	**(64,676)**	**(8,406)**	-
– Transfer to stage 2	**(73,284)**	**79,180**	**(5,896)**	-
– Transfer to stage 3	**(58,670)**	**(29,449)**	**88,119**	-
New financial assets originated or purchased	**4,071,622**	-	-	**4,071,622**
Payments received and financial assets derecognised	**(2,238,599)**	**(34,105)**	**(49,812)**	**(2,322,516)**
Effects of modification	**4,143**	**12,428**	**35,212**	**51,783**
Accrued interest	**56,487**	**3,645**	**13,010**	**73,142**
Write-offs	-	-	**(41,881)**	**(41,881)**
Gross carrying amount as at 31 December 2022	**6,425,170**	**258,535**	**186,616**	**6,870,321**
Loss allowance as at 31 December 2022	**26,392**	**25,349**	**112,562**	**164,303**
31 December 2021				
Gross carrying amount as at 1 January 2021	3,496,180	324,125	177,990	3,998,295
Changes in the gross carrying amount				
– Transfer to stage 1	33,858	(27,514)	(6,344)	-
– Transfer to stage 2	(53,937)	57,174	(3,237)	-
– Transfer to stage 3	(33,646)	(18,278)	51,924	-
New financial assets originated or purchased	2,808,321	-	-	2,808,321
Payments received and financial assets derecognised	(1,780,143)	(35,852)	(28,205)	(1,844,200)
Effects of modification	76,271	(14,699)	18,168	79,740
Accrued interest	43,485	6,556	12,332	62,373
Write-offs	-	-	(66,358)	(66,358)
Gross carrying amount as at 31 December 2021	4,590,389	291,512	156,270	5,038,171
Loss allowance as at 31 December 2021	41,725	27,200	65,798	134,723

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.8 Analysis of loans and advances to customers (Continued)

An analysis of changes in the corresponding ECL allowances for the Bank is, as follows:

BANK

Loss allowances - Loans and advances to customers at amortised cost In TZS' Million 31 December 2022	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2022	**41,725**	**27,200**	**65,798**	**134,723**
Changes in the loss allowance				
– Transfer to stage 1	**5,908**	**(1,244)**	**(4,664)**	-
– Transfer to stage 2	**(3,478)**	**3,599**	**(121)**	-
– Transfer to stage 3	**(43,373)**	**(5,374)**	**48,747**	-
– Write-offs	-	-	**(41,881)**	**(41,881)**
New financial assets originated or purchased	**67,996**	-	-	**67,996**
Financial assets that have been derecognised	**(37,826)**	**(1,130)**	**(3,616)**	**(42,571)**
Unwind discount	**3,173**	**302**	**2,239**	**5,714**
Impact on ECL Transfers	**(7,781)**	**1,852**	**45,653**	**39,724**
Effects of modification	**48**	**144**	**406**	**598**
Loss allowance as at 31 December 2022	**26,392**	**25,349**	**112,562**	**164,303**
31 December 2021				
Loss allowance as at 1 January 2021	38,731	12,279	95,127	146,137
Changes in the loss allowance	-	-	-	
– Transfer to stage 1	4,829	(3,320)	(1,509)	-
– Transfer to stage 2	(503)	1,745	(1,242)	-
– Transfer to stage 3	(380)	(2,260)	2,640	-
– Write-offs	-	-	(66,358)	(66,358)
New financial assets originated or purchased	96,707	-	-	96,707
Financial assets that have been derecognised	(27,713)	(4,708)	(8,074)	(40,495)
Unwind discount	4,047	279	1,800	6,126
Impact on ECL Transfers	(20,181)	4,138	11,859	(4,184)
Effects of modification	102	(3,339)	24,239	21,002
Changes in models/risk parameters	(53,914)	22,386	7,316	(24,212)
Loss allowance as at 31 December 2021	41,725	27,200	65,798	134,723

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.8 Analysis of loans and advances to customers (Continued)

Corporate lending

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to Corporate lending is, as follows:

GROUP

Loans and advances to customers at amortised cost In TZS' Million 31 December 2022	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2022	1,842,800	210,471	86,876	2,140,147
Changes in the gross carrying amount				
– Transfer to stage 1	61,193	(58,334)	(2,859)	-
– Transfer to stage 2	(53,095)	58,525	(5,430)	-
– Transfer to stage 3	(27,985)	(22,182)	50,167	-
New financial assets originated or purchased	2,043,051	-	-	2,043,051
Payments received and financial assets derecognised	(993,686)	(29,615)	(38,262)	(1,061,563)
Effects of modification	3,314	9,942	28,170	41,426
Accrued interest	29,328	1,727	5,413	36,467
Write-offs	-	-	(14,645)	(14,645)
Gross carrying amount as at 31 December 2022	**2,904,920**	**170,534**	**109,430**	**3,184,884**
Loss allowance as at 31 December 2022	**6,763**	**19,109**	**73,247**	**99,119**
31 December 2021				
Gross carrying amount as at 1 January 2021	1,152,644	221,670	109,886	1,484,200
Changes in the gross carrying amount				
– Transfer to stage 1	14,377	(14,377)	-	-
– Transfer to stage 2	(36,537)	38,302	(1,765)	-
– Transfer to stage 3	(9,203)	(10,041)	19,244	-
New financial assets originated or purchased	1,232,698	-	-	1,232,698
Payments received and financial assets derecognised	(561,949)	(29,317)	(17,854)	(609,120)
Effects of modification	30,547	366	14,331	45,244
Accrued interest	20,223	3,868	3,705	27,796
Write-offs	-	-	(40,671)	(40,671)
Gross carrying amount as at 31 December 2021	1,842,800	210,471	86,876	2,140,147
Loss allowance as at 31 December 2021	21,674	22,582	38,281	82,537

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.8 Analysis of loans and advances to customers (Continued)
Corporate lending (Continued)

GROUP

Loss allowances - Loans and advances to customers at amortised cost In TZS' Million 31 December 2021	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2021	21,674	22,582	38,281	82,537
Changes in the loss allowance				
– Transfer to stage 1	2,734	(53)	(2,681)	-
– Transfer to stage 2	(3,321)	3,321	-	-
– Transfer to stage 3	(31,048)	(4,699)	3,747	-
– Write-offs	-	-	(14,550)	(14,550)
New financial assets originated or purchased	37,905	-	-	37,905
Payments received and financial assets derecognised	(22,652)	(3,299)	(12,111)	(38,062)
Unwind discount	596	228	1,003	1,827
Impact on ECL Transfers	837	914	27,233	28,984
Effects of modification	38	115	325	478
Loss allowance as at 31 December 2021	**6,763**	**19,109**	**73,247**	**99,119**
31 December 2021				
Loss allowance as at 1 January 2021	1,873	1,309	64,334	67,516
Changes in the loss allowance				
– Transfer to stage 1	75	(75)	-	-
– Transfer to stage 2	(260)	984	(724)	-
– Transfer to stage 3	(10)	(603)	613	-
– Write-offs	-	-	(40,671)	(40,671)
New financial assets originated or purchased	52,087	-	-	52,087
Payments received and financial assets derecognised	(9,461)	(2403)	(7,620)	(19,484)
Unwind discount	268	104	566	938
Impact on ECL Transfers	(3,767)	4,019	1,080	1,332
Effects of modification	150	(54)	22,357	22,453
Changes in models/risk parameters	(19,281)	19,301	(1,654)	(1,634)
Loss allowance as at 31 December 2021	21,674	22,582	38,281	82,537

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.8 Analysis of loans and advances to customers (Continued)

SME lending

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to SME lending is, as follows:

GROUP

Loans and advances to customers at amortised cost In TZS' Million 31 December 2022	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2022	**467,675**	**58,235**	**35,160**	**561,070**
Changes in the gross carrying amount				
– Transfer to stage 1	**2,327**	**(570)**	**(1,757)**	**-**
– Transfer to stage 2	**(10,576)**	**10,724**	**(148)**	**-**
– Transfer to stage 3	**(21,390)**	**(2,867)**	**24,257**	**-**
New financial assets originated or purchased	**423,064**	**-**	**-**	**423,064**
Payments received and financial assets derecognised	**(266,506)**	**(3,060)**	**(8,836)**	**(278,401)**
Effects of modification	**829**	**2,486**	**7,043**	**10,357**
Accrued interest	**7,920**	**1,441**	**2,861**	**12,222**
Write-offs	**-**	**-**	**(16,106)**	**(16,106)**
Gross carrying amount as at 31 December 2022	**603,343**	**66,389**	**42,474**	**712,206**
Loss allowance as at 31 December 2022	**1,852**	**2,935**	**15,093**	**19,880**
31 December 2021				
Gross carrying amount as at 1 January 2021	371,053	69,103	35,510	475,666
Changes in the gross carrying amount				
– Transfer to stage 1	5,762	(2,284)	(3,478)	-
– Transfer to stage 2	(6,726)	8,234	(1,508)	-
– Transfer to stage 3	(6,703)	(4,910)	11,613	-
New financial assets originated or purchased	382,999	-	-	382,999
Payments received and financial assets derecognised	(296,410)	(4,891)	(3,705)	(305,006)
Effects of modification	10,172	(9,145)	2,141	3,168
Accrued interest	7,528	2,128	4,504	14,160
Write-offs	-	-	(9,917)	(9,917)
Gross carrying amount as at 31 December 2021	467,675	58,235	35,160	561,070
Loss allowance as at 31 December 2021	437	1,197	7,882	9,516

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.8 Analysis of loans and advances to customers (Continued)
SME lending (Continued)

GROUP

Loss allowances - Loans and advances to customers at amortised cost In TZS' Million 31 December 2022	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2022	**437**	**1,197**	**7,882**	**9,516**
Changes in the loss allowance				
– Transfer to stage 1	**296**	**(112)**	**(184)**	**-**
– Transfer to stage 2	**(89)**	**89**	**-**	**-**
– Transfer to stage 3	**(7,089)**	**(25)**	**7,114**	**-**
– Write-offs	**-**	**-**	**(16,106)**	**(16,106)**
New financial assets originated or purchased	**10,894**	**-**	**-**	**10,894**
Payments received and financial assets derecognised	**(2,772)**	**1,382**	**8,862**	**7,472**
Unwind discount	**74**	**16**	**50**	**140**
Impact on ECL Transfers	**91**	**359**	**7,394**	**7,844**
Effects of modification	**10**	**29**	**81**	**120**
Loss allowance as at 31 December 2022	**1,852**	**2,935**	**15,093**	**19,880**
31 December 2021				
Loss allowance as at 1 January 2021	3,815	1,568	9,553	14,936
Changes in the loss allowance				
– Transfer to stage 1	356	(175)	(181)	-
– Transfer to stage 2	(68)	705	(637)	-
– Transfer to stage 3	(58)	(224)	282	-
– Write-offs	-	-	(9,917)	(9,917)
New financial assets originated or purchased	10,780	-	-	10,780
Payments received and financial assets derecognised	(3,368)	(973)	(427)	(4,768)
Unwind discount	152	122	357	631
Impact on ECL Transfers	(911)	(963)	2,857	983
Effects of modification	(75)	(778)	841	(12)
Changes in models/risk parameters	(10,186)	1,915	5,154	(3,117)
Loss allowance as at 31 December 2021	437	1,197	7,882	9,516

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (Continued)

10.3.8 Analysis of loans and advances to customers (Continued)

Microfinance lending

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to Microfinance lending is, as follows:

GROUP

Loans and advances to customers at amortised cost In TZS' Million 31 December 2022	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2022	**106,286**	**3,159**	**3,769**	**113,214**
Changes in the gross carrying amount				
– Transfer to stage 1	**470**	**(316)**	**(154)**	**-**
– Transfer to stage 2	**(3,055)**	**3,220**	**(165)**	**-**
– Transfer to stage 3	**(2,840)**	**(1,002)**	**3,842**	**-**
New financial assets originated or purchased	**112,928**	**-**	**-**	**112,928**
Payments received and financial assets derecognised	**(86,972)**	**(1,423)**	**(2,546)**	**(90,941)**
Accrued interest	**1,006**	**116**	**835**	**1,956**
Write-offs	**-**	**-**	**(1,035)**	**(1,035)**
Gross carrying amount as at 31 December 2022	**127,823**	**3,754**	**4,546**	**136,123**
Loss allowance as at 31 December 2022	**167**	**47**	**304**	**518**
31 December 2021				
Gross carrying amount as at 1 January 2021	78,765	2,037	1,525	82,327
Changes in the gross carrying amount				
– Transfer to stage 1	258	(109)	(149)	-
– Transfer to stage 2	(2,148)	2,245	(97)	-
– Transfer to stage 3	(5,087)	(902)	5,989	-
New financial assets originated or purchased	100,821	-	-	100,821
Payments received and financial assets derecognised	(67,501)	(499)	(4,242)	(72,242)
Effects of modification	290	267	151	708
Accrued interest	888	120	617	1,625
Write-offs	-	-	(25)	(25)
Gross carrying amount as at 31 December 2021	106,286	3,159	3,769	113,214
Loss allowance as at 31 December 2021	(27)	11	451	435

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (Continued)

10.3.8 Analysis of loans and advances to customers (Continued)

Microfinance lending (Continued)

GROUP

Loss allowances - Loans and advances to customers at amortised cost In TZS' Million 31 December 2022	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2022	**(27)**	**11**	**451**	**435**
Changes in the loss allowance				
– Transfer to stage 1	**1**	**(1)**	**-**	**-**
– Transfer to stage 2	**(1)**	**22**	**(21)**	**-**
– Transfer to stage 3	**(1)**	**(1)**	**2**	**-**
– Write-offs	**-**	**-**	**(1,033)**	**(1,033)**
New financial assets originated or purchased	**273**	**-**	**-**	**273**
Payments received and financial assets derecognised	**(6)**	**45**	**730**	**769**
Unwind discount	**13**	**2**	**8**	**23**
Impact on ECL Transfers	**(85)**	**(31)**	**167**	**51**
Loss allowance as at 31 December 2022	**167**	**47**	**304**	**518**
31 December 2021				
Loss allowance as at 1 January 2021	1,966	10	389	2,365
Changes in the loss allowance				
– Transfer to stage 1	40	(17)	(23)	-
– Transfer to stage 2	(7)	29	(22)	-
– Transfer to stage 3	(37)	(8)	45	-
– Write-offs	-	-	(25)	(25)
New financial assets originated or purchased	131	-	-	131
Payments received and financial assets derecognised	(1,835)	(30)	(21)	(1,886)
Unwind discount	3	15	53	71
Impact on ECL Transfers	(270)	(6)	93	(183)
Changes in models/risk parameters	(2)	1	15	14
Foreign exchange and other movements	(16)	17	(53)	(52)
Loss allowance as at 31 December 2021	(27)	11	451	435

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (Continued)

10.3.8 Analysis of loans and advances to customers (Continued)

Mortgage lending

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to mortgage lending is, as follows:

GROUP

Loans and advances to customers at amortised cost In TZS' Million 31 December 2022	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2022	**47,569**	**5,709**	**3,667**	**56,945**
Changes in the gross carrying amount				
– Transfer to stage 1	**2,342**	**(946)**	**(1,396)**	**-**
– Transfer to stage 2	**(751)**	**751**	**-**	**-**
– Transfer to stage 3	**(713)**	**(572)**	**1,285**	**-**
New financial assets originated or purchased	**19,587**	**-**	**-**	**19,587**
Payments received and financial assets derecognised	**(15,232)**	**(247)**	**(852)**	**(16,331)**
Accrued interest	**743**	**68**	**207**	**1,018**
Write-offs	**-**	**-**	**(583)**	**(583)**
Gross carrying amount as at 31 December 2022	**53,545**	**4,763**	**2,328**	**60,636**
Loss allowance as at 31 December 2022	**22**	**141**	**1,130**	**1,293**
31 December 2021				
Gross carrying amount as at 1 January 2021	38,534	7,882	4,198	50,614
Changes in the gross carrying amount				
– Transfer to stage 1	2,711	(1,801)	(910)	-
– Transfer to stage 2	(1,537)	1,589	(52)	-
– Transfer to stage 3	(1,554)	(667)	2,221	-
New financial assets originated or purchased	23,707	-	-	23,707
Payments received and financial assets derecognised	(16,020)	(692)	(1,390)	(18,102)
Effects of modification	1,118	(659)	(424)	35
Accrued interest	610	57	313	980
Write-offs	-	-	(289)	(289)
Gross carrying amount as at 31 December 2021	47,569	5,709	3,667	56,945
Loss allowance as at 31 December 2021	53	232	464	749

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.3 Credit risk (Continued)

10.3.8 Analysis of loans and advances to customers (Continued)

Mortgage lending (Continued)

GROUP

Loss allowances - Loans and advances to customers at amortised cost In TZS' Million 31 December 2022	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2022	**53**	**232**	**464**	**749**
Changes in the loss allowance				
– Transfer to stage 1	**217**	**(22)**	**(195)**	**-**
– Transfer to stage 2	**(2)**	**2**	**-**	**-**
– Transfer to stage 3	**(6)**	**(40)**	**46**	**-**
– Write-offs	**-**	**-**	**(583)**	**(583)**
New financial assets originated or purchased	**108**	**-**	**-**	**108**
Payments received and financial assets derecognised	**(139)**	**(12)**	**437**	**286**
Unwind discount	**27**	**15**	**14**	**56**
Impact on ECL Transfers	**(236)**	**(34)**	**947**	**677**
Loss allowance as at 31 December 2022	**22**	**141**	**1,130**	**1,293**
31 December 2021				
Loss allowance as at 1 January 2021	619	425	361	1,405
Changes in the loss allowance				
– Transfer to stage 1	61	(41)	(20)	-
– Transfer to stage 2	(1)	2	(1)	-
– Transfer to stage 3	(1)	(1)	2	-
– Write-offs	-	-	(289)	(289)
New financial assets originated or purchased	270	-	-	270
Payments received and financial assets derecognised	(696)	(158)	(84)	(938)
Unwind discount	15	8	55	78
Impact on ECL Transfers	(94)	53	277	236
Effects of modification	1	(123)	218	96
Changes in models/risk parameters	(121)	67	(55)	(109)
Loss allowance as at 31 December 2021	53	232	464	749

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.8 Analysis of loans and advances to customers (Continued)

Personal lending

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to personal lending is, as follows:

GROUP

Loans and advances to customers at amortised cost In TZS' Million 31 December 2022	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2022	**2,261,006**	**15,444**	**27,436**	**2,303,886**
Changes in the gross carrying amount				
– Transfer to stage 1	**7,130**	**(4,652)**	**(2,478)**	**-**
– Transfer to stage 2	**(7,651)**	**7,807**	**(156)**	**-**
– Transfer to stage 3	**(15,357)**	**(1,710)**	**17,067**	**-**
New financial assets originated or purchased	**1,684,980**	**-**	**-**	**1,684,980**
Payments received and financial assets derecognised	**(1,051,373)**	**(660)**	**(4,376)**	**(1,056,409)**
Accrued interest	**20,862**	**332**	**3,758**	**24,952**
Write-offs	**-**	**-**	**(9,969)**	**(9,969)**
Gross carrying amount as at 31 December 2022	**2,899,597**	**16,561**	**31,282**	**2,947,440**
Loss allowance as at 31 December 2022	**17,676**	**3,206**	**23,088**	**43,970**
31 December 2021				
Gross carrying amount as at 1 January 2021	1,930,869	24,122	27,806	1,982,797
Changes in the gross carrying amount				
– Transfer to stage 1	2,918	(968)	(1,950)	-
– Transfer to stage 2	(7,072)	7,178	(106)	-
– Transfer to stage 3	(11,405)	(3,758)	15,163	-
New financial assets originated or purchased	1,226,278	-	-	1,226,278
Payments received and financial assets derecognised	(932,610)	(5,985)	(3,139)	(941,734)
Effects of modification	34,144	(5,528)	1,969	30,585
Accrued interest	17,884	383	3,193	21,460
Write-offs	-	-	(15,500)	(15,500)
Gross carrying amount as at 31 December 2021	2,261,006	15,444	27,436	2,303,886
Loss allowance as at 31 December 2021	19,552	3,199	18,906	41,657

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.8 Analysis of loans and advances to customers (Continued)
Personal lending (Continued)

GROUP

Loss allowances - Loans and advances to customers at amortised cost In TZS' Million 31 December 2022	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2022	**19,552**	**3,199**	**18,906**	**41,657**
Changes in the loss allowance				
– Transfer to stage 1	**2,727**	**(1,056)**	**(1,671)**	**-**
– Transfer to stage 2	**(66)**	**166**	**(100)**	**-**
– Transfer to stage 3	**(4,949)**	**(620)**	**5,569**	**-**
– Write-offs	**-**	**-**	**(9,966)**	**(9,966)**
New financial assets originated or purchased	**18,871**	**-**	**-**	**18,871**
Payments received and financial assets derecognised	**(12,358)**	**787**	**(889)**	**(12,460)**
Unwind discount	**2,493**	**41**	**1,174**	**3,708**
Impact on ECL Transfers	**(8,594)**	**689**	**10,065**	**2,160**
Loss allowance as at 31 December 2022	**17,676**	**3,206**	**23,088**	**43,970**
31 December 2021				
Loss allowance as at 1 January 2021	30,472	8,968	20,846	60,286
Changes in the loss allowance				
– Transfer to stage 1	4,305	(3,013)	(1,292)	-
– Transfer to stage 2	(165)	243	(78)	-
– Transfer to stage 3	(279)	(1,424)	1,703	-
– Write-offs	-	-	(15,500)	(15,500)
New financial assets originated or purchased	18,149	-	-	18,149
Payments received and financial assets derecognised	(8,907)	(11,973)	(1,965)	(22,845)
Unwind discount	3,619	82	877	4,578
Impact on ECL Transfers	7,408	850	9,580	17,838
Effects of modification	28	(2,385)	808	(1,549)
Changes in models/risk parameters	(35,078)	11,851	3,927	(19,300)
Loss allowance as at 31 December 2021	19,552	3,199	18,906	41,657

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.8 Analysis of loans and advances to customers (Continued)

Corporate lending

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to corporate lending is, as follows:

BANK

Loans and advances to customers at amortised cost In TZS' Million 31 December 2022	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2022	**1,795,322**	**209,722**	**86,726**	**2,091,770**
Changes in the gross carrying amount				
– Transfer to stage 1	**61,193**	**(58,334)**	**(2,859)**	**-**
– Transfer to stage 2	**(53,096)**	**58,526**	**(5,430)**	**-**
– Transfer to stage 3	**(21,072)**	**(22,182)**	**43,254**	**-**
New financial assets originated or purchased	**1,902,423**	**-**	**-**	**1,902,423**
Payments received and financial assets derecognised	**(854,459)**	**(29,035)**	**(33,363)**	**(916,857)**
Effects of modification	**3,314**	**9,942**	**28,170**	**41,426**
Accrued interest	**26,445**	**1,727**	**5,397**	**33,569**
Write-offs	**-**	**-**	**(14,645)**	**(14,645)**
Gross carrying amount as at 31 December 2022	**2,860,070**	**170,366**	**107,250**	**3,137,686**
Loss allowance as at 31 December 2022	**6,710**	**19,108**	**73,232**	**99,050**
31 December 2021				
Gross carrying amount as at 1 January 2021	1,147,122	220,734	109,702	1,477,558
Changes in the gross carrying amount				
– Transfer to stage 1	14,377	(14,377)	-	-
– Transfer to stage 2	(36,537)	38,012	(1,475)	-
– Transfer to stage 3	(9,202)	(9,542)	18,744	-
New financial assets originated or purchased	1,200,650	-	-	1,200,650
Payments received and financial assets derecognised	(568,210)	(29,339)	(17,611)	(615,160)
Effects of modification	30,547	366	14,331	45,244
Accrued interest	16,575	3,868	3,705	24,148
Write-offs	-	-	(40,670)	(40,670)
Gross carrying amount as at 31 December 2021	1,795,322	209,722	86,726	2,091,770
Loss allowance as at 31 December 2021	21,666	22,578	38,271	82,515

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.8 Analysis of loans and advances to customers (Continued)
Corporate lending (Continued)

BANK

Loss allowances - Loans and advances to customers at amortised cost In TZS' Million 31 December 2022	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2022	**21,666**	**22,578**	**38,271**	**82,515**
Changes in the loss allowance				
– Transfer to stage 1	**2,734**	**(53)**	**(2,681)**	**-**
– Transfer to stage 2	**(3,321)**	**3,321**	**-**	**-**
– Transfer to stage 3	**(31,127)**	**(4,699)**	**35,826**	**-**
– Write-offs	**-**	**-**	**(14,645)**	**(14,645)**
New financial assets originated or purchased	**37,867**	**-**	**-**	**37,867**
Payments received and financial assets derecognised	**(22,624)**	**(3,296)**	**(12,103)**	**(38,023)**
Unwind discount	**589**	**228**	**1,001**	**1,818**
Impact on ECL Transfers	**888**	**914**	**27,238**	**29,040**
Effects of modification	**38**	**115**	**325**	**478**
Loss allowance as at 31 December 2022	**6,710**	**19,108**	**73,232**	**99,050**
31 December 2021				
Loss allowance as at 1 January 2021	1,786	1,307	63,982	67,075
Changes in the loss allowance				
– Transfer to stage 1	75	(75)	-	-
– Transfer to stage 2	(260)	766	(506)	-
– Transfer to stage 3	(9)	(603)	612	-
– Write-offs	-	-	(40,670)	(40,670)
New financial assets originated or purchased	52,077	-	-	52,077
Payments received and financial assets derecognised	(9,365)	(2,150)	(7,485)	(19,002)
Unwind discount	267	67	566	900
Impact on ECL Transfers	(3,774)	4,019	1,069	1,314
Effects of modification	150	(54)	22,357	22,453
Changes in models/risk parameters	(19,281)	19,301	(1,654)	(1,634)
Loss allowance as at 31 December 2021	21,666	22,578	38,271	82,515

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.8 Analysis of loans and advances to customers (Continued)

SME lending

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to SME lending is, as follows:

BANK

Loans and advances to customers at amortised cost In TZS' Million 31 December 2022	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2022	**464,471**	**57,908**	**34,834**	**557,213**
Changes in the gross carrying amount				
– Transfer to stage 1	**2,112**	**(570)**	**(1,542)**	**-**
– Transfer to stage 2	**(10,540)**	**10,688**	**(148)**	**-**
– Transfer to stage 3	**(20,715)**	**(3,046)**	**23,761**	**-**
New financial assets originated or purchased	**420,821**	**-**	**-**	**420,821**
Payments received and financial assets derecognised	**(265,509)**	**(2,684)**	**(9,318)**	**(277,510)**
Effects of modification	**829**	**2,486**	**7,043**	**10,357**
Accrued interest	**7,902**	**1,439**	**2,838**	**12,179**
Write-offs	**-**	**-**	**(15,649)**	**(15,649)**
Gross carrying amount as at 31 December 2022	**599,371**	**66,221**	**41,819**	**707,411**
Loss allowance as at 31 December 2022	**1,845**	**2,933**	**15,003**	**19,781**
31 December 2021				
Gross carrying amount as at 1 January 2021	369,249	69,080	35,328	473,657
Changes in the gross carrying amount				
– Transfer to stage 1	7,205	(3,727)	(3,478)	-
– Transfer to stage 2	(6,725)	8,234	(1,509)	-
– Transfer to stage 3	(6,533)	(4,910)	11,443	-
New financial assets originated or purchased	370,857	-	-	370,857
Payments received and financial assets derecognised	(287,282)	(3,752)	(3,721)	(294,755)
Effects of modification	10,172	(9,145)	2,141	3,168
Accrued interest	7,528	2,128	4,504	14,160
Write-offs	-	-	(9,874)	(9,874)
Gross carrying amount as at 31 December 2021	464,471	57,908	34,834	557,213
Loss allowance as at 31 December 2021	408	1,186	7,776	9,370

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.8 Analysis of loans and advances to customers (Continued)
SME lending (Continued)

BANK

Loans and advances to customers at amortised cost In TZS' Million 31 December 2022	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2022	**408**	**1,186**	**7,776**	**9,370**
Changes in the loss allowance				
– Transfer to stage 1	**230**	**(112)**	**(118)**	**-**
– Transfer to stage 2	**(89)**	**89**	**-**	**-**
– Transfer to stage 3	**(7,121)**	**(14)**	**7,135**	**-**
– Write-offs	**-**	**-**	**(15,649)**	**(15,649)**
New financial assets originated or purchased	**10,888**	**-**	**-**	**10,888**
Payments received and financial assets derecognised	**(2,710)**	**1,380**	**8,318**	**6,988**
Unwind discount	**62**	**16**	**42**	**120**
Impact on ECL Transfers	**167**	**359**	**7,418**	**7,944**
Effects of modification	**10**	**29**	**81**	**120**
Loss allowance as at 31 December 2022	**1,845**	**2,933**	**15,003**	**19,781**
31 December 2021				
Loss allowance as at 1 January 2021	3,816	1,571	9,552	14,939
Changes in the loss allowance				
– Transfer to stage 1	356	(175)	(181)	-
– Transfer to stage 2	(69)	705	(636)	-
– Transfer to stage 3	(55)	(224)	279	-
– Write-offs	-	-	(9,874)	(9,874)
New financial assets originated or purchased	8,652	-	-	8,652
Payments received and financial assets derecognised	(537)	(1,172)	(127)	(1,836)
Unwind discount	151	122	357	630
Impact on ECL Transfers	(75)	(778)	841	(12)
Effects of modification	(75)	(778)	841	(12)
Changes in models/risk parameters	(11,756)	1,915	6,724	(3,117)
Loss allowance as at 31 December 2021	408	1,186	7,776	9,370

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.8 Analysis of loans and advances to customers (Continued)

Microfinance lending

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to Microfinance lending is, as follows:

BANK

Loans and advances to customers at amortised cost In TZS' Million 31 December 2022	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2022	**96,507**	**3,159**	**3,767**	**103,433**
Changes in the gross carrying amount				
– Transfer to stage 1	**470**	**(316)**	**(154)**	**-**
– Transfer to stage 2	**(2,960)**	**3,125**	**(165)**	**-**
– Transfer to stage 3	**(2,840)**	**(1,002)**	**3,842**	**-**
New financial assets originated or purchased	**112,928**	**-**	**-**	**112,928**
Payments received and financial assets derecognised	**(83,641)**	**(1,376)**	**(2,545)**	**(87,562)**
Accrued interest	**956**	**116**	**835**	**1,907**
Write-offs	**-**	**-**	**(1,035)**	**(1,035)**
Gross carrying amount as at 31 December 2022	**121,420**	**3,706**	**4,545**	**129,671**
Loss allowance as at 31 December 2022	**157**	**46**	**304**	**507**
31 December 2021				
Gross carrying amount as at 1 January 2021	71,271	2,037	1,524	74,832
Changes in the gross carrying amount				
– Transfer to stage 1	258	(109)	(149)	-
– Transfer to stage 2	(2,148)	2,245	(97)	-
– Transfer to stage 3	(5,087)	(902)	5,989	-
New financial assets originated or purchased	92,675	-	-	92,675
Payments received and financial assets derecognised	(61,640)	(499)	(4,243)	(66,382)
Effects of modification	290	267	151	708
Accrued interest	888	120	617	1,625
Write-offs	-	-	(25)	(25)
Gross carrying amount as at 31 December 2021	96,507	3,159	3,767	103,433
Loss allowance as at 31 December 2021	16	5	385	406

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.8 Analysis of loans and advances to customers (Continued)

Microfinance lending (Continued)

BANK

Loss allowances - Loans and advances to customers at amortised cost In TZS' Million 31 December 2022	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2022	**16**	**5**	**385**	**406**
Changes in the loss allowance				
– Transfer to stage 1	**1**	**(1)**	**-**	**-**
– Transfer to stage 2	**-**	**21**	**(21)**	**-**
– Transfer to stage 3	**(1)**	**(1)**	**2**	**-**
– Write-offs	**-**	**-**	**(1,035)**	**(1,035)**
New financial assets originated or purchased	**273**	**-**	**-**	**273**
Payments received and financial assets derecognised	**(128)**	**52**	**797**	**721**
Unwind discount	**2**	**2**	**8**	**12**
Impact on ECL Transfers	**(6)**	**(32)**	**168**	**130**
Loss allowance as at 31 December 2022	**157**	**46**	**304**	**507**
31 December 2021				
Loss allowance as at 1 January 20221	1,954	4	388	2,346
Changes in the loss allowance				
– Transfer to stage 1	40	(17)	(23)	-
– Transfer to stage 2	(7)	29	(22)	-
– Transfer to stage 3	(37)	(8)	45	-
– Write-offs	-	-	(25)	(25)
New financial assets originated or purchased	53	-	-	53
Payments received and financial assets derecognised	(1,787)	(15)	(33)	(1,835)
Unwind discount	-	-	-	-
Impact on ECL Transfers	(182)	(6)	93	(95)
Effects of modification	(2)	1	15	14
Changes in models/risk parameters	(16)	17	(53)	(52)
Loss allowance as at 31 December 2021	16	5	385	406

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.8 Analysis of loans and advances to customers (Continued)

Mortgage lending

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to mortgage lending is, as follows:

BANK

Loans and advances to customers at amortised cost In TZS' Million 31 December 2022	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2022	**47,569**	**5,709**	**3,667**	**56,945**
Changes in the gross carrying amount				
– Transfer to stage 1	**2,342**	**(946)**	**(1,396)**	**-**
– Transfer to stage 2	**(751)**	**751**	**-**	**-**
– Transfer to stage 3	**(713)**	**(572)**	**1,285**	**-**
New financial assets originated or purchased	**19,587**	**-**	**-**	**19,587**
Payments received and financial assets derecognised	**(15,232)**	**(247)**	**(852)**	**(16,331)**
Accrued interest	**743**	**68**	**207**	**1,018**
Write-offs	**-**	**-**	**(583)**	**(583)**
Gross carrying amount as at 31 December 2022	**53,545**	**4,763**	**2,328**	**60,636**
Loss allowance as at 31 December 2022	**22**	**141**	**1,130**	**1,293**
31 December 2021				
Gross carrying amount as at 1 January 2021	32,367	7,882	4,198	44,447
Changes in the gross carrying amount				
– Transfer to stage 1	2,711	(1,801)	(910)	-
– Transfer to stage 2	(1,537)	1,589	(52)	-
– Transfer to stage 3	(1,554)	(667)	2,221	-
New financial assets originated or purchased	23,709	-	-	23,709
Payments received and financial assets derecognised	(9,855)	(692)	(1,390)	(11,937)
Effects of modification	1,118	(659)	(424)	35
Accrued interest	610	57	313	980
Write-offs	-	-	(289)	(289)
Gross carrying amount as at 31 December 2021	47,569	5,709	3,667	56,945
Loss allowance as at 31 December 2021	51	232	466	749

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.8 Analysis of loans and advances to customers (Continued)
Mortgage lending (Continued)

BANK

Loss allowances - Loans and advances to customers at amortised cost In TZS' Million 31 December 2022	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2022	**51**	**232**	**466**	**749**
Changes in the loss allowance				
– Transfer to stage 1	**217**	**(22)**	**(195)**	**-**
– Transfer to stage 2	**(2)**	**2**	**-**	**-**
– Transfer to stage 3	**(6)**	**(40)**	**46**	**-**
– Write-offs	**-**	**-**	**(583)**	**(583)**
New financial assets originated or purchased	**108**	**-**	**-**	**108**
Payments received and financial assets derecognised	**(137)**	**(12)**	**435**	**286**
Unwind discount	**27**	**15**	**14**	**56**
Impact on ECL Transfers	**(236)**	**(34)**	**947**	**677**
Loss allowance as at 31 December 2022	**22**	**141**	**1,130**	**1,293**
31 December 2021				
Loss allowance as at 1 January 2021	619	425	361	1,405
Changes in the loss allowance				
– Transfer to stage 1	61	(41)	(20)	-
– Transfer to stage 2	(1)	2	(1)	-
– Transfer to stage 3	(1)	(1)	2	-
– Write-offs	-	-	(289)	(289)
New financial assets originated or purchased	215	-	-	215
Payments received and financial assets derecognised	(643)	(158)	(27)	(828)
Unwind discount	15	8	-	23
Impact on ECL Transfers	(94)	53	277	236
Effects of modification	1	(123)	218	96
Changes in models/risk parameters	(121)	67	(55)	(109)
Loss allowance as at 31 December 2021	51	232	466	749

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.8 Analysis of loans and advances to customers (Continued)

Personal lending

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to personal lending is, as follows:

BANK

Loans and advances to customers at amortised cost In TZS' Million 31 December 2022	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2022	2,186,520	15,014	27,276	2,228,810
Changes in the gross carrying amount				
– Transfer to stage 1	6,965	(4,510)	(2,455)	-
– Transfer to stage 2	(5,937)	6,090	(153)	-
– Transfer to stage 3	(13,330)	(2,648)	15,978	-
New financial assets originated or purchased	1,615,863	-	-	1,615,863
Payments received and financial assets derecognised	(1,019,758)	(763)	(3,735)	(1,024,256)
Accrued interest	20,441	295	3,733	24,469
Write-offs	-	-	(9,969)	(9,969)
Gross carrying amount as at 31 December 2022	**2,790,764**	**13,478**	**30,675**	**2,834,917**
Loss allowance as at 31 December 2022	**17,658**	**3,121**	**22,893**	**43,672**
31 December 2021				
Gross carrying amount as at 1 January 2021	1,876,171	24,392	27,238	1,927,801
Changes in the gross carrying amount				
– Transfer to stage 1	9,307	(7,500)	(1,807)	-
– Transfer to stage 2	(6,990)	7,094	(104)	-
– Transfer to stage 3	(11,270)	(2,257)	13,527	-
New financial assets originated or purchased	1,120,430	-	-	1,120,430
Payments received and financial assets derecognised	(853,156)	(1,570)	(1,240)	(855,966)
Effects of modification	34,144	(5,528)	1,969	30,585
Accrued interest	17,884	383	3,193	21,460
Write-offs	-	-	(15,500)	(15,500)
Gross carrying amount as at 31 December 2021	2,186,520	15,014	27,276	2,228,810
Loss allowance as at 31 December 2021	19,584	3,199	18,902	41,685

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.3 Credit risk (Continued)
10.3.8 Analysis of loans and advances to customers (Continued)
Personal lending (Continued)

BANK

Loss allowances - Loans and advances to customers at amortised cost In TZS' Million 31 December 2022	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2022	19,584	3,199	18,900	41,683
Changes in the loss allowance				
– Transfer to stage 1	2,726	(1,056)	(1,670)	-
– Transfer to stage 2	(66)	166	(100)	-
– Transfer to stage 3	(4,944)	(620)	5,574	-
– Write-offs	-	-	(9,969)	(9,969)
New financial assets originated or purchased	18,860	-	-	18,860
Payments received and financial assets derecognised	(12,391)	746	(898)	(12,543)
Unwind discount	2,493	41	1,174	3,708
Impact on ECL Transfers	(8,594)	645	9,882	1,933
Loss allowance as at 31 December 2022	**17,658**	**3,121**	**22,893**	**43,672**
31 December 2021				
Loss allowance as at 1 January 2021	30,556	8,972	20,844	60,372
Changes in the loss allowance				
– Transfer to stage 1	4,297	(3,012)	(1,285)	-
– Transfer to stage 2	(166)	243	(77)	-
– Transfer to stage 3	(278)	(1,424)	1,702	-
– Write-offs	-	-	(15,500)	(15,500)
New financial assets originated or purchased	35,710	-	-	35,710
Payments received and financial assets derecognised	(15,381)	(1,213)	(402)	(16,996)
Unwind discount	3,614	82	877	4,573
Impact on ECL Transfers	(16,056)	850	9,579	(5,627)
Effects of modification	28	(2,385)	808	(1,549)
Changes in models/risk parameters	(22,740)	1,086	2,354	(19,300)
Loss allowance as at 31 December 2021	19,584	3,199	18,900	41,683

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)

10.4 Liquidity risk and funding management

Liquidity risk is defined as the risk that the Group does not have sufficient liquid financial resources to meet obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Group might be unable to meet its payment obligations when they fall due because of mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to the Group on acceptable terms. Funding risk arises when the Group does not maintain a diversified and stable funding base, while minimising its cost.

To limit these risks, management has arranged for diversified funding sources in addition to its core deposit base and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity daily. The Group has developed internal control processes and contingency plans for managing liquidity risk. The ALCO is responsible for managing the Group's liquidity risk through comprehensive policies, governance and review procedures, stress testing, monitoring of limit sets to ensure these are in line with the overall liquidity risk appetite and strategy of the Group. The treasury department is responsible for working with other departments within the Group to ensure the liquidity risk strategy is executed. This incorporates an assessment of expected cash flows and the availability of high-grade collateral which could be used to secure additional funding, if required.

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

The ratios during the year were, as follows:

Liquidity ratio

	GROUP AND BANK	
	2022	2021
In TZS' Million		
Year-end	**27.0%**	27.5%
Maximum	**33.5%**	30.8%
Minimum	**20.2%**	20.9%
Average	**26.8%**	25.3%

Macro -economic and geopolitical uncertainties had no significant impact to the Group liquidity as at 31 December 2022 the liquidity ratio stood at 27.0% which is above the required regulatory ratio of 20%

Advances to deposit ratios

	GROUP AND BANK	
	2022	2021
In TZS' Million		
Year-end	**88.6%**	78.8%
Maximum	**90.0%**	82.7%
Minimum	**83.0%**	70.6%
Average	**87.2%**	78.9%

The Group stresses the importance of current accounts and savings accounts as sources of funds to finance lending to customers. They are monitored using the advances to deposit ratio, which compares loans and advances to customers as a percentage of core customer current accounts and savings accounts, together with term funding with a remaining term to maturity more than one year. Loans to customers that are part of reverse repurchase arrangements, and where the Bank receives securities which are deemed to be liquid, are excluded from the advances to deposits ratio.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.4 Liquidity risk and funding management (Continued)

10.4.1 Liquidity risk management process

The Group's and Bank's liquidity management process, as carried out within the Group and Bank and monitored by the Asset and Liability Committee (ALCO) of the individual banks include:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. These include replenishment of funds as they mature or are borrowed by customers. The Group and Bank maintain an active presence in money markets to enable this to happen;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring 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 (Note 10.4.4).

10.4.2 Funding approach

The Group's and Bank's major source of funding is customer deposits. To this end, the Group and Bank maintain a diversified and stable funding base comprising current/demand, savings, and time deposits. The Group places considerable importance on the stability of these deposits, which is achieved through the Group's retail banking activities and by maintaining depositor confidence in the Group's business strategies and financial strength.

The Group borrows from the interbank market through transactions with other banks for short term liquidity requirements. As part of the contingency funding plan, the Group has funding lines with both local and foreign banks for short term funding requirements.

10.4.3 Stress Testing

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

10.4.4 Analysis of financial assets and liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Group and Bank's financial assets and the undiscounted cash flows of its financial liabilities as of 31 December, as the Group and Bank manage the inherent liquidity risk based on expected undiscounted cash flows.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.4 Liquidity risk and funding management (Continued)
10.4.4 Analysis of financial assets and liabilities by remaining contractual maturities (Continued)

In TZS' Million

GROUP 31 December 2022	Up to 3 months	3 - 12 months	Over 1 year	Total
Financial Assets				
Cash and balances with Central bank	982,435	-	-	982,435
Due from banks	725,429	-	13,095	738,524
Financial assets at FVPL	-	-	58,734	58,734
Debt instruments at FVOCI	-	-	2,221,410	2,221,410
Credit cards	1,248	-	-	1,248
Equity investment at FVPL	-	-	2,291	2,291
Equity investment at FVOCI	-	-	11,644	11,644
Loans and advances to customers	1,051,875	1,356,281	8,601,294	11,009,450
Debt instruments at amortized cost	179,213	499,240	1,400,209	2,078,662
Other assets*	132,687	-	-	132,687
Total undiscounted financial assets	3,072,887	1,855,521	12,308,677	17,237,085
Financial Liabilities				
Deposits from customers	7,418,698	641,512	146,630	8,206,840
Deposits from banks	614,255	520,442	-	1,134,697
Borrowings	-	16,404	599,878	616,281
Lease liabilities	-	2,099	81,892	83,991
Other liabilities**	138,450	-	-	138,450
Total undiscounted financial liabilities	8,171,403	1,180,457	828,400	10,180,260
Net undiscounted financial assets/(liabilities)	(5,098,516)	675,064	11,480,277	7,056,825

*Other assets (excludes prepayments, stock, and advanced payment for capital expenditure as they are not financial assets).
**Other liabilities (excludes deferred income and ECL of off-balance sheet as they are not financial liabilities).

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.4 Liquidity risk and funding management (Continued)
10.4.4 Analysis of financial assets and liabilities by remaining contractual maturities (Continued)

In TZS' Million

GROUP 31 December 2021	Up to 3 months	3 - 12 months	Over 1 year	Total
Financial Assets				
Cash and balances with Central bank	888,698	-	-	888,698
Due from banks	498,283	-	-	498,283
Financial assets at FVPL	-	6,290	89,938	96,228
Debt instruments at FVOCI	-	-	468,860	468,860
Credit cards	1,844	-	-	1,844
Equity investment at FVPL	-	-	2,886	2,886
Equity investment at FVOCI	-	-	10,595	10,595
Loans and advances to customers	434,169	713,900	8,123,106	9,271,175
Debt instruments at amortized cost	56,923	403,737	1,279,073	1,739,732
Other assets*	95,061	-	-	95,061
Total undiscounted financial assets	1,974,978	1,123,927	9,974,458	13,073,363
Financial Liabilities				
Deposits from customers	6,178,381	287,598	42,959	6,508,938
Deposits from banks	715,737	-	-	715,737
Borrowings	-	58,251	170,573	228,824
Lease liabilities	2,859	7,547	35,959	43,365
Other liabilities**	110,005	-	-	110,005
Total undiscounted financial liabilities	7,006,982	353,396	249,491	7,606,869
Net undiscounted financial assets/(liabilities)	(5,033,004)	770,531	9,724,967	5,463,494

*Other assets (excludes prepayments, stock and advanced payment for capital expenditure as they are not financial assets).
**Other liabilities (excludes deferred income and ECL of off-balance sheet as they are not financial liabilities).

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.4 Liquidity risk and funding management (Continued)
10.4.4 Analysis of financial assets and liabilities by remaining contractual maturities (Continued)

				In TZS' Million
BANK 31 December 2022	Up to 3 months	3 - 12 months	Over 1 year	Total
Financial Assets				
Cash and balances with Central bank	864,565	-	-	864,565
Due from banks	702,911	-	13,095	716,006
Financial assets at FVPL	-	-	58,734	58,734
Debt instruments at FVOCI	-	-	2,221,410	2,221,410
Credit cards	1,248	-	-	1,248
Equity investment at FVPL	-	-	2,291	2,291
Equity investment at FVOCI	-	-	11,531	11,531
Loans and advances to customers	925,063	1,227,072	8,200,245	10,352,380
Debt instruments at amortized cost	153,852	438,400	1,102,043	1,694,294
Other assets*	138,805	-	-	138,805
Total undiscounted financial assets	2,786,444	1,665,472	11,609,349	16,061,265
Financial Liabilities				
Deposits from customers	6,917,886	623,585	144,082	7,685,553
Deposits from banks	590,491	520,442	-	1,110,933
Borrowings	-	16,404	599,878	616,281
Lease liabilities	-	2,089	81,111	83,200
Other liabilities**	136,302	-	-	136,302
Total undiscounted financial liabilities	7,644,679	1,162,520	825,071	9,632,270
Net undiscounted financial assets/(liabilities)	(4,858,235)	502,952	10,784,278	6,429,995

*Other assets (excludes prepayments, stock, and advanced payment for capital expenditure as they are not financial assets).
**Other liabilities (excludes deferred income and ECL of off-balance sheet as they are not financial liabilities).

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.4 Liquidity risk and funding management (Continued)
10.4.4 Analysis of financial assets and liabilities by remaining contractual maturities (Continued)

				In TZS' Million
BANK 31 December 2021	Up to 3 months	3 - 12 months	Over 1 year	Total
Financial Assets				
Cash and balances with Central bank	869,079	-	-	869,079
Due from banks	433,513	-	12,481	445,994
Financial assets at FVPL	-	-	89,938	89,938
Debt instruments at FVOCI	-	-	468,860	468,860
Credit cards	1,844	-	-	1,844
Equity investment at FVPL	-	-	2,886	2,886
Equity investment at FVOCI	-	-	10,479	10,479
Loans and advances to customers	433,467	701,569	7,913,067	9,048,103
Debt instruments at amortized cost	48,835	387,042	1,103,090	1,538,967
Other assets*	89,599	-	-	89,599
Total undiscounted financial assets	1,876,337	1,088,611	9,600,801	12,565,749
Financial Liabilities				
Deposits from customers	5,898,482	240,038	42,958	6,181,478
Deposits from banks	683,425		-	683,425
Borrowings	-	58,250	170,573	228,823
Lease liabilities	2,859	7,547	32,403	42,809
Other liabilities**	108,186	-	-	108,186
Total undiscounted financial liabilities	6,692,952	305,835	245,934	7,244,721
Net undiscounted financial assets/(liabilities)	(4,816,615)	782,776	9,354,867	5,321,028

*Other assets (excludes prepayments, stock, and advanced payment for capital expenditure as they are not financial assets).
**Other liabilities (excludes deferred income and ECL of off-balance sheet as they are not financial liabilities).

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.4 Liquidity risk and funding management (Continued)
10.4.4 Analysis of financial assets and liabilities by remaining contractual maturities (Continued)

Assets available to meet all the liabilities and to cover outstanding loan commitments include cash, central Bank balances, cheques, and items for clearing and treasury and other eligible bills; Due from 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.

The tables below show the contractual expiry by maturity of the Bank's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called. Capital commitments relate to the acquisition of property and equipment.

GROUP

				In TZS' Million
31 December 2022	**Within 1 year**	**1 – 5 years**	**Over 5 years**	**Total**
Outstanding letters of credit	**1,551,114**	**319,203**	**-**	**1,870,317**
Guarantees and indemnities	**1,190,845**	**236,333**	**23,437**	**1,450,615**
Commitments to extend credit	**462,402**	**-**	**-**	**462,402**
Capital commitments	**46,976**	**-**	**-**	**46,976**
Total commitments and guarantees	**3,251,337**	**555,536**	**23,437**	**3,830,310**
31 December 2021				
Outstanding letters of credit	13,671	789,107	-	802,779
Guarantees and indemnities	42,608	1,615,086	50	1,657,744
Commitments to extend credit	269,013	-	-	269,013
Capital commitments	62,223	-	-	62,223
Total commitments and guarantees	387,515	2,404,193	50	2,791,759

BANK

				In TZS' Million
31 December 2022	**Within 1 year**	**1 – 5 years**	**Over 5 years**	**Total**
Outstanding letters of credit	**1,478,501**	**319,203**	**-**	**1,797,704**
Guarantees and indemnities	**1,190,341**	**236,333**	**23,437**	**1,450,111**
Commitments to extend credit	**462,402**	**-**	**-**	**462,402**
Capital commitments	**46,976**	**-**	**-**	**46,976**
Total commitments and guarantees	**3,178,220**	**555,536**	**23,437**	**3,757,193**
31 December 2021				
Outstanding letters of credit	13,671	789,108	-	802,779
Guarantees and indemnities	42,608	1,614,945	50	1,657,603
Commitments to extend credit	269,013	-	-	269,013
Capital commitments	50,571	-	-	50,571
Total commitments and guarantees	375,863	2,404,053	50	2,779,966

10.4.5 Analysis of encumbered and unencumbered assets

Below is the analysis of the Bank's encumbered and unencumbered assets that would be available to obtain additional future funding as securities. For this purpose, encumbered assets are:

- Assets which have been pledged as collateral (e.g., which are required to be separately disclosed under IFRS 7); or
- Assets that an entity believes it is restricted from using to secure funding, for legal or other reasons, which may include market practice or sound risk management. Restrictions related to the legal position of certain assets, for example, those held by consolidated securitisation vehicles or in pools for covered bond issuances, may vary in different jurisdictions.

Unencumbered assets are the remaining assets that the Bank owns.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.4 Liquidity risk and funding management (Continued)
10.4.5 Analysis of encumbered and unencumbered assets (Continued)

GROUP

As at 31 December 2022	Unencumbered		Unencumbered		Amount in TZS' Million
	Pledged as collateral	Other*	Available as collateral	Other	Total
Cash and balances with central bank	-	379,554	602,881	-	982,435
Due from banks	-	-	-	693,506	693,506
Financial Assets at FVPL	-	-	-	23,703	23,703
Debt Instruments at FVOCI	-	-	-	786,118	786,118
Credit card	-	-	-	1,248	1,248
Equity investment at FVPL	-	-	-	2,291	2,291
Equity investment at FVOCI	-	-	-	11,644	11,644
Loans and advances to customers	-	-	-	6,876,509	6,876,509
Debt Instrument at amortised costs	450,449	-	-	1,033,519	1,483,968
Other assets	-	-	-	132,687	132,687
Total	**450,449**	**379,554**	**602,881**	**9,561,225**	**10,994,109**

As at 31 December 2021	Unencumbered		Unencumbered		Amount in TZS' Million
	Pledged as collateral	Other*	Available as collateral	Other	Total
Cash and balances with central bank	-	231,350	657,348	-	888,698
Due from banks	-	-	-	493,216	493,216
Financial Assets at FVPL	-	-	20,807	6,290	27,097
Debt Instruments at FVOCI	-	-	-	424,160	424,160
Credit card	-	-	-	1,844	1,844
Equity investment at FVPL	-	-	-	2,886	2,886
Equity investment at FVOCI	-	-	-	10,595	10,595
Loans and advances to customers	-	-	-	5,040,368	5,040,368
Debt Instrument at amortised costs	293,152	-	-	909,441	1,202,593
Other assets	-	-	-	89,599	89,599
Total	293,152	231,350	678,155	6,978,399	8,181,056

*Represents the statutory minimum reserve balance with Bank of Tanzania which is not available for use by Group.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.4 Liquidity risk and funding management (Continued)
10.4.5 Analysis of encumbered and unencumbered assets (Continued)

BANK

As at 31 December 2022	Unencumbered		Unencumbered		Amount in TZS' Million
	Pledged as collateral	Other*	Available as collateral	Other	Total
Cash and balances with central bank	-	367,218	-	497,347	864,565
Due from banks	-	-	-	711,979	711,979
Financial Assets at FVPL	-	-	-	17,417	17,417
Debt Instruments at FVOCI	-	-	-	786,118	786,118
Credit card	-	-	-	1,248	1,248
Equity investment at FVPL	-	-	-	2,291	2,291
Equity investment at FVOCI	-	-	-	11,531	11,531
Loans and advances to customers	-	-	-	6,706,018	6,706,018
Debt Instrument at amortised costs	450,449	-	-	697,799	1,148,248
Other assets	-	-	-	138,805	138,805
Total	**450,449**	**367,218**	**-**	**9,570,553**	**10,388,220**

As at 31 December 2021	Unencumbered		Unencumbered		Amount in TZS' Million
	Pledged as collateral	Other*	Available as collateral	Other	Total
Cash and balances with central bank	-	231,350	637,729	-	869,079
Due from banks	-	-	-	442,784	442,784
Financial Assets at FVPL	-	-	20,807	6,290	27,097
Debt Instruments at FVOCI	-	-	-	424,160	424,160
Credit card	-	-	-	1,844	1,844
Equity investment at FVPL	-	-	-	2,886	2,886
Equity investment at FVOCI	-	-	-	10,479	10,479
Loans and advances to customers	-	-	-	4,903,448	4,903,448
Debt Instrument at amortised costs	293,152	-	-	708,411	1,001,563
Other assets	-	-	-	95,061	95,061
Total	293,152	231,350	658,536	6,595,363	7,778,401

*Represents the statutory minimum reserve balance with Bank of Tanzania which is not available for use by Group.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.4 Liquidity risk and funding management (Continued)
10.4.5 Analysis of encumbered and unencumbered assets (Continued)

10.4.6 Country risk

Country risk is the risk that an occurrence within a country could have an adverse effect on the Group, directly by impairing the value of the Group or indirectly through an obligor's ability to meet its obligations to the Group. Generally, these occurrences relate, but are not limited, to sovereign events such as defaults or restructuring; political events such as contested elections or referendums; restrictions on currency movements; non–market currency convertibility; regional conflicts; economic contagion from other events such as sovereign default issues or regional turmoil; banking and currency crisis; and natural disasters.

The Group's risk management framework incorporates several measures and tools to monitor this risk. These measures include stress testing of concentrated portfolios and various limits by country. The country risk is generally identified with the domicile of the legal entity which is the Group's counterparty, unless most assets or revenues of such entity are in another country, in which case reference is made to such different country.

The Group exposures by country risk has been disclosed under Note 10.3.6 Analysis of risk concentration (b) Geographical analysis

10.5 Market risk

Market risks arise from open positions in 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, foreign exchange rates and equity prices. The Group classifies exposures to market risk into either traded (the Trading book) or non-traded (the Banking book) portfolios and manages each of those portfolios separately. Trading portfolios include those positions arising from market-making transactions where the Group acts as principal with clients or with the market. Non-trading portfolios primarily arise from the interest rate management of the Group's retail and commercial Banking assets and liabilities, and debt instrument at fair value through OCI.

Risk management Process

The Group takes on various risks, and therefore requires adequate and robust risk management process in order to minimize losses and maximize opportunities. The risk management process involves identification, assessment/measurement, control/mitigation and reporting. The Limits Policy sets out the risk appetite or maximum approved exposures that can be taken by the Bank, while remaining in compliance with regulatory requirements.

Identification of market risks

The process of identifying all market risks associated with banking operations, for the Group to implement internal controls and procedures to mitigate those risks. It includes analysis of new products, processes, and systems.

For the purpose of identification, market risk has been categorised as follows:

- Foreign exchange risk in Note 10.5.1
- Equity price risk in Note 10.5.2
- Interest rate risk in Note 10.5.3

The Group's risk management strategy for its Banking book is different for each of the above categories of market risk.

Assessment/Measurement

The objective of market risk measurement is to manage and control market risk exposures within acceptable limits while optimising the return on risk.

The Group take on 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 conditions. The risk measures include; position limits, sensitivity limits, namely, Present Value of a Basis Point (PV01), Value-at-Risk (VaR))that reflects the interdependency between risk variables. The Group also applies interest rate gap coupled with Earning at Risk and stress testing analysis in measuring exposure to market risk for the purpose of managing and controlling market risk exposures within acceptable limits while optimising the return on investment.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.5 Market risk (Continued)

Control/Mitigation

As a part of its established market risk management process, the Risk and compliance department monitors early signs of possible changes in market conditions such as:

- anticipated and actual changes to interest rates;
- economic and geopolitical factors driving currency
- equity price movements.

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

Governance and Reporting

A Group Risk Profile report is produced monthly which cover all the principal risks and is managed by the relevant Group Risk owner, with the overall report being coordinated and produced by the Group Risk and Compliance department. The report is tabled to the Group Operational Risk Committee (ORC) for review and actioning on monthly basis, while a quarterly report is communicated to the Group Management Audit & Risk Committee (MARC) and then presented to the Board Risk Committee on quarterly basis by the Group Director of Risk and Compliance.

The Board of Directors determines the Group's risk appetite, approve the limits policy and ensure management takes necessary steps to monitor, control and report on limits compliance in adherence to the Bank's policies and regulatory requirements. Management Audit and Risk Committee have a role to ensure adherence to the policy and regulatory requirements and quarterly reporting to the Board Risk Committee with respect to adherence of approved limits vs. utilization with explanation on all breaches including action taken to remediate the breach.

10.5.1 Foreign exchange risk

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

Currency sensitivity analysis

With all other variables held constant, a shift in foreign exchange rate by 4% on foreign denominated assets and liabilities would have resulted in lower or higher profit after tax as follows:

				In TZS' Million
	GROUP		BANK	
	2022	2021	2022	2021
USD	**5,122**	10,601	**5,122**	10,699
EURO	**13**	1,476	**13**	1,422
GBP	**0**	157	**2**	149
BIF	**2**	6	**2**	25
Other	**0**	2,128	**0**	1,903

If the exchange rate for the BIF were to shift by 4%, then the impact on the translation reserve in relation to the translation of CRDB Bank Burundi SA for consolidation purposes would be TZS 880 million (2021: TZS 905 million).

The Bank's strategy is to monitor positions daily to ensure it manages itself against currency risk. Positions are maintained within established limits by balancing the assets and liabilities in the relevant currencies.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.5 Market risk (Continued)

10.5.1 Foreign exchange risk

Measurement of Foreign exchange risk - VaR methodology

The Bank uses the Parametric (Normal distribution method) and non-parametric approaches (Historical Simulation method) to arrive to the VaR results.

Parametric Approach - From the distribution of daily returns, the standard deviation is estimated. It measures the maximum possible loss over a given period and confidence interval.

Assumptions

The approach assumes the log of daily foreign exchange rates and one day and seven days price changes, and that all follow a normal distribution. A confidence interval of 99% is adopted. In addition, this method uses two parameters in describing a normal distribution:

i. The mean and
ii. The variance.

With this information the probability distribution of underlying volatility (Forex returns) is used to find out the probability of the loss event occurring.

Non-parametric approach (Historical simulation approach)

Additionally, the Bank estimates VaR directly from the data without deriving parameters or making assumptions about the distribution of the data. This methodology is based on the premise that the pattern of historical returns is indicative of future returns. The percentile is used to indicate the percentage of score (the point of data where lowest return lies).

Assumptions

The approach does not require determination of distribution of the underlying forex volatility. The daily and seven days foreign exchange rates changes for a period of five years from the current reporting period, and a confidence interval of 99% is adopted.

For a 99% confidence level, the lowest 1% (1-99) % of the historical returns is computed. The value of the return that corresponds to the lowest 1% of the historical returns is then the daily VaR for this forex movement.

This approach applies the historical (5 years) changes in price levels to current market prices to generate a hypothetical data set.

The below tables show the concentrations of foreign currency risk on the gross carrying value of financial assets and liabilities.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.5 Market risk (Continued)

10.5.1 Foreign exchange risk

GROUP

							In TZS' Million
As at 31 December 2022	**TZS**	**USD**	**EURO**	**GBP**	**BIF**	**Others**	**Total**
Cash and balances with Central bank	778,150	101,098	4,585	533	97,329	739	982,435
Due from banks	449,744	157,826	54,041	6,590	22,518	2,787	693,506
Financial assets at FVPL	23,703	-	-	-	-	-	23,703
Debt instruments at FVOCI	786,118	-	-	-	-	-	786,118
Loans and advances to customers	4,601,131	2,135,473	3,493	-	136,412	-	6,876,509
Debt instruments at amortized cost	1,483,968	-	-	-	-	-	1,483,968
Credit cards	1,248	-	-	-	-	-	1,248
Other assets	131,352	135	-	-	1,200	-	132,687
Total financial assets	8,255,414	2,394,532	62,119	7,123	257,459	3,527	10,980,174
Financial Liabilities							
Deposits from customers	6,763,623	880,377	61,483	7,240	486,997	673	8,200,393
Deposits from Banks	91,630	1,030,812	334	32	4,561	-	1,127,369
Lease liabilities	31,156	-	-	-	281	-	31,437
Other liabilities**	45,856	85,736	118	(143)	5,953	930	138,450
Borrowings	184,612	306,665	-	-	-	-	491,277
Subordinated debts	-	120,742	-	-	-	-	120,742
	7,116,734	2,424,332	61,935	7,272	497,792	1,603	10,109,668
Net on-balance sheet financial position	1,138,680	(29,800)	184	(149)	(240,333)	1,924	870,506
Off balance sheet commitments	3,783,334	-	-	-	-	-	3,783,334

*Other assets (excludes prepayments, stock, and advanced payment for capital expenditure as they are not financial assets).
**Other liabilities (excludes deferred income and ECL of off-balance sheet as they are not financial liabilities).

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.5 Market risk (Continued)
10.5.1 Foreign exchange risk

GROUP

As at 31 December 2021	TZS	USD	EURO	GBP	BIF	Others	Total
							In TZS' Million
Cash and balances with Central bank	662,095	222,608	2,813	246	-	936	888,698
Due from banks	195,616	225,127	14,082	26	714	57,651	493,216
Financial assets at FVPL	27,097	-	-	-	-	-	27,097
Debt instruments at FVOCI	424,160	-	-	-	-	-	424,160
Loans and advances to customers	3,702,431	1,334,587	3,350	-	-	-	5,040,368
Debt instruments at amortized cost	1,202,593	-	-	-	-	-	1,202,593
Credit cards	1,844	-	-	-	-	-	1,844
Other assets	84,187	3,491	5	-	-	-	89,599
Total financial assets	6,301,939	1,785,813	20,250	272	714	58,587	8,167,575
Financial Liabilities							
Deposits from customers	5,616,271	808,056	55,693	4,208	-	5,386	6,489,614
Deposits from Banks	105,155	608,599	1,448	-	-	-	715,202
Lease liabilities	37,120	-	-	-	556	-	37,676
Other liabilities**	108,291	1,695	18	1	-	-	110,005
Borrowings	91,792	106,070	-	-	-	-	197,862
	5,958,629	1,524,420	57,159	4,209	556	5,386	7,550,359
Net on-balance sheet financial position	343,310	261,393	(36,909)	(3,937)	158	53,201	617,216
Off balance sheet commitments	680,194	1,765,118	15,066	-	262	3	2,460,643

*Other assets (excludes prepayments, stock, and advanced payment for capital expenditure as they are not financial assets).
**Other liabilities (excludes deferred income and ECL of off-balance sheet as they are not financial liabilities).

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.5 Market risk (Continued)
10.5.1 Foreign exchange risk

BANK

As at 31 December 2022	TZS	USD	EURO	GBP	BIF	Others	Total
							In TZS' Million
Cash and balances with Central bank	**778,150**	**81,971**	**3,177**	**528**	**-**	**739**	**864,565**
Due from banks	**449,744**	**195,048**	**53,737**	**6,590**	**4,074**	**2,786**	**711,979**
Financial assets at FVPL	**17,417**	**-**	**-**	**-**	**-**	**-**	**17,417**
Debt instruments at FVOCI	**786,118**	**-**	**-**	**-**	**-**	**-**	**786,118**
Loans and advances to customers	**4,601,131**	**2,101,394**	**3,493**	**-**	**-**	**-**	**6,706,018**
Debt instruments at amortized cost	**1,148,248**	**-**	**-**	**-**	**-**	**-**	**1,148,248**
Credit cards	**1,248**	**-**	**-**	**-**	**-**	**-**	**1,248**
Other assets	**138,671**	**134**	**-**	**-**	**-**	**-**	**138,805**
Total financial assets	**7,920,727**	**2,378,547**	**60,407**	**7,118**	**4,074**	**3,525**	**10,374,398**
Financial Liabilities							
Deposits from customers	**6,763,623**	**846,509**	**59,630**	**7,240**	**-**	**673**	**7,677,675**
Deposits from Banks	**91,675**	**1,011,563**	**335**	**32**	**-**	**-**	**1,103,605**
Lease liabilities	**31,156**	**-**	**-**	**-**	**-**	**-**	**31,156**
Other liabilities**	**43,565**	**85,736**	**118**	**-**	**4,034**	**2,849**	**136,302**
Borrowings	**184,612**	**306,665**	**-**	**-**	**-**	**-**	**491,277**
Subordinated debts	**-**	**120,742**	**-**	**-**	**-**	**-**	**120,742**
	7,114,631	**2,371,215**	**60,083**	**7,272**	**4,034**	**3,522**	**9,560,757**
Net on-balance sheet financial position	**806,096**	**7,332**	**324**	**(154)**	**40**	**3**	**813,641**
Off balance sheet commitments	**3,710,217**	**-**	**-**	**-**	**-**	**-**	**3,710,217**

*Other assets (excludes prepayments, stock, and advanced payment for capital expenditure as they are not financial assets).
**Other liabilities (excludes deferred income and ECL of off-balance sheet as they are not financial liabilities).

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.5 Market risk (Continued)
10.5.1 Foreign exchange risk

BANK

In TZS' Million

As at 31 December 2021	TZS	USD	EURO	GBP	BIF	Others	Total
Cash and balances with Central bank	647,478	217,694	2,751	241	-	915	869,079
Due from banks	175,504	202,190	12,648	23	642	51,777	442,784
Financial assets at FVPL	20,807	-	-	-	-	-	20,807
Debt instruments at FVOCI	424,160	-	-	-	-	-	424,160
Loans and advances to customers	3,600,951	1,299,235	3,262	-	-	-	4,903,448
Debt instruments at amortized cost	1,001,563	-	-	-	-	-	1,001,563
Credit cards	1,844	-	-	-	-	-	1,844
Other assets	91,565	3,491	5	-	-	-	95,061
Total financial assets	5,963,872	1,722,610	18,666	264	642	52,692	7,758,746
Financial Liabilities							
Deposits from customers	5,325,754	766,257	52,812	3,990	-	5,107	6,153,920
Deposits from Banks	100,440	581,125	1,383	-	-	-	682,948
Lease liabilities	37,120	-	-	-	-	-	37,120
Other liabilities**	108,291	1,695	18	1	-	-	110,005
Borrowings	91,792	106,070	-	-	-	-	197,862
	5,663,397	1,455,147	54,213	3,991		5,107	7,181,855
Net on-balance sheet financial position	300,475	267,463	35,547	(3,727)	642	47,585	576,891
Off balance sheet commitments	680,194	1,765,118	15,066	-	-	3	2,460,381

*Other assets (excludes prepayments, stock, and advanced payment for capital expenditure as they are not financial assets).
**Other liabilities (excludes deferred income and ECL of off-balance sheet as they are not financial liabilities).

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.5 Market risk (Continued)

10.5.2 Equity price risk

Equity price risk is the risk that the fair value of equities decreases as the result of changes in the level of equity indices and individual stocks. The Group and the Bank is exposed to equity securities price risk as it currently holds;

- 327,632 shares invested in DSE amounting to TZS 557 million (2021: TZS 426 million),
- 3 million shares invested in TMRC with a total value of TZS 4,866(2021: TZS 4,866 million).

Financial assets exposed to price risk are presented on the statement of financial position as equity instrument at fair value through Other Comprehensive Income (OCI). If the market price of instrument (had increased/decreased by 2% with all other variables held constant, the fair value reserve in equity instrument would have increased/decreased because of gains or losses on equity instrument classified as equity instrument at FVOCI by TZS 184 million as at 31 December 2022 (2021: TZS 182 million) for the Group and Bank.

For financial assets measured at fair value through profit or loss, a 2% increase (decrease) in discount rate would result in an increase (decrease) in fair value by TZS 44 (2021: TZS 43mn).

Measurement of equity Price risk

The Group is exposed to equity securities price risk as it has investment in listed shares (for the Dar es Salaam stock exchange PLC). The Group Board sets limits on the level of exposure for investment as well as stop loss triggers minimize equity price risk on listed stocks in case of declining price of listed stock investment, and to minimize losses from market price changes on the portfolio.

In relation to unlisted equity investments, the Group assess the appropriateness of valuation techniques used and the practicality of unobservable inputs and assumptions used in the determination of fair value and whether the valuation adjustments fell within an acceptable range based on industry knowledge and available market information.

Methodology

The Group uses the discounted cashflow method for unlisted equities to determine the present value of future cash flows to derive the value of an investment. For listed equities, the Group applies mark to market with prices from an independent source.

Assumptions

The below is the assumptions the Group uses to arrive at the fair value of the investment;

- Discount rate-The Group assumes the rate that would have applied if the same investment would have been invested in a quoted instrument.
- The Group treat cashflows associated with investment are known with certainty.
- Terminal value- The Group assume the cash flow of the last projected year will be steady and continue at the same rate.

10.5.3 Interest rate risk

The Bank's operations are subject to the risk of interest rate fluctuations to the extent that interest earning assets and interest-bearing liabilities mature or reprice at different times or in differing amounts. Risk management activities are aimed at optimizing net interest income, given market interest rates levels consistent with the Bank's business strategies. Interest rate monitoring is done through the Group's Asset and Liability Committee.

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 because of such changes but may produce losses if unexpected movements arise.

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

Control/Mitigations

The Group's Asset and Liability Committee ("ALCO") sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is regularly monitored by an independent Risk and Compliance department and reported regularly to ALCO and the board. The interest rate gap is within internal limits.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.5 Market risk (Continued)
10.5.3 Interest rate risk (Continued)

Sensitivity analysis for interest rate risk.

Methodology

a) Gap analysis

Gap analysis is used to assess the interest rate sensitivity of re-pricing mismatches in the Bank's non-trading operations. The Bank's interest rate risk exposure calculations are generally based on the earlier of contractual re-pricing or maturity of assets and liabilities, although certain assets and liabilities such as deposits without a fixed maturity are assigned a maturity profile based on observed historical consumer behaviour.

The Bank utilises gap analysis for measuring and managing interest rate risk. A positive gap indicates that the Bank has more interest rate sensitive assets than interest rate sensitive liabilities. A positive or asset sensitive gap means that an increase in market interest rates could cause an increase in the net interest margin and vice versa. Conversely, a negative or liability sensitive gap implies that the Bank's net interest margin could decline because of increase in market rates and vice versa.

The Bank assesses and monitors the impact on net income (upwards or downwards) in case of interest rates movement over time buckets of (0-90 days, 91-180 days and 181-365 days). The process is as follows:-

- Rate sensitive assets (RSAs) and Rate sensitive liabilities (RSLs) are classified into maturity buckets according to their contractual time left to maturity whereas variable rate RSAs and RSLs are classified according to time left until next re-pricing date.
- In line with the Basel Committee on Banking Supervision: RSAs and RSLs lacking definitive re-pricing buckets (e.g., savings deposit liabilities) are assigned to re-pricing time buckets according to judgment and past experience of the bank (based on behavioural assumptions).
- The GAP between RSAs and RSLs is calculated for each maturity bucket, as well as cumulatively.
- The cumulative GAP obtained in respective time buckets is stressed with an assumed 1% change interest to obtain change in value of unmatched RSAs or RSLs. The rate impact is adjusted to minimize double counting of stressing previous GAP made on earlier buckets, hence the formula used is AEaR = (Cumm GAP × Δrate) × Time bucket adjusted / 365 days.
- The result or change on income is then divided by budgeted earnings for that specific GAP i.e., quarterly budget to arrive at the impact of rate change on overall budgeted income for that specific period should the rate change.

A trigger has been set at less or equal to 10 percent. Results above this level should trigger calibration of the RSAs and/or RSLs in that specific bucket in order to reduce the gap and hence resulting impact should rate change.

b) Bonds Trading Book Interest Risk Measurement - PV01 methodology

The bank applies Present Value of a Basis Point (PV01) to measure the change in value of interest rate sensitive exposures resulting from one basis point increase in interest rate (the change in the price of bond/securities for a positive parallel shift of one basis point in the yield curve).

c) The Bank uses the Present value (PV) methodology

To measure the current value of the Available for Sale portfolio the Group use the prevailing yield minus the current value of security stressed with additional basis points on prevailing weighted average yield to maturity. The results show the potential loss on AFS bond portfolio.

With all other variables held constant, if the interest rates prevailing during the year shifted by 500 basis points on all Group's and Bank's interest-bearing assets and liabilities, profit before tax would be lower or higher by TZS 21,456 million (2021: TZS 18,154 million) and TZS 22,094 million (2021: TZS 19,001 million) respectively.

10.5.3.1. IBOR reform

Interest rate benchmark reform

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform').

Following the decision by global regulators to phase out IBORs and replace them with alternative reference rates, the Bank has established a Team to manage the transition of all contracts that would be affected. The Team is being led by senior representatives from functions across the Group including Treasury, Corporate/ Retail banking, Legal, Finance and IT. The Group has assessed the transition of financial assets from IBOR to alternative nearly risk-free rate and concluded that the impact is not substantial.

The main risks to which the Group is exposed because of IBOR reform are operational. For example, the renegotiation of loan contracts through bilateral negotiation with customers, updating of contractual terms, updating of systems that use IBOR curves and revision of operational controls related to the reform. Financial risk is predominantly limited to interest rate risk.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.5 Market risk (Continued)
10.5.3 Interest rate risk (Continued)
10.5.3.1. IBOR reform (Continued)
Interest rate benchmark reform (Continued)

Following the progress made during 2022, the Bank is confident that it has the operational capability to process the remaining transitions to RFRs for those interest rate benchmarks such as USD LIBOR that will cease to be available after 30 June 2023 and the Group IBORs for which the transition date has not yet been determined.

IBOR reform exposes the Group to various risks, which the team is managing and monitoring closely. These risks include but are not limited to the following:

- Conduct risk arising from discussions with clients and market counterparties due to the amendments required to existing contracts necessary to effect IBOR reform
- Financial risk to the Bank and its clients that markets are disrupted due to IBOR reform giving rise to financial losses
- Pricing risk from the potential lack of market information if liquidity in IBORs reduces and RFRs are illiquid and unobservable
- Operational risk arising from changes to the Bank's IT systems and processes, also the risk of payments being disrupted if an IBOR ceases to be available

Based on Management's assessment the following loan exposures were subject to IBOR reform as of 31 December 2022.

		In TZS' Million
31 December	2022	2021
Non-Derivative assets Carrying value		
GROUP AND BANK		
LIBOR USD (6 months)	**70,622**	280,761
LIBOR USD (12 months)	**58,340**	57,632
LIBOR TZS (6 months)	**233,000**	233,000
LIBOR USD (6 months)	**-**	571,393

These loan contracts were restructured as of 1 January 2023 to replace Libor with SOFR. Based on management assessment, the changes from Libor to SOFR were implemented in an economically equivalent basis. As a result, management applied the practical expedient under IFRS 9 that permit the changes to the basis for determining contractual cash flows that are necessary as a direct consequence of IBOR reform to be treated as a change to a floating rate instrument.

10.5.3.2. Interest rate repricing profile (non-trading)

The following table provides an analysis of the Bank's interest rate risk exposure on non–trading financial assets and liabilities. The Bank's assets and liabilities are included at carrying amount and categorised by the earlier of contractual repricing or maturity dates.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.5 Market risk (Continued)
10.5.3 Interest rate risk (Continued)
10.5.3.2. Interest rate repricing profile (non-trading)

GROUP

In TZS' Million

As at 31 December 2022	Up to 3 months	3 - 12 months	Over 1 year	Non-interest bearing	Total
Assets					
Cash and balances with Central bank	-	-	-	982,435	982,435
Due from banks	693,506	-	-	-	693,506
Debt instruments at FVOCI	-	-	786,118	-	786,118
Credit cards	1,248	-	-	-	1,248
Loans and advances to customers	1,039,895	1,257,138	4,579,476	-	6,876,509
Debt instruments at amortized cost	172,846	374,137	936,984	-	1,483,968
Other financial assets*	-	-	-	132,687	132,687
Total financial assets	**1,907,495**	**1,631,275**	**6,302,578**	**1,115,122**	**10,956,470**
Liabilities					
Deposits from customers	7,415,973	612,619	118,171	53,630	8,200,393
Deposits from banks	617,928	509,441	-	-	1,127,369
Borrowings	-	14,738	476,539	-	491,277
Lease liability	-	-	-	31,437	31,437
Other Liabilities**	-	-	-	138,450	138,450
Total financial liabilities	**8,033,901**	**1,136,798**	**594,710**	**223,516**	**9,988,926**
Total interest gap	**6,126,406**	**(494,477)**	**(5,707,868)**		

*Other assets (excludes prepayments, stock, and advanced payment for capital expenditure as they are not financial assets).
**Other liabilities (excludes deferred income and ECL of off-balance sheet as they are not financial liabilities).
All financial instruments are at fixed interest rate.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.5 Market risk (Continued)
10.5.3 Interest rate risk (Continued)
10.5.3.2. Interest rate repricing profile (non-trading)

GROUP

In TZS' Million

As at 31 December 2021	Up to 3 months	3 - 12 months	Over 1 year	Non-interest bearing	Total
Assets					
Cash and balances with Central bank	-	-	-	888,698	888,698
Due from banks	493,216	-	-	-	493,216
Debt instruments at FVOCI	-	-	424,160	-	424,160
Credit cards	1,844	-	-	-	1,844
Loans and advances to customers	434,169	652,671	3,953,528	-	5,040,368
Debt instruments at amortized cost	56,463	549,382	596,748	-	1,202,593
Other financial assets*	-	-	-	89,599	89,599
Total financial assets	985,692	1,202,053	4,974,436	978,297	8,140,478
Liabilities					
Deposits from customers	6,170,480	232,629	38,373	48,132	6,489,614
Deposits from banks	715,202	-	-	-	715,202
Borrowings	-	58,250	139,612	-	197,862
Lease liability	-	-	-	37,676	37,676
Other Liabilities**	-	-	-	110,005	110,005
Total financial liabilities	6,885,682	290,879	177,985	195,813	7,550,359
Total interest gap	5,899,990	(911,174)	(4,796,451)		

*Other assets (excludes prepayments, stock, and advanced payment for capital expenditure as they are not financial assets).
**Other liabilities (excludes deferred income and ECL of off-balance sheet as they are not financial liabilities).
All financial instruments are at fixed interest rate.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.5 Market risk (Continued)
10.5.3 Interest rate risk (Continued)
10.5.3.2. Interest rate repricing profile (non-trading)

BANK

In TZS' Million

As at 31 December 2022	Up to 3 months	3 - 12 months	Over 1 year	Non-interest bearing	Total
Assets					
Cash and balances with Central bank	-	-	-	864,565	864,565
Due from banks	697,623	-	14,356	-	711,979
Debt instruments at FVOCI	-	-	786,118	-	786,118
Credit cards	1,248	-	-	-	1,248
Loans and advances to customers	913,083	1,134,392	4,658,543	-	6,706,018
Debt instruments at amortized cost	144,491	307,044	696,713	-	1,148,248
Other financial assets*	-	-	-	138,805	138,805
Total financial assets	**1,756,445**	**1,441,436**	**6,155,730**	**1,003,370**	**10,356,981**
Liabilities					
Deposits from customers	6,913,034	594,806	116,205	53,630	7,677,675
Deposits from banks	594,164	509,441	-	-	1,103,605
Borrowings	-	14,738	476,539	-	491,277
Lease liability	-	-	-	31,156	31,156
Other Liabilities**	-	-	-	136,302	136,302
Total financial liabilities	**7,507,198**	**1,118,986**	**592,744**	**221,088**	**9,440,016**
Total interest gap	**5,750,753**	**(322,450)**	**(5,562,986)**		

*Other assets (excludes prepayments, stock, and advanced payment for capital expenditure as they are not financial assets).
**Other liabilities (excludes deferred income and ECL of off-balance sheet as they are not financial liabilities).
All financial instruments are at fixed interest rate.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.5 Market risk (Continued)
10.5.3 Interest rate risk (Continued)
10.5.3.2. Interest rate repricing profile (non-trading)

BANK

In TZS' Million

As at 31 December 2021	Up to 3 months	3 - 12 months	Over 1 year	Non-interest bearing	Total
Assets					
Cash and balances with Central bank	-	-	-	869,079	869,079
Due from banks	431,009	-	11,775	-	442,784
Debt instruments at FVOCI	-	-	424,160	-	424,160
Credit cards	1,844	-	-	-	1,844
Loans and advances to customers	433,467	645,717	3,824,264	-	4,903,448
Debt instruments at amortized cost	48,375	374,289	578,899	-	1,001,563
Other financial assets*	-	-	-	95,061	95,061
Total financial assets	914,695	1,020,006	4,839,098	964,140	7,737,939
Liabilities					
Deposits from customers	5,850,350	217,065	38,373	48,132	6,153,920
Deposits from banks	682,948	-	-	-	682,948
Borrowings	-	58,250	139,612	-	197,862
Lease liability	-	-	-	37,120	37,120
Other Liabilities**	-	-	-	108,186	108,186
Total financial liabilities	6,533,298	275,315	177,985	193,438	7,180,036
Total interest gap	5,618,603	(744,691)	(4,661,113)		

*Other assets (excludes prepayments, stock, and advanced payment for capital expenditure as they are not financial assets).
**Other liabilities (excludes deferred income and ECL of off-balance sheet as they are not financial liabilities).
All financial instruments are at fixed interest rate.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.5 Market risk (Continued)
10.5.3 Interest rate risk (Continued)

10.5.3.3. Prepayment risk

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

Within its risk management framework, the Bank has introduced various measures to limit its economic losses arising from prepayment risk. For its corporate and small business loans, the risk is primarily managed through product design and development, and by setting the costs of prepayment options to a level that does not encourage prepayments.

The Group does not consider prepayment risk to be material.

10.6 Operational risk

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

10.7 Strategic risk

Strategic risk refers to the current or prospective negative impact on earnings, capital or reputation arising from adverse strategic decisions, improper implementation of decisions or a lack of responsiveness to industry, economic or technological changes. It is the risk of not achieving our strategic goals.

Business risk refers to the adverse impact on earnings or capital arising from changes in business parameters such as volumes, margins and costs. The sources of business risk include uncompetitive products or pricing, internal inefficiencies, and changes in general business conditions such as market contraction or changes in customers' expectations and demand. It is the risk of not achieving our short-term business objectives.

Our board of directors and senior management committees are responsible for managing risks associated with the Group's business. The Managing Director and CEO, supported by senior management committees, oversees the day-to-day management of the Group and make business decisions within the Group's risk appetite. The Group's strategy is then translated into annual financial targets, considering the macroeconomic environment, and cascaded to specific business for development and implementation.

10.8 Compliance risk

Compliance risk encompasses regulatory and legal compliance risk. Compliance risk is the risk that the Bank incurs financial or reputational risk through imposition of penalties or fines because of not adhering to applicable laws, rules and regulations and good market practice (including ethical standards). The Group's compliance function proactively seeks to enhance compliance risk management and the supporting control framework.

The Group operates in a market where there is a significant level of regulatory change activity, therefore, compliance risk is a key area of focus for Senior Management. The compliance function monitors this risk through reference to metrics relevant to the Group, review of incident reports and assessments, risk and control assessments pertaining to the first and second lines of defence functions, results of regulatory assessments, and review of results internal audit and external audit reports. Remediation of controls is conducted in a timely manner.

10.9 Climate-related risk

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

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

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.9 Climate-related risk (Continued)

The Group Risk department is responsible for developing group policies, processes and controls including climate risks in the management of principal risk categories. The Risk department is responsible for;

- identifying risk factors and assessing their potential impact on the Group's financial statements; and
- allocating responsibilities for managing each identified risk factor.

The Group has also set out principles on how to incorporate climate-related risk into stress test scenarios.
The Group has identified the following climate-related risk factors as having an impact on the Group's financial instruments and included them in its principal risk management processes.

- Industries exposed to increased transition risks: The Group has identified industries that are subject to increased risk of climate regulation negatively affecting their business model. The Group Credit Committee has set overall lending limits for these industries.
- Physical risk to real estate: The Group has identified areas in which it operates that are exposed to increased physical risk such as hurricanes or floods. Heightened physical risk is considered in valuing collateral, such as real estate, plant or inventory.

The Group is in the process of developing models that aim to assess how borrowers' performance is linked to climate change. The Group plans to use these models in pricing credit risk and in calculating ECLs.

10.10 Fair value of assets and liabilities

Fair value measurement hierarchy

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's and Bank's market assumptions.

These two types of inputs have created the following fair value hierarchy:

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

There were no transfers between hierarchy levels 1 and 2 during the year.
There were no any transfers into and out of Level 3 of the fair value hierarchy during the year.

a) Financial instruments not measured at fair value

The fair value of assets and liabilities not measured at fair value approximates carrying amounts. Where the fair value does not approximate carrying amount, the respective fair values have been computed and disclosed in this note below for both Group and Bank.

(i) Cash and balances with Central bank

The carrying amount of cash and balances with Central bank is a reasonable approximation of its fair value.

(ii) Due from banks

Due from banks include interbank placements and cheque and item for clearing. The carrying amount of floating rate placements and overnight deposits is a reasonable approximation of fair value. 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.

(iii) Loans and advances to customers

Loans and advances are net of charges for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(iv) Investment securities

The fair value for debt instruments measured at amortized costs, fair value is estimated using market prices for securities with similar credit, maturity and yield characteristics.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.10 Fair value of assets and liabilities (Continued)
a) Financial instruments not measured at fair value (Continued)

(v) Deposits from 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. The estimated fair value of interest-bearing deposits not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity. The carrying amount is a reasonable approximation of fair value.

(vi) 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.

(vii) Borrowings

The estimated fair value is based on discounted cash flows using prevailing interest rate.

(viii) Credit card

The estimated fair value is based on discounted cash flows using prevailing interest rate.

(ix) Other assets/other liabilities

The carrying amount of other assets/liabilities is a reasonable approximation of its fair value because of its short term in nature

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.10 Fair value of assets and liabilities (Continued)
a) Financial instruments not measured at fair value (Continued)

The table below summarises the carrying amounts and fair values of financial assets and liabilities.

GROUP

			In TZS' Million
31 December 2022	**Hierarchy Level**	**Carrying amount**	**Fair value**
Financial assets			
Cash and balances with Central bank	**2**	**982,435**	**982,435**
Due from banks	**2**	**693,506**	**693,506**
Loans and advances to customers	**2**	**6,876,509**	**6,876,509**
Credit cards	**2**	**1,248**	**1,248**
Debt instruments at amortized cost	**2**	**1,483,968**	**1,483,968**
Other assets*	**2**	**132,687**	**132,687**
		10,170,353	**10,170,353**
Financial liabilities			
Deposits from banks	**2**	**1,127,369**	**1,127,369**
Deposits from customers	**2**	**8,200,393**	**8,200,393**
Borrowings	**2**	**491,277**	**491,277**
Lease liabilities	**2**	**31,437**	**31,437**
Other liabilities**	**2**	**138,450**	**138,450**
		9,988,926	**9,988,926**
31 December 2021			
Financial assets			
Cash and balances with Central bank	2	888,698	888,698
Due from banks	2	493,216	493,216
Loans and advances to customers	2	5,040,368	5,040,368
Credit cards	2	1,844	1,844
Debt instruments at amortized cost	2	1,202,593	1,202,593
Other assets*	2	89,599	89,599
		7,714,403	7,714,403
Financial liabilities			
Deposits from banks	2	715,202	715,202
Deposits from customers	2	6,489,614	6,489,614
Borrowings	2	197,862	197,862
Lease liabilities	2	37,676	37,676
Other liabilities**	2	110,005	104,887
		7,550,359	7,550,359

*Other assets (excludes prepayments, stock, and advanced payment for capital expenditure as they are not financial assets).
**Other liabilities (excludes deferred income and ECL of off-balance sheet as they are not financial liabilities).

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.10 Fair value of assets and liabilities (Continued)
a) Financial instruments not measured at fair value (Continued)

The table below summarises the carrying amounts and fair values of financial assets and liabilities.

BANK

31 December 2022	Hierarchy Level	Carrying amount	Fair value
			In TZS' Million
Financial assets			
Cash and balances with Central bank	2	864,565	864,565
Due from banks	2	711,979	711,979
Loans and advances to customers	2	6,706,018	6,706,018
Credit cards	2	1,248	1,248
Debt instruments at amortized cost	2	1,148,248	1,148,248
Other assets*	2	138,805	138,805
		9,570,863	9,570,863
Financial liabilities			
Deposits from banks	2	1,103,605	1,103,605
Deposits from customers	2	7,677,675	7,677,675
Borrowings	2	491,277	491,277
Lease liabilities	2	31,156	31,156
Other liabilities**	2	136,302	136,302
		9,440,015	9,440,015
31 December 2021			
Financial assets			
Cash and balances with Central bank	2	869,079	869,079
Due from banks	2	444,784	444,784
Loans and advances to customers	2	4,903,448	4,903,448
Credit cards	2	1,844	1,844
Debt instruments at amortized cost	2	1,001,563	1,001,563
Other assets*	2	95,061	95,061
		7,313,379	7,313,379
Financial liabilities			
Deposits from banks	2	682,948	682,948
Deposits from customers	2	6,153,920	6,153,920
Borrowings	2	197,862	197,862
Lease liabilities	2	37,120	37,120
Other liabilities**	2	108,186	108,186
	2	7,180,036	7,180,036

*Other assets (excludes prepayments, stock, and advanced payment for capital expenditure as they are not financial assets).
**Other liabilities (excludes deferred income and ECL of off-balance sheet as they are not financial liabilities).

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.10 Fair value of assets and liabilities (Continued)

b) Fair value measurement hierarchy of the Group and Bank's assets and liabilities

The following tables represents the Group's and Bank's financial assets that are measured at fair value at 31 December 2022. Motor vehicles and mobile branches that are measured at fair value are disclosed under Note 37B.

GROUP

31 December 2022	Level 1	Level 2	Level 3	Total
				In TZS' Million
Financial Assets measured at FVPL	-	23,703	-	23,703
Debt instrument measured at FVOCI:				
- Treasury Bonds	-	786,118	-	786,118
Equity Investment measured at FVOCI	557	4,979	6,108	11,644
Equity Investment measured at FVPL	-	-	2,291	2,291
Total assets	557	814,800	8,399	823,756
31 December 2021				
Financial Assets measured at FVPL	-	27,097	-	27,097
Debt instrument measured at FVOCI:				
- Treasury Bonds	-	424,160	-	424,160
Equity Investment measured at FVOCI	426	4,982	5,187	10,595
Equity Investment measured at FVPL	-	-	2,886	2,886
Total assets	426	456,239	8,073	464,738

GROUP				In TZS' Million
31 December 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets measured at FVPL	-	17,417	-	17,417
Debt instrument measured at FVOCI				
- Treasury Bonds	-	786,118	-	786,118
Equity Investment measured at FVOCI	557	4,866	6,108	11,531
Equity Investment measured at FVPL	-	-	2,291	2,291
Total assets	557	808,401	8,399	817,357
31 December 2021				
Debt instrument measured at FVOCI:				
Financial Assets measured at FVPL	-	20,807	-	20,807
Debt instrument measured at FVOCI				
- Treasury Bonds	-	424,160	-	424,160
Equity Investment measured at FVOCI	426	4,866	5,187	10,479
Equity Investment measured at FVPL	-	-	2,886	2,886
Total assets	426	449,833	8,073	400,829

During the year, there were no intra level transfers and there was sufficient information available to measure the fair value of financial instruments based on observable market inputs.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.10 Fair value of assets and liabilities (Continued)
b) Fair value measurement hierarchy of the Group and Bank's assets and liabilities (Continued)

Reconciliation of Level 3 - Equity Investments at FVPL	GROUP		BANK	
In TZS' Million	**2022**	2021	2022	2021
At 1 January	**2,886**	2,555	**2,886**	2,555
Revaluation gain/ (loss)	**(595)**	331	**(595)**	331
Purchases	**-**	-	**-**	-
At 31 December	**2,291**	2,886	**2,291**	2,886

During the year there were no purchase, sales, issues and settlements.

Reconciliation of Level 3 - Equity Investments at FVOCI	GROUP		BANK	
In TZS' Million	**2022**	2021	**2022**	2021
At 1 January	**5,187**	4,404	**5,187**	4,404
Revaluation gain/ (loss)	**921**	-	**921**	-
Purchases	**-**	783	**-**	783
At 31 December	**6,108**	5,187	**6,108**	5,187

During the year there were no sales, issues, and settlements.

Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active 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.

The quoted market price used for financial assets held by the Group is the current bid price of debt securities from the most current Bank of Tanzania auction results. Instruments included in Level 1 comprise primarily equity investments.

Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Where they are available, the fair value of loans and advances (including off balance sheet exposures, credit cards and other assets) is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes expected lifetime credit losses and interest rates. For collateral-dependent impaired loans, the fair value is measured based on the value of the underlying collateral.

Input into the models may include information obtained from other market participants, which includes observed primary and secondary transactions. To improve the accuracy of the valuation, estimate for retail and smaller commercial loans, homogeneous loans are grouped into portfolios with similar characteristics such as product and borrower type.

The fair value of deposits (banks and customers), borrowings, other liabilities is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms

Financial instruments in level 3

Investment securities are fair valued based on observable market information, including market prices for debt and equity securities. Where observable market inputs are unavailable, the Group uses valuation techniques to arrive to the fair value, including the use of transaction prices obtained at recent arm's length transactions and discounted cash flow analysis, based on market conditions and risks at the reporting date. Changes in fair value of equity instruments are measured at the end of each accounting period. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
10 RISK MANAGEMENT (CONTINUED)
10.10 Fair value of assets and liabilities (Continued)
b) Fair value measurement hierarchy of the Group and Bank's assets and liabilities (Continued)

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer/Bank of Tanzania quotes for similar instruments;
- Quoted prices for identical or similar assets or liabilities in markets that are not active.

The significant unobservable inputs used in the fair value measurements categorized within level 2 and 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 31 Dec 2022 and 2021 are shown below:

Instrument	Valuation Tech-nique	Significant unobserva-ble inputs	Range (Weighted Average)	Sensitivity of the inputs to fair value
KCBL	DCF method	Discount rate	2022:16%-17% 2021:16%-17%	2% increase (decrease) in discount rate would result in an (decrease) increase in fair value by TZS 16mn (2021: TZS 31mn).
		Discounted cashflow	Investment based	2 % increase (decrease) in investment would result in an increase (decrease) in fair value by TZS 122mn (2021: TZS 104mn).
TACOBA	DCF method	Discount rate	2022:16%-17% 2021:16%-17%	2% increase (decrease) in discount rate would result in an (decrease) in-crease in fair value by TZS 6mn (2021: TZS 13mn).
		Discounted cashflow	Investment based	2 % increase (decrease) in investment would result in an increase (decrease) in fair value by TZS 58mn (2021: TZS 50mn).
MOTOR VEHICLE & MOBILE BRANCHES	Direct sales comparison approach	Prices of similar nature (per unit cost)	2022: TZS 168mn 2021: TZS 162mn	4% increase (decrease) in discount rate would result in an increase (decrease) in fair value by TZS 1,672mn (2021: TZS 1,604mn).
Debt Instruments at FVOCI	DCF method	Discount rate	2022:14%-16% 2021:14%-16%	Significant increase in discount rate would result in lower fair value.
		Discounted cashflow	Based on ex-pected cash flows as per contractual terms.	A significant increase in expected net cashflow would result in higher fair value.
Financial Assets FVPL	DCF method	Discount rate	2022:14%-16% 2021:14%-16%	Significant increase in discount rate would result in lower fair value.
		Discounted cashflow	Based on ex-pected cash flows as per contractual terms.	A significant increase in expected net cashflow would result in higher fair value.

There were no other significant unobservable inputs used other than the discount rate and prices of similar nature (per unit cost) in the measurement of fair value of equity investments and motor vehicles and mobile branches respectively as stated above, hence no interrelationship of the inputs used in the fair value measurements.

During the year, there has been no change in valuation techniques on all levels.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.11 Capital management

Fair value measurement is based on assumptions and inputs. During financial disruptions, the assumptions and inputs are expected to change, however volatility in prices in Tanzania market was insignificant as there was no material change on both quoted and unquoted instruments despite the outbreak of the COVID-19 pandemic. This was mainly due to strong measures taken by the Central Bank of Tanzania (BOT) to minimize the risks of the pandemic.

The Bank's objectives for managing capital, which is a broader concept than the 'equity' on the face of balance sheets, are:

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

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the Bank of Tanzania, for supervisory purposes. The required information is filed with the Central Bank on a quarterly basis.

The Central Bank requires the Banking Group to:

a. hold the minimum level of core capital of TZS15 billion;
b. maintain a ratio of core capital to the risk-weighted assets plus risk-weighted off-balance sheet assets (the 'Basel ratio') at or above the required minimum of 12.5%; and
c. Maintain total capital of not less than 14.5% of risk-weighted assets plus risk-weighted off-balance sheet items.

The Bank's regulatory capital as managed by its Finance department is divided into two tiers:

- Tier 1 capital: share capital, retained earnings and reserves created by appropriations of retained earnings. Intangible assets and prepaid expenses are deducted in arriving at Tier 1 capital: and
- Tier 2 capital: qualifying subordinated loan capital and general banking reserve

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, considering 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.

Capital allocation

Management uses regulatory capital ratios to monitor its capital base. The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The process of allocating capital is undertaken by Treasury department and is subject to review by the Group Asset and Liability Management Committee (ALCO).

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

10 RISK MANAGEMENT (CONTINUED)

10.11 Capital management (Continued)

Capital allocation (Continued)

The table below summarises the composition of regulatory capital and the ratios of the Bank for the year ended 31 December 2022 and 31 December 2021. During those two periods, the Group and Bank complied with all the externally imposed capital requirements to which they are subject.

					In TZS' Million
		GROUP		BANK	
		2022	2021	2022	2021
Tier 1 capital					
Share capital		**65,296**	65,296	**65,296**	65,296
Share Premium		**158,314**	158,314	**158,314**	158,314
Retained earnings		**1,196,472**	943,500	**1,158,830**	919,841
Prepaid expenses		**(34,036)**	(41,600)	**(34,036)**	(38,595)
Deferred tax asset		**(51,949)**	(41,130)	**(51,743)**	(41,138)
Total qualifying Tier 1 capital		**1,334,097**	1,084,380	**1,296,661**	1,063,718
Tier 2 capital					
General Banking reserve		**1,576**	756	**-**	-
Subordinated debt		**120,742**	-	**120,742**	-
Total qualifying Tier 2 capital		**122,318**	756	**120,742**	-
Total regulatory capital		**1,456,415**	1,085,136	**1,417,402**	1,063,718
Risk-weighted assets					
On-balance sheet		**5,383,546**	3,910,657	**5,273,152**	3,837,829
Off-balance sheet		**1,938,573**	989,896	**1,938,573**	989,896
Market risk		**30,928**	37,262	**30,928**	37,262
Operational risk		**508,544**	519,286	**508,544**	519,286
Total risk-weighted assets		**7,861,591**	5,457,101	**7,751,198**	5,384,273
Required		**Group's**	Group's	**Bank's**	Bank's
	Ratio	**ratio**	Ratio	**Ratio**	ratio
		2022	2021	**2022**	2021
	%	**%**	%	**%**	%
Tier 1 capital	12.5	**17.0**	20.0	**16.7**	20.0
Tier 1 + Tier 2 capital (Total capital)	14.5	**18.5**	20.0	**18.3**	20.0

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

11 INTEREST AND SIMILAR INCOME

In TZS' Million	GROUP 2022	GROUP 2021	BANK 2022	BANK 2021
Interest income calculated using the effective interest method				
Loans and advances to customers				
- Term loans	**659,813**	518,391	**640,123**	506,034
- Overdrafts	**91,602**	72,131	**88,667**	70,747
- Credit cards	**1,088**	693	**1,088**	693
Due from banks	**18,765**	8,757	**17,600**	8,138
Discount earned and interest on Debt instruments				
-Treasury bills	**14,450**	10,333	**13,502**	9,237
-Treasury and corporate bonds at amortised cost	**106,544**	111,487	**83,460**	95,539
-Treasury bonds at FVOCI	**73,209**	67,873	**73,209**	67,873
	965,471	789,666	**917,649**	758,261
Other interest and Similar income				
-Treasury bonds at FVPL	**1,814**	779	**1,814**	779
Total interest and similar income	**967,285**	790,445	**919,463**	759,040

12 INTEREST AND SIMILAR EXPENSE

In TZS' Million	GROUP 2022	GROUP 2021	BANK 2022	BANK 2021
Interest expense calculated using the effective interest method				
Deposits from customers				
– current accounts	**18,361**	16,961	**13,310**	14,697
– savings accounts	**22,030**	17,508	**20,365**	16,229
– fixed deposits	**95,648**	76,596	**92,861**	73,342
Deposits and balances due to other banks	**47,724**	14,923	**46,974**	14,262
Borrowings	**28,727**	14,660	**28,727**	14,660
Subordinated debt	**6,982**	1,591	**6,982**	1,591
	219,472	142,239	**209,218**	134,781
Interest expense on lease liability calculated using the effective interest method (Note 43B)	**1,980**	2,331	**1,952**	2,278
Total interest and similar expenses	**221,452**	144,570	**211,170**	137,059

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

13 NET FEE AND COMMISSION INCOME

A) Fee and Commission Income

In TZS' Million	GROUP 2022	GROUP 2021	BANK 2022	BANK 2021
Type of service				
Fee income earned from services that are provided over time:				
Service charge on customer accounts	**32,834**	35,190	**32,206**	34,602
Commission on mobile phone services	**71,729**	61,267	**71,549**	61,109
Loan Commitment fees*	**8,130**	9,710	**8,114**	9,689
VISA and master card fees	**14,565**	12,197	**14,437**	12,161
Commission on letters of credit	**23,100**	8,356	**22,593**	8,329
Fee on issue of Bank cards	**18,202**	15,567	**18,119**	15,500
Agency Banking	**54,277**	31,212	**54,169**	31,147
Point of sale fees	**10,223**	7,719	**10,202**	7,703
Custodianship Commission	**5,160**	2,272	**5,150**	2,267
Commission on guarantees and indemnities	**14,397**	6,268	**14,175**	6,187
	252,617	189,758	**250,714**	188,694
Fee income from providing financial services at a point in time:				
Salary processing fees	**3,914**	4,740	**3,690**	4,425
Insurance Commission	**27,088**	10,785	**26,881**	9,324
Fee on local transfers and drafts	**7,633**	6,168	**6,496**	5,625
Fee on international telegraphic transfers	**2,721**	1,506	**516**	408
Sale of Cheque books	**626**	679	**599**	645
ATM withdrawal charges	**22,072**	18,429	**22,027**	18,296
Statement Charges	**1,705**	1,450	**1,687**	1,435
Commission from TRA collections	**-**	381	**-**	380
Other fees and commissions	**15,533**	23,409	**16,273**	23,828
	81,292	67,547	**78,169**	64,366
Gross fee and commission income	**333,909**	257,305	**328,883**	253,060

*These are fees which are not integral part in the calculation of effective interest rate for the financial assets that are not at FVPL.

Disaggregation of the above fee and commission is based on whether the customer simultaneously receives and consumes the benefits provided by the Group

Contract Balances

There were no significant judgements used in determination of revenue under IFRS 15.Details of contract balances related to unearned fees and commissions are disclosed under Note 43A.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
13 NET FEE AND COMMISSION INCOME (CONTINUED)
A) Fee and Commission Income (Continued)

Disaggregated fee and commission income

In the following table, fee, and commission income from contracts with customers in the scope of IFRS 15 is disaggregated by type of services. The table also includes a reconciliation of the disaggregated fee and commission income with the Group's reportable segments (see Note 9).

GROUP

				In TZS' Million
Year ended 31 December 2022	**Corporate Banking**	**Retail Banking**	**Treasury**	**Total**
Type of service				
Fee income earned from services that are provided over time:				
Service charge on customer accounts	8,531	24,303	-	32,834
Commission on mobile phone services	18,643	53,086	-	71,729
Loan Commitment fees*	2,113	6,017	-	8,130
VISA and master card fees	3,786	10,779	-	14,565
Commission on letters of credit	23,100	-	-	23,100
Fee on issue of Bank cards	4,731	13,471	-	18,202
Agency Banking	14,107	40,170	-	54,277
Point of sale fees	2,657	7,566	-	10,223
Custodianship Commission	-	-	5,160	5,160
Commission on guarantees and indemnities	14,397	-	-	14,397
	92,065	155,392	5,160	252,617
Fee income from providing financial services at a point in time:				
Salary processing fees	1,009	2,905	-	3,914
Insurance Commission	6,987	20,101	-	27,088
Fee on local transfers and drafts	1,984	5,649	-	7,633
Fee on international telegraphic transfers	707	2,014	-	2,721
Sale of Cheque books	161	465	-	626
ATM withdrawal charges	5,693	16,379	-	22,072
Statement Charges	440	1,265	-	1,705
Other fees and commissions	4,915	10,618	-	15,533
	21,896	59,396	-	81,292
Gross fee and commission income	113,961	214,788	5,160	333,909

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
13 NET FEE AND COMMISSION INCOME (CONTINUED)
A) Fee and Commission Income (Continued)
Disaggregated fee and commission income (Continued)

GROUP

				In TZS' Million
Year ended 31 December 2021	**Corporate Banking**	**Retail Banking**	**Treasury**	**Total**
Fee income earned from services that are provided over time:				
Service charge on customer accounts	9,138	26,052	-	35,190
Commission on mobile phone services	15,891	45,376	-	61,267
Loan Commitment fees*	2,518	7,192	-	9,710
VISA and master card fees	3,164	9,033	-	12,197
Commission on letters of credit	8,356	-	-	8,356
Fee on issue of Bank cards	4,038	11,529	-	15,567
Agency Banking	8,095	23,117	-	31,212
Point of sale fees	2,002	5,717	-	7,719
Custodianship Commission	-	-	2,272	2,272
Commission on guarantees and indemnities	6,268	-	-	6,268
	59,470	128,016	2,272	189,758
Fee income from providing financial services at a point in time:				
Salary processing fees	1,206	3,534	-	4,740
Insurance Commission	2,417	8,368	-	10,785
Fee on local transfers and drafts	1,614	4,554	-	6,168
Fee on international telegraphic transfers	421	1,085	-	1,506
Sale of Cheque books	176	503	-	679
ATM withdrawal charges	4,746	13,683	-	18,429
Statement Charges	374	1,076	-	1,450
Commission from TRA collections	98	283	-	381
Other fees and commissions	6,887	16,522	-	23,409
	17,939	49,608	-	67,547
Gross fee and commission income	77,409	177,624	2,272	257,305

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
13 NET FEE AND COMMISSION INCOME (CONTINUED)
A) Fee and Commission Income (Continued)

Disaggregated fee and commission income (Continued)

BANK

In TZS' Million

Year ended 31 December 2022	Corporate Banking	Retail Banking	Treasury	Total
Fee income earned from services that are provided over time:				
Service charge on customer accounts	8,368	23,838	-	32,206
Commission on mobile phone services	18,596	52,953	-	71,549
Loan Commitment fees*	2,109	6,005	-	8,114
VISA and master card fees	3,753	10,684	-	14,437
Commission on letters of credit	22,593	-	-	22,593
Fee on issue of Bank cards	4,710	13,409	-	18,119
Agency Banking	14,078	40,091	-	54,169
Point of sale fees	2,652	7,550	-	10,202
Custodianship Commission	-	-	5,150	5,150
Commission on guarantees and indemnities	14,175	-	-	14,175
	91,034	154,530	5,150	250,714
Fee income from providing financial services at a point in time:				
Salary processing fees	952	2,738	-	3,690
Insurance Commission	6,934	19,947	-	26,881
Fee on local transfers and drafts	1,688	4,808	-	6,496
Fee on international telegraphic transfers	134	382	-	516
Sale of Cheque books	154	445	-	599
ATM withdrawal charges	5,681	16,346	-	22,027
Statement Charges	435	1,252	-	1,687
Commission from TRA collections	-	-	-	-
Other fees and commissions	5,149	11,124	-	16,273
	21,127	57,042	-	78,169
Gross fee and commission income	112,161	211,572	5,150	328,883

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
13 NET FEE AND COMMISSION INCOME (CONTINUED)
A) Fee and Commission Income (Continued)

Disaggregated fee and commission income (Continued)

BANK

In TZS' Million

Year ended 31 December 2021	Corporate Banking	Retail Banking	Treasury	Total
Fee income earned from services that are provided over time:				
Service charge on customer accounts	8,991	25611	-	34,602
Commission on mobile phone services	15,883	45226	-	61,109
Loan Commitment fees*	2,518	7171	-	9,689
VISA and master card fees	3,161	9000	-	12,161
Commission on letters of credit	8329		-	8,329
Fee on issue of Bank cards	4,029	11471	-	15,500
Agency Banking	8,095	23052	-	31,147
Point of sale fees	2,002	5701	-	7,703
Custodianship Commission	-	-	2,267	2,267
Commission on guarantees and indemnities	6,187	-	-	6,187
	59,195	127,232	2,267	188,694
Fee income from providing financial services at a point in time:				
Salary processing fees	1,141	3,284	-	4,425
Insurance Commission	2,405	6,919	-	9,324
Fee on local transfers and drafts	1,462	4,163	-	5,625
Fee on international telegraphic transfers	106	302		408
Sale of Cheque books	166	479	-	645
ATM withdrawal charges	4,719	13,577	-	18,296
Statement Charges	370	1,065	-	1,435
Commission from TRA collections	98	282	-	380
Other fees and commissions	7,540	16,288	-	23,828
	18,007	46,359	-	64,366
Gross fee and commission income	77,202	173,591	2,267	253,060

B) Fee and Commission Expense

	GROUP		BANK	
	2022	2021	**2022**	2021
Commission expense Agency Banking	**42,292**	30,542	**42,186**	30,490
Commission expense Nostro transactions	**8,979**	6,754	**8,979**	6,754
Commission expense to VISA and Mastercard	**18,379**	13,906	**18,379**	13,906
Other fees and commissions	**1,087**	46	**-**	-
	70,737	51,248	**69,544**	51,150

*These are fees which are not integral part in the calculation of effective interest rate for the financial liabilities that are not at FVPL.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

14 FOREIGN EXCHANGE INCOME

	GROUP		BANK	
	2022	2021	**2022**	2021
	TZS' Million	TZS' Million	**TZS' Million**	TZS' Million
Foreign exchange income	**57,557**	37,768	**54,786**	36,502

15 NET GAIN OR (LOSS) ON EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	GROUP		BANK	
	2022	2021	**2022**	2021
	2022	2021	**2022**	2021
	TZS' Million	TZS' Million	**TZS' Million**	TZS' Million
Financial assets measured at fair value through profit or loss*	**2,613**	1,447	**1,814**	546
Equity investment measured at fair value through profit or loss (Note 29A)	**(595)**	331	**(595)**	331
	2,018	1,778	**1,219**	877

*Fair value gain relating to UTT investment in Liquid fund and debt instrument held for trading that have been clasified as financial assets FVPL

The above amounts relates to financial instruments mandatorily measured at fair value through profit or loss.

16 NET GAIN OR (LOSS) ON DERECOGNITION OF FINANCIAL ASSETS MEASURED AT FVOCI

	GROUP		BANK	
	2022	2021	**2022**	2021
	TZS' Million	TZS' Million	**TZS' Million**	TZS' Million
Net gains on derecognition of financial assets measured at fair value through other comprehensive income	**44,268**	31,084	**44,268**	31,084

17 OTHER OPERATING INCOME

	GROUP		BANK	
	2022	2021	**2022**	2021
	TZS' Million	TZS' Million	**TZS' Million**	TZS' Million
Rental income* (Note 54)	**92**	47	**92**	47
Dividend income	**-**	38	**4,344**	5,171
FSDT Assets grant income (Note 45.1)	**786**	833	**786**	833
MIVARF (Note 45.2)	**932**	568	**932**	568
Loss on disposal of fixed assets	**(1,712)**	(78)	**(1,712)**	(78)
	98	1,408	**4,442**	6,541

*This represents operating leases.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

18 OTHER OPERATING EXPENSES

	GROUP		BANK	
	2022	2021	**2022**	2021
	TZS' Million	TZS' Million	**TZS' Million**	TZS' Million
Administrative expenses	**82,654**	68,571	**79,405**	65,586
Board Fees*	**1,363**	1,381	**965**	956
Board Expenses**	**5,346**	3,273	**3,743**	2,443
Auditors' fees	**689**	681	**628**	619
Communication and IT costs	**36,590**	33,622	**36,365**	33,491
Marketing and advertising expenses	**14,758**	12,841	**13,213**	12,202
Travelling costs	**14,683**	10,834	**12,530**	9,916
Utilities expenses	**5,045**	4,998	**4,875**	4,739
Repairs and Maintenance	**5,837**	4,805	**5,460**	4,665
Local taxes	**4,203**	2,893	**4,183**	2,859
Shareholders Meetings expenses***	**1,243**	1,232	**1,243**	1,232
Other expenses	**6,282**	5,530	**5,979**	5,415
	178,693	150,661	**168,589**	144,123

*Board Fee refers to the retainer fee payable to non-executive directors during the year of service on Board.

**Board expenses are all reasonable out-of-pocket expenses incurred by each non-executive director in connection with attending the meetings of the board and any committee thereof.

*** Shareholders meeting expenses are expenses associated with the Annual General meeting which is being done every year.

Other expenses include several administrative expenses whose individual amounts are very small to be disclosed separately i.e., direct sales expenses, business development expenses etc.

During the year there were neither short term lease expense nor expense of leases of low value.

19 DEPRECIATION AND AMORTISATION

	GROUP		BANK	
	2022	2021	**2022**	2021
	TZS' Million	TZS' Million	**TZS' Million**	TZS' Million
Depreciation of property and equipment (Note 36A)	**48,066**	40,862	**47,310**	39,941
Depreciation of Motor vehicles and mobile branches (Note 36B)	**3,467**	3,314	**3,328**	3,170
Amortization right-of-use assets (Note 37)	**9,499**	13,041	**9,312**	12,856
Amortization of Prepaid operating Lease (Note 38)	**278**	298	**278**	298
Amortization of intangible assets (Note 39)	**9,608**	9,005	**9,377**	8,795
	70,918	66,520	**69,605**	65,060

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

20 EMPLOYEE BENEFIT EXPENSES

	GROUP		BANK	
	2022	2021	2022	2021
	TZS' Million	TZS' Million	TZS' Million	TZS' Million
Salaries and wages	**202,480**	196,016	**196,539**	190,418
Bonus	**17,381**	13,431	**16,703**	13,000
Social security contributions	**25,958**	25,264	**25,717**	24,992
Gratuity	**4,397**	4,305	**3,877**	3,847
Employee separation costs	**225**	127	**225**	127
Leave allowance	**15,500**	15,287	**15,220**	14,943
Medical expenses	**8,161**	8,574	**8,120**	8,527
Staff Welfare	**9,865**	9,299	**9,566**	9,025
Skills & Development Levy	**8,553**	8,355	**8,553**	8,334
Group Personal Accident	**892**	811	**891**	809
Staff Transfers	**1,624**	2,357	**1,539**	2,314
Staff award	**2,659**	2,924	**2,659**	2,924
Staff uniforms	**21**	3,507	**15**	3,489
Workman's compensation	**1,036**	1,470	**1,035**	1,465
Retirement benefits	**1,491**	1,557	**1,491**	1,557
Other staff costs*	**239**	504	**213**	475
	300,482	293,788	**292,363**	286,246

*Other staff costs include several employee benefits expenses whose individual amount are very small to be disclosed separately i.e., condolences and burial expenses, staff recruitment associated cost etc.

21 INCOME TAX

(A) Income tax expense – amount recognised in profit or loss

In TZS' Million	GROUP		BANK	
	2022	2021	2022	2021
Current income tax – current year*	**159,840**	106,910	**158,178**	105,601
Current income tax – prior years	**(1,351)**	2,695	**(1,279)**	2,695
Deferred tax – current year	**(12,563)**	10,658	**(12,313)**	10,658
Deferred tax – prior years	**375**	(1,058)	**339**	(1,058)
	146,302	119,205	**144,925**	117,896

*The amount includes TZS 3,762mn (2021: 1,989mn relating to tax chargeable in respect of a foreign subsidiary.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

21 INCOME TAX (CONTINUED)

(B) Income tax recoverable

In TZS' Million	GROUP		BANK	
	2022	2021	2022	2021
At 1 January	**8,940**	17,170	**9,619**	17,506
Payments made during the year	**156,050**	99,618	**155,537**	98,937
Charge to profit or loss	**(158,489)**	(109,605)	**(156,899)**	(108,296)
Withholding tax utilized	**1,597**	1,757	**1,597**	1,472
Closing balance	**8,098**	8,940	**9,854**	9,619

(C) Reconciliation of accounting profit to tax charge

The tax on the Group and Bank profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

In TZS' Million	GROUP		BANK	
	2022	2021	2022	2021
Profit before income tax	**497,709**	387,366	**477,405**	377,513
Tax calculated at the statutory income tax rate at 30%				
Tax effect of:	**149,313**	116,210	**143,222**	113,254
Depreciation on non-qualifying assets				
Losses/(gains) on sales of non-qualifying assets	**639**	604	**630**	604
Expenses not deductible for tax purposes	**19**	(17)	**19**	**(17)**
Under provisions of current tax in previous years	**1,100**	769	**1,099**	**769**
Under/(over) provision of deferred tax in previous years	**(1,351)**	2,695	**(1,279)**	**2,695**
Tax on foreign subsidiary	**375**	(1,058)	**339**	**(1,058)**
Tax on exempted income	**3,762**	1,989	**3,762**	**1,989**
Other*	**(2,953)**	(347)	**(2,953)**	**(347)**
Income tax expense	**(4,602)**	(1,640)	**86**	**7**
	146,302	119,205	**144,925**	**117,896**
Effective tax rate	**29%**	31%	**30%**	**31%**
Other*	**(4,602)**	(1,640)	**86**	**7**
Income tax expense	**146,302**	119,205	**144,925**	**117,896**
Effective tax rate	**29%**	31%	**30%**	**31%**

Bank's taxation is based on consistent rate of 30% for both 2022 and 2021.

There is no change in tax rate from the previous year and no amount of temporary differences associated with investments in subsidiaries which can be found in the statement of financial position mainly because of inexistence of temporary difference and the fact that it is unlikely that the difference will be reversed in future.

*Other includes the effect of the actual lower tax rate in Burundi from the expected 30% due to existing incentives and consolidation tax adjustment.

Uncertainty over income tax treatments

There is no uncertainty over income tax treatments. The adopted tax treatment is consistent with the requirement of the tax law. It is not probable that the allowed deduction will be disallowed by the tax authority during tax audit.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

22 EARNINGS PER SHARE

Earnings per share are calculated by dividing the profit attributed to the shareholders of the Group by the weighted average number of ordinary shares outstanding as at close of the year.

	GROUP		BANK	
	2022	2021	2022	2021
Profit for the year (TZS'Million)	**351,407**	268,161	**332,480**	259,617
Number of shares ('Million)	**2,612**	2,612	**2,612**	2,612
Basic and diluted earnings per share (TZS)	**134.54**	102.67	**127.29**	99.39

There were no potentially dilutive ordinary shares outstanding as at 31 December 2022 (2021: Nil). Diluted earnings per share is the same as basic earnings per share.

23 DISTRIBUTIONS MADE AND PROPOSED

	In TZS' Million	
	2022	2021
Cash dividends on ordinary shares declared: *		
Dividend declared 2021 TZS 36 per share (2020: TZS 22 per share)	**94,025**	57,460
Proposed dividends on ordinary shares:		
Cash dividend for 2022: TZS 45 per share (2021: TZS 36 per share)	**117,533**	94,025

Non-cash distribution

There was no non-cash distribution during the year (2021: NIL)

The Directors propose payment of a dividend of TZS 45 per share, amounting to TZS 117.5 billion out of 2022 profit to be ratified at the Annual General Meeting to be held in May 2023. In May 2022, dividend of TZS 36 per share, amounting to TZS 94.0 billion was approved by shareholders and paid.

Proposed dividend on ordinary shares is subject to approval at the Annual General Meeting and are not recognised as a liability as at 31 December.

*Represents cash dividends declared in 2021 and paid in 2022 and dividends declared in 2020 paid in 2021.

24 CASH AND BALANCES WITH CENTRAL BANK

	In TZS' Million			
	GROUP		BANK	
	2022	2021	2022	2021
Cash in hand	**379,554**	311,717	**367,218**	304,998
Clearing accounts with Central bank	**213,197**	345,630	**107,663**	332,731
Statutory Minimum Reserves (SMR) *	**389,684**	231,351	**389,684**	231,350
	982,435	888,698	**864,565**	869,079

*In accordance with Section 44 of the Bank of Tanzania Act, 2006 and Sections 4 and 71 of the Banking and Financial Institutions Act, 2006; the Bank is required to maintain Statutory Minimum Reserves (SMR) on its total deposit liabilities and funds borrowed from the public.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

24 CASH AND BALANCES WITH CENTRAL BANK (CONTINUED)

The SMR deposit is required to be at least 7% of customers' total deposits and borrowings from the public and 40% of government's deposits.

The required reserve ratio determined by the Bank of the Republic of Burundi is set at 3% of the total deposit liabilities, remain unchanged from previous year.

The allowance for ECL relating to Cash and balances with Central bank in 2022 and 2021 is immaterial.

Effective from 20th June 2017, the Bank of Tanzania unified the Statutory Minimum Reserves (SMR) account with the Clearing accounts to increase flexibility in liquidity management by banks and promote sustainability and short-term interest rates.

Deposits with the Central Bank represent mandatory reserve deposits and are not available for use in the Bank's Day–to–day operations. For this reason, does not meet the criteria for cash and cash equivalent. Cash in hand and balances with Central bank are non-interest-bearing assets.

The table below shows the credit quality for the gross carrying amount of cash and balances with central per stages 1, 2 and 3 based on the bank's internal credit rating system, and year-end stage classification.

GROUP

		Amounts in TZS' Million			
31 December 2022 Internal rating grade	**12 month PD range**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
High grade	0.0%-0.5%	**982,435**	-	-	**982,435**
Standard grade	0.5%-11.7%	-	-	-	-
Sub-standard grade	11.7%-29.5%	-	-	-	-
Low grade	29.5%-100.0%	-	-	-	-
Individually impaired	100%	-	-	-	-
Gross Carrying amount		**982,435**	-	-	**982,435**
31 December 2021 Internal rating grade	**12 month PD range**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
High grade	0.0%-0.5%	888,698	-	-	888,698
Standard grade	0.5%-11.7%	-	-	-	-
Sub-standard grade	11.7%-29.5%	-	-	-	-
Low grade	29.5%-100.0%	-	-	-	-
Individually impaired	100%	-	-	-	-
Gross Carrying amount		888,698	-	-	888,698

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

24 CASH AND BALANCES WITH CENTRAL BANK (CONTINUED)

BANK

31 December 2022 Internal rating grade	12 month PD range	Stage 1	Stage 2	Stage 3	Total
High grade	0.0%-0.5%	**864,565**	**-**	**-**	**864,565**
Standard grade	0.5%-11.7%	**-**	**-**	**-**	**-**
Sub-standard grade	11.7%-29.5%	**-**	**-**	**-**	**-**
Low grade	29.5%-100.0%	**-**	**-**	**-**	**-**
Individually impaired	100%	**-**	**-**	**-**	**-**
Gross Carrying amount		**864,565**	**-**	**-**	**864,565**

31 December 2021 Internal rating grade	12 month PD range	Stage 1	Stage 2	Stage 3	Total
High grade	0.0%-0.5%	869,079	-	-	869,079
Standard grade	0.5%-11.7%	-	-	-	-
Sub-standard grade	11.7%-29.5%	-	-	-	-
Low grade	29.5%-100.0%	-	-	-	-
Individually impaired	100%	-	-	-	-
Gross Carrying amount		869,079	-	-	869,079

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

25 DUE FROM BANKS

	GROUP		BANK	
	2022	2021	**2022**	2021
	TZS' Million	TZS' Million	**TZS' Million**	TZS' Million
Cheques and items for clearing	**1,262**	750	**-**	10
Nostro accounts balances	**118,750**	121,250	**124,514**	117,409
Placements with other banks	**575,687**	372,545	**589,658**	326,694
Less: Allowance for ECL	**(2,193)**	(1,329)	**(2,193)**	(1,329)
	693,506	493,216	**711,979**	442,784
Maturity analysis				
Redeemable on demand (*within 3 months*)				
- Cheques and items for clearing	**1,262**	750	**-**	10
- Nostro accounts balances	**118,750**	121,250	**124,514**	117,409
Placements with other banks				
- Maturing within 3 months	**575,687**	372,545	**575,301**	326,694
- Maturity after 1 year	**-**	-	**14,357**	-
Less: Allowance for ECL	**(2,193)**	(1,329)	**(2,193)**	(1,329)
	693,506	493,216	**711,979**	442,784
Cheques and items for clearing	**1,262**	750	**-**	10
Nostro accounts balances	**118,750**	121,250	**124,514**	117,409
Placements maturing within 3 months	**575,687**	372,545	**575,301**	326,694
Cash and cash equivalent (Note 51)	**695,699**	494,545	**699,815**	444,113

The maturity analysis is based on the remaining periods to contractual maturity from year end.

An analysis of changes in the gross carrying amount in relation to Placement with other banks is, as follows:

	GROUP		BANK	
	2022	2021	**2022**	2021
Placements with other banks	**TZS' Million**	TZS' Million	**TZS' Million**	TZS' Million
At start of year	**372,545**	190,873	**326,694**	213,741
Additions	**13,678,935**	11,702,976	**13,658,846**	11,657,125
Matured	**(13,475,793)**	(11,521,304)	**(13,395,882)**	(11,544,172)
At end of year	**575,687**	372,545	**589,658**	326,694
Less: Allowance for ECL	**(2,116)**	(1,246)	**(2,116)**	(1,246)
	573,571	371,299	**587,542**	325,448

- ECL for nostro accounts balances and cheques and items for clearing are immaterial.
- The placements made at the year-end 2022 were for high rated banks with low credit risk as rated by Credit rating agencies which resulted into low ECL as compared with an increase in gross carrying amount.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
25 DUE FROM BANKS (CONTINUED)

An analysis of changes in the gross carrying amount in relation to placements with other banks is, as follows:

GROUP

Placements with other banks	Stage 1 TZS' Million	Total TZS' Million
Gross carrying amount as at 1 January 2022	**372,545**	**372,545**
New financial assets originated or purchased	**13,675,892**	**13,675,892**
Payments received and financial assets derecognised	**(13,475,793)**	**(13,475,793)**
Accrued interest	**3,043**	**3,043**
Gross carrying amount as at 31 December 2022	**575,687**	**575,687**
Loss allowance as at 31 December 2022	**2,116**	**2,116**
31 December 2021		
Gross carrying amount as at 1 January 2021	190,873	190,873
New financial assets originated or purchased	11,699,682	11,699,682
Payments received and financial assets derecognised	(11,521,304)	(11,521,304)
Accrued interest	3,294	3,294
Gross carrying amount as at 31 December 2021	372,545	372,545
Loss allowance as at 31 December 2021	1,246	1,246

BANK

Placements with other banks	Stage 1 TZS' Million	Total TZS' Million
Gross carrying amount as at 1 January 2022	**326,694**	**326,694**
New financial assets originated or purchased	**13,655,803**	**13,655,803**
Payments received and financial assets derecognised	**(13,395,882)**	**(13,395,882)**
Accrued interest	**3,043**	**3,043**
Gross carrying amount as at 31 December 2022	**589,658**	**589,658**
Loss allowance as at 31 December 2022	**2,116**	**2,116**
31 December 2021		
Gross carrying amount as at 1 January 2021	213,741	213,741
New financial assets originated or purchased	11,653,680	11,653,680
Payments received and financial assets derecognised	(11,544,172)	(11,544,172)
Accrued interest	3,445	3,445
Gross carrying amount as at 31 December 2021	326,694	326,694
Loss allowance as at 31 December 2021	1,246	1,246

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
25 DUE FROM BANKS (CONTINUED)

The table below shows the gross carrying amount of placements with other banks by credit risk, based on the bank's internal credit rating system, and year-end stage classification.

GROUP

31 December 2022					Amounts in TZS' Million
Internal rating grade	**12 month PD range**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
High grade	0.0%-0.5%	-	-	-	-
Standard grade	0.5%-11.7%	**575,687**	-	-	**575,687**
Sub-standard grade	11.7%-29.5%	-	-	-	-
Low grade	29.5%-100.0%	-	-	-	-
Individually impaired	100%	-	-	-	-
Gross Carrying amount		**575,687**	-	-	**575,687**

31 December 2021 Internal rating grade	12 month PD range	Stage 1	Stage 2	Stage 3	Total
High grade	0.0%-0.5%	-	-	-	-
Standard grade	0.5%-11.7%	372,545	-	-	372,545
Sub-standard grade	11.7%-29.5%	-	-	-	-
Low grade	29.5%-100.0%	-	-	-	-
Individually impaired	100%	-	-	-	-
Gross Carrying amount		372,545	-	-	372,545

BANK

31 December 2022					Amounts in TZS' Million
Internal rating grade	**12 month PD range**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
High grade	0.0%-0.5%				
Standard grade	0.5%-11.7%	**589,658**	-	-	**589,658**
Sub-standard grade	11.7%-29.5%	-	-	-	-
Low grade	29.5%-100.0%	-	-	-	-
Individually impaired	100%	-	-	-	-
Gross Carrying amount		**589,658**	-	-	**589,658**

31 December 2021 Internal rating grade	12 month PD range	Stage 1	Stage 2	Stage 3	Total
High grade	0.0%-0.5%	-	-	-	-
Standard grade	0.5%-11.7%	326,694	-	-	326,694
Sub-standard grade	11.7%-29.5%	-	-	-	-
Low grade	29.5%-100.0%	-	-	-	-
Individually impaired	100%	-	-	-	-
Gross Carrying amount		326,694	-	-	326,694

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
25 DUE FROM BANKS (CONTINUED)

The table below shows the gross carrying amount of nostro accounts balances and cheques and items for clearing per credit risk, based on the bank's internal credit rating system, and year-end stage classification.

GROUP

31 December 2022					Amounts in TZS' Million
Internal rating grade	12 month PD range	Stage 1	Stage 2	Stage 3	Total
High grade	0.0%-0.5%	-	-	-	-
Standard grade	0.5%-11.7%	120,012	-	-	120,012
Sub-standard grade	11.7%-29.5%	-	-	-	-
Low grade	29.5%-100.0%	-	-	-	-
Individually impaired	100%	-	-	-	-
Gross Carrying amount		120,012	-	-	120,012

31 December 2021 Internal rating grade	12 month PD range	Stage 1	Stage 2	Stage 3	Total
High grade	0.0%-0.5%	-	-	-	-
Standard grade	0.5%-11.7%	122,000	-	-	122,000
Sub-standard grade	11.7%-29.5%	-	-	-	-
Low grade	29.5%-100.0%	-	-	-	-
Individually impaired	100%	-	-	-	-
Gross Carrying amount		122,000	-	-	122,000

BANK

31 December 2022					Amounts in TZS' Million
Internal rating grade	12 month PD range	Stage 1	Stage 2	Stage 3	Total
High grade	0.0%-0.5%	-	-	-	-
Standard grade	0.5%-11.7%	124,514	-	-	124,514
Sub-standard grade	11.7%-29.5%	-	-	-	-
Low grade	29.5%-100.0%	-	-	-	-
Individually impaired	100%	-	-	-	-
Gross Carrying amount		124,514	-	-	124,514

31 December 2021 Internal rating grade	12 month PD range	Stage 1	Stage 2	Stage 3	Total
High grade	0.0%-0.5%	-	-	-	-
Standard grade	0.5%-11.7%	117,419	-	-	117,419
Sub-standard grade	11.7%-29.5%	-	-	-	-
Low grade	29.5%-100.0%	-	-	-	-
Individually impaired	100%	-	-	-	-
Gross Carrying amount		117,419	-	-	117,419

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
25 DUE FROM BANKS (CONTINUED)

An analysis of movement of ECL is, as follows:

GROUP and BANK In TZS' Million	Stage 1	Stage 2	Stage 3	Total
As at 31 December 2022				
As at 1 January 2022	1,329	-	-	1,329
Charge/(release) for the period	864	-	-	864
Loss allowance as at 31 December 2022	2,193	-	-	2,193
In TZS' Million	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
As at 31 December 2021				
As at 1 January 2021	1,532	-	-	1,532
Charge/(release) for the period	(203)	-	-	(203)
Loss allowance as at 31 December 2021	1,329	-	-	1,329

For customer with sovereign rating portfolio the PD and LGD is determined by looking up in transition matrices for time horizon of one year, published by external rating agencies. However, when the counterparty is not rated by external rating agencies, so it has no rating, and no externally available value of PD, the Bank set up an internal model for determining the PD value where each customer is assigned a credit rating reflective of their creditworthiness by using Analytic Hierarchy Process (AHP) which is a multi-criteria decision-making method based on mathematics and credit risk analysis rather than using the general country rating PD for each counterpart not rated. The counterparties PD range from 0.5% to 11.7%.

26 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

				In TZS' Million
	GROUP		BANK	
	2022	2021	2022	2021
UTT Investment in Liquid Fund	6,286	6,290	-	-
Financial Assets held for trading	16,417	20,807	16,417	20,807
Watumishi Faida Fund	1,000	-	1,000	-
	23,703	27,097	17,417	20,807

- The total amount also includes Group's subsidiary CRDB Insurance Brokerage Company Ltd investment in UTT Liquid Fund Unit Trust Scheme for the purpose of cashflow management. Management elected the designation of the financial assets at FVPL since initial recognition as required by IFRS 9 and no changes of classification at the reporting date. The financial asset is not held for trading.
- The carrying amount for financial assets held for trading best represent maximum exposure to credit risk.
- Watumishi faida fund relate to the investment made to Watumishi Housing investments (WHI) (Faida Fund) 10million units at TZS 100 per units.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

27 DEBT INSTRUMENTS

In TZS' Million	GROUP		BANK	
	2022	2021	**2022**	2021
Debt instruments at amortized cost				
Treasury bills	**515,200**	303,606	**451,535**	283,103
Treasury and corporate bonds	**969,121**	899,258	**697,066**	718,730
Less: Allowance for ECL	**(353)**	(271)	**(353)**	(270)
	1,483,968	1,202,593	**1,148,248**	1,001,563
Debt instruments at FVOCI				
Treasury bond	**786,225**	424,232	**786,225**	424,232
Less: Allowance for ECL	**(107)**	(72)	**(107)**	(72)
	786,118	424,160	**786,118**	424,160

Treasury bills and bonds are debt securities issued by the Government. As at 31 December 2022, treasury bonds amounting to TZS 450,449 million (2021: TZS 293,152 million) had been pledged as collateral for various short-term borrowings from other Banks.

The fair value of the Treasury bills and bonds pledged as collateral approximate the carrying amount. In case of default, the lender has the rights over the debt securities pledged by the Bank.

The Bank did not have any debt instrument measured at FVOCI which were pledged as collateral as at 31 December 2022 (2021: Nil). As at 31 December, there were neither transferred financial assets nor repurchase and securities lending transactions (2021: Nil).

The maturity analysis of debt instruments net of ECL is as follows:

In TZS' Million	GROUP		BANK	
	2022	2021	**2022**	2021
Maturing within 3 months				
Treasury bills	**143,700**	16,308	**143,700**	12,860
Treasury bonds	**7,995**	40,155	**7,995**	35,515
Maturing after 3 months - 12 months				
Treasury bills	**307,770**	274,104	**307,770**	270,353
Treasury bonds	**110,601**	275,278	**110,601**	103,936
Maturing after 12 months				
Treasury bonds	**1,700,020**	1,020,908	**1,364,300**	1,003,059
	2,270,086	1,626,753	**1,934,366**	1,425,723
Current	**570,066**	605,845	**570,066**	422,664
Non-current	**1,700,020**	1,020,908	**1,364,300**	1,003,059
	2,270,086	1,626,753	**1,934,366**	1,425,723

All debt instruments for the Group and Bank measured at FVOCI are non-current.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

27 DEBT INSTRUMENTS (CONTINUED)

An analysis of changes in the gross carrying amount in relation to debt instruments for the Group is, as follows:

GROUP

In TZS' Million	Amortised Cost		FVOCI	Total
31 December 2022	Treasury bills	Treasury and Corporate bonds		
At start of year	**303,606**	**899,258**	**424,232**	**1,627,096**
New financial assets purchased	**512,696**	**185,825**	**665,731**	**1,364,252**
Accrued interest	**7,877**	**25,975**	**16,376**	**50,228**
Payments received and financial assets derecognised	**(308,979)**	**(141,937)**	**(381,003)**	**(831,919)**
Revaluation gain on debt instrument at FVOCI	**-**	**-**	**60,889**	**60,889**
At end of year	**515,200**	**969,121**	**786,225**	**2,270,546**
Less: Allowance for ECL	**(64)**	**(289)**	**(107)**	**(460)**
Net debt instruments	**515,136**	**968,832**	**786,118**	**2,270,086**
31 December 2021				
At start of year	144,751	851,305	501,074	1,497,130
New financial assets purchased	295,690	88,420	29,404	413,514
Accrued interest	7,916	25,093	13,431	46,440
Payments received and financial assets derecognised	(144,751)	(65,560)	(177,180)	(387,492)
Revaluation gain on debt instrument at FVOCI	-	-	57,503	57,503
At end of year	303,606	899,258	424,232	1,627,095
Less: Allowance for ECL	(39)	(232)	(72)	(342)
Net debt instruments	303,567	899,026	424,160	1,626,753

An analysis of changes in the gross carrying amount in relation to debt instruments for the Bank is, as follows:

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

27 DEBT INSTRUMENTS (CONTINUED)

BANK

				In TZS' Million
	Amortised Cost		FVOCI	Total
31 December 2022	Treasury bills	Treasury and Corporate bonds		
At start of year	**283,103**	**718,730**	**424,232**	**1,426,065**
New financial assets purchased	**463,993**	**124,450**	**665,731**	**1,254,174**
Accrued interest	**7,549**	**20,026**	**16,376**	**43,951**
Payments received and financial assets derecognised	**(303,110)**	**(166,140)**	**(381,003)**	**(850,253)**
Revaluation gain on debt instrument at FVOCI	**-**	**-**	**60,889**	**60,889**
At end of year	**451,535**	**697,066**	**786,225**	**1,934,826**
Less: Allowance for ECL	**(64)**	**(289)**	**(107)**	**(460)**
Net debt instruments	**451,471**	**696,777**	**786,118**	**1,934,366**
31 December 2021				
At start of year	124,036	719,512	501,074	1,344,622
New financial assets purchased	275,721	40,836	29,404	345,961
Accrued interest	7,382	19,325	13,431	40,138
Payments received and financial assets derecognised	(124,036)	(60,943)		(362,159)
Revaluation gain on debt instrument at FVOCI	-	-		57,503
At end of year	283,103	718,730	424,232	1,426,065
Less: Allowance for ECL	(39)	(231)	(72)	(342)
Net debt instruments	283,064	718,499	424,160	1,425,723

During the year, the Bank did not reclassify instruments from amortised cost into fair value through profit or loss (FVPL) or from FVOCI into FVPL.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

27 DEBT INSTRUMENTS (CONTINUED)

Debt instruments measured at amortised cost

An analysis of changes in the gross carrying amount in relation to debt instruments at amortised cost is, as follows:

GROUP

			In TZS' Million
	Stage 1		Total
31 December 2022	Treasury bills	Treasury and Corporate bonds	
Debt instruments at amortised cost			
Gross carrying amount as at 1 January 2022	**303,606**	**899,258**	**1,202,864**
New financial assets originated or purchased	**512,696**	**185,825**	**698,521**
Accrued interest	**7,877**	**25,975**	**33,852**
Payments received and financial assets derecognised	**(308,979)**	**(141,937)**	**(450,916)**
Gross carrying amount as at 31 December 2022	**515,200**	**969,121**	**1,484,321**
Loss allowance as at 31 December 2022	**(64)**	**(289)**	**(353)**
31 December 2021			
Gross carrying amount as at 1 January 2021	144,751	851,305	996,056
New financial assets originated or purchased	295,690	88,420	384,110
Accrued interest	7,916	25,093	33,009
Payments received and financial assets derecognised	(144,751)	(65,560)	(210,311)
Gross carrying amount as at 31 December 2021	303,606	899,258	1,202,864
Loss allowance as at 31 December 2021	(39)	(232)	(271)

BANK

			In TZS' Million
31 December 2022	Stage 1		Total
Gross carrying amount as at 1 January 2022	**283,103**	**718,730**	**1,001,833**
New financial assets originated or purchased	**463,993**	**124,450**	**588,443**
Accrued interest	**7,549**	**20,026**	**27,575**
Payments received and financial assets derecognised	**(303,110)**	**(166,140)**	**(469,250)**
Gross carrying amount as at 31 December 2022	**451,535**	**697,066**	**1,148,601**
Loss allowance as at 31 December 2022	**(64)**	**(289)**	**(353)**
31 December 2021			
Gross carrying amount as at 1 January 2021	124,036	719,512	843,548
New financial assets originated or purchased	275,721	40,836	316,557
Accrued interest	7,382	19,325	26,707
Payments received and financial assets derecognised	(124,036)	(60,943)	(184,979)
Gross carrying amount as at 31 December 2021	283,103	718,730	1,001,833
Loss allowance as at 31 December 2021	(39)	(231)	(270)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
27 DEBT INSTRUMENTS (CONTINUED)

The table below shows the gross carrying amount of the debt instruments measured at amortised cost by credit risk, based on the bank's internal credit rating system, and year-end stage classification.

GROUP

31 December 2022 Internal rating grade	12 month PD range	Stage 1	Stage 2	Stage 3	Total
					Amounts in TZS' Million
High grade	0.0%-0.5%	**1,484,321**	-	-	**1,484,321**
Standard grade	0.5%-11.7%	-	-	-	-
Sub-standard grade	11.7%-29.5%	-	-	-	-
Low grade	29.5%-100.0%	-	-	-	-
Individually impaired	100%	-	-	-	-
Gross Carrying amount		**1,484,321**	-	-	**1,484,321**

31 December 2021 Internal rating grade	12 month PD range	Stage 1	Stage 2	Stage 3	Total
High grade	0.0%-0.5%	1,202,864	-	-	1,202,864
Standard grade	0.5%-11.7%	-	-	-	-
Sub-standard grade	11.7%-29.5%	-	-	-	-
Low grade	29.5%-100.0%	-	-	-	-
Individually impaired	100%	-	-	-	-
Gross Carrying amount		1,202,864	-	-	1,202,864

BANK

31 December 2022 Internal rating grade	12 month PD range	Stage 1	Stage 2	Stage 3	Total
High grade	0.0%-0.5%	**1,148,601**	-	-	**1,148,601**
Standard grade	0.5%-11.7%	-	-	-	-
Sub-standard grade	11.7%-29.5%	-	-	-	-
Low grade	29.5%-100.0%	-	-	-	-
Individually impaired	100%	-	-	-	-
Gross Carrying amount		**1,148,601**	-	-	**1,148,601**

31 December 2021 Internal rating grade	12 month PD range	Stage 1	Stage 2	Stage 3	Total
High grade	0.0%-0.5%	1,001,833	-	-	1,001,833
Standard grade	0.5%-11.7%	-	-	-	-
Sub-standard grade	11.7%-29.5%	-	-	-	-
Low grade	29.5%-100.0%	-	-	-	-
Individually impaired	100%	-	-	-	-
Gross Carrying amount		1,001,833	-	-	1,001,833

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
27 DEBT INSTRUMENTS (CONTINUED)

Debt instruments measured at amortised cost

An analysis of movement of ECL in relation to Debt instruments at amortised cost is, as follows:

GROUP AND BANK

31 December 2022	Stage 1 Treasury bills	Stage 1 Treasury and Corporate bonds	Total
			In TZS' Million
As at 1 January 2022	**39**	**232**	**271**
Charge/(release) for the period	**25**	**57**	**82**
Loss allowance as at 31 December 2022	**64**	**289**	**353**
As at 31 December 2021			
As at 1 January 2021	17	215	232
Charge/(release) for the period	22	17	39
Loss allowance as at 31 December 2021	39	232	271

Debt instruments measured at FVOCI

An analysis of changes in the gross carrying amount in relation to Debt instruments at FVOCI is, as follows:

GROUP AND BANK

Debt instruments at FVOCI	Stage 1	Total
In TZS' Million		
31 December 2022		
Gross carrying amount as at 1 January 2022	**424,232**	**424,232**
New financial assets originated or purchased	**665,731**	**665,731**
Accrued Interest	**16,376**	**16,376**
Payments received and financial assets derecognised	**(381,003)**	**(381,003)**
Revaluation gain on debt instrument at FVOCI	**60,889**	**47,654**
Gross carrying amount as at 31 December 2022	**786,225**	**786,225**
Loss allowance as at 31 December 2022	**(107)**	**(107)**

GROUP AND BANK

	Stage 1	Total
As at 31 December 2021		
Gross carrying amount as at 1 January 2021	501,074	501,074
New financial assets originated or purchased	29,404	29,404
Accrued Interest	13,431	13,431
Payments received and financial assets derecognised	(177,180)	(177,180)
Revaluation gain on debt instrument at FVOCI	57,503	57,503
Gross carrying amount as at 31 December 2021	424,232	424,232
Loss allowance as at 31 December 2021	(72)	(72)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
27 DEBT INSTRUMENTS (CONTINUED)

Debt instruments measured at FVOCI

The table below shows the fair value of the debt instruments measured at FVOCI by credit risk, based on the bank's internal credit rating system, and year-end stage classification.

GROUP AND BANK

31 December 2022 Internal rating grade	12 month PD range	Stage 1	Stage 2	Stage 3	Total (Amounts in TZS' Million)
High grade	0.0%-0.5%	**786,225**	**-**	**-**	**786,225**
Standard grade	0.5%-11.7%	**-**	**-**	**-**	**-**
Sub-standard grade	11.7%-29.5%	**-**	**-**	**-**	**-**
Low grade	29.5%-100.0%	**-**	**-**	**-**	**-**
Individually impaired	100%	**-**	**-**	**-**	**-**
Gross Carrying amount		**786,225**	**-**	**-**	**786,225**

31 December 2021 Internal rating grade	12 month PD range	Stage 1	Stage 2	Stage 3	Total
High grade	0.0%-0.5%	424,232	-	-	424,232
Standard grade	0.5%-11.7%	-	-	-	-
Sub-standard grade	11.7%-29.5%	-	-	-	-
Low grade	29.5%-100.0%	-	-	-	-
Individually impaired	100%	-	-	-	-
Gross Carrying amount		424,232	-	-	424,232

In relation to grading of debt instruments measured at amortised cost and FVOCI, the Bank suggests that 'investment grade' rating which is classified as high grade under the Bank's internal rating system as an indicator for a low credit risk and use PD rate of 0.03% and LGD of 45% as recommended by Basel for non-collateralized facility.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
27 DEBT INSTRUMENTS (CONTINUED)

An analysis of movement of ECL in relation to Debt instruments measured at FVOCI is, as follows:

GROUP AND BANK

31 December 2022	FVOCI	Total (In TZS' Million)
As at 1 January 2022	**72**	**72**
Charge/(release) for the period	**35**	**35**
Loss allowance as at 31 December 2022	**107**	**107**

31 December 2021	FVOCI	Total (In TZS' Million)
As at 1 January 2021	69	69
Charge/(release) for the period	3	3
Loss allowance as at 31 December 2021	72	72

In relation to grading of debt instruments measured at amortised cost and FVOCI, the Bank suggests that 'investment grade' rating which is classified as high grade under the Bank's internal rating system as an indicator for a low credit risk and use PD rate of 0.03% and LGD of 45% as recommended by Basel for non-collateralized facility.

An analysis of movement of ECL in relation to Debt instruments measured at FVOCI is, as follows:

GROUP AND BANK

31 December 2022	FVOCI	Total (In TZS' Million)
As at 1 January 2022	**72**	**72**
Charge/(release) for the period	**35**	**35**
Loss allowance as at 31 December 2022	**107**	**107**

31 December 2021	FVOCI	Total (In TZS' Million)
As at 1 January 2021	69	69
Charge/(release) for the period	3	3
Loss allowance as at 31 December 2021	72	72

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

28 CREDIT CARDS

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to credit cards is, as follows

	GROUP		BANK	
In TZS' Million	2022	2021	2022	2021
Carrying amount	**1,812**	1,973	**1,812**	1,973
Less: Allowance for ECL	**(564)**	(129)	**(564)**	(129)
Net Credit cards	**1,248**	1,844	**1,248**	1,844

An analysis of credit cards based on internal rating are summarised as follows:

GROUP AND BANK

In TZS' Million

31 December 2022	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
Current	**1,640**	**-**	**-**	**1,640**
Especially mentioned	**-**	**58**	**-**	**58**
Sub-standard	**-**	**-**	**71**	**71**
Doubtful	**-**	**-**	**18**	**18**
Loss	**-**	**-**	**25**	**25**
Gross Carrying amount	**1,640**	**58**	**114**	**1,812**
Less: Allowance for ECL	**(455)**	**(20)**	**(89)**	**(564)**
Net Credit cards	**1,185**	**38**	**25**	**1,248**

31 December 2021	Stage 1	Stage 2	Stage 3	Total
Current	1,849	-	-	1,849
Especially mentioned	-	17	-	17
Sub-standard	-	-	14	14
Doubtful	-	-	44	44
Loss	-	-	49	48
Gross Carrying amount	1,849	17	107	1,973
Less: Allowance for ECL	(44)	(6)	(79)	(129)
Net Credit cards	1,805	11	28	1,844

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

28 CREDIT CARDS (CONTINUED)

An analysis of changes in the gross carrying amount in relation to credit cards is, as follows:

In TZS' Million

31 December 2022	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2022	**1,849**	**17**	**107**	**1,973**
Changes in the gross carrying amount				
-Transfer to stage 1	**38**	**(6)**	**(32)**	**-**
-Transfer to stage 2	**(216)**	**217**	**(1)**	**-**
-Transfer to stage 3	**(331)**	**-**	**331**	**-**
New financial assets purchased	**489**	**-**	**-**	**489**
Accrued interest	**295**	**54**	**61**	**410**
Payments received and financial assets derecognised	**(484)**	**(224)**	**(352)**	**(1,060)**
Gross carrying amount as at 31 December 2022	**1,640**	**58**	**114**	**1,812**
Loss allowance as at 31 December 2022	**455**	**20**	**89**	**564**

In TZS' Million

31 December 2021	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2021	515	116	1,288	1,919
Changes in the gross carrying amount				
-Transfer to stage 1	128	(80)	(48)	-
-Transfer to stage 2	(1)	1	-	-
-Transfer to stage 3	(155)	(8)	163	-
New financial assets originated	1,411	-	-	1,411
Accrued interest	15	-	-	15
Payments received and financial assets derecognised	(64)	(12)	(8)	(84)
Write off	-	-	(1,288)	(1,288)
Gross carrying amount as at 31 December 2021	1,849	17	107	1,973
Loss allowance as at 31 December 2021	44	6	79	129

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
28 CREDIT CARDS (CONTINUED)

An analysis of changes in the corresponding ECL allowances in relation to credit cards is, as follows:

				In TZS' Million
31 December 2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loss allowance as at 1 January 2022	44	6	79	129
Change in the loss allowance				
-Transfer to stage 1	26	(2)	(24)	-
-Transfer to stage 2	-	1	(1)	-
-Transfer to stage 3	(1)	-	1	-
New financial assets originated	34	14	25	73
Financial assets derecognized	(2)	(4)	(25)	(31)
Impact on ECL transfers	354	5	34	393
Write off	-	-	-	-
Loss allowance as at 31 December 2022	**455**	**20**	**89**	**564**

An analysis of movement of ECL in relation to Credit Card is, as follows:

GROUP AND BANK

		In TZS' Million
31 December 2022		**Total**
As at 1 January 2022	**129**	**129**
Charge/(release) for the period	**435**	**435**
Write off	**-**	**-**
Loss allowance as at 31 December 2022	**564**	**564**

		In TZS' Million
31 December 2021		**Total**
As at 1 January 2021	1,390	1390
Charge/(release) for the period	(682)	(682)
Write off	(579)	(579)
Loss allowance as at 31 December 2021	129	129

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

29A EQUITY INVESTMENTS AT FVPL

				In TZS' Million
	GROUP		**BANK**	
	2022	2021	**2022**	2021
TACOBA PreferEnce shares				
At 1 January	**2,886**	2,555	**2,886**	2,555
Revaluation gain/ (loss)	**(595)**	331	**(595)**	331
At 31 December	**2,291**	2,886	**2,291**	2,886

TACOBA is the community Bank limited by shares operating in Tandahimba district council, Mtwara region since 2008. The Bank has more than 5,800 customers as at 31 December 2022, mainly being savings and time deposits. The percentage shareholding of the Bank in TACOBA as at 31 December 2022 was 7.7% (2021: 7.7%). The Group holds 3.2 million preference shares and 100,000 ordinary shares of TACOBA with a total value of TZS 2,291 million (2021: TZS 2,886 million). The cumulative change in fair value of the financial assets at FVPL due to changes in market condition since the financial asset was designated amounts to a loss of TZS 869 million (2021: loss of TZS 274million).

The investment is measured at FVPL since initial recognition as permitted by IFRS 9 and no changes of classification at the reporting date. The equity investment is not held for trading.

29B EQUITY INVESTMENTS AT FVOCI

				In TZS' Million
	GROUP		**BANK**	
	2022	2021	**2022**	2021
Investment in Tanzania Mortgage Refinance Company (TMRC)	**4,866**	4,866	**4,866**	4,866
Investment in Dar es Salaam Stock Exchange (DSE)	**557**	426	**557**	426
Investment in Kilimanjaro Community Bank (KCBL)	**6,108**	5,187	**6,108**	5,187
Burundi National switch	**113**	116	**-**	-
	11,644	10,595	**11,531**	10,479

Tanzania Mortgage Refinance Company (TMRC) is a private sector institution owned by banks with the sole purpose of supporting banks to do mortgage lending by refinancing Banks' mortgage portfolios. The percentage shareholding of the Bank in TMRC as at 31 December 2022 was 17.14% (2021: 17.14%).

Dar es Salaam Stock Exchange (DSE) is a stock exchange located in Dar es Salaam, incorporated in September 1996 and trading started in April 1998. The activities of the exchange are monitored and supervised by the Capital Market and Securities Authority (CMSA). The percentage shareholding of the Bank in DSE as at 31 December 2022 was 1.6% (2021: 1.6%).

Kilimanjaro Cooperative Bank Limited (KCBL) was registered under Cooperative Societies Act, 1991 (Revised in 2003 and 2013) and was granted banking license no. CBA 008 on 4th August 1995 to operate as a community bank in Kilimanjaro Region. The bank started operations on 10th July 1996, becoming the first Cooperative Bank in the country, 100% owned by Tanzanians. The bank's target market are individuals and cooperative societies including AMCOS and SACCOS.

The percentage shareholding of the Bank in KCBL as at 31 December 2022 was 51% (2021: 51%). CRDB Bank Plc have no control over KCBL.

Burundi National switch is a company limited by shares whose shareholders are the members of the Burundi Bankers Association and the Bank of Republic of Burundi. The percentage shareholding of the Group in Burundi National switch as at 31 December 2022 was 0.52% (2021: 0.52%).

The FVOCI designation was made because the investments are expected to be held for the long term for strategic purposes.

The Group did not receive dividend from its FVOCI equities in 2022 (2021: 38 million). The Bank did not dispose-off or derecognize any FVOCI equity instruments in 2022.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
29B EQUITY INVESTMENTS AT FVOCI (CONTINUED)

The Bank did not have any debt instruments measured at FVOCI which were pledged as collateral as at 31 December 2022 (2021: nil).

The fair value of unquoted equity investments (KCBL) is estimated using discounted cash flow techniques. The following methods and assumptions were used to estimate fair values:

- The cash flow projection of the investment for the remaining period has been considered as at 31 December 2022.
- A discount rate of 16% per annum as a weighted average lending rate and average Treasury bond rate between 2-5 years.

Investment	Number of shares	Value of shares (TZS' Million)
Tanzania Mortgage Refinance Company (TMRC)	3,000,000	4,866
Dar es Salaam Stock Exchange (DSE)	327,632	557
Burundi National Switch	10,000	113
Kilimanjaro Cooperative Bank (KCBL)*	1,400,000	6,108

* The shares held by the Group in KCBL are preference shares.

30 LOANS AND ADVANCES TO CUSTOMERS

GROUP

In TZS' Million

As at 31 December 2022	Stage 1	Stage 2	Stage 3	Total
Corporate	**2,904,920**	**170,534**	**109,430**	**3,184,884**
SME	**603,343**	**66,389**	**42,474**	**712,206**
Microfinance	**127,823**	**3,754**	**4,546**	**136,123**
Mortgage	**53,545**	**4,763**	**2,328**	**60,636**
Personal	**2,899,597**	**16,561**	**31,282**	**2,947,440**
Gross loans and advances to customers	**6,589,228**	**262,001**	**190,060**	**7,041,289**
Less: Provision for impairment	**(26,480)**	**(25,438)**	**(112,862)**	**(164,780)**
Net loans and advances to customers	**6,562,748**	**236,563**	**77,198**	**6,876,509**
As at 31 December 2021				
Corporate	1,842,800	210,471	86,876	2,140,147
SME	467,675	58,235	35,160	561,070
Microfinance	106,286	3,159	3,769	113,214
Mortgage	47,569	5,709	3,667	56,945
Personal	2,261,006	15,444	27,436	2,303,886
Gross loans and advances to customers	4,725,336	293,018	156,908	5,175,262
Less: Provision for impairment	(41,689)	(27,221)	(65,984)	(134,894)
Net loans and advances to customers	4,683,647	265,797	90,924	5,040,368

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
30 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

BANK

In TZS' Million

As at 31 December 2022	Stage 1	Stage 2	Stage 3	Total
Corporate	**2,860,070**	**170,366**	**107,250**	**3,137,686**
SME	**599,371**	**66,221**	**41,819**	**707,411**
Microfinance	**121,420**	**3,706**	**4,545**	**129,671**
Mortgage	**53,545**	**4,763**	**2,328**	**60,636**
Personal	**2,790,764**	**13,478**	**30,675**	**2,834,917**
Gross loans and advances to customers	**6,425,170**	**258,534**	**186,617**	**6,870,321**
Less: Provision for impairment	**(26,392)**	**(25,349)**	**(112,562)**	**(164,303)**
Net loans and advances to customers	**6,398,778**	**233,185**	**74,055**	**6,706,018**
As at 31 December 2021				
Corporate	1,795,322	209,722	86,726	2,091,770
SME	464,471	57,908	34,834	557,213
Microfinance	96,507	3,159	3,767	103,433
Mortgage	47,569	5,709	3,667	56,945
Personal	2,186,520	15,014	27,276	2,228,810
Gross loans and advances to customers	4,590,389	291,512	156,270	5,038,171
Less: Provision for impairment	(41,725)	(27,200)	(65,798)	(134,723)
Net loans and advances to customers	4,548,664	264,312	90,472	4,903,448

Despite the current macroeconomic and geopolitical uncertainties, credit portfolio performance has been relatively stable in the year 2022. There has been notable improvement in credit portfolio performance in the year 2022 compared to 2021 as evidenced by decrease in non-performing loan (NPL) ratio of 2.8% in December 2022 compared to 3.3% in December 2021. The Bank has attained this through establishing pro-active portfolio monitoring strategies through containment of migration, automatic identification of early warning signals and take corrective actions, strategic growth in portfolio with higher yield but lower credit risk such as consumer loans, de-risking strategy, timely restructuring of credit facilities to align with the anticipated cash flows and writing off accounts in line with BOT guidelines.

In 2022, the Group and Bank did not acquire a portfolio categorised as POCI.

The contractual amount outstanding on financial assets written off by the Bank as at 31 December 2022 and that are still subject to enforcement activity was TZS 42,338 million (2021: TZS 66,402 million).

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

30 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Maturity analysis

The maturity analysis is based on the remaining periods to contractual maturity from year end.

	GROUP		BANK	
In TZS' Million	2022	2021	2022	2021
- Maturity within 3 months	1,039,895	434,169	913,083	433,467
- Maturing after 3 months but within 12 months	1,257,138	652,671	1,134,392	645,717
- Maturity after 1 year	4,579,476	3,953,528	4,658,543	3,824,264
Net loans and advances to customers	**6,876,509**	5,040,368	**6,706,018**	4,903,448

Analysis by geographical location.

The Bank categorises loans and advances to customers into 6 regions of loan origination for the purpose of regulatory reporting to the Bank of Tanzania.

	GROUP		BANK	
In TZS' Million	2022	2021	2022	2021
Dar es Salaam zone	3,014,655	2,812,822	3,190,464	2,812,823
Mbeya zone	779,597	504,257	779,597	504,257
Lake zone	1,177,825	750,232	1,177,825	750,232
Zanzibar zone	599,866	463,847	599,866	463,847
Arusha zone	1,122,569	507,014	1,122,569	507,012
Burundi	346,777	137,090	-	-
Gross loans and advances to customers	**7,041,289**	5,175,262	**6,870,321**	5,038,171

The composition of the zones (as per Central Bank) is as follows:

Zone	Component Regions
Dar es Salaam zone	All Dar es Salaam branches
Lake zone	Kagera, Kigoma, Mara, Mwanza, Simiyu, Geita, Shinyanga,Tabora and Singida
Mbeya zone	Mbeya, Sumbawanga Njombe, Katavi, Rukwa, Ruvuma and Mbeya
Zanzibar zone	Coast, Unguja, Lindi, Morogoro and Mtwara
Arusha zone	Arusha, Kilimanjaro, Manyara,Tanga and Dodoma
Burundi zone	Bujumbura

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

30 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Analysis of impairment by industry;

	GROUP		BANK	
In TZS' Million	2022	2021	2022	2021
Agriculture	41,685	22,515	41,665	22,515
Building and Construction	4,739	4,566	4,736	4,566
Education	15,032	10,709	15,032	10,707
Financial Intermediaries	112	108	99	108
Hotels and restaurants	1,217	286	1,216	282
Manufacturing	272	6,035	264	6,035
Mortgage	1,989	2,397	1,989	2,397
Personal (Private)	43,283	56,578	42,976	56,576
Real Estate	16,769	4,709	16,766	4,705
Trade	23,046	12,395	22,944	12,297
Transport and Communication	8,472	12,918	8,461	12,879
Mining and quarrying	6,920	241	6,911	236
Others	1,246	1,438	1,244	1,420
Total loss allowance	**164,780**	134,894	**164,303**	134,723

Analysis of movement in the ECL;

In TZS' Million	Stage 1	Stage 2	Stage 3	Total
31 December 2022				
At 1 January 2022	41,689	27,221	65,984	134,894
Charge for the period	(15,209)	(1,783)	89,216	72,224
Write-offs	-	-	(42,338)	(42,338)
	26,480	25,438	112,862	164,780
31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
At 1 January 2021 (restated)	38,745	12,280	95,483	146,508
Charge for the period	2,944	14,941	36,903	54,788
Write-offs	-	-	(66,402)	(66,402)
	41,689	27,221	65,984	134,894

Impairment charge to profit or loss related to loans and advances to customers is broken down as follows;

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
30 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

GROUP

In TZS' Million	Stage 1	Stage 2	Stage 3	Total
31 December 2022				
Impairment charges for credit losses	**(15,209)**	**(1,783)**	**89,216**	**72,224**
Amount recovered during the year	**-**	**-**	**(12,907)**	**(12,907)**
Charge to profit or loss*	**15,209)**	(1,783)	**76,309**	**59,317**
31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Impairment charges for credit losses	2,944	14,941	36,903	54,788
Amount recovered during the year	-	-	(31,739)	(31,739)
Charge to profit or loss	2,944	14,941	5,164	23,049

Analysis of movement in the ECL;

BANK

In TZS' Million	Stage 1	Stage 2	Stage 3	Total
31 December 2022				
At 1 January 2022	**41,725**	**27,200**	**65,798**	**134,723**
Charge for the period	**(15,333)**	**(1,851)**	**88,645**	**71,461**
Write-offs	**-**	-	**(41,881)**	**(41,881)**
	26,392	**25,349**	**112,562**	**164,303**
31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
At 1 January 2021	38,731	12,279	95,127	146,137
Charge for the period	2,994	14,921	37,029	54,944
Write-offs	-	-	(66,358)	(66,358)
	41,725	27,200	65,798	134,723

Impairment charge to profit or loss related to loans and advances to customers is broken down as follows;

BANK

In TZS' Million	Stage 1	Stage 2	Stage 3	Total
31 December 2022				
Impairment charges for credit losses	**(15,333)**	**(1,851)**	**88,645**	**71,461**
Amount recovered during the year	**-**	**-**	**(12,904)**	**(12,904)**
Charge to profit or loss	**(15,333)**	**(1,851)**	**75,741**	**58,557**

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
30 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Impairment charge to profit or loss related to loans and advances to customers is broken down as follows;

BANK

In TZS' Million	Stage 1	Stage 2	Stage 3	Total
31 December 2021				
Impairment charges for credit losses	2,994	14,921	37,029	54,944
Amount recovered during the year	-	-	(31,717)	(31,717)
Charge to profit or loss	2,994	14,921	5,312	23,227

31 CREDIT LOSS EXPENSE

GROUP

In TZS' Million		Stage 1	Stage 2	Stage 3	Total
31 December 2022					
Loans and advances to customers	Note 30	**(15,209)**	**(1,783)**	**76,309**	**59,317**
Debt instruments*	Note 27	**117**	**-**	**-**	**117**
Placements with other banks	Note 25	**864**	-	**-**	**864**
Credit cards	Note 28	**411**	14	**10**	**435**
Off Balance sheet items	Note 32	**(298)**	**-**	**-**	**(298)**
		(14,110)	**(1,769)**	**76,129**	**60,435**
		Stage 1	**Stage 2**	**Stage 3**	**Total**
31 December 2021					
Loans and advances to customers	Note 30	2,944	14,941	5,164	23,049
Debt instruments*	Note 27	41	-	-	41
Placements with other banks	Note 25	(203)	-	-	(203)
Credit cards	Note 28	(682)	**-**	-	(682)
Off Balance sheet items	Note 32	1,050	**-**	-	1,050
		3,150	14,941	5,164	23,255

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

31 CREDIT LOSS EXPENSE (CONTINUED)

BANK

		Stage 1	Stage 2	Stage 3	Total
					In TZS' Million
31 December 2022					
Loans and advances to customers	Note 30	**(15,333)**	**(1,851)**	**75,741**	**58,557**
Debt instruments*	Note 27	**117**	**-**	**-**	**117**
Placements with other banks	Note 25	**864**	-	**-**	**864**
Credit cards	Note 28	**411**	14	**10**	**435**
Off Balance sheet items	Note 32	**(298)**	**-**	**-**	**(298)**
		(14,239)	**(1,837)**	**75,751**	**59,675**

		Stage 1	Stage 2	Stage 3	Total
31 December 2021					
Loans and advances to customers	Note 30	2,994	14,921	5,312	23,227
Debt instruments*	Note 27	41	-	-	41
Placements with other banks	Note 25	(203)	-	-	(203)
Credit cards	Note 28	(682)	-	-	(682)
Off Balance sheet items	Note 32	1,050	-	-	1,050
		3,200	14,921	5,312	23,433

*Includes ECL charge for debt instruments measured at FVOCI and debt instrument at amortized cost .

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

32 OFF BALANCE SHEET FINANCIAL ASSETS

An analysis of Off-balance sheet items based on internal rating are summarised as follows:

GROUP

	Stage 1	Stage 2	Stage 3	Total
				In TZS' Million
31 December 2022				
Internal rating grade				
Current	**3,716,964**	**-**	**-**	**3,254,562**
Especially mentioned	**-**	**58,705**	**-**	**58,705**
Sub-standard	**-**	**-**	**5,442**	**5,442**
Doubtful	**-**	**-**	**2,223**	**2,223**
Loss	**-**	**-**	**-**	**-**
Gross Carrying amount	**3,716,964**	**58,705**	**7,665**	**3,783,334**
Less: Allowance for ECL	**(643)**	**(213)**	**(64)**	**(920)**
Net Off Balance sheet financial assets	**3,716,321**	**58,492**	**7,601**	**3,782,414**

An analysis of movement of ECL in relation to off balance sheet is, as follows:

31 December 2022				In TZS' Million
As at 1 January 2022	**936**	**28**	**254**	**1,218**
Charge/(release) for the period	**(293)**	**185**	**(190)**	**(298)**
Loss allowance as at 31 December 2022	**643**	**213**	**64**	**920**

31 December 2021				In TZS' Million
Current	2,699,537	-	-	2,699,537
Especially mentioned	-	4,613	-	4,613
Sub-standard	-	-	32	32
Doubtful	-	-	993	993
Loss	-	-	24,361	24,361
Gross Carrying amount	2,699,537	4,613	25,386	2,729,536
Less: Allowance for ECL	(936)	(28)	(254)	(1,218)
Net Off Balance sheet financial assets	2,698,601	4,585	25,132	2,728,318

An analysis of movement of ECL in relation to off balance sheet is, as follows:

31 December 2021				In TZS' Million
As at 1 January 2021	88	13	67	168
Charge/(release) for the period	848	15	187	1,050
Loss allowance as at 31 December 2021	936	28	254	1,218

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
32 OFF BALANCE SHEET FINANCIAL ASSETS (CONTINUED)

An analysis of Off-balance sheet items based on internal rating are summarised as follows:

BANK

31 December 2022	Stage 1	Stage 2	Stage 3	Total
				In TZS' Million
Internal rating grade				
Current	3,643,847	-	-	3,643,847
Especially mentioned	-	58,705	-	58,705
Sub-standard	-	-	5,442	5,442
Doubtful	-	-	2,223	2,223
Loss	-	-	-	-
Gross Carrying amount	3,643,847	58,705	7,665	3,710,217
Less: Allowance for ECL	(643)	(213)	(64)	(920)
Net Off Balance sheet financial assets	3,643,204	58,492	7,601	3,709,297

An analysis of movement of ECL in relation to off balance sheet is, as follows:

31 December 2022				In TZS' Million
As at 1 January 2022	936	28	254	1,218
Charge/(release) for the period	(293)	185	(190)	(298)
Loss allowance as at 31 December 2022	643	213	64	920

BANK

31 December 2021	Stage 1	Stage 2	Stage 3	Total
				In TZS' Million
Internal rating grade				
Current	2,699,396	-	-	2,699,396
Especially mentioned	-	4,613	-	4,613
Sub-standard	-	-	32	32
Doubtful	-	-	993	993
Loss	-	-	24,361	24,361
Gross Carrying amount	2,699,396	4,613	25,386	2,729,395
Less: Allowance for ECL	(936)	(28)	(254)	(1,218)
Net Off Balance sheet financial assets	2,698,460	4,585	25,132	2,728,177

An analysis of movement of ECL in relation to off balance sheet is, as follows:

31 December 2021				In TZS' Million
As at 1 January 2021	88	13	67	168
Charge/(release) for the period	848	15	187	1,050
Loss allowance as at 31 December 2021	936	28	254	1,218

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
32 OFF BALANCE SHEET FINANCIAL ASSETS (CONTINUED)

An analysis of changes in the exposure amount in relation to financial guarantees is, as follows:

GROUP

31 December 2022	Stage 1	Stage 2	Stage 3	Total
				In TZS' Million
31 December 2022				
Exposure amount as at 1 January 2022	1,656,813	95	836	1,657,744
New exposure	800,947	-	-	800,947
Exposures derecognised/ matured	(1,007,967)	(95)	(14)	(1,008,076)
-Transfer to stage 1	-	-	-	-
-Transfer to stage 2	(20,636)	20,636	-	-
-Transfer to stage 3	(2,349)	-	2,349	-
Exposure amount as at 31 December 2022	1,426,808	20,636	3,171	1,450,615
Loss allowance as at 31 December 2022	265	48	19	332

An analysis of movement of ECL in relation to financial guarantee is, as follows:

31 December 2022	Stage 1	Stage 2	Stage 3	Total
				In TZS' Million
31 December 2022				
Loss allowance as at 1 January 2022	697	27	254	978
New exposure	298	-	-	298
Exposures derecognised/ matured	(663)	(27)	(254)	(944)
-Transfer to stage 1	-	-	-	-
-Transfer to stage 2	(48)	48	-	-
-Transfer to stage 3	(19)	-	19	-
Loss allowance as at 31 December 2022	265	48	19	332

An analysis of changes in the exposure amount in relation to financial guarantees is, as follows:

31 December 2021	Stage 1	Stage 2	Stage 3	Total
				In TZS' Million
31 December 2021				
Exposure amount as at 1 January 2021	1,221,638	-	-	1,221,638
New exposure	704,423	-	-	704,423
Exposures derecognised/ matured	(268,317)	-	-	(268,317)
-Transfer to stage 1	-	-	-	-
-Transfer to stage 2	(95)	95	-	-
-Transfer to stage 3	(836)	-	836	-
Exposure amount as at 31 December 2021	1,656,813	95	836	1,657,744
Loss allowance as at 31 December 2021	697	27	254	978

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
32 OFF BALANCE SHEET FINANCIAL ASSETS (CONTINUED)

An analysis of movement of ECL in relation to financial guarantee is, as follows:

31 December 2021	Stage 1	Stage 2	Stage 3	In TZS' Million Total
Loss allowance as at 1 January 2021	144	7	4	155
New exposure	875	-	-	875
Exposures derecognised/ matured	(41)	(5)	(6)	(52)
-Transfer to stage 1	-	-	-	-
-Transfer to stage 2	(25)	25	-	-
-Transfer to stage 3	(256)	-	256	-
Loss allowance as at 31 December 2021	697	27	254	978

An analysis of changes in the exposure amount in relation to financial guarantees is, as follows:

BANK

31 December 2022	Stage 1	Stage 2	Stage 3	In TZS' Million Total
Exposure amount as at 1 January 2022	**1,656,672**	**95**	**836**	**1,657,603**
New exposure	**800,617**	**-**	**-**	**800,617**
Exposures derecognised/ matured	**(1,008,000)**	**(95)**	**(14)**	**(1,008,109)**
-Transfer to stage 1	**-**	**-**	**-**	**-**
-Transfer to stage 2	**(20,636)**	**20,636**	**-**	**-**
-Transfer to stage 3	**(2,349)**	**-**	**2,349**	**-**
Exposure amount as at 31 December 2022	**1,426,304**	**20,636**	**3,171**	**1,450,111**
Loss allowance as at 31 December 2022	**265**	**48**	**19**	**332**

An analysis of movement of ECL in relation to financial guarantee is, as follows:

31 December 2022	Stage 1	Stage 2	Stage 3	In TZS' Million Total
Loss allowance as at 1 January 2022	**697**	**27**	**254**	**978**
New exposure	**298**	**-**	**-**	**298**
Exposures derecognised/ matured	**(663)**	**(27)**	**(254)**	**(944)**
-Transfer to stage 1	**-**	**-**	**-**	**-**
-Transfer to stage 2	**(48)**	**48**	**-**	**-**
-Transfer to stage 3	**(19)**		**19**	
Loss allowance as at 31 December 2022	**265**	**48**	**19**	**332**

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
32 OFF BALANCE SHEET FINANCIAL ASSETS (CONTINUED)

31 December 2021	Stage 1	Stage 2	Stage 3	In TZS' Million Total
Exposure amount as at 1 January 2021	1,221,272	-	-	1,221,272
New exposure	702,420	-	-	702,420
Exposures derecognised/ matured	(266,089)	-	-	(266,089)
-Transfer to stage 1	-	-	-	-
-Transfer to stage 2	(95)	95		
-Transfer to stage 3	(836)		836	
Exposure amount as at 31 December 2021	1,656,672	95	836	1,657,603
Loss allowance as at 31 December 2021	697	27	254	978

An analysis of movement of ECL in relation to financial guarantee is, as follows:

31 December 2021	Stage 1	Stage 2	Stage 3	In TZS' Million Total
Loss allowance as at 1 January 2021	144	7	4	155
New exposure	875	-	-	875
Exposures derecognised/ matured	(41)	(5)	(6)	(52)
-Transfer to stage 1	-	-	-	-
-Transfer to stage 2	(25)	25	-	-
-Transfer to stage 3	(256)	-	256	-
Loss allowance as at 31 December 2021	697	27	254	978

An analysis of changes in the exposure amount in relation to letters of credit is, as follows:

GROUP

31 December 2022	Stage 1	Stage 2	Stage 3	In TZS' Million Total
Exposure amount as at 1 January 2022	**802,779**	**-**	**-**	**802,779**
New exposure	**1,783,446**	**-**	**-**	**1,783,446**
Exposures derecognised/ matured	**(715,908)**	**-**	**-**	**(715,908)**
-Transfer to stage 1	**-**	**-**	**-**	**-**
-Transfer to stage 2	**(38,068)**	**38,068**	**-**	**-**
-Transfer to stage 3	**(4,494)**		**4,494**	
Exposure amount as at 31 December 2022	**1,827,755**	**38,068**	**4,494**	**1,870,317**
Loss allowance as at 31 December 2022	**378**	**165**	**45**	**588**

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
32 OFF BALANCE SHEET FINANCIAL ASSETS (CONTINUED)

An analysis of movement of ECL in relation to financial guarantee is, as follows:

				In TZS' Million
31 December 2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loss allowance as at 1 January 2022	240	-	-	240
New exposure	585	-	-	585
Exposures derecognised/ matured	(237)	-	-	(237)
-Transfer to stage 1	-	-	-	-
-Transfer to stage 2	(165)	165	-	-
-Transfer to stage 3	(45)	-	45	-
Loss allowance as at 31 December 2022	**378**	**165**	**45**	**588**

				In TZS' Million
31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Exposure amount as at 1 January 2021	136,830	-	-	136,830
New exposure	802,779	-	-	802,779
Exposures derecognised/ matured	(136,830)	-	-	(136,830)
-Transfer to stage 1	-	-	-	-
-Transfer to stage 2	-	-	-	-
-Transfer to stage 3	-	-	-	-
Exposure amount as at 31 December 2021	802,779	-	-	802,779
Loss allowance as at 31 December 2021	240	-	-	240

An analysis of movement of ECL in relation to letters of credit is, as follows:

				In TZS' Million
31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loss allowance as at 1 January 2021	14	-	-	14
New exposure	240	-	-	240
Exposures derecognised/ matured	(14)	-	-	(14)
-Transfer to stage 1	-	-	-	-
-Transfer to stage 2	-	-	-	-
-Transfer to stage 3	-	-	-	-
Loss allowance as at 31 December 2021	240	-	-	240

ECL for committment to extend credit has been included in the loans and advances

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
32 OFF BALANCE SHEET FINANCIAL ASSETS (CONTINUED)

An analysis of changes in the exposure amount in relation to Letter of credit is, as follows:

BANK

				In TZS' Million
31 December 2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Exposure amount as at 1 January 2022	802,779	-	-	802,779
New exposure	1,668,271	38,068	4,494	1,710,833
Exposures derecognised/ matured	(715,908)	-	-	(715,908)
-Transfer to stage 1	-	-	-	-
-Transfer to stage 2	(38,068)	38,068	-	-
-Transfer to stage 3	(4,494)	-	4,494	-
Exposure amount as at 31 December 2022	**1,755,142**	**38,068**	**4,494**	**1,797,704**
Loss allowance as at 31 December 2022	**378**	**165**	**45**	**588**

An analysis of movement of ECL in relation to financial guarantee is, as follows:

				In TZS' Million
31 December 2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loss allowance as at 1 January 2022	240	-	-	240
New exposure	576	-	-	576
Exposures derecognised/ matured	(228)	-	-	(228)
-Transfer to stage 1	-	-	-	-
-Transfer to stage 2	(165)	165	-	-
-Transfer to stage 3	(45)		45	
Loss allowance as at 31 December 2022	**378**	**165**	**45**	**588**

An analysis of changes in the exposure amount in relation to Letter of credit is, as follows:

				In TZS' Million
31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Exposure amount as at 1 January 2021	135,532	-	-	135,532
New exposure	802,779	-	-	802,779
Exposures derecognised/ matured	(135,532)	-	-	(135,532)
-Transfer to stage 1	-	-	-	-
-Transfer to stage 2	-	-	-	-
-Transfer to stage 3	-	-	-	-
Exposure amount as at 31 December 2021	802,779	-	-	802,779
Loss allowance as at 31 December 2021	240	-	-	240

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
32 OFF BALANCE SHEET FINANCIAL ASSETS (CONTINUED)

An analysis of movement of ECL in relation to letters of credit is, as follows:

31 December 2021	Stage 1	Stage 2	Stage 3	In TZS' Million Total
Loss allowance as at 1 January 2021	14	-	-	14
New exposure	240	-	-	240
Exposures derecognised/ matured	(14)	-	-	(14)
-Transfer to stage 1	-	-	-	-
-Transfer to stage 2	-	-	-	-
-Transfer to stage 3	-	-	-	-
Loss allowance as at 31 December 2021	240	-	-	240

An analysis of changes in the exposure amount in relation to commitment to extend credit is, as follows:

GROUP

31 December 202	Stage 1	Stage 2	Stage 3	In TZS' Million Total
Loss allowance as at 1 January 2022	**269,013**	**-**	**-**	**269,013**
New exposures	**462,402**	**-**	**-**	**462,402**
Exposures derecognised/ matured	**(269,013)**			**(269,013)**
Exposure amount as at 31 December 2022	**462,402**	**-**	**-**	**462,402**
Loss allowance as at 31 December 2022*	**-**	**-**	**-**	**-**

31 December 2021	Stage 1	Stage 2	Stage 3	In TZS' Million Total
Loss allowance as at 1 January 2021	209,180	-	-	209,180
New exposures	269,013	-	-	269,013
Exposures derecognised/ matured	(209,180)	-	-	(209,180)
Exposure amount as at 31 December 2021	269,013	-	-	269,013
Loss allowance as at 31 December 2021*	-	-	-	-

*ECL for commitment to extend cred credit has been included in the ECL for loans and advances

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

33 OTHER ASSETS

	GROUP		BANK	In TZS' Million
	2022	2021	**2022**	2021
Due from a related party (Note 55)	**-**	-	**7,385**	5,277
Receivable from mobile phone companies	**52,709**	75,019	**52,709**	75,019
Other receivables**	**97,569**	29,754	**96,299**	29,906
Less: Impairment	**(17,591)**	(15,174)	**(17,588)**	(15,141)
	132,687	89,599	**138,805**	95,061
Other Non-financial assets				
Advance payment for capital expenditure	**31,730**	29,616	**31,730**	29,240
Prepaid expenses	**78,922**	87,294	**75,567**	84,288
Bank card stock	**1,943**	2,072	**1,942**	2,072
Stationery stock	**1,542**	2,351	**1,542**	2,351
	114,137	121,333	**110,781**	117,951
Total	**246,824**	210,932	**249,586**	213,012

***** Impairment of other financial assets is determined based on the expected credit loss model under IFRS 9.

**Within 'Other receivables', includes receivables of fees and commissions of TZS 3,685 million (2021: TZS 1,514 million) which represent the Bank's right to an amount of consideration that is unconditional, only the passage of time is required before payment of the consideration is due. These are measured at amortised cost and subject to the impairment provisions of IFRS 9. As at 31 December 2022, the impairment provisions which relates to these receivable is TZS 882 million (2021: TZS 552 million).

As at 31 December 2022 the Group had no contract assets (2021: Nil)

All other assets are current.

MATURITY ANALYSIS

GROUP

	2022		2021	In TZS' Million
	Within 3 months	3 -12 months	Within 3 months	3 -12 months
31 December				
Receivable from mobile phone companies	**52,709**	**-**	75,019	-
Other receivables	**97,569**	**-**	29,754	-
Less: Provision for impairment	**(17,591)**	**-**	(15,174)	-
	132,687	**-**	89,599	-

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

33 OTHER ASSETS (CONTINUED)

BANK

	2022		2021	In TZS' Million
	Within 3 months	3 -12 months	Within 3 months	3 -12 months
31 December				
Due from a related party (Note 55)	**7,385**	**-**	5,277	
Receivable from mobile phone companies	**52,709**	**-**	75,019	-
Other receivables	**96,299**	**-**	29,906	-
Less: Provision for impairment	**(17,588)**	**-**	(15,141)	-
	138,805	**-**	95,061	-

Movement in provision for impairment on other assets is as shown below:

	GROUP		BANK	In TZS' Million
	2022	2021	2022	2021
At 1 January	**15,174**	25,730	**15,141**	25,557
Increase during the year	**4,709**	2,380	**4,710**	2,520
Write-offs	**(2,292)**	(12,936)	**(2,263)**	(12,936)
At 31 December	**17,591**	15,174	**17,588**	15,141

Historical loss rate used for the ECL Simplified Approach:

The Bank has used a simplified approach to estimate the ECL for receivables in scope of IFRS 9. The simplified approach used requires the bank to derive the loss rate after considering the payments received in respect to at least prior 12 months receivables. That being the case; ECL for the period as at December 2022 is based on the payments that the bank has received in the year 2022 in respect to December 2021 receivables and forward-looking information.

Given the short term nature of other receivables management has assessed that the impact of macro -economic and geopolitical uncertainties is insignificant on ECL measurement.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

33 OTHER ASSETS (CONTINUED)

An analysis of other assets based on internal rating are summarised as follows:

GROUP

31 December 2022	Stage 1	Stage 2	Stage 3	Total (In TZS' Million)
Internal rating grade				
Current	**140,764**	**-**	**-**	**140,764**
Especially mentioned	**-**	**1,656**	**-**	**1,656**
Sub-standard	**-**	**-**	**876**	**876**
Doubtful	**-**	**-**	**1,662**	**1,662**
Loss	**-**	**-**	**5,320**	**5,320**
Gross Carrying amount	**140,764**	**1,656**	**7,858**	**150,278**
Less: Allowance for ECL	**(11,815)**	**(19)**	**(5,757)**	**(17,591)**
Net Carrying amount	**128,949**	**1,637**	**2,101**	**132,687**

An analysis of other assets based on internal rating are summarised as follows:

GROUP

31 December 2021	Stage 1	Stage 2	Stage 3	Total (In TZS' Million)
Internal rating grade				
Current	88,492	-	-	88,492
Especially mentioned	-	4,938	-	4,938
Sub-standard	-	-	955	955
Doubtful	-	-	2,520	2,520
Loss	-	-	7,868	7,868
Gross Carrying amount	88,492	4,938	11,343	104,773
Less: Allowance for ECL	(3,495)	(336)	(11,343)	(15,174)
Net Carrying amount	84,997	4,602	-	89,599

BANK

31 December 2022	Stage 1	Stage 2	Stage 3	Total
Current	**146,879**	**-**	**-**	**146,879**
Especially mentioned	**-**	**1,656**	**-**	**1,656**
Sub-standard	**-**	**-**	**876**	**876**
Doubtful	**-**	**-**	**1,662**	**1,662**
Loss	**-**	**-**	**5,320**	**5,320**
Gross Carrying amount	**146,879**	**1,656**	**7,858**	**156,393**
Less: Allowance for ECL	**(11,812)**	**(19)**	**(5,757)**	**(17,588)**
Net Carrying amount	**135,067**	**1,637**	**2,101**	**138,805**

BANK

31 December 2021	Stage 1	Stage 2	Stage 3	Total
Current	93,921	-	-	93,921
Especially mentioned	-	4,938	-	4,938
Sub-standard	-	-	955	955
Doubtful	-	-	2,520	2,520
Loss	-	-	7,868	7,868
Gross Carrying amount	93,921	4,938	11,343	110,202
Less: Allowance for ECL	(3,462)	(336)	(11,343)	(15,141)
Net Carrying amount	90,459	4,602	-	95,061

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
33 OTHER ASSETS (CONTINUED)

An analysis of changes in the gross carrying amount in relation to other financial assets is as follows:

GROUP

31 December 2022	Stage 1	Stage 2	Stage 3	Total
Exposure amount as at 1 January 2022	**88,492**	**4,938**	**11,343**	**104,773**
New exposures	**185,680**	**2,505**	**4,486**	**192,672**
Exposures derecognised/ matured	**(133,408)**	**(5,787)**	**(5,679)**	**(144,875)**
Write- off	**-**	**-**	**(2,292)**	**(2,292)**
Exposure amount as at 31 December 2022	**140,764**	**1,656**	**7,858**	**150,278**
Loss allowance	**11,815**	**19**	**5,757**	**17,591**

An analysis of changes in the ECL amount in relation to other financial assets is as follows:

31 December 2022				
Exposure amount as at 1 January 2022	**3,495**	**336**	**11,343**	**15,174**
New exposures	**8,060**	**(384)**	**(3,611)**	**(4,065)**
Exposures derecognised/ matured	**260**	**67**	**288**	**615**
Write- off	**-**	**-**	**(2,263)**	**(2,263)**
Loss allowance as at 31 December 2022.	**11,815**	**19**	**5,757**	**17,591**

An analysis of changes in the gross carrying amount in relation to other financial assets is as follows:

GROUP

31 December 2021				
Exposure amount as at 1 January 2021	94,772	6,841	18,905	120,518
New exposures	89,332	4,874	19,465	113,672
Exposures derecognised/ matured	(95,612)	(6,777)	(14,091)	(116,481)
Write offs	-	-	(12,936)	(12,936)
Exposure amount as at 31 December 2021	88,492	4,938	11,343	104,773
Loss allowance	3,495	336	11,343	15,174

An analysis of changes in the ECL amount in relation to other financial assets is as follows:

Loss allowance as at 1 January 2021	7,353	218	18,158	25,729
New exposures	966	263	8,631	9,860
Exposures derecognised/ matured	(4,824)	(145)	(2,510)	(7,479)
Write off	-	-	(12,936)	(12,936)
Loss allowance as at 31 December 2021	3,495	336	11,343	15,174

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
33 OTHER ASSETS (CONTINUED)

An analysis of changes in the gross carrying amount in relation to other financial assets is as follows:

BANK

				In TZS' Million
31 December 2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Exposure amount as at 1 January 2022	**93,921**	**4,938**	**11,343**	**110,202**
New exposures	**186,366**	**2,505**	**4,457**	**193,329**
Exposures derecognised/ matured	**(133,408)**	**(5,787)**	**(5,679)**	**(144,875)**
Write off	**-**	**-**	**(2,263)**	**(2,263)**
Exposure amount as at 31 December 2022	**146,879**	**1,656**	**7,858**	**156,393**
Loss allowance	**11,812**	**19**	**5,757**	**17,588**

An analysis of changes in the ECL amount in relation to other financial assets is as follows:

31 December 2022				
Exposure amount as at 1 January 2022	**3,462**	**336**	**11,343**	**15,141**
New exposures	**8,610**	**143**	**500**	**9,253**
Exposures derecognised/ matured	**(260)**	**(460)**	**(3,823)**	**(4,543)**
Write- off	**-**	**-**	**(2,263)**	**(2,263)**
Loss allowance as at 31 December 2022	**11,812**	**19**	**5,757**	**17,588**

An analysis of changes in the gross carrying amount in relation to other financial assets is as follows:

31 December 2021				
Exposure amount as at 1 January 2021	96,305	6,841	18,904	122,050
New exposures	93,228	4,874	19,466	117,569
Exposures derecognised/ matured	(95,612)	(6,777)	(14,091)	(116,481)
Write off	-	-	(12,936)	(12,936)
Exposure amount as at 31 December 2021	93,921	4,938	11,343	110,202
Loss allowance	3,462	336	11,343	15,141

An analysis of movement of ECL in relation to other assets is, as follows:

31 December 2021				
Loss allowance as at 1 January 2021	7,353	218	18,158	25,729
Change in the loss allowance				
-Transfer to stage 1	-	-	-	-
-Transfer to stage 2	(263)	263	-	-
-Transfer to stage 3	(8,631)	-	8,631	-
New exposures	9,827	-	-	9,827
Exposures derecognised/ matured	(4,824)	(145)	(2,510)	(7,479)
Write off	-	-	(12,936)	(12,936)
Loss allowance as at 31 December 2021	3,462	336	11,343	15,141

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

34 INVESTMENT IN SUBSIDIARIES

	Incorporation	Held %	2022 TZS' Million	2021 TZS' Million
CRDB Bank Burundi S.A	Burundi	100%	**21,583**	21,583
CRDB Insurance broker	Tanzania	100%	**100**	100
			21,683	21,683

- CRDB Bank Burundi S.A is a licensed bank in Burundi under the Banks and Financial Institutions Act, 2003 of the Republic of Burundi.
- CRDB Insurance Broker Limited is engaged in providing insurance brokerage Services.
- The countries of incorporation are also their principal place of business.
- All subsidiaries are unlisted and have the same financial statement date (31 December) as the parent. The investment in the subsidiaries includes the cost of shares and other initial payments made for the subsidiaries.
- The subsidiaries listed above have share capital consisting solely of ordinary shares.
- During the year, there were no significant judgements and assumptions made in determining the Bank's interest in the subsidiaries.
- There are no protective rights of the subsidiaries which can significantly restrict the parent from accessing or using the assets and settling the liabilities of the Group.
- There are no contingent liabilities relating to the Bank's interest in the subsidiaries during the year.
- During the year, the Group had no structured entity.

Restrictions

- During the year there were no significant restrictions (statutory, contractual, or regulatory) of a parent or its subsidiaries to transfer cash or other assets to or from other entities within a Group.
- There were no guarantees or other requirements that could restrict dividends and other capital distributions being paid, or loans and advances being made or repaid, to (or from) other entities within the group.
- There are no protective rights of non-controlling interests that can significantly restrict the entity's ability to access or use the assets and settle the liabilities of the Group.

35 NON-CURRENT ASSETS HELD FOR SALE

In TZS' Million	GROUP 2022	GROUP 2021	BANK 2022	BANK 2021
Land and Equipment				
Carrying value as at 1 January	**16,600**	16,600	**16,600**	16,600
Additions	**-**	-	**-**	-
Carrying value as at 31 December	**16,600**	16,600	**16,600**	16,600

- The repossessed asset was classified has held for sale after management assessment that it cannot be used under normal operations of the Group.
- Fair value of collateral repossessed as at the year-end is TZS 16.6bn and was determined based on the offered price by the counterparty net of selling cost. This has been classified as level II in the fair value hierarchy. The key input used is the offered price and management does not expect the final selling price to differ significant from the offered price.
- Sale of the property is expected to be completed before the end of December 2023.
- There is no impairment or reversal recorded against the non-current assets held for sale. There were no additions during the year.
- It is the Group's policy to dispose-off repossessed properties on the open market, at fair market value. The proceeds are used to reduce or repay the outstanding claim.
- Once disposed, the gain or loss will be presented within "other operating income" on the face of the Income Statement.
- The net carrying amounts of the repossessed asset (TZS 16.6bn) is included in the corporate segment.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

36A MOTOR VEHICLES AND MOBILE BRANCHES

In TZS' Million	GROUP 2022	GROUP 2021	BANK 2022	BANK 2021
Cost				
At 1 January	**26,865**	21,308	**25,540**	20,071
Additions	**1,944**	6,339	**1,944**	6,049
Disposals	**(1,045)**	(782)	**(1,045)**	(580)
Exchange differences	**294**	-	**-**	-
At 31 December	**28,057**	26,865	**26,597**	25,540
Depreciation				
At 1 January	**(6,180)**	(3,244)	**(5,725)**	(2,823)
Charge for the year	**(3,467)**	(3,314)	**(3,328)**	(3,170)
Disposals	**370**	378	**370**	268
At 31 December	**(9,277)**	(6,180)	**(8,683)**	(5,725)
Net book value	**18,780**	20,685	**17,911**	19,815

- The Group's Mobile branches and Motor vehicles were last revalued on 2021 by independent valuers Coswil Consult Ltd and M & R Agency Limited, respectively. The valuers are registered and licensed to conduct valuation. The valuation, which conforms to International Valuation Standards, was determined by comparative method, and the valuation approach adopted was depreciated replacement cost, alternatively secondhand markets were visited, and comparable sales taken note. The valuation done was because the NPV of the valued assets was below market value and the assets are in use and based on assessment done the assets are expecting to have long life.
- Replacement method, is based on the rationale that value of vehicle involves the estimation of the cost as if it were new, using the comparison method or the available data. The amount of depreciation and obsolescence is then estimated and deducted from the cost of new vehicle to arrive at the depreciated replacement cost. The resultant figure is now the depreciated replacement cost, which in our case is equated to the market value/fair Value.
- The valuation techniques used are the same as those use in previous years.
- Based on management assessment the impact of fair value changes during the year is insignificant.

If motor vehicles and mobile branches were stated on the historical basis, the amount would be as follows;

In TZS' Million	GROUP 2022	GROUP 2021	BANK 2022	BANK 2021
Cost	**48,344**	47,446	**45,532**	44,634
Accumulated depreciation	**(43,281)**	(41,281)	**(46,333)**	(38,369)
Net book value	**2,251**	6,165	**2,011**	6,265

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
36A MOTOR VEHICLES AND MOBILE BRANCHES (CONTINUED)

Non-financial assets measured at fair value

In TZS' Million

	GROUP		BANK	
	2022	2021	**2022**	2021
Fair value hierarchy – Level 3				
At 1 January	**20,685**	18,064	**19,815**	17,248
Exchange rate difference	**293**	(10)	**-**	-
Purchases	**1,944**	6,339	**1,944**	6,049
Disposals	**(675)**	(394)	**(381)**	(312)
Depreciation charge	**(3,467)**	(3,314)	**(3,467)**	(3,170)
Net book value	**18,780**	20,685	**17,911**	19,815

- As at 31 December 2022, the Group had neither restriction on title nor property and equipment pledged as security for liabilities (2021: Nil).
- There were no capitalized borrowing costs related to the acquisition of property. plant and equipment during the year ended 31 December 2022 (2021: Nil).
- There were no idle assets as at 31 December 2022 (2021: Nil).
- As at 31 December 2022, contractual commitment for the acquisition of property, plant and equipment amount of TZS 1,923 million (2021: TZS 12,317 million) Note 54.
- There were no property, plant and equipment acquired during the year through business combinations.
- During the year there was no revaluation for Motor vehicles and mobile branches.
- There were no other changes under property, plant and equipment during the year.
- As at 31 December 2022, management has assessed impairment of motor vehicles and mobile branches, there were no impairment recognised or reversed during the year.
- There is no material difference between the fair value of PPE and the carrying amounts as per cost model.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
36B PROPERTY AND EQUIPMENT

GROUP

In TZS' Million

31 December 2022	Land & buildings	Leasehold improvement	Office equipment	Computer equipment	Smartcard equipment	Security equipment	Work in Progress*	Total
Cost								
At 1 January	212,094	105,103	118,444	97,326	74,914	12,907	5,124	625,912
Additions	4,410	3,562	9,677	13,651	6,793	3,477	3,952	45,552
Reclassification	491	1,405	250	115	6	1,619	(4,656)	(770)
Disposals	-	(3,260)	(5168)	(5,685)	(1,705)	(122)	-	(15,940)
Exchange rate difference**	-	212	107	(4)	(9)	(121)	(39)	146
At 31 December	216,995	107,022	123,310	105,403	79,999	17,760	4,411	654,900
Depreciation								
At 1 January	(28,195)	(63,409)	(78,352)	(55,843)	(36,478)	(6,079)	-	(268,356)
Charge for the year	(3,013)	(7,835)	(14,866)	(12,619)	(7,610)	(2,123)	-	(48,066)
Reclassification	(6)	(36)	43	-	226	-	-	227
Disposal	-	2,278	5,073	5,660	1,705	70	-	14,786
At 31 December	(31,214)	(69,002)	(88,102)	(62,802)	(42,157)	(8,132)	-	(301,409)
Net book value	185,781	38,020	35,208	42,601	37,842	9,628	4,411	353,491

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
36B PROPERTY AND EQUIPMENT (CONTINUED)

GROUP

In TZS' Million

31 December 2021	Land & buildings	Leasehold improvement	Office equipment	Computer equipment	Smartcard equipment	Security equipment	Work in Progress*	Total
At 1 January	81,953	100,802	95,905	71,334	67,796	8,105	154,281	580,176
Additions	3,853	6,898	15,060	16,122	13,234	3,815	4,908	63,890
Reclassification	126,288	1,864	11,043	12,079	41	2,733	(154,048)	-
Disposals	-	(3,919)	(3,394)	(2,179)	(6,144)	(1,745)	-	(17,381)
Exchange rate difference**	-	(542)	(170)	(30)	(13)	(1)	(17)	(773)
At 31 December	212,094	105,103	118,444	97,326	74,914	12,907	5,124	625,912
Depreciation								
At 1 January	(26,011)	(59,293)	(68,832)	(48,872)	(34,976)	(6,545)	-	(244,529)
Charge for the year	(2,174)	(7,734)	(12,892)	(9,137)	(7,659)	(1,279)	-	(40,862)
Reclassification	(10)	10	-	-	-	-	-	-
Disposal	-	3,608	3,372	2,166	6,144	1,745	-	17,035
At 31 December	(28,195)	(63,409)	(78,352)	(55,843)	(36,478)	(6,079)	-	(268,356)
Net book value	183,900	41,694	40,092	41,483	38,436	6,828	5,124	357,556

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
36B PROPERTY AND EQUIPMENT (CONTINUED)

BANK

In TZS' Million

31 December 2022	Land & buildings	Leasehold improvement	Office equipment	Computer equipment	Smartcard equipment	Security equipment	Work in Progress*	Total
At 1 January	203,142	99,632	114,856	96,466	74,377	12,907	4,603	605,983
Additions	4,410	3,562	8,987	13,529	6,497	3,364	2,465	42,814
Reclassification	491	1,678	250	115	7	1,619	(4,317)	(157)
Disposals	-	(3,260)	(5,168)	(5,685)	(1,705)	(122)	-	(15,940)
At 31 December	208,043	101,612	118,925	104,425	79,176	17,768	2,751	632,700
Depreciation								
At 1 January	(19,242)	(67,715)	(75,437)	(55,233)	(36,237)	(6,079)	-	(259,943)
Charge for the year	(3,013)	(7,420)	(14,675)	(12,546)	(7,525)	(2,131)	-	(47,310)
Reclassification	(6)	(36)	42	-	204	-	-	204
Disposals	-	2,278	5,073	5,660	1,705	70	-	14,786
At 31 December	(22,261)	(72,893)	(84,997)	(62,119)	(41,853)	(8,140)		(292,263)
Net book value	185,782	28,719	33,928	42,306	37,323	9,628	2,751	340,437

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
36B PROPERTY AND EQUIPMENT (CONTINUED)

BANK

31 December 2021	Land & buildings	Leasehold improvement	Office equipment	Computer equipment	Smartcard equipment	Security equipment	Work in Progress*	Total
								In TZS' Million
Cost								
At 1 January	73,000	95,392	91,689	70,509	67,252	8,103	154,085	560,030
Additions	3,854	6,678	14,964	16,022	13,230	3,814	4,546	63,108
Reclassification	126,288	1,321	11,596	12,049	39	2,735	(154,028)	-
Disposals	-	(3,759)	(3,393)	(2,114)	(6,144)	(1,745)	-	(17,155)
At 31 December	203,142	99,632	114,856	96,466	74,377	12,907	4,603	605,983
Depreciation								
At 1 January	(17,034)	(64,036)	(66,107)	(48,306)	(34,796)	(6,545)	-	(236,824)
Charge for the year	(2,198)	(7,116)	(12,722)	(9,041)	(7,585)	(1,279)	-	(39,941)
Reclassification	(10)	10	-	-	-	-	-	
Disposals	-	3,427	3,392	2,114	6,144	1,745	-	16,822
At 31 December	(19,242)	(67,715)	(75,437)	(55,233)	(36,237)	(6,079)	-	(259,943)
Net book value	183,900	31,917	39,419	41,233	38,140	6,828	4,603	346,040

* Work in progress relates to the Bank's buildings under construction and other PPE.
** Net exchange differences arising on the translation of financial statement of CRDB Burundi (BIF) into the presentation currency (TZS).

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FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
36B PROPERTY AND EQUIPMENT (CONTINUED)

- As of 31 December 2022, the Group had neither restriction on title nor property and equipment pledged as security for liabilities (2021: Nil).
- There were no capitalized borrowing costs related to the acquisition of property. plant and equipment during the year ended 31 December 2022 (2021: Nil).
- There were no idle assets as at 31 December 2022 (2021: Nil).
- As at 31 December 2022, contractual commitment for the acquisition of property, plant and equipment amount of TZS 1,923 million (2021: TZS 12,317 million) Note 54.
- There were no property, plant and equipment acquired during the year through business combinations.
- There were no other changes under property, plant and equipment during the year.
- As at 31 December 2022, management has assessed impairment of property, plant and equipment, there were no impairment recognised or reversed during the year.
- There is no material difference between the fair value of PPE and the carrying amounts as per cost model.

37 RIGHT-OF-USE OF ASSETS

	GROUP 2022	GROUP 2021	BANK 2022	BANK 2021
				In TZS' Million
At 1 January	**69,589**	53,815	**68,598**	52,730
Additions	**3,414**	20,709	**3,414**	20,803
Derecognition	**(21,751)**	(4,935)	**(21,751)**	(4,935)
At 31 December	**51,252**	69,589	**50,261**	68,598
Depreciation				
At 1 January	**(34,234)**	(26,137)	**(33,659)**	(25,738)
Charge for the year	**(9,499)**	(13,041)	**(9,312)**	(12,856)
Derecognition	**21,751**	4,935	**21,751**	4,935
Exchange rate difference	**17**	9	**-**	-
At 31 December	**(21,965)**	(34,234)	**21,220**	(33,659)
Net book value	**29,287**	35,355	**29,041**	34,939

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

The Right-of-use of assets relates to leases of office spaces at carrying amount.

38 PREPAID OPERATING LEASES

	GROUP		BANK	In TZS' Million
	2022	2021	**2022**	2021
Cost prepaid				
At 1 January	**11,992**	11,992	**11,992**	11,992
Disposal	**(146)**	-	**(146)**	-
At 31 December	**11,846**	11,992	**11,846**	11,992
Amortization				
At 1 January	**(2,262)**	(1,964)	**(2,262)**	(1,964)
Charge for the year	**(278)**	(298)	**(278)**	(298)
At 31 December	**(2,540)**	(2,262)	**(2,540)**	(2,262)
Net book value	**9,306**	9,730	**9,306**	9,730

Prepaid operating leases relates to advance payments made for the right of occupancy of various portions of leasehold land where the Bank has its business premises.

39 INTANGIBLES ASSETS

	GROUP		BANK	In TZS' Million
	2022	2021	**2022**	2021
Cost				
At 1 January	**78,774**	84,084	**74,171**	79,859
Additions	**25,667**	4,449	**25,496**	3,863
Write-off	**(1,576)**	(9,867)	**(1,576)**	(9,551)
Exchange rate difference**	**(30)**	108	**-**	-
At 31 December	**102,835**	78,774	**98,091**	74,171
Amortization				
At 1 January	**(53,600)**	(54,058)	**(49,998)**	(50,666)
Charge for the year	**(9,608)**	(9,005)	**(9,377)**	(8,795)
Reclassification adjustment	**-**	(88)	**-**	(88)
Write-off	**1,173**	9,551	**1,173**	9,551
At 31 December	**(62,035)**	(53,600)	**58,202**	(49,998)
Net book value At 31 December	**40,800**	25,174	**39,889**	24,173

All intangible assets are in use.

Intangible assets relate to computer software used by the Group. Fully amortized intangible assets with gross value TZS 44,266 million (2021: TZS 17,773 million) are still in use. The notional amortization charge would have been TZS 8,853 million (2021: TZS 3,554 million). Some fully depreciated software's are; PSQL, SAP system, OPICS system, TI Plus, Custody and investment system, Video conference system, and ATM monitoring system.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

39 INTANGIBLES ASSETS (CONTINUED)

- As at 31 December 2022, included in intangible assets is the Core Banking system which is material with carrying amount of TZS 6,654 million (2021: TZS 8,650 million) with remaining amortization period of four (3) years.
- No intangible asset was pledged as security for liabilities as at 31 December 2022.
- There also no restrictions other than those outlined in the software license.
- As at 31 December 2022, there were no significant intangible assets controlled by the Group which have not been recognized as assets.
- There was no internally developed software during the year or 2021.
- There were no intangible assets acquired during the year through business combinations.
- No revaluation of intangible assets was done during the year.
- Write off related to intangible assets (software) that were decommissioned during the year and the full carrying value were write off. Based on management assessment there were no any other intangible assets, that was impaired as at year end.
- During the year there were no intangible assets assessed as having indefinite useful life.
- There were no intangible assets acquired by way of a government grants during the year.
- As at 31 December 2022, there were no contractual commitments for the acquisition of intangible assets.
- As at 31 December 2022, there were no significant intangible assets controlled by the Group which have not been recognized as assets.

**Net exchange differences arising on the translation of financial statement of a subsidiary – CRDB Burundi (BIF) into the presentation currency (TZS).

40 DEFERRED INCOME TAX

Deferred income tax is calculated on all temporary differences under the liability method using a principal tax rate of 30%. The movement on the deferred income tax account is as follows:

	GROUP		BANK	In TZS' Million
	2022	2021	**2022**	2021
At 1 January	**41,130**	48,639	**41,138**	48,647
(Debit)/ Credit to profit or loss				
In respect to current year (Note 21a)	**12,563**	(10,658)	**12,313**	(10,658)
Under provision in prior year (Note 21a)	**(375)**	1,058	**(339)**	1,058
(Debit)/ Credit to OCI				
Charge to other comprehensive income*	**(1,369)**	2,091	**(1,369)**	2,091
At 31 December	**51,949**	41,130	**51,743**	41,138

*Charge to other comprehensive income includes;

Tax related to Debt instrument at FVOCI	**(1,016)**	2,915	**(1,016)**	2,915
Tax related to equity instrument at FVOCI	**(353)**	(824)	**(353)**	(824)
	1,369	2,091	**1,369**	2,091

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

Deferred income tax asset/(liability) is attributed to the following items:

In TZS' Million	GROUP		BANK	
	2022	2021	**2022**	2021
Accelerated capital allowance	**(18,733)**	(16,126)	**(18,728)**	(16,109)
Other provisions	**24,192**	22,149	**23,979**	22,140
ECL related to loans and advances	**43,977**	31,494	**43,977**	31,494
Deferred income	**12,223**	11,463	**12,223**	11,463
Leases	**515**	515	**515**	515
Unrealised (gain)/ loss on debt instrument at fair value through OCI	**(18,267)**	(17,251)	**(18,267)**	(17,251)
Unrealised (gain)/loss on equity instrument at fair value through OCI	**(399)**	(46)	**(399)**	(46)
ECL day 1 adjustment - IAS 39 to IFSR9 transition	**8,441**	8,932	**8,441**	8,932
	51,949	41,130	**51,743**	41,138
Expected to be recovered within 12months	**4,574**	3,623	**4,556**	3,622
Expected to be recovered after 12months	**47,375**	37,507	**47,187**	37,516
	51,949	41,130	**51,743**	41,138

41 DEPOSITS FROM CUSTOMERS

In TZS' Million	GROUP		BANK	
	2022	2021	**2022**	2021
Current and demand accounts	**4,107,066**	3,045,460	**3,690,185**	2,810,441
Savings accounts	**2,685,222**	2,394,585	**2,621,628**	2,349,779
Term/call deposits	**1,408,105**	1,049,569	**1,365,862**	993,700
	8,200,393	6,489,614	**7,677,675**	6,153,920
Current deposits	**8,082,287**	6,306,263	**7,561,470**	5,970,569
Non-current deposits	**118,106**	183,351	**116,205**	183,351
	8,200,393	6,489,614	**7,677,675**	6,153,920

Savings accounts, term/call deposits and some current and demand deposits are interest bearing accounts. These interest-bearing customer deposit accounts carry variable interest rates.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

41 DEPOSITS FROM CUSTOMERS (CONTINUED)

Maturity analysis

GROUP

In TZS' Million	On demand	Within 3 months	3 -12 months	Over 1 year	Total
31 December 2022					
Current and demand accounts	**4,107,066**	**-**	**-**	**-**	**4,107,066**
Savings account	**2,685,222**	**-**	**-**	**-**	**2,685,222**
Term/call deposits	**150,792**	**527,039**	**612,167**	**118,106**	**1,408,105**
	6,943,080	**527,039**	**612,167**	**118,106**	**8,200,393**

In TZS' Million	On demand	Within 3 months	3 -12 months	Over 1 year	Total
31 December 2021					
Current and demand accounts	3,045,460	-	-	-	3,045,460
Savings account	2,394,585	-	-	-	2,394,585
Term/call deposits	164,638	441,602	259,978	183,351	1,049,569
	5,604,683	441,602	259,978	183,351	6,489,614

Maturity analysis

BANK

In TZS' Million	On demand	Within 3 months	3 -12 months	Over 1 year	Total
31 December 2022					
Current and demand accounts	**3,690,185**	**-**	**-**	**-**	**3,690,185**
Savings account	**2,621,628**	**-**	**-**	**-**	**2,621,628**
Term/call deposits	**150,792**	**504,058**	**594,806**	**116,205**	**1,365,862**
	6,462,606	**504,058**	**594,806**	**116,205**	**7,677,675**

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

41 DEPOSITS FROM CUSTOMERS (CONTINUED)

BANK

In TZS' Million

	On demand	Within 3 months	3 -12 months	Over 1 year	Total
31 December 2021					
Current and demand accounts	2,810,441	-	-	-	2,810,441
Savings account	2,349,779	-	-	-	2,349,779
Term/call deposits	164,638	401,298	244,413	183,351	993,700
	5,324,858	401,298	244,413	183,351	6,153,920

42 DEPOSITS AND BALANCES DUE TO OTHER BANKS

In TZS' Million

	GROUP 2022	GROUP 2021	BANK 2022	BANK 2021
Deposits from banks	**1,127,369**	715,202	**1,103,605**	682,948

All deposits from banks are current.

43A OTHER LIABILITIES

In TZS' Million

	GROUP 2022	GROUP 2021	BANK 2022	BANK 2021
Bills payable	**1,404**	1,766	**769**	725
Dividend payable	**11,304**	9,206	**11,304**	9,206
Accrued expenses	**48,071**	45,077	**46,565**	43,881
Deferred income*	**42,301**	39,245	**40,744**	38,210
Outstanding credits	**2,288**	2,911	**2,288**	2,909
Unclaimed customer balances	**29,849**	20,083	**29,831**	20,016
ECL Off-balance sheet items(Note 32)	**920**	1,218	**920**	1,218
Other payables	**45,534**	30,962	**45,546**	31,449
	181,671	150,468	**177,967**	147,614

- Bills payable represents Banker's cheques issued to customers that have not yet been presented for payment.
- Dividend payable represents uncollected dividends by the Bank's shareholders.
- Outstanding credits represent suspended customer balances while their Bank accounts are in the process of being opened.
- Other liabilities are expected to be settled within no more than 12 months after the reporting date.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

43A OTHER LIABILITIES (CONTINUED)

CONTRACT LIABILITIES (DEFFERED INCOME) *

In TZS' Million

	GROUP 2022	GROUP 2021	BANK 2022	BANK 2021
At 1 January	**39,245**	33,279	**38,210**	32,524
Additional	**12,412**	17,162	**11,890**	16,799
Revenue recognised	**(9,356)**	(11,196)	**(9,356)**	(11,113)
At 31 December	**42,301**	39,245	**40,744**	38,210

Contract liabilities are unearned fees and commissions which relates to various services offered by the Bank.

Revenue recognized during the year that was included in the opening balance is TZS 3,346 million (2021: TZS 1,430 million) for the Group, and TZS 3,346 million (2021: TZS 1,430 million) for the Bank.

43B LEASE LIABILITIES

The Group leases various branch premises and offices under non-cancellable lease agreements. The lease terms are between 1 and 7 years, and most lease agreements are renewable at the end of the lease period at market rate. No arrangements have been entered into for contingent rental payments, and no restrictions have been imposed by these lease arrangements.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are considered in the lease term when there is reasonable certainty that those options will be exercised. The assessment of reasonable certainty is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee

The carrying amounts of lease liabilities and the movement during the year is shown below:

In TZS' Million

	GROUP 2022	GROUP 2021	BANK 2022	BANK 2021
As at 1 January	**37,676**	29,618	**37,120**	28,688
Additions	**3,414**	20,803	**3,414**	20,801
Interest expense	**1,979**	2,331	**1,952**	2,278
Interest paid	**(1,979)**	(2,331)	**(1,952)**	(2,278)
Principal paid	**(9,075)**	(12,745)	**(8,880)**	(12,369)
Other movements	**(578)**	-	**(498)**	-
At 31 December	**31,437**	37,676	**31,156**	37,120

The Group had total cash outflows for leases of TZS 11,054 million (2021: TZS 15,076 million)

The following are the minimum lease payment commitments considered under IFRS 16 Relating to recognised liabilities.

In TZS' Million

	GROUP 2022	GROUP 2021	BANK 2022	BANK 2021
Present value of minimum lease commitment	**31,437**	37,676	**31,156**	37,120
Future finance costs	**52,554**	8,689	**52,044**	5,689
Minimum lease commitments	**83,991**	46,365	**83,200**	42,809
Total lease commitments	**83,991**	46,365	**83,200**	42,809

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
43B LEASE LIABILITIES (CONTINUED)

The maturity analysis for the lease liability is as follows;

	GROUP		BANK	
In TZS' Million	2022	2021	2022	2021
Within three Months	-	2,859	-	2,859
Within one Year	**2,099**	7,547	**2,089**	7,547
After One Year	**81,892**	35,959	**81,111**	32,403
Total lease commitments	**83,991**	46,365	**83,200**	42,809

	GROUP		BANK	
In TZS' Million	2022	2021	2022	2021
Current	**952**	1,017	**948**	1,017
Non – Current	**30,485**	36,659	**30,208**	36,103
	31,437	37,676	**31,156**	37,120

The maturity analysis of the lease liabilities on an undiscounted basis is set out in the liquidity risk section of note 10.4.4.

44 PROVISIONS OF LEGAL CLAIMS

	GROUP		BANK	
In TZS' Million	2022	2021	2022	2021
Provision for litigation				
At 1 January	**2,679**	4,218	**2,679**	4,218
Additional provisions	**2,639**	753	**2,639**	753
Amount paid in the year	**(3,738)**	(2,292)	**(3,738)**	(2,292)
At 31 December	**1,580**	2,679	**1,580**	2,679

A Group recognised provision when it has a present obligation because of a past event and it is probable that a transfer of economic benefits will be required to settle the obligation. Further, a reliable estimate of the amount of the obligation is required to be made.

When the Bank can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Bank records a provision against the case. Where the probability of outflow is remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed.

However, when the Bank is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Bank does not include detailed, case-specific disclosers in its financial statements.

Various assumptions are therefore required to determine if a provision is required to be recognised, and further, the carrying amount thereof. With regards to the assessment of matters of a significant nature, including potential litigation and claims, management relies on the advice of the Group's legal counsel.

Given the subjectivity and uncertainty of determining the probability and amount of losses, the Bank considers several assumptions concerning future events including;

- legal advice,
- the stage of the matter and
- historical evidence from similar incidents.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
44 PROVISIONS OF LEGAL CLAIMS (CONTINUED)

As at year end, there were several pending legal cases where the Bank was a defendant. Provision has been made for legal cases where professional advice indicates that it is probable that loss will arise. The directors have considered it probable that the unfavourable outcome of these cases to the Bank could result into an estimated loss of TZS 1,580 million (2021:TZS 2,679 million). For cases whose outcomes are uncertain, contingent liabilities have been considered as disclosed in Note 53.

Base on the nature of such disputes the outcome and expected timing of resulting outflows of economic benefits from settlement of these cases is uncertain.

The opinion of those charged with governance after taking proper legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided as at 31 December 2022.

In the year ending 31 December 2022, the company did not expect any reimbursement from the amount provided (2021: NIL).

45 GRANTS

	GROUP		BANK	
In TZS' Million	2022	2021	2022	2021
At 1 January	**4,730**	6,132	**4,730**	6,132
Grant amount utilised	**(1,718)**	(1,402)	**(1,718)**	(1,402)
At 31 December	**3,012**	4,730	**3,012**	4,730

45.1 FSDT GRANTS

At 1 January	**2,826**	3,659	**2,826**	3,659
Grant amount utilised	**(786)**	(833)	**(786)**	(833)
At 31 December	**2,040**	2,826	**2,040**	2,826

On 26 May 2008, CRDB Bank Plc signed a four-year funding agreement with Financial Sector Deepening Trust of Tanzania (FSDT) amounting to USD 3,806,500 as a grant for strengthening of the Bank's microfinance partner institutions and increase outreach.

The grant was utilized to construct service centres and purchase mobile branches.

There are no conditions attached to the grant during the year.

45.2 MIVARF ASSET GRANT

	GROUP		BANK	
In TZS' Million	2022	2021	2022	2021
At 1 January	**1,904**	2,473	**1,904**	2,473
Grant amount utilised	**(932)**	(569)	**(932)**	(569)
At 31 December	**972**	1,904	**972**	1,904

On 2 January 2013, the Group signed a six-year funding agreement with Marketing Infrastructure, Value Addition and Rural Finance Support Programme (MIVARF) amounting to USD 4,000,008 as a grant for improving/ strengthening and developing access to financial services on a sustainable basis to rural micro and small-scale entrepreneurship activities that will lead to increased productivities in rural areas. The grant was utilized to construct service centres and purchase mobile branches.

This grant expired in 2019. The outstanding amount relates to deferred grant which is being amortized in line with corresponding depreciation for the respective PPE.

There are no conditions attached to the grant during the year.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

46 BORROWINGS

In TZS' Million	GROUP 2022	GROUP 2021	BANK 2022	BANK 2021
At 1 January	**197,862**	238,054	**197,862**	238,054
Additional	**349,880**	20,970	**349,880**	20,970
Interest charge	**28,727**	12,563	**28,727**	12,563
Interest paid	**(24,663)**	(14,201)	**(24,663)**	(14,201)
Repayment	**(59,202)**	(59,450)	**(59,202)**	(59,450)
Exchange rate differences	**(1,327)**	(74)	**(1,327)**	(74)
At 31 December	**491,277**	197,862	**491,277**	197,862
Current	**63,906**	58,251	**63,906**	58,251
Non-current	**427,371**	139,611	**427,371**	139,611
	491,277	197,862	**491,277**	197,862

The Group and Bank has not had any defaults of principal, interest, or other breaches regarding borrowings during 2022 or 2021.

46.1 AFDB BORROWING

In TZS' Million	GROUP 2022	GROUP 2021	BANK 2022	BANK 2021
At 1 January	**106,603**	142,410	**106,603**	142,410
Loan repaid during the year	**(35,004)**	(34,579)	**(35,004)**	(34,579)
Interest charge for the year	**6,725**	5,512	**6,725**	5,512
Interest paid in the year	**(5,172)**	(6,666)	**(5,172)**	(6,666)
Foreign exchange difference	**(1,327)**	(74)	**(1,327)**	(74)
At 31 December	**71,825**	106,603	**71,825**	106,603

During the year, the Bank and AFDB signed a Senior Credit line agreement of USD 10 Million for a period of eight years, aiming at supporting Bank's initiatives to grow women owned enterprises. The facility comes along with Technical Assistance to enhance the Bank's capacity to reach efficiently reach out to more women owned enterprises

Whereas in April 2017 the Bank received USD 90 Million a Long term loan facility signed with Bank in November 2016 with an expected maturity in August 2024. The fund was provided for financing infrastructure projects and utilize at least 25% of the proceeds on lending activities to Small and Medium-sized Enterprises (SME) in key economic sectors of the Tanzanian economy including agriculture, construction, transport, and services. The Bank has been performing well by meeting all her obligations with the lender, inclusive of timely interest settlement.

As at 31 December 2022, the Group and Bank were compliant with all the lender's covenants.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

46 BORROWINGS (CONTINUED)

46.2 EIB BORROWING

In TZS' Million	GROUP 2022	GROUP 2021	BANK 2022	BANK 2021
At 1 January	**42,382**	65,590	**42,382**	65,590
Interest charge for the year	**3,117**	4,342	**3,117**	4,342
Interest paid in the year	**(3,740)**	(4,879)	**(3,740)**	(4,879)
Principal repayment during the year	**(23,603)**	(23,671)	**(23,603)**	(23,671)
At 31 December	**18,156**	42,382	**18,156**	42,382

The Bank entered into a facility agreement with European Investment Bank (EIB) for a senior credit line of Euro 55 million converted to TZS from initial recognition in 2016. The disbursement happened into two tranches Euro 40.2 million (TZS 97.5 billion) and Euro 14.8 million (TZS 38 billion) received on August 2016 and December 2018, respectively. These funds were earmarked for Mid-caps and SMEs in the country.

The facility is for the period of up to 8 years with an expected maturity of April 2024.

As at 31 December 2022, the Group and Bank were compliant with all the lender's covenants.

46.3 TMRC BORROWING

In TZS' Million	GROUP 2022	GROUP 2021	BANK 2022	BANK 2021
At 1 January	**27,085**	27,085	**27,085**	27,085
Interest charge for the year	**2,183**	2,205	**2,183**	2,205
Interest paid in the year	**(2,191)**	(2,205)	**(2,191)**	(2,205)
At 31 December	**27,077**	27,085	**27,077**	27,085

The Bank signed a master finance agreement with Tanzania Mortgage Refinance Company (TMRC) in 2014, to support growth in the Bank's mortgage portfolio. As at 31 December the Bank had an outstanding loan of TZS 27 Billion which is fully deployed to the mortgage portfolio.

As at 31 December 2022, the Group and Bank were compliant with all the lender's covenants.

46.4 TIB BORROWING

In TZS' Million	GROUP 2022	GROUP 2021	BANK 2022	BANK 2021
At 1 January	**822**	1,969	**822**	1,969
Interest charge for the year	**60**	85	**60**	85
Interest paid in the year	**(79)**	(32)	**(79)**	(32)
Principal repayment during the year	**(595)**	(1,200)	**(595)**	(1,200)
At 31 December	**208**	822	**208**	822

The loan is for 9 years with initial interest rate of 8.62% which is to be revised after every six months. On 15 March 2017, the Bank received additional instalment of TZS 399.5 million in favour of Andoya Hydro power. There is no collateral pledged to secure these loans. The Bank complied with all terms and conditions of each of the agreements during the year and there were no any defaults on either principal or interest of loan payable.

As at 31 December 2022, the Group and Bank were compliant with all the lender's covenants.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
46 BORROWINGS (CONTINUED)

46.5 NBC BORROWING

				In TZS' Million
	GROUP		BANK	
	2022	2021	2022	2021
At 1 January	**20,970**	-	**20,970**	-
Amount received	**-**	20,970	**-**	20,970
Interest charge for the year	**2,516**	419	**2,516**	419
Interest paid in the year	**(1,462)**	(419)	**(1,462)**	(419)
At 31 December	**22,024**	20,970	**22,024**	20,970

The Borrowing from NBC Tanzania successfully followed invitation and agreement with NBC Bank to Risk participation arrangement (RPA) of TZS 20.97 Billion (equivalent to USD 9 million) for on-lending to the Agricultural sector. The facility has a fixed interest of 12% with an expected maturity on August 2025.

As at 31 December 2022, the Group and Bank were compliant with all the lender's covenants.

46.6 PROPACO

				In TZS' Million
	GROUP		BANK	
	2022	2021	2022	2021
At 1 January	**-**	32,407	**-**	32,407
Loan received during the year	**116,680**		**116,680**	
Interest charge for the year	**4,528**	1,591	**4,528**	1,591
Interest paid in the year	**(3,340)**	(3,998)	**(3,340)**	(3,998)
Principal repayment	**-**	(30,000)	**-**	(30,000)
At 31 December	**117,868**	**-**	**117,868**	-

The Bank signed a Senior facility agreement of USD 50 Million with Société De Promotion Et De Participation Pour La Coopération Économique S.A. (PROPARCO). This is a three years' facility aiming at supporting Bank's initiatives towards Small and Medium Enterprises with a special focus on the Micro enterprises.

To further enhance Bank's capacity, the facility comes along with Technical Assistance as well as with Portfolio guarantees offered to the tune of Euro 26.5 Million covering support on the key areas of common interest for the two institutions Micro Women Businesses and Enterprises as well as Micro, Small and Medium Enterprises affected by COVID

As at 31 December 2022, the Group and Bank were compliant with all the lender's covenants.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
46 BORROWINGS (CONTINUED)

46.7 IFC

				In TZS' Million
	GROUP		BANK	
	2022	2021	2022	2021
At 1 January	**-**	-	**-**	-
Loan received during the year	**233,200**	-	**233,200**	-
Interest charge for the year	**9,598**	-	**9,598**	-
Interest paid in the year	**(8,679)**	-	**(8,679)**	-
Principal repayment	**-**	-	**-**	-
At 31 December	**234,119**	**-**	**234,119**	-

In August 2022, the Bank received a disbursement of USD 100 Million from International Finance Corporations (IFC), a five years' facility per the agreement signed between the two institutions in June 2022. The facility aims at supporting Bank's lending program to Eligible Sub-borrowers through Eligible Sub-loans in response to the COVID-19 pandemic as well as SME and Women-Owned SME eligible sub-borrowers.

As at 31 December 2022, the Group and Bank were compliant with all the lender's covenants.

47 SUBORDINATED DEBT-AFDB

				In TZS' Million
	GROUP		BANK	
	2022	2021	2022	2021
At 1 January	**-**	32,407	**-**	32,407
Loan received during the year	**116,597**		**116,597**	
Interest charge for the year	**6,982**	1,591	**6,982**	1,591
Interest paid in the year	**(2,920)**	(3,998)	**(2,920)**	(3,998)
Principal repayment	**-**	(30,000)	**-**	(30,000)
Foreign exchange difference	**83**	-	**83**	-
At 31 December	**120,742**	-	**120,742**	-
Current	**4,145**	-	**4,145**	-
Non-current	**116,597**	-	**116,597**	-
	120,742	-	**120,742**	-

In February 2022, the Bank received a disbursement of USD 50Million a subordinated USD term facility from African Development Bank (AfDB) per the facility agreement signed in November 2021. The facility is for a period of seven years with a five years' grace period. The facility is geared towards augmenting the Bank's capital base to enable it to expand its operations in East and Central African regions particularly providing finance in the agriculture, manufacturing, and trade sectors as well as SME's and local corporates.

As at 31 December 2022, the Group and Bank were compliant with all the lender's covenants.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

48 NET DEBT RECONCILIATION

The analysis and movement of the net debt is, as follows:

In TZS' Million	GROUP		BANK	
	2022	2021	2022	2021
Lease Liability	**31,437**	37,676	**31,156**	37,120
Borrowings	**491,277**	197,862	**491,277**	197,862
Subordinated Debts	**120,742**	-	**120,742**	-
Net debt	**643,456**	235,538	**643,175**	234,982

Reconciliation of movements of liabilities to cash flows arising from financing activities

GROUP 31 DECEMBER 2022 (In TZS' Million)	Lease Liability	Borrowings	Subordinated Debts	Total
Balance as at 1st January 2022	**37,676**	**197,862**	**-**	**235,538**
Changes from financing cashflows				
Borrowings received	**-**	**349,880**	**116,597**	**466,477**
Repayment of borrowings	**-**	**(59,224)**	**-**	**(59,224)**
Repayment of subordinated debt	**-**	**-**	**-**	**-**
Principal payment on lease liabilities	**(9,075)**	**-**	**-**	**(9,075)**
Total changes from financing cash flows	**(9,075)**	**290,656**	**116,597**	**398,178**
The effect of changes in foreign exchange rates	**-**	**(1,326)**	**-**	**(1,326)**
Other changes				
Liability-related				
Interest Charge	**(1,979)**	**28,672**	**7,065**	**33,758**
Interest paid	**(1,979)**	**(24,587)**	**2,920**	**(23,646)**
Total liability-related other changes	**2,836**	**-**	**-**	**2,836**
Balance at 31 December 2022	**31,437**	**491,277**	**120,742**	**643,456**

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

48 NET DEBT RECONCILIATION (CONTINUED)

GROUP 31 DECEMBER 2021 (In TZS' Million)	Lease Liability	Borrowings	Subordinated Debts	Total
Balance as at 1st January 2021	29,618	238,054	32,407	300,079
Changes from financing cashflows				
Borrowings received	-	20,970	-	20,970
Repayment of borrowings	-	(59,450)	-	(59,450)
Repayment of subordinated debt	-	-	(30,000)	(30,000)
Principal payment on lease liabilities	(12,745)	-	-	(12,745)
Total changes from financing cash flows	(12,745)	(38,480)	(30,000)	(81,226)
The effect of changes in foreign exchange rates	-	(74)	-	(74)
Other changes				
Liability-related				
Interest charge	2,331	12,563	1,591	16,485
Interest paid	(2,331)	(14,201)	(3,998)	(20,530)
Total liability-related other changes	20,803	-	-	20,803
Balance at 31 December 2021	37,676	197,862	-	235,538

Reconciliation of movements of liabilities to cash flows arising from financing activities

BANK 31 DECEMBER 2022 (In TZS' Million)	Lease Liability	Borrowings	Subordinated Debts	Total
Balance as at 1st January 2022	**37,120**	**197,862**	**-**	**234,982**
Changes from financing cashflows				
Borrowings received	**-**	**349,880**	**116,597**	**466,477**
Repayment of borrowings	**-**	**(59,224)**	**-**	**(59,224)**
Repayment of subordinated debt	**-**	**-**	**-**	**-**
Principal payment on lease liabilities	**(8,880)**	**-**	**-**	**(8,880)**
Total changes from financing cash flows	**(8,880)**	**290,656**	**116,597**	**398,373**
The effect of changes in foreign exchange rates	**-**	**(1,326)**	**-**	**(1,326)**
Other changes				
Liability-related				
Interest charge	**1,952**	**28,672**	**7,065**	**37,689**
Interest paid	**(1,952)**	**(24,587)**	**2,920**	**(23,619)**
Total liability-related other changes	**2,916**	**-**	**-**	**2,916**
Balance at 31 December 2022	**31,156**	**491,277**	**120,742**	**643,175**

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
48 NET DEBT RECONCILIATION (CONTINUED)

BANK				In TZS' Million
31 DECEMBER 2021	Lease Liability	Borrowings	Subordinated Debts	Total
Balance as at 1st January 2021	28,688	238,054	32,407	299,149
Changes from financing cashflows				
Borrowings received	-	20,970	-	20,970
Repayment of borrowings	-	(59,450)	-	(59,450)
Repayment of subordinated debt	-	-	(30,000)	(30,000)
Principal payment on lease liabilities	(12,369)	-	-	(12,369)
Total changes from financing cash flows	(12,369)	(38,480)	(30,000)	(80,849)
The effect of changes in foreign exchange rates	-	(74)	-	(74)
Other changes	-	-	-	-
Liability-related	-	-	-	-
Interest charge	2,278	12,563	1,591	16,432
Interest paid	(2,278)	(14,201)	(3,998)	(20,477)
Total liability-related other changes	20,801	-	-	(20,801)
Balance at 31 December 2021	37,120	197,862	-	234,982

49 SHARE CAPITAL

				In TZS' Million
	GROUP		BANK	
	2022	2021	**2022**	2021
Authorized				
4,000,000,000 ordinary shares of TZS 25 each	**100,000**	100,000	**100,000**	100,000
Issued and fully paid				
2,611,838,584 (2021: 2,611,838,584) ordinary shares of TZS 25 each				
Number of shares				
At 1 January	**2,612**	2,612	**2,612**	2,612
Issued shares	**-**	-	**-**	-
At 31 December	**2,612**	2,612	**2,612**	2,612
Value of shares				
At 1 January	**65,296**	65,296	**65,296**	65,296
Issued shares	**-**	-	**-**	-
At 31 December	**65,296**	65,296	**65,296**	65,296

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
50 RESERVES

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at Annual General Meetings of the Company. For the time being, there is no any restriction which has been attached to the ordinary shares of the company.

Share premium

Share premium represents the surplus of market price over the nominal value of the shares issued, comprising the rights issue and Initial Public offering (IPO).

Retained earnings

Retained earnings consist of profits generated by a company that was not distributed to shareholders as dividend but reinvested in business.

Regulatory reserve

The Group's general banking reserves represents the excess of Bank of the Republic of Burundi (BRB) provisions over IFRS provisions. These reserves do form part of Tier 2 capital. This is a non-distributable reserve

Translation reserve

Translation reserve represents exchange differences arising from translation of the financial performance and position of a subsidiary company that has a functional currency different from the Group's presentation currency. This is a non-distributable reserve.

Legal provision reserve

This represents five percent of net profit which is set aside in compliance with the Burundi company law for CRDB Bank Burundi SA.

Revaluation reserve is made up of periodic adjustment arising from the fair valuation of motor vehicles and mobile branches, net of related deferred taxation and fair valuation of debt and equity instruments at fair value through OCI financial assets and liabilities. The reserve is not available for distribution to the shareholders.

The revaluations reserve movements for the Group are as shown below:

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

50 RESERVES (CONTINUED)

GROUP

In TZS' Million	Motor vehicles and mobile branches	Debt instrument at fair value through OCI	Equity instrument at fair value through OCI	Total
31 December 2022				
At 1 January	**3,018**	**41,092**	**(635)**	**43,475**
Increase/(decrease) during the year	**-**	**2,370**	**700**	**3,070**
Release to retained earnings (net of deferred tax)	**(534)**	**-**	**-**	**(534)**
At 31 December	**2,484**	**43,462**	**65**	**46,011**
31 December 2021				
At 1 January	4,232	42,794	(1,802)	45,224
Increase/(decrease) during the year	-	(1,702)	1,167	(535)
Release to retained earnings (net of deferred tax)	(1,214)	-	-	(1,214)
At 31 December	3,018	41,092	(635)	43,475

The revaluations reserve movements for the Bank are as shown below:

BANK

In TZS' Million	Motor vehicles and mobile branches	Debt instrument at fair value through OCI	Equity instrument at fair value through OCI	Total
31 December 2022				
At 1 January	**3,018**	**41,092**	**(635)**	**43,475**
Increase/(decrease) during the year	**-**	**2,370**	**700**	**3,070**
Release to retained earnings (net of deferred tax)	**(534)**	**-**	**-**	**(534)**
At 31 December	**2,484**	**43,462**	**65**	**46,011**
31 December 2021				
At 1 January	4,232	42,794	(1,802)	45,224
Increase/(decrease) during the year	-	(1,702)	1,167	(535)
Release to retained earnings (net of deferred tax)	(1,214)	-	-	(1,214)
At 31 December	3,018	41,092	(635)	43,475

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

51 ANALYSIS OF CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following balances with less than three months maturity from the date of acquisition.

In TZS' Million	GROUP 2022	GROUP 2021	BANK 2022	BANK 2021
Cash in hand (Note 24)	**379,554**	311,717	**367,218**	304,998
Balances with Central bank (Note 24)	**213,197**	345,630	**107,663**	332,731
Due from banks (Note 25)	**695,699**	494,545	**699,815**	444,113
	1,288,450	1,151,892	**1,174,696**	1,081,842

52 FINANCIAL INSTRUMENTS BY CATEGORY

GROUP

TZS' Million	Amortised cost	At fair value through OCI	At fair value through PL	Total
At 31 December 2022				
Financial assets				
Cash and balances with Central bank	**982,435**	-	-	**982,435**
Due from banks	**693,506**	-	-	**693,506**
Financial assets at FVPL	**23,703**	-	-	**23,703**
Debt instruments at FVOCI	**-**	**786,118**	-	**786,118**
Loans and advances to customers	**6,876,509**	-	-	**6,876,509**
Debt instruments at amortised cost	**1,483,968**	-	-	**1,483,968**
Credit cards	**1,248**	-	-	**1,248**
Equity investment	**-**	**11,644**	**2,291**	**13,935**
Other assets	**132,687**	**-**	**-**	**132,687**
	10,194,056	**797,762**	**2,291**	**10,994,109**

GROUP

TZS' Million	Amortised cost	At fair value through OCI	At fair value through PL	Total
At 31 December 2021				
Financial assets				
Cash and balances with Central bank	888,698	-	-	888,698
Due from banks	493,216	-	-	493,216
Financial assets at FVPL	-	-	27,097	27,097
Debt instruments at FVOCI	-	424,160	-	424,160
Loans and advances to customers	5,040,368	-	-	5,040,368
Debt instruments at amortised cost	1,202,593	-	-	1,202,593
Credit cards	1,844	-	-	1,844
Equity investment	-	10,595	2,886	13,481
Other assets	89,599	-	-	89,599
	7,716,318	434,755	29,983	8,181,056

*Other assets (excludes prepayments, stock, and advanced payment for capital expenditure as they are not financial assets).

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
52 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Financial liabilities at amortised cost

In TZS' Million	2022	2021
Deposits from banks	**1,127,369**	715,202
Deposits customers	**8,200,393**	6,489,623
Other liabilities*	**138,450**	110,005
Subordinated debt	**120,742**	-
Borrowings	**491,277**	197,862
	10,078,231	7,512,692

*Other liabilities (excludes deferred income and ECL of off-balance sheet as they are not financial liabilities).

BANK

TZS' Million	Amortised cost	At fair value through OCI	At fair value through PL	Total
At 31 December 2022				
Financial assets				
Cash and balances with Central bank	**864,565**	**-**	**-**	**864,565**
Due from banks	**711,979**	**-**	**-**	**711,979**
Financial assets at FVPL	**17,417**	**-**	**-**	**17,417**
Debt instruments at FVOCI	**-**	**786,118**	**-**	**786,118**
Loans and advances to customers	**6,706,018**	**-**	**-**	**6,706,018**
Debt instruments at amortized cost	**1,148,248**	**-**	**-**	**1,148,248**
Credit cards	**1,248**	**-**	**-**	**1,248**
Equity investment	**-**	**11,531**	**2,291**	**13,822**
Other assets*	**138,805**	**-**	**-**	**138,805**
	9,588,280	**797,649**	**2,291**	**10,388,220**
At 31 December 2021				
Cash and balances with Central bank	869,079	-	-	869,079
Due from banks	442,784	-	-	442,784
Financial assets at FVPL	-	-	20,807	20,807
Debt instruments at FVOCI	-	424,160	-	424,160
Loans and advances to customers	4,903,448	-	-	4,903,448
Debt instruments at amortized cost	1,001,563	-	-	1,001,563
Credit cards	1,844	-	-	1,844
Equity investment	-	10,479	2,886	13,365
Other assets*	95,061	-	-	95,061
	7,313,379	434,639	23,693	7,772,111

*Other assets (excludes prepayments, stock, and advanced payment for capital expenditure as they are not financial assets).

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
52 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

In TZS' Million	2022	2021
Financial liabilities at amortised cost		
Deposits from banks	**1,103,605**	682,948
Deposits customers	**7,677,675**	6,153,929
Other liabilities*	**136,302**	108,186
Lease liabilities	**31,156**	37,120
Subordinated debt	**120,742**	-
Borrowings	**491,277**	197,862
	9,560,757	7,180,045

*Other liabilities (excludes deferred income and ECL of off-balance sheet as they are not financial liabilities).

53 CONTINGENT LIABILITY

In TZS' Million	GROUP		BANK	
	2022	2021	**2022**	2021
Guarantees and indemnities	**1,450,615**	1,657,774	**1,450,111**	1,657,603
Letters of credit	**1,870,317**	802,779	**1,797,704**	802,779
Commitment to extend credit	**462,402**	269,013	**462,402**	269,013
Legal claims	**43,688**	37,749	**43,688**	37,749
	3,827,022	2,767,285	**3,757,905**	2,767,144

Letters of credit are commitments by the Bank to make payments to third parties, on production of agreed documents on behalf of customers and are reimbursed by the customers. Guarantees and indemnities are generally issued by the Bank, on behalf of customers, to guarantee customers to third parties. The Bank will only be required to meet these obligations in the event of default by the customer.

The Group and Bank is, in the normal course of business involved in several court cases and tax disputes with the revenue authorities. The Group has taken appropriate legal measures to defend its position. Appropriate provisions have been made by the Group for the liabilities arising as disclosed in Note 44. Contingent liabilities arise for cases for which the outcome cannot be reliably determined as at the date of signing these financial statements.

For events, whose outcomes are uncertain the Group considers contingent liabilities given the subjectivity and uncertainty of determining the probability and amount of losses. The Group considers several factors including legal advice, the stage of the matter and historical evidence from similar incidents.

In the year ending 31 December 2022, the company did not expect any reimbursement from the amount provided (2021: NIL).

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

54 COMMITMENTS AND LEASES

54.1 Commitments

	GROUP		BANK	In TZS' Million
	2022	2021	2022	2021
Commitments to extend credit	**462,402**	269,013	**462,402**	269,013
Capital commitments				
Authorized and contracted for	**28,343**	46,204	**28,343**	46,204
Authorized and not yet contracted for	**18,628**	16,019	**18,628**	4,367
	46,976	62,223	**46,976**	50,571

Group capital commitments authorised and contracted for are in respect of the following projects;

- *Ongoing system development projects mainly Core banking TZS 18,900 million,*
- *New Enterprise Service Bus (ESB) & Migration TZS 1,371 million,*
- *AML & Fraud Management System TZS 476 million,*
- *Agency Banking Platform TZS 1,017 million,*
- *New Treasury Management System, New Enterprise Email and Collaboration Platform TZS 83 million,*
- *Reconciliation system TZS 214 million and New Card Management system TZS 4,193 million,*
- *Smart branch TZS 1,923 million.*

54.2 Leasing Arrangements

Group as lessee

The Group has entered commercial leases for various office spaces including ATMs lobbies. The leases have an average life of between three (3) and ten (10) years. The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

- *The lease agreements do not impose any covenants, however leased assets may not be used as security for borrowing purposes.*
- *There are no restrictions placed upon the lessee by entering into these lease agreements.*
- *During the year, the Group had no sale and leaseback transactions.*
- *There were no leases which were not yet commenced to which the Group was committed during the year.*
- *There were no variable lease payments during the year.*
- *There were no residual value guarantees during the year.*
- *The Group had no short-term leases or leases of low-value assets during the year (2021: Nil).*

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

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

54 COMMITMENTS AND LEASES (CONTINUED)

54.2 Leasing Arrangements (Continued)

31 December 2022	1-5 years	Over 5 years	In TZS' Million Total
Extension options not to be exercised	**44**	**101**	**145**
Termination options expected to be exercised	**-**	**-**	**-**
	44	**101**	**145**
31 December 2021			
Extension options not to be exercised	673	5	678
Termination options expected to be exercised	-	-	-
	673	5	678

During the year, no concessions were given in terms of rent payments from Landlords.

Group and Bank as lessor

The Group and Bank acts as lessor of the land and building. These leases have an average contract lease of between three and six months with no renewal option included in the contracts. There are no restrictions placed upon the lessee by entering these leases.

Rental income recognised by the Group during the year is TZS 92 million (2021: TZS 47 million). The rental income includes TZS 19.7 million (2021: TZS 19.7 million) resulted from subleasing of the right of use assets.

Future minimum lease payments under non-cancellable operating leases as at 31 December were, as follows;

	2022	In TZS' Million 2021
Within one year	**92**	47
After one year	**-**	-
	92	47

The above lease arrangements are mainly to the bank's staff on short term basis. The Bank has an option to terminate the lease with no significant penalties.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

55 RELATED PARTY TRANSACTIONS

Parties are related if one party can control the other party or exercise significant influence over the other party in making financial or operational decisions.

In the normal course of business, several Banking transactions are entered into with related parties' i.e., key management staff, Directors, their associates, and companies associated with Directors. These include loans and deposits. Loans and advances to customers as at 31 December include loans and advances to Directors, other key management personnel and companies associated with Directors.

The volume of related party transactions for the year and the outstanding amount at the year-end for the Group is as follows:

				In TZS' Million
	Companies associated with Directors		Directors and other key management personnel	
	2022	2021	**2022**	2021
Loans and advances to related parties				
At 1 January	**684**	1,457	**7,423**	6,258
Net movement during the year	**45**	(773)	**3,345**	1,165
At 31 December	**729**	684	**10,768**	7,423
Interest earned	**-**	77	**465**	349
Current	**-**	-	**-**	-
Non-current	**729**	684	**10,768**	7,423
	729	684	**10,768**	7,423

Loans to key management personnel were issued at off market interest rate as per Group policy and repayable on demand. They are treated as employee benefit like other staff loans. Mortgage loans issued to key management are secured and repayable within 20 years while personal loans are unsecured and repayable within 5 years.
- Loans to non-executive directors were issued on commercial terms. These loans are payable on demand.
- As at 31 December 2022, the total loan balances outstanding were TZS 11,497 million (2021: TZS 8,107 million).
- As at 31 December 2022, the Group and Bank held collateral valued of TZS 10,080 million (2021: TZS 5,313 million) from key management personnel and non-executive directors.
- Loans and advances to related parties fall under Stage 1 and balance sheet provisions for doubtful debts related to the amount of outstanding balances is TZS 1 million (2021: TZS 37 million).

Provision expenses recognized/ charged to profit or loss during the period in respect of bad or doubtful debts due from related parties is TZS 25 million (2021: TZS 26 million).

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)

55 RELATED PARTY TRANSACTIONS (CONTINUED)

				In TZS' Million
	Companies associated with Directors		Directors and other key management personnel	
	2022	2021	**2022**	2021
Deposits related parties				
At 1 January	**21**	5	**1,575**	221
Net movement during the year	**(11)**	16	**(122)**	1,354
At 31 December	**10**	21	**1,453**	1,575
Interest paid	**-**	-	**4**	2

Balances outstanding with related companies were as follows;

				In TZS' Million
	GROUP		BANK	
	2022	2021	**2022**	2021
Due from related parties*				
CRDB Burundi S. A	-	-	**7,385**	5,277
CRDB Insurance Broker		-		80
Due to related parties*	-			
CRDB Insurance Broker	-	-	-	-
Loan advanced to subsidiary**	-			
CRDB Burundi S. A		-	**173,790**	113,725
Nostro to subsidiary				
CRDB Burundi S. A	-	-	**8,025**	3,462
Placement to subsidiary***				
CRDB Burundi S. A	-	-	**34,829**	18,691

*Amount due to/from subsidiaries relates to sales and purchases related parties which are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. The TZS 7.4 bn in year 2022 (2021: TZS 5.3 billion)., relates to dividend distribution to the parent.

** Loans advanced to subsidiary relates to facilities which were intended to finance the below projects;
- To finance purchases of machinery for cement production plant at an interest rate of 4.6%. The loan is fully secured and repayable in full on 21 July 2025.
- To support the Government in executing United Nations Security Council Resolution No 2149 (2104) of 10th April 2014 at an interest rate of 7%. The loan is fully secured and repayable in full on 21 January 2026.
- To finance purchases of raw materials for fertilizer manufacturing plant at an interest rate of 4.6%. The loan is fully secured and repayable in full on 31 December 2023.

***Placement to subsidiary relates to a placement with CRDB Burundi S.A intended to finance subsidiary operations. The Placement is made on terms equivalent to those that prevail in arm's length transactions. Outstanding balance at the year-end is unsecured. Interest is charged at 6.0% per annum and repayable in full on 23 August 2024, respectively.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
55 RELATED PARTY TRANSACTIONS (CONTINUED)

Interest received and paid from and to related parties respectively were as follows;

	GROUP		BANK	In TZS' Million
	2022	2021	**2022**	2021
Interest Income received from subsidiary				
CRDB Burundi S. A	-	-	**9,880**	6,467

Transactions with related companies were as follows;

	GROUP		BANK	
	2022	2021	**2022**	2021
Payments made on behalf of subsidiaries				
CRDB Burundi S. A	-	-	-	-
CRDB Insurance Broker Company Ltd	-	-	-	-
	-	-	-	-
Rent paid to the parent				
CRDB Burundi S. A	-	-	-	-
CRDB Insurance Broker Company Ltd	-	-	-	-
	-	-	-	-

Transactions with Related Parties

Purchase/ sale of properties on behalf of subsidiaries
In the year ending 31 December 2022, the company did not sale or purchase properties to/from any related party (2021: NIL).

Transfer of research and development
In the year ending 31 December 2022, the company did not transfer any cost of research and development to/from any related party (2021: Nil).

Guarantee

In the year ending 31 December 2022, there was no guarantee given or received to/from any related party (2021: Nil).

Settlement of liabilities on behalf of the entity or by the entity on behalf of another party
In the year ending 31 December 2022, there were no settlement of liabilities on behalf of the entity or by the entity on behalf of another entity (2021: Nil).

Rendering or receiving of services
During the year there were neither services rendered nor received to/from related party.

Leases
There were no lease transactions with related party during the year (2021: nil).

Treasury Shares
During the year, the Bank did not reacquire its own equity instruments from related parties.

Compensation of Key Management Personnel

Non-executive director's remuneration has been disclosed under section 10 of the director's report whereas remuneration for key management personnel has been disclosed under section 21. Key management personnel comprise board of directors, Managing Director, Chief Commercial Officer, Chief Operations Officer, Chief Financial Officer and Directors of departments who are reporting directly to the Managing Director.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

NOTES (CONTINUED)
55 RELATED PARTY TRANSACTIONS (CONTINUED)

The remuneration of key management personnel during the year was as follows:

	In TZS' Million	
	2022	2021
Short term employee benefits (salary)	**8,715**	9,138
Post-employment benefits (gratuity)	**1,292**	1,377
	10,007	10,515

- The above compensation is a total salary package including all employment benefits and pension.
- There were no separation costs during the year related to severance pay of some key management personnel (2021: Nil).
- The amounts disclosed above are the amounts recognised as an expense during the reporting period related to key management personnel.
- During the year ended 31 December 2022, there were no pension contributions paid on behalf of Directors to defined contribution schemes.

- There Group does not have a defined benefit scheme for directors. Generally, the non-executive directors do not receive pension entitlements from the Group.
- There were neither termination benefits nor share based payment benefit made during the year (2021: Nil).

Transactions and Balances with Government of Tanzania (Group and Bank)

The Government of Tanzania owns 34.3% (2021: 34.3%) equity in the Bank through DANIDA Investment funds and Pension Funds and has significant influence. The Bank invested in government securities during the year and at the year-end the amount receivable from the Government of Tanzania in the form of treasury bills and bonds amounted to TZS 1,934,366 million (2021: TZS1,425,726 million). Interest earned from investment in government securities during the year was TZS 170,171 million (2021: TZS 172,649 million). ECL related to transactions and balances are disclosed under note 27.

The Bank also accepts deposits from various Government institutions and related agencies, which attract interest like other deposits. As at 31 December 2022, deposits balances relating to the Government institutions and related agencies collectively amounted to TZS 94,522 million (2021: TZS 181,931 million).

56 EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

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

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CRDB BANK

The bank that listens

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