CRDB BANK

The bank that listens

ANNUAL REPORT 2023

Broadening our Horizons

CRDB BANK
The bank that listens

HEAD OFFICE (TANZANIA)

PLOT No. 25, 26
Ali Hassan Mwinyi Rd, Dar es Salaam
P. O. Box 268, Dar es Salaam
Telephone: +255 222 197 700,
Mobile: +255 714 197 700,
+255 755 197 700,
+255 789 197 700
Email: info@crdbbank.co.tz,
Website: www.crdbbank.co.tz

CRDB INSURANCE COMPANY LIMITED

4th Floor,
Accommodation Scheme Building,
Azikiwe Road, Dar es Salaam
P.O. Box 268, Dar es Salaam
Email: info@crdbbank.co.tz,
Mob no/Tel no: 0763513218

CRDB BANK FOUNDATION

PLOT No. 25, 26
Ali Hassan Mwinyi Rd, Dar es Salaam
P. O. Box 268, Dar es Salaam
Telephone: +255 222 197 700,
Email: info@crdbbank.co.tz,
Website: www.crdbbank.co.tz

HEAD OFFICE (BURUNDI)

Rohero I, Chaussée du Prince Louis Rwagasore
N ° 490/A BP 254, Bujumbura, Burundi
Telephone: +257 22 277 767/68
Email: crdbburundi@crdbbank.com
Website: www.crdbbank.co.bi

CRDB BANK DR CONGO S.A

SIÈGE SOCIAL
Avenue Mama Yemo No: 826
Immeuble Hypnose, Commune de Lubumbashi,
Ville Lubumbashi, Province du Haut-Katanga, RDC

About our Cover

In the past few years, our Group has undergone a transformational journey, centered around the theme of "Broadening our Horizons." In this time, we have achieved significant milestones such as robust business growth, increased profitability, and a lasting influence in the region. Furthermore, we have extended our horizons by touching individual lives and promoting economic development. Our success can be attributed to our diverse collaborations with customers and partners from various sectors, which reflects our commitment to exploring new horizons and embracing a broader perspective.

In this report, we reflect on the various milestones achieved in 2023, being the first year of our medium-term strategy 2023-2027, 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

Broadening our Horizons reflects CRDB Bank's commitment to expanding its reach, exploring new opportunities, and embracing growth beyond existing boundaries. The theme speaks to our strategic focus on diversification, innovation, and global engagement to enhance the our impact and sustainability.

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

The Annual Report and Financial Statements of CRDB Bank Group encapsulate the fiscal period from January 1, 2023, to December 31, 2023. This comprehensive document offers an in-depth overview of the Group's business endeavors throughout the financial year and offers insights into the anticipated business prospects for 2024 and beyond. The CRDB Bank Group, consists of CRDB Bank Plc (referred to as the "Bank") and its subsidiaries, namely: CRDB Bank Burundi S.A, CRDB Bank Foundation, CRDB Bank DRC 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.

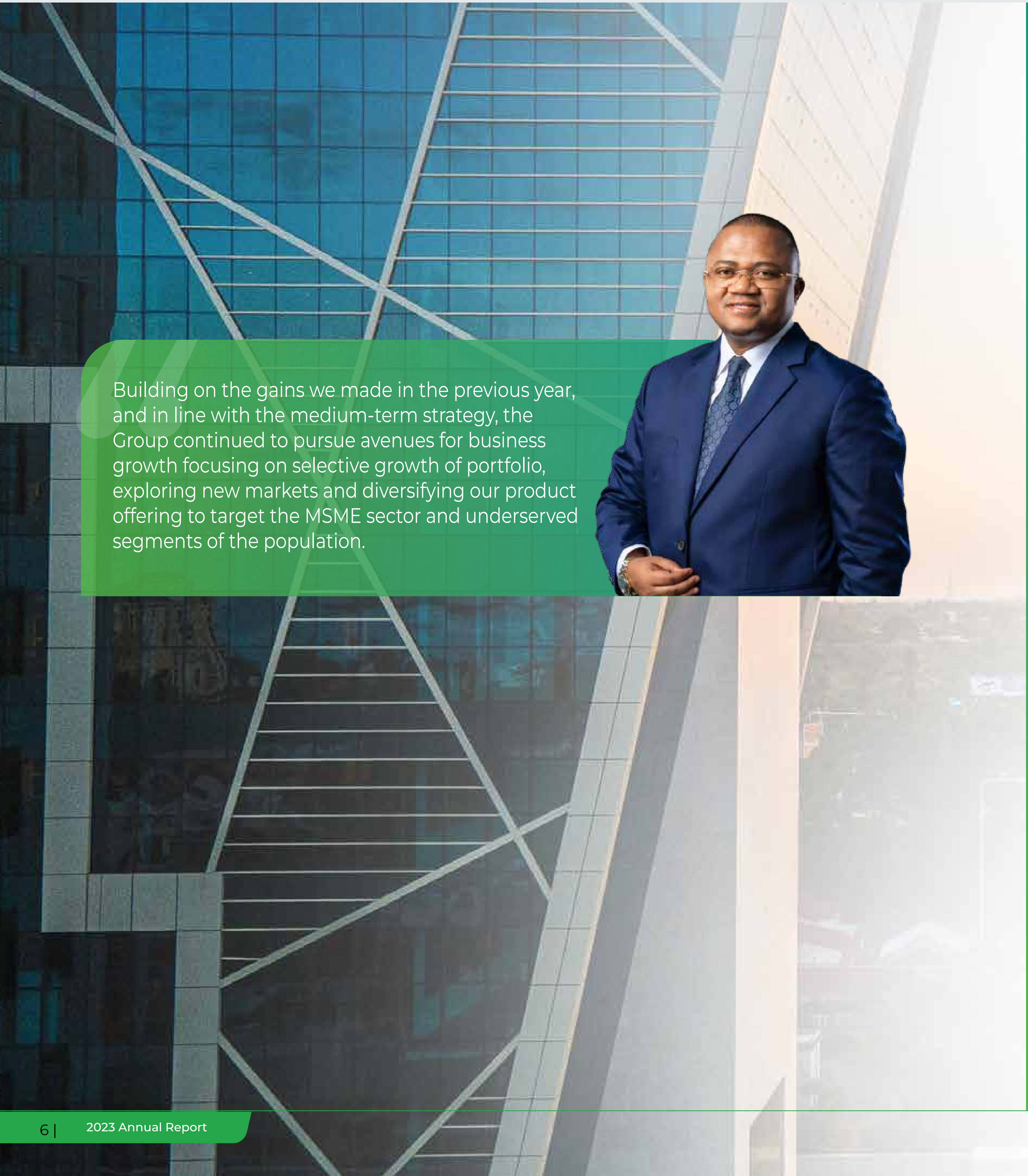
Reporting Framework

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.



Building on the gains we made in the previous year, and in line with the medium-term strategy, the Group continued to pursue avenues for business growth focusing on selective growth of portfolio, exploring new markets and diversifying our product offering to target the MSME sector and underserved segments of the population.

CONTENTS

03 PRELIMINARIES

3 About our Cover
5 Board Responsibility and Approval Statement
5 About this Report
7 Contents
9 Abbreviations
10 A Snapshot of our Performance
12 The Value we Created
13 Value Added Statement
14 Awards
15 Investor Information

10 GROUP OVERVIEW

12 CRDB Bank Group at a Glance
14 What Defines us
15 Regional Presence
16 Management Team
18 Snapshot of our Performance
20 The Value we Created in 2023
21 Value Added Statement
22 Our Value Creation Business Model
24 Our Strategy
26 Our Strategic Value Unlocks (KPIs)
28 Awards
29 Investor Factsheet
30 Our Products & Services

32 DELIVERING ON OUR STRATEGY

34 Reflections from the Board Chairman
38 Waraka kutoka kwa Mwenyekiti wa Bodi
42 Reflections from the Group CEO
46 Waraka kutoka kwa Mkurugenzi Mtendaji
50 Chief Financial Officer's Statement
54 Taarifa ya Ofisa Mkuu wa Fedha wa Benki
58 Commercial Report
60 Retail Banking
62 Al Barakah Banking
64 Corporate Banking
65 Treasury and Capital Markets
66 Subsidiary Performance: CRDB Bank Burundi
68 Subsidiary Performance: CRDB Bank DR Congo
69 Subsidiary Performance: CRDB Bank Insurance
70 Subsidiary Performance: CRDB Bank Foundation
72 Operations Report
74 People's Report
76 CSI Report

80 SUSTAINABILITY HIGHLIGHTS

82 Our Sustainability

84 RISK MANAGEMENT

86 Managing Risk in Times of Uncertainty
88 The Risk Report

94 OUR GOVERNANCE

96 Our Governance
97 Our Board Profile
100 Our Board of Directors

108 FINANCIAL STATEMENTS

111 The Report by those Charged with Governance
172 Statement of Directors' Responsibilities
173 Declaration of The Chief Financial Officer
174 Independent Auditor's Report to the Members of CRDB Group And Bank
177 Statement of Profit or Loss
177 Statement of Comprehensive Income
179 Statement of Financial Position
180 Statement of Changes In Equity
184 Statements of Cash Flows
186 Notes to the Financial Statements

Abbreviations

ADA	Advanced Diploma in Accountancy
AfDB	African Development Bank
AGM	Annual General Meeting
ALCO	Asset and Liability Committee
ALM	Asset Liability Management
AML	Anti-Money Laundering
ATMs	Automated Teller Machines
Basel II	Basel Accord II
Basel III	Basel Accord III
BCBS	Basel Committee on Banking Supervision
BCMS	Business Continuity Management System
BFIA	Banking and Financial Institutions Act, 2006
BIF	Burundian Francs
BOT	Bank of Tanzania
BSI	British Standards Institute
CASA	Current Account and Savings Account
CASAs	Current/ Savings Accounts
CCO	Chief Commercial Officer
CDD	Customer Due Diligence
CEO	Chief Executive Officer
CFT	Combating the Financing of Terrorism
CIR	Cost-to-income ratio
CISD	Critical Incident Stress Debriefing
CMSA	Capital Markets and Securities Authority
COO	Chief Operating Officer
CPA(T)	Certified Public Accountant (Tanzania)
CSR	Corporate Social Responsibility
DANIDA	Danish International Development Agency
DEG	Deutsche Investitions- und Entwicklungsgesellschaft
DFIDs	Department for International Development
DR Congo	Democratic Republic of Congo
EaR	Earning at Risk
ECL	Expected Credit Loss
EIB	European Investment Bank
ESG	Environmental, Social, and Governance
EWSM	Early Warning Signs Models
EXCO	Executive Committee
FinTech	Financial Technology
FTP	Fund Transfer Pricing
GCF	Green Climate Fund
GDP	Gross Domestic Product
GHG	Greenhouse Gas
HQ	Headquarters
HR	Human Resources
ICT	Information and Communications Technology
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
INEDs	Independent Non-Executive Directors
ISO	International Organisation for Standardisation
KfW	Kreditanstalt für Wiederaufbau
KPI	Key Performance Indicator
KYC	Know Your Customer
LC	Letter of Credit
LCR	Liquidity Coverage Ratio
MA	Master of Arts
MBA	Master of Business Administration
MEMARTS	Memorandum and Articles Association
MIS	Management Information System
MNOs	Mobile Network Operators
MSc	Master of Science
MSMEs	Micro, Small, and Medium Enterprises
MtM	Mark to Market
NBAA	National Board of Accountants and Auditors
NBC	National Bank of Commerce
NDA	National Designated Authority
NDC	Nationally Determined Contribution
NEDs	Non-Executive Directors
NGOs	Non-Governmental Organisations
NOP	Foreign exchange open positions
NPL	Non-Performing Loan
NPS	Net Promoter Score
NSFR	Net Stable Funding Ratio
OSHA	Occupational Safety and Health Administration
PCI-DSS	Payment Card Industry Data Security Standard
PGDA	Postgraduate Diploma in Accounting
POS	Point of Sale
PSSSF	Public Service Social Security Fund
PV01	Present Value of a Basis Point
QR	Quick Response
RAS	Risk Appetite Statement
RCKM	Rockham Capital Kimberlite
RCSAs	Risk Control Self Assessments
ROA	Return on Assets
ROE	Return on Equity
SDGs	Sustainable Development Goals
SLA	Service Level Agreement
SOPs	Standard Operating Procedures
TAT	Turn Around Time
TFRS	Tanzanian Financial Reporting Standards
TIB	Tanzania Investment Bank
TIRA	Tanzania Insurance Regulatory Authority
TMRC	Tanzania Mortgage Refinance Company
TZS	Tanzanian Shilling
UN	United Nations
UN SDGs	United Nations Sustainable Development Goals
UNFCCC	United Nations Framework Convention on Climate Change
USD	United States Dollar
USSD	Unstructured Supplementary Service Data
VaR	Value at Risk
YoY	Year-on-Year

Group Overview

CRDB Bank Group at a Glance

Headquartered in Dar es Salaam, Tanzania, CRDB Bank is the financial linchpin of East Africa, showcasing a robust array of services matched with far-reaching operational capabilities. Since its inception in 1996, the Bank has crafted an intricate array of banking solutions across personal, corporate, agricultural, and SME sectors, designed to cater to the varied financial needs of our diverse clientele. Its strategic network of branches, ATMs, and agents spans the entire expanse of Tanzania, fostering financial inclusivity and bolstering economic endeavors in lively cities and secluded communities alike. The Bank's operations extend beyond Tanzania, encompassing the Democratic Republic of Congo and Burundi, with ambitions to further broaden our footprint within the East African region and transcend continental boundaries. The CRDB family comprises four principal subsidiaries: CRDB Bank Burundi, CRDB Bank DR Congo, CRDB Insurance Company, and the CRDB Bank Foundation. As the preeminent integrated financial services group, CRDB Bank is dedicated to enhancing livelihoods and advancing the economies of the regions it serves, thereby generating enduring socio-economic benefits for all stakeholders.

CRDB Bank Burundi S.A - This is a licensed bank in Burundi under the Banks and Financial Institutions Act of 2003.

CRDB Bank DR Congo - a limited company and licensed Bank registered under the Ohada Uniform Act, and G.I.E and the Banking Regulation of DR Congo

CRDB Insurance Company Limited - a licensed insurance company in Tanzania that engages in providing insurance services

CRDB Bank Foundation - a non-profit organisation registered in Tanzania aiming to promote inclusive growth through community-focused initiatives.

Market Capitalisation **TZS 1,2 trillion**	Total Equity **TZS 1.7 trillion**
Balance sheet size **TZS 13.3 trillion**	Reinvested to grow and sustain operations **TZS 202.2 billion**
Share Price **TZS 460** (2022: TZS 380)	Number of shareholders. **32,395**
Market share **27%**	Number of customers **Over 4 million**

CRDB Bank actively seeks partnerships with international development organisations and financial institutions to leverage expertise, access funding opportunities, and implement best practices in banking and financial services.

Some of Our Partners

PROPARCO, IFC International Finance Corporation, African Development Bank Group, Green Climate Fund, Investec, Global Climate Partnership Fund, TIB Development Bank, TMRC

Our Service Channels

648 ATMs which include depository ATMs

34,627 banking Agents

245 Branches including mobile branches

1,301 Point of Sales (POS) terminals

As a steward of economy, we base our lending decisions on social, economic, and environmental guidelines that support sustainable businesses and their operations.

We are accredited by the UN GCF as a Direct Access Entity (DAE) for green financing in Tanzania

Value Shared in 2023

TZS 50.0	TZS 2.8 billion	TZS 6.6 billion	TZS 403.3 billion	TZS 202.2 billion
Dividend per share for the 2023 FY	Money invested in corporate social initiatives	Money spent on Learning & development during the FY	In total taxes paid in during the 2023 FY	Reinvested to grow and sustain operations

3,961 Total Number of Employees for the Group during the 2023 FY

56:44 2,229 (male) 1,732 (female)

92% of our workforce aged below 50.

Below 35 years of age (38%), (55%) are between the ages of 35-50 years and (7%) are above 50 years

What Defines us

In the fast-paced corporate environment, we have transformed our approach to business by aligning our core purpose and future vision to drive synergy in line with our objectives and ambitions. Prioritizing value creation and cultivating a community ethos, our goal is to surpass stakeholder expectations and establish a lasting legacy of inspiration, innovation, and sustainability. Through our commitment to excellence and accountability, we aim to inspire others and forge impactful partnerships with like-minded global entities to shape a brighter future for everyone.

Our Purpose

Improve livelihoods and deliver sustainable impact.

We believe our role as an organization is to positively impact the world and the people we serve. We strive to improve the livelihoods of our customers, employees, and communities by delivering innovative products and services that make a real difference in their lives.

VISION

Transform lives and develop economies to their fullest potential.

MISSION

Provide disruptive solutions to unlock social-economic value for our stakeholders.

OUR STRENGTH

We are well-capitalized, with a rich network across the region supported by a pool of multicultural, talented employees working in a modern and scalable technology landscape that accelerates innovation. We also have strong partnerships that enable us to meet diverse market needs and we hold ourselves to world-class governance practices.

DELIVER IMPACT

We deliver distinguished experiences to our stakeholders while caring for our community

LEARNING CONTINUOUSLY

We work with a growth mindset to unlock our full potential and stay ahead

BEHAVE RESPONSIBLY

We value integrity and hold ourselves accountable; being ethical and trustworthy in all we do

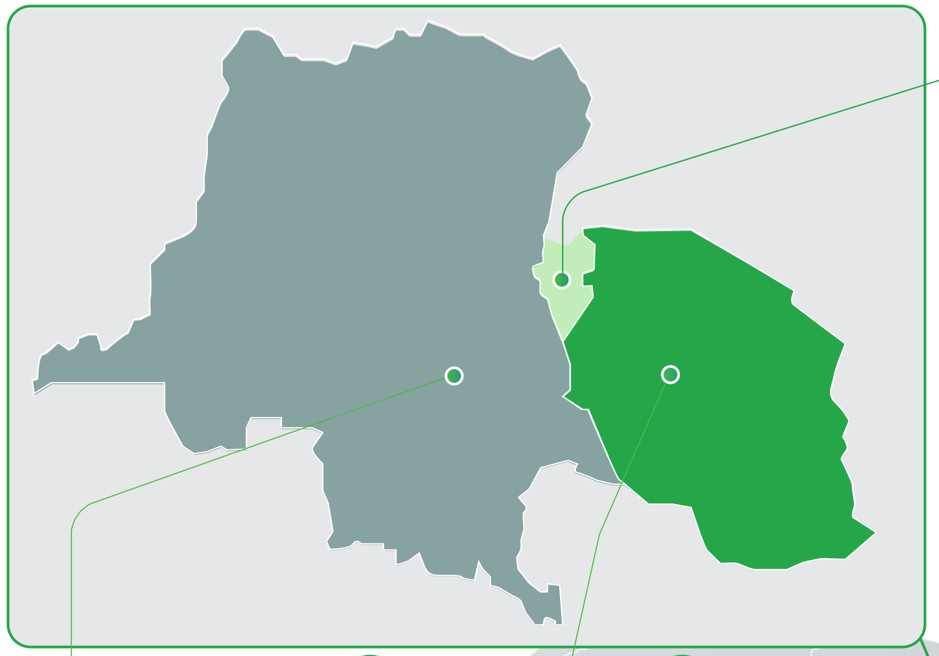
ACHIEVE TOGETHER

We deliver as a team and ensure that every voice is heard, valued and respected

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 the people and the community around us and satisfied shareholders

Regional Presence



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

Real GDP is projected to grow 4.7% in 2023 and 4.6% in 2024, thanks to public investment in transportation and energy. Measures aimed at boosting agricultural production and stabilising the exchange rate are expected to reduce inflation, projected to drop to 9.0% in 2024 from 20.3% in December 2023. Intensified mining, international economic and financial aid, and migrants' remittances may help narrow the current account deficit, which is projected to be 12.1% of GDP in 2023 and 6.3% in 2024

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, hydropower potential, significant arable land, immense biodiversity, and the world's second-largest rainforest

Economy

Real GDP is projected to grow at 4.2% in 2023 and 4.4% in 2024, driven by consumption, investment, and exports on the demand side and by growth in the oil and non-oil sectors (projected at 3.8% and 4.2% a year, respectively) on the supply side. Priority investment by the agricultural transformation program could boost growth even further.

Inflation is projected to fall to 6.5% in 2024 from 23.8% in 2023, below the central bank's 7% target, linked to increased economic activity and the effects of Russia's invasion of Ukraine on the price of imported commodities. Rising domestic demand and a 5% increase in the pump price of oil products, coupled with adverse weather conditions exacerbated by climate change, could affect the availability of agricultural products or lead to food insecurity and additional inflationary pressures.

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 six 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, and the de facto capital is Dar es Salaam. Spoken languages are Swahili and English (both official).

Economy

Real GDP growth is projected to rise to 6.3% in 2024 from 5.3% estimated in 2023, driven by the sustained recovery in tourism and gradual stability in supply and value chains. The Annual Average Headline Inflation has decreased to 3.8% in 2023 from 4.8% recorded in Dec 2022. Monetary and fiscal policies, adequate food supply, and a stable exchange rate drove this trend.

We continue to **diversify our markets,** even as we explore opportunities in new frontiers such as the DRC

Management Team

CRDB Group believes in its people. We've been privileged to play a 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

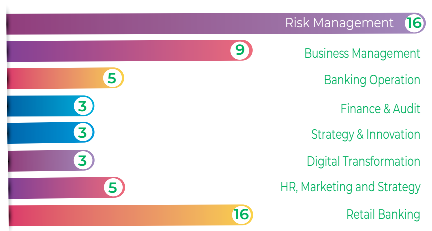
1. Abdulmajid Nsekela
Group CEO & Managing Director
MBA-IBF, Birmingham University (UK)
PGD-Business Administration, Birmingham University, UK.

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).

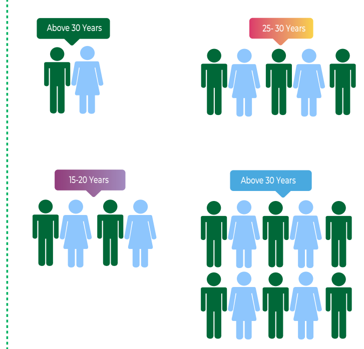
4. Frederick Nshekanabo
Chief Finance Officer (CFO)
Msc. Finance - University of Strathclyde (UK), CPA (T),
Advanced Dip Accountancy (IFM).

Expertise

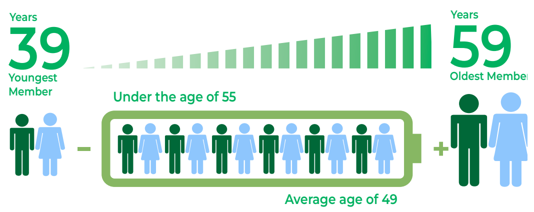


Gender Diversity

Experience



Age Diversity



Management Team

5. Tully Esther Mwambapa
Director of Corporate Affairs & Public Relations and MD CRDB Foundation
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. Xavery Makwi
Director of Credit
CPA from NBAA, PGD (Legal Practice), LST, LLB (Open University of Tanzania), MBA, B.Com (Finance) UDSM.

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

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

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

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

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

15. 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).

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

17. 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).

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

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

20. Jessica Nyachiro
Managing Director CRDB DRC Subsidiary
MA international business (IFM)
B.Ed, University of Nairobi (KE).

Snapshot of our Performance

Group Performance

Profitability

Profit Before Tax
2023
TZS 598.7Billion
(2022: TZS 497.7 billion)
20.3%

Interest income
2023
TZS 1,227.4 Billion
2022: TZS 967.3 billion
26.9%

Profit After Tax (PAT)
2023
TZS 422.8 Billion
(2022: TZS 351.4 billion)
20.3%

Non-interest income
2023
TZS 503.5 Billion
(TZS 437.9 billion)
14.9%

Business growth

Market Share

CRDB Bank remains the largest commercial Bank in Tanzania with a leading share of Total Customer Deposits of **27% (2022:27%)** and **25% (2022:25%)** of assets as of 31st December 2023.

Balance Sheet Growth

- During the year, the group's total assets grew 14.5% To TZS 13,321.3 Billion (2022: TZS 11,636.6 Billion) whereas customer deposits increased by 8.0% To TZS 8,856.0 Billion (2022: TZS 8,200.4 Billion).
- Net loans and advances to customers increased by 22.8% From TZS 6,876.5 Billion in 2022 to TZS 8,443.5 Billion in 2023.

14.5% Group's Total Assets
8.0% Customer Deposits
22.8% Net Loans and advances

CRDB Performance in selected KPIs against the industry

Key performance indicators of the Bank in comparison with the industry in 2023;

KPI	Industry average	CRDB
Non-performing loans	4.3%	2.8%
Return on Assets	4.5%	4.8%
Return on Equity	21.0%	26.7%
Cost - to- Income Ratio	51.6%	49.5%

Value for Shareholders
Market capitalization
TZS 1,201.5 Billion
(2022: TZS 993.6 Billion)

Investment in society
During the 2023 FY, the Group invested TZS 2.8 billion social initiatives, focusing on the strategic sectors of Education, Health, Environment, & Women and Youth empowerment.

Subsidiary Performance

CRDB Bank Burundi S.A.

Post-Tax profit
2023
TZS 30.2 Billion
(2022: TZS 23.0 Billion)
30.7%

Total Deposits
2023
TZS 547.3 Billion
2022: TZS 525.1 Billion
3.8%

Total Assets
2023
TZS 983.5 Billion
(2022: TZS 850.5 Billion)
16.4%

Financial Spread
2023
TZS 42.5 Billion
(TZS 36.5 Billion)
16.3%

CRDB Bank CONGO

- **2023** first year of operation for **CRDB Bank Congo**
- Post-tax loss of **TZS 4.2 billion**
- Financial spread **TZS 1.7 billion** Growth in the Government securities .
- Total Deposits **TZS 2.3 billion**
- Total assets **TZS 122.4b**

CRDB Foundation

Capacity Building
2023
109,000
(Youth and Women)

Seed Capital
2023
TZS 2.4 Billion
(Youth and Women)

iMBEJU Accounts
2023
68,000
(Youth and Women)

5.2 Bn Financial Performance

700m Non Interest Income

CRDB Insurance Company Limited

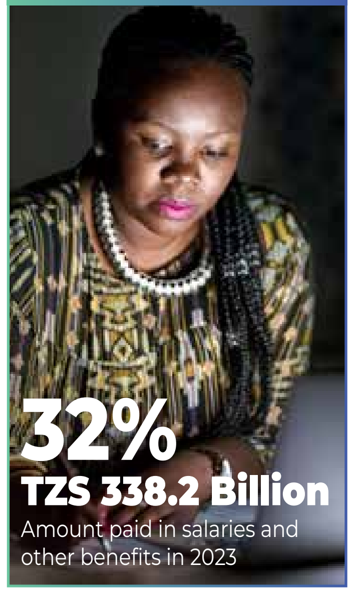
CRDB insurance company started its operation in Q4 2023

- The subsidiary recorded a loss 1.6 billion, the losses contributed by pre operating expenses and capex cost inherited from CRDB Insurance broker.
- The only source of income was from insurance fees and commissions and investment income

1.6 Billion

The Value we Created in 2023

To Employees



Our workforce drives the core of our business operations. We highly value the continuous development, adaptation, and advancement of our staff. Above all, we strive to ensure our employees are fairly compensated.

To Shareholders

We strive to create sustainable value and maximize returns to our shareholders

To Government

As a conscientious corporate entity, we firmly uphold our duty to fulfill all tax obligations as dictated by the laws of our jurisdiction.

To Expansion & Growth

As a developing bank, we are eager to utilize a portion of our profits to expand our presence. Throughout the year, we focused on broadening our distribution channels through investments.

Value Added Statement

Value Added Statement	2023 TZS Millions		2022 TZS Millions	
Income earned from financial services	1,227,431		968,267	
Cost incurred in provision of services	(350,133)		(215,372)	
Value added from financial services	877,298		752,895	
Non operating income	417,040		362,032	
Non operating expenditure	(233,086)		(249,611)	
Value - added	**1,061,252**		**865,316**	
Distribution of value added				
To Employees:				
Salaries and other benefits	**338,243**	**32%**	300,482	35%
To Shareholders:				
Dividend to other shareholders	**77,572**	**7%**	61,588	7%
Dividend to the Government	**39,961**	**4%**	32,438	4%
To Government:				
Corporate Tax	**194,922**		157,133	
PAYE	**64,089**		60,230	
Skills & Development Levy	**8,022**		9,398	
Excise Duty/ Service Levy and other taxes	**49,910**		36,810	
VAT on services	**86,334**		74,090	
Total Taxes	**403,277**	**38%**	**337,661**	39%
To Expansion and Growth				
Depreciation, deferred tax and retained earnings	**202,199**	**19%**	133,147	**15%**
Value distributed	**1,061,252**	**100%**	865,316	100%

Our Value Creation Business Model

OUR CAPITALS

FINANCIAL CAPITAL

Create sustained long-term wealth by building resilience in earnings and growing our core businesses supported by:

- Strong capital and liquidity with a Group total capital ratio of 17.3%
- An extensive retail franchise that generates a large customer funding base of TZS 8.6 Tln while our credit rating strength (Moody's: B2 Positive) and (Fitch Ratings: B+ Stable) allows access to diversified wholesale funding sources of TZS 2.1 Tln in FY 2023

INTELLECTUAL CAPITAL

A dynamic franchise, capable of capitalizing on new-age, emerging opportunities driven by:

- Strong brand reputation given our 28-year rich history and wide market presence.
- Strategic partnerships with national, regional, and global stakeholders
- Innovation and investment in new business models and digital capabilities
- Market leadership and differentiation across various financial solutions and segments

MANUFACTURED CAPITAL

Aimed at enhanced service delivery through:

- Easy access to 245 branches, 648 ATMs, 1,301 POS Merchants, and 34,627 bank agents
- Streamlined operational processes and simplified system architecture for greater efficiency.
- Integrated digital ecosystems to deliver personalized solutions across the region.

HUMAN CAPITAL

Empowered by our Core Values (deliver impact, learn continuously, behave responsibly, and achieve together):

- Comprising a diversified workforce of over +3,900 employees across our operations
- Emphasis on developing talents and building a sustainable succession pipeline by investing TZS 6 Bln to upskill employees through learning programs.
- A differentiated culture that is client and people-centered

SOCIAL & RELATIONSHIP

Strengthening stakeholder relationships and empowering communities by:

- Providing access to financial inclusion solutions to vulnerable groups, microenterprises, and SMEs.
- Continuing to invest in CRDB Foundation's programs that support communities.
- Leading and shaping conversations and initiatives with regulatory bodies, NGOs, and peers.

NATURAL CAPITAL

Supporting its preservation through:

- Adoption of Social and Environmental Management Systems into our business activities and internal operations, including establishing frameworks that guide the mobilization and allocation of capital toward sustainable projects
- Integration of material climate-related risks and opportunities into capital allocation decisions
- Managing our direct and indirect environmental impact through energy efficiency programs and our procurement process.

INPUTS

- Shareholders fund
- customer deposits
- Borrowings

- Focus on technology.
- Robust Loan origination and underwiring
- Risk Enterprise Management Framework
- Collaboration with fintech and start-ups branded as "IMBEJU".
- Brand positioning

Treasury and Capital Markets

Corporate

OUR PURPOSE
To provide competitive and innovative financial

Retail

Government and institutions

- Banking outlets including mobile branches.
- ATMs cash deposit and withdrawal machines.
- Agency Banking.
- Merchants.

- 1% of CSR budget on net profit.
- Strategic Partnership on the execution of community matters.

- LED lights.
- Digital solutions.
- Installation of sensor taps in our office buildings.

OUTPUT

Equity of **TZS 1.7 trillion**
Total assets **TZS 13.3 trillion**
Customer deposits of **TZS 8.9 trillion**
Borrowings **TZS 1.1 trillion**
Market share of **27%** deposits and **25%** total assets

Innovative products and solutions
Automated processes
Collaborative teams through a shared service model

Easy access to financial services.
Financial inclusion.

Improved staff morale.
Increase in staff Productivity.
Lower staff turnover rate.
Improved staff Skills
Good health and safety records – award from OSHA

Contribute to the implementation of Goal no 1 "No poverty.
Contribute to the implementation of Goal no 3 "Good health and well-being."
Contribute to the implementation of Goal no 4 "Quality Education."
Reduce the unemployment rate.

Innovative and sustainable digital solutions.

OUTCOME

Return on equity **26.7%**
Return on asset **4.8%**
Dividend per share **TZS 50**
Cost to income ratio **49.5%**
A total of TZS **195.3 billion** was paid as tax during the year.

Strong Brand
Increase in digital transactions
Operational efficiency.

Banking outlets **(245)**,
ATMs **(648)** including deposit ATMs,
POS machines **(1,301)**,
CRDB Wakala **(34,627)**

Remarkable performance resulted from staff morale improvement
Competent and efficient workforce
Increased customer satisfaction evidenced by an increase in NPS of **53%** from **45%** reported in 2022.

During the year, more than **TZS 800 million** supported the health sector
TZS 749 million in supporting education sector
TZS 73mn was used to implement environmental related initiative
TZS 700mn has been invested in Women & Youth programs in 2023
TZS 496mn in supporting other philanthropic activities,
Net promoter scores of **53%** from 45% in 2022

Reduced electricity cost by 2%
Improvement of TAT
Reduction number of paper usage by 5% (number of rims to 22,535 from 23,715 in 2022)

Our Strategy

OUR STRATEGIC APPROACH

EVOLVE

We have embarked on a strategic journey with one goal: to rise above all competitors and claim the coveted title of undisputed market leader.

Approach the ever-evolving environment with agility and innovative approach.

1. Deliver contextualized and intuitive solutions
2. Inspire team success through an inclusive culture.
3. Promote self-assessment to overcome vulnerabilities
4. Prioritize well-being of earth and people

OUR PILLARS

Ring-fence the business
Strengthen our service offerings and cement our presence in the market

Grow the business
Tap into our unrealised potential and introduce offerings that are new to the bank

Future-proof the business
Enhance Sustainability and Governance; Explore new horizons to adapt to evolving client demands.

OUR ENVISIONED IMPACT/OUTCOMES

Building Economies
Financial solutions expanded, driving economic development projects. SME financing surged, as did funding for agribusiness. Enhanced accessibility reached remote areas, benefitting women and youth. The bank's efforts spurred job creation across the economy.

Generating Value:
The bank has seen rises in community investment value, beneficiaries including businesses, women, and youth, and social return on investment. Additionally, they've supported more community initiatives, enhancing the economic impact of their activities.

Optimizing Talent:
Employee satisfaction, wellness, and engagement, alongside customer satisfaction metrics, have improved. Productivity metrics are up, with more employees engaging in professional development, including leadership and women-focused programs. There's better gender distribution in leadership, fostering the perception of the bank as the top employer.

Leveraging Partnerships:
The value derived from strategic partnerships has increased, leading to higher business growth and improved customer satisfaction. There's also a rise in joint initiatives and projects, reflecting successful collaboration and mutual benefit.

Addressing Vulnerabilities:
The bank aims to bolster its credit rating and loan portfolio, minimize security breaches and operational risks, and improve responsiveness to emerging market risks. Enhancing compliance scores is a priority, reflecting proactive measures to fortify overall performance and stability in financial operations.

Environmental Stewardship:
The bank boosts financing for sustainable projects, raises funds for green initiatives, enhances ESG score, cuts water and energy use, and initiates more environmental programs, reflecting a commitment to environmental responsibility and sustainable development.

OUR PRIORITY SEGMENTS

MSME
Providing comprehensive financial support and customized solutions for SMEs through loans, education, networking, innovative tools, and market linkages.

Agrilcuture
Through our concerted efforts and financial expertise, we aim to empower farmers, bolster food security, and cultivate a more fertile environment for agricultural growth and success.

Youth
Our goal is to assist young people in developing financial literacy skills, providing access to customized services, and supporting entrepreneurship through digital banking solutions.

Women
We strive for gender equality by providing personalized financial services to women, promoting leadership diversity, empowering through partnerships, and advocating for change in the financial industry.

Our Strategic Value Unlocks (KPIs)

KEY INDICATOR	Value Drivers	YOY Change	KPI UNIT	2023	2022	2021	2020	2019	2018	CAGR	BENCHMARK	2023 TARGET	OUTLOOK 2024	OUTLOOK MEDIUM TERM	OUTLOOK LONG TERM	ASSURANCE TYPE
PROFITABILITY																
Group Profit After Tax (PAT)	Growth/productivity	↑	TZS (Billion)	422.8	351.4	268.2	165.2	120.1	64.1	36.9%	N/A	488	608	Increase	Increase	MBO
Subsidiary Contribution to Group PAT	Growth/productivity	↓	Percentage	5.6%	6.6%	4.8%	6.8%	3.9%	3.1%	-	N/A	>5.0%	>6.0%	Increase	Increase	MBO
Return on Equity (ROE)	Productivity/value creation	↑	Percentage	26.7%	26.0%	22.0%	16.3%	13.8%	8.3%	-	N/A	27.3%	>28%	Increase	Increase	MBO
Return on Assets (ROA)	Productivity/value creation	↓	Percentage	4.8%	4.9%	4.4%	3.3%	2.6%	1.6%	-	N/A	4.9%	>5.0%	Increase	Increase	MBO
Cost-to-income Ratio (CIR)	Capital Risk Management	↑	Percentage	49.5%	49.4%	55.3%	61.6%	64.4%	66.7%	-	50.00%	<46.2 %	<44%	<49.0%	Lower	MBO
Net Interest Margin	Growth/productivity	↑	Percentage	11%	8.2%	9.7%	10.7%	11.3%	10.1%	-	N/A	>10.0 %	>7.6%	Increase	Increase	MBO
Non-Funded Income Contribution to Total Income	Growth/Productivity	↑	Percentage	35%	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)	13,321.3	11,636.6	8,817.6	7,170.5	6,597.2	6,035.4	14.1%	N/A	14,332	16,365	Grow	Increase	MBO
Loans and Advances	Growth/productivity	↑	TZS (Billion)	8,443.5	6,876.6	5,040.4	3,929.1	3,382.0	3,126.7	18.0%	N/A	8,015	9,915	Grow	Grow	MBO
Customer Deposits	Business Growth	↑	TZS (Billion)	8,856.0	8,200.4	6,489.6	5,434.6	5,202.2	4,687.2	11.2%	N/A	10,151	11,502	35.00%	Increase	MBO
Shareholders' Funds	Growth/productivity	↑	TZS (Billion)	1,737.9	1,479.1	1,219.3	1,011.0	873.1	773.6	14.4%	N/A	1,791	-	Increase	Grow	MBO
ASSET QUALITY																
NPL Ratio	Capital Risk Management	→	Percentage	2.8%	2.8%	3.3%	4.4%	5.5%	8.5%		<5.0%	<3.0%	<2.8%	Decrease	Maintain	MBO
Cost of Risk	Capital Risk Management	↓	Percentage	0.3%	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	96.7%	85.8%	78.8%	75.0%	68.1%	70.7%		80	<75%	<75%	74.00%	Decrease	MBO
CAPITAL & LIQUIDITY																
Core Capital (Tier 1)	Capital Risk Management	→	Percentage	16.0%	17.0%	20.0%	17.8%	17.2%	14.3%		12.50%	14%	17%	14.0 - 18.0%	14.0 - 18.0%	MBO
Total Capital (Tier 1 + Tier 2)	Capital Risk Management	→	Percentage	17.3%	18.5%	20.0%	17.9%	17.4%	16.0%		14.50%	16%	18%	16.0 - 20.0%	16.0 - 20.0%	MBO
Liquidity Ratio	Capital Risk Management	→	Percentage	27.0%	27.0%	27.5%	25.5%	31.0%	25.8%		25%	25%	28%	Maintain	Maintain	MBO
SHAREHOLDER VALUE																
Earnings Per Share (EPS)	Growth/productivity	↑	(TZS)	161.9	134.1	102.7	63.2	46.0	24.6	36.9%	N/A	-	>140.0	Increase	Increase	MBO
Dividend Per Share	Growth/productivity	↑	(TZS)	50	45	36	22	17	8		8 (Baseline)	-	>60	Increase	Increase	MBO
Share Price	Growth/productivity	↑	(TZS)	460	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	↑	Number	34,627	28,241	19,165.00	17,031.00	14,761.00	5,457.00	36.1%	N/A	26,000	26,000.00	42,000.00	Grow	MBO
Digital Adoption & Usage (Accounts)	Productivity/Efficiency	↑	No (in Millions)	3.3	2.5	1.8	1.2	1.6	1.3		N/A	-	>2.0	Increase	Grow	Management
Digital Channel Usage	Productivity/Efficiency	→	Percentage	96%	96.00%	96.00%	90.00%	87.00%	87.00%		90.0%	>90.0%	>90.0%	Increase	Increase	Management
Dormancy Rate	Productivity/Efficiency	↑	Percentage	17.0%	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	53%	45.0%	41.00%	-	-	-		50.00%	>50.0%	52.00%	60.00%	Increase	Management
Mystery Shopping Score*	Productivity	↑	Percentage	91%	81.0%	79.00%	-	-	-	-	85.00%	>85%	82.00%	90.00%	Improve	Management
Customer Satisfaction Index (CSAT)	Productivity	↑	Percentage	90%	87.0%	77.00%	-	-	-		95.00%	>80.0%	>80.0%	90.00%	Increase	Management
EMPLOYEE EXPERIENCE AND INCLUSIVITY																
Retention Rate	Productivity	↓	Percentage	97.2%	98%	98%	98%	98%	97%	-	-	80.00%	>80.0%	>95.0%	Increase	Management
Diversity & Inclusion (Male:Female)	Productivity	→	Ratio	56:44	57:43	57:43	56:44	56:44	56:44	-	50:50	57:43	60:40	Maintain	Equalize	MBO

KEY: MBO - Management and Board Oversight GMBO - Group Management and Board Oversight MO - Management Oversight ↓ Negative growth ↑ Positive growth → No Change/Maintain ↑ Right Direction

*Mystery Shopping is an independent survey done through a third party to ascertain employee response to customer issues.

Awards

We take pride in maintaining a consistent track record of being rated among the top financial institutions in our region. In 2023, we received over 30 awards from esteemed local and international organizations, further solidifying our leadership position in our markets. This recognition strengthens our resolve to drive sustainable innovation in the financial sector and continue transforming lives positively.

	Name of Award	Offering Institution/ Company
1	Best Retail Banker	Asian Banker
2	Best Banker	Global Finance
3	Best SME Bank	Global Finance
4	Best CSR Bank in Tanzania 2023	Global Business Magazine
5	Banker of the Year Tanzania	African Leadership Magazine
6	Top Innovation in Finance	Global Finance
7	Best Commercial Bank in Tanzania	International Banker
8	Regional Bank of Year	African Banker
9	International Diamond Prize for Excellence In Quality	European Society for Quality Research
10	Most Trusted Banking Brand in Tanzania	Global Brands Magazine
11	Most Innovative in Digital Banking	Global Brands Magazine
12	Best Bank for Sustainable Finance	Global Brands Magazine
13	Fastest Growing SME Bank Tanzania	World Economic Magazine
14	Best Customer Service Bank Tanzania	World Economic Magazine
15	Innovative Bank of the Year	Serengeti Bytes
16	Best Banking App	Serengeti Bytes

	Name of Award	Offering Institution/Company
17	Excellence in Procurement Innovation (Banking) Award	African Procurement and Supply Chain Awards
18	Procurement Team of the Year	African Procurement and Supply Chain Awards
19	Upcoming Islamic Banking Window 2023	Global Islamic Finance Awards
20	Most Inspirational Business Leader	Consumer Choice Awards
21	Most Preferred Domestic Bank At Customer Service(Large Size)	Consumer Choice Awards
22	Most Convenient and Accessible Atm Service Provider Tanzania	Consumer Choice Awards
23	Best Marketing Launch (Event of The Year) - CRDB Foundation	Tanzania Marketing Science Association Awards
24	Best SME Bank In Tanzania 2023	Euromoney Awards
25	Best Banking App	Tanzania Banking Awards
26	Best Business Banking Provider	Tanzania Banking Awards
27	Best Credit Card Provider	Tanzania Banking Awards
28	CEO of the Year	Top 100 Executive Awards
29	MD Foundation of the Year	Top 100 Executive Awards
30	Head of Customer Experience of the Year	Top 100 Executive Awards
31	CFO/Director of Finance of the Year	Top 100 Executive Awards
32	Best Presented Financial Statements	National Board of Accountants and Auditors

Investor Factsheet

Overview

Investor Information

CRDB Bank Plc. Share Information as of December 2023

Number of Issued shares	2,611,838,584
Total Number of Authorized shares	4,000,000,000
Number of shareholders as of 31st December 2023	32,395
Primary Listing Exchange	Dar es Salaam Stock Exchange (DSE)
Ticker	CRDB
Listing year	June 2009
Cross-listed Exchange	NIL
Free float	65.3%
Closing Share Price on 31 December 2023	TZS. 460.00
Price appreciation in 2023	16%
Market capitalization as of 31 December 2023	TZS. 1,201.45 billion
Price/Book	0.7x
Earnings per share	TZS. 161.9
Dividend per share	TZS. 50
Dividend policy	Up to 35% distributable profits
Total shareholder's equity	TZS. 1,737,876 billion
2024 Investor Calander	**Event**
Date	
29th January 2024	FY 2023 Financial Results Announcement
9th April 2024	Publication of 2023 Audited Financial Statements
18th May 2023	Annual General Meeting (AGM)
29th July 2024	1H 2024 Financial Results Announcement
29th October 2024	Q3 2024 Financial Results Announcement

Shareholders per category

42% Govt. Institutions & Cooperatives

37% Local Investors

21% Foreign Investors

	No. of shares	%
10% and more	894,828,676	34.3
Less than 10%	631,026,062	24.2
Less than 1%	1,085,983,846	41.5
Total	**2,611,838,584**	**100**

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%

Our Financial Solutions Catalogue

We provide a wide range of products and solutions to suit the needs of different segments in the market through four main clusters:

Service Cluster	What we offer	Key Solutions	Who we serve	Our competitive advantage	KPIs
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**
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 245 branches, 34,627 agents and 648 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 perfomacne, Digital adoption Accesibility and penetration**
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	**Balance sheet health, Trade Income /forex, Capital Management, investments**
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**

Delivering on our Strategy

Reflections from the Board Chairman

> The new Medium-term Strategy (MTS 2023 - 2027), aims to strengthen the Group's business model and structures to guarantee sustained performance and creation of value.

The 2023 financial year is the first of our five-year strategy, which anchors our resolve to do better, become better and, go further. The medium-term strategy, themed 'EVOLVE', was informed by successes of the previous strategy, lessons learned in the process; and more importantly, the misses. Under the previous strategy,

Dear Shareholders,

In today's uncertain times, the most important qualities for any enterprise are resilience and adaptability. Resilience entails navigating challenges, while adaptability signifies thriving beyond adversity and driving meaningful change. These principles encapsulate our approach in 2023, providing a solid framework for our current and future actions and investments.

The 2023 financial year marks the inception of our five-year strategy, underpinning our commitment to continuous improvement, advancement, and expansion. Termed 'EVOLVE', this medium-term strategy is informed by past successes, lessons learned, and significant shortcomings. Under the previous strategy, the Group successfully revitalized growth engines through digital transformation and operational excellence, resulting in sustained performance improvement across key metrics, albeit with minor setbacks in some areas. The execution of the previous strategy propelled the Group towards high-performance realms amidst evolving market dynamics and changing consumer preferences.

The challenges of recent years, notably the pandemic and geopolitical tensions, underscored the imperative of building resilient models. Interventions undertaken during the peak of the COVID-19 pandemic yielded positive outcomes, enhancing the Group's resilience against spill over effects and subsequent disruptions. Undoubtedly, the Group's adaptability to changing business landscapes is pivotal for growth, and we are committed to fortifying it as a core strategy to sustain performance.

The new Medium-term Strategy (MTS 2023 - 2027) aims to fortify the Group's business model and structures to ensure sustained performance and value creation. It outlines a new trajectory, envisioning the Group as the undisputed market leader. Through profound introspection, we have crafted a vision anchored in long-term value creation: "Transforming lives and developing economies to their fullest potential." This vision underscores our commitment to driving positive change and is complemented by our renewed purpose - to enhance livelihoods and deliver sustainable impact. Additionally, we have adopted a more purposeful mission - providing disruptive solutions to unlock socioeconomic value for our stakeholders.

Our future trajectory hinges on our stakeholders - customers, shareholders, partners, and governments in our markets. We engage with responsibility, acknowledging the unique circumstances of each stakeholder group. Continuous dialogue and open discussions on material topics ensure alignment and collaboration among all stakeholders.

Overview of Our Operating Environment

In 2023, the global economy experienced a deceleration, dropping to a growth rate of 3% from the previous year's 3.5%, and it is anticipated to contract further to 2.9% in 2024. This slowdown attributed to various factors including tightening monetary policies, geopolitical tensions, adverse weather conditions, and a deceleration in China's economic expansion. Additionally, several nations, notably those within the East African Community (EAC) and Southern African Development Community (SADC), witnessed inflation rates surpassing their respective targets.

YoY growth **20.3%** TZS 422.8 billion Group Profit After Tax (PAT)

Burundi Growth **31%** TZS **30.2** billion Profit After Tax (PAT)

The **Zanzibar** economy grew moderately, boosted by the **tourism industry**, which recorded an increase of **5.3%** in tourist arrivals

Despite these challenges, the Tanzanian economy maintained a commendable growth trajectory, indicative of stability. The growth was primarily underpinned by robust performances in the agriculture sector, transportation and storage, as well as financial and insurance services. Throughout the year, inflation remained well within the country's predefined targets and regional benchmarks, averaging at 3.3%. This moderation in inflation was propelled by declines in both food and non-food item prices, along with reductions in energy and fuel costs.

In response to domestic inflationary pressures and to ensure the stability of the financial sector, the Bank of Tanzania (BOT) adopted a less accommodating monetary policy stance. However, the execution of monetary policy was hampered by imbalances in foreign exchange supply, stemming from continued tightening of monetary policies in advanced economies. This imbalance was exacerbated by the surge in global commodity prices, driven by ongoing economic shocks worldwide, thus intensifying pressure on the Tanzanian shilling. Despite these challenges, credit to the private sector remained robust, reaching 17.1%.

In Zanzibar, the economy experienced moderate growth, largely propelled by the tourism industry which saw a 5.3% increase in tourist arrivals. Nevertheless, inflation rose to 7%, primarily due to elevated global commodity prices.

Reflecting on the Group's Performance

In the fiscal year 2023, our Group experienced a blend of successes and challenges. As we advanced with the implementation of our new medium-term strategy, our bank made significant progress in financial performance by capitalizing on opportunities within our markets. Notably, we achieved a record Profit After Tax (PAT) of TZS 422.8 billion, marking a remarkable 20.3% year-on-year growth from TZS 351.4 billion in 2022. This milestone represents the highest profit ever recorded in our bank's history, showcasing our potential as an organization.

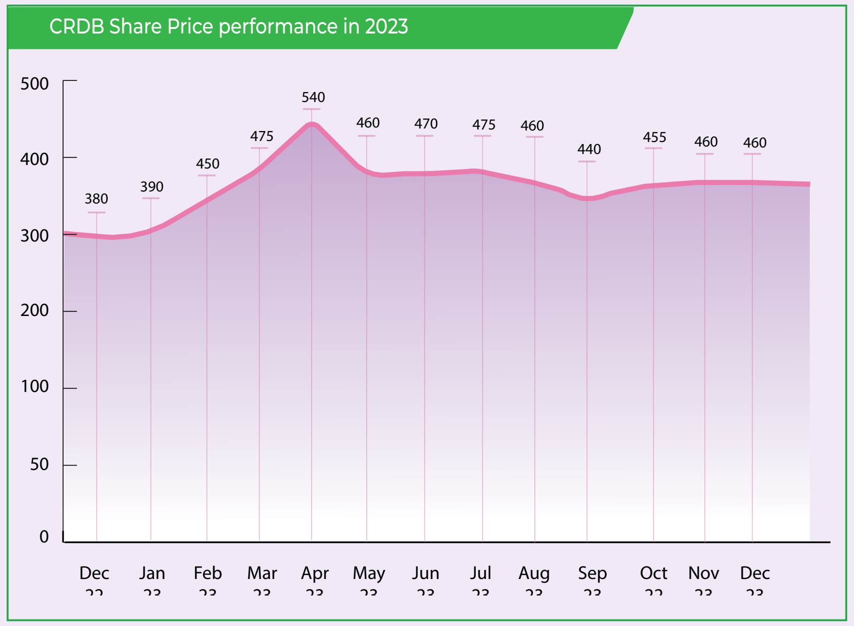
Our subsidiaries also made positive contributions to the Group's performance. CRDB Bank Burundi S.A. achieved an impressive 30.7% year-on-year growth in PAT, reaching TZS 30.2 billion. However, our newly established subsidiaries, Insurance Company Limited and CRDB Congo, recorded a losses of TZS 1.7 billion and TZS 4.2 billion, respectively. The total subsidiary contribution to Group PAT stood at 6%, indicating a growing potential for profitability. We are committed to sustaining this growth trajectory by continuing to invest in new opportunities and implementing transformative strategies.

Commitment to Value Creation

CRDB Bank operates on the fundamental principle of sustained value creation. Over the years, our dedication to optimizing returns has consistently generated positive outcomes, as demonstrated by enhanced performance metrics. In the period under review, the Group witnessed a slight increase in Return on Equity (ROE), rising from 26.0% in 2022 to 26.7%. Additionally, shareholder funds recorded significant growth, expanding by 20% to TZS 1,737.9 compared to TZS 1,479.1 reported in 2022. This commendable performance instils confidence within the investor community, evident in the rise of our share price by 21.1% year-on-year, reaching TZS 460 by year-end. This upward trend underscores the market's acknowledgment of our prudent financial management and solidifies our standing as a reliable and attractive investment option.

Dividend Recommendation

The Board endeavours to maintain a delicate equilibrium between maximizing shareholder value and investing in the company's growth opportunities. Accordingly, it is proposing a dividend of TZS 50 per share for the fiscal year ending on December 31, 2023, subject to the approval of shareholders at the upcoming Annual General Meeting (AGM). The recommended total



26.7% 26.0 in 2022
Return on Equity (ROE)

TZS **161.9** 134.1 in 2022
Earning per share (TZS)

The board proposses dividend of **TZS 50** per share for the fiscal year ending on December 31, 2023.

dividend pay-out amounts to TZS 130.6 billion, representing a 34% allocation of net profit, compared to TZS 117.5 billion in the previous fiscal year of 2022.

A Commitment to Sustainability

CRDB Bank Group is deeply committed to advancing sustainability and consistently adopts practices that align with global sustainable development goals. We recognize our business practices' profound impact on the world and acknowledge our responsibility to lead with foresight and integrity. In alignment with this, we have embarked on an ambitious journey to ensure that every aspect of our business is in harmony with our planet and people's well-being. We are dedicated to creating lasting value that benefits our shareholders, the communities we serve, and the environment we all share.

Our strategy encompasses rigorous environmental, social, and governance (ESG) principles integrated into our governance structures and day-to-day operations through investment in innovative technologies and green initiatives, elevating the inclusion agenda, leveraging sustainable practices across our supply chains, and actively pursuing initiatives to reduce our carbon footprint, contributing to a more sustainable future.

Recognizing that our journey towards sustainability is ever evolving, we continuously seek collaboration with stakeholders and experts to enhance our strategies and implement best practices. Together, with these collective efforts, we have forged legacies that speak to our deep respect for the natural world and our commitment to the prosperity of future generations. I am personally dedicated to steering our organization towards a path of sustainable success, ingrained with the principle that what is good for the world is ultimately good for our business.

Good Citizenship

In line with our ambition to deepen impact through our business, the Group established a foundation in 2023 to advance its philanthropic initiatives. This foundation represents a substantial dedication to corporate social responsibility, underscoring our proactive approach towards generating positive societal change. With this initiative, CRDB Bank Group aims to make significant contributions to community development, education, and healthcare, thus nurturing a more sustainable and inclusive future.

Governance and Leadership

Throughout the 2023 financial year, our Group maintained robust governance and leadership across all operations, including subsidiaries in Burundi and the Democratic Republic of Congo (DRC). The bank adhered to stringent governance standards, ensuring transparency, accountability, and full compliance with regulatory requirements. Our leadership team consistently demonstrated adept strategic planning, effectively navigating dynamic market conditions while prioritizing sustainable growth and profitability. Our

> Our leadership team continues to demonstrate adept strategic planning, steering the bank through dynamic market conditions while maintaining a focus on sustainable growth and profitability.

Credit to the private sector remained elevated at **19.5%.**

> We recognize our business practices' profound impact on the world and acknowledge our responsibility to lead with foresight and integrity.

Subsidiaries benefited from the parent company's strong governance framework, aligning their operations with the Group's core values and objectives. This alignment facilitated effective oversight and decision-making at both the parent and subsidiary levels, fostering prudent risk management and optimizing operational efficiency. These efforts collectively contributed to the overall resilience and success of the Group.

Future Outlook

Looking forward, CRDB Bank is primed for continued growth and influence. The success of the 'EVOLVE' strategy, evidenced by record profits and the strategic expansion of subsidiaries, positions the Group as a significant player in the regional and international financial arena. With a resilient business model, adaptability to global economic shifts, and a dedication to sustainability demonstrated through pioneering initiatives like the Kijani Bond, CRDB Bank is well-prepared to tackle emerging challenges. As we prioritize long-term value creation, our vision of becoming the undisputed market leader and our commitment to transformative endeavours underscore our dedication to shaping a prosperous and sustainable future for our stakeholders and the communities we serve.

Acknowledgements

As we reflect on the achievements and challenges of the 2023 financial year, I extend my sincere appreciation to our esteemed stakeholders: customers, shareholders, partners, and governmental bodies across our operational domains. Your unwavering support and active engagement have been pivotal to our success. I am particularly grateful for the constructive dialogues facilitated by the Board members of both our parent company and subsidiaries, as well as the dedication exhibited by the staff across our organization.

The resilience and adaptability demonstrated by these individuals, in alignment with the ethos of CRDB, have fortified our performance amidst global economic uncertainties. Moving forward, I am optimistic about the prospects of sustained collaboration, mutual understanding, and shared triumphs. Together, we will pursue our collective objectives of growth and positive societal impact. I reassure you of our unwavering commitment to nurturing and safeguarding our enterprise with the utmost diligence.

Dr. Ally Hussein Laay
Board Chairman

Taarifa ya Mwenyekiti wa Bodi

> Mkakati Mpya wa Kati (MTS 2023 - 2027), unalenga kuimarisha mfano na miundo ya biashara ya Kikundi ili kuhakikisha utendaji endelevu na uundaji wa thamani.

Mwaka wa Fedha wa 2023 ni wa kwanza katika mkakati wetu wa miaka mitano, ambao unathibitisha azimio letu la kufanya vizuri zaidi, kuwa bora zaidi, na kwenda mbali zaidi. Mkakati wa kati, wenye kauli mbiu 'EVOLVE', uliathiriwa na mafanikio ya mkakati uliopita, mafunzo yaliyopatikana katika mchakato huo; na muhimu zaidi, mapungufu. Chini ya mkakati uliopita,

Ndugu Wanahisa,

Katika kipindi hiki ambacho biashara zinaathiriwa na changamoto mbalimbali, sifa muhimu zaidi kwa kampuni yoyote ni uthabiti na uwezo wa kubadilika kuendana na mazingira. Uthabiti ni uwezo wa kukabiliana na changamoto zinazojitokeza na kubadilika ni hali ya kuhimili misukosuko ya kibiashara na kufikia malengo. Benki yetu imetumia kanuni hizi katika mwaka 2023 na hivyo kutuwekea msingi imara katika uendeshaji wa shughuli zetu za sasa pamoja na uwekezaji wa baadaye.

Mwaka wa fedha 2023 umeweka msingi wa utekelezaji wa mpangomkakati wetu wa miaka mitano, unaotutaka kuelekeza nguvu kubwa katika kuboresha, kukuza pamoja na kueneza huduma zetu katika maeneo mbalimbali ya nchi na hata nje ya mipaka yetu. Mpango mkakati huu wa muda wa kati unaojulikana kwa neno la Kiingereza 'EVOLVE' umezingatia mafanikio tuliyoyapata katika kipindi kilichopita, maeneo ya kufanya maboresho, pamoja na changamoto tulizokabiliana nazo. Katika utekelezaji wa mpangomkakati uliopita, Benki yetu pamoja na Kampuni zake tanzu iliwekeza kiasi kikubwa kwenye mabadiliko ya kidijitali sambamba na kuboresha huduma kwa wateja, hali iliyotuongezea ufanisi kwenye maeneo mengi ya kipaumbele ingawa kulikuwa na changamoto ndogo kwenye baadhi ya mambo muhimu. Utekelezaji wa mpangomkakati uliopita uliiwezesha Benki yetu pamoja na Kampuni zake tanzu kuwa na ufanisi mkubwa licha ya mabadiliko yaliyojitokeza sokoni kutokana na sababu mbalimbali za kiuchumi pamoja na mabadiliko ya vipaumbele vya wateja.

Changamoto zilizojitokeza katika miaka ya hivi karibuni hasa kuibuka kwa janga la UVIKO-19 pamoja na migogoro ya kimataifa, ziliongeza umuhimu wa kujenga misingi imara ya uendeshaji wa biashara zetu. Hatua madhubuti zilizochukuliwa kipindi cha janga la UVIKO-19 zilileta matokeo chanya kwa kuipa Benki yetu uimara wa kukabiliana na athari za janga hilo. Vilevile, uwezo wa Benki yetu kubadilika kuendana na mazingira ya biashara ni muhimu kwa ukuaji wake, na tunaamini linalohitaji kuendelezwa kama mkakati wa kuhakikisha kwamba biashara yetu inaendelea kuwa na matokeo mazuri ya kudumu.

Mpangomkakati huu mpya wa muda wa kati (mwaka 2023 - 2027) unalenga kuimarisha mfumo wa uendeshaji biashara na miundo ya Benki ili kuwa na ufanisi wa uhakika unaoleta thamani ya uwekezaji. Unaelezea njia mpya tutakayopita, na kuifanya Benki yetu kuwa kiongozi sokoni. Baada ya kufanya tathmini ya kina, tumekuja na dira inayolenga kuongeza thamani kwa muda mrefu: "Kuboresha maisha na kukuza uchumi kwa kiwango cha juu iwezekanavyo." Dira hii inadhihirisha utayari wetu wa kuchangia maendeleo na inatiliwa mkazo zaidi na malengo yetu yaliyohuishwa – kuboresha maisha na kuleta matokeo endelevu.Pia, tunayo dhamira ya dhati ya kutoa suluhisho la uhakika kufungua fursa za kiuchumi na kijamii kwa wadau wetu.

Mustakabali wetu unawategemea sana wadau wetu ambao ni wateja, wanahisa, wabia, na serikali katika nchi zote tunakotoa huduma. Hivyo tutaendelea kufanyia kazi ushauri wao, na tutashirikiana nao kimkakati, kuzipatia ufumbuzi changamoto mbalimbali na kukidhi mahitaji ya wamdau wetu wote.

Muhtasari wa Mazingira Yetu ya Uendeshaji

Mwaka 2023 uchumi wa dunia uliyumba, ukuaji wake ulishuka mpaka 3% kutoka 3.5% mwaka 2022, na inatarajiwa utashuka tena mpaka 2.9% mwaka 2024. Kushuka huku kulichangiwa na sababu nyingi ikiwamo sera za fedha za kubana uchumi, migogoro ya kimataifa, hali mbaya ya hewa, na kushuka kwa ukuaji wa uchumi wa China. Pia, mataifa kadhaa hasa wanachama wa Jumuiya ya Afrika Mashariki (EAC) na Jumuiya ya Maendeleo Kusini mwa Afrika (SADC), yalishuhudia mfumuko wa bei ukipanda na kuvuka viwango vya ukomo vilivyotarajiwa.

Ukuaji Kwa Mwaka **20.3%** TSH 422.8 bilioni
Faida baada ya kodi

Ukuaji Burundi **31%** TSH **30.2** bilioni
Faida baada ya Kodi

Uchumi wa **Zanzibar** ulikua kwa wastani, ukiimarishwa na **sekta ya utalii**, ambayo ilirekodi ongezeko la asilimia **5.3** katika idadi ya watalii wanaowasili.

Licha ya changamoto zote hizi, uchumi wa Tanzania uliendelea kuwa na kasi nzuri ya ukuaji, hali inayodhihirisha uimara wa uchumi wetu. Ukuaji huo mzuri ulichangiwa na ufanisi uliojitokeza kwenye sekta ya kilimo, usafirishaji na uhifadhi wa bidhaa, pamoja na huduma za fedha na bima. Kwa mwaka mzima, mfumuko wa bei ulikuwa ndani ya matarajio ya taifa hata viwango vya kikanda, ukiwa na wastani wa 3.3%. Kiwango hiki kidogo cha mfumuko wa bei kilitokana na kushuka kwa bei za vyakula na bidhaa zisizo za vyakula, pamoja na kupungua kwa bei ya nishati na mafuta.

Katika kukabiliana na mfumuko wa bei wa ndani na kuhakikisha uthabiti wa sekta ya fedha nchini, Benki Kuu ya Tanzania (BOT) ilitoa sera nzuri ya fedha. Hata hivyo, utekelezaji wa sera hiyo ya fedha uliathiriwa na kukosekana kwa usawa katika upatikanaji wa fedha za kigeni hali iliyosababishwa na sera za fedha za kubana uchumi katika mataifa yaliyoendelea. Kukosekana huku kwa usawa wa upatikanaji wa fedha za kigeni kulisababishwa na kupanda kwa bei ya bidhaa kulikotokana na kuyumba kwa uchumi duniani kote hivyo kushusha thamani ya Shilingi ya Tanzania. Pamoja na changamoto hizi zilizojitokeza, mikopo iliyotolewa kwa sekta binafsi iliongezeka kufikia 17.1%.

Kwa Zanzibar, uchumi ulikuwa kwa kasi ndogo, ukichangiwa zaidi na sekta ya utalii iliyoshuhudia ongezeko la 5.3% ya wageni walioingia. Hata hivyo, mfumuko wa bei ulifika 7% kutokana na kupanda kwa bei ya bidhaa katika soko la dunia.

Ufanisi Katika Utendaji wa Benki

Katika mwaka wa fedha 2023, utendaji wa Benki yetu ulishuhudia mchanganyiko wa mafanikio na changamoto. Tukiwa tumeanza kuutekeleza mpangomkakati wetu wa muda wa kati, Benki yetu ilipata mafanikio katika taarifa zake za fedha kutokana na kuzitumia vema fursa zilizojitokeza sokoni. Mwenendo huo ulitusaidia kupata Faida Baada ya Kodi ya shilingi bilioni 422.8 ikiwa ni sawa na ongezeko la 20.3% kutoka faida ya shilingi bilioni 351.4 zilizopatikana mwaka 2022. Mafanikio haya ni ya kihistoria kwa Benki kutengeneza faida kubwa kiasi hicho, hali inayothibitisha umuhimu wetu sokoni.

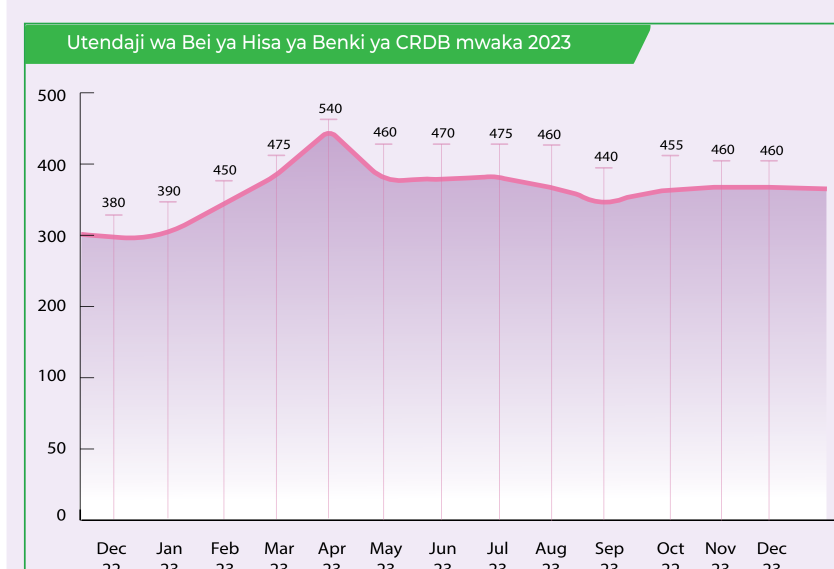
Kampuni tanzu zetu pia zilichangia ufanisi wa Benki yetu. Faida Baada ya Kodi ya CRDB Bank Burundi S.A. iliongezeka kwa 30.7% kufikia shilingi bilioni 30.2. vilevile, kampuni tanzu zetu mpya zilipata hasara; CRDB Insurance Company Limited ilipata hasara ya shilingi bilioni 1.7 na CRDB Bank Congo hasara ya shilingi bilioni 4.2. Mchango wa kampuni tanzu kwenye Faida Baada ya Kodi ya Benki yetu ulikua kwa 6%, hali inayoonyesha uwezekano wa kuongezeka kwa faida hapo baadaye. Tumejipanga na tumedhamiria kuhakikisha ongezeko la faida linakuwa endelevu kwa kuendelea kuwekeza kwenye kila fursa inayojitokeza pamoja na kutekeleza mipango ya mabadiliko.

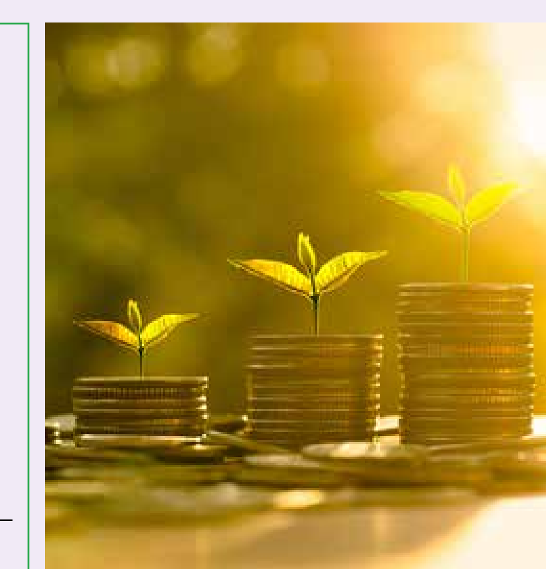
Uongezaji wa Thamani

Siku zote, Benki ya CRDB inaendeshwa kwa kanuni ya kuongeza thamani. Kwa miaka kadhaa sasa, mkazo wetu wa kuongeza faida umeleta matokeo chanya kama inavyodhihirishwa na matokeo ya utendaji wetu. Mwaka 2023, Benki ilipata ongezeko la faida ya mtaji lililopanda kutoka 26.0% mwaka 2022 mpaka 26.7%. Mtaji wa wanahisa nao uliongezeka kwa 20% na kufika shilingi bilioni 1,781.5 kutoka shilingi bilioni 1,479.1 iliyoripotiwa mwaka 2022. Mafanikio haya yanaongeza imani kwa wawekezaji hali inayothibitishwa na kupanda kwa bei ya hisa zetu kwa 21.1% na kufika shilingi 460 mpaka mwishoni mwa mwaka. Mafanikio haya yanadhihirisha uwezo wetu wa kufanya uamuzi makini katika usimamizi wa fedha hivyo kutufanya tuwe chaguo la uhakika la kuwekeza.

Pendekezo la Gawio

Bodi ya Wakurugenzi inafanya juhudi kubwa kuhakikisha inaweka usawa kati ya kukuza faida ya wanahisa na kuwekeza kwenye fursa zitakazosaidia kukua kwa Benki. Hivyo basi, Bodi inapendekeza gawio la shilingi 50 kwa kila hisa moja kwa mwaka wa fedha ulioishia tarehe 31 Desemba 2023, ikisubiri kuidhinishwa na wanahisa





26.7% 26.0 mwaka 2022
Mapato kwa Uzio (ROE)

TSH 161.9 134.1 mwaka 2022
Mapato kwa hisa (TSH)

Bodi inapendekeza gawio la **TSH 50** kwa kila hisa kwa mwaka wa fedha unaomalizika Desemba 31, 2023

katika Mkutano Mkuu wa Mwaka. Jumla ya gawio litakalolipwa kwa wanahisa wote ni shilingi bilioni 130.6 sawa na 34% ya faida halisi iliyopatikana. Gawio hilo limeongezeka kutoka shilingi bilioni 117.5 zilizolipwa mwaka wa fedha 2022.

Ushiriki wa Beni Katika Kulinda na Kuendeleza Mazingira

Wakati wote, Benki ya CRDB hufanya shughuli zake kwa namna endelevu na hutekeleza miradi inayoendana na malengo ya maendeleo endelevu ya kimataifa. Tunatambua athari za miradi ya kibiashara tunayoitekeleza na tunakubali jukumu letu la kuongoza kwa weledi na uadilifu. Ili kuendana na maono haya, tumeianza safari ya kutekeleza mpango wa kuhakikisha kwamba kila biashara yetu haiathiri mazingira wala ustawi wa maisha ya watu. Tumejitoa na kujielekeza katika kuongeza thamani ya kudumu itakayowanufaisha wanahisa wetu, jamii tunayoihudumia, na mazingira tuliyomo.

Mpangomkakati wetu unajumuisha kanuni mahususi za kulinda mazingira, jamii na kuimarisha utawala bora ambazo zimeunganishwa katika mfumo wetu wa uongozi pamoja na shughuli za kila siku kwa kuwekeza kwenye teknolojia na miradi inayolinda mazingira, kuhimiza ajenda ya ujumuishaji, kuhamasisha matendo endelevu katika mnyororo wa ugavi, na kuchukua hatua za makusudi kupunguza uzalishaji wa hewa ya ukaa kwenye shughuli zetu hivyo kuchangia kuwa na dunia salama ya baadaye.

Kwa kutambua kwamba safari yetu kuelekea uendelevu inabadilika, tunaendelea kutafuta ushirikiano wa kimkakati na wadau wetu pamoja na wataalamu ili kuboresha mpangomkakati wetu na kuimarisha utendaji wetu. Kwa juhudi hizi za pamoja, tumeacha alama inayotutambulisha namna tunavyoilinda dunia na kuweka mazingira mazuri kwa kizazi kijacho. Mimi binafsi nimejitolea kuhakikisha kuwa kampuni yetu ipo katika njia ya mafanikio endelevu kwa imani kwamba kilicho bora kwa dunia nzima ni bora kwa biashara yetu pia.

Uzalendo

Sambamba na malengo yetu ya kuiongeza mchango wetu kupitia biashara, mwaka 2023 Benki ilianzisha kampuni itakayoendeleza mkakati wa kuiwezesha jamii katika miradi tofauti. Kampuni hii ijulikanayo kama CRDB Bank Foundation ni mahususi kwa ajili ya kufanikisha ufadhili wa miradi ya kuiwezesha jamii, kwa kutambua hamasa yetu ya kuwajibika kwa jamii ili kuchangia mabadiliko chanya. Kwa mpango huu, Benki ya CRDB inakusudia kuchangia kwa kiasi kikubwa zaidi katika jamii hasa kwenye miradi ya elimu na huduma za afya ili kuwa na mustakabali bora zaidi na jumuishi kwa wote.

Utawala na Uongozi

Kwa mwaka mzima 2023, Benki ilihakikisha kuna utawala na uongozi thabiti katika maeneo yote inakofanya biashara, zikiwamo kampuni tanzu zetu za nchini Burundi na Jamhuri ya Kidemokrasia ya Congo (DRC). Benki ilisisitiza kufuatwa kwa viwango vilivyowekwa ili kuhakikisha kunakuwa na uwazi unaohitajika, uwajibikaji, na utekelezaji wa maelekezo na kanuni za mamlaka za usimamizi. Wakati wote, menejimenti ilionyesha umahiri mkubwa katika kupanga, kulichunguza na kulielewa soko linalobadilika mara kwa mara huku ikiweka kipaumbele katika kukuza biashara na faida. Kampuni zetu tanzu zimeendelea kunufaika na mfumo makini wa uongozi uliopo kwenye kampuni mama kwa kuhakikisha shughuli zao za uendeshaji zinaendana na malengo na maadili ya Benki yetu. Uoanishaji huu wa shughuli za uendeshaji ulisaidia ufanyaji wa uamuzi na usimamizi wa biashara kwa kampuni mama na kampuni tanzu hivyo kudhibiti vihatarishi huku tukiimarisha ufanisi. Juhudi hizi za pamoja zimechangia uthabiti na mafanikio ya Benki yetu.

> Timu yetu ya uongozi inaendelea kuonyesha uwezo wa kupanga mikakati kwa ustadi, ikiongoza benki kupitia hali ya soko lenye mabadiliko ya haraka wakati ikizingatia ukuaji endelevu na faida.

Mkopo kwa sekta binafsi ulibaki juu sana katika **19.5%.**

> Tunatambua mchango wa miradi ya kibiashara tunayotekeleza kwa utunzaji wa mazingira na jukumu letu la kuongoza kwa weledi na uadilifu.

Malengo ya Baadae

Kwa kuzingatia hali ya baadae, Benki ya CRDB imejipanga kwa kuongeza ushawishi na kukua zaidi. Mafanikio ya mpangomkakati wetu yanathibitishwa na ongezeko la faida na uanzishaji wa kampuni tanzu za kimkakati hivyo kuifanya Benki yetu kuwa mdau muhimu wa huduma za fedha kikanda na kimataifa. Kwa kutumia mfumo thabiti wa biashara tulionao, utayari wetu wa kubadilika kuendana na mabadiliko ya kibiashara yanayotokea duniani, na mpango wetu wa kuwa endelevu unaodhihirishwa na miradi kadhaa ikiwamo Kijani Bond, Benki ya CRDB imejipanga vema kukabiliana na changamoto zitakazojitokeza. Vipaumbele vyetu ni pamoja na kuongeza thamani ya muda mrefu, maono yetu ya kuwa Benki kiongozi na juhudi zetu za kuleta mabadiliko chanya na mafanikio makubwa kwa wadau wetu na jamii tunayoihudumia.

Shukurani

Kwa kuzingatia mafanikio na changamoto tulizokabilliana nazo katika mwaka wa fedha 2023, ninatoa shukurani zangu za dhati kwa wadau wetu wote muhimu wakiwemo wateja, wanahisa, wabia na taasisi za serikali katika mataifa yote tunakofanya biashara. Msaada wenu na ushiriki wenu umekuwa nguzo muhimu katika mafanikio yetu. Nashukuru kwa maoni na mapendekezo muhimu yaliyotolewa na wajumbe wa Bodi ya Benki hata wale wa kampuni tanzu bila kusahau wafanyakazi wote ambao wameendelea kufanyakazi kwa kujituma na umahiri mkubwa.

Uthabiti na ubunifu ulioonyeshwa na kila mmoja wetu, katika kuzingatia maadili ya Benki ya CRDB na sheria inayoongoza mabenki, umeimarisha utendaji wetu licha ya kupitia kipindi ambacho tumeshuhudia changamoto za kiuchumi zilizojitokeza duniani kote. Tunapoendelea na utekelezaji wa mikakati yetu, nina matumaini katika ushirikiano endelevu, maelewano na ushindi wa pamoja. Kwa umoja wetu, tutafanikisha malengo yetu ya kukuza biashara na kuacha alama kwa jamii. Naendelea kutilia mkazo ahadi yetu thabiti ya kukuza, kuboresha na kuilinda biashara kwa juhudi na bidii ya hali ya juu.

Dkt. Ally Hussein Laay
Mwenyekiti wa Bodi

Reflections from the Group CEO

Dear Shareholders,

I am pleased to present the 2023 Annual Report and audited financial statements, providing a comprehensive overview of our performance and strategic endeavours throughout the fiscal year. In 2023, was the Group first year of five years strategy , marking a significant shift in our business approach.

In 2023, was the Group first year of five years strategy , marking a significant shift in our business approach. We redefined our corporate identity and embarked on a transformative journey towards sustainable prosperity. Through self-examination, CRDB Bank has reaffirmed its commitment to being a catalyst for positive social change. We have redefined our purpose and outlined a clear roadmap for the future, cantered on enhancing the well-being of our stakeholders and delivering lasting impact. This revitalization of our corporate ethos reflects a renewed dedication to our core values and a focus on value-driven initiatives aimed at improving livelihoods.

Our concerted efforts have laid a robust foundation for growth, underpinned by a shared vision and a transformative mind-set. This deliberate approach has driven our commendable performance, evident in our growing profitability and expanding influence within the market. A defining aspect of 2023 was the launch of our new medium-term strategy (MTS -2023 - 2027), themed 'EVOLVE.' This strategic framework, inspired by the concept of continuous improvement, serves as a response to the dynamic business landscape and evolving consumer demands. The MTS -2023 - 2027 has three pillars which are:

1. Ring-fencing the business
2. Growing the business, and
3. Future-proofing the business

01 Ring-fencing the Business

This pillar reflects our strong dedication to our current customer base and business operations. Our objective is to preserve a core of loyal clients, ensuring they consistently experience outstanding service through streamlined delivery channels while prudently encouraging development within familiar business territories.

02 Growing the Business

This pillar is strategically aimed at advancing our business's growth beyond its assumed boundaries and sphere of influence. The strategy involves the utilization of both conventional and cutting-edge digital methodologies to launch novel solutions and venture into untapped markets.

03 Future-proofing the business

This pillar outlines our dedication to harnessing the power of technology to deliver unparalleled experiences and inclusive financial solutions that align with evolving market trends and stake-holders preferences by creation of businesses that aligns to environmental stewardship, social responsibility, integri-ty, and economic sustainability.

16% **TZS 1.23 trillion** Group's total income

429.6% Kijani Bond oversubscribed

Kijani Bond is a **$300 million** debt security, which will be implemented over five years under a multi-currency Medium Term-Note (MTN) program

Review of our Performance

In retrospect, 2023, being the first of our five-year strategy, marked a critical juncture for our organization, as we sought to pioneer industry advancements. Our diligent execution of this strategy yielded impressive results, notably a 20.3% year-on-year growth in Profit After Tax (PAT), soaring from TZS 351.4 billion in 2022 to TZS 422.8 billion. This achievement underscores our firm's considerable potential as a leader in the market and a catalyst for economic activity. Moreover, our Group's balance sheet expanded by 14.5%, reaching TZS 13.3 trillion, a testament to our prudent investment approach.

Our subsidiaries played a pivotal role in bolstering our overall profitability, reaffirming the soundness of our expansion strategy.

Particularly noteworthy is the performance of CRDB Bank Burundi S.A., which achieved a commendable 30.7% year-on-year growth in PAT, amounting to TZS 30.2 billion, despite facing challenging macroeconomic conditions. On the other hand, our newly established subsidiaries, CRDB Insurance Company Limited and CRDB Congo, recorded losses of TZS 1.7 billion and TZS 4.2 billion, respectively. We remain confident in their potential, and optimistic on positive contribution to the Group profit within the projected timelines.

Accelerating Digital Transformation

Throughout the past four years, CRDB Bank has made significant strides fuelled by strategic investments in digital transformation—a cornerstone of our growth strategy. As a Group, we are unwavering in our commitment to fortify our technological infrastructure and cultivate a proficient workforce capable of driving meaningful change. Our primary objective, as outlined in the MTS 2023-2027, centres on elevating customer experiences while modernizing operational processes for optimal efficiency. Notably, during the year, the bank made remarkable progress on the ongoing implementation of the new CBS and the operationalisation of the EBS, further optimising our technological capabilities.

Amidst the ever-evolving technological landscape, CRDB Bank remains resolute in its pursuit of opportunities in Artificial Intelligence (AI) and Data Analytics to refine operational efficacy. Our strategic focus revolves around leveraging these transformative technologies to tailor services, fortify risk management by identifying cyber security patterns, enhance operational efficiency through predictive analytics in loan processing, and execute targeted marketing initiatives driven by nuanced customer behaviour analysis. Concurrently, we are actively developing frameworks to seamlessly integrate AI into investment strategies, furnishing actionable insights to bolster decision-making processes, and ultimately fostering sustained growth and competitiveness across the Group.

Strategic Partnerships

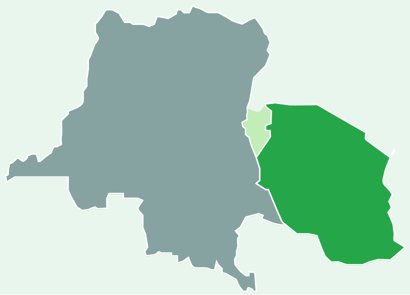
In line with our strategic direction, CRDB Bank is actively fortifying its position in the financial landscape through strategic partnerships and collaborations with a diverse array of stakeholders and international partners. By joining forces with esteemed organizations such as PROPACO, IFC, AfDB, VISA, EIB, GCF, GCPF, INVESTEC, DFC, GUARANTCO, MUFG, and AGF, we are not only accessing invaluable expertise, resources, and networks but also reinforcing our commitment to delivering innovative financial solutions and services. These partnerships serve as catalysts for knowledge exchange, technology transfer, and market insights, ensuring that we remain at the forefront of global trends and best practices in the financial sector.

Moreover, our collaborations with development finance institutions like AfDB and GCF underscore our dedication to sustainability and inclusive growth, as we leverage funding and support to address critical developmental challenges in our operational regions. As we move forward, we will continue to actively engage with partners who share our vision, fostering mutual business growth and contributing to sustainable economic development within our communities.

Regional Expansion

Our commitment to strategic growth drives our comprehensive approach to investment, aimed at fortifying our core business and tapping into new markets to enhance the Group's sustainability. We prioritize market diversification, with a particular focus on promising territories such as the Democratic Republic of Congo (DRC). The

We continue to **diversify our markets,** even as we explore opportunities in new frontiers such as the DRC



DRC's strategic significance to Tanzania, alongside the enduring bilateral relations between the two nations, positions it as a compelling opportunity for our Group. The increasing trade volumes between these countries underscore the reliability of Dar es Salaam as a pivotal port for DRC trade business.

In the year 2023, the successful establishment of our subsidiary in the DRC reflects commendable progress despite inherent challenges. This proactive expansion strategy, combined with our focus on strengthening local operations, underscores our strategic vision and indicates significant growth potential. Our overarching objective is to deepen our regional presence and deliver impactful services, thereby ensuring sustainable value creation for our stakeholders in the long term.

Focus on Sustainability

We recognize that ESG performance is vital to our long-term success, and we have implemented stringent resource management practices, reduced our greenhouse gas emissions, boosted recycling efforts, and upheld responsible lending practices. We are equally dedicated to investing in initiatives delivering stakeholder value and a sustainable future. Our transparent and comprehensive reporting frameworks for financial and non-financial ESG data underscore our accountability and facilitate the effective evaluation of our sustainability practices.

A critical aspect of our sustainability drive is integrating digital banking solutions. Our recent initiatives, such as the introduction of e-KYC processes and paperless solutions like "OPTIMA" and "IPV," have helped us make substantial strides in reducing the environmental impact of our operations. Equally, our green sales and social products are part of our innovative solutions, designed to motivate eco-friendly choices and target the unique needs of marginalized groups.

At CRDB Bank Group, we are guided by five pillars: Planet, People, Prosperity, Partnership, and Profit, which harmonize our sustainable practices across our value chain. In terms of Prosperity, we give precedence to sustainable financing, ensuring that our financial might becomes a force for positive environmental and social change. Our landmark achievement in launching 'Kijani Bond,' the region's largest green bond valued at US$300 million, demonstrates our strategic focus on environmental stewardship. This green financial instrument exceeded its first-year target by a substantial margin, securing TZS 171 billion, evidencing robust investor confidence, and resonating with our commitment to accessible investment opportunities. The Kijani Bond will funnel resources into climate-resilient and environmentally sustainable projects, spanning renewable energy, green infrastructure, water and energy efficiency, and climate-smart agriculture.

Our People pillar speaks to our strong belief in treating every employee with dignity and in an inclusive way, fostering a diverse workplace. Our green HR initiatives promote a work culture grounded in sustainability and well-being. Equally, the commitment to Gender and Inclusion propels our diversity and equity goals, with efforts to ensure equal representation and opportunities across all operational levels.

The Bank takes pride in leading with a mindset that advances our goals and betters society and the environment. Integral to our identity is community development, supporting local economic growth, healthcare, education, and societal initiatives, intertwining our success with the well-being of our communities. We built partnerships that strengthen our ability to finance such programs and enhance technology, collaboratively sharing our vision for a more sustainable future.

Investing in our people

We recognize the pivotal role our employees play in driving our organizational growth and achieving our vision. Each year, we have made substantial strides in enhancing our workplace environment and empowering our workforce. Our newly established medium-term strategy underscores the imperative of cultivating a robust and adaptable workforce, which is reflected in our commitment to comprehensive upskilling and retooling initiatives aimed at fostering enduring performance excellence.

Throughout the year, our focus has cantered on three key areas: employee wellness, career development, and employee recognition. We firmly believe that these areas are fundamental to cultivating a high-performing workforce. In addressing employee wellness, we have implemented a range of programs promoting both mental and physical health awareness, alongside augmenting our medical support for staff. Regarding career development, initiatives have been rolled out to bolster women's leadership capabilities, aligning with our dedication to gender diversity and inclusion. Additionally, we have introduced a proprietary e-learning platform to facilitate ongoing upskilling among our personnel. Furthermore, to sustain motivation and foster a culture of recognition, we have realigned our group-wide rewards structure to industry standards and devised a robust framework for consistent employee acknowledgment and advancement. These concerted efforts underscore our unwavering commitment to nurturing a workforce that is not only highly skilled but also motivated and engaged in driving our collective success.

Future Outlook

Looking forward, CRDB Bank anticipates a promising and dynamic future. Our ongoing commitment to executing our medium-term strategy, "Evolve," positions the Group for sustained growth and innovation. We prioritize securing our business operations to ensure financial stability and deliver exceptional customer service. Furthermore, our expansion of digital channels and services will enhance our market presence and deepen engagement with our customers. Our dedication to sustainability, as evidenced by initiatives such as the Kijani Bond, reflects our earnest efforts to contribute positively to the environment and society.

With a robust foundation, strategic partnerships, and a clear vision for the future, CRDB Bank is strongly positioned to maintain its leadership in the banking sector, fostering prosperity and sustainable development throughout the region. Moving forward, we are committed to continuous investment in technological advancements to mitigate the risks posed by cyber-attacks and to facilitate the acceleration of digital solutions, further solidifying our competitive edge in the market.

Acknowledgements

The achievements attained in 2023 underscore the collective efforts and robust support from our stakeholders. I wish to extend sincere appreciation to our esteemed shareholders, loyal customers, dedicated staff, and regulatory authorities for their unwavering commitment and invaluable contributions throughout the fiscal year. Their trust, collaboration, and partnership played a pivotal role in overcoming obstacles and attaining noteworthy achievements. Together, we remain steadfast in advancing towards sustainable growth, fostering innovation, and driving positive change within the communities we engage with. I extend heartfelt gratitude for your enduring support.

Furthermore, I commend the exemplary leadership exhibited by our Board, whose clear vision and strategic directives provided the essential framework for management to effectively execute our strategies. Their guidance has been instrumental in steering our organization toward success. Additionally, I express gratitude to the management team and all employees for their unwavering dedication, productivity, and commitment, which have been fundamental in bringing forth the successes we celebrate today.

Abdulmajid Nsekela
Group CEO

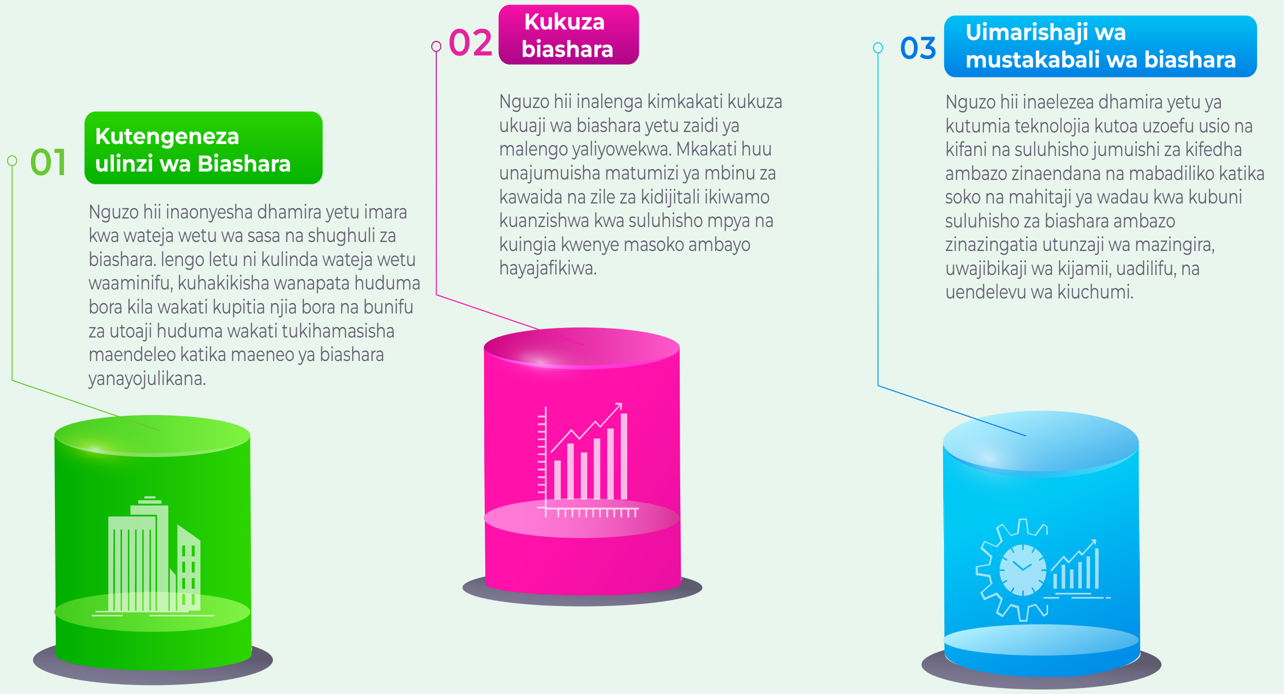
Waraka kutoka kwa Mkurugenzi Mtendaji

Wapendwa Wanahisa,

Ninayo furaha kuwasilisha Ripoti ya Mwaka ya 2023 pamoja na taarifa za fedha zilizokaguliwa, zinazotoa muhtasari kamili wa utendaji wetu na juhudi za mkakati wetu katika kipindi cha mwaka wa fedha uliopita. Mwaka 2023, ulikuwa mwaka wa kwanza wa mkakati wa miaka mitano, ukiashiria mabadiliko makubwa katika uendeshaji wa biashara yetu. Tuliunda upya utambulisho wetu wa kampuni na kuanza safari ya mageuzi kuelekea utajiri endelevu.

Tuliunda upya utambulisho wetu wa kampuni na kuanza safari ya mageuzi kuelekea utajiri endelevu. Kupitia tathmini ya kina, Benki ya CRDB imethibitisha upya azma yake ya kuwa chachu ya mabadiliko chanya ya kijamii. Tumeimarisha upya kusudi letu na kuboresha ramani ya siku za usoni, inayolenga kuboresha ustawi wa wadau wetu na kuleta thamani endelevu. Kuboreshwa kwa falsafa ya kampuni kunaakisi maadili yetu na kujidhatiti katika shughuli zinazotoa thamani kwa ajili ya kuboresha maisha. Juhudi zetu za pamoja zimeweka msingi thabiti wa ukuaji, unaochagizwa na maono ya pamoja na mtazamo wa kubadilishana mawazo. Hatua hii ya makusudi imeboresha utendaji wetu, unaoonekana katika kuongezeka kwa faida yetu na ushawishi unaoongezeka ndani ya soko. Jambo kubwa kwa mwaka wa 2023 lilikuwa uzinduzi wa mkakati wetu mpya wa muda wa kati (2023 - 2027), ulio na kauli mbiu ya neno la Kiingereza 'EVOLVE' lenye maana ya 'kubadilika'. Mpango mkakati huu, uliohamasishwa na dhana ya maboresho endelevu, unalenga kuendana na mabadiliko ya mazingira ya biashara na mahitaji ya wateja. Mkakati huu wa biashara wa 2023 - 2027 una nguzo tatu ambazo ni:

1. Kutengeneza ulinzi wa Biashara
2. Kukuza biashara
3. Uimarishaji wa mustakabali wa biashara



16% TZS 1.25 trilioni
Jumla ya mapato ya benki

429.6%
Waliojisajili kupita kiasi kununua Kijani Bond

Kijani Bond ni dhamana ya deni la **$300 milioni,** ambayo itatekelezwa kwa miaka mitano chini ya sarafu nyingi. Mpango wa Dokezo la Muda wa Kati (MTN).

Mapitio ya Utendaji Wetu

Tukiangazia nyuma, 2023, ukiwa mwaka wa kwanza wa mkakati wetu wa miaka mitano, ulikuwa kipindi muhimu kwa benki yetu, tukidhamiria kuongoza maendeleo ya sekta ya fedha. Utekelezaji wetu makini wa mkakati huu ulileta matokeo ya kuvutia, haswa ukuaji wa 21.0% katika Faida Baada ya Kodi (PAT) ikilinganishwa na mwaka uliopita, ikiwa imeongezeka kutoka Shilingi 351.4 bilioni mwaka 2022 hadi Shilingi 422.8 bilioni. Mafanikio haya yanathibitisha uwezo mkubwa wa benki yetu kama kiongozi katika soko na kama chachu ya shughuli za kiuchumi. Aidha, mizania ya Kundi iliongezeka kwa 14.5%, na kufikia Shilingi 13.3 trilioni, uthibitisho wa mbinu zetu madhubuti za uwekezaji.

Kampuni zetu tanzu zimekuwa na mchango mzuri katika kuimarisha faida yetu kwa ujumla, ikithibitisha uimara wa mkakati wetu wa upanuzi.

Hasa la kuzingatia ni utendaji wa CRDB Bank Burundi S.A., ambayo ilipata ukuaji wa kuvutia wa 30.7% wa Faida Baada ya Kodi, kufikia Shilingi 30.2 bilioni, licha ya kukabiliana na hali ngumu ya uchumi. Kwa upande mwingine, kampuni zetu mapya zilizoanzishwa hivi karibuni, kampuni ya bima ya CRDB Insurance Limited na CRDB Bank Congo, zilipata hasara ya Shilingi 1.7 bilioni na Shilingi 4.2 bilioni. Tuna imani katika uwezo wao, na tunatarajia mchango mzuri kwa faida ya Kundi ndani ya muda uliopangwa.

Kuchochea Mageuzi ya Kidijitali

Katika miaka minne iliyopita, Benki ya CRDB imepiga hatua kubwa zilizochochewa na uwekezaji wa kimkakati katika mageuzi ya kidijitali - nguzo muhimu ya mkakati wetu wa ukuaji. Kama Kundi, tumejikita katika dhamira yetu ya kuimarisha miundombinu yetu ya kiteknolojia na kuendeleza nguvu kazi yenye ujuzi wa kutosha kusukuma mabadiliko yenye athari chanya. Lengo letu kuu, kama lilivyoainishwa katika mkakati wetu wa muda wa kati wa 2023-2027, ni kuboresha uzoefu wa wateja wakati tukisasisha michakato yetu ya uendeshaji ili kufikia ufanisi wa juu. Kwa mwaka 2023, benki ilipiga hatua kubwa katika utekelezaji wa mradi wa mfumo mkuu mpya wa uendeshaji wa benki (CBS) na mfumo unganishi wa huduma (EBS), huku ikiimarisha uwezo wetu wa kiteknolojia.

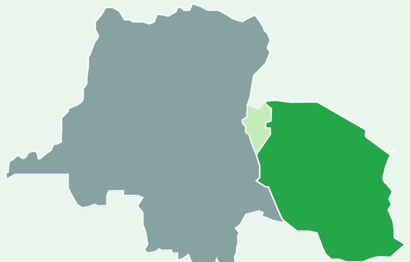
Katikati ya mazingira yanayoendelea ya kiteknolojia, Benki ya CRDB inabaki imara katika kutafuta fursa zinazotokana na teknolojia ya Akili Mnemba (AI) na Uchambuzi wa Takwimu ili kuboresha ufanisi wa uendeshaji. Mtazamo wetu wa kimkakati ni kutumia teknolojia hizi za mageuzi kubuni huduma, kusaidia usimamizi wa vihatarishi kwa kutumbua mitindo ya usalama wa mtandaoni, kuimarisha ufanisi wa uendeshaji kupitia uchambuzi katika mchakato wa utoaji wa mikopo, na kutekeleza mipango ya masoko kwa kuzingatia a tabia za wateja. Wakati huo huo, tunaanda mfumo wa matumizi ya Akili Mnemba katika mikakati yetu ya uwekezaji, huku tukisaidia kuimarisha mchakato wa kufanya maamuzi, na hatimaye kuchochea ukuaji endelevu na ushindani.

Ushirikiano wa Mkakati

Kwa kuzingatia mwelekeo wetu wa kimkakati, Benki ya CRDB inaendelea kuimarisha nafasi yake katika tasnia ya kifedha kupitia ushirikiano na wadau mbalimbali na washirika wa kimataifa. Kwa kuungana na mashirika ya kimataifa kama PROPACO, IFC, AfDB, VISA, EIB, GCF, GCPF, INVESTEC, DFC, GUARANTCO, MUFG, na AGF, tunapata si tu utaalamu muhimu na rasilimali muhimu, bali pia tunathibitisha dhamira yetu ya kutoa suluhisho na huduma za kifedha zenye ubunifu. Ushirikiano huu unatumika kama chanzo cha kubadilishana maarifa, teknolojia, na ufahamu wa soko, kuhakikisha kuwa tunaendelea kuwa kuwa kinara wa kuzingatia viwango vya kimataifa katika sekta ya kifedha.

Zaidi ya hayo, ushirikiano wetu na taasisi za fedha za maendeleo kama AfDB na GCF unathibitisha dhamira yetu kwa ustawi endelevu na ukuaji jumuishi, tukinufaika na uwezeshaji unaosaidia kushughulikia changamoto muhimu za maendeleo katika maeneo yetu ya uendeshaji. Tunapoendelea mbele, tutabaki kushirikiana kikamilifu na washirika wanaoshiriki maono yetu, kukuza ukuaji wa biashara wa pande zote na kuchangia katika maendeleo endelevu ya kiuchumi ndani ya jamii zetu.

Tunaendelea **kubadilisha masoko yetu**, hata tunapotafuta fursa katika mipaka mipya kama vile DRC



Upanuzi wa Kikanda

Dhamira yetu ya ukuaji wa kimkakati inasukuma mtazamo wetu wa kina wa uwekezaji, unaolenga kuimarisha biashara yetu kuu na kuingia katika masoko mapya ili kuimarisha uendelevu wa Kundi. Tunaweka kipaumbele katika uwekezaji kwenye masoko mbalimbali, na umakini maalum kwa maeneo yanayovutia kama Jamhuri ya Kidemokrasia ya Congo (DRC). Umuhimu wa kimkakati wa DRC kwa Tanzania, pamoja na uhusiano wa kudumu kati ya mataifa hayo mawili, unaiweka kama fursa ya kuvutia kwa Kundi letu. Kuongezeka kwa idadi ya biashara kati ya nchi hizi kunasisitiza kutegemewa kwa Dar es Salaam kama bandari muhimu kwa biashara ya DRC.

Katika mwaka wa 2023, kuanzishwa kwa mafanikio kwa kampuni yetu tanzu nchini DRC kunaonyesha hatua ya kupongezwa licha ya changamoto zinazojitokeza. Mkakati huu makini wa upanuzi, pamoja na mwelekeo wetu katika kuimarisha shughuli za ndani, unasisitiza maono yetu ya kimkakati na unaonyesha uwezekano mkubwa wa ukuaji. Lengo letu kuu ni kupanua wigo wetu wa kikanda na kutoa huduma bora, na hivyo kuhakikisha kutoa thamani endelevu kwa wadau wetu kwa muda mrefu.

Kuzingatia Uendelevu

Tunatambua kuwa utendaji kwa kuzingatia mfumo wa Mazingira, Jamii na Utawala Bora (ESG) ni muhimu kwa mafanikio yetu ya muda mrefu, na tumetekeleza mazoea madhubuti ya usimamizi wa rasilimali, kupunguza utoaji wetu wa gesi chafu, kuimarisha juhudi za kuchakata taka, na kudumisha kanuni za uwajibikaji za utoaji mikopo. Tumejitolea kuwekeza katika mipango inayoleta thamani ya wadau wetu na mustakabali endelevu. Mifumo yetu ya uwazi na ya kina ya kuripoti taarifa za kifedha na zisizo za kifedha za ESG inasisitiza uwajibikaji wetu na kuwezesha tathmini bora ya uendelevu.

Kipengele muhimu cha msukumo wetu wa uendelevu ni kubuni na kuanzisha suluhu za benki za kidijitali. Juhudi zetu za hivi karibuni, kama vile kuanzishwa kwa michakato ya utambuzi wa wateja kidijitali (e-KYC) na suluhuhisho zisizohitaji matumizi ya karatasi kama vile "OPTIMA" na "IPV," zimetusaidia kupiga hatua kubwa katika kupunguza athari za mazingira za shughuli zetu. Vile vile, mauzo yetu ya bidhaa zinazozingatia utunzaji wa mazingira na jamii ni sehemu ya masuluhisho yetu mapya, yaliyoundwa ili kuhamasisha chaguo rafiki kwa mazingira na kulenga mahitaji ya kipekee ya makundi yaliyotengwa.

Benki ya CRDB inazingatia nguzo tano kaitka kutekeleza majukumu yake: Dunia, Watu, Utajiri, Ushirikiano, na Faida, ambazo zinaunganisha mazoea yetu ya uendelevu katika mnyororo wetu wa thamani. Kuhusu Utajiri, tunatoa kipaumbele kwa ufadhili endelevu, kuhakikisha kuwa nguvu yetu ya kifedha inakuwa chachu ya mabadiliko chanya ya mazingira na kijamii. Mafanikio yetu ya kihistoria katika uzinduzi wa 'Kijani Bond,' hatifungani kubwa ya kijani katika ukanda huu yenye thamani ya dola za Marekani milioni 300, inaonyesha kujielekeza kwetu kimkakati katika utunzaji wa mazingira.

Dhamana hii ya fedha ya kijani ilivuka lengo lake la mwaka wa kwanza kwa kiasi kikubwa, kufikisha Shilingi 171 bilioni, kuthibitisha imani kubwa ya wawekezaji, na kuendana na dhamira yetu ya fursa za uwekezaji zinazopatikana kwa urahisi. Kijani Bond itaelekeza rasilimali katika miradi inayozingatia utunzaji wa mazingira na mabadiliko ya hali ya hewa, ikijumuisha nishati mbadala, miundombinu ya kijani, maji, nishati jadidifu, na kilimo kinachozingatia mabadiliko hali ya hewa.

Nguzo ya Watu inaonyesha imani yetu iliyojidhatiti katika kumtendea kila mfanyakazi kwa heshima na kwa njia ya ujumuishi, tukichochea mazingira ya kazi yenye kutambua utofauti baina yetu. Mipango yetu ya kijani ya Rasilimali Watu inakuza utamaduni wa kazi unaozingatia uendelevu na ustawi. Vile vile, kujitolea katika ujumuishi wa Jinsia na Ushirikishwaji kunakuza utofauti wetu na malengo yetu ya usawa, ikiwa ni juhudi za kuhakikisha uwakilishi na fursa sawa katika ngazi zote za uendeshaji.

Benki inajivunia kuongoza kwa mtazamo unaoendeleza malengo yetu na kuboresha jamii na mazingira. Kiini cha utambulisho wetu ni maendeleo ya jamii, kusaidia ukuaji wa kiuchumi, huduma za afya, elimu, na mipango ya kijamii, kuunganisha mafanikio yetu na ustawi wa jamii zetu. Tumejenga ushirikiano ambao unaimarisha uwezo wetu wa kufadhili mipango hiyo na kuimarisha teknolojia, tukishirikiana kwa pamoja maono yetu kwa mustakabali endelevu.

Uwekezaji kwa Raslimali Watu

Tunatambua jukumu muhimu la wafanyikazi wetu katika kukuza ukuaji wa benki na kufikia maono yetu. Kila mwaka, tumepiga hatua kubwa katika kuimarisha mazingira yetu ya mahali pa kazi na kuwawezesha wafanyakazi wetu. Mkakati wetu mpya wa muda wa kati unasisitiza umuhimu wa kukuza nguvu kazi thabiti na inayoweza kuendana na mabadiliko, jitihada zinazoonekana kupitia mipango ya kina ya uboreshaji na usasishaji wa zana zinazolenga kukuza ubora wa utendaji unaodumu.

Katika mwaka mzima, tulijielekeza zaidi katika maeneo matatu muhimu: ustawi wa wafanyikazi, ukuzaji wa taaluma na utambuzi wa wafanyikazi. Tunasadiki kwamba maeneo haya ni msingi wa kuunda nguvukazi yenye utendaji wa juu. Katika kushughulikia ustawi wa wafanyakazi, tumetekeleza programu mbalimbali zinazosaidia uelewa wa afya ya akili na kimwili, pamoja na kuongeza msaada wetu wa matibabu kwa wafanyakazi. Kuhusu maendeleo ya kazi, mipango imeanzishwa kuimarisha uwezo wa uongozi wa wafanyakazi wanawake, sambamba na ahadi yetu ya kutambua utofauti wa jinsia na kuhamasisha ujumuishi. Aidha, tumeanzisha jukwaa la kujifunza la kidijitali ili kuwezesha wafanyakazi kuongeza maarifa mara.

Zaidi ya hayo, ili kuendeleza motisha na kukuza utamaduni wa kutambuliwa kwa wafanyakazi, tumerekebisha muundo wetu wa kutambua mchango wa wafanyazi kuendana na viwango vya sekta na kuunda mfumo thabiti wa motisha kwa wafanyakazi na maendeleo kazini. Juhudi hizi za pamoja zinasisitiza dhamira yetu isiyoyumba ya kukuza nguvu kazi ambayo sio tu kwamba haina ujuzi wa hali ya juu bali pia iliyohamasishwa na inayoshiriki katika kuendesha mafanikio yetu ya pamoja.

Mtazamo wa Baadaye

Tukiangazia mbele, Benki ya CRDB inatarajia mustakabali mzuri katika biashara yetu. Kujidhatiti kwetu katika kuendelea kutekeleza mkakati wetu wa muda wa kati, kunaiweka Benki na kampuni zake tanzu katika njia ya ukuaji endelevu na uvumbuzi. Tunaweka kipaumbele katika klinda biashara zetu ili kuhakikisha uthabiti wa kifedha na kutoa huduma ya kipekee kwa wateja. Aidha, upanuzi wetu wa njia za ufikishaji huduma kwa wateja na huduma za kidijitali utaimarisha uwepo wetu sokoni na kuongeza ushirikiano na wateja wetu. Kujitolea kwetu kwa uendelevu, kama inavyothibitishwa na utekelezaji wa mipango mbalimbali kama vile Hatifungani ya Kijani, inaonyesha juhudi zetu za dhati za kuchangia vyema katika mazingira na jamii.

Ikiwa na msingi imara, ushirikiano wa kimkakati, na maono ya wazi ya siku zijazo, Benki ya CRDB ina nafasi kubwa ya kudumisha uongozi wake katika sekta ya benki, kukuza ustawi na maendeleo endelevu katika kanda nzima. Kuelekea mbele, tumejitolea kuendelea kuwekeza katika maendeleo ya teknolojia ili kupunguza hatari zinazoletwa na mashambulizi ya mtandaoni na kuwezesha kuongeza kasi ya uvumbuzi wa kidijitali, na kuimarisha zaidi ushindani wetu katika soko.

Shukrani

Mafanikio yaliyopatikana mwaka wa 2023 yanasisitiza juhudi za pamoja na uungwaji mkono thabiti kutoka kwa wadau wetu. Ningependa kutoa shukrani za dhati kwa wanahisa wetu, wateja, wafanyakazi, mamlaka za udhibiti, na Serikali kwa kujitolea kwao na michango yao yenye thamani kubwa katika mwaka mzima wa fedha uliopita. Imani na ushirikiano wao vimesaidia sana katika kushinda vikwazo na kufikia mafanikio haya tunayojivunia leo hii. Kwa pamoja, tunasalia thabiti katika kuendeleza ukuaji endelevu, kukuza uvumbuzi, na kuleta mabadiliko chanya ndani ya jamii tunazoshirikiana nazo. Natanguliza shukrani za dhati kwa msaada wako wa kudumu.

Vilvile, natoa pongezi kwa uongozi thabiti ulioonyeshwa na Bodi yetu ya Wakurugenzi, ambapo maono na maelekezo yao yalitoa dira muhimu kwa uongozi kutekeleza mikakati yetu kwa ufanisi. Miongozo yao imekuwa muhimu katika kuelekeza Benki yetu kuelekea mafanikio. Aidha, natoa shukrani kwa Menejimenti na wafanyakazi wote kwa kujitolea kwao na dhamira yao isiyoyumba, ambayo imekuwa msingi katika kuleta mafanikio tunayosherehekea leo.

Abdulmajid Nsekela
Mkurugenzi Mtendaji

Chief Financial Officer's Statement

26.7% Return on Equity (ROE)

4.8% Return on Assets (ROA)

TZS 1,737.9 Shareholders' funds

TZS 13.3bn Total Assets

Amidst volatile global macroeconomic and geopolitical landscapes in 2023, CRDB Bank Group achieved remarkable success, propelled by a combination of sound financial management, effective strategy implementation, and a supportive local business and regulatory environment. A key driver of this success was our unyielding commitment to prioritizing customer satisfaction through our customer-obsession program.

Reflecting on the year, 2023 underscored our Group's persistent pursuit of excellence as we solidified our leadership position and experienced significant growth across all key financial indicators. Our focus on diversification and enhancing customer experience remained pivotal in driving sustained growth well into the future.

Performance Overview

During the 2023 financial year, the Group achieved a remarkable 20.3% growth in Profit After Tax (PAT) to TZS 422.8 billion from TZS 351.4 billion reported in 2022. This growth reflects the successful execution of our strategic initiatives and reaffirms our commitment to delivering consistent returns to our stakeholders.

Our subsidiaries played a vital role in bolstering the Group's performance, with Burundi achieving an impressive 30.7% year-over-year growth in Profit After Tax (PAT) to TZS 30.2 billion. Notably, the subsidiary's assets increased by 16.4% YoY to TZS 983.5 billion, while total deposits increased by 3.8% (YoY) to TZS 547.3 billion. Our newly established subsidiaries, Insurance Company Limited and CRDB Congo, recorded losses of TZS 1.7 billion and TZS 4.2 billion respectively, their potential for growth remains promising.

Embracing a comprehensive approach in our business endeavors, we prioritize a keen focus on return on investments. This strategic mindset has proven highly rewarding as demonstrated in our positive performance. As a result, our key performance metrics, mainly ROA and ROE, have exhibited a consistent and notable strengthening throughout the year.

Revenue Generation

Total operating income before impairment charges grew by 16.3% YoY to TZS 1,294.3 billion from TZS 1,112.9 billion recorded in 2022. The growth resulted from a 17.6% increase in net interest income, emanating from good retail loans and advances growth. The growth was, however, affected by funding costs from raising market interest rates.

Summary of key performance indicators

	2023	2022	% Change
Total Assets (TZS Millions)	13,321.3	11,636.6	15%
Shareholders' funds (TZS)	1,737.9	1,479.1	18%
Profit After Tax (TZS Billions)	422.8	351.4	20%
Return on Equity	26.7%	26.0%	1%
Return on Assets	4.8%	4.9%	0%
Cost-to-income ratio	**49.5%**	**49.4%**	**0%**

16% TZS 1.23 trillion Group's total income

429.6% Kijani Bond oversubscribed

Kijani Bond is a **$300 million** debt security, which will be implemented over five years under a multi-currency Medium Term-Note (MTN) program

> Our subsidiaries played a vital role in bolstering the Group's performance, with Burundi achieving an impressive 30.7% year-over-year growth in Profit After Tax (PAT) to TZS 30.2 billion

The Group continued to invest in technology, specifically to improve service delivery and customer experience. This investment paid off with a remarkable growth in non-funded income from digital channels which grew by 22% mainly driven by transactions from SimBanking and internet banking.

We plan to continue investing strategically in ICT to achieve long-term ambitions. Enhanced digital and IT capabilities have also enabled the automation of processes, improved efficiency, and reduced costs. As a result, the cost-income ratio (CIR) was maintained at 49.5%, well within the regulatory threshold of 55%.

Operating Expenses

Operating expense growth was well contained at 18.2% due to focused cost control. Staff costs grew by 10.9% to TZS 338.2 billion, mainly due to annual salary increases and an increase in headcount allocated to our new subsidiaries commenced during the year. Administration expenses were well contained, with a 25.4% increase from the previous year to TZS 218.6.billion. This growth was mainly driven by inflation and business growth.

Strong Balance Sheet

The Group continued to record a strong balance sheet with YoY growth of 14.5% from TZS 11.6 trillion in 2022 to TZS 13.3 trillion. The growth was mainly contributed to the growth of loans and advances, which grew by 22.8% YoY to TZS 8.4 trillion. The growth was funded by an 8.0% growth in customer deposits, Borrowing 73.9%, and a 17.5% growth in shareholders' funds.

Asset Quality

Despite the microeconomic and geopolitical uncertainties, our top priority as a Group was to maintain a healthy loan book. Throughout the year, we implemented strategic initiatives to ensure a diverse and healthy portfolio, including portfolio diversification, de-risking, and portfolio guarantees through strategic partners. In addition to this, we implemented a robust non-performing loan (NPL) containment strategy focused on efficiently managing delinquencies, charged-off loans, and recoveries. As a result, we closed the year with an NPL ratio of 2.8%, which is within the regulatory threshold of 5%. Our bad debt recoveries increased significantly by 172% to TZS 35.0 billion in 2023 compared to TZS 12.9 billion achieved in 2022. This growth is a positive indication of our proactive recovery strategy.

Funding and liquidity

During the year, our Group maintained sufficient liquidity to support business growth; with a liquidity-asset ratio of 27.0%, well above the regulatory limit of 20.0%. Our successful deposit mobilization campaigns helped us achieve an 8.0% YoY growth in customer deposits, which reached TZS 8.9 trillion with a CASA of 83.0%. Customer deposits accounted for 76.0% of our total funding, 14.9% equity, and 9.1% borrowings.

Capital Management

Our approach to managing capital has always been focused on financial discipline, ensuring a healthy balance between low-cost CASA deposits and minimizing risks. This has enabled us to maintain healthy levels of profitability, and our consistent track record of delivering double-digit growth in earnings is a testament to our unwavering focus on keeping operational costs under control. Throughout the year, the Group remained committed to prudent capital management practices, selectively growing our portfolio with high-yield and Risk-weighted assets while also de-risking to ensure optimal capital utilization.

As at 31st December 2023, the Group remained well-capitalized and maintained healthy buffers above the minimum regulatory requirements. Our core and total capital ratios stood at 16.0% and 17.3%, respectively, exceeding the minimum regulatory requirements of 12.5% and 14.5% for Tier I and Tier II.

Updates on the Regulatory Frontage

The banking sector remained strong, steady, and resilient, with sufficient capital to support economic activities. To ensure the industry's stability, the central bank of Tanzania - Bank

YoY growth **20%** **TZS 423 billion** Group Profit After Tax (PAT)

31% **Burundi Growth** TZS **30.2** billion Profit After Tax (PAT)

YoY growth **49.5%** **49.4% in 2022** Cost-to-income ratio

of Tanzania (BOT) – continued to enhance risk management practices by implementing various policies and regulatory reforms. These measures aim to protect the industry's stability and benefit its customers, and other stakeholders.

In 2023, the Central Bank issued several guidelines, including Cloud computing for financial service providers, Customer experience guidelines for merchant payments and several guidelines for implementing Basel II and III. Basel II represented a significant shift in banking regulations, aimed at addressing the limitations of its predecessor, Basel I, by focusing on the sophistication of Risk Management within financial institutions. Basel II introduced the concept of Risk-weighted assets, acknowledging that not all assets carry the same level of risk. This allows banks to allocate capital more accurately based on the riskiness of their portfolios.

Basel III went beyond Basel II's focus on Risk Management and aimed to build resilience and stability in the banking sector. The framework introduced higher Minimum Capital Requirements and, Critically Capital Buffers. These buffers act as cushions during economic stress, making sure that banks have sufficient capital to absorb losses. Basel III also introduced Liquidity Standards like the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) to address Liquidity risks.

The mandatory compliance of Basel II and III is set to start in April 2025. The Group is well-positioned to comply with laws and regulations and embrace their positive effects on the industry. The Group 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.

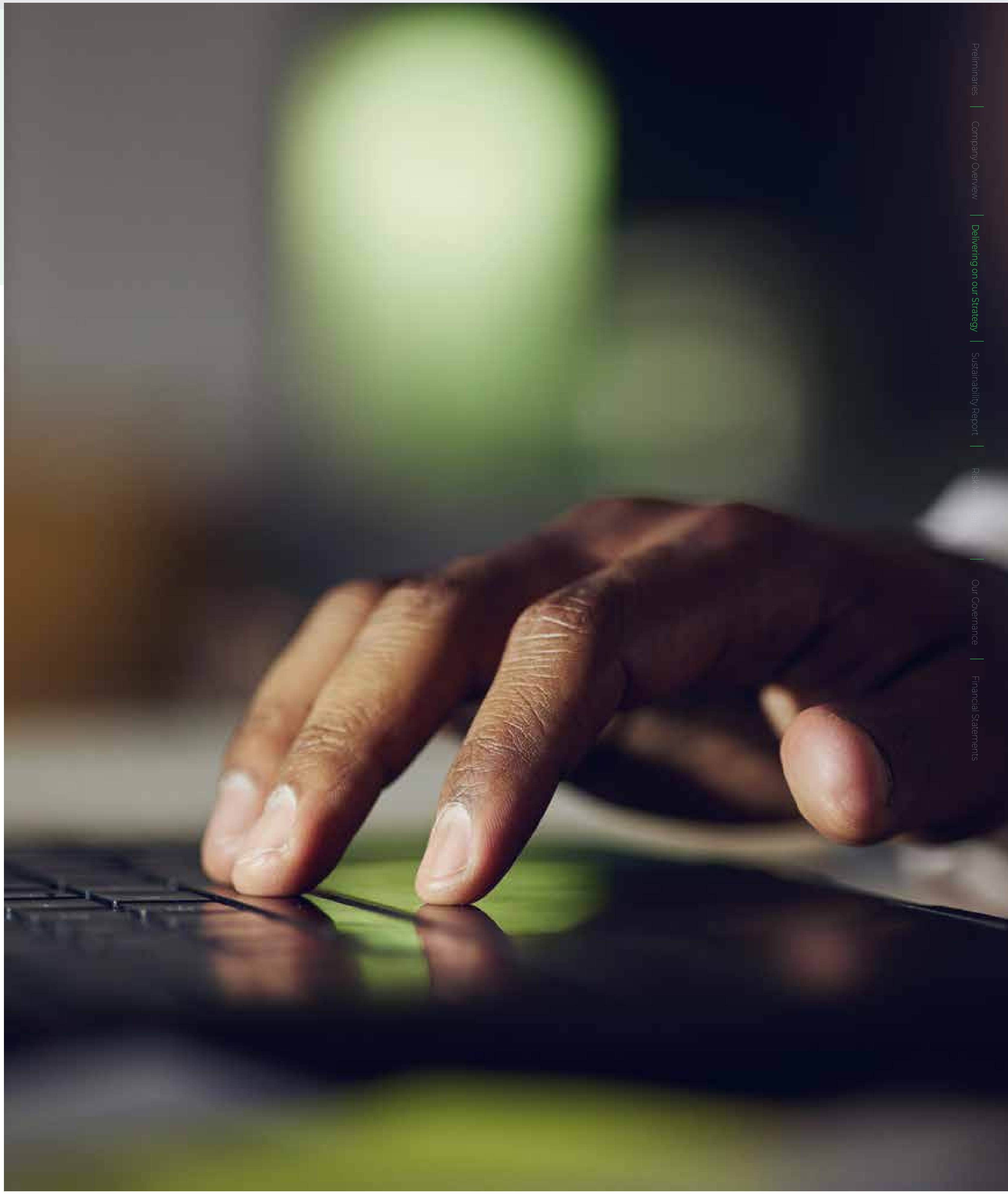
> During the year, our Group maintained sufficient liquidity to support business growth; with a liquidity-asset ratio of 27.0%, well above the regulatory limit of 20.0%.

Future Outlook

Our dedication to delivering consistent returns to our investors remains steadfast. As we embark on the second year of executing our 5-year strategic plan (2023-2027), we are confident in our ability to uphold this commitment. We are encouraged by the improving macroeconomic landscape, which has bolstered market recovery and consumer spending. However, we remain cognizant of the escalating inflationary pressures in the global economy.

Looking ahead, we anticipate shifts in the financial services industry, competitive dynamics, regulatory landscape, and the expectations of our stakeholders. As a Group, we are committed to adapting to these changes to better serve our customers, employees, and investors. With the recent establishment of three new subsidiaries – CRDB Congo, CRDB Insurance, and CRDB Bank Foundation – our focus is on enhancing the customer and employee experience and driving productivity improvements to ensure our readiness for the future.

Frederick B. Nshekanabo
Group Chief Financial Officer



Tafakari ya Afisa Mkuu wa Fedha

Wakati dunia ikipambana na changamoto za kiuchumi zilizosababishwa na migogoro ya kimataifa kwa mwaka 2023, Benki ya CRDB ilipata mafanikio makubwa yaliyotokana na usimamizi mzuri wa rasilimali fedha, utekelezaji makini wa mpangomkakati, pamoja na mazingira rafiki ya biashara. Msingi wa mafanikio haya ulitokana pia na kujitolea kwetu katika kukidhi mahitaji na matarajio ya wateja chini ya mpango wetu wa huduma bora kwa wateja.

26.7% CRDB Faida katika Hisa

4.8% Faida katika Mali

TZS 1,737.9 Fedha za Wanahisa

TZS 13.3b Jumla ya mali

Katikamwaka 2023 Benki ya CRDB iliendelea kujipambanua kama benki bora na kiongozi, vikidhihilishwa na ukuaji mkubwa katika viashiria vyote muhimu vya fedha . Umakini wetu katika kuhudumia sekta mbalimbali za biashara na uboreshaji wa huduma kwa wateja uliendelea kuwa muhimu katika ukuaji endelevu sasa na siku zijazo.

Mutahsari wa Utendaji

Katika mwaka wa fedha 2023, Faida ya Benki Baada ya Kodi iliongezeka kwa 20.3% kufika shilingi bilioni 422.8 kutoka shilingi bilioni 351.4 zilizopatikana mwaka wa fedha 2022. Ukuaji huu unadhihirisha utekelezaji madhubuti wa mipango yetu ya kimkakati na kuthibitisha azma yetu ya kukidhi matarajio ya wadau wetu.

Kampuni tanzu zetu ziliendelea kufanya vizuri na na kuchangia katika kuimarisha utendaji wa Benki. Faida Baada ya Kodi iliyopatikana Burundi iliongezeka kwa 30.7% kufika shilingi bilioni 30.2. Thamani ya mali zake iliongezeka kwa 16.4% kwa mwaka huo hadi kufika shilingi bilioni 983.5 huku jumla ya amana za wateja ikiongezeka kwa 3.8% hadi kufika shilingi bilioni 547.3. Kampuni tanzu zetu mpya zilipata hasara; CRDB Insurance Company Limited ilipata hasara ya shilingi bilioni 1.7 na CRDB Bank Congo ilipata hasara ya shilingi bilioni 4.2. Hata hivyo, fursa ya kukua na kuimarika zaidi iko wazi kwa kampuni zote mbili.

Katika kusisitiza mkakati mpana wa uendeshaji wa shughuli zetu za biashara, tumeweka kipaumbele katika faida ya uwekezaji. Mtazamo huu wa kimkakati umeleta mafanikio makubwa kama ilivyoonekana katika utendaji wetu mzuri. Hii inajidhihirisha katika viashiri vyetu muhimu vya utendaji, hususan Faida ya Mali (ROA) na Faida ya Mtaji (ROE), ambavyo vimeonyesha uendelevu na kuimarika kwa mwaka mzima.

Muhtasari wa viashirio muhimu vya utendaji

	2023	2022	Mabadiliko %
Jumla ya Thamani ya Mali (TSh Milioni)	13,321.3	11,636.6	15%
Mtaji wa Wanahisa (TSh)	1,737.9	1,479.1	18%
Faida Baada Kodi (TSh Bilioni)	422.8	351.4	20%
Faida ya Mtaji	26.7%	26.0%	1%
Faida ya Mali	4.8%	4.9%	0%
Uwiano wa Gharama na Mapato	**49.5%**	**49.4%**	**0%**

16% **TZS 1.23 trillion** Group's total income

429.6% Kijani Bond oversubscribed

Bond ya Kijani ni dhamana ya deni la **$300 milioni**, ambayo itatekelezwa kwa miaka mitano chini ya sarafu nyingi. Mpango wa Dokezo la Muda wa Kati (MTN).

> Makampuni yetu tanzu yalichangia pakubwa katika kuimarisha utendaji wa Benki, huku Burundi ikifikia ukuaji wa kurudhisha wa 30.7% wa mwaka hadi mwaka wa Faida Baada ya Kodi (PAT) hadi TZS 30.2 bilioni.

Kuzalisha Mapato

Jumla ya mapato ya uendeshaji kabla ya uchakavu yaliongezeka kwa 16.3% kwa mwaka huo hadi kufika shilingi bilioni 1,294.3 kutoka shilingi bilioni 1,112.9 zilizopatikana mwaka 2022. Mafanikio hayo yalitokana na ongezeko la 17.6% katika mapato halisi yatokanayo na riba kutoka kwenye mikopo iliyotolewa kwa wateja wadogo, wa kati pamoja na ongezeko la mikopo yote iliyotolewa kwa ujumla. Hata hivyo, ukuaji huo uliathiriwa na kupanda kwa riba sokoni hivyo kuongeza gharama za mtaji.

Benki imeendelea kuwekeza katika teknolojia, kwa lengo maalumu la kuboresha utoaji wa huduma kwa hususan huduma kwa wateja. Uwekezaji huu ulikuwa na mafanikio mazuri yaliyodhihirishwa na kuongezeka kwa mapato yasiyotokana na riba yaliyopatikana kwenye chaneli zetu za kidijitali. Mapato hayo yaliongezeka kwa 22% yakichangiwa zaidi na miamala iliyofanyika kupitia SimBanking na huduma za benki kwa intaneti.

Tunapanga kuendelea kuwekeza kimkakati kwenye TEHAMA ili kufanikisha malengo yetu ya muda mrefu. Matumizi ya TEHAMA na chaneli za kidijitali yamesaidia shughulinyingi za huduma za kibenkikufanyika kidijitali, hivyo kuongezeka ufanisi, na kushuka kwa gharama za utoaji huduma. Kutokana na hatua hizi uwiano gharama na mapato ambao uliendelea kuwa 49.5%, ikiwa ndani ya kiwango elekezi kwa mujibu wa kanuni, yanachini ya 55%.

Gharama za Uendeshaji

Gharama za uendeshaji zilikuwa zilikua kwa 18.2%, kutokana na juhudi mathubuti za usimamizi bora wa matumizi. Gharama za wafanyakazi zilipanda kwa 10.9% kufika shilingi bilioni 338.2 kutokana na ongezeko la idadi ya wafanyakazi katika kampuni tanzu zilizoanzishwa ndani ya mwaka. Gharama za kiutawala zilidhibitiwa vema hivyo kuongezeka kwa 25.4% kutoka mwaka uliotangulia kufikia shilingi bilioni 218.6. Ongezeko hili lilichangiwa na mfumuko wa bei na kukua kwa biashara ikijumuisha kampuni mpya tanzu.

Mizania Imara

Mizania ya Benki ya CRDB na kampuni zake tanzu imeendelea kuimarika tukishuhudia ukuaji wa mwaka wa 14.5% kutoka shilingi trilioni 11.6 mwaka 2022 mpaka shilingi trilioni 13.3 mwaka 2023. Ukuaji huo ulichangiwa zaidi na ongezeko la 22.8% la mikopo tuliyoitoa hadi kufika shilingi trilioni 8.4. Ukuaji huo ulichangiwa na ongezeko la amana za wateja zilizopanda kwa 8.0%, mikopo kwa 73.9%, na kukua kwa mtaji wa wanahisa kwa 20.4%.

Ubora wa Mali

Licha ya changamoto za kiuchumi na migogoro ya kisiasa duniani, kipaumbele chetu kiliendelea kuwa ubora katika kitabu chetu cha mikopo. Kwa mwaka mzima, tulitekeleza mikakati ya kuhakikisha tunakuwa na mikopo mizuri na mchanganyiko mzuri wa wateja, ikiwa ni pamoja na kupunguza vihatarishi vinavyoambatana na mikopo, na kupata dhamana ya mikopo kwa kushirikiana na wabia wa kimkakati. Vilevile, tulikuwa na mkakati madhubuti wa kudhibiti uwiano wa mikopo chechefu tukiwa na lengo la kusimamia vizuri malimbikizo, mikopo iliyofutwa na marejesho. Matokeo ya juhudi hizi ni kwamba tulimaliza mwaka tukiwa na uwiano wa mikopo chechefu wa 2.8% ambao uko ndani ya kiwango cha udhibiti cha 5%. Urejeshaji wa mikopo mibaya uliongezeka kwa 172% kufikia shilingi bilioni 35.1 ukilinganisha na shilingi bilioni 12.9 mwaka 2022. Ongezeko hili ni uthibitisho wa mkakati thabiti wa urejeshaji wa mikopo.

Uwezeshaji na Ukwasi

Kwa kipindi cha mwaka mzima, Benki yetu ilikuwa na ukwasi wa kutosha kuwezesha ukuaji wa biashara zetu. Uwiano wa ukwasi na mali ulikuwa 27% kikiwa ni kiwango cha juu ya ukomo wa kisheria wa 20.0%. Kampeni zetu za uhamasishaji wa utunzaji wa amana zilichangia ukuaji wa 8.0% kwa mwaka hadi kufika shilingi trilioni 8.9, huku akaunti za hundi na akaunti za akiba zikiwa 83.0%. Amana za wateja zilichangia 76.0% katika uwezeshaji wote tulioufanya, mtaji ulichangia 14.9% na mikopo ilichangia 9.1%.

Usimamizi wa Mtaji

Mfumo wetu wa kusimamia mtaji mara zote umekuwa ukijielekeza katika kuimarisha nidhamu ya fedha kwa kuhakikisha kunakuwa na usawa kati ya akaunti zenye gharama ndogo za uendeshaji za muda maalumu na akaunti za akiba pamoja

Ukuaji kwa amwaka **20%** **TSH 423 billion** Faida ya Kikundi Baada ya Kodi (PAT)

Ukuaji wa Burundi **31%** TSH **30.2** bilioni Faida ya Kikundi Baada ya Kodi (PAT)

Ukuaji kwa amwaka **49.5%** **49.4% in 2022** Uwiano wa gharama na mapato

na kupunguza vihatarishi. Hii imetuwezesha kutengeneza faida nzuri huku mapato ya biashara yetu yakikua kwa tarakimu mbili hali inayothibitisha juhudi tulizonazo katika usimamizi bora wa matumizi. Katika mwaka 2023, Benki ilindelea kuzingatia usimamizi bora wa mtaji, kukuza uwekezaji wetu kimkakati katika maeneo ambayo yanatoa faida kubwa yakiwa na vihatarishi vichache huku tukihakikisha uwekezaji wa mtaji wetu unatumika kwa ubora.

Mpaka tarehe 31 Desemba 2023, Benki ilikuwa na mtaji wa kutosha ikiwa na akiba inayoipa uwezo wa kukabiliana na changamoto au dharura inayoweza kujitokeza wakati wowote, na kuendelea kukidhi vigezo vya kikanuni. Uwiano wa mtaji wa msingi ulikuwa 16.% na uwiano wa jumla ya mtaji ilikuwa 17.3% hivyo kuwa juu ya matakwa ya kikanuni yanayotaka uwiano wa mtaji wa msingi uwe 12.5% na uwiano wa jumla ya mtaji kuwa 14.5% kwa benki za daraja la kwanza na darala la pili.

Uhuishaji wa Mabadiliko ya Udhibiti

Sekta ya benki iliendelea kuwa imara na thabiti na ilikuwa na mtaji wa kutosha kufanikisha shughuli za kiuchumi. Ili kuhakikisha sekta inaendelea kuwa imara, Benki Kuu ya Tanzania (BOT) iliendelea kutunga na kusimamia sera za kukabiliana na vihatarishi. Hatua hizi zililenga kuilinda sekta ya fedha ili kuwanufaisha wateja na wadau wengine.

Mwaka 2023, Benki Kuu ya Tanzania ilitoa miongozo kadhaa ikiwamo Mwongozo wa matumizi ya teknolojia ya 'Cloud Computing,' Mwongozo wa Huduma kwa Wateja kwa wafanyabiashara na watoa huduma za malipo, na miongozo kadhaa ya utekelezaji wa kanuni mpya za Basel II na III. Mwongozo wa Basel II ulileta mapinduzi makubwa kwenye kanuni za benki ukilenga kuondoa upungufu uliokuwapo kwenye mwongozo uliotangulia, Basel I, kwa kuzingatia utaalamu wa Udhibiti wa Vihatarishi ndani ya taasisi za fedha. Mwongozo wa Basel II ulitambulisha dhana ya wastani wa vihatarishi kwa mali zilizopo, ukifafanua na kutambua kwamba kila mali huwa na vihatarishi vyake ambavyo hutofautiana kwa ukubwa. Hii inazipa nafasi benki kuchagua sehemu ya kuweka mtaji wake.

Mwongozo wa Basel III unaenda mbali zaidi ya udhibiti wa vihatarishi kwani umejielekeza katika kujenga uthabiti na ustahimilivu kwenye sekta ya benki. Mwongozo huo unaelekeza kiasi cha chini kinachotakiwa kuwepo na mtaji wa dharura. Mtaji huu wa dharura unafanya kazi kama kinga iwapo kutajitokeza msukosuko wa kiuchumi, kuhakikisha kwamba benki inakuwa na mtaji wa kutosha kuzuia kupata hasara. Mwongozo huo pia ulitambulisha Viwango vya Ukwasi, kama vile Uwiano wa Usambazaji Ukwasi na Uwiano Halisi wa Ukopeshaji ili kushughulikia hatari za Ukwasi.

Utekelezaji wa lazima wa Mwongozo wa Basel II na III unatarajiwa kuanza Aprili 2025. Benki imejipanga vema kutekeleza sheria na kanuni hizo zote ili kunufaika na faida zake. Benki itaendelea kujielekeza katika kuongeza vyanzo vya mapato ili kuimarisha mtaji uliopo na kuongeza thamani ya mali zenye kiwango kidogo cha vihatarishi ili kuondoa uwezekano wa kupoteza mtaji unakotokana na utekelezaji wa Miongozo na kakuni za Basel II na III.

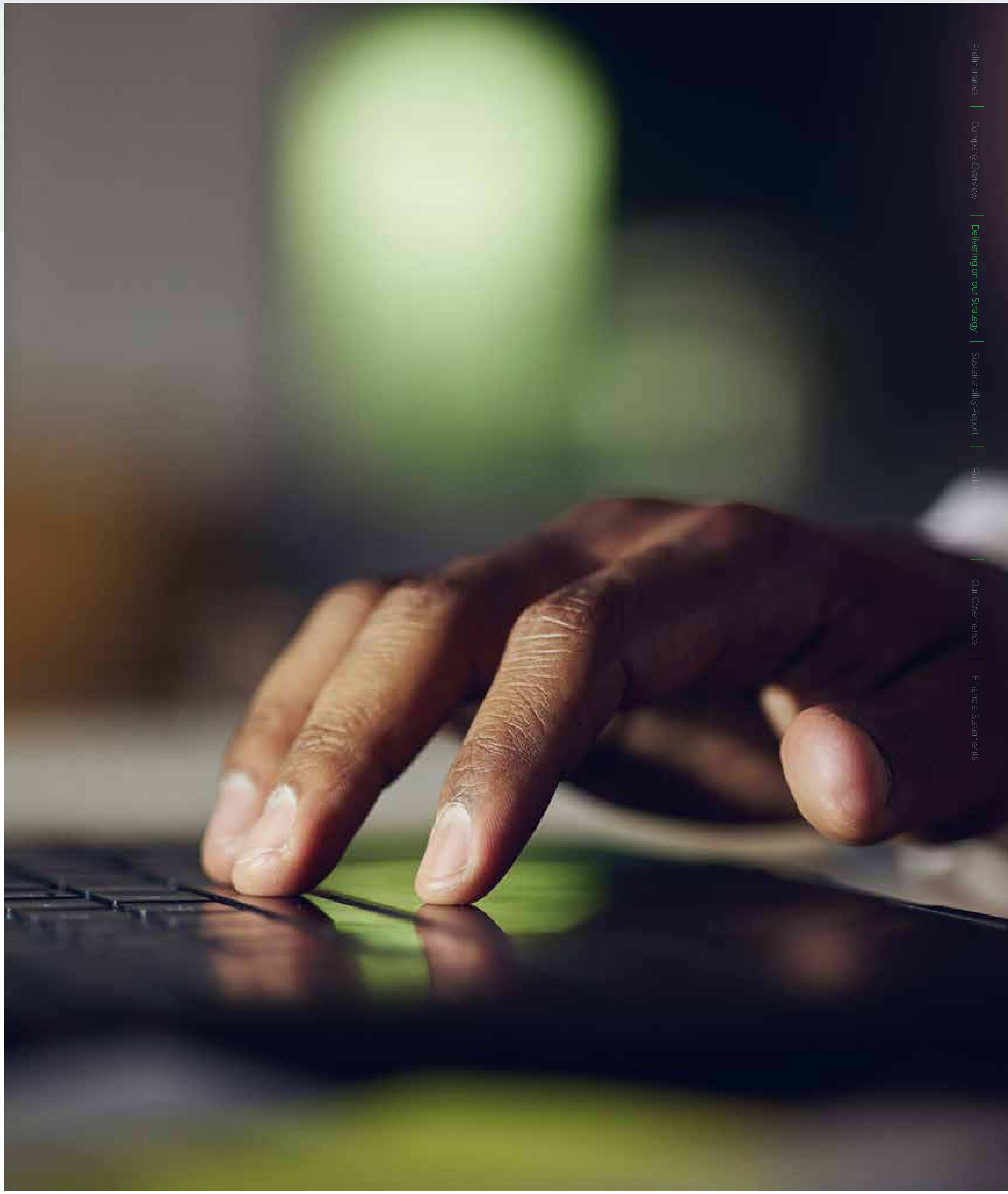
> "Katika mwaka huu, kikundi chetu kilikuwa na kiwango cha kutosha cha utoshelevu wa fedha kuunga mkono ukuaji wa biashara; na uwiano wa utoshelevu wa fedha wa asilimia 27.0%, ukiwa juu zaidi ya kikomo cha kisheria cha asilimia 20.0%."

Mtazamo wa Baadaye

Malengo yetu ya kuwapa faida kubwa wawekezaji wetu yanaendelea kuwa kipaumbele. Tunapoingia mwaka wa pili wa utekelezaji wa mpangomkakati wetu wa miaka 5 (2023 – 2027), tunaamini kwamba tunaweza kuitekeleza ahadi hii. Tunafarijika na mazingira tulivu ya kiuchumi na ufanyaji biashara nchini ambayo yamelifufua soko na kurudisha uwezo wa matumizi ya wananchi ambao ndio wateja wetu. Hata hivyo, tunaendelea kuwa makini na shinikizo la mfumuko wa bei linaloongezeka katika uchumi wa dunia.

Tukiangazia mbele, tunatarajia kuona mabadiliko kadhaa kwenye sekta ya huduma za fedha, ongezeko la ushindani, na matarajio ya wadau wetu. Benki ya CRDB imejipanga kukabiliana na changamoto hizi vilivyo ili kukidhi matarajio ya wateja, wafanyakazi na wawekezaji. Tukiwa tumeanzisha kampuni tanzu tatu hivi karibuni (CRDB Bank Congo, CRDB Insurance Company Limited na CRDB Bank Foundation) madhumuni yetu ni kuendelea kuboresha huduma kwa wateja,weledi na ustawi wa wafanyakazi ili kudhihirisha utayari wetu wa baadaye.

Frederick B. Nshekanabo
Afisa Mkuuu wa Fedha



Commercial Report

CRDB Bank Group's Strategic Growth and Inclusive Financing Drive

Boma O. Raballa
Chief Commercial Officer (CCO)

As we reflect on the dynamic landscape of the 2023 financial year, CRDB Bank continues to show dynamism, navigating a series of challenges, while capitalising on emerging opportunities to fortify its position as a market leader. Amidst the economic flux in 2023, the Group demonstrated resilience and agility, delivering commendable performance across various segments of its operations.

Performance Review

CRDB Bank Group maintained its position as the largest commercial bank in Tanzania, boasting a significant share of total deposits and assets in the market. With total assets surging by 14.5% and customer deposits by 8.0%, the Group's robust growth trajectory underscored its commitment to innovation and customer-centricity. Notably, net loans and advances to customers grew substantially by 22.8%, propelled by the introduction of innovative products and services tailored to meet evolving customer needs

The Group's financial performance remained robust, with a profit before tax growing by 20.3% compared to the previous year. While interest income surged by 26.9%, operating costs witnessed an 18.2% rise, reflecting the bank's strategic investments in business expansion and operational efficiency enhancement.

Expansion and Diversification

CRDB Bank Group's expansion efforts extended beyond Tanzania, with ventures into Burundi and Congo markets. In Burundi, CRDB Bank Burundi S.A. registered impressive growth in post-tax profit and total assets, showcasing the bank's commitment to regional market penetration. Conversely, CRDB Bank Congo embarked on its inaugural year of operation, laying the groundwork for future growth despite recording a post-tax loss.

In line with its diversification strategy, the Group ventured into the insurance sector through CRDB Insurance Company Limited and Bancassurance operations. Although facing initial losses attributed to pre-operating expenses, these endeavours signify the Group's commitment to offering comprehensive financial solutions to its clientele.

The introduction of Al Barakah Banking marked a significant milestone, catering to the burgeoning demand for Shariah-compliant banking services. The exponential growth in customer acquisition and financing volumes underscores the resonance of this proposition with the target market, reaffirming the Group's commitment to inclusive financial services.

Seeking New Opportunities and Financial Inclusion

Looking ahead, CRDB Bank Group is poised to seize new opportunities in underserved segments such as youth, women, SMEs, and agricultural value chains. Strategic partnerships and regional expansion initiatives are envisioned to accelerate growth and enhance market penetration. Moreover, financial inclusion remains a cornerstone of the Group's growth strategy, exemplified by the launch of the CRDB Bank Foundation and initiatives to promote socio-economic empowerment.

Building a Competitive Edge

In the face of evolving industry dynamics and heightened competition, CRDB Bank Group continues to prioritise digital transformation and customer-centricity. By harnessing technology, expanding distribution networks, and fostering a culture of innovation, the Group aims to maintain its competitive edge and deliver sustainable value to stakeholders.

> In the face of evolving industry dynamics and heightened competition, CRDB Bank Group continues to prioritise **digital transformation** and **customer-centricity**.

Key Milestones

In our pursuit of excellence, CRDB Bank Group achieved significant milestones across various facets of our operation

1. Service Experience Enhancement - Through initiatives like Branch Patronage and Huduma Dhahabu 2.0, we have undergone a transformative journey to elevate service quality across all touchpoints. By prioritizing customer satisfaction and implementing service culture transformation programs, we aim to deliver unparalleled service experiences.
2. Operational Effectiveness - Addressing operational inefficiencies was paramount, and we have adopted faster, more efficient processes to optimize resource allocation and enhance service delivery. This ensures that our operations remain agile and responsive to the evolving needs of our customers.
3. Increased Engagements - We intensified customer engagements through strategic initiatives such as branch visits, targeted campaigns, and seminars. By prioritizing customer insights and awareness campaigns like Benki ni Simbanking and Tisha na Tcembocard, we aim to foster financial literacy and expand our customer base.
4. Exploring New Markets - Recognizing the potential in regional markets, we actively pursued market exploration and engaged potential equity partners like FMO and Belgium Investment Company (BIO) to facilitate business expansion. These efforts are integral to our growth strategy and market penetration objectives.
5. Introduction of New Solutions - To meet the growing demand for digital banking services, we upgraded and introduced new offerings in our digital channels. The introduction of the new card scheme Amex and e-Mkopo reflects our commitment to providing convenient and accessible banking solutions to our customers.
6. Sustainable Finance Initiatives - CRDB Bank's accreditation as an entity by the GCF Board is a significant milestone in our journey towards sustainable finance. Through strategic collaborations with partners like MUFG Bank, we aim to finance climate projects in developing countries, including Tanzania, thereby contributing to environmental sustainability and economic development.

Strategic Engagements with Key Partners

Our strategic engagements with key partners have strengthened our position in the market and enhanced our brand positioning. Initiatives focused on expanding business operations, optimising balance sheet risk management, and capacity building underscore our commitment to long-term sustainability and growth.

Technology Updates and Staff Empowerment

In line with our commitment to innovation, we have undertaken several technology updates to enhance operational efficiency and customer experience. Initiatives like the migration of banking services to new platforms and staff loan automation demonstrate our dedication to leveraging technology for organisational growth and staff empowerment.

Future Outlook

Looking ahead, CRDB Bank Group is well-positioned to capitalise on emerging trends and navigate evolving market dynamics. The Group's focus on fostering strategic partnerships, embracing digital innovation, and maintaining a steadfast commitment to financial inclusion, will guide its course towards sustained growth and market leadership. As we embark on the journey ahead, we remain steadfast in our dedication to creating shared value and driving socio-economic development across the regions we serve.

Retail Banking

Prioritising Customer Experience to Drive Performance

Bonaventure Paul
Director of Retail Banking

The 2023 financial year marked a remarkable success for our retail business, with significant achievements in key indicators across various segments, including tetail deposits, loans and advances to customers. A key driver for this success was the streamlining of customer onboarding which resulted in the growth of total retail banking income.

During the year, the bank's retail deposits surged by 23% to TZS 5.1 trillion, from TZS 3.6 trillion reported in 2022. The number of accounts opened soared by 73%, from 878,780 in 2022 to 1,257,736 in 2023. Furthermore, the retail loan book expanded by 20% year-on-year, reaching TZS 4.1 trillion in December 2023. Notably, portfolio quality also improved, with retail banking's Non-Performing Loans (NPL) reducing to 2.1% by December 2023, down from 2.4% in December 2022, attributed to enhanced portfolio monitoring practices.

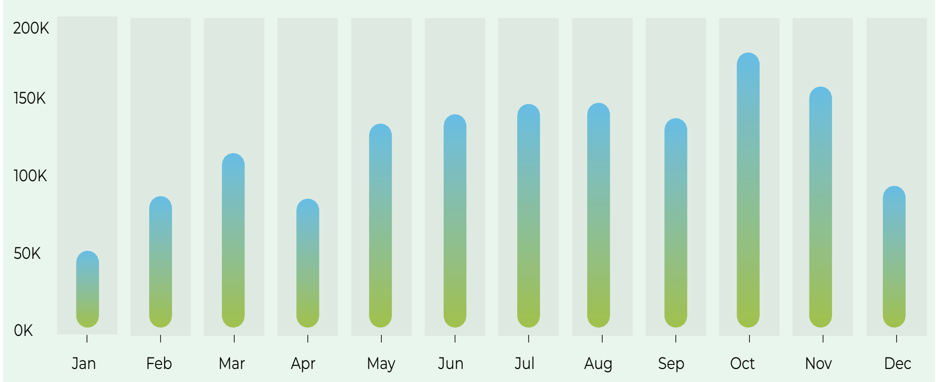
Focus on Customer Acquisition

In line with the group's digital transformation strategy, the bank rolled out various digitalised platform for account opening including self-account opening via Simbanking app, CRDB Wakala, branches, and direct sales executives. As a result, the bank onboarded over one (1) million new customer accounts, mobilizing more than TZS 500 billion in the process. Notably, our agents played a pivotal role, opening over 550,000 accounts and mobilizing more than TZS 60 billion in 2023 alone.

Streamlining Account Management for Enhanced Experience

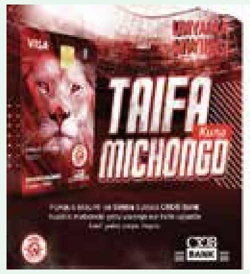
Consistent with the bank's efforts to enhance customer experience, we streamlined account management processes by implementing dormant account activation and KYC updates through SDK solutions. Following this critical intervention, customers can now conveniently update their KYC information and reactivate dormant accounts without manual intervention

MoM Account Opening Performance



Leveraging Strategic Partnerships to Drive Product Innovation

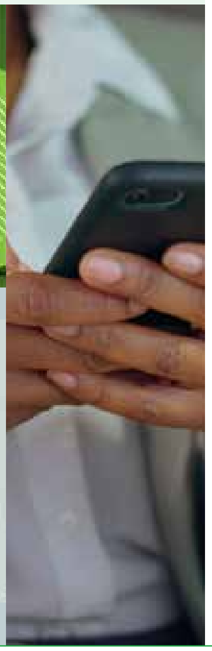
Over the years, we have come to appreciate the strength in building strong partnerships for accelerated growth and impact. During the year under review, the bank forged partnerships with Tanzania's leading football clubs, Simba and Yanga. We created specialized products tailored for their fans, facilitating account openings and issuance of themed cards, boosting both account numbers and transaction volumes



Automation of Loan Processes

In our continuous effort to enhance customer experience, we automated loan application processes. Staff loan automation laid the groundwork for automating private employer loans. Furthermore, loan processing for government borrowers, loan calculator integration in Simbanking APP, and loan visibility via the same app were introduced, aiming for a fully automated loan application process to improve Turnaround Time (TAT).

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.



Income Generation Initiatives

To further bolster the bank's profitability, the bank undertook various initiatives undertaken to grow income, raise product awareness, promote financial inclusion, and drive digital platform adoption. During the year, the bank rolled out the "Benki ni Simbanking" campaign to boost usage of the simbanking platform and expand our customer base. As a result, the in Simbanking income doubled from TZS 6 billion in January 2023 to TZS 12 billion in December 2023..

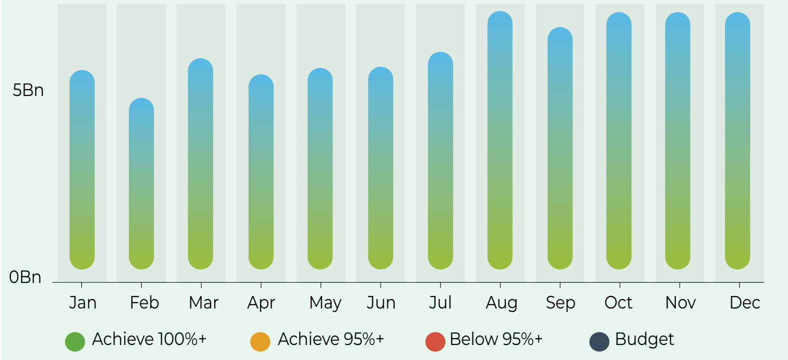
Agency Banking Expansion and Enhancements

Our focus on deepening financial access through alternative banking channels continued to receive considerable attention with the CRDB Wakala recruitment achieving another milestone with 25,000 banking agents as at the end of the year. Of these, 22,400, which is 80%, were actively, further contributing to the bank's growth.

The bank also introduced a new agency banking system, which seeks to empower agents to perform previously unavailable transactions, including reversals and real-time income tracking. Additionally, enabling agents to use smartphones for transactions expedited onboarding of new agents and customers

Revenue Vs Budget

Amount in Tz Billion



23%
Retail Deposits. From 3.6 Trn in 2022 to **5.1 Trillion in 2023**

73%
Accounts opened, fom 878,780 in 2022 to **1,257,736 in 2023**

20%
Retail loan book expanded to **TZS 4.1 trillion in December 2023**

2.1%
NPL, down from **2.4% recorded in 2023**

Network Expansion

Throughout the dynamic journey of the year, we embarked on an exciting venture, launching a total of 15 vibrant new branches across the country. Our mission? To broaden the reach of financial services, ensuring accessibility to communities far and wide.

This bold initiative not only extended our presence to previously untouched areas but also transformed mobile branches into enduring hubs of service and support. From the serene landscapes of Turiani to the bustling streets of Mafia, each new branch represents a beacon of opportunity and empowerment.

With enthusiasm and dedication, we planted our flag in diverse locales, including Ikwiriri, Chalinze, Majimoto, Nkasi, Shirati, Meatu, Rulenge, Kilindi, Nanyumbu, Kilwa Kivinje, Liwale, Kaliua, and Igunga. These vibrant additions to our network stand as testament to our commitment to fostering financial inclusion and community prosperity.

New Retail Banking Structure

In our relentless pursuit of customer satisfaction and operational excellence, we conducted a thorough review of our organizational structure. This revamp was designed to align more closely with the needs of our valued customers while driving performance to new heights.

As part of this initiative, we restructured our Branch Network into two specialized units: Branch Operations and Controls, dedicated to optimizing branch operations, and Branch Sales and Business Performance, aimed at maximizing the value chain and elevating performance across branches, zones, and retail units. This strategic realignment ensures a sharper focus on customer-centricity and positions us to capitalize on growth opportunities with greater agility and efficiency.

Celebrating Excellence in 2023

In addition to our exceptional performance, we are proud to highlight the accolades earned in 2023, underscoring our industry leadership and commitment to excellence. Notably, our Islamic banking division was honored with the prestigious GIFA Award for the best Islamic banking outfit in East Africa, affirming our dedication to providing innovative and Sharia-compliant financial solutions to our customers. This acknowledgment reflects the dedication of our team, reinforcing our role as a trusted partner in Islamic finance within the region. We appreciate this recognition and are committed to maintaining excellence across all our operations.

Retail Banking

AL - Barakah BANKING

2023 Key Figures in

Customers 112,621 | Financing TZS 99.9Bn | Deposits TZS 103B

"Al Barakah" Banking (Arabic for "Baraka" in Swahili) is CRDB's Islamic Banking window operation, the proposition which is led by the Directorate of Retail Banking.

Al Barakah Banking represents CRDB's esteemed Islamic Banking window, catering to discerning clientele with a preference for Shariah Compliant Banking services.

The proposition is overseen under the Directorate of retail Banking and offers the solution cutting across both Retail banking (Consumer & Business Banking) and Corporate Banking customers.

In 2023, our second year of operation, we experienced significant growth, expanding our customer base from 33,000 in 2022 to 112,621 by the end of 2023, a strong 341% increase year-on-year.

Our Shariah compliant contract financing book also grew from TZS 58. billion in 2022 to TZS 99.98 billion by the end of 2023, a 72% increase year-on-year.

Customer deposits in Al Barakah rose from TZS 30.8 billion in 2022 to over TZS 103 billion by December 2023, a sharp 234% increase year-on-year.

This robust growth not only underscores our unparalleled value proposition in Al Barakah banking offerings but also signifies the underlying demand for Shariah compliant financial services across our communities.

2023 Key value additions

Launched Al barakah tailored ATM cards, the unique theme and look resonate with our customer values hence elevating customer comfort and the overall Al barakah aura.

Launched Hajj and Umrah financing for our valued customers wishing to perform Hajj and Umrah pilgrimage. Applicable to those with the financial capacity to pay up to three years.

2023 Accolades

Awarded "Upcoming Islamic Banking Window operation" by The Global Islamic Finance Awards (GIFA), the first to be received in Tanzania.

	Condensed statement of financial position			
		Dec-22	**Dec-23**	**Growth**
	Financing book	52,068,688	92,363,963	77%
	SUKUK Investment	6,000,000	7,500,000	25%
1	Total Assets	58,068,688	99,863,963	72%
	LC & Guarantees	16,506,000	17,266,743	5%
	Customer demand deposits CASA (Qardh)	30,800,000	89,162,845	189%
	Customer Investment deposit (Mudharabah)	-	14,276,000	
2	Total deposits	30,800,000	103,438,845	236%
	NPL	0	0	
	Condensed statement of profit or loss and other comprehensive income			
		Dec-22	**Dec-23**	
	Total Shariah financing profit income	2,654,379	4,492,116	69%
	Total SUKUK investment profit income	134,143	551,239	311%
	Total Shariah financing and investment income	2,788,522	5,043,355	81%
	Profit sharing expence to Mudharabah investors	-	830,969	
	Net Shariah financing and investment income	2,788,522	4,212,386	51%
	Non funding income (fees & commission)	1,002,281	3,977,163	297%
3	Profit before Tax	3,790,803	8,189,549	116%
4	Customer accounts	34,041	112,884	232%

Future outlook

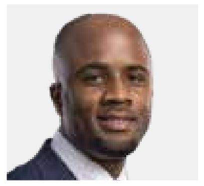
Upcoming new additional solutions that shall continue to build Al Barakah value chain proposition centered around innovation and our customer needs, this may include but not limited to Takaful (Shariah compliant insurance) through our Bancassurance services in collaboration with Takaful insurance operating company, also potential issuance of Sukuk to widen the scope of investment solution options to our customers and ultimately further elevating the level of financial inclusive solutions to our communities.

> In 2023, our second year of operation, we experienced significant growth, expanding our customer base from **33,000** in 2022 to **112,621** by the end of 2023, a strong **341%** increase year-on-year.

Shariah Governance

CRDB Bank 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, also referred as Shariah Advisory Board (SAB), meets on quarterly basis with CRDB Management to guide the operations and engage with the customers from time to time to increase awareness and confidence to our respective stakeholders. The following are the members as of 2023:

Shariah Governance



Mr. Abdul Mohamed
Board Chairman

Sheikh Abdallah Salim
Board Member

Sheikh Issa Othman Issa
Board Member

Professor Monzer Kahf
Board Member

Sheikh Juma Amour
Board Member

Mr. Rashid Rashid
Head of AL BARAKAH Banking

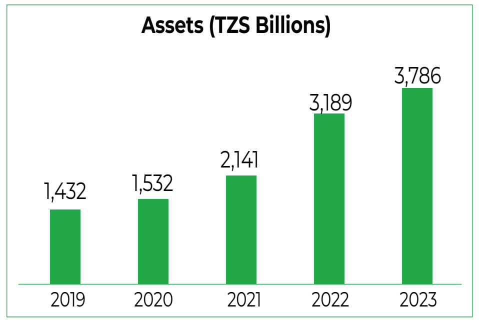
Mr. Xavery Makwi
Board Member

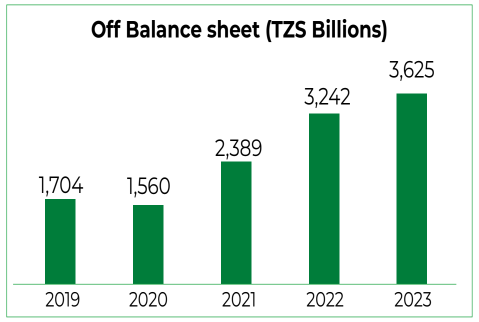
Corporate Banking

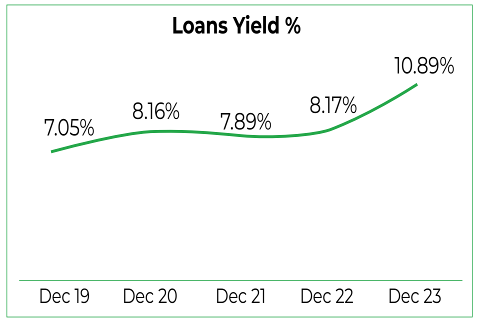
Supporting Clients' Growth Amid a Rapidly Evolving Business Landscape

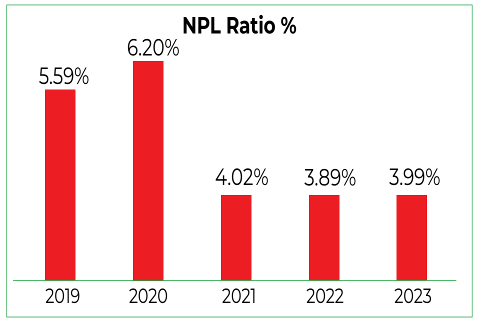
Prosper Nambaya
Director of Corporate & Institutional Banking

Our priority during the 2023 financial year was to help our clients navigate all challenges, drawing from our financial expertise, and leveraging good relationships. This supported our business growth and proper financial soundness while we continue increasing the uptake and availability of our services throughout the reporting period.









Enhancing client experience

From the above, the bank successfully expanded both its on-balance sheet and off-balance sheet assets. This growth demonstrates the bank's ability to attract and manage financial resources effectively while continuing growing our assets yields from 7% to 10% and containing NPL containment at the ratio that is below the regulatory tolerable ratio of 5%.

Enhancing client experience

During FY2023, we made significant strides in enhancing client experience through automation and strategic integration. One area of focus was cash management solutions, which play a crucial role in supporting day-to-day operations.

In FY2023, We achieved remarkable milestones by launching TAUSI, a groundbreaking system that revolutionized financial services for local government clients. As the first bank in the market to go live with TAUSI, CRDB demonstrated innovation and commitment to enhancing client experiences.

In addition to the impressive achievements mentioned earlier, our commitment to innovation extended to several other critical areas: Digitization of Agribusiness Farmers Collections, by digitizing the collection process, we have empowered agribusiness farmers where; they can now conveniently contribute their annual payments, ensuring transparency, efficiency, and visibility for all members. This transparency fosters trust and informed decision-making for members.

Lastly, Automation of Government Accounts Opening: Simplifying bureaucracy is no small feat. By automating government accounts' opening procedures, the bank has streamlined processes and increase our customer's experience in a special segment of government agencies. These initiatives collectively contribute to a more robust financial ecosystem, where technology meets human needs. Our dedication to progress sets an inspiring example for the industry.

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 FY2023, despite of the foreign currency challenge in the market we have managed to support our clients with off balance sheets requirements particularly letters of credits through structured financing opportunities and reduce the payment pressure with post import loans offerings. With our available strategic partnerships, we have managed to secure available new room up to USD 250 Million from various counterparties operating in economies that have stable USD availability.

Outlook for 2024

Our FY2024, outlook involves, leveraging from gained experiences of the past five years, we plan to continue link with our clients and understand their unique challenges and find a way 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 2024, our priority will be to continue 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 trade finance operations.

Treasury and Capital Markets

Driving Growth Through Strategic Partnerships and Capital Market Initiatives

Alexander Ngusuru
Director of Treasury and Capital Markets

The 2023 financial year presented unique opportunities for CRDB Bank Group, profiting from the aggressive efforts to reposition the group as a market leader in the region. A key strategy for the Group is strengthening its strategic partnerships for more accelerated growth.

During the year under review, the Group partnered with several key development partners whose vision aligns with the Bank's long-term ambitions. These partnerships have been key for the Bank to reach key sectors and segments which are in line with the Government's efforts towards Economic Acceleration. These partners include European Investment Bank (EIB) - Euro 150 million to support Blue Economy and Gender; Green Climate Financing Partner (GCPF) - USD 25 Million to support green and climate initiatives in the country; and PROPARCO & FMO – USD 125 million to support growth on Climate, Gender, Agriculture and Agro-processing initiatives for the Bank and its subsidiaries.

Harnessing Partnerships for Stronger Growth

The Bank further partnered with Investec Bank and Intesa Sapaolo to mobilize funds to the tune of USD 150 million through syndication from fifteen investors from Mauritius, South Africa, Egypt, Luxembourg, Qatar, the United Kingdom (UK), Germany, and the United Arab Emirates (UAE). The funds were geared towards supporting the Bank's general liquidity.

In addition, the Bank has an ongoing strategic business relationship with multilateral financial institutions with the likes of the African Development Bank (AfDB), International Financing Corporation (IFC), and Trade and Development Bank (TDB).

Mobilising Funds for Green Financing

On another front, the Bank secured approval from the Capital Markets and Securities Authority (CMSA) and the Dar es Salaam Stock Exchange (DSE) for a US$ 300 million Multi-currency Medium Term Note (MTN) Program of 5 years to be issued in tranches. The Program provides the Bank with the flexibility to tap the capital markets for fund mobilisation as and when needed to meet its deal pipeline.

In its endeavour to lead in climate change financing initiatives, the Bank, with support from FSD Africa, structured and issued the first Tranche in October dubbed the 'Kijani Bond' of TZS 40 billion (with a green-shoe option of TZS 15 billion) aimed at financing green projects in the country. This is the first-ever green bond issued in the country attracting multitudes of investors, including the IFC as an anchor investor, with bids worth TZS 171.82 billion. All the bids were accepted, making it the biggest green bond issued in East Africa. It is worth noting that individual local investors accounted for over 90% of the total number of investors, an indication of increasing awareness of investment opportunities in the capital markets. The bond pays a coupon rate of 10.25% p.a. paid semi-annually with a 5-year maturity and is listed on the DSE.

The Bank is looking forward to tapping capital markets for further rounds of funding through the MTN Program depending on prevailing market conditions and deal pipelines while optimising its funding mix.

Capital Markets Development

The Bank continued to contribute to the capital market development through the provision of custodian services and as a Receiving Bank and Fiscal Agent in several transactions including the TZS 171.82 billion Kijani Bond whereby more than 1000 CDS accounts were opened for the first-time investors, TZS 35 billion Sukuk bonds, a TZS 10 billion Rights Issue, and a TZS 8 billion Collective Investment Scheme. Furthermore, the Bank has extended its global outreach, enabling investors from across the EAC and SADC regions to invest in different products through partnerships with global custodial banks.

Future Outlook

Looking ahead, CRDB Bank is poised to leverage the MTN Program to access further funding, optimising its funding mix based on prevailing market conditions and deal pipelines. The bank's continued contributions to capital market development through custodial services and participation in various transactions demonstrate its commitment to fostering a robust financial ecosystem. In addition, its global outreach efforts enable investors from across the East African Community (EAC) and Southern African Development Community (SADC) regions to access diverse financial products through partnerships with global custodial banks.

Subsidiary Performance

Driving Growth in the Face of Unique Challenges

CRDB Bank Burundi

Fredrick Siwale
Managing Director CRDB Bank Burundi

The 2023 financial year proved to be particularly challenging for the banking sector in Burundi, marked by notable contrasts from preceding years. Some of the factors that contributed to this dynamic included heightened inflation rates and currency devaluations, both of which exerted considerable pressure on financial institutions.

Despite these adversities, CRDB Bank Burundi SA demonstrated resilience and adaptability, capitalising on emerging opportunities, while leveraging the robust support from its parent company. Notably, the currency devaluation, which escalated to more than 35%, significantly impacted the bank's operational landscape. The escalation of expenses, attributed in part to the devaluation, particularly affected cost-intensive activities like training and travel, thereby inflating overall operational costs.

Performance Review

The 2023 financial year marked the commencement of the new medium- term strategy (2023-2027), which mirrors the Group strategy themed 'Evolve". This strategy emphasises expansion of the bank's outreach through cost-effective delivery channels within Burundi. The successful execution of this strategy yielded tangible results, as evidenced by a remarkable 51% growth in Profit Before Tax (PBT) to BIF 33 068 million from BIF 21,846 million reported in 2022. During the year, the provisioned a total of BIF 1 574 million for taxes, resulting in a Profit After Tax (PAT) of BIF 31 494 million, translating to 55% YoY growth compared to the previous year's BIF 20,321 million. The bank's interest income also increased by 57% to BIF 78 212 million, while fee and commission income more than doubled to BIF 19,152 million, reflecting a growth rate of 112%.

Changes Impacting Financial Performance

The business landscape in 2023 was, impacted by the budget law which introduced the new 8% tax on the net banking income. This change exerted a notable downward pressure on profit margins, resulting in a negative variance. Approximately BIF 2.7 billion was affected, impacting pre-tax profit and the efficiency ratio, which closed the year at 43.05%, above the target of 36%. These changes influenced the bank's Return on Assets (ROA), which remained steady at 3.5%.

Balanced Sheet Growth

CRDB Bank Burundi SA's medium- term strategy prioritises steady growth of the balance sheet. Throughout 2023, the bank witnessed a robust expansion, with total assets surging by 48.8% to BIF 1,119,579 million, up from BIF 752,162 million reported in 2022. Total deposits mobilised experienced a significant 32% increase, rising from BIF 464,258 million in 2022 to BIF 611,151 million by December 31, 2023. Similarly, the credit portfolio demonstrated exponential growth, increasing by 123.0% to BIF 683,686 million from the previous year's BIF 307,575 million.

Key Ratios

Key financial performance indicators for CRDB Bank Burundi SA underscored its robust operational performance in 2023. Return on Equity (ROE) stood at an impressive 34.5%, surpassing the target of 13%. Return on Assets (ROA) remained stable at 3.5%, in line with strategic objectives. The Cost-to-Income Ratio (CIR) closed the year at 43.05%, above the targeted threshold of 36%. Notably, the bank maintained a low ratio of non-performing loans to total loans, standing at a commendable 0.22%.

43.0% the bank's efficiency ratio as at 31st December 2023 (2022: 45.4%)

0.22% Non-performing loans as a percentage of total loans.

21.8% Total capital as at December 31st 2023 (2022: 24.7%)

*The successful execution of this strategy yielded tangible results, as evidenced by a remarkable **51% growth** in Profit Before Tax (PBT) to **BIF 33 068** million from **BIF 21,846** million reported in 2022.*

Navigating Foreign Currency Challenges

Foreign currency volatility continued to pose challenges within the Burundi market. However, CRDB Bank Burundi SA maintained a competitive edge, leveraging robust support from its parent company to mitigate adverse effects. Despite these challenges, the bank remained committed to exploring innovative solutions, with anticipation of greater stability upon the operationalisation of capital markets.

Capital Management

In line with the 2023 -2027 medium- term strategy, the bank prioritised prudent capital management throughout 2023, maintaining capital reserves well above regulatory minimums. With a total capital ratio of 21.8%, CRDB Bank Burundi SA concluded the year with a solid foundation in capital, liquidity, and risk management, poised to seize opportunities and navigate future challenges effectively.

Strategic Initiatives and Major Investments

Stakeholder engagement remained pivotal in driving market growth and enhancing earning assets for CRDB Bank Burundi SA. Our continued efforts to engage new customers and explore avenues for capital expansion underscored our commitment to sustainable growth. Major investments, including ongoing projects such as the Enterprise Service Bus (ESB) project and core banking system, further the bank's strategic objectives. We are intent on providing a superior service excellence and become the market leader in all aspects.

Future Outlook

Looking ahead to 2024, CRDB Bank Burundi SA remains focused on achieving higher profitability, particularly through risk asset expansion, primarily loans. We are also keen on exploring opportunities within the agriculture sector and corporate business segments; which we see as integral to the economic transformation of Burundi. Leveraging support from our parent company, we'll persist in offering market-ready solutions, aiding customers with foreign currency challenges, and steadfastly contributing to Burundi's economic growth trajectory.

51% Growth n Profit Before Tax (PBT)
from BIF 21,846 million in 2022 to BIF 33 068 million reported in 2023

57% Growth in Bank's Interest income
BIF 78 212 million in 2023

Fee and Commission income more than doubled to **BIF 19,152 million**, reflecting a growth rate of **112%**.

49% Total Assets
BIF 752.1 billion in 2022 to BIF 1 119.5 billion.

32% Bank's total deposits
BIF 464.2 billion in 2022
BIF 611.1 billion in 2023

Burundi Board Members

Mr. Hosea Kashimba
Board Chairman

Mr. Salvator Minani
Independent Director

Dr. Elizabeth Mkoba
Independent Director

Mr. Boma Raballa
Non-Executive Director

Dr. (Mrs.) Oda Sindayizeruka
Independent Director

Mr. Didace Ngendakumana
Independent Director

Mrs. Kahumbya Bashige
Independent Director

Mr. Fredrick Siwale
Managing Director

Subsidiary Performance

Building a Fit-for-purpose Enterprise to Power Growth in DRC

CRDB Bank DR Congo

Jessica Nyachiro
Managing Director CRDB Bank DR Congo

The year 2023 marked the inception of CRDB Bank's operations in the Democratic Republic of Congo (DRC) market, commencing on July 10, 2023.

The bank embarked on implementing its inaugural three-year business strategy (2023-2025) aimed at market penetration, client engagement, and enhancing market share in alignment with CRDB Group's overarching strategic objectives.

Financial Performance

Despite being in its initial operational year, CRDB Bank Congo Subsidiary successfully mobilized a total of 2.5 billion Congolese francs in customer deposits and accrued a total asset portfolio amounting to 126 billion Congolese francs. However, the bank reported a pre-tax loss of 6.1 billion Congolese francs during the same period.

No lending activities were conducted during the financial year.

Products and Services Offered

CRDB Bank Congo Subsidiary aspires to become the leading and most innovative financial services provider in the DRC, offering contemporary and distinctive services. The bank is leveraging digital platforms to facilitate seamless interactions and has expanded its reach through digital banking services. Throughout the year, products and services were made available via the branch network and two ATMs.

Strategic Initiatives

In line with its three-year business strategy (2023-2025), the bank concentrated on three pivotal areas:

- Market Penetration and Business Maintenance: Establishing a foothold in key segments and preserving existing business.
- Operational Compliance and Efficiency: Ensuring adherence to standards and enhancing operational efficacy.
- Staff Development and Partnerships: Leveraging staff capabilities and fostering strategic partnerships to foster growth.

Future Outlook

In the forthcoming year 2024, CRDB Bank Congo Subsidiary will focus on the execution of the three-year strategy (2023-2025), prioritising customer-centric approaches. Additionally, the bank will remain agile in response to evolving market dynamics. Looking forward, the bank aims to intensify market penetration, enhance customer engagement, and augment market share through strategic partnerships and innovative digital solutions. Emphasis will be placed on adapting to evolving customer preferences, enhancing digital capabilities, and optimising operational processes.

CRDB Bank Congo Subsidiary is committed to fostering a culture of innovation, efficiency, and sustainability. Through the introduction of innovative products, process automation, and a focus on value-added customer services, the bank aims to achieve sustained growth and profitability while ensuring compliance with regulatory standards. Furthermore, the bank acknowledges the importance of Environmental, Social, and Governance (ESG) priorities in its future growth trajectory. It aims to align its investment decisions with sustainability objectives, supporting both its own growth and the broader societal goals such as the Sustainable Development Goals (SDGs)

DR Congo Board Members


Dr. Fred Msemwa
Board Chairman


Mr. Charles Carey
Non Executive Director


Ms. Ornella I. Bomine
Independent Director


Prof. Faustine Bee
Non Executive Director


Eng. Jameson Kasati
Independent Director


Mr. Jeannot O. On'ahata
Independent Director


Ms. Jessica Nyachiro
Managing Director


Ms. Rama Keto Bweya
Independent Director


Mr. Olivier Duterme
Non Executive Director

Subsidiary Performance

Pioneering Growth and Innovation in Insurance

CRDB Bank Insurance

Wilson Mzava
Managing Director CRDB Bank Insurance

CRDB Insurance Company (CIC) continues to show great prospects, going by the accomplishments made in the first year of operations.

Despite a delay in launch, the subsidiary successfully commenced operations, rolling out services to the public. We have a commitment to excellence and innovation, which we see as instrumental in laying the foundation for our future success.

Key Performance Indicator	2023 Target	Actual 2023	2022
Return on Equity	-2%	-22%	3%
Return on Assets	-1%	-15%	-1%
Cost to Income Ratio	102%	-349%	111%
Earnings per share	TZS -718	TZS -495	TZS 2,223
Liquidity ratio	1:1.73	1:2.23	1:3.1
Management Expense ratio	-53%	131%	0%
Retention Ratio	54%	58%	0%
Commissions expense ratio	17%	15%	0%
Asset turn over	41%	20%	0%

Operating Context in 2023

Despite facing technical delays, CIC remained resolute in its pursuit of growth and expansion. Leveraging on the successes of the CRDB Group, we embarked on aggressive initiatives to propel our business forward, setting the stage for a transformative journey ahead.

Key Initiatives in 2023

Throughout the period of operation, we focused on strategic initiatives aimed at strengthening our operational capabilities and expanding our market presence. Notable accomplishments include finalising the agriculture insurance product, which will be launched in Q2 2024, the ongoing implementation of our core insurance system, and the formulation of essential policies and manuals. Additionally, we successfully obtained a license from the Tanzania Insurance Regulatory Authority (TIRA) to operate as a General Insurance Company and appointed key board members and staff to drive our vision forward.

Key Performance Indicators

While we encountered delays in the commencement of our insurance activities, we remained steadfast in our commitment to operational excellence. Despite the challenges, we achieved notable progress in key performance indicators, as outlined in the table below.

Future Outlook

Looking ahead, CRDB Insurance Company is poised for unprecedented growth and success. With the successful launch, we are now are well-positioned to capitalise on emerging opportunities and meet the evolving needs of our customers. We will continue to prioritise innovation, customer-centricity, and operational excellence, driving sustainable value creation for all our stakeholders.

CRDB Insurance Board Members


Mr. Omari Mwaimu
Board Chairman


Ms. Hilda Shenyagwa
Independent Director


Mr. Gerald Kasaato
Independent Director


Ms. Nura Masood
Independent Director


Mr. Wilson Mzava
Manging Director


Mr. Bonaventura Paul
Non-Executve Director

Subsidiary Performance

CRDB Foundation's Impactful Journey Towards Financial Inclusion and Sustainable Growth

CRDB Bank Foundation

TullyEsther Mwambapa
Managing Director CRDB Bank Foundation

Tanzania's demographic landscape continues to evolve, with an estimated population exceeding 62 million - a significant proportion being women and youth. Despite this demographic reality, financial inclusion has historically marginalised these groups.

However, positive strides have been made, with the number of financially excluded adults decreasing, indicating progress in bridging this gap. The CRDB Bank Foundation has played a pivotal role in driving this change, leveraging its programs to empower women and youth and foster financial inclusion.
Strategic Direction

In 2023, the CRDB Bank Foundation embarked on its inaugural year of operation, aligning its efforts with its medium-term strategic plan for 2023-2027. The strategic focus areas encompass leveraging coverage and expertise, engaging partners, mobilising resources, fostering industry growth, and delivering impactful solutions. These strategies underpin the Foundation's commitment to driving sustainable change and empowering communities.

Programs Implemented During the Year

1. **iMBEJU Buni** - The iMBEJU Buni program exemplifies the Foundation's commitment to nurturing entrepreneurship among Tanzanian youth. Through strategic partnerships with government institutions and rigorous selection processes, the program identified promising start-ups and provided them with essential training and support. Notably, the program facilitated participation in international conferences, showcasing Tanzania's entrepreneurial talent on a global stage.

2. **iMBEJU Ng'ara** - Empowering women entrepreneurs lies at the heart of the iMBEJU Ng'ara program. By collaborating with women's groups and providing tailored support, the program aims to enhance the business acumen of female entrepreneurs, driving economic empowerment and gender equality.

3. **iMBEJU Kilimo** - The iMBEJU Kilimo program underscores the Foundation's dedication to agricultural development, particularly among smallholder farmers. By providing critical resources and support, including access to finance and market linkages, the program seeks to bolster agricultural productivity and sustainability, thus contributing to food security and economic growth.

Key Initiatives Supporting the iMBEJU Programs

The Foundation's initiatives extend beyond program implementation, encompassing capacity building, financial inclusion, and digital empowerment. Through targeted interventions, the Foundation has equipped thousands of youth and women with the necessary skills and resources to thrive in their entrepreneurial endeavours.

CRDB Marathon

The CRDB Bank Marathon speaks to the Foundation's commitment to societal well-being, combining environmental stewardship with healthcare initiatives. Through strategic partnerships and impactful interventions, the Marathon continues to make a tangible difference in the lives of Tanzanians, addressing critical healthcare needs and promoting environmental sustainability.

Success Stories

The Foundation's impact in 2023 is underscored by tangible successes, including the empowerment of over 100,000 youth and women, significant strides in financial inclusion, and the facilitation of millions in financial services. These achievements are a testament to the Foundation's dedication to driving positive change and fostering inclusive growth.

Future Outlook

Looking ahead to 2024, the CRDB Bank Foundation remains steadfast in its commitment to catalysing positive change. With a focus on innovation, collaboration, and community engagement, the Foundation aims to expand its impact, reach, and efficiency. Strategic partnerships, digitalisation efforts, and targeted interventions will underpin the Foundation's efforts to empower entrepreneurs, foster financial inclusion, and promote sustainable development across Tanzania and Zanzibar.

As we reflect on the successes and milestones of the 2023 financial year, we are energised by the opportunity to continue making a meaningful difference in the lives of Tanzanians, driving sustainable change, and building a brighter future for generations to come.

CRDB Foundation Board Members

Mr. Martin Warioba
Board Chairman

Ms. Marianna Balampama
Independent Director

Dr. Nkundwe Mwasaga
Independent Director

Amb. Maulidah Hassan
Independent Director

Ms. TullyEsther Mwambapa
Managing Director

The Foundation's impact in 2023 is underscored by tangible successes, including the empowerment of over 100,000 youth and women, significant strides in financial inclusion, and the facilitation of millions in financial services.

Operations Report

Advancing Technology for Operational Excellence

Bruce Mwile
Chief Operations Officer (COO)

The 2023 financial year was marked by significant achievements and milestones across various areas, particularly in technology, processes, and projects. I am proud to share the highlights of our accomplishments and the progress made in enhancing our operational efficiency and customer experience.

Technology Advancements

As a Group, we have made substantial strides in leveraging technology to improve our services and offerings to customers. Our focus on ensuring service availability and disaster recovery has resulted in successful tests for key systems such as Savvy, DMS Burundi, SAP, and SWIFT/TISS. Additionally, we have enhanced the customer experience on our SimBanking platform by implementing cardless ATM transactions, push notifications, forex services, event ticketing, and UPI virtual cards.

Processes and Projects

The successful completion of end-of-year processes within the stipulated timelines demonstrates our commitment to operational excellence. We have also enhanced our partnerships and customer access to services through strategic integrations and infrastructure investments. Notably, the implementation of 16 cash deposit machines and branch relocations and renovations have improved customer convenience and accessibility.

Project Progress Overview

S/N	Project	% Completion		
		Actual	Planned	Dev/RAG
1	NEw CBS (Konnekt)	70	82	-12
2	New Enterprise Service Bus (ESB)	98	100	-2
3	Full Card management & Switching Solution	98	100	-2
4	New HQ	99.99	100	0.01

0-5% Deviation | 6-10% Deviation | >10% Deviation | Completed

Significant Projects Update

Our ongoing IT and digital transformation projects are progressing well, with significant milestones achieved. The New Core Banking System project is at 70% completion, while the New ESB and Full Card Management and Switching Solution projects are at 98% completion. We are on track to commence user acceptance testing (UAT) and system integration testing (SIT) in the coming months, followed by end-user training and final project closure activities.

Our ongoing IT and digital transformation projects are progressing well, with significant milestones achieved. The New Core Banking System project is at **70%** completion, while the New ESB and Full Card Management and Switching Solution projects are at **98%** completion

Project Konnect (New CBS)

The transition to a time and material cost model has accelerated project implementation, with a surge in progress observed in Q4-2023. As of December 31, 2023, a significant portion of functional and integration builds have been successfully delivered, and component testing and SIT are underway. We are committed to ensuring effective end-user training through a hybrid approach of virtual and face-to-face sessions.

New Card Management & Switch

The migration of ATMs to the new switch has been completed for Tanzania, with plans underway for Burundi and affiliate banks. Additionally, debit card migrations and VISA issuing and acquiring projects are progressing as per schedule. We have also made significant strides in migrating POS terminals and eCommerce merchants to the new gateway, enhancing transaction capabilities and security.

New ESB Implementation

The migration of critical channels to the New ESB platform has been successful, with Simbanking, agency banking, and Internet banking migration completed. We are currently focused on the gradual migration of the remaining systems and expect to achieve full completion by August 2024.

New HQ Project

The completion of outstanding works in our new headquarters signifies a significant milestone in our infrastructure development. We continue to engage with stakeholders to resolve pending disputes and formalize project closure activities.

Completed Digital Initiatives

We have successfully implemented several digital initiatives aimed at enhancing customer engagement and operational efficiency. From

idea management platforms to mobile banking apps and integration projects, we continue to innovate and evolve to meet the changing needs of our customers and stakeholders.

In conclusion, I would like to express my gratitude to our dedicated team members, valued shareholders, and supportive stakeholders for their continued commitment and partnership. Together, we have achieved remarkable progress in advancing our operational capabilities and delivering exceptional value to our customers. As we look ahead, we remain focused on driving innovation, excellence, and sustainability across all aspects of our operations.

Future Outlook

Looking ahead, we remain committed to leveraging technology to drive innovation, improve operational efficiency, and enhance customer experience. We will continue to focus on completing ongoing projects, such as the New Core Banking System and New ESB, to further modernise our infrastructure and services. Additionally, we will explore opportunities for strategic partnerships and collaborations to expand our reach and offerings. Our goal is to remain at the forefront of digital banking, delivering value to our customers and stakeholders while upholding the highest standards of operational excellence and compliance.

People's Report

Our Focus on the People-Centric Approach is the key to our Continued Success

Godfrey Rutasingwa
Director of Human Resources

At CRDB, we believe that our people are a nucleus of value that drives our performance and keeps our customers satisfied, shareholders happy and colleagues engaged. We, therefore, in the year 2023, deployed people centered initiatives and resources to support their productivity, career growth, sense of belonging as well as general wellbeing.

We continued to adapt to a continuously changing and competitive talent environment, by maintaining an optimal headcount, fostering an inclusive talent build up, and learning culture as we attract, inspire and grow talent to set CRDB Bank apart. Our strategies to move employees are done with the customer needs at heart and aspirations to improve productivity as well as employee growth and motivation.

Our year 2023 performance was fueled by a total of 3765 who tirelessly and innovatively supported our customers across the network. We retained a 97.2%

of our employees by delivering an impact based employee value proposition.

We maintained a sustainable gender parity at all levels. Management is committed to open more growth opportunities to female talents.

Number of Employees		%	Male	% Male	Female	% Female
Below 30 Years	340	9	156	46	184	54
30-40 Years	2,199	58	1,207	55	992	45
40-50 Years	945	25	558	59	387	41
Above 50 Years	281	7	183	65	98	35

We enjoyed a relatively youthful, agile and energized workforce, which served our customers diligently.

Male 2022 Number	Male 2022 %	Male 2023 Number	Male 2023 %	Male % Change YOY		Female 2022 Number	Female 2022 %	Female 2023 Number	Female 2023 %	Female % Change YOY
4	100%	4	100%	0%	Executive	0	0%	0	0%	0%
11	92%	12	92%	▲ 9%	Directors	1	8%	1	8%	0%
39	70%	51	77%	▲ 31%	Heads	17	30%	15	23%	▼ (12%)
59	69%	65	67%	▲ 10%	Senior Managers	27	31%	32	33%	▲ 19%
263	64%	289	64%	▲ 10%	Middle Managers	148	36%	163	36%	▲ 10%
209	56%	212	55%	▲ 1%	Departmental Managers	165	44%	172	45%	▲ 4%
152	56%	161	57%	▲ 6%	Team Leaders and Supervisors	118	44%	122	43%	▲ 3%
1,140	51%	1,162	50%	▲ 2%	Professionals	1,094	49%	1,141	50%	▲ 4%
154	91%	148	91%	▼ (4%)	Support	15	9%	15	9%	0%
2.031	56%	2.104	56%	▲ 4%		1.585	44%	1.661	44%	▲ 5%

Our Strategic value unlocks.

We continued to always live our culture and purpose in delivering for our customers, employees, shareholders, and community we serve. We remained focused on ensuring employees feel supported, cared for and engaged, while creating opportunities to learn, innovate and be productive.

Employee wellbeing and Care

Employee wellbeing is central to the success and sustainability of our business. We are therefore determined to nurture a workplace and culture that has a positive impact on colleague well-being, enabling colleagues to manage their well-being proactively and bring their best selves to work. In the year 2023, we continued our efforts to ensure employees and their families are supported to access appropriate medical care.

- We deepened our partnership with the National Health Insurance Fund (NHIF) to support more than 55,000 medical contacts four our employees and dependents.
- We facilitated 25 referrals to India for advanced medical services to employees and their dependents who needed them.
- We continued to work closely with our employee Assistance Programme providers and internal teams to offer a free and confidential counselling service for employees who need support in dealing with the challenges of everyday living and work.
- We believe in preventive care. Through the year, we coordinated voluntary medical check-ups for more than 1800 employees and families.
- We conducted healthy living awareness programs across the Bank. 89% of the employee community attended sessions on mental health, prevention of non-communicable diseases as well as work life balance.
- We supported more than 180 employees and dependents with psychological support around relationship issues, alcohol abuse, as well as stress management.
- We managed to reduced absence rate due to illnesses by 5% in year 2023 as compared to year 2022.
- We supported the business with guidelines, tools and additional resources to maintain productivity despite the absence of some team members due to illnesses.

Employee Engagement

We played a significant role to ensure our employees are engaged and connected with our purpose, value, mission as well as our vision. We have continued to drive key programmes and initiatives across the business that brings employees together and help them to achieve excellent performance and thrive.

Building Capabilities and Culture

We are encouraged by the progress we have made to promote employee engagement. We have continued to drive key programmes and initiatives across the business that brings employees together and help them to achieve excellent performance and thrive.

Staff Engagement

- We facilitated Team Buildings to 6 Zones across the business with various themes with themes around effective communications, team spirit, upholding our value and respect.
- Our super cup tournament continues to grow bigger and better: Attracting between 200- 500 spectators on every match.
- We extended our TGIF (Thanks God it is Friday) across the Branch network: The events have been instrumental in driving employee engagement.
- We conducted She Talks across the zones to advance our female engagement proposition.
- We coordinated management visits to more than 200 branches across the network, to listen, engage and support your initiatives.
- We launched an HR contact center to enable employees reach out directly to specific officials for solutions on issues concerning their daily living at CRDB.
- Our employee volunteering program reached to children and youth with Albinism in various areas; More than 200 Employees from the Branch network participated.
- We engaged employee children and youth through our Summer Camp; To build their capabilities to growing mature and strong.

Building Skills of the future

As we aspire to be the undisputed leader in our markets in 2023, we have committed to support the Banks Strategy by building the right competencies and knowledge to employees. We have committed to build and maintain sustainable key talents within the business which will contribute to business growth. Employee career development has been diversified into different delivered models which include workshops, digital learning and development tools.

- We delivered our training calendar by 76%.
- We increased our Learning & manhours by 27 hours as compared to the year 2022.
- We scaled up our women leadership development agenda by enrolling more than 200 female talents to our flagship programs including, she is ready to lead and Female future.
- We launched our youth development programs to commence planting leadership capabilities for the identified future leaders.

Diversity, Inclusion and Belonging

Having an elaborate program on diversity, Inclusion and Belonging has been deemed beneficial to the long-term growth and sustainability of the Business. We implemented results-based initiatives building up to our long-term commitment to accelerate growth of female talents and communities.

- We supported new parents through a SAFE JOURNEY TO PARENTHOOD initiative. The initiative raised awareness and confidence to young.
- We launched a MENS TALK initiative. A club of male employees aiming at promoting their wellbeing, engagement, and productivity. > 450 employees have joined the club

Building a Strong employer Brand

We believe that a strong employer Brand is critical in talent acquisition, retention as well as motivation. We remained geared to continued being an employer of choice. Our continual efforts to drive strategic initiatives have been recognized by industry observers. We closed the year with two awards by the EYA 2023. The team is encouraged by the awards and plans are underway to showcase more initiatives and continue growing our Employer Brand.

We remained focused on implementing results-based initiatives which are crucial to increasing employer brand proposition and transforming culture. We closed the year with two awards from EYA 2023

CSI Report

Empowering Communities for a Sustainable Tomorrow

Tully Esther Mwambapa
Director of Corporate Affairs and MD CRDB Bank Foundation

CRDB Bank Group PLC continued to advance its sustainability agenda in 2023 with a TZS 2.8 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 to transforming lives while benefiting our stakeholders and strengthening the Bank's brand and reputation. By empowering the community through financial and in-kind support, we will make a more sustainable impact while supporting the Bank's 2023-2027 strategy.

Health

Health is at the most critical aspect of everyone's life; every part of people's life relies on having good health, be it physical, mental, and emotional well-being. The Bank supports better health outcomes for Tanzanians by investing in health-focused CSI programs to improve access to quality health services. For 2023, the Bank extended more than TZS 800 million to the health sector through different initiatives towards improving health infrastructure ranging from construction and/or renovation of health centres to purchasing medical equipment and consumables as well as strengthening and improving access to better health care.

The Bank continued its partnership with three premier health care centres in the country - JKCI, ORCI and CCBRT to improve access to specialists' health services for the many. The long-awaited call centre for the Ocean Road Cancer Institute (ORCI) was inaugurated in January 2023. The Call Cantre was in the works since the end of 2021.

The ORCI Call Centre is intended to ease the access challenge that was facing patients, caretakers of patients, those worried about the disease as well as health care professionals countrywide. Through the Call Centre one can enquire about the disease, set appointments including follow ups without the need for patients to travels all the way to Dar es Salaam just to set an appointment. This increased access to these much-needed services as well reducing costs and inconveniences to patients. The Call Centre also allows for health care professional countrywide to share expertise, with those at ORCI to improve diagnosis, treatment and overall health outcomes.

The Bank continued with the partnership with JKCI. This partnership with JKCI sees the Bank contributing funds to enable underprivileged children whose parents cannot afford to pay for their children to have life transforming cardiac surgeries to access the services. In 2023, 100 children with cardiac problem were served with the funds from the Bank which were disbursed

late in 2022. In 2023, the Bank has given funds to JKCI to continue to offer the speciality medical and surgical care for the children in 2024.

The Bank continued its partnership with CCBRT to ensure that women with high-risk pregnancies get access to adequate pre-natal and natal and post-natal care. Women with high-risk pregnancies includes the underaged, those with previous fistula, very small stature and with physical disabilities. About 72 women were served successfully with this program by CCBRT in 2023.

The Bank also contributed TZS 50 million to CCBRT to provide much needed wheelchairs for disabled children who are or have been treated at CCBRT.

In other projects, the Bank supported the improvement in accessing to health services for the people of Mkulu Ward, Iramba – Singida by funding the construction of a Health Centre with the cost of TZS 150 million. The health centre is critical for health provision in the country as they serve division (Tarafa) which usually is about 100,000 people. The Mukulu health centre is being constructed in collaboration with Iramba District Council.

As we all know that improving treatment for diseases is good, we also know that prevention of diseases is much better. In 2023 the Bank in partnership with Afya Check Outreach Program funded a preventative health outreach camps in Dar es Salaam, Tanga and Zanzibar where over 17,000 Tanzanians were reached. 9,324 were reached in Dar es Salaam in 10 days, 4,989 were reached in Tanga in 5 days and 3,019 were reached in Zanzibar in 3 days of camp.

The importance and significance of mental health and emotional wellbeing is now receiving due attention not only in treatment but also in preventative measures. The Bank supported mental health awareness and provision of counselling services to University of Dar es Salaam

> *The Bank continued its partnership with three premier health care centres in the country - JKCI, ORCI and CCBRT to improve access to specialists' health services for the many.*

> *The Bank has also invested **TZS 496** million in supporting other philanthropic activities. These ranged from financial literacy activities, direct community engagement initiatives, support for orphanages,*

TZS 800 million

Towards improving health infrastructure ranging from construction and/or renovation of health centres to purchasing medical equipmen.

Targeted infrastructure upgrades to improve the learning environment for students

TZS 700 million

Invested in Women & Youth programs in 2023.

TZS 73 million

To implement environmental related initiative for the year 2023.

students. This is a very good program that need to be emulated by other institutions especially educational institutions. We also supported a program for women and young girls in Tanzania through the Mkapa Foundation where TZS 100 million was used

Education

CRDB Bank is committed to fostering a more conducive learning environment for students in the country. The Bank believes education is critical in driving economic development, creating thriving communities, and inspiring young people to reach their full potential.

In 2023, the Bank invested more than TZS 749 million in supporting the sector. The investment mainly targeted infrastructure upgrades to improve the learning environment for students. With the foregoing in mind in 2023 the Bank started implementing a program called Keti Jifunze that provides schools with desks. Keti Jifunze program target council owned schools which are in great need of desks. So far in the first year over 50 schools in 36 councils were reached by the program. More than 1,800 desk were provided to the school. These desks seats about 5,000 students. The program runs in both mainland and Zanzibar.

The Bank in partnership with Mwanamke Initiative Foundation (MIF) in supporting schools in Zanzibar that are aiming to improve education outcomes for their students. These programs are either to support students in boarding schools (mostly girls schools) or offering lunch for day students. The aims of these programs is to reduce absenteeism, increase time to study and as well as to improve their educational outcomes especially their national examination results. CRDB Bank PLC, MIF and Zanzibar Ministry of Education identified about 2,200 student that needed support, 50 tons of food with 1200 litters of oil were delivered as well as 1,881 matrasses for 32 school were distributed.

During the year, the Bank also supported the construction of classrooms and special toilets for disabled students and the purchase of educational equipment like photocopy machines and laptops for various schools in Newala.

Other educational programs that the Bank supported were paying school fees for the Taifa Cup Scholarship program beneficiaries

Environment

Environmental conservation has become one of the core issues that need to be addressed to battle climate change and global warming. "Pendezesha Tanzania," an environmental campaign launched in 2020, aims 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.

We successfully implemented the Pendezesha Tanzania campaign in collaboration with branches by planting trees at hospitals, schools and other public areas. We do this believing that a good environment has a great contribution to the well-being of our society and the development of our people. This has also made us improve our business system that focuses on environmental care. Also, we supported the victims of landslide in Hanang, Manyara by purchasing mattresses, blankets, and groceries.

We also partnered with Save the Children in supporting the Generation Hope campaign, the campaign aims to call for urgent action on the climate crisis as well as inequality to create a safe, healthy and happy future for children. TZS 73 million was used to implement environmental related initiative for the year 2023

Youth and Women Empowerment

Understanding that Youth and Women are among the priority segments in the Bank's 2023-2027 strategy and in supporting 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 grow their businesses and transform their lives.

More than TZS 700 million has been invested in Women & Youth programs in 2023. The fund was invested in various initiatives, among others are;

- We partnered with Shadaka in supporting of Ndondo Cup, the tournament that provides opportunities to youth in streets to showcase and grow their football talents. This partnership also supports m-mama, a program that aims to reduce the maternal mortality as well as the neo natal deaths in the country.
- We also sponsored the Kuambiana Tournament in Ludewa, Njombe the tournament that aim at providing opportunity for youth to showcase and grow their talents, unleashing their potentials, unite the community, provide employment opportunities for youth in sports and promoting local tradition and customs.

Adolescent girls at schools face a range of challenges that may compromise their chances of completing school, losing confidence by feelings shame about their bodies, being on the sidelines while the boys participate in sports and fitness. Among the reasons for this is lack of sanitary products to help them manage menstruation. To empower these young women at schools, we Partnered with Zanzibar Maisha Bora Foundation by contributing TZS 50 million that were used to purchase and distribute sanitary pads and enable these girls to attend their classes effectively year long.

Also, we sponsored "Malkia wa Nguvu" event with TZS 50 million. The event was organised by Clouds Media and bring together women from different sectors like entrepreneurs, leaders, innovators, change makers and influencers.

The Bank also collaborated with different women's groups and associations to support women and entrepreneurship, aiming to improve their livelihoods. The Bank collaborated with organizations like Medical Women Association of Tanzania, Mwanamke Initiative Foundation (MIF), Tulia Trust, and many others in implementing youth and women's agenda..

Others

In addition to our corporate social investment focus areas, the Bank has also invested TZS 496 million in supporting other philanthropic activities. These ranged from financial literacy activities, direct community engagement initiatives, support for orphanages, support the government community-related initiatives, and many other initiatives

Sustainability Highlights

Our Sustainability

At CRDB Bank, our sustainability agenda is driven by two key areas of focus: ESG and climate finance. ESG (Environmental, Social and governance) are the three pillars of sustainability that illustrate how effectively our organization operates in the present without compromising the ability of future generations to meet their needs. In Climate Finance, the bank focuses on mobilising financial flows and implementing projects and programmes addressing climate change's causes and consequences.

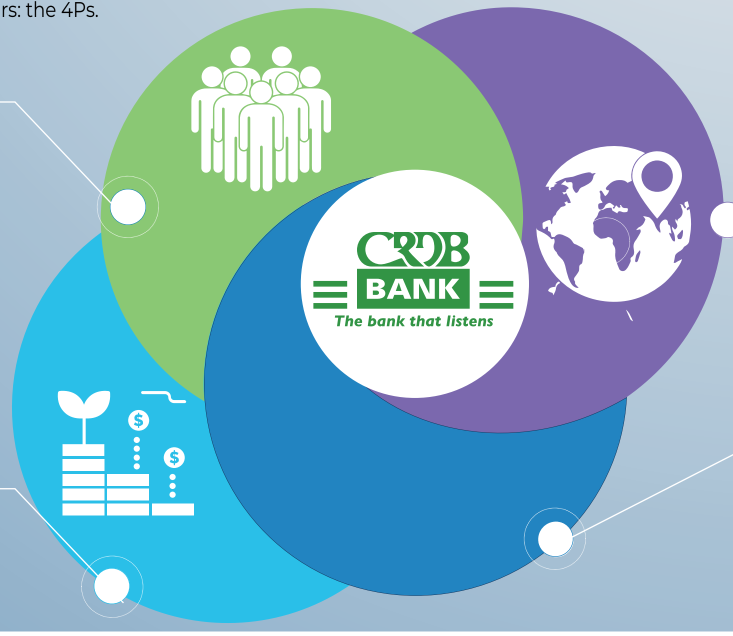
To implement this agenda and meet our aspiration, the bank has identified five key strategic objectives:

1. Reduce environmental and carbon footprint across our portfolio in all markets of operation.
2. Enhance our Green Asset Ratio from 7% to 15% in 2030 and 30% in 2050.
3. Promote economic development and social well- being.
4. Mainstream sustainability across the Group Build a sustainable-fluent Group.
5. Enhance our communication on sustainability practices to stakeholders.

Approach to Sustainability

"Embedding 'sustainability' in everything we do"

We aim to deliver sustainable, long-term business performance by creating excellent value for our stakeholders. Understanding the impact of our business is vital for realizing how we live our purpose. At CRDB, our commitment to embed sustainability into our business is strategically centered around the following four pillars: the 4Ps.



People

We believe that our people are the heart of our business.

Planet

We are fully committed to promoting environmentally sound and sustainable business practices.

Prosperity

We remain committed to the success and well-being of our community.

Partnership

Enhancing the strategic partnership to increase our capacity to serve.

Planet:
Managing our Environmental footprint
Our Group places great importance on integrating environmental and social sustainability into our operations to achieve our desired outcomes. As part of our dedication to promoting environmentally sound and sustainable development, we incorporate measures for environmental and social sustainability into our day-to-day activities

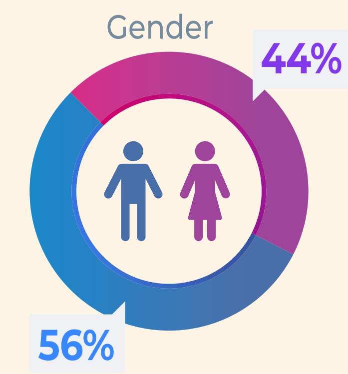
Material Topic	Sustainability Goals and targets
Manage our environmental Footprint (Scope 1 and 2 emissions)	· Reduce our carbon emissions by 10% by 2030.
	· Reduce paper usage by 20% by 2025
	· Invest in digital tools – roll out BIO tools to all our Branches by 2030
	· Source 20% of our electricity from renewable sources by 2030 and 40% by 2050.
	· Reduce water consumption by 25% by 2030
	· Roll out of LED lights and sensor lights to all our outlets by 2030
	· Reduce waste generation through reduction, recycling and reuse.

People

CRDB Bank places high importance on employee growth, considering them vital to the organization. They foster a supportive work environment, offering development programs and tools for over 3,000 staff to excel. This commitment to people development aligns with core values and sustains competence, crucial for ongoing success and growth.

	Material Topics	Goals	Performance
1	Employee satisfaction survey score	>80%	87% from 70% from the last survey
2	Employee satisfaction survey participation	>90%	98% from 78% from the last survey
3	Number of staff trained	>2000	3,338 from 1,142 in 2022
4	Staff turnover	< 3%	2%

Our Gender diversity (Male: Female) target is 50:50 in 2027 from the current baseline of 56:44



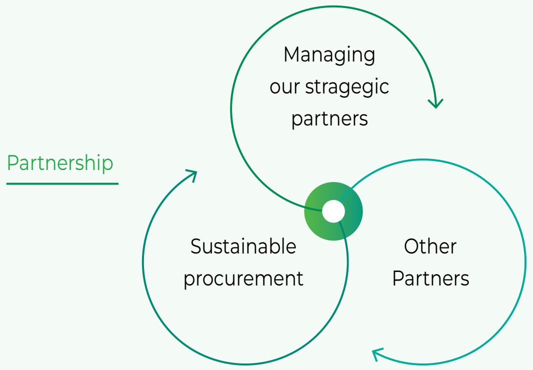
Prosperity

As a market leader, community welfare is paramount. We're committed to expanding banking activities for a smooth shift to a low-carbon economy, reducing our environmental impact, and fostering fairness. Through employee engagement and community investment, we aim to drive positive change, promoting sustainability, and enhancing quality of life.

	Material topics	Goals	Performance
1	CSR Investment	1% of net profit	TZS 2.8Bbn
2	Increase the Usage of digital channels.	> 50%	57% increase compared to 2022
3	Customers Net Promoters Score	>45%	53% compared to 45% in 2022
4	Number of Agents Banking	>26,000	34,627
5	Number of customers.	>3,000,000	4,008,232, YoY growth of 29%
7	Islamic Banking (Al barakah Banking)	Financing TZS 66bn\ Deposits TZS 78 bn Number of customers 100,000+	Financing TZS 99 bn Deposits TZS 103 bn Number of customers 112,621

Partnership

We value teamwork and collaboration with partners for sustainable community progress. Focusing on relationship building, social and economic development, and stakeholder trust, we're dedicated to joint efforts for positive community impact.



Green building certification:

Our Head office building was subjected to Independent verification in 2023 using IFC's 'EDGE Certification system to be awarded "Green building certification" if the required minimum efficiencies of 20% are achieved in the three basic EDGE indicators, which are Energy, Water, and Materials. This means the building must demonstrate a minimum of 20% operational savings

Note: To qualify as 'green building', the score for each aspect mentioned above must be above 20% per EDGE standards. Preliminary results our building has met the requirements of above 20%

Risk Management

Risk Report

Enhancing Vigilance in Risk Management

James Mabula
Director, Risk & Compliance

Amidst the backdrop of major global bank failures in 2023, the focus on risk management has intensified across financial institutions worldwide. In Tanzania, this scrutiny has prompted heightened vigilance among banks, including CRDB Group, to ensure resilience and stability in the face of evolving risks.

Global Risk Landscape and Regulatory Dynamics

The year 2023 witnessed significant upheavals in the global banking sector, underscoring the critical importance of robust risk management frameworks. Geopolitical tensions, particularly in the Middle East, and escalating concerns regarding climate risks have added complexities to the financial landscape. Moreover, the imbalance between low supply and high demand for foreign currency in Tanzania has emerged as a challenge, affecting businesses engaged in importation and foreign currency transactions. Additionally, the proliferation of cyber threats poses heightened risks of information security breaches, necessitating proactive measures to safeguard against cyber-attacks.

In response to these evolving dynamics, regulatory bodies, including the Bank of Tanzania, have implemented stringent measures to bolster the resilience of financial institutions. Towards the end of 2023, the Bank of Tanzania introduced new regulations pertaining to liquidity and capital requirements, mandating all banks to achieve full compliance by 2025. These regulations aim to enhance the capital adequacy and liquidity positions of banks, thereby mitigating the impact of stress events and ensuring financial stability.

Our Approach to Risk Management

Recognizing the imperative of adapting to the changing risk landscape, CRDB Bank has adopted a proactive and comprehensive approach to risk management. The bank's strategy encompasses timely identification, assessment, and mitigation of risks, coupled with a focus on strengthening internal controls.

1. Risk Identification and Assessment

CRDB Bank employs a robust mechanism for identifying and assessing risks across its operations. This entails conducting thorough evaluations of potential risks and control weaknesses inherent in each initiative introduced by the bank. By leveraging advanced analytics and risk assessment tools, the bank can proactively identify emerging risks and vulnerabilities, enabling prompt mitigation measures.

2. Strengthening Internal Controls

In response to identified risks and control deficiencies, CRDB Bank prioritizes the automation of key controls to facilitate real-time monitoring and detection of deviations. By leveraging technology-driven solutions, the bank can enhance the effectiveness of its internal controls, thereby mitigating operational and compliance risk

3. Defining Risk Appetite

CRDB Bank has established a prudent risk appetite framework that aligns risk-taking activities with expected returns. By setting clear parameters for risk exposure, the bank ensures that its operations remain within acceptable risk thresholds, thereby safeguarding the interests of shareholders and stakeholders. This approach fosters sustainable growth and resilience while optimizing returns on investment.

Future outlook

In conclusion, CRDB Bank's proactive approach to risk management underscores its commitment to safeguarding the interests of stakeholders and ensuring long-term sustainability. As a Group, we believe that by embracing innovative strategies and adhering to regulatory requirements, the bank is well-positioned to navigate the complexities of the evolving risk landscape. Moving forward, continued vigilance and adaptability will be paramount as CRDB Bank strives to maintain its resilience and stability in an increasingly dynamic operating environment.

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 earnings and takes measures to protect the business against unexpected losses. Primarily, our risk management aims to protect our solvency through the preservation of high asset quality, efficient operations and prudent capital management resulting in sustained earnings that augment our core capital, enabling regulatory compliance, enhancing market reputation and stakeholder support.

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 the 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 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.

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 and need context for managing risk and continuously work to identify new threats that emerge while making allowances for those risks that no longer exist. The 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 our Board of Directors, or risks that may impair the health 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.

Group approach in managing Risk

The primary responsibility for managing risk resides with the business and functional areas where the risk is taken (first line of defense). 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 process is developed and made available to all relevant employees. The control process include 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 and Risk Committee and Subsidiary's Audit and Risk Committees are established to manage risks and monitor effectiveness of controls implementation in their entities and/or areas of control.

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

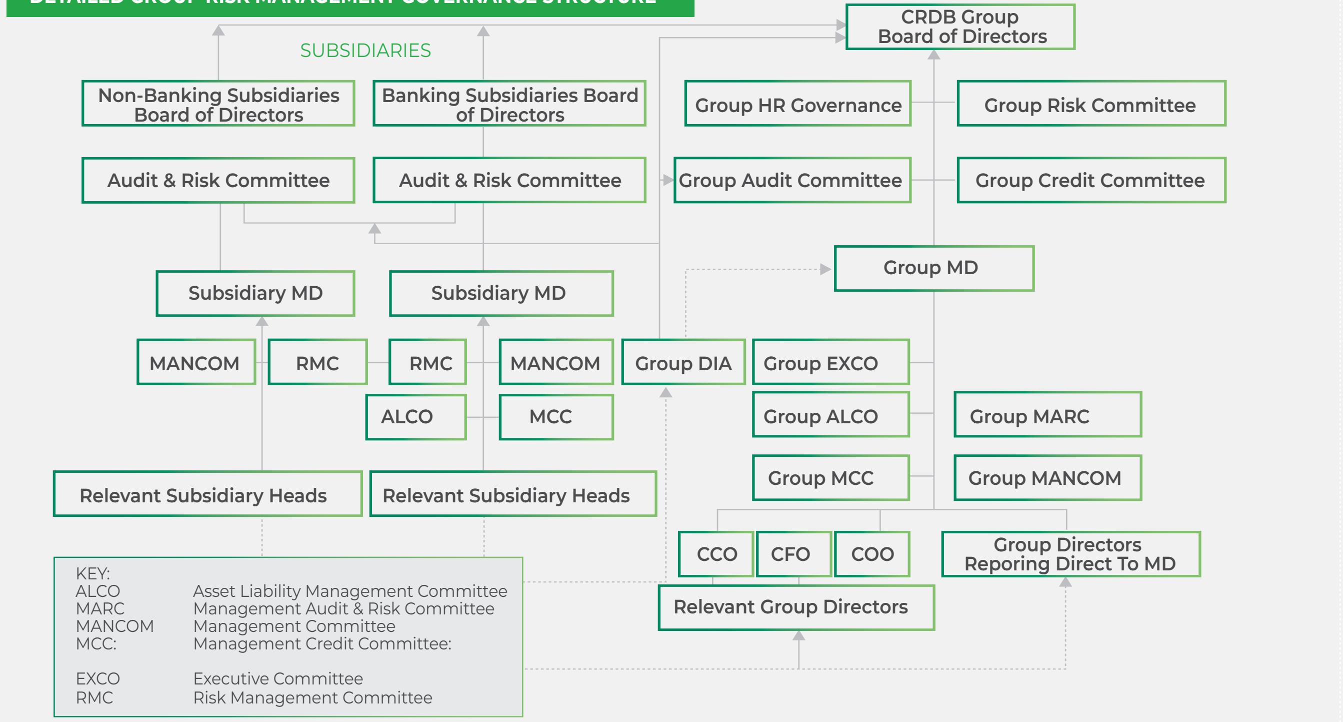
Risk Philosophy and Appetite

In carrying out its business, the bank is exposed to a broad range of risks. In support of effective governance and fostering risk informed decision-making culture, the bank has set out qualitative risk appetite statement (RAS) covering its inherent risk exposures. The risk appetite statement specifies the risk exposures the bank is willing to accept in pursuit of its objectives and the approach to their management and on-going oversight. This statement considers risks to which the bank is exposed and provides an outline of the approach to managing these risks.

Additionally, the bank has in place quantitative risk appetite in the form of risk limits which enables the bank to take calculated risks in line with risk limits within which the bank has to operate. The bank always ensures resources are available to manage risks within acceptable levels. The bank also recognizes that it is not possible or necessarily desirable to eliminate some of the risks inherent in its business activities. Acceptance of some risk is often necessary to foster innovation and efficiencies within business practices.

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 line with the strategic objectives of the bank. The group has adopted a zero tolerance policy in matters relating to internal fraud while taking calculated risks in other areas in order to meet its strategic goals. 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 reserves an ultimate responsibility of risk management function across the Group including setting the tone and influencing the culture of risk management within the Group. Other responsibilities include:

i. Approving of the overall business strategy, risk appetite and limits, Group Risk Management Framework and its associated policies
ii. Ensure adequate implementation of the risk management framework and its related policies and that business and its operations complies with regulatory requirements at all times.
iii. Defining the nature, role, responsibility and authority of the risk management function within the Group including the scope of risk management work.
iv. 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 influencing risk management culture within the Group. More specifically, the Group senior executive team has the following responsibilities:

i. Facilitate the review and/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 the strategy in a manner that manages risks inheret 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

All employees within the group have a specific responsibility for allowing the business to operate within approved risk appetite. These responsibilities have been defined in terms of the role of employees across all the "three lines of defense.

First Line of Defense

The first line comprises of all employees engaged in risk taking, revenue generation and client facing areas of the group and all associated support functions, including finance, treasury and capital markets, technology, human resources, operations and administration etc. Employees in the first line have primary responsibility for their risks, including:

i. Identifying and managing all inherent risks in the activities in which they are engaged, and developing appropriate policies, business processes/standards and controls to govern their activities.
ii. Operating within approved risk limits and appetite.
iii. Escalating risk events to senior management and to risk and compliance function as soon as they become known.
iv. Ensure that the business / function structure reflects actual operating practices.
v. Ensure that there are adequate, accurate, reliable and timely financial, operational and regulatory reports with exceptions noted and promptly investigated.
vi. Responsible for establishment and maintenance of self-assessments to test controls and maintenance of departmental risk registers.
vii. Responsible for ensuring that identified material weaknesses (from internal or external reviews / audits) are adequately documented, given the appropriate attention (with objective verification and review), and timely resolved.

The first line of defense establishes their own policies and controls inline with established control framework, particularly with respect to operational activities, and require their colleagues to manage all controls within specified tolerances. These control-related activities are also considered first line and are permitted so long as they are within any applicable limits established and vetted by the risk and compliance department. All activities in the first line are subject to oversight from the relevant parts of the second and third lines of defense.

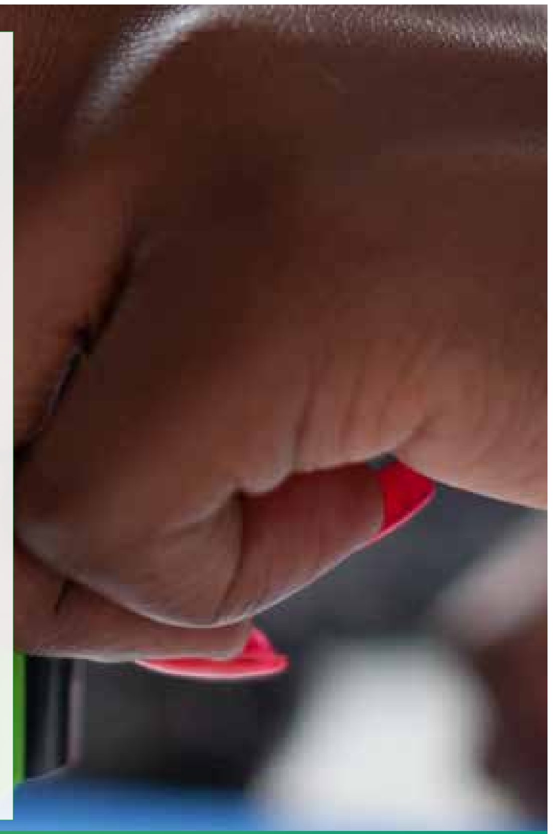
Second Line of Defense

The Risk and Compliance function comprise the second line of defense. The role of the second line defense is to coordinate establishment of risk limits, rules and constraints under which the first line activities shall be performed, consistent with the risk appetite and monitors performance of the first line against these limits and constraints. In the event that the first line breaches a specific risk limit or contravenes rules or constraints, the second line may, at its discretion, direct the activities of the first line to bring it within compliance. The second line has the authority and responsibility to perform independent challenge of all risks in the first line at any time.
In discharging its role, the second line shall:

- Oversee the enterprise-wide risks faced by the institution through development of risk management strategies and structures and recommendation of best practices in risk management.
- In collaboration with, assist the first line, to put in place control proceses, which allow for compliance with relevant regulatory and legal requirements.
- Monitoring changes in relevant legislation and regulatory environment and taking appropriate action.
- Develop risk management and compliance structures, develop risk management frameworks and ensure effective implementation.
- Reinforce risk culture and strengthen risk management by creating awareness and training to staff.
- The second line also undertake certain additional activities if, in the judgment of the Director of Risk and Compliance minimizes or mitigate the instution exposure to risk.

Third Line of Defense

The Internal Audit function comprise the third line of defense. Internal Audit provide an independent assurance to the Board of directors and senior management over the effectiveness of governance, risk management and control over current, systemic and evolving risks.



COMBINED ASSURANCE

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

Stress testing

Stress testing is perfomed to supplement the Group's other risk management measures. It covers five key principal risks that the Group is exposed to, namely: Credit, Interest rate, foreign exchange, Liquidity and Operational risks which are likely to occur due to market shocks and which may have impact on the group's financial soundness.

Stress tests provide an indication of the potential size of losses that could arise in an extreme or worst-case condition. The group applies risk factor stress testing, where stress movements are applied to each risk category. The analysis assists in assessing and determining the Group's capital resilience under different assumed market shocks which are likely to occur.

Stress testing is carried out quarterly to determine whether capital is enough to withstand adverse developments. This is for the purpose of alerting senior management for any unfavourable unexpected outcomes related to various risks and provides an indication of how much capital might be needed to absorb losses should large shocks occur. The results are meant to indicate weak spots in the risks tested at an early stage and to guide for preventative or corrective actions

Classifying risks

The group's risk-management strategy aims to support the achievement of business objectives while identifying and quantifying risks, establishing risk ownership, and maximizing business value, taking into consideration 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 below

Risk Type	Our Approach to Managing Risk
Credit risk This refers to the risk of financial loss that arise from unmet customer obligations, either willingly or unwillingly, which may result into economic loss to the group. .	• Our credit risk management strategies aimes at achieving the right asset quality and minimal credit concentration. To achieve this, credit risk is assessed and managed right from credit origination to recovery management activities. Our assessment methodology ensures that risks are clearly articulated and mitigations are put in place throughout the credit management life circle. At Management level, the Loan Portfolio Quality Committee and Management Audit and Risk Committee govern this risk. While at the Board level, the Credit Committee of the Board advises the Board in terms of credit risk taking and management while on the other hand, the Board Risk Committee provides an overall oversight role and advises the Board in terms of overall credit risk management; • The Bank has a robust Credit policy that stipulates the credit risk appetite, structures, responsibilities and mandates with regards to credit risk management; • The Bank has implemented an effective MIS system and Early Warning Signs Models (EWSM), which is able to predict for default or challenge on customer meeting future repayments early enough before customer gets into actual default. This helps in taking proactive measures before it is actually too late; • The credit management related proceses are independently and regulary reviewed by the second line of defense to assess control design and operating effectiveness. Areas noted to have control weakenesses are worked out by the first line and verified by the second line to confirm satisfactory remediation. The Bank has implemented a robust Expected Credit Loss (ECL) model at the group level supported by an adequately documented framework which enables expected credit loss determination in line with international accounting standards (IFRS 9);
Operational risk This refers to the risk of financial loss resulting from inadequate or failed internal processes, people and system or from external events. Operational risk includes legal risk covering, but not limited to, exposure to fines, penalties and punitive damages resulting from failure to honour contractual obligations and/or settlements due to internal process failures.	• Operatonal risk is inherent in everything we do and thus it is the responsibility of every employee to be aware of the sources of operational risk. While the Board carries an ultimate responsibility of managing this risk, the Board has developed and approved an Operational risk management policy which spells out the roles of every individual in managing operational risk. The policy is supported by various Standard Operating Procedures (SOPs) which guide employees on managing specific inherent risks in their day to day operations. • Various methodologies have been implemented to ensure for an adequate identification, assessment, mitigation and monitoring of operational risk. The methods in use include but not limited to Risk Registers and Risk Control Self Assessments (RCSAs), Key Rik Indicators, real time operational incident management and continuous Independent Risk and Control Assessments by the second line which are performed to assess the design and operationg effectiveness of existing controls as well of identifying elvoving risks. The group applies a risk rating scale in arriving at the general risk assessment that depicts a risk profile of a product, process or business unit and the group at large; • The Management Audit and Risk Committee govern this risk at the management level, whereas the Risk Committee of the Board provides an oversight role and advicses the Board in respect of an effective management of operational risk.
Technology risk This refers to potential loss from technology failures which may disrupt delivery of services, this may arise from information security breach incident(s), systems outages and/or technology obsolescence.	• As the group embarks on digital transformation journey, its exposure to technology risk increases given dependence on technology to deliver services. Reconginizing this importance, the group has created robust and adequate policies and proceses which guide on the responsibilities of endiviauls responsible for managing technology risk. The policies also guide the type and standard of technology which should be implemented, security standard requirements, change management, vendor and third party integration standard requirements and real time threat management. • The Management Audit and Risk Committee govern this risk at the management level, whereas the Risk Committee of the Board provides an oversight role and advicses the Board in respect of an effective management of technology risk.

Risk Type	Our Approach to Managing Risk
Fraud Risk This refers to the risk of unexpected financial, material or reputational loss as a result of fraudulent activities by an internal or external person(s).	• Since that fraud is an intentionally deceptive action designed to provide the perpetrator with an unlawful gain or to deny a right to a victim, the group has adopted a zero tolerance policy toward internal perpetrated fraud. The Group has a comprehensive Anti-Corruption and Fraud Risk Management Policy which guides on fraud risk management process. The Policy covers, key roles of individual employees on prevention and reporting of fraudulent activities, investigations and recovery procedures. Furthermore, the group has a Whistleblowing Policy, which guides and require employees to report any kind of miscount anonymously without fear of retaliation. • As a prevention strategy, the group regularly perfoms fraud risk assessment on business and processes aiming at proactively identifying and addressing vulnerabilities to internal and external fraud. • The Management Audit and Risk Committee govern this risk at the management level, whereas the Risk Committee of the Board provides an oversight role and advicses the Board in respect of an effective management of fraud risk.
Market Risk Refers to the risk of financial loss on earnings or capital arising from adverse movement or volatility in macro-economic variables or 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 Group separates exposures to market risk into either trading or non-trading portfolios. The group's Treasury Department where the trading and Asset/Liability Management functions reside manages market risk whereas the Risk and Compliance function independently monitors and reports on risk taking positions and results. Regular reports on positions are submitted to the Board Risk Committee and Management Audit and Risk Committee. The Asset/Liability Committee (ALCO) actively manage these risks at the management level. The Group applies various risk management tools and models to monitor and manage market risks, the models in use include but not limited to Value at Risk (VaR) on foreign exchange open positions (NOP), PV01, Duration and interest rate gap analysis coupled with Earning at Risk (EaR) for interest rate risk and Mark to Mark (MtM) on all other traded financial instruments. The Board sets the maximum risk limits and/or appetite that the Group is willing to take at any point in time.
Liquidity Risk This refers to the risk that the ability of the Group to meet its maturing financial obligations and/ or commitment is threatened. The possibility of having shortfall to earnings or capital arising from the likelihood that the group will not have sufficient liquidity to meet maturing obligations as they fall due or it cannot raise enough liquidity in a cost effective manner.	The Group reconginze that liquidity is the blood of business and key to its existence. The Group thus applies various methodoliogies and processes to ensure it remains adequately funded. This risk is closely monitored by the Asset and Liability Committee (ALCO). Some of the tools in use include the following: ▪ Day-to-day funding management, which is managed by monitoring future cash flows to ensure 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 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 customer 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 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 through transactions with other banks for short-term liquidity requirements and in order to diversify the funding mix and reduce mismatch in its balance sheet. The medium and long term funds are borrowed from the international market. The group has also established funding lines with both local and foreign banks for short term funding requirements as part of its Contingency Funding Plan (CFP).

Risk Type	Our Approach to Managing 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 or technological changes.	At Management level, the Executive Committee (EXCO) governs this risk with the Board being responsible for an oversight role. The Department of Business Transformation, coordinates development and monitoring of Strategic Performance initiatives of the Group. On Quarterly basis, the second line of defense performs analysis to determine factors that would affect attainment of the Group's Strategy (this includes assessment of the strategic pillars by looking at both internal and external factors) and reports the same to the Management Audit and Risk Committee and the Risk Committee of the Board.
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 Group manages regulatory compliance risk through a dedicated regulatory compliance function, which monitors regulatory changes, and its effects to the business disseminate the requirements to ensure the bank and employees are not in violation and make changes to policies and procedures affected by changes in the laws and regulations. The function conducts regular compliance conformance tests across the group to detect compliance gaps in enforcement of regulatory requirements and reports to the Management Audit and Risk Committee and the Risk Committee of the Board. To manage exposure to money laundering and sanctions risks, the Group has adequate policies and robust AML and CFT compliance program aligned to international best practices, which is applicable across branches and subsidiaries. The Group has a financial crime compliance function which provides oversight on AML/CFT and sanctions risk and has put in place robust technology solutions, 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 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 and the Risk Committee of the Board as appropriate for timely resolution. All employees are required to adhere to the AML/CFT policies and program, which provide that no customer relationship is worth compromising commitment to AML/CFT compliance requirements. Compliance risk expands to areas related to market conduct and to such specific areas as data protections requirements, consumer protections, changes in regulatory requirements as well as market practices. Our compliance risk management has a robust approach in dealing with all changes brought by regulations or country laws and ensures each is allocated to the responsible department and followed through to ensure embedments of the right controls

Risk Type	Our Approach to Managing Risk
Reputation Risk A risk arising from adverse perception or publicity regarding the bank's business practices and associations that may cause loss of confidence in the integrity of the Group . An adverse perception on the Group's reputation can adversely affect its ability to maintain existing or establish new business relationships and continued access to sources of funding	The Group has set up a robust process of identifying, assessing and managing inherent risk(s) that may affect the bank's trust and respect from stakeholders that has been built over a period. Reputation risk management is a critical function both to proactively protect against (prevent) and effectively deal with events (detect and respond) that may cause damage to reputation. Various methodologies have been implemented to ensure for an adequate and timely identification of factors or threats that could impact or influence reputation, either positively or negatively. In collaboration with business, the Department of Risk and Compliance coordinates the identification of risk exposures that are believed to have significant impact on the bank's reputation by considering key key areas such as: • Market Rumours: capturing of negative sentiments in the traditional and social media. • Regulatory Sanctions: Keep track of penalties (number, value and nature) levied to the group by regulators. • Operational Shortcomings: these include but not limited to customer complaints, operational errors, failure to execute valid customer instructions, data security or privacy breaches, damage control mechanisms, system outages causing business disruptions and denial of services to customers and fraudulent incidents. • Management of adverse judgements against the Group: decisions of courts of laws or tribunals or arbitral awards, that have triggered negative perceptions, cases registered against the 'Group and the potential contingent liability, number and nature of pending litigations. • External Attacks: incidents or attempts of cyber-attacks or hacking attempts. • Heavy Financial Losses: Increased costs of raising funds from the capital and/or money markets, changes in external credit ratings, increase in non-performing loans and credit losses and loses arising from operations other than credit. • Bad Conduct: Business practices that might be perceived unethical, failure to comply with market rules and conducts, failure to meet obligations (such as obligations to customers, other banks, contractors, vendors, staff conducts inside and outside the bank A continued deterioration in any of the indicators mentioned above is considered as an alert for for potential reputation risk exposure, which might require the group to respond timely to protect its reputation. The bank has well defined clear roles for managing reputation risk which range from an individual staff, department heads, Management up to the Board level. However the Board of directors have an ultimate responsibility on reputational risk oversight withing the Group
Climate related, environmental, and social risks Climate-related financial risks refer to the set of potential risks that may arise from climate change and that could potentially impact safety and soundness of the Group and have broader financial stability implications for the banking system. These risks are typically classified as physical and transition risks .E&S risks refers to risks that have potential negative consequences to a business that result from its impacts (or perceived impacts) on the natural environment (i.e. air, water, soil) or communities of people (e.g.employees, customers, local residents).	The Group established its Environmental and Social Management System (ESMS) back in 2014 which is governed by; Environmental and Social (E&S) Policy and environmental and Social Management (ESM) procedure which are used as guidelines for assessing environmental and social risks on projects being financed by the Group The group established a Sustainable Financing Unit (SFU) with 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 has been imbebded in our credit underwriting and monitoring processes on potential and existing projects. Same is done internally and where need be external consultants are engaged for big projects that the Group is engaged in

Our Governance

Our Governance

CRDB Bank upholds the highest standards of corporate governance to ensure accountability, transparency, and ethical conduct. Our governance framework is designed to optimise performance, minimise risks, and safeguard the interests of our shareholders.

Corporate Governance Framework

At CRDB Bank, we have implemented a comprehensive corporate governance framework to guide our strategic direction, financial objectives, and risk management practices. Our Board of Directors, comprised of experienced individuals with diverse backgrounds and expertise, provides strategic oversight and ensures alignment with our core values and mission. Additionally, we have established specialised committees, including Audit, Risk, and Compliance Committees, to provide independent oversight and guidance on key operational areas.

Value Creation through Governance

Our governance practices are aimed at creating and preserving long-term value for our stakeholders. By embedding ethical conduct, promoting transparency, and fostering risk-awareness, we enhance stakeholder trust and contribute to sustainable value creation. We continuously improve our governance principles, policies, and practices to remain aligned with regulatory requirements and best practices.

Code of Corporate Practice

We adhere to a Code of Corporate Practice that emphasises good governance principles, stakeholder confidence, and long-term value creation. Our Board is committed to ensuring compliance with all applicable laws, regulations, and non-binding rules. Through our Board Risk Committee, we monitor regulatory changes and assess their impact on our operations, ensuring continuous compliance and adherence to governance standards.

Committees and Sub-Committees

We have established specialised committees, including Audit, Governance and Human Resources, Credit, and Risk Committees, to support the Board in its oversight functions. These committees comprise aptly skilled directors and are tasked with specific duties to enhance governance effectiveness. The Board monitors committee activities and reviews their performance annually to ensure compliance and relevance.

Roles and Functions of the Board

The Board holds ultimate responsibility for the Group's performance, position, and adherence to ethical standards. Key responsibilities include determining the Bank's vision, appointing the CEO, approving corporate strategy, setting risk appetite, and ensuring compliance with laws and regulations. During the reporting period, the Board met regularly to review performance, strategy, and governance matters, demonstrating its commitment to effective oversight.

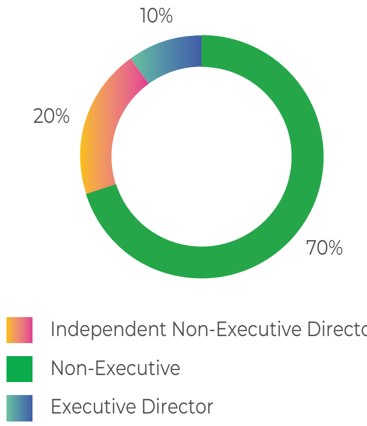
Board Charter

Our Board Charter outlines key values, principles, and responsibilities of the Board, ensuring consistency with legal and regulatory requirements. It specifies the powers of the Board and its Committees, separation of roles between the Board and Management, and governance practices. The Charter is periodically reviewed to ensure adequacy and alignment with the Board's purpose.

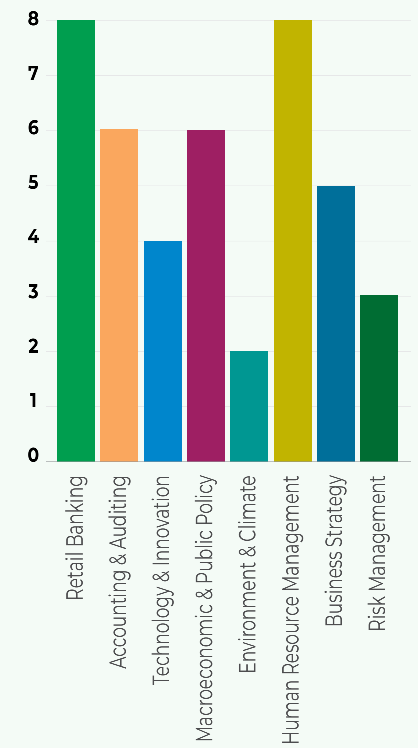
Our Board Profile

Independence – Protecting the Interests of all Shareholders

The CRDB Bank's board predominantly consists of independent non-executive directors, aligning with the highest standards of global governance practices. Our commitment to robust corporate governance principles is fundamental to our success, underpinning our vision for sustained prosperity.



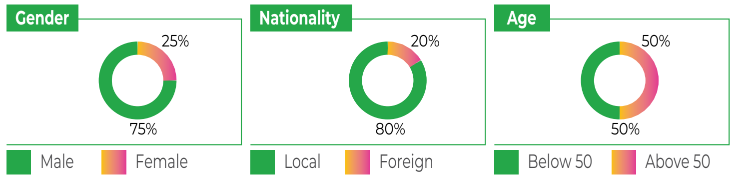
Board Skills and Experience



Board Diversity - Being Relevant in a Transforming Society

Our Group recognizes board diversity as pivotal in upholding our mission to catalyze positive change through innovative financial sector initiatives. Drawing insights from diverse markets, we acknowledge the correlation between diversity and enhanced financial performance, embracing gender, racial, and ethnic inclusivity.

Aligned with our overarching strategy, CRDB Bank is steadfast in fostering diversity within its board, integrating diversity and inclusion into our selection processes. We aspire for a board that transcends preconceptions and biases. Our commitment to promoting gender diversity at the board level is integrated into our board continuity program.



Succession Planning

The committee, in collaboration with the board, actively engages in succession planning for the board of directors. Proactively, the committee identifies potential director candidates through thorough exploration of various sources and engages search firms. Shareholders, who are deeply invested in the Group's long-term success, should have a significant opportunity to nominate and recommend director candidates for consideration by the committee. However, the ultimate responsibility for selecting director nominees lies with the Governance and Human Resources Committee and the board. Among the board's duties is the review and establishment of succession plans for 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

Through our experiences, we've recognized that thriving in today's dynamic business landscape demands a diverse array of talents within our Group. It's essential to cultivate and leverage these skills to generate value for all stakeholders. The board evaluates the necessary skill sets in light of the evolving landscape and shifts in CRDB Bank's long-term strategy. With the right blend of expertise and experience, the Board is poised to steer the bank's strategy effectively, fostering value creation as we move forward.

1. Dr. Ally Hussein Laay
Group Chairman
Tanzanian*

2. Prof. Neema Munisi Mori
Independent
Non-Executive Director
and Board Vice Chair
Tanzanian*

3. Gerald P Kasaato
(Non- Executive Director)
Tanzanian*

4. Dr. Fred Msemwa
(Non- Executive Director)
Tanzanian*

5. Mr. Hosea Ezekiel Kashimba
(Non – Executive Director)
Tanzanian*

6. Mr. Abdul Ally Mohamed
(Non – Executive Director)
Tanzanian*

7. Eng. Boniface Charles Muhegi
(Non – Executive Director)
Tanzanian*

8. Prof. Faustine Karrani Bee
(Non – Executive Director)
Tanzanian*

9. Mr. Jes Klausby
(Non- Executive Director)
Danish**

10. Ms. Miranda Naiman Mpogolo
(Independent Non- Executive Director)
Tanzanian*

11. Mr. Martin Steven Warioba
(Independent Non- Executive Director)
Tanzanian*

12. Mr. Royal John Lyanga
Non- Executive Director
Tanzanian*

13. Abdulmajid Nsekela
Group CEO & Managing Director
Tanzanian*

14. John Baptiste Rugambo
Company Sectertary
Tanzanian*

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 and 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 is also the chairperson of the board of Air Tanzania Company Limited.

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.

3 GERALD P KASAATO
(Non- Executive Director)

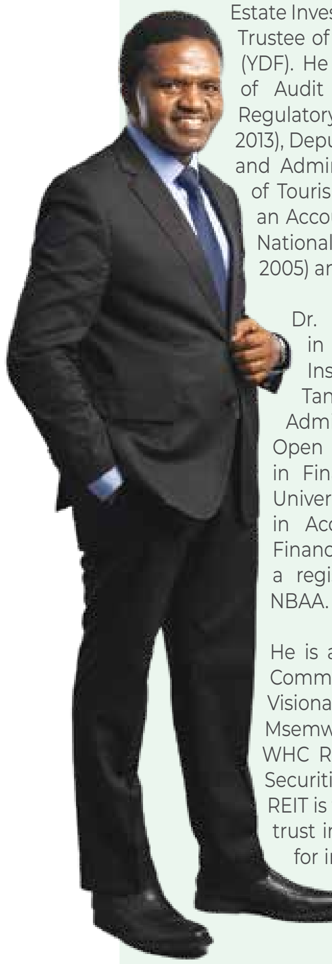
Mr. Gerald Paul Kasaato is the Chief Investment Officer and Deputy Managing Director of the National Social Security Fund (NSSF), a mandatory retirement savings scheme in Uganda with assets under management of USD (United States Dollars) 5.3 billion having joined the Fund in 2011 as Portfolio Manager Equities. Gerald has over fifteen years' experience in senior management and investment management experience in the East African capital markets of; Uganda, Kenya, Rwanda, and Tanzania. Gerald previously worked for National Housing and Construction Company Limited (Uganda) as Finance and Investment Manager and National Insurance Company Limited as Manager Investments and Treasury.

Gerald is an alumnus of Harvard Business School. He holds a Bachelor of Science with Honors (Bsc. Hons) in Accounting from Oxford Brookes University (UK), an MBA in Finance from the University of Exeter (UK), and an MSc. in International Finance and Investment from London South Bank University (UK). He obtained the MSc. degree with distinction and was the best graduating student in his cohort. Gerald is a CFA Charter holder, a Chartered Accountant (UK), a Fellow of the Chartered Management Institute (FCMI, UK), and a member of the Institute of Certified Public Accountants of Uganda (ICPAU). He is also a final year Bachelor of Laws (LLB) student (Distance Learning) at Nottingham Trent University (UK).

Gerald has obtained several training courses in the spheres of alternative investments from reputable higher learning institutions such as the Wharton School of the University of Pennsylvania and London Business School and trained as an accountant in the UK. Gerald has also undertaken the CEO Apprentice Program (Uganda) in Partnership with Strathmore Business School, Kenya. He also has a Certificate in Company Direction from the Institute of Directors, UK.

Gerald is the Board Chairperson of Trade Development Bank and Non-Executive Director representing the constituency that has, Uganda, Comoros, Democratic Republic of Congo, Sudan, and Angola. He is also a Non-Executive Director on Board of CRDB Insurance Company Ltd representing CRDB plc on the Board. In the past, he was a Non-Executive Director at Yield Fund Uganda—a private equity fund that focuses on agriculture, and TPS (Uganda) also known as Serena Hotel. He is also a member of the Audit Committee.

4 DR. FRED MSEMWA
(Non – Executive Director)



Dr. Fred Msemwa is the Founding Managing Director of Watumishi Housing Company Real Estate Investment Trust (WHC REIT) and a Trustee of the Youth Dream Foundation (YDF). He previously served as Director of Audit at the Energy and Water Regulatory Authority - EWURA (2008-2013), Deputy Principal Finance, Planning and Administration at National College of Tourism (2005-2007) and rose from an Accountant to Finance Manager at National Housing Corporation (1999-2005) and Accountant – BP (1998).

Dr. Msemwa holds a Certificate in Directorship from the Institute of Directors in Tanzania, a PhD in Business Administration (Audit) from the Open University of Tanzania, MBA in Finance from Birmingham City University (UK), Advanced Diploma in Accountancy from Institute of Finance Management (IFM), and is a registered auditor (FCPA-PP) by NBAA.

He is a member of Risk and Credit Committees of CRDB Bank Plc. Visionary and enterprising, Dr. Msemwa is behind the registration of WHC REIT with Capital Markets and Securities Authority (CMSA). The WHC REIT is the first real estate investment trust in Tanzania. He is also credited for instituting integrity and ethical behavior at WHC which has made houses 10-30% comparatively cheaper.

He is a volunteer and co-founder of the Youth Dream Foundation (YDF); a youth empowerment NGO that seeks to empower youth economically through education, talent development and career guidance. He is also the current board chairman of CRDB Bank DRC.

Board of Directors

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.

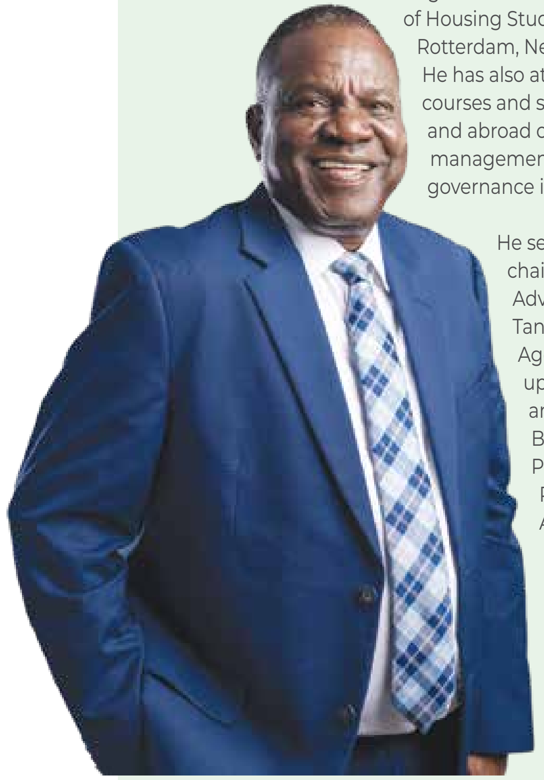
He has served as Commercial Director at Azam Media Ltd since 2018 and served as Chief Executive Officer of Azam Football Club, Bakhresa Group from 2016 to 2018, and was appointed General Manager of Azam Football Club in 2016. Between 2014 and 2015 he did E & Y Summer Internship and served as senior broadcasting 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 Risk, Governance and Human Resource Committee of the Board of Directors of CRDB Bank Plc. He is also the chairman of CRDB Bank's Shariah Advisory board.

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)

Faustine Karrani Bee, a Professor in Development Studies at Sokoine University of Agriculture (SUA) since August 2022, previously served as Vice-Chancellor at the University of Dodoma (UDOM) from March 2019 to July 2022. Prior to his tenure at UDOM, he was Vice-Chancellor at Moshi Co-operative University (MoCU) and a Professor in Development Studies.

Beginning as a Tutor in 1988 at the Co-operative College Moshi, Bee held various academic and administrative roles, including Head of Department, Director of Research, and Principal. He played a pivotal role in transforming MUCCoBS into MoCU and served as its first Vice-Chancellor. With a Doctorate and master's degree in Development Studies and a Bachelor's Degree in Economics, Bee has contributed significantly to academia through research and publications.

He has held positions on several university councils and boards, including Chairperson of the Inter-University Council for East Africa and Chairperson of the Committee of the Vice Chancellors and Principals of Public Universities in Tanzania.

Additionally, Bee has chaired and served on various boards, such as LAPF and MUWSA, and held membership in organizations like the Tanzania Coffee Board. Currently, he sits on the boards of CRDB Bank Plc, its subsidiary in DR Congo, and Kilimanjaro Cooperative Bank Limited (KCBL), also serving on CRDB Bank Plc's Governance, Nomination, and Human Resources Committee and Credit Committee.

Board of Directors

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

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 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. He is also a member of the Audit Committee.

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).

Board of Directors

13 MR. ABDULMAJID NSEKELA
Chief Executive Officer and Managing Director

Abdulmajid Mussa Nsekela is a seasoned African business leader; with close to three decades of leadership experience and a successful career in investment, business, retail, wealth management and private banking in East Africa. He has vast experience in Transformational Leadership, Business Turnaround and Strategic Management. In the first decade of his career, Nsekela served in various positions, spanning business functions, bank operations, control functions and people management. He later served in diverse strategic leadership positions, including Financial and Strategic Planning, Risk, Governance, Auditing and Compliance.

Mr. Nsekela was appointed Group Chief Executive Officer (CEO) & Managing Director of CRDB Bank Plc in October 2018. He is passionate about leadership, economic empowerment, financial inclusion, and sustainable development. During his first year at CRDB Bank, Mr. Nsekela spearheaded the bank's accreditation by the United Nations Green Climate Fund (GCF) as a financial intermediary in green financing. CRDB Bank became the first commercial bank in East & Central Africa to be accredited as a Direct Access Entity (DAE). In October 2021, the bank secured US$100M in funding to support climate-resilient agriculture and technology adaptation in Tanzania. In 2023, under Nsekela's astute leadership, CRDB Bank Plc pioneered Tanzania's first green bond valued at $300 million for green financing.

Mr. Nsekela's acumen in business has earned him leadership roles on various Management Boards in the country. He currently serves as Chairman of the Tanzania Cooperative Development Commission (TCDC), the Arts and Culture Fund (Bodi ya Sanaa na Utamaduni), and the Tanzania Small Holders Tea Development Agency (TSHTDA). He is also a council member of the Tanzania National Business Council (TNBC) - Finance Working Group; and a member of the board of the Tanzania Financial Inclusion National Council (TFINC) and the and the Economic & Social Research Foundation (ESRF). Previously, he served on the boards of the Tanzania Private Sector Foundation (TPSF) and the Tanzania Mortgage Refinance Company Limited (TMRC). He also the immediate former Chairman of the Tanzania Bankers Association (TBA), having served the association for four years between 2018 and 2022.

In 2023, Mr. Nsekela was named among 25 top African Finance Leaders by the African Leadership Magazine.(ALM). In early 2020, Nsekela was inducted into the African CEO's Hall of Fame by ALM, and in 2021, he was listed among the 50 most reputable Bank CEOs in Africa by Reputation Poll International. In 2022, he was conferred an Honorary Fellowship Award by the Tanzanian Institute of Banking (TIOB). He was also named CEO of the year, two years in a row by Tanzania Top 100 Executives List (2021 and 2022); and designated the "Most Inspiring Male Corporate Leader', by Consumer Choice Awards in 2022.

Mr. Nsekela holds a master's degree in Business Administration - International Banking Finance (MBA-IBF) and a Post Graduate Diploma in Business Administration (PGDBA) from Birmingham University (UK). He also has an Advanced Diploma in Banking from the Institute of Finance Management (IFM), Tanzania. He is a graduate of Harvard Business School's Authentic Leadership Program.

14 JOHN BAPTISTE RUGAMBO
Company Secretary

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

TABLE OF CONTENTS	PAGE NUMBER
THE REPORT BY THOSE CHARGED WITH GOVERNANCE	111 – 171
STATEMENT OF DIRECTORS' RESPONSIBILITIES	172
DECLARATION OF THE CHIEF FINANCIAL OFFICER	73
REPORT OF THE INDEPENDENT AUDITOR	174 – 176
FINANCIAL STATEMENTS:	
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	177 – 178
STATEMENTS OF FINANCIAL POSITION	179
STATEMENTS OF CHANGES IN EQUITY	180 – 183
STATEMENTS OF CASH FLOWS	184 – 185
NOTES TO THE FINANCIAL STATEMENTS	186 - 425

CONTACTS

CRDB BANK PLC (TANZANIA)

PLOT No. 25, 26
Ali Hassan Mwinyi Rd, Dar es Salaam
Postal Address 268, Dar es Salaam
Telephone: +255 222 197 700,
Mobile: +255 714 197 700,
+255 755 197 700,
+255 789 197 700
Email: info@crdbbank.co.tz,
Website: www.crdbbank.co.tz

MAIN BANKER

BANK OF TANZANIA
10 Mirambo Street,
Postal Address 2939,
Dar es Salaam,
Tanzania.
Tel: +255 22 223 4494/5/7
Email: info@bot.go.tz

CRDB BANK BURUNDI, HEAD OFFICE

Rohero I, Chaussée Du Prince Louis Rwagasore
N ° 490/A Bp 254, Bujumbura, Burundi
Telephone: +257 22 277 767/68
Email: Crdbburundi@Crdbbank.Com
Website: Www.Crdbbank.Com

CRDB BANK DR Congo S.A,

Avenue Mama Yemo No.826,
C/Lubumbashi, Haut- Katanga
Telephone: +243 832 902222
Email: Crdbcongo@Crdbbank.Com
Website: Www.Crdbbank.Com

CRDB INSURANCE COMPANY LTD

CRDB Bank, Azikiwe street posta mpya
Dar es salaam, Tanzania
Telephone: +255 222 197 700
Email: info.insurance@crdbinsurance.com
Website: Www.Crdbbank.Com

CRDB BANK FOUNDATION,

Plot No. 25, 26
Ali Hassan Mwinyi Rd, Dar es Salaam
Telephone: +255 222 197 700
Email: info@crdbbank.co.tz
Website: Www.Crdbbank.Com

EXTERNAL 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

TAX ADVISORY

PricewaterhouseCoopers
369, Toure Drive
Oysterbay
P. o Box 45
Dar es Salaam
Tel: +255 (22) 2192000
Email: info@pwc.co.tz
Website: www.pwc.com/tz

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

1 INTRODUCTION

Those charged with governance have the pleasure to submit their report and the audited financial statements for the year ended 31 December 2023, which disclose the state of affairs of CRDB Bank Plc ("the Bank") and its subsidiaries, CRDB Bank Burundi S.A., CRDB Bank Congo, CRDB Insurance Company Limited and CRDB Bank Foundation (together "the Group").

This report has been prepared in compliance with TFRS 1 issued by the National Board of Accountants and Auditors (NBAA) which became effective on 1st January 2021.

2 INCORPORATIONS

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 three wholly owned subsidiaries, namely CRDB Bank Burundi S.A., incorporated in the Republic of Burundi in 2012, CRDB Insurance Company Limited incorporated in the United Republic of Tanzania under TIRA in 2023 and CRDB Bank Foundation registered by the Registrar of NGOs in 2022. The Bank also own another subsidiary in Congo, "CRDB Bank Congo ", incorporated in the Democratic Republic of Congo in 2023, with 55% ownership.

3 VISION

Transform lives and develop economies to their fullest potential.

4 MISSION

Provide disruptive solutions to unlock social-economic value for our stakeholders.

5 OUR PURPOSE

Improve livelihoods and deliver sustainable impact.

We believe our role as an organization is to positively impact the world and the people we serve. We strive to improve the livelihoods of our customers, employees, and communities by delivering innovative products and services that make a real difference in their lives.

6 ENTITY OPERATION

The bank is licensed in Tanzania under the Banking and Financial Institutions Act of 2006. It has several subsidiaries, which are as follows:

- CRDB Bank Burundi S.A: This is a licensed bank in Burundi under the Banks and Financial Institutions Act of 2003. It provides banking services.
- CRDB Bank Congo: CRDB Bank DR Congo is a public limited company and licensed Bank registered under the Ohada Uniform Act, relating to the law of commercial companies and G.I.E and the Banking Regulation of DR Congo. It provides banking services.
- CRDB Insurance Company Limited is a licensed insurance company in Tanzania that provides insurance services.
- CRDB Bank Foundation: This is a non-profit organization registered in Tanzania that aims to promote inclusive growth for social-economic and financial inclusion through community-focused initiatives.

The Bank is a public listed company on the Dar es Salaam Stock Exchange. The share price as at 31 December 2023 was TZS 460 (2022: TZS 380). Market capitalization as at 31 December 2023 was TZS 1,201.45 billion (2022: TZS 993.55 billion). The Bank remains the largest commercial Bank in Tanzania with a leading share of total customer deposits of 27% (2022:27%) and 25% (2022:25%) of assets as of 31st December 2023.

Environmental matters and impact on the Group's business operations

The Group believes that taking care of environmental and social matters is a serious responsibility for everyone. As corporate citizens, 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 have been disclosed under section 25.

Bank's Employees

At CRDB Bank, 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 bank's long-term success and performance. The employee focus is centered on learning and development, employee well-being, employee engagement, and diversity and inclusion.

- **Learning and Development**

The Bank greatly emphasizes continuous learning, even in a fast-paced environment. It offers online and classroom training programs to ensure that its staff stays updated with the latest industry trends and actively develops their skills. These programs are carefully designed to cater to the employees' busy schedules, allowing them to prioritize their work while taking advantage of the available training opportunities.

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

6 ENTITY OPERATION (Continued)

- **Learning and Development (Continued)**

To further encourage self-learning among its employees, the Bank has introduced an online platform that offers a wealth of educational resources, training materials, and interactive modules. This platform is accessible 24/7, allowing employees to learn at their own pace and convenience, regardless of location or schedule. Overall, the Bank is committed to providing its staff with ample opportunities for professional development and growth and constantly strives to create a supportive and conducive learning environment.

By promoting self-learning through this platform, the Bank empowers its employees to take ownership of their professional development. They can continuously learn, acquire new competencies, and stay relevant. This benefits the individual employees and contributes to the Bank's overall growth and success.

The availability of an online learning platform that can be accessed conveniently on mobile phones demonstrates the Bank's commitment to fostering a culture of learning and development throughout the year. In addition, the Bank has also established a dedicated unit to promote learning among its staff, and the top learners are recognized semi-annually based on the number of courses completed. This recognition serves as an encouragement for everyone to put in effort and improve their skills.

During the year, the Group spent TZS 6.6 billion (2022: TZS 5.9 billion) for Learning and development, and 3,338 staff were trained (2022 1,142) from senior management to support staff level.

- **Employee Well-being**

As a Bank, we believe employee wellness is essential to our overall employee value proposition. We prioritize the value of 'Care' and constantly seek ways to provide the best possible customer experience. We recognize that a happy and engaged workforce is critical to achieving this goal. To achieve this, we prioritize health and well-being. We understand that a sedentary lifestyle, poor posture, and stress are the primary health concerns in the workplace. To address these issues, we conduct regular medical check-ups, promote best health practices, and provide counselling services through a dedicated helpline to help our employees deal with mental health issues.

Additionally, we offer medical coverage to all our employees, and we have a specialized maternity care program to support our female employees on the path to motherhood. We also understand the importance of nutrition, physical fitness, and stress reduction. Our bank firmly believes that quality health is essential for our organisation's success and for promoting our staff's well-being. In 2021, we launched well-being services focused on empowering our colleagues and eligible dependents to address challenges related to physical and social well-being. The services offered include:

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 for issues such as armed robbery, death, or disaster at a worksite.
vi. Education Support and awareness: Periodically conduct an awareness program across the network to equip employees with key psychological threats/ signs.
vii. HR, in collaboration with OSHA, annually conducts fitness to work and medical examinations for all staff.

- **Employee Engagement**

The Group believes Employee engagement is the foundation that supports several positive business outcomes, such as productivity, profitability, growth, customer experience, employee retention, and safety. At CRDB, employees are engaged at three levels: physical, emotional, and cognitive. These are not only to ensure full commitment from the employees but also create passionate and motivated workers who strive hard to work towards the Bank's vision and personal goals. By focusing on employee engagement at multiple levels and providing opportunities for growth, recognition, and well-being, CRDB aims to create a motivated and committed workforce that can contribute to the bank's success and deliver exceptional customer experiences.

In addition to work-related activities, CRDB organizes sports events such as the CRDB Super Cup and supports young talents through the UniTalent Sponsorship program. These initiatives contribute to employee engagement by promoting teamwork, friendship, and personal development outside the regular work environment.

Fundamentally, people want to be recognized and appreciated for their efforts. To emphasize this, in 2020, the Bank formally launched the "CEO Awards" award to recognise excellence in the workplace, which is conducted annually. 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 a motivating factor and 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 to. From time to time, the Bank has used an employee satisfaction survey to listen to and engage its employees. The survey is conducted annually with the main aim of better understanding employees' morale, satisfaction, and engagement across the Bank and our subsidiaries. The survey is very important for the Group as it provides feedback to management to improve the working environment.

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

6 ENTITY OPERATION (Continued)

- **Employee Engagement (Continued)**

The survey is conducted via research, a simple and easy-to-use online survey tool. Employee survey responses are anonymous, and the survey team cannot trace individuals. The survey result is communicated to staff via organized Group sessions to discuss ways of improving our culture and performance and addressing problem areas.

The survey results are 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 key updates. The platform also allows employees to ask various questions on performance and issues on staff matters. It is conducted physically and virtually from the head office to enable all staff to participate.

- **Diversity, inclusion, Equity and Belonging**

The Group values Diversity, Inclusion, Equity, and Belonging, which fosters a positive work environment for all. This results in better ideas and promotes equality, ultimately delivering positive outcomes. The Group believes that a diverse and inclusive workplace is critical to ensure that every employee, irrespective of their background or role, feels equally involved, supported, and valued in all aspects of the workplace.

As a bank with a presence in several countries, our workforce comprises more than 3,800 employees. We believe having a diverse team is essential to our business's success, and we prioritise recruiting, developing, and retaining diverse talent. By doing so, we can better understand and connect with our customers, foster creativity and innovation, solve complex problems, make better business decisions, and boost employee engagement and morale.

Our leaders are committed to providing equal opportunities for all employees to develop and achieve their full potential, regardless of their background or identity. Diversity is an integral source of our strength because it fosters innovation and problem-solving by forcing everyone to look at things from different perspectives.

Our response

The Group has developed a Diversity, inclusion, equity, and belonging policy to ensure that the Bank adheres to the best human resources practices and standards. The policy sets out our approach to creating an inclusive and diverse work environment. The Group is an equal-gender employer, and several efforts are being made to maintain gender balance.

The Bank introduced the She Initiatives program as one of the initiatives aiming at empowering women through training, coaching, and mentoring. This program provides training, coaching, and mentoring opportunities to support women's professional growth and development. The She Initiatives program offers women various resources and support systems to enhance their skills, knowledge, and confidence. Training sessions are designed to equip women with the necessary tools and expertise to excel in their careers. These sessions may cover various topics, including leadership development, communication skills, financial literacy, and other relevant areas.

Through Coaching and mentoring, women participants are paired with experienced professionals who can provide guidance, advice, and support based on their expertise and experiences. This mentorship helps women navigate challenges, set goals, and make informed decisions about their career paths. By implementing the She Initiatives program, the Bank aims to create a more inclusive and supportive environment for women, enabling them to thrive professionally. The program seeks to empower women through training, coaching, and mentoring by equipping them with the necessary skills and knowledge to succeed in their chosen fields.

As of 31 December 2023, the Group's total workforce stood at 3,961 staff, with 2,229 (56%) males and 1,732 (44%) females. Of the age group in our workforce below 35 years of age (37%), (55%) are between the ages of 35-50 years and (7%) are above 50 years. The Bank continued to focus on driving women's agenda through special sessions aimed at inspiring and empowering more women to draw unique leadership qualities that would enable them to rise to the highest levels of leadership.

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 contributing 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, and aims to improve the lives of disadvantaged people across multiple development sectors.
Our Group is committed to responsible and ethical operations that benefit all our stakeholders. To ensure this, we have a Corporate Social Investment (CSI) policy. Through this policy, we partner with communities and invest in them to find sustainable solutions. This helps us achieve our goal of operating in a socially responsible manner.

The Bank's Corporate Social Investment strategy addresses significant social problems to create sustainable solutions, particularly in health and wellness, education, environment, women and youth, and financial capabilities. The Bank also prioritizes programs that enable communities to meet their immediate needs and empower them to become self-sustainable and self-reliant in the future.

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

6 ENTITY OPERATION (Continued)

Social and community issues (Continued)

Employees are encouraged to participate in Corporate Social Investment (CSI) programs that aim to enhance the living standards of neighbouring communities. Employees are encouraged to participate in Corporate Social Investment (CSI) programs that aim to enhance the living standards of neighbouring communities.

For further details on our Environmental, social and Governance (ESG) section 25.

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 transparently, adhering to the tenets of good corporate governance. We have a diverse board of directors with the right balance of skills and experience to steer our Group into prosperity.

Those charged with Governance are responsible for controlling the entity's strategic direction, including the financial reporting processes.

The Group has a Risk Management Framework integral to the Bank's corporate governance. It defines the Bank's high-level governance structure and documents the key responsibilities and accountabilities for managing risks inherent in the Group's business and operations.

For further details on our Corporate governance structure, see section 23.

The Bank's operating model

Our integrated business model is designed to address the widespread needs of all market segments by responding to the rapidly changing world. Our governance operating model ensures robust internal governing bodies and proper systems and processes to support our customers and stakeholders.

The Bank continues to be innovative and adopt an agile operating model to respond rapidly to our customers' ever-changing needs. More details of the bank's operating model are disclosed under section 9.

Contractual arrangements

The group entered several contract arrangements, which are grouped as enumerated below;

- Contractual arrangements with customers to whom we provide loans, advances, Letters of credit, and guarantees.
- Long-term Borrowings with various reputable local and International Development Financial Institutions, such as IFC, AFDB, EIB, PROPARCO, INVESTEC, GCPF, TIB, NBC, and TMRC, as detailed in note 51 of the consolidated financial statement.
- Strategic partners on green climate projects - GCF
- Contract with vendors/Suppliers of goods and services to the Group and Bank for the provision of various services as detailed in note 47 (other liabilities) of the consolidated financial statement.
- Professional service contracts with Consultants, Lawyers and Tax advisory firms.

7 OPERATING STRUCTURE

The Bank provides a wide range of products that 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. We offer digital solutions, including simbanking, internet banking, point of sale (POS) machines, and Agency banking (Fahari-Huduma). Further details on our operating model are in section 10.

Products and services offered

The Bank has become the most innovative and preferred financial services partner in East Africa, supported by uniquely 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, and Insurance brokerage service through a network of 245 branches, including mobile branches, 648 ATMs, including depository ATMs, 1,301 Point of Sale (POS) terminals, and 34,627 banking Agents.

8 OPERATING ENVIRONMENT

Global Economic Growth

Global growth, estimated at 3.1% in 2023, is projected to remain at 3.1% in 2024 before rising modestly to 3.2% in 2025. Nevertheless, the projection for global growth in 2024 and 2025 is below the historical (2000–19) annual average of 3.8%, reflecting restrictive monetary policies, withdrawal of fiscal support, and low underlying productivity growth.

Advanced economies are expected to see growth decline slightly in 2024 before rising in 2025, with a recovery in the euro area from low growth in 2023 and moderate growth in the United States. Growth is projected to decline slightly from 1.6% in 2023 to 1.5% in 2024 before rising to 1.8 % in 2025. An upward revision of 0.1% for 2024 reflects stronger-than-expected US growth, partly offset by weaker-than-expected growth in the euro area.

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

8 OPERATING ENVIRONMENT (Continued)

Global Economic Growth (Continued)

Emerging markets and developing economies are expected to experience stable growth through 2024 and 2025, with regional differences. World trade growth is projected at 3.3% in 2024 and 3.6% in 2025, below its historical average growth rate of 4.9%. Rising trade distortions and geoeconomic fragmentation are expected to continue to weigh on the level of global trade. The economic growth is likely to remain at 4.1% in 2024 and rise to 4.2% in 2025. These forecasts are based on assumptions that fuel and nonfuel commodity prices will decline in 2024 and 2025 and that interest rates will decline in major economies. Annual average oil prices are projected to fall by about 2.3% in 2024, whereas nonfuel commodity prices are expected to fall by 0.9%.

Growth in Sub-Saharan Africa (SSA) is projected to rebound to 3.8% in 2024 from 3.3% in 2023 and 4.1% in 2025 as country-specific factors that have temporarily weighed on growth, including reduced fiscal support and metal-exporting economies' adjusting to lower prices, gradually ease. Nevertheless, elevated living costs continue to limit consumption growth, and political instability has increased in parts of the region. High debt burdens and interest rates have narrowed fiscal space and heightened financing needs.

Despite the projected growth pickup, per capita income increases will remain inadequate to enable the region's economies to significantly progress in reducing extreme poverty. Risks to the baseline growth forecast remain tilted to the downside. They include a further rise in global or regional instability, such as the possible escalation of the conflict in the Middle East, which could drive up global energy and food prices; a sharper-than-expected global economic slowdown; increased frequency and intensity of adverse weather events; and increased defaults if attempts to reduce elevated public debt burdens were to fail. The materialisation of these risks would also exacerbate poverty and limit the ability of many countries to cope with climate change.

Inflation Outlook

Global headline inflation is expected to fall from an estimated 6.8% in 2023 (annual average) to 5.8% in 2024 and 4.4% in 2025. Advanced economies are expected to see faster disinflation, with inflation falling by 2.0% in 2024 to 2.6%, than emerging and developing economies, where inflation is projected to decline by just 0.3% to 8.1%.

About 80% of the world's economies are expected to see lower annual average headline and core inflation in 2024. Among economies with an inflation target, headline inflation is projected to be 0.6% above the target for the median economy by the fourth quarter of 2024, down from an estimated gap of 1.7% at the end of 2023. Most of these economies are expected to reach their targets (or target range midpoints) by 2025. In several major economies, the downward revision to the projected path of inflation, combined with a modest upgrade to economic activity, implies a softer-than-expected landing.

Macro and micro economic overview

Tanzania

Real GDP growth is projected to rise to 6.3% in 2024 from 5.3% estimated in 2023, driven by the sustained recovery in tourism and gradual stability in supply and value chains. The Annual Average Headline Inflation has decreased to 3.8% in 2023 from 4.8% recorded in Dec 2022. Monetary and fiscal policies, adequate food supply, and a stable exchange rate drove this trend.

Monetary Policy

The year 2023 marked the end of conducting monetary policy using money supply growth, commonly referred to as the monetary targeting framework. The framework has existed for almost three decades since 1995 and succeeded in maintaining inflation below 5% and contributing to strong economic growth. The year 2024 marks the beginning of conducting monetary policy by using interest rate, also known as interest rate (or price)-based monetary policy. This forward-looking framework, a form of inflation targeting, is expected to improve the effectiveness of monetary policy in the modern era. It is also part of the country's compliance with agreements harmonising monetary policy frameworks in the regional economic communities in which Tanzania is a member.

Money and Credit

In the year ending December 2023, extended broad money supply (M3) grew by 14.1%, compared with 11.6% in December 2022. This was driven by sustained robust growth of credit to the private sector.

Private sector credit growth remained strong, albeit declined, reaching 17.1% in December 2023, compared with 22.5% in 2022. However, the growth was above the projected target of 16.4% by the end of December 2023. This performance reflects continued high demand for new loans consistent with the increase in economic activities, backed by an improving business environment.

Interest Rates

Banks' lending rates sustained a downward path, partly explained by the decrease in credit risk in the banking sector. The overall lending rates decreased to 15.34% from 16.06% in 2022. The negotiated lending rates remained almost unchanged at around 13%. Negotiated deposit rates remained broadly unchanged at around 9%. The spread of one-year interest rates narrowed to 6.99% from 9.04% in December 2022.

Climate change issues and policy options

Agriculture, manufacturing, and energy sectors are most vulnerable to climate change, with drought affecting agriculture and reliable power supply. According to the 2021 Global Conflict Risk Index (GCRI), Tanzania ranks 67th. The latest review of the 2015 Nationally Determined Contribution (NDC) estimated that the economic costs from climate shocks would be around 1% of GDP. The government has developed policies such as the National Climate Change Strategy 2021-2026, the Zanzibar Climate Change Strategy (2014), and the Environmental Management Act Cap to support climate

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

8 OPERATING ENVIRONMENT (Continued)

resilience. 191. Tanzania aims to reduce greenhouse gas emissions by 10-20% by 2030 by promoting clean technologies and renewable energy sources, per their Nationally Determined Contribution (NDC). The country is on track to achieve SDG 13 on climate action.

Regulatory Environment in Tanzania Financial Sector

The banking environment remained stable and resilient, with adequate capital to support economic activities. The Bank of Tanzania (BOT) strengthened risk management practices in the financial sector by implementing various policies and regulatory reforms to safeguard the industry's stability. During the year, BOT issued several guidelines, including Cloud computing for financial service providers, Customer experience guidelines for merchant payments and several guidelines for implementing Basel II and III.

Cloud computing for financial service providers

Cloud computing allows an Institution to outsource Information Technology (IT) systems that can be accessed via the Internet rather than hosting its own IT systems through lump-sum investments in databases, software, and hardware. Further, cloud computing uses a network of remote servers hosted on the Internet by a third party to store, manage, and process data rather than a local server in the institution or a personal computer.

Customer experience guidelines for merchant payments

This guideline guides financial service providers (FSPs) in creating a standardised menu for merchant payments through the Tanzania Instant Payment System (TIPS). The goal is to ensure a consistent customer journey experience when paying payer (customer) to payee (merchant) through TIPS. This journey will be familiar to all FSPs integrated with TIPS and involves using a standardised Merchant QR code or number ('Lipa Namba'). The standard message format and technical documents will follow the latest TANQR-TIPS Message Guide, TIPS API Integration Guide, and TIPS Operation Guide.

Guidelines for implementation of Basel II and III

Central Bank issued several regulations for implementing Basel II and III. Basel II represented a significant shift in banking regulations aimed at addressing the limitations of its predecessor, Basel I, by focusing on the sophistication of Risk Management within financial institutions. Basel II introduced the concept of Risk-weighted assets, acknowledging that not all assets carry the same level of risk. This allows banks to allocate capital more accurately based on the riskiness of their portfolios.

Basel III went beyond Basel II's focus on Risk Management and aimed to build resilience and stability in the banking sector. The framework introduced higher Minimum Capital Requirements and critical capital Buffers. These buffers cushion during economic stress, ensuring banks have sufficient capital to absorb losses. Basel III also introduced Liquidity Standards like the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) to address Liquidity risks.

Mandatory compliance with Basel II and III is set to start in April 2025. The Group is well-positioned to comply with laws and regulations and embrace their positive effects on the industry. The Group 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

Real GDP is projected to grow 4.7% in 2023 and 4.6% in 2024, thanks to public investment in transportation and energy. Measures aimed at boosting agricultural production and stabilising the exchange rate are expected to reduce inflation, projected to drop to 9.0% in 2024 from 20.3% in December 2023. Intensified mining, international economic and financial aid, and migrants' remittances may help narrow the current account deficit, which is projected to be 12.1% of GDP in 2023 and 6.3% in 2024

Congo

Real GDP is projected to grow 4.2% in 2023 and 4.4% in 2024, driven by consumption, investment, and exports on the demand side and by growth in the oil and nonoil sectors (projected at 3.8% and 4.2% a year, respectively) on the supply side. Priority investment by the agricultural transformation program could boost growth even further.

Inflation is projected to fall to 6.5% in 2024 from 23.8% in 2023, below the central bank's 7% target, linked to increased economic activity and the effects of Russia's invasion of Ukraine on the price of imported commodities. Rising domestic demand and a 5% increase in the pump price of oil products, coupled with adverse weather conditions exacerbated by climate change, could affect the availability of agricultural products or lead to food insecurity and additional inflationary pressures.

The Group response to the regulatory environment

- The Group takes compliance with laws and regulations very seriously. We are committed to meeting the requirements to promote positive effects on the industry, our customers, and other stakeholders. To ensure compliance, we have a dedicated department called Risk and Compliance with a primary responsibility to ensure our business operations adhere to laws, regulations, rules, and codes of conduct concerning proper standards of market conduct, managing conflicts of interest, and specifically dealing with matters such as the prevention of money laundering and terrorist financing.

- The Risk and Compliance department achieves this by regularly conducting physical and virtual meetings to inform all staff of new regulation changes. These meetings help staff stay current on the latest compliance requirements so that we better serve customers and maintain the Group's reputation as a responsible and ethical business. The Group's commitment to compliance and risk management ensures that we continue to operate in a safe and responsible manner, providing our customers with the best possible service while adhering to all applicable laws and regulations.

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

8 OPERATING ENVIRONMENT (Continued)

Regulatory Environment in Tanzania Financial Sector **(Continued)**

- The Group maintain a good and ethical relationship with Government and Regulatory bodies to support the implementation of laws and regulations through engagement to ensure sustainable economic development.

Taking action on climate change

Climate change is a complex global phenomenon significantly threatening the planet and all life. As a responsible Bank, we pledged to become a "Net-zero Carbon by 2050" to contribute to the fight against climate change. This ambitious commitment drives all our operations and motivates us to take concrete actions to help protect the planet and mitigate the effects of climate change. We recognise this issue's urgency and are fully committed to managing our environmental footprint and focusing on sustainable finance to create a more sustainable future for all.

We are fully committed to promoting innovative solutions and facilitating the transition towards a low-carbon economy. To achieve this, we have adopted a strategic approach that involves directing resources towards initiatives prioritising sustainability, environmental preservation, and eco-friendly practices. Our initiatives are thoughtfully designed to manage and minimise the environmental and social impacts of our financial activities. Our primary goal is to promote a net positive societal effect by encouraging responsible financial practices.

As a responsible bank, we strive to ensure that our banking practices positively impact the environment and do not cause any harm. To achieve this goal, we evaluate credit risks by considering environmental, social, and governance (ESG) factors within our ESMS. By adopting sustainable practices, we can effectively manage risks and take advantage of opportunities in the ever-changing economic landscape. More details on section 25 – Sustainability.

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 witnessed in the banking industry will likely create entities that increase competition in the sector. CRDB continues to drive a digital transformation agenda towards building the Bank of the future and creating value for our society through access to credit, financial inclusion and social responsibility programs.

The Group also continues to leverage its competitive advantage through customer-centricity, improved technology, a wide network of 245 outlets, and a committed workforce to deliver value to all stakeholders. The Bank continues to support customer demand, which has been a sustainable focus of the CRDB Group throughout the year. This has been achieved by providing banking services throughout Tanzania, Burundi, and Congo. We also supported customers by bringing banking services near them through mobile and agency banking.

Our response

Our strong brand gives us a unique opportunity to enhance customer experience further. The Group continues to respond to innovation and meet the needs of a 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 for our society through access to credit, financial inclusion and social responsibility programs. The Group continues leveraging its competitive advantage through customer-centricity, improved technology, and a committed workforce to deliver value to all stakeholders.

Speed and effect of technological change

The banking industry has evolved with the emergence of online banking. Banks now offer online services through digital channels, including the Internet and mobile applications, with a limited physical presence. The bank's business operation relies on financial technology (fintech) and innovation to provide better customer experiences and financial inclusion.

Thanks to technology, banks can serve customers more efficiently and conveniently, revolutionising banking from brick and mortar to online. The Group strategically focuses on deploying technological advancements to meet the growing customers' demands and remain competitive. The Bank is committed to adopting new technologies and business models that support growth and drive digital adoption.
However, using technology also exposes banks to various risks, such as information and cybersecurity. Due to unauthorised access or cyberattacks, banks face the risk of data leakage and confidentiality breaches, which may result in legal costs and damage the bank's reputation.

Our response

To prevent such breaches, CRDB Bank has established a cyber risk management plan that safeguards its network from any breach efforts and ensures financial security for its clients. The bank considers information security paramount as its core business is providing banking services to clientele within the country and in the Diaspora through our physical and online outlets.

The Group continuously keeps up with technological advancements to make financial transactions faster, more convenient, and safer for customers. We are competing in this space and innovating new products that promise easier access to banking services. The group continues strengthening the ICT infrastructure and transforming how we operate and offer services. We are also finalising implementing a new core banking system to create a scalable infrastructure for future growth.

Market forces

The Group caters to a diverse customer base with ever-changing needs and an increasing demand for more value and convenience. The banking industry is significantly impacted by technology, and clients now expect seamless 24/7 banking with constant innovation. The Group is committed to

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

8 OPERATING ENVIRONMENT (Continued)

Market forces (Continued)

maintaining a customer-centric approach by innovating business models that meet customer demands and leveraging cutting-edge technology to find solutions for their needs. We have improved the capabilities of our core banking system and alternative channels and ensured our presence across the country and in our cross-border operations to provide customers with an exceptional experience.

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 listens.* 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 linkages in industries – increase focus on that sector ▪ *Strategic Partnerships:* collaboration with diverse stakeholders to support growth and speed of execution ▪ *Regional Brand:* Continue with cross boarder expansion to increase our brand visibility	▪ *Cyber risk* ▪ *Macro-economic and geopolitical uncertainties* ▪ *Climate risks* ▪ Disruptions caused by changes in technology. ▪ Unpredictable changes in the regulatory environment.

Societal matters in the environment we operate

Financial inclusion

We are strongly committed to creating a positive impact on the East African region by transforming our operations and significantly enhancing access to financial services. Our goal is to promote financial inclusion, which we believe is essential for our long-term success and sustainability. We strive to ensure that more and more people have access to the financial products and services they need.

Our approach centres around our CRDB Bank Foundation and Al barakah banking to promote inclusive growth for socio-economic and financial inclusion. We aim to improve access to financial products and services, such as credit, insurance, payments, remittances, and customer deposits. We are dedicated to ensuring that these services are of the highest quality. Through the innovative use of technology, we are working hard to transform financial services. We believe that this is the key to unlocking the potential of the East African region and helping people to thrive and prosper.

Our response

- Launch of CRDB Bank Foundation during the year with the main aim to promote inclusive growth for socio-economic and financial inclusion.
- The Bank made reforms in its business, concentrating on creating sustainable value, increasing financial inclusion, and building the economy integrated through products, services, and innovative service delivery systems through our wide range of networks, ATMs, Agency banking and point of sales. Our distribution network, for example, CRDB Wakala, increased significantly to 34,627 from 28,241 recorded last year.
- CRDB Al Barakah Banking hailed the move up the government's financial inclusion agenda. Some people avoid formal banking services due to a 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 that are critical to Tanzania's economy by extending credit and technical assistance in modernizing and digitizing their businesses. The Group's commitment encourages Tanzanian women and youth entrepreneurs to be meaningful partners in their entrepreneurial journey. During the year, the Bank received a credit line of more than TZS 200bn, which came along with technical assistance to enhance its capacity to reach out to more women-owned enterprises.

Human rights

CRDB Group complies with all regional and international human rights instruments. We also promote human rights through our employment policies and practices, our supply chain, and the responsible use of our products and services in accordance with the requirements of the Constitutions of Tanzania, Burundi, and Congo.

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

8 OPERATING ENVIRONMENT (Continued)

***Societal matters in the environment we operate* (Continued)**

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 responsibility 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 chairs, which are comfortable and ergonomic seating for reducing backache.
- The Bank effectively adheres to workplace health and safety policy for its employees; 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.

Poverty

The Group is dedicated to working with society to create a brighter and more prosperous future as the country sets out on its journey towards self-reliance in line with Sustainable Development Goal No. 1, "No Poverty," which aims to eradicate extreme poverty for all people by 2030. The bank is committed to implementing innovative solutions to improve small businesses' access to finance and entrepreneurs' access to it. In doing so, the bank aims to promote growth and job creation while reducing poverty. This approach is focused on uplifting the most vulnerable members of society and promoting inclusive economic development.

Our response

- The Group has been setting aside 1% of its net profit back to the community on corporate social investment.
- The launch of the IMBEJU program is in line with the slogan "Leave No One Behind," which emphasizes the empowerment of marginalized groups and tackling inequality in economic opportunities.
- The bank has entered into agreements with international agencies to obtain funds for issuing affordable loans to women and youth. These funds help the bank to expand access to finance for women and youth borrowers in the education and health sectors, micro, small and medium enterprises (MSMEs), and the informal sector throughout Tanzania.

Population and demographic changes

Over the past few years, the Tanzanian government has taken several initiatives to improve access to financial services nationwide. As a result, a growing number of citizens now have access to banking and other financial services that were previously inaccessible. This has significantly changed the way people manage their finances and opened new opportunities for economic growth and development in the region.

Our response

The Group is dedicated to providing exceptional customer service and always considers various demographic data, such as age, education, income, ethnicity, and gender, while developing new products, creating marketing campaigns, or deciding where to place branches and agencies. Age is a critical factor that needs to be tracked, particularly due to the transfer of wealth to younger generations. By keeping a close eye on these demographic factors, the Group ensures our products and services are tailored to meet our customers' unique needs and preferences, providing them with the best possible experience. For example, the Bank has customized accounts for children in the called Junior Jumbo, Scholar accounts for College Students, Malkia accounts for women, Tanzanite for Diaspora and Pension accounts for pensioners.

Environmental challenges

Humans continue to engage in activities that harm the environment, in their quest to boost the economy and generate wealth. This has led to climate change, which has brought about various problems such as floods, heat waves, resource shortages, and loss of ecosystems. As we approach planetary limits, it's becoming increasingly clear that we need to take action to address these issues. There is a growing global concern for environmental problems, and many enterprises and institutions are now developing various means of evaluating their impact on the environment. Climate change poses a significant threat to society and the natural environment.

Our Group is committed to promoting environmental sustainability to mitigate climate change risks both in Tanzania and beyond to contribute to a more sustainable future for the communities in which we operate. More details in sustainability section 25.

Political environment

The CRDB group operates in countries with stable political environments to protect the interests of its shareholders and meet the needs of its stakeholders. This also contributes to the overall stabilization and growth of the bank and the economy. The stable political environment has increased both foreign and domestic investments, assuring both local and international stakeholders.

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

8 OPERATING ENVIRONMENT (Continued)

Key stakeholders' legitimate needs and interests

Stakeholder	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 healthy work environment ▪ Continuous engagement between management and employees for all matters about 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 a 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 contracts to selected service providers. ▪ Regular engagement to provide feedback virtually and physically.
Regulatory authorities	▪ Compliance with legal and regulatory obligations. ▪ formulation of relevant policies frameworks, and enforcement thereof. ▪ Financial stability. ▪ Fair treatment of customers and employees.	▪ The Group is 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 for their needs and are environmentally 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 the unbanked population through Agency banking (Wakala)

9 GROUP STRATEGY AND OBJECTIVES

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.

2023 was the 1st year of implementation of the new five-year business strategy of the Bank for the period 2023-2027 themed EVOLVE. 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.

Group strategic pillars

We have established new strategic priorities to solidify our position in the market, promote business growth, ensure sustainability, and lay a strong foundation for future growth. These priorities are at the forefront of everything we do, and we have set measurable targets to track our progress.

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

9 GROUP STRATEGY AND OBJECTIVES (Continued)

Group strategic pillars (Continued)

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

Our strategic framework

The bank established a framework that outlines the strategy to achieve its objectives

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

Our Strategic objectives

- Elevate customer obsession
- Enhance operational efficiency and effectiveness
- Seize growth opportunities in emerging business markets
- Expand locally and regionally, enhance international presence
- Build a resilient and responsible organization
- Accelerate digital disruptive capabilities

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 the execution of the strategy.
- The Group shall also continue to create technological strength to increase our capacity to serve.
- We aspire to enhance the service experience through process simplification and automation. We will therefore prioritize the delivery of critical technology projects as enablers and accelerate process reengineering programs.

Resources allocation plans to implement our strategy

As we work towards implementing our strategy, one of our most crucial tasks is to create comprehensive plans for allocating our resources. This involves a detailed examination of our budget, personnel, and other assets, to identify the areas where they can have the greatest impact. To begin, we analyse our current resources and determine how they are being utilized. This allows us to identify any inefficiencies or redundancies that may exist and optimize our resource allocation accordingly.

We then evaluate our strategic priorities, identifying the projects and initiatives that are most crucial for achieving our overall goals. Based on this analysis, we develop detailed plans for allocating our resources in a way that maximizes their impact on our strategic objectives. This involves reallocating resources from less critical areas to those of greater strategic importance or investing in new resources that will help us achieve our goals more effectively. We carefully balance our resource allocation to ensure that we are making the most of our available resources while also maintaining financial sustainability and avoiding overstretching ourselves.

Ultimately, by developing detailed, strategic plans for resource allocation, we ensure that we focus on the most important priorities, make the best use of our resources, and work towards our goals sustainably and effectively.

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

8 OPERATING ENVIRONMENT (Continued)

Group strategic KPI

Key financial performance Indicator	Target 2023
Return on Equity	> 25%
Return on Assets	> 4%
Cost to income ratio (CIR)	< 55%
Growth in customer deposits	> 12%
Non-performing loans to total loans	< 5%
Growth in loans and advances to customers	> 10%
Growth in total assets	> 15%
Total Capital ratio	> 14.5%

Non-Financial KPIs

Description	2023 Target (YoY growth of number transactions from 2022)
***Simbanking* (USSD & App)**	
Volume (transactions)	>50%
Number of registered accounts	>30%
Internet banking	
Volume (transactions)	>40%
Number of registered customers	>20%
Agency banking	
Volume (transactions)	>10%
Number of registered agents	>20%
ATMs	
Volume (transactions)	>10%
Number of registered cards	>20%

Monitoring the achievement of the strategic objectives

Those charged with governance play a crucial role in overseeing the Bank's operations. They monitor the achievement of KPIs set quarterly through performance reports presented by Management. The reports highlight the achievement of each KPI, any challenges faced due to internal or external factors, and the support required to achieve the set objectives. This helps ensure that the Bank is operating effectively and efficiently while staying aligned with its goals and objectives. Those charged with governance manage the Bank's operations by monitoring the achievement of KPIs set quarterly 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.

10 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 responsibly and sustainably. 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 through our CRDB Bank Foundation and Islamic Banking and include the lower segment of the market in 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 2023

10 GROUP BUSINESS OPERATING MODEL (Continued)

How we differentiate ourselves in the market

We take pride in delivering exceptional customer service and providing tailored financial services, customized account packages, and dedicated relationship managers and customer experience teams to our valued customers. We aim to make our customers feel appreciated and valued. We offer convenient and user-friendly online and mobile banking services, and we have recently integrated the simbanking platform (Mobile App and USSD) into a more stable and secure enterprise. This has enabled us to enhance customer experience, improve service performance, and deliver faster services.

We offer competitive rates and fees for banking services such as Current and Savings Accounts, Loans, Credit Cards, Agency Business, Online Banking, and Trade Finance. Additionally, we are an active member of the local community, and we believe that community involvement helps us build a positive reputation and win customer loyalty. Our Bank sponsors local events, donates to charities, and offers financial education programs through our CRDB Foundation to help improve financial literacy in the community.

Our Group revenue generation after the initial point of sale

Our business operating model involves providing various financial services to our customers, for which we earn fees and commissions. We recognise this income based on the amount that we expect to receive in exchange for our services, which covers the cost of the system, software license, etc. When we service our customers, consideration is determined based on the bank's rates and charges. It is generally due immediately upon satisfaction of a service provided at a point in time or the end of the contract period for a service provided over time. The performance obligations, as well as the timing of their satisfaction, are identified and determined at the inception of the contract.

Non-funded income, which includes fees and commissions earned, is a crucial component of bank profitability, particularly during an economic slowdown or in times of difficulty in lending money, such as during the COVID-19 pandemic. Non-interest income is derived from sources outside a bank's core activities of taking deposits and managing loans. Banks generate a significant part of their non-interest income from fees imposed over time after the initial point of sale, such as account service charges, annual fees, deposit fees, mobile banking charges, withdrawal charges, etc.

Bank approaches the need for innovation

CRDB Bank's innovative solutions are the result of a profound understanding of our business strategy and the specific needs of our customers. As a customer-centric bank, we prioritize actively listening to and comprehending the unique requirements of our customers at any given moment. By doing so, the bank can tailor our strategies to effectively fulfil those needs and provide personalized solutions. This customer-focused approach allows us to continuously adapt and innovate in order to better serve our clientele.

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. Continuous innovation and proactiveness are required 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 to the changes in our environment.

Our delivery channels

- We have a robust branch network comprising 245 branches inclusive of 20 mobile branches and 34,627 Agents spread across the country.
- Robust Mobile Banking Services, Self-Account opening, bill payment, etc.
- Internet Banking, International Money Transfers
- Debit and Credit Cards VISA, Union Pay, Mastercard cards

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

10 GROUP BUSINESS OPERATING MODEL (Continued)

Resources employed to provide service to our Stakeholders

Type	Inputs	Group activities for value creation	Output	Outcome	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 1.7 trillion ▪ Total assets TZS 13.3 trillion ▪ customer deposits of TZS 8.9 trillion ▪ Borrowings TZS 1.1 trillion ▪ Market share of 27% deposits and 25% total assets	▪ Return on equity 26.7% ▪ Return on asset 4.8% ▪ Dividend per share TZS 50 ▪ Cost to income ratio 49.5% ▪ A total of TZS 195.3bn was paid as tax in 2023.	▪ 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 funds at competitive rates, to efficiently create and maximize shareholder value.
Human resources	▪ The Group's total workforce stood at 3,961 employees, where 2,229 (56%) were males and 1,732 (44%) females. ▪ Experienced and competent key personnel management team. ▪ Experienced and competent Board of Directors with mix of skills.	▪ Various Training and development programs. ▪ Competitive salary packages and benefits. ▪ Continuous Employee engagement ▪ Employee wellbeing initiatives ▪ Occupational health and safety.	▪ Improved staff morale. ▪ Increase in staff Productivity. ▪ Lower staff turnover rate. ▪ Improved staff Skills ▪ Good health and safety records – award from OSHA	▪ Remarkable performance resulted from staff morale improvement ▪ Competent and efficient workforce ▪ Increased customer satisfaction evidenced by an increase in NPS of 53% from 45% reported in 2022.	▪ continuous training and development programs. ▪ 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 working in rural and risky areas.eg risk allowance, rent subsidy
Intellectual resources	▪ Focus on 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 systems and processes. ▪ Increase awareness of the brand through various marketing activities and CSI.	▪ Innovative products and solutions ▪ Automated processes ▪ Collaborative teams through a shared service model	▪ Strong Brand ▪ Increase in digital transactions ▪ Operational efficiency.	▪ Robust technology and infrastructure capabilities that drive seamless customer experiences and support strong resiliency. ▪ Group invested in 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 in our office buildings.	▪ Reduction of paper usage through; ▪ Implementation of Digital Banking ▪ Mobile and Internet banking, ATM. ▪ Automated processes. ▪ Implementation of a 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 5% (number of reams to 22,535 from 23,715 in 2022)	▪ Continue monitoring of resource 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 2023

10 GROUP BUSINESS OPERATING MODEL (Continued)

Resources employed to provide service to our Stakeholders (Continued)

Type	Inputs	Group activities for value creation	Output	Outcome	Group response
Manufactured resources	▪ Banking outlets including mobile branches. ▪ ATMs cash deposit and withdrawal machines. ▪ Agency Banking. ▪ Merchants.	▪ Investment in digital solutions. ▪ Investment in banking outlets and alternative channels.	▪ Easy access to financial services. ▪ Financial inclusion.	▪ Banking outlets (245), ▪ ATMs (648) including deposit ATMs, ▪ POS machines (1,301), ▪ CRDB Wakala (34,627)	▪ Continues with awareness and training on digital solutions. ▪ Continuous improvement of our systems and processes. ▪ Continue increase in outreach – increase accessibility of financial services.
Social and relationship resources	▪ 1% of CSR budget on net profit. ▪ Strategic Partnership on the execution of community matters.	▪ CSR programs executed. focused on health, education, and the environment. ▪ Youth and women empowerment programs ▪ Engagement with the community via marathons and sports. ▪	▪ Contribute to the implementation of Goal no 1 "No poverty. ▪ Contribute to the implementation of Goal no 3 "Good health and well-being." ▪ Contribute to the implementation of Goal no 4 "Quality Education." ▪ Reduce the unemployment rate.	▪ During the year, more than TZS 800mn supported the health sector ▪ TZS 749mn in supporting education sector ▪ TZS 73mn was used to implement environmental related initiative ▪ TZS 700mn has been invested in Women & Youth programs in 2023 ▪ TZS 496mn in supporting other philanthropic activities, ▪ Net promoter scores of 53% from 45% in 2022.	▪ Continue to increase the annual budget to save a large population. ▪ Continue to increase customer experience that is seamless across all our touchpoints.

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

10 GROUP BUSINESS OPERATING MODEL (Continued)

Factors that affect resources availability, quality and affordability and Group's expectations and ability to produce flows from the resources to meet future demand.

Resource	inputs	Factors affecting the availability of resource	Factors affecting the quality of resource	Factors affecting the affordability of resource	Group's expectations and ability to produce flows from the resources to meet future demand
Financial resource	▪ Shareholders fund ▪ customer deposits ▪ Borrowings	▪ Competition. ▪ Complicated Terms of Borrowing covenants. ▪ Geopolitical and macro-economic uncertainties	▪ Stable funds	▪ Funding cost	▪ The Group maintained a solid capital base and diversified funding sources. ▪ The resource will enable the Group to invest in various digital solutions to meet future demands.
Human resources	▪ The Group's workforce. ▪ Board of Directors.	▪ Qualifications and experienced workforce	▪ Integrity ▪ Skills required ▪ Good Corporate Governance	▪ Cost	▪ continuous training and development programs. ▪ Invest in employee value propositions such as improvement in staff benefits. ▪ Staff recognition through promotions and awards as a retention strategy.
Intellectual resources	▪ Focus on technology. ▪ Brand	▪ Global shortage of future skills i.e. Artificial intelligence (AI), robotics ▪ Cyber risk ▪ change in technology	▪ Version of Technology ▪ Brand positioning	▪ Investment Cost ▪ Consulting cost on the new technology.	▪ Continue investment in new technology ▪ Improvement in customer experience
Natural resources	▪ LED lights. ▪ Digital solutions. ▪ Installation of sensor taps in our office buildings.	▪ Shortage of sustainable eco-friendly products in the market ▪ Climate change	▪ The source of origin	▪ Cost ▪ Investments in R&D in innovative sustainable digital products.	▪ to ensure we reduce GHG emissions through investment in sustainable projects
Manufactured resources	▪ Banking outlets ▪ ATMs ▪ Agency Banking. ▪ Merchants.	▪ Persistent system offline ▪ Changes in Technology. ▪ Slow pace of digital adoption	▪ System uptime ▪ System capacity	▪ Cost	▪ Continuous improvement of our systems and processes. ▪ Continue increase in outreach – increase accessibility of financial services.
Social and relationship resources	▪ 1% of CSR budget on net profit. ▪ Stakeholders' engagement ▪ Strategic Partnership	▪ Budget Constraints ▪ partners to collaborate	▪ Project to invest in a sustainable outcome	▪ Good customer experience ▪ Group reputation	▪ continue to drive digital adoption and engagement ▪ Enhancing community welfare through CSI, focus on ESG

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2023
10 GROUP BUSINESS OPERATING MODEL (Continued)

Outcomes

We deliver value to our stakeholders and fulfil 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 in 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 slows down the pace of 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, 2023 TZS 195.3bn (2022: TZS 156.1bn) was paid to the Government	• Decrease in amount to be paid as Tax due to decrease in profitability. • Non-compliance to the regulations resulting in penalties and fineS.	• Increase in profitability in line with strategic objectives. • The Group has a dedicated department that ensures 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 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 45 per share as dividends in the year 2023 for 2022 performance and expects to pay TZS 50 per share in 2024 for 2023 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 2023

11 STAKEHOLDER RELATIONSHIP

Effective relationship through consistent dialogue with key stakeholders is central to business sustainability.

Stakeholder Group	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 in 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 healthy 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 platforms. ▪ 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 of data ▪ security and ▪ privacy ▪ Improvement of products and services to cater to their financial goals. ▪ Work on the feedback obtained from the survey.
Suppliers	▪ Regular meetings with suppliers. ▪ Phone calls and surveys.	Continuously	▪ Fair bidding and timely payments ▪ Governance and ethical practices. ▪ Feedback on delivery of 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 2023

12 FACTORS IMPACTED OUR ABILITY TO CREATE VALUE

Our current operating environment is marked by increased competition, disruptive technologies, changing consumer behaviour, and regulatory/policy changes. As part of our ongoing strategic, cultural, and digital journey, we prioritize 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 revenue loss if our offerings do not remain competitive.	▪ We have been delivering innovative products and services through an increasingly automated and digitized environment. For instance, we revamped and launched a new simbanking app during the year. This has resulted in a more stable and secure enterprise, which has enhanced user experience and driven usage.
Disruptive technologies and digital adoption	Due to digital transformation, our company processes are evolving, affecting everything from product sales and customer onboarding to servicing.	Improving our partnerships will drive greater alignment between our business and technology partners, ensuring we remain agile in the face of change.
Rising stakeholder expectations	Stakeholders' sentiments can impact our reputation and the cost and availability of funding required to drive long-term performance.	To better understand stakeholder expectations and incorporate them into our strategic planning, we have increased stakeholder engagement. We have also adopted integrated and sustainable reporting to improve transparency in our value-creation process.
Ongoing regulatory and policy changes	Growing compliance expenses, particularly due to new rules requiring system or operation changes could be passed on to customers and ultimately affect shareholder returns.	▪ Committing a significant amount of our investment to risk mitigation and regulatory compliance programs. ▪ Engagement with policymakers 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 has a robust data protection and cybersecurity framework in place which comprises technological infrastructure. ▪ The Group has a dedicated cyber security unit and personnel with strong expertise in the field. ▪ The integration of long-term ESG criteria into business decisions making. ▪ The Group has partnered with GCF on climate-related matters.

13 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 plans, budgets, and marketing plans. The board is also responsible for the review and approval of the operational and financial objectives of the Group, amendments of key performance indicators, financial statements before publication, and succession plan of senior management including a Chief executive officer. Quarterly, management presents the Group's performance to the board for their review and guidance.

In 2023 the Group focused on the following strategic key areas:

- Protecting the bank's financial strength and market share.
- Build a resilient and responsible organization.
- Enhance operational efficiency and effectiveness through workforce optimization to increase staff productivity.
- Accelerating automation, innovation, and digital adoption to streamline processes and increase customer experience.
- Prioritizing regulatory and compliance
- Expansion - locally and regionally.

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

13 CURRENT FINANCIAL PERFORMANCE AND FUTURE DEVELOPMENT PLANS (Continued)

FINANCIAL PERFORMANCE (Continued)

Group Performance

CRDB Bank remains 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 assets grew 14.5% to TZS 13,321.3 billion (2022: TZS 11,636.6 billion) whereas customer deposits increased by 8.0% to TZS 8,856.0 billion (2022: TZS 8,200.4 billion). Net Loans and advances to customers increased by 22.8% from TZS 6,876.5 billion in 2022 to TZS 8,443.5 billion in 2023. Innovative products and services that were offered to the public contributed to such a positive trend.

In 2023 the Group recorded a profit before tax of TZS 598.7 billion (2022: TZS 497.7 billion), an increase of 20.3% from the previous year. During the year, interest income increased from TZS 967.3 billion recorded in 2022 to TZS 1,227.4 billion in 2023, an increase of 26.9%. The interest expenses increased from TZS 221.4 billion in the prior year to TZS 350.1 billion, an increase of 58.1%. Combined with commissions and fees, total non-interest income increased from TZS 437.9 billion to TZS 503.5 billion, an increase of 14.9%. Operating costs increased by 18.2% from TZS 554.8 billion in 2022 to TZS 656.0 billion in 2023 because of the growth of the business.

Performance in the Banking industry

CRDB Bank continues to be among the top-leading banks in Tanzania in terms of balance sheet size, with a 25% market share in total assets, 27% market share in deposits, 26% in Loans and advances, and 21% in capital base.

Key performance indicators of the Bank in comparison with the industry in 2023;

KPI	INDUSTRY AVERAGE	CRDB
Non-performing loans	4.3%	2.8%
ROA	4.5%	4.8%
ROE	21.0%	26.7%
CIR	51.6%	49.5%

CRDB Bank Burundi S.A.

During the year under review, CRDB Bank Burundi made a 30.7% growth of post-tax profit from TZS 23.0 billion recorded in 2022 up to TZS 30.2 billion in 2023. Financial spread grew by 16.3% to TZS 42.5 billion from TZS 36.5 billion recorded in 2022 mainly due to growth in the Government securities and credit facilities. Total deposits increased by 3.8% to TZS 547.3 billion compared to TZS 525.1 billion recorded in 2022. Total assets grew by 16.4% to TZS 983.5 billion from TZS 850.5 billion recorded in 2022.

CRDB Bank Congo

In 2023 which is the first year of operation for CRDB Bank Congo, a post-tax loss of TZS 4.2 billion was recorded. The financial spread recorded is TZS 1.7 billion mainly due to growth in Government securities. Total deposits were TZS 2.3 billion and Total assets recorded were TZS 122.4 billion.

CRDB Insurance Company Limited

CRDB insurance company started its operation in Q4 2023 and recorded a loss of 1.6 billion, the losses contributed by pre-operating expenses. The only source of income was from insurance fees commissions and investment income.

CRDB Bancassurance

The Bancassurance operations within the Group have 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 nationwide. The solution serves CRDB and non-CRDB customers, starting with customer onboarding, claims, underwritings, commission collections, and payments. As at December 2023, commissions of TZS 21.79 billion (2022: TZS 17.38 billion) were earned from life and non-life insurance products. Total operating expenses were TZS 2.28 billion (2022: TZS 2.3 billion).

Al Barakah Banking

Since the launch of the Al Barakah Banking proposition, we have seen robust uptake of growth and penetration, onboarding more than 112,621 customers, financing or extending shariah-compliant financing of more than TZS 140 billion, with a current end of the year 2023 outstanding balance of TZS 99.98 billion, YoY growth of 72% from TZS 58 billion recorded last year. This excludes off-balance sheet items (LC & Guarantees) to Al Barakah customers of more than TZS 39 billion, making the overall financing more than TZS 138 billion. Al barakah deposits from our customers have also grown from TZS 30.8 billion to over TZS 103 billion by Dec 2023, a YoY growth of 234%.

Key performance indicators (KPIs)

Those charged with Governance approve and monitor the implementation of the Group KPIs in line with the strategic objectives quarterly through the performance report presented by management. This report highlights the achievement of key KPIs, any challenges regarding the internal and external environment, and the support required to achieve the set objectives.
In managing the KPI, the Group does the following;

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2023
13 CURRENT FINANCIAL PERFORMANCE AND FUTURE DEVELOPMENT PLANS (Continued)
FINANCIAL PERFORMANCE (Continued)

Key performance indicators (KPIs) (Continued)

- The Group KPIs are proposed by management and approved by those charged with Governance.
- The CEO and Managing Director of the Group cascade the KPI developed to senior management.
- The Senior management team cascades to Departmental Heads, and a departmental balance scorecard is developed for monitoring the KPI set to contribute to the Group KPIs.
- A monthly review is performed for each department to ensure the Group's strategic objectives are implemented as per the KPI set and monitored. Every quarter is presented to the Board.
- Ensure the availability of resources needed to implement the set KPIs.
- Assess the 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.

Performance of the financial KPIs as at 31 December.

KPI	Definition and Formula	2023	2022	Purpose
Return on Equity	(Net profit/Total equity) *100%	26.7%	26.0%	Measure the ability of the Bank to generate profit from the shareholders' investment.
Return on Assets	(Profit Before Tax/Total assets) *100%	4.8%	4.9%	The ratio determines 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%	49.5%	49.4%	Measure the operating cost as compared to the income it generates. The lower the ratio the better the performance of the Bank.
Gross loans to customer deposits	(Gross loans to customers/Total deposits from customers) *100%	96.7%	85.8%	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%	8.0%	26.4%	Measure the growth of customer deposits from the previous year
Non-performing loans to total loans	(Non-performing loans/Gross loans and advances) *100%	2.8%	2.8%	Measure the quality of the loan portfolio
Growth in loans and advances to customers	(Increase in Loans and advances /Opening balance of loans and advances) *100%	21.7%	36.4%	Measure the growth of loans and advances to customers from the previous year
Growth in total assets	(Increase in assets for the year/Total asset opening balance) *100%	14.5%	32.0%	Measure the growth of total assets from the previous year
Tier 1 Capital ratio	(Core capital/Risk-weighted assets including off balance sheet items) *100%	16.0%	17.0%	Measure the Group financial strength.
Total Capital ratio	(Total capital/Risk-weighted assets including off-balance sheet items) *100%	17.3%	18.5%	This is a supplementary capital used to measure the Group's financial strength
Earnings per share	Profit attributable to equity shareholders/ Number of ordinary shares in issue (TZS)	161.9	134.5	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, with no assumptions made.
- 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.
- The group complied with all the regulatory ratios during the year.

The Group KPI targets for 2023 are disclosed in section 8.

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

13 CURRENT FINANCIAL PERFORMANCE AND FUTURE DEVELOPMENT PLANS (Continued)

FINANCIAL PERFORMANCE (Continued)

Key performance indicators (KPIs) (continued)

Performance of non-financial KPIs

Description	2023	2022	YoY
***Simbanking* (USSD & App)**			
Volume (transactions)	**97,562,564**	61,824,559	58%
Number of registered accounts	**3,299,953**	2,404,779	37%
Internet banking			
Volume (transactions)	**6,589,457**	4,409,999	49%
Number of registered customers	**82,760**	65,310	27%
Agency banking			
Volume (transactions)	**87,868,901**	78,200,284	12%
Number of registered agents	**34,627**	28,241	23%
ATMs			
Volume (transactions)*	**24,124,042**	24,485,484	(1%)
Number of registered cards	**4,627,385**	3,862,243	20%

******ATM transactions have declined as a result of an increase in transactions of digital channels*

How we Delivered the 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 led to efficient operations. We revamped and launched the 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 to enhance ICT resilience

Achievement against budget

The Group did not deliver some of the KPIs against the budget. This was primarily due to the challenges of prevailing market dynamics, which impacted the overall business operations and performance. Despite the setback, the Group remains committed to identifying and addressing the underlying issues while exploring new strategies to improve future performance and achieve our goals.

The table below describes key budget information on how the Group achieved the 2023 budgeted numbers and the reasons for deviations.

KPI (amount in TZS' billion)	ACTUAL 2023	TARGET 2023	Variance	Remarks
Profit after Tax	423	488	-13%	The Group ended the year with a profit after tax of TZS 423bn, a 20.3% YoY growth. However, it was 13% below budget due to the increased funding costs (interest rates) and NFI being 22% below budget.
Total Assets	13,322	14,332	-7%	Total assets increased to TZS 13,321bn, driven mainly by the 23% YoY increase in loans and advances, 7% below budget due to 24% below budget government securities.
Total Deposits	8,856	10,151	-13%	Customer deposits grew to TZS 8,859bn YoY, driven by a 21% increase in savings and a 7% growth in time deposits, below the budget due to tightening market liquidity in the last half of the year and customers' investments in Green bond, Unit Trust funds and Government securities.
Net Loan & Advances	8,443	8,015	5%	Net loans and advances grew by 23% YoY to TZS 8,444bn, above the budget by 5%. The growth is from corporate at 39%, SMEs at 19%, and personal at 7%.
Return on asset	4.8%	4.9%	-2%	A slight decrease was mainly due to profit being 13% below budget.
Return on equity	26.7%	27.3%	-2%	A slight decrease was mainly due to profit being 13% below budget.
Cost to income ratio	49.5%	46.2%	-7%	This resulted from the slow growth of operating income and growth of interest expense associated with rising interest rates.
Non-Performing loan ratio	2.8%	3.0%	7%	The decline was due to the successful containment of portfolio migration to worse categories.

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

13 CURRENT FINANCIAL PERFORMANCE AND FUTURE DEVELOPMENT PLANS (Continued)

FINANCIAL PERFORMANCE (Continued)

Key performance indicators (KPIs) (continued)

From the above table, the majority of the KPIs were not achieved against the set budget resulted from the following;

- Persistent inflationary pressure adversely affected our performance as they have directly impacted the trading activities of our customers, making it difficult for them to conduct business efficiently.
- Market liquidity constraints compelled the Group to increase borrowing to fund business growth to meet our stakeholders' needs and expectations, resulting in a surge in interest expenses. The increase in interest expense had a direct impact on the bottom line.
- The forex shortage in the interbank market impacted our forex margins and income as trading activities remained low.

The Group has taken measures to enhance our deposit mobilization efforts and optimize the cost of funding to support business growth while navigating external dynamics and addressing internal gaps. These initiatives are designed to ensure that the Group is well-positioned to capitalize on growth opportunities in the future. The Group's diverse range of businesses across the region is a strong commercial differentiator, enabling it to leverage our competitive advantages and deliver exceptional value to our customers over the medium and long term.

Despite the challenges, the Group has achieved some KPIs, e.g., the NPL ratio of 2.8% against the Regulatory threshold of below 5% due to the successful containment of portfolio migration to higher risk categories, and the cost-to-income ratio of 49.5% below the regulatory threshold of 55% due to the ongoing implementation of the cost management strategy.

FUTURE DEVELOPMENT PLANS

The Bank began implementing its new five-year strategy (2023-2027) in 2023, building upon the foundation established in 2022. The Bank focuses on expanding its business and protecting it from external factors while keeping the customer at the centre of everything it does. This will be achieved by identifying and addressing the customers' changing needs. The Bank has managed to stay relevant by responding to market dynamics.

Looking ahead, the Group shall focus on retaining and growing our market share while driving the business in the region through strategic partnerships and innovative digital solutions. Our customer needs and preferences continuously evolve, 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 ensuring ease of use.

The Group shall continue strengthening 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 delivering 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 to a new culture will drive performance, productivity, and profitability. Create technological capabilities to transform our operations and offer services, enhancing cyber maturity posture and data protection. Specifically, our strategic direction will strike the right balance between business growth and compliance.

Regarding sustainability, the Group's Environmental, Social, and Governance (ESG) priorities are fundamental to our future growth. These priorities will be key to our investment and capital allocation decisions. As nations work towards developing transition plans to achieve net-zero emissions, it opens opportunities for us to strengthen our partnerships with our stakeholders in their journey towards sustainability. By aligning with the Sustainable Development Goals (SDGs), we can significantly support our customers' sustainability initiatives.

We are committed to contributing to a sustainable future by leveraging our expertise and resources to positively impact the community we serve.

2024 Group aspirations:

- Continue to improve Governance, risk management and sustainability matters.
- Improve efficiency and workforce optimization.
- Maintain focus on digital transformation and accelerate delivery of digital transformation strategy.
- Leverage the new and existing competitive advantages to attain market leadership
- Acquire new and optimize existing partnerships to enhance the ability to serve and grow.
- Focus on financial inclusion to acquire new customers through AL Barakah Banking and CRDB Bank Foundation.
- Focus on recovery and portfolio quality management.
- Completion of our new core Banking system
- Develop key competencies to increase staff productivity.

Investment in capital expenditure in 2024

- The Bank will focus on implementing and completing ICT projects aimed at creating a scalable infrastructure for future growth, i.e., completing the core banking system and enhancing bank cyber security capabilities.
- Continue investing in digital transformation.
- Enhancing Agency banking platform.

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

13 CURRENT FINANCIAL PERFORMANCE AND FUTURE DEVELOPMENT PLANS (Continued)

FUTURE DEVELOPMENT PLANS (Continued)

The Group's expectations from the investment

The investment made during the year, together with planned investment expenditures, will increase operational efficiencies, cost reduction, and profitability, as well as create a sustainable business. The transformation targets to build a superior banking experience and generate value for all stakeholders. The Bank will harness the opportunities brought about by the transformation initiatives being implemented to achieve a more prolific performance. The Bank will endeavour to ensure continuity of the 5-year business strategy, building on the gains made during the year.

In 2024, the Group's strategy is to develop new products and services that will fit the recent needs of our customers, catch up with the technology, and help and support our customers sustainably. The 2024 strategy also aims to unlock the full potential of the Group by entrenching service efficiency and transforming our sales force. We have adopted a futuristic model that guarantees the longevity of our Group. We plan to leverage technology, talent, and opportunities to build a robust customer proposition. Key considerations for us in the coming year include the sustained expansion of our agency banking business, which is a cost-effective avenue through which the group can expand its reach to provide access to financial services for underserved communities.

We will also continue to accelerate automation to reduce manual interventions and streamline processes. We believe 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 so that we can understand their pain points and help them achieve their financial goals.

14 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 emergence of FinTech/non-bank start-ups is changing the competitive landscape in financial services, driving traditional institutions to rethink how they conduct business.

Increasing Competition

The competition posed by FinTech, which mainly targets some of the most profitable areas in financial services, is substantial. These Fintech and start-ups are expected to divert revenue from traditional banks and financial Institutions. These new industry entrants are forcing many financial institutions to strive for partnerships and acquisition opportunities as a measure to survive. For the traditional bank to maintain a competitive advantage, it must learn from FinTech by providing a simplified and intuitive customer experience.

Cultural Shift

In the digital world, manual processes and procedures are not an option. Banks must consider technology-based resolutions to banking industry challenges. As a result, banks and financial institutions must 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 reflects the acceptance of digital transformation.

Regulatory Compliance

Regulatory compliance has become one of the most significant challenges in the banking industry due to the growing number of regulations that banks must comply with. Banks sometimes incur additional costs to stay updated on the latest regulatory changes and implement the necessary controls. Overcoming regulatory compliance challenges requires banks to foster a culture of compliance within the organization and implement formal compliance structures and systems.

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, there is an increased expectation of digitized experiences. Millennials have led the charge toward digitization, and they prefer to interact with brands via social media. They found that they make up the larger percentage of mobile and internet banking users. As a result of this trend, banks can expect future generations to be more mobile banking users rather than visiting physical branches. The challenge for banks is maintaining a hybrid banking model that can serve the older and younger generations.

Continuous Innovation

For banks to sustain themselves in the current world, continuous innovation is required, which helps them stay competitive and address market demands while improving customer experience. Innovation stems from insight, which tends to be discovered through customer interactions and continuous analysis. Banks need to build advanced analytics capability to maximize the utilization of the data asset in revenue growth, risk/fraud control, and efficiency (financial control and operational cost). The banks should also continuously promote and drive an agile culture throughout the organisation to manage digital transformation's speed, scale, and value.

Emerging risk

Climate-related risks

Climate change is the major emerging risk in the world, with a potential disruptive impact on the economy. As the world transitions to a low-carbon economy, it poses physical and transition risks to our business. The banking industry is currently working on two interconnected objectives.

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

14 MAIN TRENDS AND FACTORS LIKELY TO AFFECT FUTURE DEVELOPMENT PLANS (Continued)

***Emerging risk* (continued)**

At the same time, in figuring out the impact of climate change on strategy and operations, banks are attempting to help customers and societies navigate these complicated and fast-moving market dynamics.

The Group categorizes climate-related risks into two;

- Physical risks cover risks that impact the premises and operations of the bank, its customers, and the wider economy. These include extreme weather events and long-term shifts in climate that can lead to the closing of branches or facilities, negatively impact clients' creditworthiness, and adversely affect value asset prices.
- Transition risks cover those that impact a bank's products and services because of the move toward a lower carbon economy. These include 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.

Cybersecurity risk

As technology advances, it has become increasingly important for our bank to acknowledge and address the potential risk of cyber-attacks. Cyber-attacks can occur through various means, such as hacking, phishing, and other methods. These attacks can lead to a disruption in our services or a leak of the Group's confidential and customer information.

To mitigate these risks, we have implemented a comprehensive data protection and cybersecurity framework. Our framework includes a range of measures, such as firewalls, intrusion detection and prevention systems, encryption technologies, and multi-factor authentication. These technologies protect our systems from unauthorised access, data theft, and other malicious activities.

Macroeconomic and geopolitical uncertainty

During the year, significant commodity price volatility, high inflation, rising interest rates, and increasing energy prices have affected the current economic environment. The bank focused on supporting our stakeholders in navigating the negative impact of global geopolitical and macroeconomic uncertainties and building resilience that will enable them to withstand future shocks.

15 OUR RISK MANAGEMENT

The Group is committed to meeting stakeholders' expectations in mitigating risks through a robust enterprise-wide risk management framework. The framework ensures that risks are identified, quantified, managed, and monitored to achieve an optimal-risk reward profile. Our enterprise risk management framework has well-defined 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 cover key decisions. Details of the three lines of defence are disclosed in Note 10.2 of the financial statements.

Risk Management Principles

CRDB Group considers the value our risk framework creates in managing risk to ensure it contributes to the group's objectives. This is achieved through continuous review of processes and systems. Strategically, we have integrated risk management and governing structures that 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 maximise the chance of gain while minimising the chances of loss.

To manage risk effectively, we must understand and consider all available information relevant to an activity while being conscious that that information may be limited.

Our risk management framework guides us in determining how all available information informs the risk management process, considering the internal and external operating environments.

We also appreciate the role of human and cultural factors in risk management. This framework recognizes people and culture's contribution to achieving the group's business objectives. For this reason, we constantly engage internal and external stakeholders throughout the risk management process, recognising that communication and consultation are key to identifying, analysing, and monitoring risk.

Besides, we acknowledge that managing risk needs flexibility, hence our focus on dynamism. We operate in a challenging environment, which 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.

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

15 OUR RISK MANAGEMENT (Continued)

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 the adequacy of the benefits 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 maximise the group's profitability at a risk level that aligns with our risk appetite.

Risk Philosophy and appetite

The Group considers risk management as one of its core functions and a key factor for business continuity and providing stable and good returns 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 managing risk resides with the business and functional areas where the risk is taken. The Group Business and Subsidiary function owners ensure that the Group Risk Management Framework has been embedded within the Group and Subsidiary's daily risk management processes. In addition, all employees are responsible for ensuring 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 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 minimum: a statement of accountabilities, risk identification and controls in place to mitigate the risks, Objectives of the proposed internal controls, and a description of the control environment that must be implemented and maintained, including monitoring and reporting.

The Group Management Audit & Risk Committee is established to manage risks and monitor the effectiveness of control 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 and Managing Director.

Roles and responsibilities of the group board of directors in risk management

The Group Board of Directors is responsible for Risk Management functions across the Group, including setting the tone and influencing 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 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 promptly take remedial actions.

Responsibility of group senior management in managing risk

Setting the tone of risk management and influencing risk management culture within the Group. More specifically, the Group Executive team has 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 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 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 the need for effective internal.

Uncertainties in the operating environment

In the environment in which we operate, there are unforeseen circumstances that the Group cannot predict. Uncertainty implies that the outlook for the economy is unpredictable and that there is a high likelihood of negative economic events; however, in case of uncertainties, the Group has a robust risk management process where risk management tools have been deployed to ensure proactive measures are achieved to the greatest 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 to the ongoing changes of the 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 maximises the Group's potential for earnings, ensures stability, and takes measures to protect the business against unexpected losses. Primarily,

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

15 OUR RISK MANAGEMENT (Continued)

Uncertainties in the operating environment (Continued)

Our risk management processes aim to protect the Group's solvency by preserving high asset quality, efficient operations, and prudent capital management, resulting in sustained earnings that augment core capital, enable regulatory compliance, and enhance market reputation and stakeholder support.

16 PRINCIPAL RISKS, 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 interest of credit accommodations.	▪ Significant adverse changes in the 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.	The risk event is likely to occur.	Severe - it increases impairment losses, which affect the Group's profitability and liquidity.	▪ All credit facilities are insured. ▪ Credit risk is assessed and managed 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 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 the internal limit.	The risk event is likely to occur.	Severe – will result to the; ▪ fines and penalties due to non-compliance to regulatory liquidity ratio of 20% and above. ▪ Failure to meet the 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 volatility of market rates or prices.	▪ Changes in interest rate. ▪ Forex fluctuations. ▪ Changes in equity prices.	The risk event is likely to occur	Severe – will result in adverse movements of interest rates, foreign exchange rates, and equity prices, impacting 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, and regulations and 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.	The 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 policymakers when contradictions arise among jurisdictions.

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

17 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 in capital structure as compared to the previous financial year. Share capital details are disclosed under Note 55 in the notes to the financial statements.

The Bank remained strong in terms of financial position, well-capitalized and closed the year with a core capital ratio of 16.0% and a total capital ratio of 17.3%, both above the regulatory requirement of 12.5% and 14.5%. During the year, the factors which impacted the Bank's financial position include increased competition, disruptive technologies, digital adoption, raised stakeholder expectations, and challenges associated with macroeconomics and geopolitical uncertainties. However, the Bank managed to withstand all the mentioned challenges, as evidenced by the remarkable year-on-year growth of 20.3% Profit after tax.

More details on the factors that impacted our ability to create value are disclosed under section 12.

The Group anticipates the same factors are likely to affect its future financial position. However, the Bank has a bold strategy to overcome the noted challenges.

Funding mix

The Group's primary funding source during the year was deposits from customers (Demand, savings, and time/ fixed deposits), which accounted for 76% of the total funding. The Current/ Savings Accounts (CASAs) represented 83% of total customer deposits in 2023 (2022:84%). Another major funding source was the borrowings of TZS 579 billion (2022: TZS 350 billion), which were used to fund business growth to meet our stakeholders' needs and expectations. The borrowings accounted for 9% of the total funding, and Equity 15% of the total funding.

There was no major change in the funding mix in 2023 compared to 2022.

The balance between debt and equity was as follows;

Debt

	GROUP		BANK	
In TZS' Million	**2023**	2022	**2023**	2022
Customer deposits	**8,855,978**	8,200,339	**8,315,233**	7,677,675
Borrowings - Current	**63,900**	63,906	**63,900**	63,906
Borrowings – non-current	**1,000,195**	548,113	**1,000,195**	548,113
	9,920,073	8,812,358	**9,379,328**	8,289,694
Equity				
Issued capital	**65,296**	65,296	**65,296**	65,296
Share premium	**158,314**	158,314	**158,314**	158,314
Retained earnings	**1,491,183**	1,196,472	**1,448,851**	1,158,830
Other reserves	**23,083**	58,994	**12,866**	46,011
	1,737,876	1,479,076	**1,685,327**	1,428,451

Borrowings include subordinated debts.

The balance between equity and debt, the maturity profile of debt, the type of capital instruments used, currency, regulatory capital and interest rate structure are under the Treasury and Capital Market department and are being monitored by the ALCO committee, which meets 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 are disclosed in note 10.4.4 of the financial statement. 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 the funding mix, there are short and long-term borrowing; likewise, for deposits, there are time deposits with longer terms to match the maturity profile of the Bank's financial assets

The Group has adopted the above capital structure of deposits (76%), equity (15%) and borrowings (9%) because of the associated cost.

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

17 CAPITAL STRUCTURE AND FUNDING MIX (Continued)

Funding approach

The Group's primary 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 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 borrowings 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 did not have any defaults of principal, interest, or other breaches regarding borrowings during 2023 or 2022. During the year, the Bank did not enter any covenant in financing contracts that could restrict the use of financing arrangements or credit facilities.

Assets available to meet all the liabilities and cover outstanding loan commitments include cash, balances with the central bank, items in the course of collection and treasury, and other eligible bills due from banks, as well as 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

18 TREASURY POLICIES

Treasury conducts its activities within a comprehensive framework provided by the board-approved Financial Policies and Treasury Policies, which are reviewed and approved by the Board on an annual basis. Treasury is guided by the principles of professionalism, transparency, accountability, and profit maximization within a conservative set of risk parameters.

The Board of Directors, through its Board Risk Committee, had overall responsibility for managing market risks (liquidity risk, interest rate risk). At the management level, the Asset Liability Management Committee (ALCO) and Management Risk Committee are responsible for managing Market Risks.

As the main player in the market risk space, Treasury performs 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 with regulatory requirements.

The key treasury policies are:

Market Risk Policy

The policy provides guidance/ framework for managing exchange rate and interest risks and protects the value of bank assets from adverse effects of market rate movements.

Liquidity Policy

The policy provides guidance on managing liquidity risk under normal and crisis situations. It 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 the 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 a liquidity ratio of 27.0%, which is above the regulatory requirement of 20%.

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

18 TREASURY POLICIES (Continued)

Liquidity Policy (Continued)

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 deposits 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.

The ability to transfer funds from a parent or its subsidiary to meet the obligations of another part of the group is not restricted.

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 includes:

- 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 the domestic and international levels. 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 and 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 the profitability of deposits and loans in line with the bank's own Assets and Liability management strategies.

19 MAJOR FINANCING TRANSACTIONS

During the year, the Group received TZS 579 billion as long-term borrowing from various strategic partners, as disclosed in Note 51. The borrowings aim to fund business growth to meet our stakeholders' needs and expectations. Additionally, the Group received TZS 172 billion from issuing a Green bond branded "Kijani Bond", as disclosed in Note 50. The funds/ proceeds aim to finance sustainable and green projects that align with the Bank's mission to support environmentally friendly initiatives.

The major financing resulted into the increase in interest expenses by 58%YoY which account for 52% out of total interest expenses during the year. The Group does not foresee the major change of interest rate which could impact the profitability of the Group.

20 CASH FLOWS

The Group's major source of cash flow was from operating activities, which was attributable to an increase in customer deposits by TZS 635.6 billion (2022: increase of TZS 1,789.0 billion). The funds generated in 2023 were mainly utilised to increase the Group's investment in debt instruments by TZS 80.1 billion (2022: increase of TZS 581.8 billion), servicing borrowings by TZS 227.6 billion (2022: TZS 86.7 billion) and increase lending to customers by TZS 1,510.1 billion (2022: increase of TZS 1,895.4 billion). such investment activities and customer deposits are the major factors explaining the Group's movement in cash flow generated from operations.

Another major source of cash flow was the borrowings of TZS 579 billion (2022: TZS 350 billion), which were used to fund business growth and meet our stakeholders' needs and expectations. In addition, TZS 172 billion was received from the issuance of a Green bond, which was used to finance sustainable and green projects that align with the Bank's mission to support environmentally friendly initiatives.

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

20 CASH FLOWS (Continued)

The Group's cash projections indicate that future cash flows will mostly be generated from customer deposits. The Group continues to implement different strategies to mobilise deposits and maintain a sound liquidity position to meet its cash flow commitments.

In the future, the Group intends to utilize any surplus cash to strategically expand its operations across various regions. This expansion aims to enhance our overall operating capacity.

21 BORROWING

The Bank has been working with various reputable local and International Development Financial Institutions who have shown interest to support our economy through our Bank. Over the years, the Bank has worked with various Institutions, including DEG/KfW, IFC, AfDB, EIB, DANIDA, PROPARCO, TIB, NBC and TMRC, to support key sectors of the economy. As at 31 December 2023, the Group had an outstanding exposure of TZS 1,064,095mn, which includes subordinated debts as disclosed in Note 51 and 52 respectively.

The borrowings intended to provide financial support for different sectors of the economy, including funding for business expansion, promoting knowledge sharing, offering technical assistance, and facilitating job creation. All borrowings are long-term, with a maturity profile extending beyond one year. The increase in borrowings, which amounts to TZS 579 billion, was necessary due to the liquidity challenges faced in the market during the year.

As at 31 December 2023, the Group and Bank were compliant with all the lender's covenants and expect to comply in the future.

22 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%.

At the end of the year, the shareholding of these three groups was as follows:

Group Shareholding	2023		2022	
	No. of shares	**%**	No. of shares	%
10% and more	**894,828,676**	**34.3**	894,828,676	34.3
Less than 10%	**631,026,062**	**24.2**	651,813,909	25.0
Less than 1%	**1,085,983,846**	**41.5**	1,065,195,999	40.7
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 below:

	2023		2022	
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	**64,352,349**	**2.5**	104,831,106	4.0
Patrick Schegg	**50,754,057**	**1.9**	50,754,057	1.9
Change Global Frontier Market, PL Fund-CGPA	**44,216,540**	**1.7**	48,066,540	1.8
Abbas Export Ltd.	**67,515,720**	**2.6**	56,000,000	2.1
Duet Africa Opportunities Master Fund IC	**30,569,430**	**1.2**	31,569,430	1.2
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	**41,373,558**	**1.6**	36,828,104	1.4
CMG Investment Limited	**29,330,971**	**1.1**	29,330,971	1.1
Wegen Kilimanjaro Frontier Africa Fund	**41,652,795**	**1.6**	33,173,059	1.3
Total	**1,525,854,738**	**58.5**	**1,546,642,585**	**59.3**

The total number of shareholders by the end of 2023 stood at **32,395** (2022: 31,162 shareholders).

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

22 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 shares 2023	Number of shares 2022
Dr. Ally H. Laay	Chairman	**161,548**	28,812
Abdulmajid M. Nsekela	Group CEO and Managing Director	**204,650**	134,650
Prof. Neema M. Mori	Non-executive Director	**-**	118,084
Jes Klausby	Non-executive Director	**-**	-
Boniface C. Muhegi	Non-executive Director	**2,231,352**	2,231,352
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
Gerald P. Kasaato	Non-Executive Director	**-**	-
Royal J. Lyanga	Non- Executive Director	**-**	-

23 CORPORATE GOVERNANCE

The Group Statement on Corporate Governance

The Bank's approach to corporate governance is comprehensive and designed to uphold the highest standards of accountability, transparency, and ethical practices. Our primary objective is to optimize performance, minimize risks, and protect the interests of our shareholders. To achieve this, we have put in place robust governance frameworks, policies, and procedures that go beyond regulatory requirements.

We have a Board of Directors that comprises highly experienced and knowledgeable individuals who bring diverse perspectives and skills to the table. The Board provides strategic oversight, sets the tone from the top, and ensures that our actions align with our core values and mission. We have also established various committees, including an Audit, Risk, and Compliance Committee, to provide independent oversight and guidance on key areas of our operations. These committees are composed of experts in their respective fields and are responsible for ensuring that our policies and practices are aligned with best practices.

Furthermore, we have implemented a strong risk management framework that enables us to identify, assess, and mitigate risks effectively. We prioritize transparency and accountability by regularly reporting to our shareholders and stakeholders on our performance, risks, and governance practices. At the heart of our corporate governance approach is a commitment to ethical practices, integrity, and social responsibility. We believe that our success is not only measured by financial performance but also by the positive impact we have on our communities and the environment.

Bank's Corporate Governance framework

The organization has implemented a comprehensive corporate governance framework. This framework enables the Board to efficiently oversee and direct the organization's strategic direction, financial objectives, resource allocation, and risk tolerance. It also empowers the Board to hold executive management accountable for their actions and ensure the successful implementation of the organization's goals.

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, monitors the executive management and makes sure the decision on material matters is in the hands of the board to fulfil the Group's strategic objectives.

- The Board is committed to healthy corporate governance practices, which strengthen and maintain confidence in the Bank, thereby contributing to optimal long-term value creation for shareholders and other stakeholders. The board recognises its collective responsibility for the long-term success of the Group. The board is committed to ensuring compliance with all applicable laws and regulations and considers adherence to non-binding rules, codes, and standards. Compliance is an agenda item in all board meetings through the board risk committee.

- Through the board risk committee, the board is able to identify all regulations relevant to the group and monitor changes to the rules and new regulations impacting the group.

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

23 CORPORATE GOVERNANCE (Continued)

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 the long-term sustainability of the Group. The Board has ultimately accountability for the performance and position of the Group and for 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 improve 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 58 to 60. The Board monitors these responsibilities to ensure effective coverage of and control over the group's operations. 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's (Group's) businesses.

The specific roles and responsibilities of the board include but are 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 cover the period from the beginning of the financial year to the end. The Statement of Directors' Responsibility is found on page 90.

  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 the sustainability of the Bank.
- Appointing the CEO to whom the responsibility of managing the Bank is being delegated; reviewing and evaluating the performance of the Group's CEO regularly; and reviewing and defining succession planning for the CEO and senior management.
- Approving corporate strategy, monitoring and evaluating the implementation of the strategy designed to create long-term value for the Group. The board must understand the risks inherent in the Group's strategic plans and how those risks are managed.
- The board is responsible for determining and amending the KPIs, such as financial ratios, to be applied in relation to the strategy.
- 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 business continuity, physical security, cybersecurity and crisis management.
- Ensure the Bank is adequately always capitalised.
- Approving significant capital expenditures and changes in the capital structure of the Bank, acquisitions and dispositions and new subsidiaries investments.
- Ensure the Group adheres to compliance with 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 its roles and responsibilities, as evidenced by the 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 brings together the interests of all our stakeholders in creating sustainable value. Furthermore, Our Board is committed to continuing to improve corporate governance principles, policies, and practices by remaining up to date on 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 and contributing 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.

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

23 CORPORATE GOVERNANCE (Continued)

Board Meetings and Work Plan

The board has an annual work plan that sets out the board's activities for the year. The board meets at least eight times a year and, when necessary, to consider all matters relating to overall risk management, Group performance, implementation of the strategy, and succession planning. The Group Chairman, together with the company secretary and Chief Executive Officer, prepares the annual work plan and agenda for each meeting.

The notice, agenda, and detailed board papers are circulated seven days before the meetings. Those charged with governance can 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 discussed the quarterly performance of all Group KPIs as presented by management and directed management accordingly regarding the expected performance of the bank, its subsidiaries, and investments made by the bank.
- The board discussed and approved the Group's budget and strategy for the year 2023 as presented by the management by adding inputs and enlightening management on its expectations for implementing the strategy and budget.
- During the meetings, the board also discussed the reports received from all board committees and deliberated accordingly.

The board annually elects a chair who is a non-executive director. The elected chair is not supposed to be a member of any Committee. When deemed fit, the chair may be invited to attend any of the committees' meetings, excluding the Audit Committee.

The Group is committed to maintaining a high standard of corporate governance. The directors also recognise the importance of integrity, transparency, and accountability. In 2023, the board constituted four subcommittees to improve 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 elected annually from among the board members.

The board remains collectively responsible for any committee's decisions and is required to review the effectiveness and performance of committees annually.

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 below table shows the planned meetings and execution for all Boards

Board	Planned Meetings	Execution
Main Board	8	8
Audit Committee	6	6
Governance and Human Resources Committee	6	6
Credit Committee	13	13
Risk Committee	4	4

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. 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 reviewed every two years or on a 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 of independent non-executive Directors who provide independent opinions on various matters pertaining to the board.

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

23 CORPORATE GOVERNANCE (Continued)

Composition of those charged with governance

As of 31 December 2023, those charged with governance "the board" comprised thirteen Directors - Twelve Non- executive Directors and the Managing Director who is an Ex-officio member.

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)	67	Tanzanian	Re-appointed May 2022
Abdulmajid M. Nsekela	M	Managing Director, Ex Officio	MBA-IBF, PGD-Business Administration	52	Tanzanian	Appointed October 2018
Prof. Neema M. Mori	F	Independent Non-executive Director	PhD in International Business	45	Tanzanian	Re-appointed June 2020
Martin S. Warioba	M	Independent Non-executive Director	MSc in Information Management	46	Tanzanian	Re-appointed May 2022
Jes Klausby	M	Non-executive Director	MSc Mathematics - Economics	68	Danish	Re-appointed July 2021
Boniface C. Muhegi	M	Non-executive Director	MSc Engineering	69	Tanzanian	Re-appointed May 2022
Hosea E. Kashimba	M	Non-executive Director	MBA Corporate Management	53	Tanzanian	Re-appointed August 2021
Prof. Faustine K. Bee	M	Non-executive Director	PhD in Development Studies	64	Tanzanian	Re-appointed May 2021
Dr. Fred M. Msemwa	M	Non-executive Director	PhD in Business Administration: Public Sector Audit	51	Tanzanian	Re-appointed May 2022
Abdul A. Mohamed	M	Non-executive Director	BSc in Accounting & Finance	33	Tanzanian	Re-appointed May 2022
Ms. Miranda N. Mpogolo	F	Independent Non-Executive Director	MA Theatre Arts and Development Studies	40	Tanzanian	Re-appointed 2023
Mr. Gerald P. Kasaato	M	Non-Executive Director	MBA(Finance)and MSc. International Finance & Investment	44	Ugandan	Appointed May, 2021
Mr. Royal J. Lyanga	M	Non-Executive Director	MA –Statistics	53	Tanzanian	Appointed August, 2021

As of 31 December 2023, 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 2023 was Mr. John-Baptist Rugambo (Tanzanian), 56 years old.

M - Male F – Female

There was no regulatory requirement that influence the design of the governance above.

Company Secretary

The Company secretary is being appointed by the board to assist and advise 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 committees function effectively and in accordance with their terms of reference and best practices. Providing support goes beyond scheduling meetings to proactively manage the agenda and ensure the presentation of high-quality, up-to-date information in advance of meetings.

The Company Secretary is the secretary of the board

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

23 CORPORATE GOVERNANCE (Continued)

Company Secretary (Continued)

The specific roles and responsibilities of the Company Secretary include but are not limited to the following;

- Assists the Chairman to conduct board evaluation, induction, and training
- Assist the Chairperson of the board in organizing the board's 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 are the 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 for declaring conflicts of interest, and a conflict-of-interest register is 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 the 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 the board.

Board members are required to inform the Company Secretary of any changes regarding directorships and conflicts of interest within 30 days. The board is required to evaluate all potential or perceived conflicts 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 significant contract with the Group.

Separation of roles and responsibilities

The Chairman, a non-executive role, and the Managing Director are separate roles. The Chairman is responsible for the board's leadership and management and for ensuring that the board and its committees function effectively.

The Managing Director bears overall responsibility for implementing the strategy agreed by the board, the operational management of the Company, and the business enterprises connected with it. The Senior Management team supports him in this.

The Senior Management team is encouraged and invited to attend board meetings to facilitate effective communication, assist the board with its deliberations, and provide critical insights and analysis of various business units within the Bank. Board meetings are held quarterly to deliberate on the group's results.

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 the Chairman of the board;

- Provides leadership and governance of the board to create the conditions for the overall effectiveness of the board and individual Directors and ensures that the board discusses all key and appropriate issues 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 developing and determining the Group's strategies and policies, that board decisions are in the Group's best interests, and that they fairly reflect the Board's consensus.
- 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 the board level. It is the responsibility of the 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

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

23 CORPORATE GOVERNANCE (Continued)

Separation of roles and responsibilities (Continued)

on a regular basis to review key developments, issues, opportunities, and concerns.

- Develops and proposes the Group's strategies and policies for the board's 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 consists of some non-executive directors who are members of NBAA, such as 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 with 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. They are also 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 board's diversity. 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, uses external consultants to facilitate the search.
- The Group considers 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 consists of both Non-Executive Directors (NEDs) and Independent Non-Executive Directors (INEDs). The board recommends Directors for election and/or appointment by the shareholders at the Annual General Meetings (AGMs). The Bank's Articles of Association and regulatory requirements determine the number of board members. A board member elected/appointed by shareholders is not allowed to attend board meetings or be assigned any responsibility until he/she obtains approval from the Bank of Tanzania.

All directors are required to disclose outside directorships business and conflict of interest on an 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 REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2023

23 CORPORATE GOVERNANCE (Continued)

Training and development of the members of the board (Continued)

The board members are also being introduced to their fiduciary duties and responsibilities and any other aspects 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 can exercise sound and objective judgment about the bank's affairs.

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 business 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 the table below;

S/N	Training Type	When	Trainer
1	Role of Governance, Nomination and Human Resources Committee in driving efficiency in Human Resources, Board Compensation, Evaluation and Succession planning philosophies and practices, Senior executives' compensation, succession and Performance Management philosophies and practices, Talent, Culture and Diversity management practices and Subsidiary governance and Boards score cards.	14th – 16th August, 2023	External
2	Structured facilities and Project Finance, Overview of Basel III, Syndicated Lending and Principles of Board oversight of Credit.	31st July – 3rd August, 2023	External
3	The Institute of Internal Auditors 2023 International Conference	10th – 12th July, 2023	External
4	Digital Banking, Social Protection, Governance & Regulatory Environment, Sustainable & Combined Finance and Agri-Value Chain Financing	25th – 29th September, 2023	External

Succession planning

The Group has in place a succession plan for those charged with governance of 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 necessary for the committee to fulfil its duties. This allows the succession plan to take account of the changing dynamics of the business, making the Bank more agile and enhancing its ability to satisfactorily react to any sudden changes that may occur. The committee maintains a profile of desired skills, competencies, and skills gaps that need to be filled by potential candidates.

In some cases, the committee may consult external resources (for example external search firms) to identify appropriate individuals to fill vacant positions.

The Group also rotates board members between committees to ensure continuity of experience and knowledge and to introduce people to 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 charged with 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 REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2023

23 CORPORATE GOVERNANCE (Continued)

Board relationships/ engagement with shareholders/ Stakeholders (Continued)

The board recognizes, respects, and protects shareholders' rights and ensures 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 applicable law and has established mechanisms to ensure effective communication with shareholders, including the media, if 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 the board considers the shareholders' views, the board's duty 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.

Board relationships/ engagement with shareholders/ Stakeholders

The Group engages with long-term shareholders in a manner consistent with the respective roles of the board and maintains 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 stakeholders' relationships to management.

Group Communication/ Public Relations Policy

The policy aims to ensure that the information originating from the Bank is accurate and complete, reflects the official position of the Bank and is released to the media and targeted public in a consistent and timely manner. The ultimate objective is to build a 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, investor presentations, and other publications. The Group website is www.crdbbank.co.tz, where stakeholders can 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 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	6/6				
2	Prof. Neema M. Mori	5/6		11/13		4/4
3	Boniface C. Muhegi	5/6		12/13	6/6	
4	Hosea E. Kashimba	5/6	6/6			
6	Jes Klausby	5/6			6/6	4/4
7	Prof. Faustine K. Bee	6/6		12/13	5/6	
8	Dr. Fred M. Msemwa	5/6		12/13		3/4
9	Abdul A. Mohamed	5/6			5/6	3/4
10	Martin S. Warioba	6/6	6/6			
11	Miranda N. Mpogolo	6/6		12/13	5/6	
12	Gerald P. Kasaato	6/6	6/6			
13	Royal J. Lyanga	6/6			5/6	3/4

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

23 CORPORATE GOVERNANCE (Continued)

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.

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 six (6) times during the year.

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 6 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, finance on nostro reconciliation and fixed assets management and depreciation, and general 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 2023 presented by the External Auditors (EY) and directed management to ensure issues raised which are not system related, are closed timely.
- Discussed the performance of the internal audit department, especially on the closure of issues raised by the Central bank, and directed, they have to validate all issues closed by management before are shared to the Central bank as closed.

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 makes recommendations to the board, ensuring there is a formal, rigorous, and transparent procedure. It also decides on recruitment at senior levels based on the responsibilities and remuneration of management staff and directors.

The committee establish and recommends to the board for approval criteria for board membership and periodically reviews and recommends 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 has the 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.

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

23 CORPORATE GOVERNANCE (Continued)

Governance and Human Resources Committee (Continued)

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

In the 6 meetings conducted during the year, the committee discussed the following.

- All staff issues and matters pertaining to the board and management including diversity to the board and management.
- Status of women empowerment including trainings to take higher positions.
- staff productivity and directed management to ensure staff productivity is enhanced to increase revenues and consequently increase profits of the Group.
- Salary increments
- Approved the amount of bonuses to be paid to staff for year 2023 based on the achievements against budget

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 and met fourteen times (14) 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 the 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 approval.
- Apart from other things, the board directed management to ensure the bank always complies with the single borrower limit.
- Discussed the restructured loans, close follow-up to ensure they perform as agreed in the new terms.

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.

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

23 CORPORATE GOVERNANCE (Continued)

Risk committee (Continued)

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	Prof. Neema M. Mori	Tanzanian	PhD in International Business
4	Abdul A. Mohamed	Tanzanian	BSc in Accounting and Finance
5	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 centred on the risk assessment and management and compliance issues to avoid unnecessary penalties which can result 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 the Group's compliance issues, including the Group's code of conduct, reporting compliance and compliance with all internal ratios set by the board.

The board risk committee has tasked the group with conducting risk assessments every year and presenting them to the board. The committee maintains a risk register for each department and a consolidated risk register for the Group, which the board reviews regularly. During the year, the Group conducted the risk assessment, updated the risk register, presented it 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.

Board and committees' performance revaluation

The board has an effective mechanism for evaluating its performance on a continuing basis. The evaluation is based on an annual assessment of the effectiveness of the full board, the operations of board committees, and the contributions of individual directors. The results of these evaluations are reported to the full board, and thereafter, there is a follow-up on issues and concerns that emerge from the evaluations.

The board periodically considers 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 discusses the results of the evaluation exercise, which informs the board on the training needs of its members.

After every three years, board evaluation and assessment are done by an external party/consultant to ensure the Bank and the board continue to operate consistently within good governance and best practice principles. During the year, the evaluation of the board, its committees and the individual directors was performed internally using questionnaires, results discussed, and the training needs of the members were identified, which will be implemented in the year 2024.

Code of conduct and Ethical behaviour

The board has adopted a code of conduct for all directors and employees, including the chief executive officer, that addresses conflict of interest, among other things. The code is reviewed and updated regularly. It is shared annually with all employees and directors, who are required to confirm in writing that they have complied with it.

Board members are expected to observe the highest standard of ethical behaviour, which supports and encourages policies that require Directors and all employees to maintain a 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 emphasises the responsibility of the board and internal and external auditors to ensure the confidentiality of the group information.

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

23 CORPORATE GOVERNANCE (Continued)

Whistle-blowing policy

The Group has strong whistle-blowing policies and procedures with the main objective of promoting 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 as part of induction and ongoing development, which encourages staff and other stakeholders to bring out information helpful in enforcing good corporate governance practices. The whistle-blower section is also found on the website of the bank, where customers and other stakeholders are advised to whistle blow on the misconduct through the following channels: internal or external - Independent third party from the Bank. The whistle-blowers have options of whether to reveal their identity or remain anonymous.

Group culture, ethics, and organisational values

CRDB Bank places great importance on its organizational culture, ethics, and values as it shapes its relationships with various stakeholders, including customers, employees, shareholders, and the wider community. The Bank's culture of excellence and customer-centric approach is evident in everything we do. Furthermore, the Bank realizes that its success is closely linked to the well-being and prosperity of the communities it serves. The Bank is committed to transparency, integrity, and accountability, which ensures that it operates in a responsible and sustainable manner while promoting trust and confidence among its stakeholders.

Additionally, the Bank's emphasis on innovation, customer-centricity, and social responsibility enables it to create long-term value for all stakeholders while driving economic growth and development in Tanzania and beyond. CRDB Bank's culture, ethics, and values also significantly impact its decision-making processes and resource allocation.

The Group's code of conduct embodies its culture and values and reflects 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, businesses, and 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.

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 an 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 the 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 were found to be at an acceptable level.

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

23 CORPORATE GOVERNANCE (Continued)

IT Governance

IT governance is part of the overall corporate governance of the Group, which is aimed at improving the overall management and implementation of IT structure to derive value from investment in information technology. The Group has in place an 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 the 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 and website, and the annual report is made available to the 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) to 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 audit results to the audit committee and the board in the meeting dealing with the annual financial statements, including any material changes in the Bank's accounting principles and significant accounting estimates. The auditor also reported on whether the financial statements give a true and fair view of the Group's state of affairs.

Remuneration policy

The Group has in place a 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 benchmarking against similar companies or the industry, market realities, and 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 the Bank's remuneration scheme.

Information on aggregate amounts of the emoluments and fees paid during the year to directors in comparison to the previous year is disclosed below: -

Name	2023 TZS Million	2022 TZS' Million
Dr. Ally H. Laay	89	89
Boniface C. Muhegi	84	84
Hosea E. Kashimba	82	82
Prof. Neema M. Mori	86	86
Jes Klausby	80	80
Prof. Faustine K. Bee	80	80
Abdul A. Mohamed	76	76
Dr. Fred M. Msemwa	80	80
Martin S. Warioba	76	76
Miranda N. Mpogolo	80	80
Gerald P. Kasaato	76	76
Royal J. Lyanga	76	76
Abdulmajid M. Nsekela**	-	-
TOTAL	965	965

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

23 CORPORATE GOVERNANCE (Continued)

Directors' Remuneration (Continued)

**Mr. Abdulmajid Nsekela (Managing Director) is an ex-officio member who is paid a monthly salary by the Bank, this is part of key management remuneration.
The table below shows Directors who also served the Group's subsidiaries during the year with the respective fees paid

Name	2023 TZS Million	2022 TZS' Million
Hosea E. Kashimba	76	76
Prof. Faustine K. Bee	43	20
Abdul A. Mohamed	32	32
Dr. Fred M. Msemwa	15	-
Martin S. Warioba	20	-
Gerald P. Kasaato	21	-
TOTAL	207	128

Details of the meetings attended has been disclosed to the respective subsidiary's separate financial statements for the period ended 31 December 2023.

CEO & Management

The Bank's executive office consists of the Managing Director, who is the Chief Executive Officer. He is assisted by the Chief Commercial Officer, Chief Operations Officer, and 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 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,	52
Boma Raballa	Chief Commercial Officer	MBA, BA (Accounting)	40
Bruce Mwile	Chief Operations Officer	MBA (Finance), B.com (Finance)	53
Frederick Nshekanabo	Chief Financial Officer	MSc. Finance, CPA (T), Advanced Diploma in Accountancy	52
Alex Ngusaru	Director of Treasury and Capital Markets	MBA (Finance)	55
Pendason Philemon	Director of Procurement	MBA, CSP (T), CIPP	50
Godfrey Sigalla	Director of Internal Audit	CPA (T), PGD (Tax management), B, Com (Accounting) and MBA (Finance)	50
Bonaventure Paul	Director of Retail Banking	MSc. Accounting & Finance, ADA, CPA(T)	43
Leslie Mwaikambo	Director of Banking Operations	B. Com (Finance), Higher Dip. Banking	60
Godfrey Rutasingwa	Director of Human Resources	Master's degree in public administration, bachelor's degree in education.	43
James Mabula	Director of Risk and Compliance	MSc. Finance, PG Dip. Financial Mgt. Advanced Diploma in Accounting.	49
Tully-Esther Mwambapa	Director of Corporate Affairs	MBA, BA Public Administration & International Relations.	56
Xavery Makwi	Director of Credit	CPA (T), PGD (Legal Practice), LST, LLB, MBA, B.com (Finance)	56
Deusdedit Massuka	Director of Information, Communication and Technology	MSc. Computer Numerical Control (CNC) Systems	57
Prosper Nambaya	Director of Corporate Banking	MSc, Business Management, BA, Economics.	49
Leo Ndimbo	Director of Business Transformation	PGD- BA, Int'l Adv. Dip in Computer Engineering (IADCE)	39
Fredrick Siwale	Managing Director – CRDB Bank Burundi (subsidiary)	MBA, PGD in Business Administration	47
Jessica Nyachiro	Managing Director – CRDB Bank Congo (subsidiary)	MBA International Business, B. Ed & Diploma in Accounting	45
Wilson Mnzava	Managing Director – CRDB Bank Insurance Company Ltd.(subsidiary)	MSc in Insurance & Actuarial Science, PGD in Cooperative.	49

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

23 CORPORATE GOVERNANCE (Continued)

CEO & Management (Continued)

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 the Group's Chief Financial Officer, to establish, maintain and periodically evaluate the Group's internal controls over financial reporting and the 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 and presents the group's annual operating plans and budgets to the board. The management team implements and monitors the operating plans and budgets, adjusting them to reflect changing conditions, assumptions, and expectations. The team also keeps the board apprised of significant developments and changes.
- **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

The board reviews and approves the compensation of key management personnel on an annual basis. The remuneration of key management personnel during the year was TZS 12,469 million (2022: TZS 10,007 million). Details are in note 63 of the financial statement.

Group Performance evaluation and reward

The Group's performance and reward approach ensures remuneration structures are balanced and are designed to drive sustainable performance by ensuring that reward programmes support our business strategy and are both supportive of and aligned with sound remuneration practices. Individual rewards 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 63 to the financial statements.

24 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 the Bank's financial information in core banking operations in the Bank.

The Bank has been certified as compliant with the Payment Card Industry Data Security Standard (PCI-DSS), which applies 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 the standards' requirements. 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 the 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.

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

25 SUSTAINABILITY - ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

The Bank plays a vital role in sustainability initiatives aligning with sustainable development goals and the UN Agenda 2030 by investing in environmentally and socially responsible practices. One of our key strategic objectives in our new 5-year business strategy (2023–2027) is to build a resilient and accountable organisation by creating an environment that guarantees business sustainability, good governance, and a positive impact on the environment and community we serve.

To achieve this objective, the Bank has developed a set of policies, procedures, tools, and a dedicated unit equipped with knowledge for the implementation of the Environmental and Social Management Systems (ESMS) and experience in 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 to implement green and sustainability projects based on the bank's credit policies, environmental and social policies and procedures, and adhering to international treaties and standards. We are proud of being a socially conscious enterprise founded on honest living. For us, sustainability of the environment, economy and society is an inevitable responsibility to ensure that the way we conduct ourselves today will not impose unfair costs on future generations.

Our Environmental, Social, and Climate risk management policy statement

"The Bank is committed to promoting environmentally sound and sustainable development in the full range of its credit products. We believe that environmental, social, and climate sustainability is fundamental to achieving outcomes consistent with our credit policy. We recognise that projects that foster environmental, social, and climate resilience rank among the highest priorities of our activities".

Our Sustainability Governance

The responsibility for overseeing sustainability and ESG matters rests with those in charge of governance. They ensure that sustainability initiatives are integrated into decision-making and long-term growth strategies. Management provides quarterly updates to those in charge of governance about sustainability-related risks and opportunities that impact the Group, our customers, and key stakeholders.

Responsibilities of Those Charged with Governance;

- Approve the Environmental, Social, and Climate Risk Management Policy as management recommends and ensure that the management always complies with the policy's requirements.
- Ensure relevant sustainability and ESG matters are incorporated into purpose, governance, strategy, decision-making, risk management, and accountability reporting.
- Defined targets and metrics are identified and monitored.
- Approve the implementation of green and climate finance-related projects.
- Provide oversight to ensure compliance with all applicable legal and regulatory environmental, social, and climate risk management requirements.
- Approve and periodically review the strategies, policies, procedures, and risk management frameworks for environmental, social, and climate-related financial risks.
- Ensure relevant capacity building and training programs on environmental, social, and climate-related financial risks, and consider incorporating environmental, social, and climate risks in the bank's strategy and risk management framework.

Responsibilities of the Management

- Implementation of the environmental, social, and climate risk management strategies, policies, and procedures.
- Ensure that the risk and compliance functions and internal and external audit functions review the extent of adherence to this policy and the adequacy of its controls.
- Ensure the environmental, social, and climate-related budget is approved to implement policy objectives effectively.
- Develop and implement environmental, social, and climate-related financial risk management strategies, policies, and frameworks. Regularly review the effectiveness of the strategies, policies, frameworks, tools, and controls.
- Provide periodic reports to the board on environmental, social, and climate-related financial risk issues.
- Ensure that staff have sufficient awareness and understanding of the sustainability business practice and can identify potential environmental, social, and climate-related financial risks through periodic training and capacity development and
- Ensure that material environmental, social, and climate-related financial risk issues are addressed promptly.

Our four-step approach for assessing material topics

In 2023, we undertook a comprehensive materiality assessment to determine the most significant issues to report from an ESG (Environmental, Social, and Governance) perspective. We aimed to identify the areas where we could make a real difference and provide a meaningful impact to our stakeholders

Our sustainability commitments and approach are aligned with the local and global frameworks and directives, including the following:

- UNFCCC
- UN Sustainability Development Goals (UN SDGs)
- IFC
- Environmental regulations in Tanzania
- Paris agreement

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

25 SUSTAINABILITY - ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) (Continued)

Our four-step approach for assessing material topics (Continued)

To reach the material topics, we utilised a "double materiality" approach in our assessment, which allowed us to understand the risks and opportunities to our Group and the potential impacts on external stakeholders. This approach enabled us to take a holistic view of our operations and understand how we contribute positively to society and the environment.

The material sustainability matters are based on the 4Ps: Planet, People, Prosperity, and Partnership. Focusing on these areas can make a meaningful impact and contribute to a more sustainable future. Below are the four-step approach during the assessment;

- Stakeholders' engagement
- Identifying the universe of relevant ESG
- Data collection analysis
- Calibration of results

Material topics

The material Sustainability topics we identified in this assessment guide our sustainability priorities based on our 4 Ps: Planet, People, Prosperity, and Partnership. We believe that focusing on these areas can make a meaningful impact and contribute to a more sustainable future for all.

Planet	People	Prosperity	Partnership
We are fully committed to promoting environmentally sound and sustainable business practices through: ▪ Managing our environmental footprints. ▪ Water and waste management ▪ Energy efficiency ▪ Sustainable Financing	We believe that our people are the heart of our business through. ▪ Employee engagement ▪ Employee wellbeing ▪ Workforce Diversity ▪ Training and education ▪ Talent management and succession planning ▪ Employee Performance management ▪ Employees benefit	We remain committed to the success and well-being of our community through. ▪ Financial Inclusion ▪ Digital transformation ▪ Enhancing Community Welfare ▪ Customer ▪ relationship ▪ management.	Enhancing the strategic partnership to increase our capacity to serve through; ▪ Sustainable procurement ▪ Our Strategic partners ▪ Other partners

Our sustainability Approach

"Embedding 'sustainability' in all we do. "

As responsible corporate citizens, we believe our business activities should positively impact the environment and society while delivering value to our shareholders. Our approach to sustainability is embedded deeply in our Group strategy and business operations. We have set ambitious targets for ourselves in environmental and social responsibility, and we are committed to achieving those targets through a combination of innovation, collaboration, and responsible business practices.

We recognise that our industry has a significant role in addressing the challenges of climate change, social inequality, and environmental matters. As such, we have taken proactive steps to reduce our carbon footprint and support sustainable development projects in the communities we serve.

The Group implemented robust governance and compliance frameworks to ensure that we operate ethically and transparently while upholding the highest standards of integrity and accountability. Our commitment to good governance is reflected in our adherence to local and international laws and regulations and our internal policies and procedures. We believe our ESG performance is critical to our long-term success as a business.

Our unwavering commitment to embedding sustainability in our business operations is driven by a strategic focus on four key pillars:

Under the Planet pillar, climate change has been the focus of many; as a Bank, we strive to minimise our environmental impact by reducing our carbon footprint. We also aim to create sustainable practices and work closely with our stakeholders in this journey.

Environmental footprint

Considering the crucial impact of environmental conservation, the bank has developed a specific environmental and social policy. The policy articulates the Bank's commitments to sustainable development, elaborates how the Bank integrates environmental and social issues into our processes and activities and sets the roles and responsibilities, including the requirements to deliver these commitments. The policy defines how the Bank manages the environmental and social risks and impacts and supports the overall sustainability of our operations and investments in line with our obligations under national and international law and other relevant standards.

Through the 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 of these issues and concerns.
- 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 marginalised groups affected or potentially affected by the Bank-financed activities.

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

25 SUSTAINABILITY - ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) (Continued)

Under the Planet pillar (Continued)

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.

Below are some initiatives implemented to reduce environmental footprint during the year.

- The bank has a robust Environmental and Social management system (ESMS) in place with environmental and social policies, procedures, and tools for assessing the environmental and social impact of projects financed by the Bank.
- The bank has also established a unit designated for assessing and managing Environmental and Social Risks associated with financed projects and advises management accordingly.
- Sustainable finance: The Bank has established a Green, Social, and Sustainability Bond Framework to allow the issuing of Green, Social, and Sustainability Bonds.
- In 2023, we updated our Bank's credit risk policy and procedures to incorporate the Bank of Tanzania's requirement to consider climate-related risks in our lending process.
- Implementation of Paperless withdrawal at branches using simbanking and continuing rolling out e-banking services to all customer correspondences.
- Use of automated internal memo and approval workflow system to track and control the number of printouts monthly.
- Continuing creating awareness of an online lending solution for salaried employees, pensioners and agents using the Simbanking mobile application, in which customers apply without visiting branches, and eliminating 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 using electronic reports.

The People pillar is focused on creating a safe and inclusive workplace for all our employees, promoting diversity and equal opportunities, and ensuring fair labour practices throughout our operations.

Our response

- Our staff has undergone several capacity-building programs to strengthen their skills. The training programs aim to enhance their understanding of sustainable finance products and relevant industry best practices. This will enable us to exploit sustainable finance opportunities and better manage climate risks. Our credit analysts and relationship managers (RMs) undergo mandatory training to ensure compliance and consistency in implementing our climate risk policies and procedures.
- Creating a great workplace -We value and champion diversity and drive our businesses to create conducive working environments that nurture employees and encourage them to grow and act with integrity. We believe nurturing an engaged, capable, and enthusiastic workforce is instrumental to our businesses' success.
- The Bank continues to invest in the wellbeing of all employees, enabling them to enjoy their work and prioritising health and safety for all employees.
- The Group values diversity, equity, and inclusion, creating a positive work environment that fosters creativity, equality, and results.

The Prosperity pillar is centred around creating long-term value for all our stakeholders, and communities we serve. Our unwavering commitment to the prosperity and welfare of our community is at the forefront of everything we do. We are dedicated to expanding our banking activities together with various digital solutions to facilitate a smooth transition towards a low-carbon economy, thereby minimising our environmental footprint while promoting financial inclusion and community well-being. We achieve this by implementing sustainable business practices that ensure profitability and growth while promoting sustainable economic development in our operating regions. We also strive to support our communities by investing in environment, education, health, and other social initiatives.

Enhancing Community Welfare

We made progress in our sustainability efforts, and in 2023, we invested TZS 2.8 billion in corporate social initiatives. We focused on health, education, environment, women's and youth empowerment, and other corporate social investment (CSI) initiatives. These sectors are crucial to our corporate social investment approach and policy. We aim to improve people's lives, benefit our stakeholders, and enhance the Bank's reputation. By supporting the community through financial and in-kind aid, we strive to create a more sustainable impact on the community we serve.

Social Investment Footprint

Health

Health is the most critical aspect of everyone's life. The Bank is investing in health-focused CSI programs to improve access to quality health services. For 2023, the Bank extended more than TZS 800 million to the health sector through different initiatives to improve health infrastructure, from constructing and renovating health centres to purchasing medical equipment and consumables and improving access to better health care.

The bank has been collaborating with three premier healthcare centres in the country - JKCI, ORCI, and CCBRT - to improve access to specialist health services for people in Tanzania. In January 2023, the long-awaited ORCI Call Centre was inaugurated after being in the works since the end of 2021.

The ORCI Call Centre aims to help patients, caregivers, and healthcare professionals across Tanzania access cancer-related services. They can ask questions and schedule appointments, and follow-ups without travelling to Dar es Salaam, saving time and cost. Healthcare professionals can also share their knowledge to improve care.

Furthermore, the bank is continuing its partnership with JKCI to support underprivileged children whose parents cannot afford life-transforming cardiac surgeries. In 2023, the bank's funds supported 100 children with cardiac problems. The bank is also collaborating with CCBRT to provide adequate pre-natal and post-natal care to women with high-risk pregnancies. This program is especially helpful for underaged women, those with previous fistula, very

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

25 SUSTAINABILITY - ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) (Continued)

The Prosperity pillar (Continued)

small stature, and physical disabilities. In 2023, about 72 women were successfully served.
In addition, the bank funded the construction of a Health Centre at TZS 150 million for the people of Mkulu Ward, Iramba Singida, in collaboration with the Iramba District Council. The health centre is critical for health provision in the country as it serves a division (Tarafa) that usually has about 100,000 people.

The bank also supported the Afya Check Outreach Program to conduct preventative health outreach camps in Dar es Salaam, Tanga, and Zanzibar in 2023. Over 17,000 Tanzanians were reached, with 9,324 in Dar es Salaam in 10 days, 4,989 in Tanga in 5 days, and 3,019 in Zanzibar in 3 days of the camp.

Finally, the bank emphasized the significance of mental health and emotional well-being by supporting mental health awareness and counselling services for university students in Dar es Salaam. The bank also contributed TZS 100 million to the Mkapa Foundation to help women and young girls in Tanzania.

Education

In 2023, the Bank invested over TZS 749 million to support the education sector. The investment was focused on upgrading infrastructure to improve the learning environment for students. As part of this effort, the Bank launched the Keti Jifunze program, which provides desks to schools. The program is targeted towards council-owned schools. In the program's first year, over 50 schools in 36 councils were reached, and more than 1,800 desks were provided, which can seat around 5,000 students. The program operates in both mainland Tanzania and Zanzibar.

In collaboration with the Mwanamke Initiative Foundation (MIF), the Bank is dedicated to supporting schools in Zanzibar that aim to improve education outcomes for their students. These programs are designed to assist students in boarding schools (primarily girls' schools) or offer lunch for day students.

The primary objectives of these programs are to reduce absenteeism, increase study time, and improve educational outcomes, particularly their national examination results. This collaboration identified 2,200 students who required assistance, delivered 50 tons of food and 1200 litres of oil, and distributed 1,881 mattresses to 32 schools.

In addition, during the year, the Bank supported the construction of classrooms and special toilets for disabled students and the purchase of educational equipment like photocopy machines and laptops for various schools in Newala. Other educational programs the Bank supported were paying school fees for the beneficiaries of the Taifa Cup Scholarship.

Youth and Women Empowerment

We recognize that youth and women are among the priority segments in the Bank's 2023-2027 strategy. The bank is committed to supporting the Government's agenda to empower women and youth, as emphasized in the National Five Years Development Plan III (FYDPIII) 2021/22 - 2025/26. In line with this commitment, we have actively supported youth and women by providing them with the necessary tools, skills, and resources to grow their businesses and transform their lives. The bank has invested more than TZS 700 million in Women & Youth programs in 2023. The fund was invested in various initiatives to empower youth and women.

We have collaborated with Shadaka to support the Ndondo Cup tournament, which allows young people from the streets to showcase and grow their football talents. This partnership also supports the M-mama program, which aims to reduce maternal and neonatal deaths in the country. Additionally, we sponsored the Kuambiana Tournament in Ludewa, Njombe, which aims to provide opportunities for youth to showcase and grow their talents, unleash their potential, unite the community, provide employment opportunities for young people in sports, and promote local traditions and customs.

We also partnered with the Zanzibar Maisha Bora Foundation to empower young women in schools. We contributed TZS 50 million to purchase and distribute sanitary pads, enabling young girls to attend classes effectively year-round. The Bank also collaborated with different women's groups and associations to support women and entrepreneurship, aiming to improve their livelihoods. The Bank collaborated with organisations like the Medical Women Association of Tanzania, Mwanamke Initiative Foundation (MIF), Tulia Trust, and many others in implementing youth and women's agendas.

Other social initiative

In addition to our corporate social investment focus areas, the Bank has also invested TZS 496 million in supporting other philanthropic activities. These include financial literacy activities, direct community engagement initiatives, support for orphanages, support for government community-related initiatives, and many others.

Customer relationship management

We listen to our customers carefully and gather feedback from multiple channels to cater to their needs. Maintaining the trust of our customers is of utmost importance to us. Therefore, we take great care to ensure their safety and protection from any risk. To prevent misuse of customers' personal and sensitive information, we continuously enhance the integrity and robustness of our cyber security infrastructure.

Our bank has a robust complaint-handling mechanism for employees and customers. These mechanisms are defined as per Board-approved policies and are governed through Board oversight and reporting. We offer multiple channels for customers to complain, including the branch, call centre and digital channels. We ensure transparency and consistency in tracking, recording, and managing complaints. All complaints are recorded in a register and tracked for end-to-end resolution.

We monitor and track complaint trends to prevent recurrence and improve the bank's overall customer experience.

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

25 SUSTAINABILITY - ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) (Continued)

Finally, the Partnership pillar is focused on building strong partnerships with our stakeholders, including customers, suppliers, governments, NGOs, strategic partners, and other organisations. We collaborate with these partners to create innovative solutions that address social and environmental challenges and promote sustainable development. We are fully committed to working closely with our business partners and other strategic investors to promote social and economic progress while maintaining trust and the value chain.

Managing our partners

Sustainable procurement

We are committed to ensuring that our procurement practices are sustainable and equitable. As we expand our regional presence, we purchase various goods and services, including office equipment, software, corporate services, and stationery. We prioritise environmental and social considerations, ethical business practices, and financial factors to ensure our sustainable procurement process.

"Instilling Transparency, Accountability, and Ethics in Procurement"

We firmly believe conducting business ethically, fairly, and transparently is paramount. Therefore, we strive to establish and maintain good relationships with our suppliers while fostering a competitive environment that aligns with our procurement policy.

We continuously monitor their activities to ensure that our suppliers and other business partners comply with our ethical and business standards. We take any incidence of breach of our business conduct seriously, including harassment, human rights abuse, and corruption/bribery. If any such incidents occur, we reserve the right to take immediate action, which may involve terminating the contract.

Our procurement systems and processes ensure value for money is derived in all procurement of goods and services. All suppliers, contractors, and consultants are treated fairly and given equal opportunities to obtain contracts with the bank. Procurement is done most efficiently, upholding the principles of value for money, transparency, and fairness. All staff involved in the procurement process shall follow an appropriate Code of Ethics.

Our Strategic Partners

The Bank emphasises building collaborative relationships with strategic partners with the expertise and resources to augment our existing capabilities, allowing us to achieve our strategic goals more efficiently and effectively. The Bank is firmly committed to aligning with the United Nations' Sustainable Development Goals (SDGs) and recognises partnerships' significant role in achieving this shared objective.

To drive positive change and make a meaningful impact on the global community, the bank has established partnerships with a range of organisations, including IFC, VISA, AFDB, EIB, GCF, PROPARCO, GCPF, INVESTEC, DFC, GUARANTICO, MUFG, AGF, and more. These partnerships aim to achieve the bank's objectives by leveraging each partner's strengths and expertise. By working together towards sustainable development, the bank aims to make a positive difference and create prosperity for all.

Other partners

The Bank works closely with key regulatory bodies such as the Central Banks, Revenue Authorities, Dar es Salaam Stock Exchange (DSE), Capital Markets, Government and Security Authority (CMSA). This collaboration ensures the Bank fully complies with all relevant laws and regulations governing its operations. By working together, the Bank and these regulatory bodies create a sustainable working environment that promotes growth, stability, and transparency in the financial sector.

INITIATIVES TO REDUCE OUR EMISSIONS

Waste Management

Our group maintains effective waste management systems to ensure responsible waste collection, recycling, and disposal. We have implemented a waste disposal mechanism in alignment with local and national regulations. As part of our waste management initiatives, the following were carried out:

- All cardboard and white paper are sent to a local manufacturer, who turns them into toilet paper rolls and brown envelopes.
- Plastic bottles were shredded into flakes used to make fibre in some industries in Tanzania and for exporting overseas to make new plastic bottles, plastic chairs, berry containers, shirts and jackets.
- Cans were provided to a local manufacturer to produce metal products such as steel frames and bars.
- Glass waste was delivered to a local manufacturer to make new plastic bottles.

Quantity of wastes recycled during the year

Waste categories	Paper	Cardboard	Plastic	Glass	Food waste	Others (Nylon, Cans, Tins)	Total waste
Wastes recycled in (Kgs)	10,884	3,264	1,435	654	9,145	137	**25,519**

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

25 SUSTAINABILITY - ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) (Continued)

INITIATIVES TO REDUCE OUR EMISSIONS (Continued)

Operating in paperless mode

To implement this, the Group has started improving communication and providing service to our customers via our online platforms instead of paper, such as emails, SMS, phone calls, Simbanking, Internet banking and e-statements to our retail banking customers.
The bank also encourages customers to use its digital banking platforms to reduce emissions associated with travel and running large branches. The bank has also selectively initiated the e-KYC process, replacing the earlier physical KYC, resulting in significant savings in paper.

Online transactions	2023	2022	%
Internet and mobile banking	104,152,021	66,234,558	57%

Additionally, the Bank Implemented paperless solutions "OPTIMA" and "SAVY", which allow the voucher Initiator to upload the intended financial transaction with supporting documents on a user-friendly digital screen. The transaction, including the attached documents, will pass through the required authorisations to the posting Unit without involving the printing of papers and manual voucher delivery

Energy efficiency

Our greenhouse gas emissions are mainly caused by the consumption of purchased electricity, diesel, and petrol used in our standby generators. We are reducing our energy consumption across all our operations. This includes using energy-efficient LED lights, inverters, and motion sensor lighting. We believe these initiatives will complement our efforts to reduce energy consumption and help to reduce our carbon footprint.

Our headquarters building has been designed to meet sustainability requirements and standards. Much of it has been constructed using glass, which helps reflect light and reduces carbon emissions from energy use. This, in turn, reduces the need for power and utilities during the day, making energy use more efficient.

Water management

We aim to reduce our water use by 20% by 2030. To achieve this, we have deployed several water efficiency measures throughout our head office, and the plan is to roll them out in our branches. These measures include the installation of low-flow fixtures and water sensors. We remain committed to reducing our water usage and increasing our sustainability efforts as we work towards a more environmentally friendly future.

Our total water consumption in litres in 2023 decreased by 6% to 259 from 276 litres in 2022.

Roll-out filtration and purification solutions

Our bank has implemented water filtration and purification solutions at its headquarters, accommodating more than 1,300 people. This initiative is part of our sustainability and green campaign to eliminate the use of harmful plastic bottles. The project's first phase was completed in 2023, and we plan to roll out this initiative to other bank outlets by 2030.

Sustainable Finance

"Channelling funds where it matters".

We are committed to fostering innovative solutions that help facilitate the transition towards a low-carbon economy. To achieve this, we have adopted a strategic approach that involves channeling resources towards initiatives prioritising sustainability, environmental preservation, and eco-friendly practices. Our initiatives are carefully designed to manage and minimize environmental and social impacts of financial activities. Our primary objective is to promote a net positive societal effect by encouraging responsible financial practices.

The issuance of our Green Bond

Recognizing the urgent need to address the impact of climate change, in 2023, we issued the Green Bond branded as "Kijani Bond." This financial instrument aims to finance sustainable and green projects that align with the Bank's mission to support environmentally friendly initiatives. We are proud to be at the forefront of this transition towards a more sustainable future, and we will continue to explore new ways to impact society and the environment positively.

This Medium-Term Note Programme (MTN) worth TZS 780 billion, equivalent to US$300 million, becomes the first bond with green, social and sustainability components to be issued in Tanzania and the largest in Sub-Saharan Africa by a corporation listed on a stock exchange. The objective of the MTN is to raise funds that will be used to finance eligible Green, Social and Sustainability projects under the bank's sustainability bond framework and in line with the principles and recommendations of the International Capital Markets Association (ICMA).

The MTN will be issued in tranches. The first tranche was issued in 2023, and TZS171.8bn was raised and oversubscribed by 429.6%, which evidenced investors' confidence in the Bank's ability to promote a sustainable economy. Kijani Bond is listed at DSE.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2023
25 SUSTAINABILITY - ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) (Continued)

SUSTAINABLE FINANCE (Continued)

The issuance of our Green Bond (Continued)

Proceeds from the issuance of the Kijani bond will be used in the following projects/activities:

- Sustainable Agriculture
- Renewable energy
- Energy Efficiency
- Green building
- Sustainable Water and waste management
- Clean Transportation
- Sustainable forestry and fisheries

Our approach towards Sustainable Lending

As a responsible bank, we ensure that our banking practices promote positive outcomes and do not harm the planet. We assess credit risks by incorporating environmental, social, and governance (ESG) factors into our ESMS. By adopting sustainable practices, we can better manage risks and capitalize on opportunities in the changing economic environment.

Environmental and social sustainability are crucial for achieving our desired outcomes and align with our long-term growth strategy. The Group is fully dedicated to minimising scope 3 emissions through sustainable lending. To accomplish this goal, we prioritize financing projects and businesses with a clear plan for responsibly managing social and environmental resources.

We follow international best practices, including the IFC Performance Standards, to ensure our investments support sustainability initiatives. We aspire to become a leader in sustainability in the region and make a lasting commitment to climate action.

In addition, the Group will decarbonise our existing portfolio to achieve a green asset ratio of 15% by 2030 and 30% by 2050, up from the baseline of 7% in 2022. *The portfolio review to identify green assets was done by the Climate Bonds Initiative (CBI) using MDB principles, ICMA principles and EU and CBI Taxonomy.*

The portfolio's decarbonization will be implemented by communicating the Group's sustainability initiatives and engaging our stakeholders in the transition pathways towards reducing their carbon emissions.

The Group's Contributions to SDGs

The United Nations (UN) has established 17 Sustainable Development Goals (SDGs) and corresponding targets to address barriers to economic, social, and environmental progress by 2030. These goals were adopted by all UN member states and provided a framework for transforming the world. As the leading banking institution in Tanzania, with a growing presence in other East African markets, we acknowledge our impact on the communities in which we operate. Therefore, we strive to support our communities comprehensively while safeguarding the environment and improving our business performance.

We recognise that our business plays a vital role in accomplishing the United Nations Sustainable Development Goals, which outline broad societal objectives for the world's most pressing social, environmental, and economic challenges. In line with this, we have identified SDG targets to which we can make the most significant contribution.

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

25 SUSTAINABILITY - ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) (Continued)

The Group's Contributions to SDGs (Continued)

Priority Goal - SDG	Related SDGs	Our response
Goal No 13 Climate action	**15 -** Life on land **14 -** Life below water **7 -** Affordable and clean energy **11 -** Sustainable cities and communities **12 -** Responsible consumption and production	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). We collaborate with different climate practitioners to mobilise financial resources and develop climate change mitigation and adaptation projects with the aim of meeting climate ambition targets.
Goal No 3 Good health and wellbeing	**2 -** Zero hunger **6 -** Clean water and sanitation	The bank contributes to ensuring sustainability in the community's access to quality healthcare and well-being for all ages by supporting health investments to promote balanced lives and investing in communities to promote long-term mental and physical health and well-being through our social investment corporate initiative.
Goal No 4 Quality Education	**16-**Peace, justice and strong institutions	We are committed to providing quality education infrastructure and opportunities for lifelong learning. During the year, we invested over TZS 749 million to support the education sector. The investment was focused on upgrading infrastructure to improve students' learning environments.
Goal No 10 Reduced inequalities	**5 –** Gender equality	We are committed to promoting gender equality and empowering women inside and outside our Bank. We have established the "She Initiative Program" to enhance women's leadership skills and offer the Malkia Account that enables women to save money and access loans at a special concessional rate. By providing women with these resources, we can help them achieve their financial goals and contribute to the growth of our economy.
Goal No 17 Partnership for the goals	None	The Bank has partnered with various strategic partners, such as the Green Climate Fund, to finance green projects in Tanzania. This is part of our efforts to meet SDG targets. The total funding value is US$200 million (GCF US$100 million and CRDB Bank US$100 million). Using these 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.

CLIMATE-RELATED FINANCIAL RISKS MANAGEMENT

Climate change poses financial and physical risks stemming from the transition, which may affect our business's financial performance as climate risks materialise into financial risks. We evaluate climate-related risks as part of our comprehensive risk management strategy. We identify potential risks in the current risk structure and take proactive measures to mitigate or manage these risks through our ESMS.

The assessment of Climate risk, which may materialise in the different financial risk categories as a reaction to physical and transition risks;

Climate risk	Credit Risk	Market Risk	Operational Risk	Liquidity and funding Risks	Our response
Physical risks	▪ Impairment of collateral, which may increase credit risk	▪ Fluctuation of foreign exchange ▪ Increase in interest rate	▪ increase in impairment losses resulting in decreased profitability ▪ unavailability of banking Services.	Decreased bank liquidity due to reduced cash flow makes it more challenging to meet our short-term obligations and funding growth.	We have a robust risk management framework to identify, quantify, manage, and monitor risks effectively.
Transition risks	▪ Stranded assets ▪ Increase in default from the sectors impacted by the transition to a low-carbon economy	▪ Price fluctuations due to policy changes	▪ Fines and penalties due to noncompliance with the new policies ▪ Increase in cost	Decrease in cashflow	

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

25 SUSTAINABILITY - ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) (Continued)

CLIMATE-RELATED RISKS, OPPORTUNITIES, AND POTENTIAL FINANCIAL IMPACTS

Climate-Related Risks and Potential Financial Impacts

Risk	Climate-Related Risks	Potential Financial Impacts	Our responses/ mitigation
	Policy and Legal		
Transition Risks	▪ Enhanced emissions-reporting obligations ▪ Changes in regulation of existing services ▪ Exposure to litigation for non-compliance	▪ Increased operating and investment costs ▪ Write-offs of stranded assets ▪ asset impairment due to policy changes	▪ We are actively engaging with policymakers to ensure we comply with regulations.
	Technology		
	▪ Substitution of existing products and services with lower emissions options ▪ Costs to transition to lower emissions technology	▪ Write-offs of systems due to emerging eco-technologies. ▪ Research and development (R&D) expenditures in new and alternative technologies ▪ Capital investments in the new technology. ▪ Costs increase due to changes in processes.	▪ Our digital banking products are designed to have a low carbon footprint i.e. ▪ Simbanking, Internet banking, e-statement
	Market		
	▪ Changing customer ▪ behaviour ▪ Uncertainty in market signals	▪ Reduced demand for goods and services due to shift in consumer preferences ▪ Unexpected and sudden changes in energy prices.	▪ The bank issued a green bond to fund sustainable projects, reflecting customer demand for eco-friendly products. ▪ Engage and encourage stakeholders to join us in our sustainability journey.
	Reputation		
	▪ Increased stakeholder concern or negative stakeholder feedback	▪ Reduced revenue from decreased demand ▪ Reduction in fund availability from our ▪ Investors/strategic partners	▪ We continue to manage our carbon footprint and transition to low carbon economy
Physical risks	*Acute*	▪ Reduction in revenue ▪ Write-offs of damage to property ▪ Increased capital costs (e.g., for replacing damaged facilities) ▪ Disruption of the supply chain ▪ Interrupted or suspended transportation for customers and employees to reach offices.	▪ We have developed an incidence and crisis management guideline to ensure we have the necessary resilience and crisis management ▪ Continues to ensure health and safety measures are in place.
	▪ Increased severity of extreme weather events such as floods		
	Chronic		
	▪ Changes in precipitation patterns and extreme variability in weather patterns ▪ Rising mean temperatures ▪ Rising sea levels		

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

25 SUSTAINABILITY - ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) (Continued)

CLIMATE-RELATED RISKS, OPPORTUNITIES, AND POTENTIAL FINANCIAL IMPACTS (Continued)

Climate-Related Opportunities and Potential Financial Impacts

	Climate-Related Opportunities	Potential Financial Impacts	Our responses
Resource efficiency	▪ Reduced water usage and consumption. ▪ Waste management ▪ Energy efficiency, e.g., Use of LED lighting technology	▪ Reduced operating costs ▪ Reduce our carbon footprint ▪ reducing paper usage	▪ We continue to invest in energy-efficient equipment such as LED lights and inverters. ▪ We have waste management dust bins ▪ We have motion sensor lighting in some of our buildings to manage the usage of electricity ▪ Our HQ building has a sensor water tap to manage water usage
Energy Source	▪ Use of lower-emission sources of energy, for example, the use of solar energy	▪ Reduced operational costs through the use of alternative sources of energy, e.g. use of Solar energy	▪ Continue to finance investments in renewable energy
Products and services	▪ Investment in digital solutions to increase transaction volumes	▪ Increased revenue	▪ Continue to invest in digital platforms to reduce carbon emissions
Markets	▪ Access to sustainable financing ▪ Access to funds from strategic partners who are keen on sustainable projects.	▪ Increased revenues through access to new and emerging markets ▪ Increased funding	▪ In 2023, the Bank issued a green bond to fund sustainable projects,
Build Resilience	▪ Improving efficiency towards creating a sustainable future	▪ Increased revenue through the introduction of new sustainable products and services (Low emissions)	▪ Continue with the adaptation and mitigation of climate-related risk and development of sustainable products and services

26 RESULTS AND DIVIDENDS

The board recommends a dividend of TZS 50 per share from the year 2023 profit after Tax (2022: TZS 45 per share). The total amount of dividend recommended is TZS 130.6 billion (2022: TZS 117.5 billion), which is 30.9% of the net profit.

27 CRITICAL ACCOUNTING POLICIES AND JUDGEMENTS

The 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.

28 SOLVENCY

The state of affairs of the Group and the Bank as at 31 December 2023 is set out on page 179 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. The Board of Directors confirms that, the applicable accounting standards have been followed. The financial statements have been prepared on a going concern basis, and it reasonably expects the Bank to have adequate resources to continue in operational existence for the foreseeable future.

29 ACQUISITIONS AND DISPOSALS

During the year there were neither acquisitions nor disposals of subsidiaries.

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

30 INVESTMENTS

The Group held the following equity investments:

Investments as at 31 December 2023:	Number of shares/units	Value of shares (TZS' Million)
Tanzania Mortgage Refinance Company (TMRC)	3,000,000	**4,866**
Dar es Salaam Stock Exchange (DSE)	327,632	**590**
Tandahimba Community Bank (TACOBA)*	3,300,000	**2,283**
Burundi National switch	10,000	**88**
Kilimanjaro Cooperative Bank (KCBL)	1,400,000	**6,108**
Watumish housing (units)	10,000,000	**1,000**
Investments as at 31 December 2022:		
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

*The Group holds 3.2 million preference shares and 100,000 ordinary shares of TACOBA

31 INVESTMENTS IN SUBSIDIARIES

The Bank has established three wholly owned subsidiaries, namely CRDB Bank Burundi S.A., incorporated in the Republic of Burundi in 2012, CRDB Insurance Company Limited incorporated in the United Republic of Tanzania under TIRA in 2023 and CRDB Bank Foundation registered by the Registrar of NGOs in 2022. The Bank also own another subsidiary in Congo, "CRDB Bank Congo ", incorporated in the Democratic Republic of Congo in 2023, with 55% ownership.

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.

32 EMPLOYEES WELFARE

CRDB Bank is committed to achieving its business objectives through its people. We believe that our employees are our most valuable assets, and we make an effort to develop their abilities and productivity. We encourage a work culture, foster relationships with them at every level in the Group and encourage them to 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 a satisfactorily trained, active, and motivated workforce evidenced by very low employee turnover, is a 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 in promoting health and well-being among our staff. The Bank launched well-being services in 2021 with a focus on empowering colleagues and eligible dependents to address individuals' challenges which require support in physical and social well-being.

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 employee performance management.
- *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 periodically to equip employees with key psychological threats/ signs.*

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

32 EMPLOYEES WELFARE (Continued)

Management and Employee Relationship

The Group's management focuses on building the right culture as a strategic human resource priority by ensuring that the 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 of banking. Amongst the key components in this development is ensuring that our leaders are charged with the major roles of fostering strong leadership capabilities, talent management, and enhancing employee relationships and development.

Our leaders believe in and always strive to create an enabling environment where all employees will be able to utilize their fullest potential 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 maintain the turnover rate below 2 percent, which is far below the industry rate. Additionally, CRDB Bank continued to maintain a strong organization health index compared to the global benchmarks as rated by McKenzie, which indicates a strong capacity to continuously improve its performance in the future.

Employees Performance Management

The Bank uses a Performance Management System to evaluate employees' performance against set and agreed-upon objectives. The system forms the basis for providing employees with performance feedback, recognition, development, and a corrective action plan to promote effective performance.

The Performance Management System is an integrated process with the full participation of managers and staff in both setting and reviewing performance objectives. The Bank uses the Balanced Scorecard and Competencies Framework as a tool for assessing the 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 of one's reward.

Training and Development

The role of training is to improve job performance, develop skills, and prepare individuals for other roles and responsibilities. As with promotion and career development, decisions regarding 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, or 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 management team capable of performing the duties of the bank properly. To meet its present and future human capital demands, the Bank trains and develops its employees through various development programs. The Bank encourages its employees to train and develop themselves to acquire skills, knowledge and competencies which are 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 the 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 who 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 careers, 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 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 unique employee wellness programs that went far beyond the normal offerings to employees and their family members. These programs included programs for teenagers, housemaids, and counselling sessions for all staff and their dependents.

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

32 EMPLOYEES WELFARE (Continued)

Occupational health and safety policy

The Bank has an occupational health and safety policy that aims to ensure Occupational Health and Safety (OHS) for CRDB Bank staff, its customers, and its premises. The policy specifies the control requirements and guidelines with respect to OHS and provides obligations and responsibilities to staff, the board of Directors, and 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 risks are 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 work 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 a medical insurance scheme to all employees' spouses and to a maximum of four dependents on a non-contributory basis.

Annual leave

Every employee is entitled to 30 calendar days of 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 of consecutive leave in a calendar year.

Employee grievance and complaints management mechanism

The Bank recognize the value and importance of having a harmonious environment at the workplace and makes an effort to ensure any reported complaints and grievances are expeditiously handled.

Financial Assistance to staff/ Staff loan scheme

The Bank offers staff loans to enable its employees to acquire capital goods and 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 regarding promotions and career development focus on skills and talents rather than assumptions based on age, disability, gender, socioeconomic status, ethnicity, and religion.

The hiring policy is reviewed annually through process views, and recommendations from key stakeholders, such as the "Trade Union," are considered.

Persons with Disabilities

It is the Group's policy to employ disabled persons wherever practicable. The Group has always considered this policy whenever it recruits. As of 31 December 2023, the Bank has two (2) persons with disabilities. 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 (disabled) 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, the Bank's employment decisions are based on merit, qualifications, and abilities. There is no discrimination in 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 are not tolerated.

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

32 EMPLOYEES WELFARE (Continued)

Non-discrimination/ harassment (Continued)

Employees with questions or concerns about discrimination and/or harassment 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, in 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.

33 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 attrition in a critical position. The Succession planning process in the Bank is mainly built to address the following main objectives: Identify high-potential 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 to remain competitive and successfully carry out its activities and ensure the 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.

34 RELATED PARTY DISCLOSURES

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 1,637 million (2022: TZS 729 million), while loans and advances to Directors and other key management personnel amounted to TZS 12,469 million (2022: TZS 10,007 million). The volumes of related party transactions for the year and the outstanding amounts at the year-end are provided under Note 64 of the financial statements.
The transactions with related parties are carried at arm's length basis.

35 POLITICAL AND CHARITABLE CONTRIBUTIONS

The Group did not make any political contributions during the year 2023 (2022: Nil).

36 SERIOUS PREJUDICIAL ISSUES/ MATTERS

No serious legal matters could affect the Group or Bank during the year 2023 (2022: None).

37 EVENTS AFTER THE REPORTING PERIOD

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

38 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 the 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.

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

39 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 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'*.

EY was approved at the Annual General Meeting held on 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 the audit of a bank or financial institution after every three years ', the engagement partner in charge of the bank's audit* has been changed.

Partner's PF Number: ACPA 3438

40 RESPONSIBILITY OF THE AUDITORS

The auditor is responsible for providing assurance of the correctness and consistency of each piece of information contained in the report by those charged with governance with those provided in the financial statements.

41 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	27 March 2024 Date
Hosea E. Kashimba Non-executive Director	27 March 2024 Date

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2023

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:

27 March 2024

Dr. Ally H. Laay — **Date**

Chairman

DECLARATION OF THE CHIEF FINANCIAL OFFICER FOR THE YEAR ENDED 31 DECEMBER 2023

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

It is the duty of a Professional Accountant to assist the Board of Directors in discharging the responsibility of preparing financial statements of an entity showing a true and fair view of the entity's position and performance in accordance with applicable International Financial Reporting Standards (IFRS) and statutory financial reporting requirements.

The full legal responsibility for preparing financial statements rests with the board of those charged with governance, as declared under the Statement of Directors' Responsibility on page 172.

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 2023 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 of that date and that it has been prepared based on properly maintained financial records.

Signed By:

Frederick B. Nshekanabo

27 March 2024

Date

Chief Financial Officer
ACPA 1388

INDEPENDENT AUDITORS' 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 177 to 425, which comprise the consolidated and separate statements of financial position as at 31 December 2023, 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 2023, 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.

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 2023, the provision for impairment on loans and advances to customers was TZS 124 billion (2022: TZS 165 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 204 to 206.	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 the 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 AUDITORS' REPORT
TO THE MEMBERS OF CRDB GROUP AND BANK

REPORT ON THE AUDIT OF THE GROUP AND BANK FINANCIAL STATEMENTS (CONTINUED)

Other Information included in the Group's 2023 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.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF CRDB GROUP AND BANK

REPORT ON THE AUDIT OF THE GROUP AND BANK FINANCIAL STATEMENTS (CONTINUED)

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 58 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.

28 March 2024

Deokari S. Mkenda (ACPA 3438)
For and on behalf of:
Ernst & Young
Certified Public Accountants
Dar es Salaam

Date

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

STATEMENT OR PROFIT OR LOSS

In TZS' Million	Note	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
Interest income calculated using the effective interest Method	12	**1,227,052**	965,471	**1,158,360**	917,649
Other interest and similar income	12	**379**	1,814	**379**	1,814
Interest expense calculated using the Effective interest method	13	**(346,426)**	(219,472)	**(323,385)**	(209,218)
Other interest and similar expenses	13	**(3,707)**	(1,980)	**(3,410)**	(1,952)
Net interest income		**877,298**	745,833	**831,944**	708,293
Fees and commission income	14	**428,839**	333,909	**420,405**	328,883
Fees and commission expense	15	**(86,415)**	(70,737)	**(84,892)**	(69,544)
Net fees and Commission Income		**342,424**	263,172	**335,513**	259,339
Net foreign exchange income	16	**65,949**	57,557	**56,895**	54,786
Credit Loss expense on financial assets	34	**(39,658)**	(60,435)	**(36,782)**	(59,675)
Net gains/ (losses) on financial assets at fair value through profit or loss	17	**349**	2,613	**(282)**	1,814
Net losses on equity investment at fair value through profit or loss	17	**-**	(595)	**-**	(595)
Net gains on derecognition of financial assets measured at fair value through other comprehensive income	18	**7,038**	44,268	**7,038**	44,268
Other Operating income	19	**1,280**	98	**11,591**	4,442
Net Operating Income		**1,254,680**	1,052,511	**1,205,917**	1,012,672
Operating expenses	20	**(218,599)**	(174,305)	**(201,309)**	(164,505)
Depreciation of Property and equipment and Motor vehicles	21	**(55,725)**	(51,533)	**(53,896)**	(50,638)
Amortization of right of use assets, prepaid leases and intangible assets	22	**(28,975)**	(19,385)	**(28,373)**	(18,967)
Employees benefit expenses	23	**(338,243)**	(304,870)	**(322,641)**	(296,446)
Impairment other Assets	36	**(3,729)**	(4,709)	**(3,726)**	(4,710)
Impairment non-current held for sale	37	**(10,758)**	-	**(10,758)**	-
Total Operating Expenses		**(656,029)**	(554,802)	**(620,703)**	(535,267)
Profit before income tax		**598,651**	497,709	**585,214**	477,405
Income tax expense	24A	**(175,859)**	(146,302)	**(176,599)**	(144,925)
Profit for the year		**422,792**	351,407	**408,615**	332,480
Profit attributable to:					
Equity holders of the parent		**424,690**	351,407	**408,615**	332,480
Non-Controlling interests*	56	**(1,898)**	-	**-**	-
		422,792	351,407	**408,615**	332,480
Basic and diluted earnings per share attributable to equity holders of the parent entity (TZS)	25	**161.88**	134.54	**156.45**	127.30

*The Group's subsidiaries ownership detailed under note 38 "Investment in subsidiaries"

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

STATEMENT OF COMPREHENSIVE INCOME AS AT 31 DECEMBER 2023

In TZS' Million	Note	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
Profit for the year		**422,792**	351,407	**408,615**	332,480
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss:					
(Losses)/Gains on Debt instruments at FVOCI		**(41,862)**	47,654	**(41,862)**	47,654
Gains on Debt instrument at FVOCI reclassified to Profit or loss		**(7,038)**	(44,268)	**(7,038)**	(44,268)
Exchange differences on translation of foreign operations		**(8,803)**	(694)	**-**	-
Income tax relating to these items**	44	**14,670**	(1,016)	**14,670**	(1,016)
Total items that will be reclassified to the statement of profit or loss		**(43,033)**	1,676	**(34,230)**	2,370
Items that may not be subsequently reclassified to profit or loss:					
Gains/(losses) on equity instrument at FVOCI		**34**	1,053	**34**	1,053
Income tax relating to these items**	44	**(10)**	(353)	**(10)**	(353)
Total items that will not be reclassified to the statement of profit or loss		**24**	700	**24**	700
Other comprehensive income for the year, net of tax		**(43,009)**	2,376	**(34,206)**	3,070
Total comprehensive income		**379,783**	353,783	**374,409**	335,550
Total comprehensive income attributable to:					
Owners of the parent entity		**381,681**	353,783	**374,409**	335,550
Non-controlling interests*		**(1,898)**	-	**-**	-
		379,783	353,783	**374,409**	335,550

*The Group's subsidiaries ownership detailed under note 38 "Investment in subsidiaries"
**Taxes relates to Gains/(losses) on equity instrument at FVOCI.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

In TZS' Million	Note	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
ASSETS					
Cash and balances with the central bank	27	**1,011,638**	982,435	**943,499**	864,565
Due from banks	28	**762,332**	693,506	**754,036**	711,979
Financial Assets at fair value through profit or loss	29	**6,983**	23,703	**1,102**	17,417
Debt Instruments at fair value through other comprehensive income	30	**226,178**	786,118	**226,178**	786,118
Equity investment at fair value through profit or loss	31A	**2,283**	2,291	**2,283**	2,291
Equity investment at fair value through other comprehensive income	31B	**11,652**	11,644	**11,564**	11,531
Credit cards	32	**2,309**	1,248	**2,309**	1,248
Loans and advances to customers	33	**8,443,491**	6,876,509	**8,035,550**	6,706,018
Debt Instrument at amortised cost	30	**1,960,715**	1,483,968	**1,738,669**	1,148,248
Current income Tax recoverable	24B	**1,828**	8,098	**3,234**	9,854
Other assets	36	**310,630**	246,824	**290,006**	249,586
Non-Current Assets Held for Sale	37	**-**	16,600	**-**	16,600
Investment in subsidiaries	38	**-**	-	**86,477**	21,683
Motor vehicles	39	**21,528**	18,780	**19,794**	17,911
Property and equipment	40	**372,699**	353,491	**344,009**	340,437
Right-of-use assets	41	**46,055**	29,287	**41,984**	29,041
Prepaid leases	42	**9,007**	9,306	**9,007**	9,306
Deferred income tax asset	44	**93,917**	51,949	**91,346**	51,743
Intangible assets	43	**38,044**	40,800	**37,398**	39,889
TOTAL ASSETS		**13,321,289**	11,636,557	**12,638,445**	11,035,465
LIABILITIES					
Deposits and balances due to other banks	45	**995,561**	1,127,369	**983,017**	1,103,605
Deposits from Customer	46	**8,855,978**	8,200,393	**8,315,233**	7,677,675
Other liabilities	47	**374,862**	181,671	**347,182**	177,967
Lease Liability	48	**49,817**	31,437	**45,628**	31,156
Insurance Contract Liabilities	49	**1,341**	-	**-**	-
Reinsurance Contract Liabilities	49	**184**	-	**-**	-
Green Bond	50	**175,204**	-	**175,204**	-
Borrowings	51	**933,109**	491,277	**933,109**	491,277
Subordinated Debts	52	**130,986**	120,742	**130,986**	120,742
Grants	53	**21,536**	3,012	**21,536**	3,012
Provisions	61	**1,223**	1,580	**1,223**	1,580
TOTAL LIABILITIES		**11,539,801**	10,157,481	**10,953,118**	9,607,014
EQUITY					
Share capital	55	**65,296**	65,296	**65,296**	65,296
Share premium	57	**158,314**	158,314	**158,314**	158,314
Retained earnings	57	**1,491,183**	1,196,472	**1,448,851**	1,158,830
Reserve	57	**23,083**	58,994	**12,866**	46,011
Total Equity attributable to Parent		**1,737,876**	1,479,076	**1,685,327**	1,428,451
Total Equity attributable to non-controlling Interest	56	**43,612**	-	**-**	-
TOTAL EQUITY		**1,781,488**	1,479,076	**1,685,327**	1,428,451
TOTAL LIABILITIES AND EQUITY		**13,321,289**	11,636,557	**12,638,445**	11,035,465

The financial statements on pages 177 to 425 were approved and authorized for issue by those charged with governance on 15 March 2024 and signed on its behalf.

Dr. Ally H. Laay
Chairman

Abdulmajid M. Nsekela
Managing Director

Hosea E. Kashimba
Non-executive Director

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

STATEMENT OF CHANGES IN EQUITY

GROUP

In TZS' Million Year ended 31 December 2023	Note	Share capital	Share premium	Retained earnings	Non-distributable reserve	Legal provision reserve	Revaluation reserve	Exchange differences on translation of foreign operations	Total Shareholders' funds attributable to Parent	Total Shareholders' funds attributable to NCI	Total Shareholders' funds
At 1 January 2023		65,296	158,314	1,196,472	1,576	11,065	46,011	342	1,479,076	-	1,479,076
Profit for the year		-	-	424,690	-	-	-	-	424,690	(1,898)	422,792
Comprehensive income											
Gains on Debt instruments at FVOCI		-	-	-	-	-	(41,862)	-	(41,862)	-	(41,862)
Gains on Debt instrument at FVOCI reclassified to P&L	57	-	-	-	-	-	(7,038)	-	(7,038)	-	(7,038)
Revaluation gains/ (losses) on equity instrument at FVOCI		-	-	-	-	-	34	-	34	-	34
Tax on OCI	44	-	-	-	-	-	(10)	-	(10)	-	(10)
Exchange differences on translation of foreign operations		-	-	-	-	-	-	(8,803)	(8,803)	-	(8,803)
Total comprehensive income		-	-	424,690	-	-	(48,876)	(8,803)	367,011	(1,898)	365,113
Transfer of excess depreciation net of deferred tax	57	-	-	615	-	-	(615)	-	-	-	-
Transfer to non-distributable reserve		-	-	(1,676)	3,843	-	-	-	2,167	-	2,167
Deferred Tax		-	-	-	-	-	14,670	-	14,670	-	14,670
Legal Provision		-	-	(11,385)	-	3,870	-	-	(7,515)	-	(7,515)
Transactions with shareholders											
Share capital issue		-	-	-	-	-	-	-	-	45,510	45,510
Dividends declared	26	-	-	(117,533)	-	-	-	-	(117,533)	-	(117,533)
At 31 December 2023		65,296	158,314	1,491,183	5,419	14,935	11,190	(8,461)	1,737,876	43,612	1,781,488

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

STATEMENT OF CHANGES IN EQUITY

GROUP

In TZS' Million Year ended 31 December 2022	Note	Share capital	Share premium	Retained earnings	Non-distributable reserve	Legal provision reserve	Revaluation reserve	Exchange differences on translation of foreign operations	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									
Gains on Debt instruments at FVOCI		-	-	-	-	-	47,654	-	47,654
Gains on Debt instrument at FVOCI reclassified to Profit or loss	57	-	-	-	-	-	(44,268)	-	(44,268)
Revaluation gains/ (losses) on equity instrument at FVOCI		-	-	-	-	-	1,053	-	1,053
Tax on OCI	44	-	-	-	-	-	(1,369)	-	(1,369)
Exchange differences on translation of foreign operations		-	-	-	-	-	-	(694)	(694)
Total comprehensive income		-	-	351,407	-	-	3,070	(694)	353,783
Transfer of excess depreciation net of deferred tax	57	-	-	534	-	-	(534)	-	-
Transfer to non-distributable reserve		-	-	(830)	820	-	-	-	(10)
Legal Provision		-	-	(4,114)		4,114	-	-	-
Transactions with shareholders		-	-	-	-	-	-	-	-
Dividends declared	26	-	-	(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 2023

STATEMENT OF CHANGES IN EQUITY

BANK In TZS' Million Year ended 31 December 2023	Note	Share capital	Share premium	Retained earnings	Non-distributable reserve	Revaluation reserve	Total
At 1 January 2023		65,296	158,314	1,158,830	-	46,011	1,428,451
Profit for the year		-	-	408,615	-	-	408,615
Comprehensive income							
Gains/ (Losses) on debt instruments at fair value through OCI		-	-	-	-	(41,862)	(41,862)
Reclassified to profit or loss	57	-	-	-	-	(7,038)	(7,038)
Revaluation gains/ (losses) on equity instrument at FVOCI		-	-	-	-	34	34
Tax on OCI	44	-	-	-	-	(10)	(10)
Total comprehensive income				408,615	-	(48,876)	359,739
Transfer of excess depreciation net of deferred tax	57	-	-	615		(615)	-
Deferred Tax		-	-	-	-	14,670	14,670
Transfer to non-distributable reserve		-	-	(1,676)	1,676	-	-
Transactions with shareholders							
Dividend Declared	26	-	-	(117,533)	-	-	(117,533)
At 31 December 2023		65,296	158,314	1,448,851	1,676	11,190	1,685,327

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

STATEMENT OF CHANGES IN EQUITY

BANK In TZS' Million Year ended 31 December 2022	Note	Share capital	Share premium	Retained earnings	Revaluation reserve	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						
Gains/ (Losses) on debt instruments at fair value through OCI					47,654	47,654
Reclassified to profit or loss	57	-	-	-	(44,268)	(44,268)
Revaluation gains/ (losses) on equity instrument at FVOCI		-	-	-	1,053	1,053
Tax on OCI	44	-	-	-	(1,369)	(1,369)
Total comprehensive income		-	-	332,480	3,070	335,550
Transfer of excess depreciation net of deferred tax	57	-	-	534	(534)	-
Transactions with shareholders						
Dividend declared	26	-	-	(94,025)	-	(94,025)
At 31 December 2023		65,296	158,314	1,158,830	46,011	1,428,451

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

STATEMENT OF CASH FLOWS

In TZS' Million	Note	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
Cash flow from operating activities					
Profit before income tax		**598,651**	497,709	**585,214**	477,405
Adjustment for:					
Depreciation of property and equipment	40	**51,993**	48,066	**50,333**	47,310
Depreciation of motor vehicle	39	**3,732**	3,467	**3,563**	3,328
Depreciation of right-of-use assets	41	**15,837**	9,499	**15,397**	9,312
Amortization of intangible assets	43	**12,882**	9,608	**12,720**	9,377
Depreciation of prepaid leases	42	**256**	278	**256**	278
Loss on disposal of property and equipment, Motor vehicle, Prepaid leases, and Intangible assets	19	**1,015**	1,712	**1,015**	1,712
Loan impairment charges	33	**76,117**	72,224	**73,180**	71,461
ECL- Debt instruments	34	**131**	117	**131**	117
ECL - Placements	34	**(698)**	864	**(698)**	864
ECL - Off-balance sheet	34	**(467)**	(298)	**(467)**	(298)
ECL - Credit cards	34	**(329)**	435	**(329)**	435
Dividend income from investments	19	**(820)**	-	**(11,311)**	(4,344)
Impairment – non current assets held for sale	37	**10,758**	-	**10,758**	-
Other assets impairment charges	36	**3,726**	4,709	**3,726**	4,710
Grant utilization	53	**(1,214)**	(1,718)	**(1,214)**	(1,718)
Interest income	12	**(1,227,052)**	(967,285)	**(1,158,360)**	(919,463)
Interest expense	13	**350,132**	221,452	**326,796**	211,170
Losses on equity investment at fair value through profit or loss		**-**	595	**-**	595
Foreign currency exchange (gains)/ losses on borrowings	51	**16,454**	(1,327)	**16,454**	(1,327)
Foreign currency exchange losses on subordinated debt	52	**8,891**	83	**8,891**	83
Foreign currency exchange gain on cash and cash equivalents		**(114,094)**	(1,832)	**(113,834)**	(1,832)
		(792,747)	(599,352)	**(762,993)**	(568,231)
Changes in operating assets and liabilities:					
Statutory minimum reserve		**14,556**	(158,334)	**14,556**	(158,334)
Due from banks		**(69,318)**	(201,154)	**(40,929)**	(268,722)
Financial Assets at FVPL		**17,442**	2,497	**17,037**	2,493
Debt Instruments at FVOCI		**549,549**	(305,041)	**549,549**	(305,973)
Credit card		**(733)**	161	**(733)**	161
Loans and advances to customers		**(1,510,086)**	(1,895,526)	**(1,211,619)**	(1,859,436)
Debt Instrument at amortized costs		**(469,438)**	(276,762)	**(582,047)**	(146,426)
Other assets		**(61,758)**	(40,578)	**(38,306)**	(41,342)
Deposits from customers		**636,157**	1,788,983	**621,079**	1,556,726
Deposits and balances due to other bank		**(175,567)**	476,763	**(214,078)**	583,506
Other liabilities		**191,480**	29,423	**193,086**	28,554
Provisions on legal claims		**(357)**	(1,109)	**(357)**	(1,099)
Interest received from loans and advances to Banks		**22,067**	18,765	**18,906**	16,263
Interest received from loans and advances to customers		**937,703**	742,241	**902,055**	717,863
Interest received from credit card		**1,268**	1,088	**1,268**	692
Interest received from Debt instruments at amortized cost		**158,315**	116,264	**133,797**	96,585
Interest received from Debt instruments at FVOCI		**69,752**	63,464	**69,752**	63,464
Interest received from financial assets FVPL		**380**	2,711	**380**	2,711
Interest paid		**(262,929)**	(175,649)	**(240,301)**	(162,383)
Income tax paid	24B	**(195,283)**	(156,050)	**(193,331)**	(155,537)
Net cash used in operating activities		**(339,307)**	(69,486)	**(178,015)**	(120,665)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

STATEMENT OF CASH FLOWS (CONTINUED)

In TZS' Million	Note	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
Cash flows from investing activities					
Purchase of property and equipment	40	**(73,955)**	(45,552)	**(53,922)**	(42,814)
Purchase of motor vehicle	39	**(6,922)**	(1,944)	**(6,191)**	(1,944)
Purchase of intangible assets	43	**(11,058)**	(25,667)	**(10,993)**	(25,496)
Investment in Subsidiaries	38	**-**	-	**(64,794)**	-
Dividend received	19	**820**	-	**11,311**	4,344
Proceeds from disposal of property and equipment and motor vehicle		**542**	665	**542**	665
Net cash used in investing activities		**(90,573)**	(72,498)	**(124,047)**	(65,245)
Cash flows from financing activities					
Dividends paid	47	**(115,354)**	(91,928)	**(115,354)**	(91,928)
Proceeds from issuance of shares to Non-Controlling interest	56	**45,510**	-	**-**	-
Grant received	53	**19,900**	-	**19,900**	-
Borrowings received	51	**578,741**	349,880	**578,741**	349,880
Green Bond received	50	**171,826**	-	**171,826**	-
Repayment of borrowings	51	**(161,513)**	(59,202)	**(161,513)**	(59,202)
Interest paid on borrowings	51	**(55,121)**	(24,663)	**(55,121)**	(24,663)
Receipts from Subordinated debt	52	**-**	116,597	**-**	116,597
Interest paid on subordinate debt	52	**(10,973)**	(2,920)	**(10,973)**	(2,920)
Interest paid on lease liabilities	48	**(3,707)**	(1,979)	**(3,410)**	(1,952)
Principal payment on lease liabilities	48	**(14,267)**	(9,075)	**(13,868)**	(8,880)
Net cash generated from financing activities		**455,042**	276,710	**410,228**	276,932
Cash and cash equivalents at 1 January		**1,288,450**	1,151,892	**1,174,696**	1,081,842
Net cash used in operating activities		**(339,307)**	(69,486)	**(178,015)**	(120,665)
Net cash used in investing activities		**(90,573)**	(72,498)	**(124,047)**	(65,245)
Net cash generated from financing activities		**455,042**	276,710	**410,228**	276,932
Effect of exchange rate change on cash and cash equivalents		**23,937**	1,832	**24,809**	1,832
Cash and cash equivalents at 31 December	59	**1,337,549**	1,288,450	**1,307,671**	1,174,696

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

NOTES

Note	Description	Page
1	Corporate information	108
2	Basis of Preparation	108
3	Statement of Compliance	108
4	Presentation of Financial Statements	109
5	Changes in accounting policies and disclosure	109
6	Basis of Consolidation	113
7	Summary of material accounting information and disclosures	114
8	Significant accounting judgements, estimates and assumptions	155
9	Segment information	162
10	Risk Management	170
11	Fair value measurement	296
12	Interest and similar income	303
13	Interest and similar expense	303
14	Fee and commission income	304
15	Fee and commission expense	308
16	Foreign exchange income	309
17	Net gains/(losses) on equity investments and other financial assets at FVPL	309
18	Net gains on derecognition of financial asset at FVOCI	309
19	Other operating income	309
20	Operating expenses	310
21	Depreciation	311
22	Amortization	311
23	Employee benefit expenses	312
24	Income tax	312
25	Earnings per share	313
26	Distribution made and proposed	314
27	Cash and balances with central bank	314
28	Due from banks	316
29	Financial assets measured at fair value through profit or loss	320
30	Debt instruments	321
31A	Equity investment at FVPL	328
31B	Equity investment at FVOCI	329
32	Credit cards	330
33	Loans and advances to customers	332
34	Credit loss expenses	337
35	Off-balance sheet financial assets	338

NOTES

Note	Description	Page
36	Other assets	346
37	Non-current assets held for sale	351
38	Investment in subsidiaries	352
39	Motor vehicles	353
40	Property and equipment	355
41	Right-of-Use assets	359
42	Prepaid Leases	359
43	Intangible assets	360
44	Deferred income tax	361
45	Deposits and balances due to other Banks	362
46	Deposits from customers	362
47	Other liabilities	364
48	Lease Liabilities	365
49	Insurance and reinsurance Contracts	366
50	Green Bond	368
51	Borrowings	369
52	Subordinated Debt	373
53	Grants	374
54	Net debt reconciliation	375
55	Share Capital	377
56	Non-Controlling interest (NCI)	378
57	Reserves	379
58	Capital Management	381
59	Analysis of cash and cash equivalents	383
60	Financial Instruments by category	383
61	Provisions of legal claims	385
62	Contingent Liability	386
63	Commitments and leases	387
64	Related Party disclosures	389
65	Events after the statement of financial position date	393

NOTES

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 2023 were approved for issue by Those Charged with governance on 15th March 2024. Neither the entity's owners nor others have the power to amend the financial statements after issue.

2 BASIS OF PREPARATION

The consolidated financial statements have been prepared on a historical cost basis, except for the following;

- Debt instrument at fair value through OCI and motor vehicles 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 need significant estimates and judgements and considered materiality assessments.

The financial statements are presented in Tanzania shillings (TZS) which is the functional currency, and the amounts are rounded to the nearest million, except where otherwise indicated.

The Bank has prepared its consolidated financial statement on the basis that it will continue to operate as a going concern, refer to note 8.3.9.

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) and are prepared in the manner required by the Companies Act No.12 of 2002.

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 2023, the statements of profit or loss and 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 accounting policies and other explanatory notes.

The Bank presents its statement of financial position in order of liquidity based on its intention and perceived ability to recover/settle most assets/ liabilities of the corresponding financial statement line item. Financial assets and liabilities are generally reported gross in the consolidated statement of financial position except when IFRS netting criteria are met.

Application of the going concern principle

The 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 a going concern basis.

NOTES

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 2023 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 2023:

New and amended standards adopted by the Group and Bank

Accounting changes	Effective date	Details
IFRS 17, 'Insurance contracts'	Annual periods beginning on or after 1 January 2023 (Published May 2017)	The IASB issued IFRS 17, 'Insurance contracts', in the year 2017. 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. In addition to this general model, the standard provides the premium allocation approach, which is simplified and applicable for certain types of contracts, 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 of 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. *Impact on the Group's financial statements:* Based on management's assessment, the standard will have an impact on the balance sheet in the financial statements. On the side of the income statements, given that the insurance operations started towards the end of the year 2023 there is no significant impact on the income statements. ▪ On this basis the insurance service results have been included within other operating income and expenses. Refer to Notes 19 and 20, respectively. ▪ The details of the insurance/reinsurance contract balances are provided in Note 49 ▪ For details of the accounting policies and measurement approach applied for insurance contracts refer to Note 7:36 ▪ No transition adjustments were made to the opening retained earnings as the Group began its insurance operation at the end of the year 2023.

NOTES

5 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(i) New and amended standards adopted by the Group and Bank (Continued)

IFRS 17, Insurance Contracts	Annual periods beginning on or after 1 January 2023 (Published June 2020)	In response to some of the concerns and challenges raised, the Board developed targeted amendments and a number of proposed clarifications intended to ease the implementation of IFRS 17, simplify some requirements of the standard and ease the transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard. Impact on the Group's financial statements: Refer to the details above
Amendments to IAS 12, Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Annual periods beginning on or after 1 January 2023. (Published May 2021)	The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. Impact on the Group's financial statements: Based on management assessment, the amendment is not expected to have a significant impact on the Group's financial statements. The Group policy on accounting for deferred taxes on its leases has been in line with the new amendment.
Definition of Accounting Estimates -Amendments to IAS 8	Annual periods beginning on or after 1 January 2023. (Published February 2021)	The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide more useful accounting policy disclosures 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. Impact on the Group's financial statements: Based on management assessment, the amendment is not expected to have a significant impact on the Group's financial statements.
Amendments to IAS 12 International Tax Reform—Pillar Two Model Rules	The deferred tax exemption and disclosure of the fact that the exception has been applied is effective immediately. The other disclosure requirements are effective annual periods beginning on or after 1 January 2023. (Published May 2023)	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies. Impact on the Group's financial statements: Based on management assessment, the amendment is not expected to have a significant impact on the Group's financial statements.

NOTES

5 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(ii) International Financial Reporting Standards, interpretations and amendments issued but not effective.

Accounting changes	Effective date	Details
Amendments to IAS 1 - Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants	Annual periods beginning on or after 1 January 2024 (Published January 2020 and November 2022)	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. They also aim to improve the information an entity provides related to liabilities subject to these conditions. *Impact on the Group's financial statements:* Based on management assessment, the amendment is not expected to have a significant impact on the Group's financial statements.
Amendment to IFRS 16 – Lease liability in a sale and leaseback	Annual periods beginning on or after 1 January 2024 (Published September 2022)	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted. *Impact on the Group's financial statements:* Based on management assessment, the amendment is not expected to have a significant impact on the Group's financial statements.
Amendments to IAS 7 and IFRS 7 Disclosures: Supplier Finance Arrangements	Annual periods beginning on or after 1 January 2024 (Published May 2023)	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis. *Impact on the Group's financial statements:* Based on management assessment, the amendment is not expected to have a significant impact on the Group's financial statements.
Amendments to IAS 21 Lack of Exchangeability	Annual periods beginning on or after 1 January 2025 (Published August 2023)	An entity is impacted by the amendments when it has a transaction or operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when it can be obtained (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations. *Impact on the Group's financial statements:* Based on management assessment, the amendment is not expected to have a significant impact on the Group's financial statements.
Sale or Contribution of Assets between an Investor- Amendments to IFRS 10 and IAS 28	In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting.	The amendments address the conflict between IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3 Business combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. *Transition requirement* The amendments must be applied prospectively. Early application is permitted and must be disclosed. Based on management assessment, the amendment is not expected to have a significant impact on the Group's financial statements.

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 by the Group and Bank, they will be adopted on the respective effective dates, if applicable.

NOTES

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 2023. 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 38.

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 MATERIAL ACCOUNTING INFORMATION AND DISCLOSURES

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.

(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.

NOTES

7 SUMMARY OF MATERIAL ACCOUNTING INFORMATION AND DISCLOSURES (Continued)

7.1 Foreign currency translation (Continued)

(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 'Exchange differences on translation of foreign operations' 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.

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.

NOTES

7 **SUMMARY OF MATERIAL ACCOUNTING INFORMATION AND DISCLOSURES (Continued)**

7.2.2 Interest and similar income/expense (Continued)

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 notes 7.3.1 and 7.3.2 below.

When the Bank provides a service to its customers, consideration is determined according to the bank's rates and charges and is generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for 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 the Bank's revenue contracts, which are in a single performance obligation, the Bank has not made any significant judgment 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 include 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.

<u>Loan commitment fees</u>: These are fixed annual fees paid by customers for loans and other credit facilities with the Bank. Commitment/Facility fees received by the Group to originate loans at market interest rates 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.

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 drawdown 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 drawdown is not probable are recognised over the term of the commitment.

<u>Loan syndication fees</u>: 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.

<u>Custody fees:</u> 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.

<u>Interchange fees</u>: 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.

NOTES

7 SUMMARY OF MATERIAL ACCOUNTING INFORMATION AND DISCLOSURES (Continued)

7.3 Fees and commission income (Continued)

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:

<u>Transactional fees</u>: 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 include 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

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

- 'Fees and commissions receivables' are recognised in the statement of financial position under 'Other assets. The receivable arises 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 contracts with customers is disaggregated based on the 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 foreign exchange income

Net foreign exchange income includes all gains/(losses) from trading and changes in fair value for financial assets and financial liabilities.

7.5 Net gains / (losses) on financial assets at fair value through profit or loss

Net gains/ (losses) on financial assets at FVTPL represent revenue from non-trading assets 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 recognized on the date on which the Bank becomes a party to the contractual provisions of the instrument. Loans and advances to customers are recognized 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 them. Financial instruments are initially measured at their fair value (as defined in Note 7.7). Except in the case of financial assets and 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 30 for further details).

NOTES

7 SUMMARY OF MATERIAL ACCOUNTING INFORMATION AND DISCLOSURES (Continued)

7.7 Financial instruments - initial recognition (Continued)

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.

7.7.4 Measurement categories of financial assets and liabilities

Classification and subsequent measurement of financial assets depend 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 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:

NOTES

7 SUMMARY OF MATERIAL ACCOUNTING INFORMATION AND DISCLOSURES (Continued)

7.7 Financial instruments - initial recognition (Continued)

7.7.4 Measurement categories of financial assets and liabilities (Continued)

<table>
<tr><th colspan="2">Category (as defined by IFRS 9)</th><th colspan="2">Class (as determined by the Bank)</th><th>Subclass</th></tr>
<tr><td rowspan="16">Financial Assets</td><td rowspan="12">Amortized cost</td><td colspan="3">Due from banks</td></tr>
<tr><td rowspan="5">Loans and advances to customers</td><td rowspan="2">Loans to individuals (personal lending)</td><td>Personal Loans</td></tr>
<tr><td>Mortgage Loans</td></tr>
<tr><td>Loans to corporate entities</td><td>Corporate Customers</td></tr>
<tr><td>Loans to SMEs</td><td>SME Loans</td></tr>
<tr><td>Loans to Microfinance</td><td>Microfinance Loans</td></tr>
<tr><td colspan="3">Credit cards</td></tr>
<tr><td colspan="3">Other assets (excluding non-financial assets)</td></tr>
<tr><td rowspan="2">Investment in Debt securities</td><td>Debt instruments</td><td>Treasury Bill and Bonds (SPPI)</td></tr>
<tr><td>Private Bonds</td><td>Private Bonds</td></tr>
<tr><td colspan="3">Settlement and clearing accounts</td></tr>
<tr><td colspan="3">Cash balances with the central bank</td></tr>
<tr><td rowspan="2">Fair value through other comprehensive income (FVOCI)</td><td colspan="3">Equity investments designated at FVOCI</td></tr>
<tr><td colspan="3">Other treasury bonds held to collect contractual cash flows & sale</td></tr>
<tr><td rowspan="2">Fair value through Profit or Loss (FVPL)</td><td colspan="3">Equity investments designated at FVPL</td></tr>
<tr><td colspan="3">Financial assets designated at FVPL</td></tr>
<tr><td>Financial assets Held for trading</td><td>Fair value through Profit or Loss (FVPL</td><td colspan="3">Debt Instruments</td></tr>
<tr><td rowspan="4">Financial liabilities</td><td rowspan="4">Financial liabilities at amortised cost</td><td colspan="3">Deposits from Banks</td></tr>
<tr><td colspan="3">Borrowings, Green bond, subordinated debts, and other liabilities</td></tr>
<tr><td rowspan="2">Deposits from customers</td><td colspan="2">Retail customers</td></tr>
<tr><td colspan="2">Corporate customers</td></tr>
<tr><td rowspan="2">Off-balance sheet financial instruments</td><td colspan="4">Loan commitments</td></tr>
<tr><td colspan="4">Guarantees, acceptances and other financial liabilities</td></tr>
</table>

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. 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 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.

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.

NOTES

7 SUMMARY OF MATERIAL ACCOUNTING INFORMATION AND DISCLOSURES (Continued)

7.8 Fair value measurement (Continued)

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, a 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 with respect to 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.

When the fair value of unlisted equity instruments cannot be reliably determined, they are carried out at FVOCI. The fair value of loans and advances and liabilities to banks and customers is 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 include one or more unobservable inputs that are significant to the measurement as a 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 categorisation (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 fair values of financial assets and liabilities are determined 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.

Valuation Principles and Governance

The Group's fair value methodology and the governance over its models include several controls and other procedures to ensure appropriate measures 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 the Risk Department and Finance. The responsibility of ongoing measurement resides with Finance, which reports to the Chief Financial Officer.

The fair value estimates are being validated by:

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

Valuation techniques

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.

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.

Therefore, the Bank applies various techniques to estimate the credit risk associated with its financial instruments measured at fair value. These include a portfolio-based approach that estimates the expected net exposure per counterparty over the full lifetime of the individual assets, reflecting the credit risk of the individual counterparties for non-collateralized financial instruments.

The Bank estimates the value of its 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

Transfers between levels

- The financial instruments are transferred from Level 1 to Level 2 when they cease to be actively traded during the year.
- The financial instruments are transferred from Level 2 to Level 1 when actively traded during the year.
- Transfers out of the level 3 portfolio arise when inputs that could significantly impact the instrument's valuation become market observable after previously being non-market observable.
- 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.

Reporting and disclosures

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.

The fair value of a financial instrument is generally measured on an individual basis. However, when the bank manages a group of financial assets and liabilities based on its net market or credit risk exposure (as defined in IFRS 7), the bank can opt to measure the fair value of that group based on its net position. The financial statements present the underlying financial assets and liabilities separately unless they satisfy the IFRS offsetting criteria.

NOTES

7 SUMMARY OF MATERIAL ACCOUNTING INFORMATION AND DISCLOSURES (Continued)

7.8 Fair value measurement (Continued)

Gains or losses on the valuation of FVOCI are recognised in other comprehensive income.
Gains or losses on the valuation of FVPL are recognised in profit or loss.

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 measured at FVPL, Equity instrument measured at FVOCI.

The Bank measures Loans and advances to banks, Loans and advances to customers, Debt instruments measured at amortized cost, Credit cards, financial assets measured at FVPL, Equity instruments measured at FVPL, Equity instruments measured at FVOCI only if both of the following conditions are met:

- The financial asset is held within a business model with the objective of holding financial assets to collect contractual cash flows.
- The contractual terms of the financial asset give rise to cash flows on specified dates 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), the financial assets are classified as part of the 'other' business model and measured at FVPL.

The group considers factors such as experience in collecting the cash flows for these assets, evaluating and reporting the asset's Performance to key management personnel, assessing and managing risks, and compensating managers when determining the business model for a Group of assets.

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 judgment. The significance and frequency of sales are assessed on a case-by-case basis at the business model level.

The frequency is assessed on an annual basis, and sales of assets that take place once or less per annum are 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; rather, the reasons for the sales need to be more carefully considered. Management will consider the volume and number of sales relative 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.

Suppose cash flows after initial recognition are realised in a way that is different from the Bank's original expectations. In that case, the Bank does not change the classification of the remaining financial assets held in that business model. Still, it incorporates such information when assessing newly originated or newly purchased financial assets going forward.

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

7.9.1.2 The SPPI test

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

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

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgment 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.

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

NOTES

7 SUMMARY OF MATERIAL ACCOUNTING INFORMATION AND DISCLOSURES (Continued)

7.9 Financial assets and liabilities per financial statement line (Continued)

7.9.1.2 The SPPI test (Continued)

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.

For the purpose of this test, the' principal' is defined as the fair value of the financial asset at initial recognition, which may change over the asset's life (for example, if there are principal repayments 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 judgment 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 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 are not standardized, then the SPPI test will be performed on an individual instrument at initial recognition.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in contractual cash flows unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

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. Most reforms affecting the Group have been completed by the end of the year. Management has determined that the asset's amended contractual cash flow 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.

The Bank may issue loans that include features that change the contractual cash flows based on the borrower meeting certain contractually specified environmental, social and governance (ESG) targets. These are known as ESG-linked (or sustainability-linked) loans. For example, the contractual interest rate is reduced if the borrower meets specific targets for reducing carbon emissions. In line with the policy outlined above, if the ESG feature is assessed as resulting in a de minimis exposure to risks or volatility in the contractual cash flows, then the ESG feature does not affect the classification of the loan. However, if the effect of the ESG feature is assessed as being more than de minimis, then further judgement is required about whether the feature does not introduce compensation for risks inconsistent with basic lending arrangements.

7.9.2 Financial assets or financial liabilities held for trading.

The Bank classifies financial assets or 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 to sell or repurchase 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 recognized in OCI. Interest income and foreign exchange gains and losses are recognized 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 presented in Note 7.12.3. On derecognition, cumulative gains or losses previously recognized 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: 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 not held 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 recognized 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.

7.9.5 Debt issued and other borrowed funds

After initial measurement, debt issued, and other borrowed funds are subsequently measured at amortized cost. Amortized cost is calculated by considering costs that are an integral part of the EIR.

NOTES

7 SUMMARY OF MATERIAL ACCOUNTING INFORMATION AND DISCLOSURES (Continued)

7.9 Financial assets and liabilities per financial statement line (Continued)

7.9.6 Financial assets and financial liabilities at fair value through profit or loss

Financial assets and liabilities in this category 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 is 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 evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Financial assets and 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.

7.9.7 Financial guarantees, letters of credit and undrawn loan commitments

The Bank may issue financial guarantees, letters of credit and loan commitments.

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

Undrawn loan commitments and letters of credit are commitments under which the Bank is required to provide a loan with pre-specified terms to the customer throughout the commitment. 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 17 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 rare occasions when the group changes how it manages financial assets. Any change in the business model 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 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 enforcing the collection of collateral. A modification of a financial asset occurs when the contractual terms governing the cash flows of the financial asset are renegotiated or otherwise modified between its initial recognition and maturity.

A modification affects the amount and timing of the contractual cash flows immediately or later. 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 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 differ substantially from the original ones. 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 affect the loan's risk profile.
- Significant loan term extension 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.

NOTES

7 **SUMMARY OF MATERIAL ACCOUNTING INFORMATION AND DISCLOSURES (Continued)**

7.11 Modifications of financial assets and financial liabilities (Continued)

7.11.1 Modification of financial assets (Continued)

Suppose cash flows are modified when the borrower is in financial difficulties. In that case, 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. Suppose the Group plans to modify a financial asset in a way that would result in the forgiveness of cash flows. In that case, 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 the 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 its remaining term.

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 becomes a new loan, with the difference recognized as derecognition gains or losses to the extent that an impairment loss has not already been recorded. The newly recognized 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 it have expired. The Bank also derecognizes the financial asset if it has transferred it 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.

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.

NOTES

7 **SUMMARY OF MATERIAL ACCOUNTING INFORMATION AND DISCLOSURES (Continued)**

7.12 Derecognition of financial assets and liabilities(Continued)

7.12.2 Derecognition other than substantial modification of terms and conditions (Continued)

7.12.2.1 Financial assets (Continued)

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 recognized 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 it 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 enforcing the 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 7.11. 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 months 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.

7.14 Offsetting financial instruments

Financial assets and 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 an intention to settle on a net basis, realising the assets and settling the liabilities simultaneously.

Financial assets and 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.

NOTES

7 SUMMARY OF MATERIAL ACCOUNTING INFORMATION AND DISCLOSURES (Continued)

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 results 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 results 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 12-month 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 assess whether a financial instrument's credit risk has increased significantly since initial recognition at the end of each reporting period 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:

- **Stage 1:** When loans are first recognized, the Bank recognizes an allowance based on a 12-month ECL. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2.
- **Stage 2:** When a loan has shown a significant increase in credit risk since origination, the 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.
- **Stage 3:** Loans considered credit-impaired (as outlined in Note 10.3.8) The Bank records an allowance for the Lifetime ECL.
- **POCI:** Purchased or originated credit-impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition, and interest income is subsequently recognised based on a credit-adjusted EIR. The ECL allowance is only recognised or released to the extent that there is a subsequent change in the expected credit losses.

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

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 been 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 up. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

NOTES

7 SUMMARY OF MATERIAL ACCOUNTING INFORMATION AND DISCLOSURES (Continued)

7.15 Impairment of financial assets (continued)

7.15.2 Calculation of ECL (continued)

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

PD—The Probability of Default estimates the likelihood of default over a given time horizon. It is calibrated over up to 12 months from the reporting date (stage 1) or over the lifetime of the product (stage 2) and incorporates 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 months or a 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 the current drawn balance and adding a "credit conversion factor," which allows for the expected drawdown of the remaining limit by the time of default. Based on an analysis of the Group's recent default data, these assumptions vary by product type and current limit utilization band.

LGD—The Loss Given Default is an estimate of the loss arising when 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 that 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, LGDs are typically set at the product level due to the limited differentiation in recoveries achieved across different borrowers. These LGDs 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 be cured 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.

<u>The mechanics of the ECL method are summarised below:</u>

Stage 1: The 12-month ECL is calculated as the portion of the Lifetime ECL that represents the ECL that results from default events on a financial instrument that are possible within 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 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 instrument's lifetime. 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.

NOTES

7 SUMMARY OF MATERIAL ACCOUNTING INFORMATION AND DISCLOSURES (Continued)

7.15 Impairment of financial assets (continued)

7.15.2 Calculation of ECL (continued)

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 and any amounts that the Group expects to receive from the holder, the debtor, or any other party. The ECL related to financial guarantee contracts is recognised within the 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 card 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 rates, 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.

There were no changes in estimation techniques/ assumptions made during the reporting period.

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 the 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 macroeconomic 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.

NOTES

7 SUMMARY OF MATERIAL ACCOUNTING INFORMATION AND DISCLOSURES (Continued)

7.16 Credit enhancements: collateral valuation and financial guarantees (Continued)

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.

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 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 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, which is then applied against the gross carrying amount. Any subsequent recoveries are credited to profit or loss.

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

- ceasing enforcement activity and
- 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 for specific borrowers.

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 the criteria for the 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 instalments.

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 backwards 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 an improvement in the quantitative and qualitative factors that caused a significant increase in 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 the gross carrying amount of the asset at the beginning of the period before allowance for ECLs using the 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 calls with banks, other short-term 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.

NOTES

7 SUMMARY OF MATERIAL ACCOUNTING INFORMATION AND DISCLOSURES (Continued)

7.21 Leases

At the 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. 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 costs. 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 payments 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, use 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

Critical judgements in determining the lease term

- Extension and termination options - Extension and termination options are included in a number of property lease contracts. These terms maximise operational flexibility in managing contracts.

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

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

- If there are significant penalties to terminate (or not extend), the Bank is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Bank is typically reasonably certain to extend (or not terminate).

Otherwise, the Bank considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset. Most extension options in offices and vehicle 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 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 that affects this assessment and is within the control of the lessee.

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.

NOTES

7 SUMMARY OF MATERIAL ACCOUNTING INFORMATION AND DISCLOSURES (Continued)

7.21 Leases (Continued)

a) 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 7.24 Impairment of non-financial assets.

b) 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, or a change in the lease payments.

c) 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 expenses 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.

Currently, the Bank is a Lessor of Operating Leases.

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.

7.21.1 Prepaid Leases

Prepaid leases relate to advance payments made for the right of occupancy of land held by the Bank. Initially prepaid leases are recognised at the amount paid to the Government to acquire the right of use of land. Directly attributable costs are added to the initial carrying amount. Subsequently, prepaid leases are amortised over the period of the leases which ranges between 66-99 years.

7.22 Property and equipment and motor vehicles

Recognition and measurement

Upon initial recognition Property and equipment and motor vehicles are recorded at a cost which includes expenditure that is directly attributable to the acquisition of the items.

Subsequently, motor vehicles 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. 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 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 from the revaluation of such motor vehicles is recognized in profit or loss to the extent that it exceeds the balance, if any, held in a revaluation reserve relating to a previous revaluation of that asset. Excess depreciation arising from the revaluation is amortized

NOTES

7 SUMMARY OF MATERIAL ACCOUNTING INFORMATION AND DISCLOSURES (Continued)

7.22 Property and equipment and motor vehicles (Continued)

over the remaining useful life of the revalued assets through a transfer from the revaluation reserve to retain earnings.
Land and buildings comprise mainly conventional branches and offices.

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 its continued use. 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 the 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 and prepaid leases	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
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.

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.

7.23 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 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.

NOTES

7 SUMMARY OF MATERIAL ACCOUNTING INFORMATION AND DISCLOSURES (Continued)

7.24 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 that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets (Cash Generating Units or CGUs). The impairment test can also 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.

7.25 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 49. The unwinding of the discount is recognised as a finance cost.

7.26 Taxes

7.26.1 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 with respect to 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 24.

7.26.2 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 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 used to support the probability assessment that sufficient taxable profits will be generated by the group entities 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.

7.26.3 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, 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

NOTES

7 **SUMMARY OF MATERIAL ACCOUNTING INFORMATION AND DISCLOSURES (Continued)**

7.26.3 Uncertain Tax Positions (Continued)

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.

7.26.4 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.

7.27 Equity instruments

The Group's own equity instruments (treasury shares) that are acquired by it or any of its subsidiaries 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.

7.28 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 required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period to prepare for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred.

7.29 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.

7.30 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 a '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
- Exchange differences on translation of foreign operations, 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 57).

7.31 Earnings per share

The Group and Bank present 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.

7.32 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.

7.33 Dividend on ordinary shares

Dividends on ordinary shares are recognised as liabilities and deducted from equity when they are approved by the Bank's shareholders at the Annual General Meeting. Payment of dividends is subject to withholding tax at the enacted rate of 5%.

NOTES

7 **SUMMARY OF MATERIAL ACCOUNTING INFORMATION AND DISCLOSURES (Continued)**

7.34 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.

7.35 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.

7.36 Insurance Operations

7.36.1 Definition and classification of policyholder contracts

The Group issues contracts that transfer insurance risks as defined under IFRS 17 through its wholly-owned subsidiary, CRDB Insurance Company Limited.

An insurance contract is a contract under which the insurer accepts significant insurance risk, from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Such contacts may also transfer financial risk. The Group determines insurance risk as significant if, and only if, an insured event could cause the Group to pay additional amounts that are significant in any single scenario, excluding scenarios that have no commercial substance. The possibility of a loss is measured on a present-value basis.

The Group assesses whether it accepts significant insurance risk under the individual contract that it issues, i.e., not by groups of contracts, the outcome of which determines if the contract is within the scope of IFRS 17 or another IFRS standard. In some cases, management applies judgment as to whether there are significant insurance risks under the contracts it issues. The Group considers its substantive rights and obligations, whether they arise from a contract, law or regulation when applying IFRS 17. CRDB Insurance Company Limited has insurance risk for General business.

7.36.2 Separating components from insurance and reinsurance contracts

The Group assesses its non-life insurance and reinsurance products to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17. After separating any distinct components, the Group applies IFRS 17 to all remaining components of the (host) insurance contract. Currently, the Group's products do not include any distinct components that require separation.

7.36.3 Level of aggregation

IFRS 17 requires an entity to determine the level of aggregation for applying its requirements. The level of aggregation for the Group is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together.

Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. This means that, for determining the level of aggregation, the Group identifies a contract as the smallest 'unit', i.e., the lowest common denominator. However, the Group makes an evaluation of whether a series of contracts need to be treated together as one unit based on reasonable and supportable information, or whether a single contract contains components that need to be separated and treated as if they were stand-alone contracts.

As such, what is treated as a contract for accounting purposes may differ from what is considered as a contract for other purposes (i.e., legal or management). IFRS 17 also requires that no group for level of aggregation purposes may contain contracts issued more than one year apart. The Group has elected to group together those contracts that would fall into different groups only because law or regulation specifically constrains its practical ability to set a different price or level of benefits for policyholders with different characteristics.

The Group applied a full retrospective approach for the transition to IFRS 17. The portfolios are further divided by year of issue and profitability for recognition and measurement purposes. Hence, within each year of issue, portfolios of contracts are divided into three groups, as follows:

- A group of contracts that are onerous at initial recognition (if any)
- A group of contracts that, at initial recognition, have no significant possibility of becoming onerous subsequently (if any)
- A group of the remaining contracts in the portfolio (if any)

The profitability of groups of contracts is assessed by actuarial valuation models that take into consideration existing and new business. The Group assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. For contracts that are not onerous, the Group assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances.

The Group considers facts and circumstances to identify whether a group of contracts are onerous based on:

- Pricing information
- Results of similar contracts it has recognised.
- Environmental factors, e.g., a change in market experience or regulations

NOTES

7 SUMMARY OF MATERIAL ACCOUNTING INFORMATION AND DISCLOSURES (Continued)

7.36 Insurance Operations (Continued)

7.36.3 Level of aggregation (Continued)

The Group divides portfolios of reinsurance contracts held applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition. For some groups of reinsurance contracts held, a Group can comprise a single contract.

7.36.4 Cohorts

In addition to this required grouping above, the Group are not permitted to include contracts issued more than one year apart in the same group. The Group has elected to combine contracts in the same annual calendar year at initial recognition. The recognition and measurement requirements are then applied to these groups of contracts.

7.36.5 Measurement approaches for IFRS 17 insurance contracts

The measurement approaches refer to the models prescribed for valuing the IFRS 17 defined insurance contracts and impact how the amounts are recognised in the income statement over time. Insurance revenue is recognised throughout the contracts in a way that best reflects the delivery of the contracted obligations in the reporting period.

For all measurement approaches, the total insurance contract asset or liability is the sum of:

- The Liability for remaining coverage (LRC), the Group's obligation to investigate and pay valid claims under existing contracts for insured events that have not yet occurred (i.e. the obligation that relates to the unexpired portion of the insurance coverage) and pay amounts under existing insurance contracts that are not included as above, and relate to insurance contract services not yet provided, i.e. the obligations that relate to future provisions of insurance contract services, or other amounts that are not related to the future provision of insurance contract services and that have not been transferred to the Liability for incurred claims (LIC).
- The LIC, which is the Group's obligation to investigate and pay valid claims for insured events that have already occurred, including vents that have occurred but have not been reported and other incurred insurance expenses; and to pay amounts that relate to insurance contract services that have already been provided, or other amounts that are not related to the provision of insurance contract services and that are not included in the LRC.
- The asset for insurance acquisition cash flows is directly attributable to acquisition costs incurred by the group in establishing product lines prior to a group of insurance contracts being recognised.

All components of the LRC are grouped together in the applicable cohorts for initial and subsequent recognition. On initial recognition, the LRC for PAA contracts consists of:

- Fulfilment cash flows (FCF), comprising current estimates of future cash flows (within the boundary of the contract), an adjustment that reflects the time value of money and the financial risks related to future cash flows to the extent that financial risks are not included in the estimates of the FCF;
- An explicit risk adjustment (RA) for non-financial risk.

For all reinsurance contracts. the total reinsurance contract asset or liability is the sum of:

- The ARC, if the contract is still in the coverage period; and
- The ARIC, if the insured event has occurred.

The measurement approaches used for insurance and reinsurance contracts are appropriate for the terms and conditions, and the characteristics of the insurance or reinsurance contract being measured. Consistent assumptions are used to measure the estimates used in measuring the groups of reinsurance contracts held with those estimates used to measure the groups of underlying insurance contracts. The allocation of contracts to each measurement approach is dictated by IFRS 17. However, there is an element of judgment in certain cases and a permitted simplification if prescribed eligibility criteria are met. Due to the short nature of contracts that the Group issues, it applies the PAA.

When applying IAS 21, The Effects of Changes in Foreign Exchange Rates (IAS 21), to a group of insurance contracts that generate cash flows in a foreign currency, the group treats the group of contracts as a non-monetary item.

7.36.5.1 Premium Allocation Approach (PAA)

The PAA simplifies the General Measurement Model (GMM) approach for contracts with short boundaries, a coverage period of 12 months or less, or where they meet the PAA eligibility criteria (for both insurance and reinsurance contracts). The eligibility criteria are met if, at the inception of the group of contracts, it is expected that the simplification would produce a measurement of the LRC for that group of contracts that would not differ materially from that had the simplified measurement approach not been applied.

Profit for the period under the PAA approach is mainly determined with reference to the amount of expected premium receipts less expenses in the period. The key difference therefore is how the LRC is measured, with the PAA. This approach avoids the complexities associated with updating a CSM (as there is no CSM) and estimating future claims.

Revenue recognition for PAA measured contracts reflects the transfer of insurance contract services, which for the Group, is generally over the passage of time (unless other indicators are more representative of the service provided).

Once a contract is eligible for the PAA, it is the Group's choice whether to elect it or not (an accounting policy election at inception of the contract). In order to be eligible for PAA, the coverage period must be one year or less or in certain cases with longer coverage period, if specific eligibility criteria can be met.

NOTES

7 SUMMARY OF MATERIAL ACCOUNTING INFORMATION AND DISCLOSURES (Continued)

7.36 Insurance Operations (Continued)

Although the calculation of the LRC differs from that used for those contracts measured under the GMM measurement approach, the LIC approach is the same for both measurement models.

7.36.6 Recognition

The Group recognises groups of insurance contracts it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts.
- The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date.
- For a group of onerous contracts, if facts and circumstances indicate that the group is onerous, The Group recognises a group of reinsurance contracts held it has entered into from the earlier of the following:

(i) The beginning of the coverage period of the group of reinsurance contracts held. (However, the Group delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date any underlying insurance contract is initially recognised if that date is later than the beginning of the coverage period of the group of reinsurance contracts held.

And

(ii) The date the Group recognises an onerous group of underlying insurance contracts if the Group entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

The Group adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

7.36.7 Contract boundary

The Group includes all the future cash flows within the boundary of each contract in the group to measure a group of insurance contracts. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the insurer can compel the policyholder to pay the premiums or in which the Insurer has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation to provide insurance contract services ends when:

(a) The Insurer has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflect those risks.

Or

(b) Both of the following criteria are satisfied:

- The Insurer has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflect the risk of that portfolio.
- The pricing of the premiums up to the date when the risks are reassessed does not consider the risks that relate to periods after the reassessment date A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognised. Such amounts relate to future insurance contracts.

7.36.8 Insurance contracts – initial measurement

The Group applies the premium allocation approach (PAA) to all the insurance contracts that it issues and reinsurance contracts that it holds, as:

a. The coverage period of each contract in the group is one year or less, including insurance contract services arising from all premiums within the contract boundary.

or

b. For contracts longer than one year, the Group has modelled possible future scenarios and reasonably expects that the measurement of the liability for remaining coverage for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced applying the general model. In assessing materiality, the Group has also considered qualitative factors such as the nature of the risk and the types of its lines of business.

The Group does not apply the PAA if, at the inception of the group of contracts, it expects significant variability in the fulfilment cash flows that would affect the measurement of the liability for the remaining coverage during the period before a claim is incurred. Variability in the fulfilment cash flows increases with, for example:

c. The extent of future cash flows related to any derivatives embedded in the contracts.
d. The length of the coverage period of the group of contracts

For a group of contracts that is not oneros at initial recognition, the Group measures the liability for remaining coverage as:

e. The premiums, if any, received at initial recognition
f. Minus any insurance acquisition cash flows at that date, with the exception of contracts which are one year or less where this is expensed,
g. Plus, or minus any amount arising from the derecognition at that date of the asset recognised for insurance acquisition cash flows and

NOTES

7 SUMMARY OF MATERIAL ACCOUNTING INFORMATION AND DISCLOSURES (Continued)

7.36 Insurance Operations (Continued)

7.36.8 Insurance contracts – initial measurement (Continued)

h. Any other asset or liability previously recognised for cash flows related to the group of contracts that the Group pays or receives before the group of insurance contracts is recognised.

Given the short-term nature of insurance contracts (that is, all insurance contracts have a coverage period of one year or less), no allowance for the time value of money is made for the liability for remaining coverage.

Where facts and circumstances indicate that contracts are onerous at initial recognition, the Group performs additional analysis to determine if a net outflow is expected from the contract.

Such onerous contracts are separately grouped from other contracts and the Group recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Group for the liability for remaining coverage for such an onerous group, depicting the losses recognised. For additional disclosures on the loss component, please refer to Note 20.

Insurance contracts – subsequent measurement

The Group measures the carrying amount of the liability for remaining coverage at the end of each reporting period as the liability for remaining coverage at the beginning of the period:

- Plus, premiums received in the period.
- Minus insurance acquisition cash flows, with the exception of the property insurance product line for which the Group chooses to expense insurance acquisition cash flows as they occur.
- Plus, any amounts relating to the amortisation of the insurance acquisition cash flows are recognised as an expense in the reporting period for the group.
- Plus, any adjustment to the financing component, where applicable
- Minus the amount recognised as insurance revenue for the services provided in the period
- Minus any investment component paid or transferred to the liability for incurred claims

The Group estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows; they reflect current estimates from the perspective of the Group and include an explicit adjustment for non-financial risk (the risk adjustment). The Group does not adjust the future cash flows for the time value of money and the effect of financial risk for the measurement of liability for incurred claims that are expected to be paid within one year of being incurred.

Where, during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Group recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Group for the liability for remaining coverage for such an onerous group, depicting the losses recognised. For additional disclosures on the loss component. Insurance acquisition cash flows are allocated on a straight-line basis as a portion of the premium to profit or loss (through insurance revenue).

7.36.9 Reinsurance contracts held – initial measurement

The Group measures its reinsurance assets for a group of reinsurance contracts that it holds on to the same basis as insurance contracts that it issues. However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued, for example, the generation of expenses or reduction in expenses rather than revenue.

Where the Group recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Group establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.

The Group calculates the loss-recovery component by multiplying the loss recognised on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Group expects to recover from the group of reinsurance contracts held. The Group uses a systematic and rational method to determine the portion of losses recognised on the group to insurance contracts covered by the group of reinsurance contracts held where some contracts in the underlying group are not covered by the group of reinsurance contracts held.

The loss-recovery component adjusts the carrying amount of the asset for remaining coverage.

7.36.10 Reinsurance contracts held – subsequent measurement

The subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance held.

Where the Group has established a loss-recovery component, the Group subsequently reduces the loss-recovery component to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

NOTES

7 SUMMARY OF MATERIAL ACCOUNTING INFORMATION AND DISCLOSURES (Continued)

7.36 Insurance Operations (Continued)

7.36.11 Insurance acquisition cash flows

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs. With the exception of the property insurance product line, for which the Group chooses to expense insurance acquisition cash flows as they occur, the Group uses a systematic and rational method to allocate:

- Insurance acquisition cash flows that are directly attributable to a group of insurance contracts:
  (i) to that group; and
  (ii) to groups that include insurance contracts that are expected to arise from the renewals of the insurance contracts in that group.
- Insurance acquisition cash flows directly attributable to a portfolio of insurance contracts that are not directly attributable to a group of contracts, to groups in the portfolio.

Where insurance acquisition cash flows have been paid or incurred before the related group of insurance contracts is recognised in the statement of financial position, a separate asset for insurance acquisition cash flows is recognised for each related group.

The asset for insurance acquisition cash flow is derecognised from the statement of financial position when the insurance acquisition cash flows are included in the initial measurement of the related group of insurance contracts. The time bands when the Group expects to derecognise the above asset for insurance acquisition cash flows are disclosed in Note 49

At the end of each reporting period, the Group revises amounts of insurance acquisition cash flows allocated to groups of insurance contracts not yet recognised, to reflect changes in assumptions related to the method of allocation used.

After any re-allocation, the Group assesses the recoverability of the asset for insurance acquisition cash flows, if facts and circumstances indicate the asset may be impaired. When assessing the recoverability, the Group applies:

- An impairment test at the level of an existing or future group of insurance contracts; and
- An additional impairment test specifically covering the insurance acquisition cash flows allocated to expected future contract renewals.

If an impairment loss is recognised, the carrying amount of the asset is adjusted and an impairment loss is recognised in profit or loss. The Group recognises in profit or loss a reversal of some or all of an impairment loss previously recognised and increases the carrying amount of the asset to the extent that the impairment conditions no longer exist or have improved.

7.36.12 Risk adjustment (RA)

The RA is an explicit, current adjustment to compensate the Group for bearing non-financial risk, that is, insurance risk, a deferral of margin to cover the risk of variation to the estimated cash flows. The risk adjustment is released over the contact duration in line with the reduction of the estimated risk. The group has adopted the confidence level approach to determine the amount of risk adjustment required. Risk adjustment is calculated based on the 75% confidence level.

7.36.13 Risk adjustment – reinsurance

For reinsurance contracts, the risk adjustment for non-financial risk represents the amount of risk being transferred to the reinsurer.

7.36.14 Insurance Revenue

The insurance revenue for the period is the amount of expected premium receipts (excluding any investment component) allocated to the period. The Group allocates the expected premium receipts to each period of insurance contract services based on the passage of time. But if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then the allocation is made on the basis of the expected timing of incurred insurance service expenses.

The Group changes the basis of allocation between the two methods above as necessary if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate. For the periods presented, all revenue has been recognised on the basis of the passage of time.

7.36.15 Loss components

The Group assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. Where this is not the case, and if at any time during the coverage period, the facts and circumstances indicate that a group of insurance contracts is onerous, the Group establishes a loss component as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the liability for remaining coverage of the group. Accordingly, by the end of the coverage period of the group of contracts, the loss component will be zero.

7.36.16 Loss-recovery components

Where the Group recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or when further onerous underlying insurance contracts are added to a group, the Group establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the expected recovery of the losses.

NOTES

7 SUMMARY OF MATERIAL ACCOUNTING INFORMATION AND DISCLOSURES (Continued)

7.36 Insurance Operations (Continued)

7.36.16 Loss-recovery components (Continued)

A loss-recovery component is subsequently reduced to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

7.36.17 Discount rates

Insurance contract liabilities are calculated by discounting expected future cash flows at a risk-free rate, plus an illiquidity premium where applicable. Risk-free rates are determined by reference to the yields of highly liquid government securities in the currency of the insurance contract liabilities. The illiquidity premium is determined by reference to be observable market rates.

7.36.18 Insurance finance income and expense

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

- The effect of the time value of money and changes in the time value of money; and
- The effect of financial risk and changes in financial risk.

The Group does not disaggregate insurance finance income or expenses between profit or loss and OCI for its insurance contracts issued.

7.36.19 Net income or expense from reinsurance contracts held

The Group presents separately on the face of the statement of profit or loss and other comprehensive income, the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid. The Group treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held and excludes investment components and commissions from an allocation of reinsurance premiums presented on the face of the statement of profit or loss and other comprehensive income.

7.36.20 Presentation

The Group has presented separately, in the statement of financial position, the carrying amount of portfolios of insurance contracts issued that are assets, portfolios of insurance contracts issued that are liabilities, portfolios of reinsurance contracts held that are assets and portfolios of reinsurance contracts held that are liabilities.

Any assets for insurance acquisition cash flows recognised before the corresponding insurance contracts are included in the carrying amount of the related groups of insurance contracts allocated to the carrying amount of the portfolios of insurance contracts that they relate to.

The Group disaggregates the total amount recognised in the statement of profit or loss into an insurance service result, comprising insurance revenue and insurance service expense, and insurance finance income or expenses. The Group does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the insurance service result.

The Group separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

7.36.21 Insurance contracts – modification and derecognition

The Group derecognises insurance contracts when:

The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired) or

- The contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the Group derecognises the initial contract and recognises the modified contract as a new contract.

When a modification is not treated as a derecognition, the Group recognises amounts paid or received for the modification with the contract as an adjustment to the relevant liability for remaining coverage.

7.37 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.

NOTES

7 SUMMARY OF MATERIAL ACCOUNTING INFORMATION AND DISCLOSURES (Continued)

7.37 Employee benefits (Continued)

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 earliest of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

7.38 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 consistent with the internal reporting provided to the Bank's Management Team, which is the 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.

8.1. Significant Judgements

In applying the Bank's accounting policies, management has made the following judgements, which have the most significant effects on the amounts recognised in the consolidated financial statements.

8.1.1 Impairment losses on financial assets

In determining the expected credit losses, the Bank makes the following judgements:

- Significant increase in credit risk (SICR) In assessing whether a significant increase in credit risk (SICR) has occurred for an exposure since initial recognition, the Bank considers both quantitative and qualitative information and analysis. In doing so, the Bank makes judgements about the appropriate indicators used as SICR triggers.
- The triggers the Bank has determined as appropriate include the 30-day backstop, movement in PD, and other qualitative factors, such as moving a customer/facility to the watch list or the account becoming forborne. See Note 10.3.2.5. for further details.
- Multiple economic scenarios The Bank, in its measurement of ECL, makes judgements about the type and number of macroeconomic scenarios to reflect the Bank's exposure to credit risk. For example, the Bank has determined that three (3) scenarios are appropriate-upside, base case, and downside. See Note 10.3.3. for further disclosures relating to the different scenarios.
- Definition of Default Significant judgment exists regarding when an asset is considered to have defaulted and the resulting definition of default against which parameters of the ECL model, such as PD, LGD, and EAD, are evaluated. See Note 10.3.2.1.
- Other judgements in the determination of ECL include
  - Development of ECL models, including the segmentation of products, the various formulas, and the choice of inputs, for example, which inputs are relevant for the particular exposures in particular regions.
  - The segmentation of financial assets when their ECL is assessed on a collective basis

8.1.2 Fair value

Significant judgement is exercised in classifying fair value instruments as level 3 as their valuation is driven by significant unobservable inputs. The Bank considers an instrument to be valued using significant unobservable inputs when more than 10% of the instrument's valuation is determined by unobservable inputs.

NOTES

8 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

8.2. Significant estimates and assumptions

The key 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, are described below. The Bank based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Bank. Such changes are reflected in the assumptions when they occur.

8.2.1 Impairment losses on financial assets

The measurement of impairment losses under IFRS 9 across all categories of financial assets in scope requires assumptions, in particular, in 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 several factors, such as changes that can result in different levels of allowances.

The Bank's ECL calculations are outputs of complex models with several underlying assumptions regarding the variable inputs and their interdependencies. Elements of the ECL calculation that involve assumptions and estimate uncertainty include:

- The weightings assigned to the multiple economic scenarios to reflect the exposure to credit risk
- The value of specific economic inputs included in the assessment, such as unemployment levels and collateral values, and the effect on PDs, EADs, and LGDs. See Note 10.3.3 for an analysis of the inputs to the ECL model.
- The value of specific economic inputs included in the assessment, such as unemployment levels and collateral values, and the effect on PDs, EADs, and LGDs. See Note 10.3.3 for an analysis of the inputs to the ECL model.
- In addition to the judgements outlined above regarding SICR triggers, qualitative criteria are assessed to determine if there has been a significant increase in credit risk. These supplementary factors (such as sectorial approaches) result in significant assumptions and estimation uncertainty.

The bank regularly reviews its models in the context of actual loss experience and adjusts when necessary. Refer to Note 10.3.3 for further details on ECLs and sensitivities.

8.2.2 Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but estimation is required to establish fair values where this is not feasible. Assumptions and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation, and volatility. For further details about determining fair value, please see Notes 7.8 and 11.

8.3. Other accounting judgements, estimates, and assumptions

8.3.1. Impact of climate risk on accounting judgments and estimates

Where appropriate, the Bank considers climate-related matters in its estimates and assumptions, which may increase the inherent level of uncertainty. This assessment includes a wide range of possible impacts on the Bank due to physical and transition risks. The Bank and its customers are exposed to the physical risks of climate change and the risks of transitioning to a net-zero economy. These risks may involve refinancing and liquidity risks for certain customers in high-risk sectors where financial institutions may seek to reduce their exposures in the future. Even though climate-related risks might not currently significantly impact measurement, the Bank is closely monitoring relevant changes and developments.

The items and considerations that are most directly impacted by climate-related matters are:

- *Expected credit losses (ECL):* Customers and portfolios exposed to climate risk may have a resultant deterioration in creditworthiness and a consequential impact on ECL. For example, the measurement of ECL may be affected by physical climate-related risks such as floods or outbreaks of fire, which may negatively affect a borrower's ability to repay the loan or result in a deterioration in the value of underlying collateral pledged. Transition risks may result from government or institutional policy changes, with consequential credit quality deterioration in sectors or countries affected.

  The underlying Bank collaterals held are not expected to be impacted by climate risk as the assets are not in high-risk geographical areas. Refer to Note 10.3.7.2 where the gross carrying amount, and allowance for ECL, per industry segment are 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 and bonds: For loans and bonds with sustainability-linked features, the Bank determines whether the instrument passes the sole 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 loan portfolio held by the Bank at 31 December 2023, the 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. Consequently, the Bank concluded that climate risk has been adequately reflected within the fair value of its assets and liabilities. Where prices are observable, the fair value is assumed to already incorporate the market's participants' view of climate risk variables. Where a proxy valuation approach has been used for unobservable prices,

NOTES

8 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

8.3. Other accounting judgements, estimates, and assumptions (Continued)

8.3.1. Impact of climate risk on accounting judgments and estimates (Continued)

selecting the proxy includes considering climate risk factors where appropriate. Refer to the climate risk considerations commentary in Note 11 for further considerations of how these judgements are applied.

8.3.2 Deferred tax assets

The recognition of a deferred tax asset relies on assessing the probability and sufficiency of future taxable profits and reversals of existing taxable temporary differences. Judgment 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.

8.3.3 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 judgment 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 to exercise either the renewal or termination.
After the commencement date, the Bank reassesses the lease term if a significant event or change in circumstances within its control affects its ability to exercise or not to exercise the option to renew or terminate (e.g., construction of significant leasehold improvements or significant customisation of the leased asset).

8.3.4 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 specific entity-specific estimates (such as the subsidiary's stand-alone credit rating).

8.3.5 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 instruments' expected behaviour and life cycle, as well as expected changes to the 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 before and after transition except for the changes required by IBOR reform.

For changes not required by IBOR reform, the Bank applies judgment 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 occurred 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, considering both quantitative and qualitative factors. Examples of economically equivalent changes include changing the reference interest rate from an IBOR to an RFR and changing the reset period for days between coupons to align with the RFR.

8.3.6 Derecognition of financial instruments in the context of IBOR reform

The Bank derecognises financial assets and liabilities if their terms and conditions have been substantially modified. In the context of IBOR reform, many financial instruments will be amended as they transition from IBORs to RFRs. In addition to changing the interest rate of a financial instrument, other changes may be made to its terms at the time of transition.

For financial instruments measured at amortised cost, the Bank first applies the practical expedient 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 applies judgment to assess whether the changes are substantial and, if they are, the financial instrument is derecognised and a new financial instrument recognised. If the changes are insignificant, 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.

NOTES

8 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

8.3. Other accounting judgements, estimates, and assumptions (Continued)

8.3.7 Provisions and Other Contingent Liabilities

The Group operates in a regulatory and legal environment that naturally 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 from 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. A contingent liability is disclosed when the probability of outflow is remote or likely, but a reliable estimate cannot be made. However, when the Bank believes 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.

When the effect of the time value of money is material, the Bank determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The expense relating to any provision is presented in the income statement net of any reimbursement in other operating expenses.

8.3.8 Property, equipment, and intangible assets

Those charged with governance make critical estimates to determine the useful lives of property, equipment, and intangible assets and 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 7.22.

8.3.9 Going Concern

The Bank'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 their going concern assessment. Furthermore, management is unaware 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 a going concern basis.

8.3.10 Determination of control of another entity

The Group determines its control over another entity when the below conditions are fulfilled;

- It has power over the Subsidiary.
- It has exposure, or rights, to variable returns and
- ability to use power to affect returns.
  Therefore, the entity will be consolidated into the financial statements of the Parent.
  The presence of control is reassessed whenever relevant facts or circumstances change.

Presentations

- Non-controlling interest (NCI) will be presented within equity in the consolidated statement of the financial position, separate from the equity attributable to the parent's owners.
- A parent entity, in presenting consolidated financial statements, will allocate the profit or loss and total comprehensive income between the owners of the parent and the non-controlling interests.
- Changes in a parent's ownership interest in an entity that don't result in loss of control are treated as equity transactions. The changes will not impact the profit or loss, recognised assets (including goodwill), or liabilities.

Loss of control

When a Group loses control of a subsidiary, it will apply the following accounting approach:

- Derecognise all assets (including goodwill) and liabilities of the former subsidiary at their carrying amount,
- Derecognise the non-controlling interest,
- Recognise the received consideration at fair value,
- Recognise any retained investment in the former subsidiary at fair value,
- Recognise any resulting difference as a gain or loss in profit or loss attributable to the parent

8.4 Insurance contracts

8.4.1 Unit of account - Insurance contracts aggregation

The Group defines a portfolio as insurance contracts subject to similar risks and managed together. Assessing which risks are similar and how contracts are managed requires judgment. The Group has determined that contracts within the same product lines (such as Motor Insurance, Fire insurance, Engineering insurance, etc.) are within the same portfolio as they have similar risks and are managed together.

NOTES

8 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

8.4 Insurance contracts (Continued)

***8.4.1 Unit of account - Insurance contracts aggregation* (Continued)**

Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. Aggregating insurance contracts issued on initial recognition into groups of onerous contracts, groups of contracts with no significant possibility of becoming onerous, and groups of other contracts require significant judgment.

The Group measures all its insurance contracts using the PAA. In this case, the Group assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. For contracts that are not onerous, the Group assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances.

The Group considers facts and circumstances to identify whether a group of contracts are onerous based on:

- Pricing information
- Results of similar contracts it has recognised.
- Environmental factors, e.g., a change in market experience or regulations.

The Group divides portfolios of reinsurance contracts held applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition.

In 2023, the Group did not identify any facts or circumstances that might have indicated that a group of contracts measured under the PAA had become onerous. All contracts measured by the Group in 2023 under the PAA were determined to be non-onerous on initial recognition.

8.4.2 Liability for Incurred Claims

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques. The main assumption underlying these techniques is that a past claims development experience using market or other best available information can be used to project future claims development and, hence, ultimate claims costs. These methods extrapolate the development of paid and incurred losses using market data, average costs per claim (including claims handling costs), and claim numbers based on the observed development of earlier years and expected loss ratios.

Historical claims development is mainly analysed by accident years by significant product lines and claim types. Large claims are usually separately addressed, either by being reserved at face value of loss adjuster estimates or separately projected to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based.

Additional qualitative judgement is used to assess the extent to which past trends may not apply in future (e.g., to reflect one-off occurrences, changes in external levels of claims inflation, legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) to arrive at the estimated ultimate cost of claims that present the probability-weighted expected value outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Estimates of salvage recoveries and subrogation reimbursements are considered an allowance in measuring ultimate claims costs. Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement, and changes in foreign currency exchange rates.

8.4.3 Assessment of directly attributable cash flows:

The Group uses judgment in assessing whether cash flows are directly attributable to a specific portfolio of insurance contracts. Insurance acquisition cash flows are included in the measurement of a group of insurance contracts only if they are directly attributable to the individual contracts in a group, or to the group itself, or the portfolio of insurance contracts to which the group belongs.

When estimating fulfilment cash flows, the Group also allocates fixed and variable overhead fulfilment cash flows directly attributable to the fulfilment of insurance contracts.

9 SEGMENT INFORMATION

IFRS 8 requires that the Group's organisational structure be divided into identifiable business segments, each of which is reported separately in the internal management reporting system. In this case, the Group's business segments are Corporate Banking, Retail Banking, and Treasury. These segments are distinct divisions of the Group's operations, each with activities and performance metrics. By analysing the financial performance of each business segment, the Group can gain valuable insights into the strengths and weaknesses of its operations, enabling it to make informed decisions about future investments and strategic initiatives.

Segments	Descriptions
Corporate Banking	Includes services and products to corporate and high net worth individuals, including deposits, letters of credit, guarantees, lending and other products and dealing with financial institutions.
Retail Banking	Includes services and products to individuals and small and medium enterprises, including deposits and lending.
Treasury	This includes treasury services, investment management services, and asset management activities related to dealings, managing, and custody of securities.

NOTES

9 SEGMENT INFORMATION

The Executive Management Committee monitors the operating results of its business units separately to make 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.

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 the parent. Income and expenses directly associated with each segment are included in determining business segment performance.

Segment information has been prepared per the "management approach", which requires the 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.

9.1 Profit segments

An analysis of the profit or loss statement, including total assets and liabilities, is as follows:

GROUP TZS' Million	Corporate Banking	Retail Banking	Treasury	Total
31 December 2023				
External Operating income				
Interest income Calculated using the Effective Interest Method	330,914	648,140	247,998	1,227,052
Other Interest and Similar Income	-	-	379	379
Interest expense Calculated using the Effective Interest Method	(77,088)	(49,479)	(219,859)	(346,426)
Other Interest and Similar Expenses	(1,140)	(2,152)	(415)	(3,707)
Internal net interest income/(expense)	(25,688)	(10,318)	36,006	-
Net interest income	226,998	586,191	64,109	877,298
Fee and Commission income	326,209	92,363	10,267	428,839
Fee and Commission expense	(6,204)	(69,003)	(11,208)	(86,415)
Net Fee and Commission income	320,005	23,360	(941)	342,424
Net foreign exchange income	-	-	65,949	65,949
Credit Loss expense on financial assets	(22,937)	(17,287)	566	(39,658)
Net gains/ (losses) on financial assets at fair value through profit or loss	-	631	(282)	349
Net gains on derecognition of financial assets measured at fair value through OCI	-	-	7,038	7,038
Other Operating income	-	460	820	1,280
Net Operating Income	524,066	593,355	137,259	1,254,680
Operating Expenses	(56,697)	(133,548)	(28,354)	(218,599)
Depreciation	(13,896)	(34,366)	(7,463)	(55,725)
Amortization	(7,206)	(18,000)	(3,769)	(28,975)
Employee benefit expenses	(85,147)	(213,062)	(40,034)	(338,243)
Impairment non – current held for sale	(10,758)	-	-	(10,758)
Impairment Other Assets	(929)	(2,348)	(452)	(3,729)
Total Operating Expenses	(174,633)	(401,324)	(80,072)	(656,029)
Profit Before Tax	349,433	192,031	57,187	598,651
Income Tax Expense	(102,649)	(56,411)	(16,799)	(175,859)
Profit for the year	246,784	135,620	40,388	422,792
Assets and Liabilities				
Segment assets*	4,733,842	3,712,749	4,075,249	12,521,840
PPE Additions	396	87,650	292	88,338
Unallocated Asset	-	-	-	711,11
Total Assets	4,734,238	3,800,399	4,075,541	13,321,289
Segment liabilities**	(3,729,711)	(5,191,173)	(2,244,878)	(11,165,762)
Unallocated liabilities	-	-	-	(374,039)
Total Liabilities	(3,729,711)	(5,191,173)	(2,244,878)	(11,539,801)

NOTES

9 SEGMENT INFORMATION

9.1 Profit segments (continued)

An analysis of the profit or loss statement, including total assets and liabilities, is as follows:

GROUP TZS' Million	Corporate Banking	Retail Banking	Treasury	Total
31 December 2022				
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 expenses	(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 profit or loss	-	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
Assets and Liabilities				
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)

NOTES

9 SEGMENT INFORMATION

9.1 Profit segments (continued)

An analysis of the profit or loss statement, including total assets and liabilities, is as follows:

BANK TZS' Million	Corporate Banking	Retail Banking	Treasury	Total
31 December 2023				
External Operating income				
Interest income Calculated using the Effective Interest Method	299,458	637,902	221,000	1,158,360
Other Interest and Similar Income	-	-	379	379
Interest expense Calculated using the Effective Interest Method	(79,031)	(46,944)	(197,410)	(323,385)
Other Interest and Similar Expenses	(850)	(2,147)	(413)	(3,410)
Internal net interest income/(expense)	(6,420)	(10,214)	16,634	-
Net interest income	213,157	578,597	40,190	831,944
Fee and Commission income	320,112	90,048	10,245	420,405
Fee and Commission expense	(6,150)	(68,154)	(10,588)	(84,892)
Net Fee and Commission income	313,962	21,894	(343)	335,513
Net foreign exchange income	-	-	56,895	56,895
Credit Loss expense on financial assets	(20,661)	(16,688)	567	(36,782)
Net losses on financial assets at fair value through profit or loss	-	-	(282)	(282)
Net gains on derecognition of financial assets measured at fair value through OCI	-	-	7,038	7,038
Other Operating income	-	281	11,310	11,591
Net Operating Income	506,458	584,084	115,375	1,205,917
Operating expenses	(50,140)	(126,776)	(24,393)	(201,309)
Depreciation	(13,424)	(33,941)	(6,531)	(53,896)
Amortization	(7,067)	(17,868)	(3,438)	(28,373)
Employee benefit expenses	(80,360)	(203,186)	(39,095)	(322,641)
Impairment non – current held for sale	(10,758)	-	-	(10,758)
Impairment Other Assets	(928)	(2,347)	(451)	(3,726)
Total Operating Expenses	(162,677)	(384,118)	(73,908)	(620,703)
Profit Before Tax	343,781	199,966	41,467	585,214
Income Tax Expense	(103,742)	(60,344)	(12,513)	(176,599)
Profit for the year	240,039	139,622	28,954	408,615
Asset and Liability				
Segment assets*	4,451,000	3,586,859	3,763,808	11,801,667
PPE Additions	396	87,650	292	88,338
Unallocated Asset	-	-	-	748,440
Total Assets	4,451,396	3,674,509	3,764,100	12,638,445
Segment liabilities**	(3,209,106)	(5,105,555)	(2,222,316)	(10,536,977)
Unallocated liabilities	-	-	-	(416,141)
Total Liabilities	(3,209,106)	(5,105,555)	(2,222,316)	(10,953,118)

NOTES

9 SEGMENT INFORMATION

9.1 Profit segments (continued)

An analysis of the profit or loss statement, including total assets and liabilities, is as follows:

BANK TZS' Million	Corporate Banking	Retail Banking	Treasury	Total
31 December 2022				
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)

NOTES

9 SEGMENT INFORMATION

9.2 Geographical information

Geographically, the Group operates in the United Republic of Tanzania, the Republic of Burundi, and the Republic of DRC. The financial performance and financial position of the Group by the geographic segment is as follows:

GROUP In TZS' Million	Tanzania	Burundi	Congo	Consolidation adjustment	Total
31 December 2023					
External Operating income					
Interest income Calculated using the Effective Interest Method	1,158,360	76,014	1,986	(9,308)	1,227,052
Other Interest and similar Income	379	-	-	-	379
Interest expense Calculated using the Effective Interest Method	(323,385)	(32,344)	(5)	9,308	(346,426)
Other Interest and Similar expense	(3,411)	(11)	(285)		(3,707)
Net interest income	831,943	43,659	1,696	-	877,298
Fee and Commission income	421,748	8,033	75	(1,017)	428,839
Fee and Commission expense	(84,932)	(2,082)	(418)	1,017	(86,415)
Net Fee and Commission income	336,816	5,951	(343)	-	342,424
Net foreign exchange income	56,896	9,052	1	-	65,949
Credit Loss expense on financial assets	(36,720)	(2,938)	-	-	(39,658)
Net gains on financial assets at fair value through profit or loss	349	-	-	-	349
Net gains/(losses) on equity investment at fair value through profit or loss	-	-	-	-	-
Net gains on derecognition of financial assets measured at fair value through profit or Loss	7,038	-	-	-	7,038
Other Operating income	11,709	63	-	(10,492)	1,280
Net Operating Income	1,208,031	55,787	1,354	(10,492)	1,254,680
General and Administrative Expense	(202,682)	(13,242)	(2,675)	-	(218,599)
Depreciation	(53,802)	(1,076)	(847)	-	(55,725)
Amortization	(28,520)	(157)	(298)	-	(28,975)
Employee benefit expenses	(325,045)	(9,668)	(3,530)	-	(338,243)
Impairment non – current held for sale	(10,758)	-	-	-	(10,758)
Impairment Other Assets	(3,726)	(3)	-	-	(3,729)
Total Operating Expenses	(624,533)	(24,146)	(7,350)	-	(656,029)
Profit Before Tax	583,498	31,641	(5,996)	(10,492)	598,651
Income Tax Expense	(176,131)	(1,506)	1,778	-	(175,859)
Profit for the year	407,367	30,135	(4,218)	(10,492)	422,792
Asset and Liability					
Segment assets*	12,341,094	977,464	113,376	(194,528)	13,237,406
PPE Additions	67,354	6,052	10,477		83,883
Total Assets	12,408,448	983,516	123,853	(194,528)	13,321,289
Segment liabilities**	(10,933,483)	(903,009)	(25,754)	322,445	(11,539,801)
Total Liabilities	(10,933,483)	(903,009)	(25,754)	322,445	(11,539,801)

NOTES

9 SEGMENT INFORMATION

9.2 Geographical information (continued)

GROUP In TZS' Million	Tanzania	Burundi	Consolidation adjustment	Total
31 December 2022				
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)
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 profit or Loss	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*	11,026,903	848,205	(250,184)	11,624,924
PPE Additions	9,354	2,279	-	11,633
Total Assets	9,258,498	850,484	(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)

**Segment assets mainly includes loans and advances to customers, and Debt instruments. The amounts for these items are shown in the statement of financial position.*

***Segment liabilities mainly includes deposit from customers, Deposits, and balances due to other Banks and Borrowings. The amounts for these items are shown in the statement of financial position.*

NOTES

9 **SEGMENT INFORMATION**

9.2 Geographical information (continued)

Cash flows from operating, investing, and financing activities for the geographical segments are as follows:

Year ended 31 December 2023 In TZS' Million	Tanzania	Burundi	Congo	Total
Net cash from operating activities	(63,079)	(187,225)	(89,003)	(339,307)
Net cash used in investing activities	(82,470)	(8,840)	737	(90,573)
Net cash used in financing activities	409,532	-	45,510	455,042
	263,983	(196,065)	(42,756)	25,162
Net increase in cash and cash equivalents	263,983	(196,065)	(42,756)	25,162
Cash and cash equivalents at 1 Jan	1,192,211	96,239	-	1,288,450
Effect of exchange rate change in cash and cash equivalent	24,809	(2,960)	2,088	23,937
Cash and cash equivalent at 31 December	1,481,003	(102,786)	(40,668)	1,337,549

Year ended 31 December 2022	Tanzania	Burundi	Congo	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	-	-	1832
Cash and cash equivalent at 31 December	1,192,211	96,239	-	1,288,450

In computing the above segment information.

- Interest Income, Interest Expense and Loan Impairment charges segmentation computation has been changed from a systematic allocation basis using an agreed internal allocation basis to specific identification from the individual segments.
- Expenses have been identified explicitly with individual segments 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 the branch network, whose costs are assumed to be shared at 5 and 10 per cent 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 include 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 parties. Unallocated liabilities include bills payables, dividends payable, accrued expenses, deferred income, sundry creditors, credit outstanding, unclaimed customers balances and due to related parties.
- Inter-segment transactions have been generally based on transfer pricing measures as determined by the Management.
- In 2023 or 2022, no revenues from transactions with a single external customer amounted to 10% or more of the Group's revenues.
- 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 would be excessive.
- The measurement methods used to determine the reported segment profit or loss did not change from prior periods.

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 ensures that risks are identified, quantified, managed, and monitored to achieve an optimal-risk reward profile. Our enterprise risk management framework has well-defined 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 maximises the group's potential for earnings, ensures stability and takes measures to protect the business against unexpected losses. Primarily, our risk management aims to safeguard solvency by preserving high asset quality, efficient operations and prudent capital management, resulting in sustained earnings that augment core capital, enabling regulatory compliance, and enhancing market reputation and stakeholder support.

NOTES

10 **RISK MANAGEMENT (Continued)**

10.1 Risk Management Framework

10.1.1 Introduction and risk profile

CRDB Group is based in Tanzania and has operations in Burundi as well. While 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 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, organisation, 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 adapts to an economic and regulatory environment, addressing management globally and adapting to circumstances at any time.

The framework establishes a risk management system adapted to the Bank's risk profile and strategy. The risks inherent in the business that make up the risk profile of the Group are referred to as Principal Risks, which include 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 Management Structure

The board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles. The board has appointed the Risk Committee members, who are responsible for monitoring the overall risk process within the Bank. The Risk Committee has the overall responsibility for developing the risk strategy and implementing principles, frameworks, policies, and limits.

The Risk Committee manages risk decisions, monitors 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 monitors compliance with risk principles, policies, and limits across the Bank. Each department within the Bank has its own unit, which is responsible for controlling risks, including monitoring the actual risk of exposures against authorised limits and assessing risks of new products and structured transactions.

The risk department also ensures the complete capture of the risks in its risk measurement and reporting systems. A Group Risk Profile report is produced monthly. The same covers 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 manages its assets, liabilities, and 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 that 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, and 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 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 managing and escalating risks and are empowered and encouraged to act as risk managers.

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 employee training courses. 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 the expected loss likely to arise in normal circumstances and unexpected losses, which estimates the actual loss based on statistical models. The models use 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 occur. Monitoring and controlling risks are 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, produced monthly, covers all the significant risk inputs for each risk type that is tabled to the Board Risk Committee for quarterly review and auctioning. 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 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.

NOTES

10 RISK MANAGEMENT (Continued)

10.1 Risk management Framework (Continued)

10.1.5 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.

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 requires 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.

10.1.6 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 on the Group's portfolio.

10.2 Risk of spill-over from our Subsidiaries

The Group has two subsidiaries operating in Burundi and Congo. Any risks, uncertainties, or negative events resulting from the subsidiary's activities can have an impact on the Group's operations. Each subsidiary's board is responsible for managing the significant risks, including Credit, Concentration, Market, Operational, Liquidity, Technology, Reputation, Compliance, and others. The Group Risk Management Committee periodically reviews these risks and provides guidance on risk management practices as required. To ensure a comprehensive assessment of risk for the entire group, stress testing is carried out by integrating the stress tests of all subsidiaries.

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.

NOTES

10 RISK MANAGEMENT (Continued)

10.3 Credit risk (Continued)

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 2023. 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:

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/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
- 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

NOTES

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)

- 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.

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	0.05%	26.52%	0
2	Current	Stage 1	0.10%	22.40%	1-30
3	Especially mentioned 1	Stage 2	1.13%	18.81%	31-60
4	Especially mentioned 2	Stage 2	1.87%	24.83%	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.

Due from banks, nostro balances and debt instruments (Continued)

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 2023, are all low risk.

NOTES

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 (Continued)

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	Days past due	Loss rate	Staging
Current	0-30	0.0%-0.05%	Stage 1
Especially mentioned 1	31-60	0.06%-4.25%	Stage 2
Especially mentioned 2	61-90	4.26%-14.36%	Stage 2
Substandard and Doubtful	91-180	14.37%-23.63%	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.

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:

NOTES

10 RISK MANAGEMENT (Continued)

10.3 Credit risk (Continued)

10.3.2 Impairment assessment (Continued)

10.3.2.5 Significant increase in credit risk (Continued)

Loans and advances to customers, credit cards, loan commitments and financial guarantees

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).

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 performing 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 credit losses are recognized.	Lifetime expected credit losses are recognised.	Lifetime expected credit losses are recognized.
Recognition of interest	Interest revenue is calculated on the gross carrying amount of the asset.	Interest revenue is calculated on the gross carrying amount of the asset.	Interest revenue is calculated 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.

NOTES

10 RISK MANAGEMENT (Continued)

10.3 Credit risk (Continued)

10.3.2 Impairment assessment (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;
- 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

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.

	2023			2022		
Macroeconomic variable	**Average**	**Max**	**Min**	**Average**	**Max**	**Min**
GDP Nominal Rate %	**0.13**	**0.14**	**0.13**	10.53	14.88	6.18
Consumption private Real Rate %	**143.33**	**162.18**	**124.49**	3.36	5.61	1.12
Inflation	**4.82**	**5.95**	**3.69**	-	-	-
Lending Rate %	**-**	**-**	**-**	16.86	17.77	15.96
Gross Value Added Real%	**0.93**	**1.73**	**0.13**	6.05	7.35	4.75
Domestic Demand Real %	**5.39**	**7.73**	**3.05**	7.12	9.73	4.52

The most significant period-end assumptions used for the ECL estimate are set out below;

31-Dec-23	Assigned weight %	2023 %	2024 %	2025 %	2026 %	2027 %
GDP Nominal Rate*						
Base Case	**68.20%**	**0.13**	**0.13**	**0.14**	**0.08**	**0.08**
Upside	**10.60%**	**0.14**	**0.14**	**0.15**	**0.09**	**0.09**
Downside	**21.20%**	**0.12**	**0.12**	**0.13**	**0.07**	**0.08**
Consumption Private Real Rate**						
Base Case	**68.20%**	**140.50**	**145.70**	**153.59**	**160.72**	**167.90**
Upside	**10.60%**	**148.15**	**158.21**	**166.10**	**173.23**	**180.41**
Downside	**21.20%**	**132.85**	**137.66**	**145.55**	**152.68**	**159.86**
Lending Rate						
Base Case	**68.20%**	**3.81**	**4.92**	**5.95**	**5.24**	**4.85**
Upside	**10.60%**	**3.39**	**4.53**	**5.56**	**4.85**	**4.46**
Downside	**21.20%**	**4.23**	**5.36**	**6.39**	**5.68**	**5.29**
Gross Value Added real***						
Base Case	**68.20%**	**1.73**	**1.69**	**1.44**	**1.28**	**1.14**
Upside	**10.60%**	**2.43**	**3.03**	**2.78**	**2.63**	**2.48**
Downside	**21.20%**	**1.03**	**0.81**	**0.56**	**0.41**	**0.26**
Domestic Demand real****						
Base Case	**68.20%**	**3.05**	**3.97**	**4.09**	**5.56**	**5.00**
Upside	**10.60%**	**5.12**	**6.00**	**6.12**	**7.59**	**7.03**
Downside	**21.20%**	**0.98**	**0.84**	**0.96**	**2.43**	**1.87**

NOTES

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-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

* 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 GDP which is the most sensitive to the bank's performance.

NOTES

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 an increase in GDP rate by 10% decreases the ECL rate by 1.59%, hence decreases ECL by 1.59%
- A decrease in GDP rate by 10% increases the ECL rate by 3.15%, hence increasing ECL by 3.15%
- The 10% change in GDP represents reasonable possible shift in the current micro economic environment.

GROUP	2023		2022	
Sensitivity Analysis	Expected loss allowance			
In TZS' Million	Higher end	Lower end	Higher end	Lower end
31 December				
Corporate	**70,310**	**66,940**	100,971	89,550
SME	**16,881**	**14,938**	23,422	21,475
Microfinance	**1,766**	**1,745**	609	560
Mortgage	**753**	**746**	1,525	1,397
Personal loans	**37,482**	**37,168**	52,455	48,097
Off-balance sheet exposures	**680**	**453**	1,095	1,004
Total expected loss allowance	**127,872**	**121,990**	180,077	162,083

BANK

	2023		2022	
Sensitivity Analysis	Expected loss allowance			
In TZS' Million	Higher end	Lower end	Higher end	Lower end
31 December				
Corporate	**100,911**	**88,786**	100,911	88,786
SME	**23,322**	**21,376**	23,322	21,376
Microfinance	**598**	**548**	598	548
Mortgage	**1,525**	**1,397**	1,525	1,397
Personal loans	**52,155**	**47,803**	52,155	47,803
Off-balance sheet exposures	**1,085**	**995**	1,085	995
Total expected loss allowance	**179,596**	**160,905**	179,596	160,905

Under current and forecasted economic conditions, cash and balances with the 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 the 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:

NOTES

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 2023							
In TZS' million	Corporate	SME	Micro finance	Mortgage	Personal	Off-balance sheet	Total
Gross exposure	**4,017,460**	**965,797**	**187,230**	**69,603**	**3,326,676**	**3,764,807**	**12,331,573**
Upside (10.6%)	**7,219**	**1,672**	**185**	**79**	**3,928**	**55**	**13,138**
Base (68.2%)	**46,447**	**10,758**	**1,191**	**422**	**20,726**	**286**	**79,830**
Downside (21.2%)	**20,951**	**1,493**	**187**	**159**	**7,858**	**112**	**30,760**
	74,617	**13,923**	**1,563**	**660**	**32,512**	**453**	**123,728**
Effect of multiple economic scenario	**161**	**128**	**6**	**4**	**325**	**26**	**650**
31 December 2022							
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

BANK 31 December 2023							
In TZS' million	Corporate	SME	Micro finance	Mortgage	Personal	Off-balance sheet	Total
Gross exposure	**3,732,697**	**952,857**	**174,021**	**69,603**	**3,229,153**	**3,687,119**	**11,845,449**
Upside (10.6%)	**7,219**	**1,662**	**178**	**79**	**3,894**	**54**	**13,086**
Base (68.2%)	**46,447**	**10,695**	**948**	**422**	**20,507**	**290**	**79,309**
Downside (21.2%)	**20,944**	**1,482**	**356**	**159**	**7,789**	**109**	**30,839**
	74,610	**13,839**	**1,482**	**660**	**32,190**	**453**	**123,234**
Effect of multiple economic scenario	**161**	**126**	**5**	**4**	**323**	**25**	**644**
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

NOTES

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 2023							
In TZS' million	Corporate	SME	Micro finance	Mortgage	Personal	Off-balance sheet	Total
Upside	67,227	14,755	1,706	726	34,999	363	119,776
Base	67,944	15,647	1,740	745	36,737	500	123,313
Downside	69,080	16,686	1,785	770	39,142	686	128,149
Proportion of assets in stage 2							
Upside	1.23%	7.71%	3.34%	4.47%	7.35%	22.54%	3.93%
Base	1.64%	8.97%	3.97%	4.88%	7.67%	20.26%	4.49%
Downside	2.13%	10.21%	4.63%	5.27%	7.85%	18.30%	5.07%

31 December 2022							
In TZS' million	Corporate	SME	Micro finance	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%

NOTES

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 (continued)

BANK

31 December 2023							
In TZS' million	Corporate	SME	Micro finance	Mortgage	Personal	Off-balance sheet	Total
Upside	67,227	14,672	1,646	726	34,696	354	119,321
Base	67,944	15,556	1,675	745	36,416	488	122,824
Downside	69,081	16,585	1,712	770	38,798	670	127,616
Proportion of assets in stage 2							
Upside	1.23%	7.46%	3.38%	4.47%	5.09%	23.12%	3.85%
Base	1.64%	8.71%	4.05%	4.88%	7.50%	20.77%	4.40%
Downside	2.13%	9.95%	4.75%	5.27%	7.67%	18.73%	4.97%

31 December 2022							
In TZS' million	Corporate	SME	Micro finance	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%

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.

NOTES

10 RISK MANAGEMENT (Continued)

10.3 Credit risk (continued)

10.3.3.1 Expected credit losses

Summary of credit risk

GROUP

31 December 2023

In TZS' million	Corporate	SME	Microfinance	Mortgage	Personal	Off-balance sheet exposure	Total
	Gross carrying amount					Notional amount	
Stage 1	3,719,286	847,840	171,726	67,147	3,272,026	3,748,904	11,826,929
Stage 2	162,249	79,249	6,440	956	20,496	15,168	284,558
Stage 3	135,925	38,708	9,064	1,500	34,154	735	220,086
Total	4,017,460	965,797	187,230	69,603	3,326,676	3,764,807	12,331,573
ECL							
Stage 1	14,008	3,476	183	59	5,464	336	23,526
Stage 2	16,542	1,733	71	38	2,827	104	21,315
Stage 3	44,067	8,714	1,309	563	24,221	13	78,887
Total	74,617	13,923	1,563	660	32,512	453	123,728
Amortised cost							
Stage 1	3,705,278	844,364	171,543	67,088	3,266,562	3,748,568	11,803,403
Stage 2	145,707	77,516	6,369	918	17,669	15,064	263,243
Stage 3	91,858	29,994	7,755	937	9,933	722	141,199
Total	3,942,843	951,874	185,667	68,943	3,294,164	3,764,354	12,207,845
Coverage ratio[1]							
Stage 1	0.38%	0.41%	0.11%	0.09%	0.17%	0.01%	0.20%
Stage 2	10.20%	2.19%	1.10%	3.97%	13.79%	0.69%	7.49%
Stage 3	32.42%	22.51%	14.44%	37.53%	70.92%	1.77%	35.84%
Total	1.86%	1.44%	0.83%	0.95%	0.98%	0.01%	1.00%
Impairment charge							
Stage 1	8,260	1,922	9	42	(13,525)	307	-2,985
Stage 2	(2,619)	(1,237)	28	(111)	(288)	109	-4,118
Stage 3	52,089	(6,539)	1,145	(590)	2,434	51	48,590
Total	57,730	(5,854)	1,182	(659)	(11,379)	467	41,487
Cost of risk[2]							
Stage 1	0.22%	0.23%	0.01%	0.06%	(0.41%	0.01%	(0.03%)
Stage 2	(1.61%)	(1.56%)	0.43%	(11.61%)	(1.41%)	0.72%	(1.45%)
Stage 3	38.32%	(16.89%)	12.63%	(39.33%)	7.13%	6.94%	22.08%
Total	1.44%	(0.61%)	0.63%	(0.95%)	(0.34%)	0.01%	0.34%

[3]Total cost of risk for the Group 0.3%

NOTES

10 RISK MANAGEMENT (Continued)

10.3 Credit risk (continued)

10.3.3.1 Expected credit losses (continued)

Summary of credit risk (continued)

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 0.3%

NOTES

10 **RISK MANAGEMENT (Continued)**

10.3 Credit risk (continued)

10.3.3.1 Expected credit losses (continued)

Summary of credit risk (continued)

BANK

31 December 2023

In TZS' million	Corporate	SME	Microfinance	Mortgage	Personal	Off-balance sheet exposures	Total
	Gross carrying amount					Notional amount	
Stage 1	3,719,286	847,840	171,726	67,147	3,272,026	3,748,904	11,826,929
Stage 2	162,249	79,249	6,440	956	20,496	15,168	284,558
Stage 3	135,925	38,708	9,064	1,500	34,154	735	220,086
Total	4,017,460	965,797	187,230	69,603	3,326,676	3,764,807	12,331,573
ECL							
Stage 1	14,008	3,476	183	59	5,464	336	23,526
Stage 2	16,542	1,733	71	38	2,827	104	21,315
Stage 3	44,067	8,714	1,309	563	24,221	13	78,887
Total	74,617	13,923	1,563	660	32,512	453	123,728
Amortised cost							
Stage 1	3,705,278	844,364	171,543	67,088	3,266,562	3,748,568	11,803,403
Stage 2	145,707	77,516	6,369	918	17,669	15,064	263,243
Stage 3	91,858	29,994	7,755	937	9,933	722	141,199
Total	3,942,843	951,874	185,667	68,943	3,294,164	3,764,354	12,207,845
Coverage ratio[1]							
Stage 1	0.38%	0.41%	0.11%	0.09%	0.17%	0.01%	0.20%
Stage 2	10.20%	2.19%	1.10%	3.97%	13.79%	0.69%	7.49%
Stage 3	32.42%	22.51%	14.44%	37.53%	70.92%	1.77%	35.84%
Total	1.86%	1.44%	0.83%	0.95%	0.98%	0.01%	1.00%
Impairment charge							
Stage 1	8,260	1,922	9	42	(13,525)	307	(2,985)
Stage 2	(2,619)	(1,237)	28	(111)	(288)	109	(4,118)
Stage 3	52,089	(6,539)	1,145	(590)	2,434	51	48,590
Total	57,730	(5,854)	1,182	(659)	(11,379)	467	41,487
Cost of risk[2]							
Stage 1	0.22%	0.23%	0.01%	0.06%	(0.41%)	0.01%	(0.03%)
Stage 2	(1.61%)	(1.56%)	0.43%	(11.61%)	(1.41%)	0.72%	(1.45%)
Stage 3	38.32%	(16.89%)	12.63%	(39.33%)	7.13%	6.94%	22.08%
Total	1.44%	(0.61%)	0.63%	(0.95%)	(0.34%)	0.01%	0.34%

[3]Total cost of risk for the Bank 0.3%

NOTES

10 **RISK MANAGEMENT (Continued)**

10.3 Credit risk (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 exposures	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
	2,860,070	599,371	121,420	53,545	2,790,764	3,643,847	10,069,017
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 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.

NOTES

10 RISK MANAGEMENT (Continued)

10.3 Credit risk (continued)

10.3.2 Risk concentration in gross carrying amounts and corresponding ECL by segment, industry, and geographical location

The analysis is presented below:

GROUP In TZS' Million 31-Dec-23	Gross Carrying amount				Allowances for ECL				ECL Coverage			
Segment	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Corporate	3,719,286	162,249	135,925	4,017,460	14,008	16,542	44,067	74,617	0.4%	10.2%	32.4%	1.9%
SME	847,840	79,249	38,708	965,797	3,476	1,733	8,714	13,923	0.4%	2.2%	22.5%	1.4%
Microfinance	171,726	6,440	9,064	187,230	183	71	1,309	1,563	0.1%	1.1%	14.4%	0.8%
Mortgage	67,147	956	1,500	69,603	59	38	563	660	0.1%	4.0%	37.5%	0.9%
Personal	3,272,026	20,496	34,154	3,326,676	5,464	2,827	24,221	32,512	0.2%	13.8%	70.9%	1.0%
Total	8,078,025	269,390	219,351	8,566,766	23,190	21,211	78,874	123,275	0.3%	7.9%	36.0%	1.4%
Industry												
Agriculture	1,574,614	35,980	97,943	1,708,537	3,496	15,594	10,325	29,415	0.2%	43.3%	10.5%	1.7%
Financial institutions	44,367	21,688	193	66,248	35	337	53	425	0.1%	1.6%	27.5%	0.6%
Hotels and restaurants	55,439	27,661	650	83,750	28	1,019	79	1,126	0.1%	3.7%	12.2%	1.3%
Individuals	3,133,826	20,466	34,094	3,188,386	5,442	2,827	24,192	32,461	0.2%	13.8%	71.0%	1.0%
Manufacturing	605,490	18,293	26	623,809	393	26	-	419	0.1%	0.1%	0.0%	0.1%
Others	1,454,494	82,144	53,027	1,589,665	12,148	467	36,584	49,199	0.8%	0.6%	69.0%	3.1%
Trading	1,006,266	59,838	26,682	1,092,786	475	634	6,407	7,516	0.0%	1.1%	24.0%	0.7%
Transport and communication	203,529	3,320	6,736	213,585	1,173	307	1,234	2,714	0.6%	9.2%	18.3%	1.3%
Total	8,078,025	269,390	219,351	8,566,766	23,190	21,211	78,874	123,275	0.3%	7.9%	36.0%	1.4%
Region												
Tanzania	7,481,309	263,251	217,825	7,962,385	23,132	21,077	78,572	122,781	0.3%	8.0%	36.1%	1.5%
Burundi	596,716	6,139	1,526	604,381	58	134	302	494	0.0%	2.2%	19.8%	0.1%
Total	8,078,025	269,390	219,351	8,566,766	23,190	21,211	78,874	123,275	0.3%	7.9%	36.0%	1.4%

NOTES

10 RISK MANAGEMENT (Continued)

10.3 Credit risk (continued)

10.3.2 Risk concentration in gross carrying amounts and corresponding ECL by segment, industry and geographical location (continued)

The analysis is presented below:

GROUP In TZS' Million 31-Dec-22	Gross Carrying amount				Allowances for ECL				ECL Coverage			
Segment	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Corporate	2,904,920	170,534	109,430	3,184,884	6,763	19,109	73,247	99,119	0.2%	11.2%	66.9%	3.1%
SME	603,343	66,389	42,474	712,206	1,852	2,935	15,093	19,880	0.3%	4.4%	35.5%	2.8%
Microfinance	127,823	3,754	4,546	136,123	167	47	304	518	0.1%	1.3%	6.7%	0.4%
Mortgage	53,545	4,763	2,328	60,636	22	141	1,130	1,293	0.0%	3.0%	48.5%	2.1%
Personal	2,899,597	16,561	31,282	2,947,440	17,676	3,206	23,088	43,970	0.6%	19.4%	73.8%	1.5%
Total	6,589,228	262,001	190,060	7,041,289	26,480	25,438	112,862	164,780	0.4%	9.7%	59.4%	2.3%
Industry												
Agriculture	949,717	95,199	56,251	1,101,167	1,873	1,334	38,479	41,686	0.2%	1.4%	68.4%	3.8%
Financial institutions	239,602	510	247	240,359	111	1	-	112	0.0%	0.2%	0.0%	0.0%
Hotels and restaurants	55,458	19,639	772	75,869	27	1,067	123	1,217	0.0%	5.4%	15.9%	1.6%
Individuals	2,755,957	16,536	30,569	2,803,062	17,657	3,206	22,411	43,274	0.6%	19.4%	73.3%	1.5%
Manufacturing	407,902	24,452	837	433,191	64	206	2	272	0.0%	0.8%	0.2%	0.1%
Others	782,644	50,990	52,718	886,352	5,309	18,824	36,030	60,163	0.7%	36.9%	68.3%	6.8%
Trading	1,230,981	44,672	31,546	1,307,199	1,214	674	7,697	9,585	0.1%	1.5%	24.4%	0.7%
Transport and communication	166,967	10,003	17,120	194,090	225	126	8,120	8,471	0.1%	1.3%	47.4%	4.4%
Total	6,589,228	262,001	190,060	7,041,289	26,480	25,438	112,862	164,780	0.4%	9.7%	59.4%	2.3%
Region												
Tanzania	6,249,361	258,535	186,616	6,694,512	26,392	25,349	112,562	164,303	0.4%	9.8%	60.3%	2.5%
Burundi	339,867	3,466	3,444	346,777	88	89	300	477	0.0%	2.6%	8.7%	0.1%
Total	6,589,228	262,001	190,060	7,041,289	26,480	25,438	112,862	164,780	0.4%	9.7%	59.4%	2.3%

NOTES

10 RISK MANAGEMENT (Continued)

10.3 Credit risk (continued)

10.3.2 Risk concentration in gross carrying amounts and corresponding ECL by segment, industry and geographical location (continued)

The analysis is presented below;

BANK In TZS' Million 31-Dec-23	Gross Carrying amount				Allowances for ECL				ECL Coverage			
Segment	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Corporate	3,434,516	162,248	135,933	3,732,697	14,007	16,545	44,058	74,610	0.4%	10.2%	32.4%	2.0%
SME	836,889	77,505	38,463	952,857	3,466	1,683	8,690	13,839	0.4%	2.2%	22.6%	1.5%
Microfinance	158,568	6,441	9,012	174,021	152	70	1,260	1,482	0.1%	1.1%	14.0%	0.9%
Mortgage	67,147	956	1,500	69,603	59	38	563	660	0.1%	4.0%	37.5%	0.9%
Personal	3,180,134	16,101	32,918	3,229,153	5,447	2,741	24,002	32,190	0.2%	17.0%	72.9%	1.0%
Total	7,677,254	263,251	217,826	8,158,331	23,131	21,077	78,573	122,781	0.3%	8.0%	36.1%	1.5%
Industry												
Agriculture	1,205,804	35,980	97,943	1,339,727	3,492	15,594	10,325	29,411	0.3%	43.3%	10.5%	2.2%
Financial institutions	230,079	21,688	141	251,908	9	337	4	350	0.0%	1.6%	2.8%	0.1%
Hotels & restaurants	55,139	27,661	650	83,450	28	1,019	79	1,126	0.1%	3.7%	12.2%	1.3%
Individuals	3,048,285	16,100	32,858	3,097,243	5,427	2,741	23,972	32,140	0.2%	17.0%	73.0%	1.0%
Manufacturing	561,624	18,293	26	579,943	393	26	-	419	0.1%	0.1%	0.0%	0.1%
Others	1,391,433	82,114	53,030	1,526,577	12,141	468	36,585	49,194	0.9%	0.6%	69.0%	3.2%
Trading	984,767	58,272	26,455	1,069,494	468	587	6,377	7,432	0.0%	1.0%	24.1%	0.7%
Transport and communication	200,123	3,143	6,723	209,989	1,173	305	1,231	2,709	0.6%	9.7%	18.3%	1.3%
Total	7,677,254	263,251	217,826	8,158,331	23,131	21,077	78,573	122,781	0.3%	8.0%	36.1%	1.5%
Region												
Tanzania	7,677,254	263,251	217,826	8,158,331	23,131	21,077	78,573	122,781	0.3%	8.0%	36.1%	1.5%
Total	7,677,254	263,251	217,826	8,158,331	23,131	21,077	78,573	122,781	0.3%	8.0%	36.1%	1.5%

NOTES

10 RISK MANAGEMENT (Continued)

10.3 Credit risk (continued)

10.3.2 Risk concentration in gross carrying amounts and corresponding ECL by segment, industry and geographical location (continued)

The analysis is presented below;

BANK In TZS' Million 31-Dec-22	Gross Carrying amount				Allowances for ECL				ECL Coverage			
Segment	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Corporate	2,860,070	170,367	107,249	3,137,686	6,710	19,108	73,232	99,050	0.2%	11.2%	68.3%	3.2%
SME	599,371	66,221	41,819	707,411	1,845	2,933	15,003	19,781	0.3%	4.4%	35.9%	2.8%
Microfinance	121,420	3,706	4,545	129,671	157	46	304	1,482	0.1%	1.2%	6.7%	1.1%
Mortgage	53,545	4,763	2,328	60,636	22	141	1,130	660	0.0%	3.0%	48.5%	1.1%
Personal	2,790,764	13,478	30,675	2,834,917	17,658	3,121	22,893	32,190	0.6%	23.2%	74.6%	1.1%
Total	6,425,170	258,535	186,616	6,870,321	26,392	25,349	112,562	164,303	0.4%	9.8%	60.3%	2.4%
Industry												
Agriculture	842,104	95,199	56,248	993,551	1,854	1,334	38,478	41,666	0.2%	1.4%	68.4%	4.2%
Financial institutions	221,865	461	247	222,573	99	-	-	99	0.0%	0.0%	0.0%	0.0%
Hotels & restaurants	54,259	19,639	772	74,670	26	1,067	123	1,216	0.0%	5.4%	15.9%	1.6%
Individuals	2,658,524	13,452	29,962	2,701,938	17,641	3,121	22,215	42,977	0.7%	23.2%	74.1%	1.6%
Manufacturing	348,565	24,452	623	373,640	56	206	2	264	0.0%	0.8%	0.3%	0.1%
Others	908,975	50,882	51,055	1,010,912	5,287	18,823	36,027	60,137	0.6%	37.0%	70.6%	5.9%
Trading	1,225,515	44,447	30,729	1,300,691	1,206	672	7,605	9,483	0.1%	1.5%	24.7%	0.7%
Transport and communication	165,363	10,003	16,980	192,346	223	126	8,112	8,461	0.1%	1.3%	47.8%	4.4%
Total	6,425,170	258,535	186,616	6,870,321	26,392	25,349	112,562	164,303	0.4%	9.8%	60.3%	2.4%
Region												
Tanzania	6,425,170	258,535	186,616	6,870,321	26,392	25,349	112,562	164,303	0.4%	9.8%	60.3%	2.4%
Total	6,425,170	258,535	186,616	6,870,321	26,392	25,349	112,562	164,303	0.4%	9.8%	60.3%	2.4%

NOTES

10 RISK MANAGEMENT (Continued)

10.3 Credit risk (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.

NOTES
10 RISK MANAGEMENT (Continued)
10.3 Credit risk (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 2023	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	50,747	1,548	43,200	975	484	21	-	-	725	208	2,373	13	97,529	2,765
Other qualitative reasons	50,299	14,718	16,531	454	195	2	34	1	4,607	539	11,690	72	83,356	15,786
More than 30 days past due	61,203	276	19,518	304	5,761	48	922	37	15,164	2,080	1,105	19	103,673	2,764
Total	162,249	16,542	79,249	1,733	6,440	71	956	38	20,496	2,827	15,168	104	284,558	21,315
31 December 2022														
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

NOTES

10 RISK MANAGEMENT (Continued)

10.3 Credit risk (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 2023	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	**50,747**	**1,548**	**43,200**	**975**	**484**	**21**	**-**	**-**	**725**	**208**	**2,373**	**13**	**97,529**	**2,765**
Other qualitative reasons	**50,298**	**14,721**	**16,287**	**434**	**196**	**1**	**34**	**1**	**4,231**	**527**	**11,690**	**72**	**82,736**	**15,756**
More than 30 days past due	**61,203**	**276**	**18,018**	**274**	**5,761**	**48**	**922**	**37**	**11,145**	**2,006**	**1,105**	**19**	**98,154**	**2,660**
Total	**162,248**	**16,545**	**77,505**	**1,683**	**6,441**	**70**	**956**	**38**	**16,101**	**2,741**	**15,168**	**104**	**278,419**	**21,181**
31 December 2022														
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

NOTES

10 RISK MANAGEMENT (Continued)

10.3 Credit risk (continued)

10.3.3.2 Analysis of stage 2 loans reflecting the criteria for inclusion in stage 2 (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 aging and those identified at an early stage due to other criteria. Stage 3 exposures are further analysed to indicate those that are no longer credit impaired but in a cure period that precedes a transfer back to stage 2.

In TZS' Million GROUP 31 December 2023	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	**72,678**	**18,539**	**24,253**	**5,238**	**680**	**91**	**1,008**	**253**	**9,233**	**6,983**	**398**	**-**	**108,250**	**31,104**
More than 90 days DPD	**63,247**	**25,528**	**14,455**	**3,476**	**8,384**	**1,218**	**492**	**310**	**24,921**	**17,238**	**337**	**13**	**111,836**	**47,783**
Total	**135,925**	**44,067**	**38,708**	**8,714**	**9,064**	**1,309**	**1,500**	**563**	**34,154**	**24,221**	**735**	**13**	**220,086**	**78,887**
No longer impaired but in cure period	**8,458**	**507**	**4,248**	**420**	**508**	**43**	**837**	**329**	**4,002**	**3,058**	**-**	**-**	**18,053**	**4,357**
Other	**127,467**	**43,560**	**34,460**	**8,294**	**8,556**	**1,266**	**663**	**234**	**30,152**	**21,163**	**735**	**13**	**202,033**	**74,530**
31 December 2022														
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

NOTES

10 RISK MANAGEMENT (Continued)

10.3 Credit risk (continued)

10.3.3.2 Analysis of stage 2 loans reflecting the criteria for inclusion in stage 2 (continued)
10.3.3.3 Analysis of stage 3 loans (Continued)

In TZS' Million BANK 31 December 2023	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	72,678	18,530	24,284	5,248	4,207	443	608	253	9,052	6,951	398	-	111,227	31,425
More than 90 days DPD	63,255	25,528	14,179	3,442	4,805	817	892	310	23,866	17,051	337	13	107,334	47,161
Total	135,933	44,058	38,463	8,690	9,012	1,260	1,500	563	32,918	24,002	735	13	218,561	78,586
No longer impaired but in cure period	8,458	507	4,248	420	508	972	837	329	4,002	3,058	-	-	18,053	5,286
Other	127,475	43,551	34,215	8,270	8,504	288	663	234	28,916	20,944	735	13	200,508	73,300
31 December 2022														
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	14,583	4,037	261	1,491	601	26,673	19,835	7,665	64	176,229	108,069

NOTES

10 RISK MANAGEMENT (Continued)

10.3 Credit risk (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.

The Group has put in place a robust control 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 2023 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	67,901	-	6,716	74,617	9%
SME lending	12,391	-	1,532	13,923	11%
Mortgage lending	363	-	297	660	45%
Microfinance lending	891	-	672	1,563	43%
Personal lending	31,862	-	650	32,512	2%
Total	113,408	-	9,867	123,275	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.

NOTES

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 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	28,377	-	54,160	82,537	66%
SME lending	2,830	-	6,686	9,516	70%
Microfinance lending	671	-	78	749	10%
Mortgage lending	81	-	354	435	81%
Personal lending	41,013	-	644	41,657	2%
Total	72,972	-	61,922	134,894	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 456.3 billion (2022: TZS 411.7 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 2023 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 456.3 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	2023	2022
Amortised costs of financial assets that result into modification loss during the period (carrying amount)	**456,313**	411,694
Net modification gain/(loss)	**444**	(875)

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.

31 December 2023	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)	**93,388**	**2,451**	**291,541**	**2,652**
Facilities that reverted to (Stage 2/3) Lifetime ECL having once cured	**62,926**	**5,688**	**161,681**	**4,808**

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

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 2023.

NOTES

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 2023	Financial institutions	Manufacturing	Government	Trading	Transport and communication	Hotel and restaurant	Agriculture	Individuals	Others	Total
Financial assets										
Balances with central bank*	522,940	-	-	-	-	-	-	-	-	522,940
Due from banks	762,332	-	-	-	-	-	-	-	-	762,332
Debt Instruments at FVOCI	-	-	226,178	-	-	-	-	-	-	226,178
Credit card		-	-	-	-	-	-	2,309	-	2,309
Loans and advances to customers										
- Corporate	43,769	612,914	-	609,730	129,958	39,991	1,448,384	-	1,058,097	3,942,843
- SME	8,578	8,892	-	336,533	75,543	36,107	225,685	-	260,536	951,874
- Microfinance	13,476	1,583	-	139,001	5,370	6,526	5,053	-	14,658	185,667
- Mortgage	-	-	-	-	-	-	-	-	68,943	68,943
- Personal	-	-	-	-	-	-	-	3,155,931	138,233	3,294,164
Debt Instrument at amortized costs	-	-	1,960,715	-	-	-	-	-	-	1,960,715
Other assets	-	-	-	-	-	-	-	-	148,903	148,903
	1,351,095	623,389	2,186,893	1,085,264	210,871	82,624	1,679,122	3,158,240	1,689,370	12,066,868
Off-Balance sheet items										
Guarantees	5,959	6,834	-	409,064	9,913	-	20,074	193	1,966,233	2,418,270
Letters of credit	4,172	188,953	-	760,853	86,894	-	193,419	-	35,598	1,269,889
Commitment to extend credit									333,997	333,997
	10,131	195,787	-	1,169,917	96,807	-	213,493	193	2,335,828	4,022,156

NOTES

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 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
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
	1,518,860	373,376	2,270,086	1,291,206	183,885	73,453	951,886	2,705,224	1,208,941	10,576,917
Off-Balance sheet items										
Guarantees	-	57	-	46,384	13,004	1	24,016	779	1,366,042	1,450,283
Letters of credit	-	117,895	-	204,817	1,564	-	451,410	2,005	1,092,038	1,869,729
Commitment to extend credit	-	-	-	-	-	-	-	-	462,402	462,402
	-	117,952	-	251,201	14,568	1	475,426	2,784	2,920,483	3,782,414

NOTES

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 2023	Financial institutions	Manufacturing	Government	Trading	Transport and communication	Hotel and restaurant	Agriculture	Individuals	Others	Total
Financial assets										
Balances with central bank	**467,692**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**467,692**
Due from banks	**754,036**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**754,036**
Debt Instruments at FVOCI	**-**	**-**	**226,178**	**-**	**-**	**-**	**-**	**-**	**-**	**226,178**
Credit card		**-**	**-**	**-**	**-**	**-**	**-**	**2,309**	**-**	**2,309**
Loans and advances to customers										
- Corporate	**239,715**	**569,552**	**-**	**595,849**	**127,129**	**39,991**	**1,082,780**	**-**	**1,003,071**	**3,658,087**
- SME	**8,490**	**8,389**	**-**	**327,213**	**74,781**	**35,807**	**225,492**	**-**	**258,846**	**939,018**
- Microfinance	**3,353**	**1,583**	**-**	**139,001**	**5,370**	**6,526**	**2,044**	**-**	**14,662**	**172,539**
- Mortgage	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**68,943**	**68,943**
- Personal	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,067,412**	**129,551**	**3,196,963**
Debt Instrument at amortized costs	**-**	**-**	**1,738,669**	**-**	**-**	**-**	**-**	**-**	**-**	**1,738,669**
Other assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**138,138**	**138,138**
	1,473,286	**579,524**	**1,964,847**	**1,062,063**	**207,280**	**82,324**	**1,310,316**	**3,069,721**	**1,613,211**	**11,362,572**
Off-Balance sheet items										
Guarantees	**5,959**	**6,834**	**-**	**407,805**	**9,913**	**-**	**20,074**	**193**	**1,965,998**	**2,416,776**
Letters of credit	**4,172**	**115,037**	**-**	**759,331**	**86,139**	**-**	**193,419**	**-**	**111,791**	**1,269,889**
Commitment to extend credit	**-**	**-**		**-**	**-**		**-**		**305,613**	**305,613**
	10,131	**121,871**	**-**	**1,167,136**	**96,052**	**-**	**213,493**	**193**	**2,383,402**	**3,992,278**

NOTES

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
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
	1,431,799	373,376	1,934,336	1,291,196	183,885	73,453	951,886	2,705,234	1,044,568	9,989,763
Off-Balance sheet items										
Guarantees	-	20	-	46,283	13,004	-	24,016	779	1,365,677	1,449,779
Letters of credit	-	117,895	-	204,817	1,564	-	378,797	2,005	1,092,038	1,797,116
Commitment to extend credit	-	-	-	-	-	-	-	-	462,402	462,402
	-	117,915	-	251,100	14,568	-	402,813	2,784	2,920,117	3,709,297

*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).

NOTES

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.
Geographical sectors

GROUP

In TZS' Million 31 December 2023	Tanzania	Europe	America	Burundi	Others	Total
Financial assets						
Balances with central bank	**522,940**	**-**	**-**	**-**	**-**	**522,940**
Due from banks	**42,986**	**180,947**	**206,580**	**65,657**	**266,162**	**762,332**
Debt Instruments at FVOCI	**226,178**	**-**	**-**	**-**	**-**	**226,178**
Credit card	**2,309**	**-**	**-**	**-**	**-**	**2,309**
Loans and advances to customers						
- Corporate	**3,462,129**	**-**	**-**	**480,714**	**-**	**3,942,843**
- SME	**939,034**	**-**	**-**	**12,840**	**-**	**951,874**
- Microfinance	**172,535**	**-**	**-**	**13,132**	**-**	**185,667**
- Mortgage	**68,943**	**-**	**-**	**-**	**-**	**68,943**
- Personal	**3,194,519**	**-**	**-**	**99,645**	**-**	**3,294,164**
Debt instrument at amortized cost	**1,960,715**	**-**	**-**	**-**	**-**	**1,960,715**
Other assets	**134,516**	**-**	**-**	**14,387**	**-**	**148,903**
	10,726,804	**180,947**	**206,580**	**686,375**	**266,162**	**12,066,868**
Off balance sheet items						
Guarantees	**2,418,270**	**-**	**-**	**-**	**-**	**2,418,270**
Letters of credit	**1,269,889**	**-**	**-**	**-**	**-**	**1,269,889**
Commitment to extend credit	**333,997**	**-**	**-**	**-**	**-**	**333,997**
	4,022,156	**-**	**-**	**-**	**-**	**4,022,156**

NOTES

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 (continued)

GROUP

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
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
	9,553,686	129,909	76,738	815,532	1,052	10,576,917
Off balance sheet items						
Guarantees	1,449,779	-	-	504	-	1,450,283
Letters of credit	1,797,116	-	-	72,613	-	1,869,729
Commitment to extend credit	462,402	-	-	-	-	462,402
	3,709,297	-	-	73,117	-	3,782,414

NOTES

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 2023	Tanzania	Europe	America	Burundi	Others	Total
Financial assets						
Balances with central bank*	**467,692**	**-**	**-**	**-**	**-**	**467,692**
Due from banks	**42,986**	**178,977**	**206,449**	**130,570**	**195,054**	**754,036**
Debt Instruments at FVOCI	**226,178**	**-**	**-**	**-**	**-**	**226,178**
Credit card	**2,309**	**-**	**-**	**-**	**-**	**2,309**
Loans and advances to customers						
- Corporate	**3,462,141**	**-**	**-**	**195,946**	**-**	**3,658,087**
- SME	**939,018**	**-**	**-**	**-**	**-**	**939,018**
- Microfinance	**172,539**	**-**	**-**	**-**	**-**	**172,539**
- Mortgage	**68,943**	**-**	**-**	**-**	**-**	**68,943**
- Personal	**3,196,963**	**-**	**-**	**-**	**-**	**3,196,963**
Debt instrument at amortized cost	**1,738,669**	**-**	**-**	**-**	**-**	**1,738,669**
Other assets	**138,138**	**-**	**-**	**-**	**-**	**138,138**
	10,455,576	**178,977**	**206,449**	**326,516**	**195,054**	**11,362,572**
Off balance sheet items						
Guarantees	**2,416,776**	**-**	**-**	**-**	**-**	**2,416,776**
Letters of credit	**1,269,889**	**-**	**-**	**-**	**-**	**1,269,889**
Commitment to extend credit	**305,613**	**-**	**-**	**-**	**-**	**305,613**
	3,992,278	**-**	**-**	**-**	**-**	**3,992,278**

NOTES

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
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
	9,561,066	126,554	76,738	223,353	2,051	9,989,763
Off balance sheet items						
Guarantees	1,449,779	-	-	-	-	1,449,779
Letters of credit	1,797,116	-	-	-	-	1,797,116
Commitment to extend credit	462,402	-	-	-	-	462,402
	3,709,297	-	-	-	-	3,709,297

NOTES

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 2023	Stage 1	Stage 2	Stage 3	Total
Financial assets				
Balance with central bank*	522,940	-	-	522,940
Due from banks	762,332	-	-	762,332
Financial Assets at FVPL	-	-	-	6,983
Debt instruments at FVOCI	226,178	-	-	226,178
Credit card	2,309	-	-	2,309
Loans and advances				-
Corporate	3,705,278	145,707	91,858	3,942,843
SME	844,364	77,516	29,994	951,874
Microfinance	171,543	6,369	7,755	185,667
Mortgage	67,088	918	937	68,943
Personal loans	3,266,562	17,669	9,933	3,294,164
Debt instruments at amortised cost	1,960,715	-	-	1,960,715
Other assets**	-	148,903	-	148,903
	11,529,309	397,082	140,477	12,066,868
Off balance sheet				
Guarantees	2,418,270	-	-	2,418,270
Letters of credit	1,269,889	-	-	1,269,889
Commitments to extend credit	333,997	-	-	333,997
	4,022,156	-	-	4,022,156
Per industry				
Financial institutions	1,329,605	21,351	140	1,351,096
Manufacturing	605,096	18,267	26	623,389
Government	2,186,893	-	-	2,186,893
Trading	1,005,791	59,198	20,275	1,085,264
Transport and communication	202,356	3,013	5,502	210,871
Hotel and restaurant	55,411	26,642	571	82,624
Agriculture	1,571,120	20,386	87,616	1,679,122
Individuals	3,130,693	17,646	9,901	3,158,240
Others	1,442,344	230,579	16,446	1,689,369
	11,529,309	397,082	140,477	12,066,868

NOTES

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 2022	Stage 1	Stage 2	Stage 3	Total
Financial assets				
Balances with Central Bank*	602,881	-	-	602,881
Due from banks	693,506	-	-	693,506
Financial assets at FVPL	-	-	-	23,703
Debt instruments at FVOCI	786,118	-	-	786,118
Credit cards	1,248	-	-	1,248
Loans and advances to customers				
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	2,881,921	13,355	8,194	2,903,470
Debt instruments at amortized cost	1,483,968	-	-	1,483,968
Other assets**	-	132,687	-	132,687
	10,130,469	369,250	77,198	10,576,917
Off balance sheet items:				
Guarantees	1,450,283	-	-	1,450,283
Letters of credit	1,869,729	-	-	1,869,729
Commitments to extend credit	462,402	-	-	462,402
	3,782,414	-	-	3,782,414
Per industry				
Financial institutions	1,234,629	508	247	1,235,384
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
Hotels and restaurants	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	10,576,917

NOTES

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 2023	Stage 1	Stage 2	Stage 3	Total
Financial assets				
Balance with central bank*	467,692	-	-	467,692
Due from banks	754,036	-	-	754,036
Debt instruments at FVOCI	226,178	-	-	226,178
Credit card	2,309	-	-	2,309
Loans and advances				-
Corporate	3,420,509	145,703	91,875	3,658,087
SME	833,423	75,822	29,773	939,018
Microfinance	158,416	6,371	7,752	172,539
Mortgage	67,087	919	937	68,943
Personal loans	3,174,687	13,360	8,916	3,196,963
Debt instruments at amortised cost	1,738,669	-	-	1,738,669
Other assets**	-	138,138	-	138,138
	10,843,006	380,313	139,253	11,362,577
Off balance sheet				
Guarantees	2,416,776	-	-	2,416,776
Letters of credit	1,269,889	-	-	1,269,889
Commitments to extend credit	305,613	-	-	305,613
	3,992,278	-	-	3,992,278
Per industry				
Financial institutions	1,451,798	21,351	137	1,473,286
Manufacturing	561,231	18,267	26	579,524
Government	1,964,847	-	-	1,964,847
Trading	984,300	57,685	20,078	1,062,063
Transport and communication	198,950	2,838	5,492	207,280
Hotel and restaurant	55,111	26,642	571	82,324
Agriculture	1,202,315	20,385	87,616	1,310,316
Individuals	3,045,167	13,359	8,886	3,067,412
Others	1,379,287	219,786	16,447	1,615,520
	10,843,006	380,313	139,253	11,362,577

NOTES

10 RISK MANAGEMENT (Continued)

10.3 Credit risk (continued)
10.3.6 Analysis of risk concentration (continued)

BANK

In TZS' Million 31 December 2022	Stage 1	Stage 2	Stage 3	Total
Financial assets				
Balance with central bank*	497,347	-	-	497,347
Due from banks	711,979	-	-	711,979
Debt instruments at FVOCI	786,118	-	-	786,118
Credit card	1,248	-	-	1,248
Loans and advances				
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 loans	2,773,106	10,356	7,783	2,791,245
Debt instruments at amortised cost	1,148,248	-	-	1,148,248
Other assets**	138,805	-	-	138,805
	9,669,063	246,645	74,055	9,989,763
Off balance sheet				
Guarantees	1,449,779	-	-	1,449,779
Letters of credit	1,797,116	-	-	1,797,116
Commitments to extend credit	462,402			462,402
	3,709,297	-	-	3,709,297
Per industry				
Financial institutions	1,414,675	460	248	1,415,383
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
Hotel and restaurant	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	9,989,763

*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).

Where required prior year disclosures were updated to align with current year presentations.

NOTES

10 RISK MANAGEMENT (Continued)

10.3 Credit risk (continued)
10.3.6 Analysis of risk concentration (continued)

Despite the macroeconomic and geopolitical uncertainties, credit portfolio performance has been relatively stable in the year 2023. 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 defaults 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 112,085 million as at 31 December 2023 (2022: TZS 540,908 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.

(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.

NOTES

10 RISK MANAGEMENT (Continued)

10.3 Credit risk (continued)

10.3.7 Collateral and other credit enhancements (continued)

(b) Credit-related commitments (continued)

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 2023 was TZS 114,779 million (2022: TZS 42,338 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: -

GROUP

In TZS' Million	2023		2022	
		%		%
Financial assets:				
Balances with Central Bank	**522,940**	**3%**	602,881	4%
Due from banks	**762,332**	**5%**	693,506	5%
Debt instruments at FVOCI	**226,178**	**1%**	786,118	5%
Credit cards	**2,309**	**1%**	1,248	0%
Loans and advances to customers				
- Corporate	**3,942,843**	**25%**	3,085,765	22%
- SME	**951,874**	**6%**	692,326	5%
- Microfinance	**185,667**	**1%**	135,605	1%
- Mortgage	**68,943**	**0%**	59,343	0%
- Personal	**3,294,164**	**20%**	2,903,470	20%
Debt instruments at amortised cost	**1,960,715**	**12%**	1,483,968	10%
Other assets*	**148,903**	**1%**	132,687	1%
	12,066,868	**75%**	10,576,917	74%
Off balance sheet items:				
Guarantees	**2,418,270**	**15%**	1,450,283	10%
Letters of credit	**1,269,889**	**8%**	1,869,729	13%
Commitments to extend credit	**333,997**	**2%**	462,402	3%
	4,022,156	**25%**	3,782,414	26%
	16,096,007	**100%**	14,383,034	

NOTES

10 RISK MANAGEMENT (Continued)

10.3 Credit risk (continued)

10.3.7 Collateral and other credit enhancements (continued)

BANK

In TZS' Million	2023		2022	
		%		%
Financial assets:				
Balances with Central Bank	**467,692**	**3%**	497,347	4
Due from banks	**754,036**	**5%**	711,979	5
Debt instruments at FVOCI	**226,178**	**1%**	786,118	6
Credit cards	**2,309**	**0%**	1,248	0
Loans and advances to customers				
Corporate	**3,658,087**	**24%**	3,038,636	22
SME	**939,018**	**6%**	687,630	5
Microfinance	**172,539**	**1%**	129,164	1
Mortgage	**68,943**	**1%**	59,343	0
Personal	**3,196,963**	**21%**	2,791,245	20
Debt instruments at amortised cost	**1,738,669**	**11%**	1,148,248	8
Other assets*	**138,138**	**1%**	138,805	1
	11,362,572	**74%**	9,989,763	72
Off balance sheet items:				
Guarantees	**2,416,776**	**16%**	1,449,779	11
Letters of credit	**1,269,889**	**8%**	1,797,116	13
Commitments to extend credit	**305,613**	**2%**	462,402	4
	3,992,278	**26%**	3,709,297	28
	15,355,952	**100%**	13,716,477	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 78% (2022: 74%) of the total credit exposure. The directors are confident in the ability to continue to minimize the credit risk to the Group and Bank.

NOTES

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;

	Name of Bank	Country	GROUP 2023 TZS' Million	GROUP 2022 TZS' Million	BANK 2023 TZS Million	BANK 2022 TZS Million
1	Kenya Commercial Bank	Tanzania	**15,013**	62,038	**15,013**	62,038
2	Citi Bank	USA	**118,100**	172,323	**118,100**	172,323
3	DZ Bank	Germany	**162,891**	37,992	**162,891**	37,992
4	LLOYDS Bank Plc	UK	**87,092**	23,396	**87,092**	23,396
5	AFRIEXIM Bank Ltd.	Nigeria	**73,728**	53,741	**73,728**	53,741
6	Crown Agents Bank	UK	**24,987**	50,789	**24,987**	50,789
7	Absa Bank	Tanzania	**40,843**	20,321	**40,843**	20,321
8	CRDB Burundi	Burundi	**-**	-	**129,926**	47,622
9	NMB Bank	Tanzania	**24,983**	148,427	**24,983**	148,427
10	TPB Bank	Tanzania	**15,594**	43,403	**15,594**	43,403
11	PBZ	Tanzania	**15,137**	10,160	**15,137**	10,160
12	Others		**183,964**	70,916	**45,742**	41,767
	Total		**762,332**	693,506	**754,036**	711,979

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.

NOTES

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-23	Maximum exposure to credit risk	Securities	3rd party/ Gov Guarantees	Property	Other	Surplus collateral	Total Collateral	Net Exposure	Associated ECL	% of exposure per collateral requirements
Balance with central bank	522,940	-	-	-	-	-	-	522,940	-	0%
Due from banks	762,332	-	-	-	-	-	-	762,332	1,495	0%
Debt instruments at FVOCI	226,178	-	-	-	-	-	-	226,178	28	0%
Credit card	2,309	-	-	-	-	-	-	2,309	235	0%
Loans and advances										
Corporate	3,942,843	35,205	915,927	3,680,010	1,767,110	(1,342,855)	5,056,613	-	74,617	128%
SME	951,874	46,077	385,749	1,704,186	745,229	(633,707)	2,247,534	-	13,923	236%
Microfinance	185,667	1,611	14,262	558,768	43,923	(195,414)	423,150	-	1,563	228%
Mortgage	68,943	2,732	41	124,145	5,450	(34,308)	98,060	-	660	142%
Personal loans	3,294,164	173,511	18,344	153,809	34,259	(32,371)	347,552	2,946,612	32,512	11%
Debt instruments at amortised cost	1,960,715	-	-	-	-	-	-	1,960,715	564	0%
Other assets	148,903	-	-	-	-	-	-	148,903	14,516	0%
Total Financial Assets	12,066,868	259,136	1,334,323	6,220,918	2,595,971	(2,238,655)	8,172,909	6,569,989	140,113	
Off-Balance sheet items										
Guarantees	2,418,270	-	1,064,213	-	165,471	(28,731)	1,200,962	1,217,308	325	50%
Letters of credit	1,269,889	-	39,655	-	198,220	(3,587)	234,288	1,035,601	128	17%
Commitments to extend credit	333,997	-	-	-	-	-	-	333,997	-	0%
	4,022,156	-	1,103,868	-	363,691	(32,318)	1,435,250	2,586,906	453	

NOTES

10 RISK MANAGEMENT (Continued)

10.3 Credit risk (continued)

10.3.4 Model adjustments(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	% of exposure per collateral requirements
Balances with central bank	602,881	-	-	-	-	-	-	602,881	-	-
Due from banks	693,506	-	-	-	-	-	-	693,506	2,193	2,193
Debt instruments at FVOCI	786,118	-	-	-	-	-	-	786,118	107	107
Credit cards	1,248	-	-	-	-	-	-	1,248	563	563
Loans and advances to customers										
Corporate	3,085,765	16,340	817,790	4,906,277	1,672,187	(1,620,225)	5,792,369	-	99,119	99,119
SME	692,326	39,811	96,213	1,519,135	194,381	(532,444)	1,317,096	-	19,880	19,880
Microfinance	135,605	1,861	65,035	388,292	33,909	(149,795)	339,302	-	518	518
Mortgage	59,343	1,039	26	114,732	1,408	(30,803)	86,402	-	1,293	1,293
Personal	2,903,470	117,547	23	146,199	26,451	(40,234)	249,986	2,653,484	43,970	43,970
Debt instruments at amortised cost	1,483,968	-	-	-	-	-	-	1,483,968	353	353
Other assets	132,687	-	-	-	-	-	-	132,687	17,588	17,588
	10,576,917	176,598	979,087	7,074,635	1,928,336	(2,373,501)	7,785,155	6,353,892	185,584	185,584
Off-Balance sheet items										
Guarantees	1,450,615	-	1,498,220	-	-	(19,592)	1,478,629	-	332	332
Letters of credit	1,870,317	-	369	-	-	-	369	1,869,948	588	588
Commitment to extend credit	462,402	-	-	-	-	-	-	462,402	-	-
	3,783,334	-	1,498,589	-	-	(19,592)	1,478,998	2,332,350	920	920

NOTES

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-Dec-23	Maximum exposure to credit risk	Securities	3rd party/Gov Guarantees	Property	Other	Surplus collateral	Total Collateral	Net Exposure	Associated ECL	% of exposure per collateral requirements
Balance with central bank	**467,692**	-	-	-	-	-	-	**467,692**	-	**0%**
Due from banks	**754,036**	-	-	-	-	-	-	**754,036**	**1,495**	**0%**
Financial Assets at FVPL	**1,102**	-	-	-	-	-	-	**1,102**	-	**0%**
Debt instruments at FVOCI	**226,178**	-	-	-	-	-	-	**226,178**	**28**	**0%**
Credit card	**2,309**	-	-	-	-	-	-	**2,309**	**235**	**0%**
Loans and advances										
Corporate	**3,658,087**	**35,205**	**880,646**	**3,647,132**	**1,220,303**	**(1,332,897)**	**4,450,389**	-	**74,610**	**122%**
SME	**939,018**	**46,077**	**385,749**	**1,699,162**	**745,040**	**(632,562)**	**2,243,466**	-	**13,839**	**239%**
Microfinance	**172,539**	**1,611**	**14,262**	**558,768**	**42,510**	**(195,414)**	**421,737**	-	**1,482**	**244%**
Mortgage	**68,943**	**2,732**	**41**	**124,145**	**5,450**	**(34,308)**	**98,060**	-	**660**	**142%**
Personal loans	**3,196,963**	**173,511**	**18,344**	**150,467**	**29,522**	**(31,013)**	**340,831**	**2,856,132**	**32,190**	**11%**
Debt instruments at amortised cost	**1,738,669**	-	-	-	-	-	-	**1,738,669**	**564**	**0%**
Other assets	**138,138**	-	-	-	-	-	-	**138,138**	**14,512**	**0%**
Total Financial Assets held at amortised cost	**11,362,572**	**259,136**	**1,299,042**	**6,179,674**	**2,042,825**	**(2,226,194)**	**7,554,483**	**6,184,256**	**139,615**	
Off Balance sheet Items										
Guarantees	**2,416,776**	-	**1,064,213**	-	**164,724**	**(28,731)**	**1,200,206**	**1,216,570**	**325**	**50%**
Letters of credit	**1,269,889**	-	**39,655**	-	**122,026**	**(3,587)**	**158,094**	**1,111,796**	**128**	**12%**
Commitments to extend credit	**305,613**	-	-	-	-	-	-	**305,613**	-	**0%**
	3,992,278	-	**1,103,868**	-	**286,750**	**(32,318)**	**1,358,300**	**2,633,979**	**453**	**34**

NOTES

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
Financial assets									
Balances with central banks	497,347	-	-	-	-	-	-	497,347	-
Due from banks	711,979	-	-	-	-	-	-	711,979	2,193
Debt instruments at FVOCI	786,118	-	-	-	-	-	-	786,118	107
Credit cards	1,248	-	-	-	-	-	-	1,248	563
Loans and advances to customers									
Corporate	3,038,636	16,340	774,313	4,897,160	1,459,138	(1,546,862)	5,600,089	-	99,050
SME	687,630	39,811	96,213	1,519,135	193,756	(525,441)	1,323,475	-	19,781
Microfinance	129,164	1,861	65,034	376,705	29,747	(148,325)	325,022	-	507
Mortgage	59,343	1,039.36	25.5	114,732	1,408.09	(30,803)	86,403	-	1,293
Personal	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
	9,989,763	176,598	935,609	7,042,426	1,705,128	(2,276,435)	7,583,328	5,826,652	185,107
Off-Balance sheet items									
Guarantees	1,450,111	-	1,497,852	-	-	(19,592)	1,478,260	-	332
Letters of credit	1,797,704	-	-	-	-	-	-	1,797,704	588
Commitment to extend credit	462,402	-	-	-	-	-	-	-	-
	3,710,217	-	1,497,852	-	-	(19,592)	1,478,260	1,797,704	920

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.

NOTES

10 RISK MANAGEMENT (Continued)

10.3 Credit risk (continued)

10.3.7 Collateral and other credit enhancements (continued)

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 collateral	Net exposure	Associated ECL
31 December 2023									
Financial assets									
Loans and advances to customers									
Corporate	**91,858**	**-**	**14,252**	**195,352**	**1,835**	**(27,744)**	**183,695**	**-**	**44,067**
SME	**29,994**	**286**	**17,539**	**206,218**	**12,715**	**(60,272)**	**176,486**	**-**	**8,714**
Microfinance	**7,755**	**-**	**160**	**22,556**	**5,091**	**(7,774)**	**20,033**	**-**	**1,309**
Mortgage	**937**	**-**	**-**	**2,118**	**-**	**(571)**	**1,547**	**-**	**563**
Personal	**9,933**	**60**	**414**	**38**	**84**	**(35)**	**561**	**9,372**	**24,221**
	140,477	**346**	**32,365**	**426,282**	**19,725**	**(96,396)**	**382,322**	**9,372**	**78,874**
31 December 2022									
Financial assets									
Loans and advances to customers									
Corporate	36,183	-	10,510	144,939	17,314	(27,766)	144,997	-	73,247
SME	27,381	-	13,621	78,270	9,569	(23,001)	78,459	-	15,093
Microfinance	4,242	-	60	18,439	1,674	(7,578)	12,595	-	304
Mortgage	1,198	-	-	3,050	-	(674)	2,376	-	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	4,995	112,862

NOTES

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 collateral	Net exposure	Associated ECL
31 December 2023									
Financial assets									
Loans and advances to customers									
Corporate	**91,875**	**-**	**14,252**	**195,352**	**1,721**	**(27,744)**	**183,581**	**-**	**44,058**
SME	**29,773**	**286**	**17,539**	**205,985**	**12,715**	**(60,186)**	**176,339**	**-**	**8,690**
Microfinance	**7,752**	**-**	**160**	**22,556**	**5,091**	**(7,774)**	**20,033**	**-**	**1,260**
Mortgage	**937**	**-**	**-**	**2,118**	**-**	**(571)**	**1,547**	**-**	**563**
Personal loans	**8,916**	**60**	**414**	**38**	**84**	**(35)**	**561**	**8,355**	**24,002**
	139,253	**346**	**32,365**	**426,049**	**19,611**	**(96,310)**	**382,061**	**8,355**	**78,573**
31 December 2022									
Financial assets									
Loans and advances to customers									
Corporate	34,018	-	10,510	144,081	12,445	(23,288)	143,748	-	73,232
SME	26,816	-	13,621	78,270	9,569	(21,130)	80,330	-	15,003
Microfinance	4,241	-	60	18,439	1,674	(7,578)	12,595	-	304
Mortgage	1,198	-	-	3,050	-	(674)	2,376	-	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	7,117	112,562

NOTES

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 collateral	Net exposure
31 December 2023								
Financial assets								
Loans and advances to customers								
Corporate	**1,889,397**	**35,170**	**524,261**	**2,626,822**	**1,259,749**	**(806,832)**	**3,639,170**	**-**
SME	**534,975**	**43,836**	**354,474**	**1,425,616**	**671,220**	**(515,794)**	**1,979,352**	**-**
Microfinance	**134,122**	**1,611**	**12,402**	**534,063**	**28,789**	**(185,991)**	**309,874**	**-**
Mortgage	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Personal	**123,732**	**167,032**	**17,672**	**34,082**	**30,110**	**(11,151)**	**237,745**	**-**
	2,682,226	**247,649**	**908,809**	**4,620,583**	**1,989,868**	**(1,519,768)**	**6,247,141**	**-**
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	-
SME	86,027	36,684	74,164	1,359,229	206,268	(502,363)	1,173,983	-
Microfinance	32,446	1,835	64,586	362,781	28,045	(147,029)	310,218	-
Mortgage	-	-	-	-	-	-	-	-
Personal	64,654	110,552	16	14,973	22,314	(8,720)	139,135	-
	1,702,919	165,410	618,399	6,167,617	1,477,112	(1,884,877)	6,543,661	-

NOTES

10 RISK MANAGEMENT (Continued)

10.3 Credit risk (continued)

10.3.7 Collateral and other credit enhancements (continued)

The 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 collateral	Net exposure
31 December 2023								
Financial assets								
Loans and advances to customers								
Corporate	**1,487,904**	**35,170**	**524,261**	**2,594,920**	**722,441**	**(798,350)**	**3,078,442**	**-**
SME	**533,756**	**43,836**	**354,474**	**1,420,973**	**671,031**	**(514,619)**	**1,975,695**	**-**
Microfinance	**134,054**	**1,611**	**12,402**	**534,063**	**28,638**	**(185,991)**	**390,723**	**-**
Mortgage*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Personal	**120,854**	**167,032**	**17,672**	**31,503**	**25,808**	**(9,976)**	**232,039**	**-**
	2,276,568	**247,649**	**908,809**	**4,581,459**	**1,447,918**	**(1,508,936)**	**5,676,899**	**-**
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	-
SME	84,194	36,684	74,164	1,353,803	162,234	(457,712)	1,169,174	-
Microfinance	32,357	1,835	64,586	362,215	28,045	(142,176)	314,506	-
Mortgage	-	-	-	-	-	-	-	-
Personal	68,653	110,552	16	11,933	19,774	(3,867)	137,933	69,255
	1,662,844	165,411	618,399	6,156,835	1,417,069	(1,870,492)	6,486,749	69,255

NOTES

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 of stage 2 and 3 and associated collateral.

GROUP

In TZS' Million	Gross carrying amount			Collateral			Net exposure		
31 December 2023	**Total**	**Stage 2**	**Stage 3**	**Total**	**Stage 2**	**Stage 3**	**Total**	**Stage 2**	**Stage 3**
Corporate	**4,017,460**	**162,249**	**135,925**	**5,056,234**	**146,589**	**183,583**	**-**	**15,660**	**-**
SME	**965,797**	**79,249**	**38,708**	**2,246,803**	**233,917**	**176,160**	**-**	**-**	**-**
Microfinance	**187,230**	**6,440**	**9,064**	**424,279**	**15,884**	**20,044**	**-**	**-**	**-**
Mortgage	**69,603**	**956**	**1,500**	**98,059**	**1,661**	**1,546**	**-**	**-**	**-**
Personal	**3,326,676**	**20,496**	**34,154**	**347,533**	**635**	**561**	**2,979,143**	**19,861**	**33,593**
Total	**8,566,766**	**269,390**	**219,351**	**8,172,908**	**398,686**	**381,894**	**2,979,143**	**35,521**	**33,593**
31 December 2022									
Corporate	3,184,884	170,534	109,430	5,792,370	375,500	144,997	-	-	-
SME	712,206	66,389	42,474	1,328,602	91,122	12,595	-	-	29,879
Mortgage	136,123	3,754	4,546	327,715	10,198	2,376	-	-	2,170
Personal	60,636	4,763	2,328	86,403	5,826	1,328	-	-	1,000
Microfinance	2,947,440	16,561	31,282	249,042	1,711	80,330	2,698,398	14,850	-
Total	7,041,289	262,001	190,060	7,784,131	484,357	241,626	2,698,398	14,850	33,049

Preliminaries | Company Overview | Delivering on our Strategy | Sustainability Report | Risk Management | Our Governance | Financial Statements

NOTES

10 RISK MANAGEMENT (Continued)

10.3 Credit risk (continued)

10.3.4 Model adjustments(continued)

10.3.6 Analysis of risk concentration (continued)

The table below summarises the gross carrying amount for loans and advances of stage 2 and 3 and associated collateral.

BANK

In TZS' Million	Gross carrying amount			Collateral			Net exposure		
31 December 2023	**Total**	**Stage 2**	**Stage 3**	**Total**	**Stage 2**	**Stage 3**	**Total**	**Stage 2**	**Stage 3**
Corporate	3,732,697	162,248	135,933	4,451,481	146,589	183,583	-	15,659	-
SME	952,857	77,505	38,463	2,242,735	233,917	176,160	-	-	-
Microfinance	174,021	6,441	9,012	421,395	15,884	20,044	-	-	-
Mortgage	69,603	956	1,500	98,059	1,661	1,546	-	-	-
Personal	3,229,153	16,101	32,918	340,812	635	561	2,888,341	15,466	32,357
Total	**8,158,331**	**263,251**	**217,826**	**7,554,482**	**398,686**	**381,894**	**2,888,341**	**31,125**	**32,357**
31 December 2022									
Corporate	3,137,686	170,366	107,250	5,600,089	375,500	143,749	-	-	-
SME	707,411	66,221	41,819	1,323,475	91,108	12,595	-	-	29,224
Mortgage	129,671	3,706	4,545	325,022	10,198	2,376	-	-	2,169
Personal	60,636	4,763	2,328	86,403	5,826	665	-	-	1,663
Microfinance	2,834,917	13,478	30,675	248,339	1,711	80,330	2,586,578	11,767	-
Total	6,870,321	258,534	186,617	7,583,327	484,343	239,716	2,586,578	11,767	33,056

NOTES

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 2023	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
Current	8,078,025	-	-	8,078,025
Especially mentioned	-	269,390	-	269,390
Sub-standard	-	-	104,550	104,550
Doubtful	-	-	41,012	41,012
Loss	-	-	73,789	73,789
Gross Carrying amount	8,078,025	269,390	219,351	8,566,766
ECL allowance	(23,190)	(21,211)	(78,874)	(123,275)
Net Loans and advances to customers	**8,054,835**	**248,179**	**140,477**	**8,443,491**
31 December 2022				
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

Loans and advances based on internal rating are summarised as follows:

BANK

In TZS' Million 31 December 2023	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
Current	7,677,253	-	-	7,677,253
Especially mentioned	-	263,252	-	263,252
Sub-standard	-	-	103,899	103,899
Doubtful	-	-	40,441	40,441
Loss	-	-	73,486	73,486
Gross Carrying amount	7,677,253	263,252	217,826	8,158,331
ECL allowance	(23,131)	(21,077)	(78,573)	(122,781)
Net Loans and advances to customers	7,654,122	242,175	139,253	8,035,550

NOTES

10 RISK MANAGEMENT (Continued)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

BANK

In TZS' Million 31 December 2022	Stage 1	Stage 2	Stage 3	Total
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

The total impairment provision for loans and advances represents both individually impaired loans and loans assessed on a portfolio basis.

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 2023	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
Current	**3,719,286**	**-**	**-**	**3,719,286**
Especially mentioned	**-**	**162,249**	**-**	**162,249**
Sub-standard	**-**	**-**	**75,695**	**75,695**
Doubtful	**-**	**-**	**7,046**	**7,046**
Loss	**-**	**-**	**53,184**	**53,184**
Gross Carrying amount	**3,719,286**	**162,249**	**135,925**	**4,017,460**
ECL allowance	**(14,008)**	**(16,542)**	**(44,067)**	**(74,617)**
Net Loans and advances to customers	**3,705,278**	**145,707**	**91,858**	**3,942,843**
31 December 2022				
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

NOTES

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 2023	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
Current	**847,840**	**-**	**-**	**847,840**
Especially mentioned	**-**	**79,249**	**-**	**79,249**
Sub-standard	**-**	**-**	**13,293**	**13,293**
Doubtful	**-**	**-**	**17,099**	**17,099**
Loss	**-**	**-**	**8,316**	**8,316**
Gross Carrying amount	**847,840**	**79,249**	**38,708**	**965,797**
ECL allowance	**(3,476)**	**(1,733)**	**(8,714)**	**(13,923)**
Net Loans and advances to customers	**844,364**	**77,516**	**29,994**	**951,874**
31 December 2022				
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

Microfinance lending

An analysis of Loans and advances based on internal rating in relation to Microfinance lending is, asfollows:

GROUP

In TZS' Million 31 December 2023	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
Current	**171,726**	**-**	**-**	**171,726**
Especially mentioned	**-**	**6,440**	**-**	**6,440**
Sub-standard	**-**	**-**	**3,988**	**3,988**
Doubtful	**-**	**-**	**3,574**	**3,574**
Loss	**-**	**-**	**1,502**	**1,502**
Gross Carrying amount	**171,726**	**6,440**	**9,064**	**187,230**
ECL allowance	**(183)**	**(71)**	**(1,309)**	**(1,563)**
Net Loans and advances to customers	**171,543**	**6,369**	**7755**	**185,667**

NOTES

10 **RISK MANAGEMENT (Continued)**

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

Microfinance lending

In TZS' Million 31 December 2022	Stage 1	Stage 2	Stage 3	Total
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

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 2023	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
Current	**67,147**	**-**	**-**	**67,147**
Especially mentioned	**-**	**956**	**-**	**956**
Sub-standard	**-**	**-**	**489**	**489**
Doubtful	**-**	**-**	**650**	**650**
Loss	**-**	**-**	**361**	**361**
Gross Carrying amount	**67,147**	**956**	**1,500**	**69,603**
ECL allowance	**(59)**	**(38)**	**(563)**	**(660)**
Net Loans and advances to customers	**67,088**	**918**	**937**	**68,943**
31 December 2022				
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

NOTES

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 2023	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
Current	**3,272,026**	**-**	**-**	**3,272,026**
Especially mentioned	**-**	**20,496**	**-**	**20,496**
Sub-standard	**-**	**-**	**11,085**	**11,085**
Doubtful	**-**	**-**	**12,643**	**12,643**
Loss	**-**	**-**	**10,426**	**10,426**
Gross Carrying amount	**3,272,026**	**20,496**	**34,154**	**3,326,676**
ECL allowance	**(5,464)**	**(2,827)**	**(24,221)**	**(32,512)**
Net Loans and advances to customers	**3,266,562**	**17,669**	**9,933**	**3,294,164**
As at 31 December 2022				
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

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 2023	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
Current	**3,434,516**	**-**	**-**	**3,434,516**
Especially mentioned	**-**	**162,248**	**-**	**162,248**
Sub-standard	**-**	**-**	**75,695**	**75,695**
Doubtful	**-**	**-**	**7,046**	**7,046**
Loss	**-**	**-**	**53,192**	**53,192**
Gross Carrying amount	**3,434,516**	**162,248**	**135,933**	**3,732,697**
ECL allowance	**(14,007)**	**(16,545)**	**(44,058)**	**(74,610)**
Net Loans and advances to customers	**3,420,509**	**145,703**	**91,875**	**3,658,087**

NOTES

10 RISK MANAGEMENT (Continued)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

In TZS' Million 31 December 2022	Stage 1	Stage 2	Stage 3	Total
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

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 2023	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
Current	**836,889**	**-**	**-**	**836,889**
Especially mentioned	**-**	**77,505**	**-**	**77,505**
Sub-standard	**-**	**-**	**13,293**	**13,293**
Doubtful	**-**	**-**	**16,919**	**16,919**
Loss	**-**	**-**	**8,251**	**8,251**
Gross Carrying amount	**836,889**	**77,505**	**38,463**	**952,857**
ECL allowance	**(3,466)**	**(1,683)**	**(8,690)**	**(13,839)**
Net Loans and advances to customers	**833,423**	**75,822**	**29,773**	**939,018**
As at 31 December 2022				
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

NOTES

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 2023	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
Current	**158,568**	**-**	**-**	**158,568**
Especially mentioned	**-**	**6,441**	**-**	**6,441**
Sub-standard	**-**	**-**	**3,936**	**3,936**
Doubtful	**-**	**-**	**3,574**	**3,574**
Loss	**-**	**-**	**1,502**	**1,502**
Gross Carrying amount	**158,568**	**6,441**	**9,012**	**174,021**
ECL allowance	**(152)**	**(70)**	**(1,260)**	**(1,482)**
Net Loans and advances to customers	**158,416**	**6,371**	**7,752**	**172,539**
31 December 2022				
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

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 2023	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
Current	**67,147**	**-**	**-**	**67,147**
Especially mentioned	**-**	**956**	**-**	**956**
Sub-standard	**-**	**-**	**489**	**489**
Doubtful	**-**	**-**	**650**	**650**
Loss	**-**	**-**	**361**	**361**
Gross Carrying amount	**67,147**	**956**	**1,500**	**69,603**
ECL allowance	**(59)**	**(38)**	**(563)**	**(660)**
Net Loans and advances to customers	**67,088**	**918**	**937**	**68,943**

NOTES

10 RISK MANAGEMENT (Continued)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

Mortgage lending (continued)

In TZS' Million 31 December 2022	Stage 1	Stage 2	Stage 3	Total
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

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 2023	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
Current	**3,180,134**	**-**	**-**	**3,180,134**
Especially mentioned	**-**	**16,101**	**-**	**16,101**
Sub-standard	**-**	**-**	**10,486**	**10,486**
Doubtful	**-**	**-**	**12,252**	**12,252**
Loss	**-**	**-**	**10,180**	**10,180**
Gross Carrying amount	**3,180,134**	**16,101**	**32,918**	**3,229,153**
ECL allowance	**(5,447)**	**(2,741)**	**(24,002)**	**(32,190)**
Net Loans and advances to customers	**3,174,687**	**13,360**	**8,916**	**3,196,963**
31 December 2022				
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

NOTES

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	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2023	**6,589,228**	**262,001**	**190,060**	**7,041,289**
Changes in the gross carrying amount				
– Transfer to stage 1	**99,329**	**(81,382)**	**(17,947)**	**-**
– Transfer to stage 2	**(74,285)**	**74,823**	**(538)**	**-**
– Transfer to stage 3	**(60,256)**	**(17,694)**	**77,950**	**-**
New financial assets originated or purchased	**3,835,338**	**-**	**-**	**3,835,338**
Payments received and financial assets derecognised	**(3,061,528)**	**(104,773)**	**(32,131)**	**(3,198,432)**
Effects of modification	**650,455**	**127,359**	**101,670**	**879,484**
Accrued Interest	**99,743**	**9,056**	**15,067**	**123,866**
Write-offs	**-**	**-**	**(114,779)**	**(114,779)**
Other Changes	**-**	**-**	**-**	**-**
Gross carrying amount as at 31 December 2023	**8,078,025**	**269,390**	**219,351**	**8,566,766**
Loss allowance as at 31 December 2023	**23,190**	**21,211**	**78,874**	**123,275**
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)
Effects 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

NOTES

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	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2023	**26,480**	**25,438**	**112,862**	**164,780**
Changes in the loss allowance				
– Transfer to stage 1	**12,949**	**(4,978)**	**(7,971)**	**-**
– Transfer to stage 2	**(265)**	**419**	**(154)**	**-**
– Transfer to stage 3	**(4,323)**	**(1,463)**	**5,786**	**-**
– Write-offs	**-**	**-**	**(114,779)**	**(114,779)**
New financial assets originated or purchased	**14,377**	**-**	**-**	**14,377**
Payments received and financial assets that have been derecognised	**(6,961)**	**(3,999)**	**(15,343)**	**(26,303)**
Unwind discount	**3,325**	**184**	**2,761**	**6,270**
Impact on ECL Transfers	**(23,282)**	**2,935**	**90,232**	**69,885**
Effects of modification	**856**	**2,662**	**5,448**	**8,966**
Changes in models/risk parameters	**34**	**13**	**32**	**79**
Loss allowance as at 31 December 2023	**23,190**	**21,211**	**78,874**	**123,275**
Loss allowance as at 1 January 2022	41,687	27,221	65,986	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	(37,826)	(3,995)	(14,725)	(56,546)
Unwind discount	3,203	302	2,249	5,754
Impact on ECL Transfers	(7,987)	4,795	57,459	54,267
Effects of modification	48	144	406	598
Loss allowance as at 31 December 2022	26,480	25,438	112,862	164,780

NOTES

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	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2023	**6,425,170**	**258,534**	**186,617**	**6,870,321**
Changes in the gross carrying amount				
– Transfer to stage 1	**95,057**	**(79,591)**	**(15,466)**	**-**
– Transfer to stage 2	**(71,312)**	**71,846**	**(534)**	**-**
– Transfer to stage 3	**(58,811)**	**(17,494)**	**76,305**	**-**
New financial assets originated or purchased	**3,376,775**	**-**	**-**	**3,376,775**
Payments received and financial assets derecognised	**(2,826,073)**	**(103,787)**	**(31,028)**	**(2,960,888)**
Effects of modification	**650,455**	**127,363**	**101,670**	**879,488**
Accrued interest	**85,992**	**6,381**	**14,964**	**107,337**
Write-offs	**-**	**-**	**(114,702)**	**(114,702)**
Other Changes	**-**	**-**	**-**	**-**
Gross carrying amount as at 31 December 2023	**7,677,253**	**263,252**	**217,826**	**8,158,331**
Loss allowance as at 31 December 2023	**23,131**	**21,077**	**78,573**	**122,781**
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

NOTES

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	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2023	**26,392**	**25,349**	**112,562**	**164,303**
Changes in the loss allowance				
– Transfer to stage 1	**12,810**	**(4,937)**	**(7,873)**	**-**
– Transfer to stage 2	**(263)**	**416**	**(153)**	**-**
– Transfer to stage 3	**(4,322)**	**(1,460)**	**5,782**	**-**
– Write-offs	**-**	**-**	**(114,702)**	**(114,702)**
New financial assets originated or purchased	**14,233**	**-**	**-**	**14,233**
Payments received and financial assets that have been derecognised	**(6,921)**	**(3,973)**	**(15,308)**	**(26,202)**
Unwind discount	**3,301**	**182**	**2,731**	**6,214**
Impact on ECL Transfers	**(22,990)**	**2,822**	**90,054**	**69,886**
Effects of modification	**891**	**2,678**	**5,480**	**9,049**
Loss allowance as at 31 December 2023	**23,131**	**21,077**	**78,573**	**122,781**
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)	(4,028)	(15,268)	(57,122)
Unwind discount	3,173	302	2,239	5,714
Impact on ECL Transfers	(7,781)	4,750	57,306	54,275
Effects of modification	48	144	406	598
Loss allowance as at 31 December 2022	26,392	25,349	112,562	164,303

NOTES

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	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2023	**2,904,920**	**170,534**	**109,430**	**3,184,884**
Changes in the gross carrying amount				
– Transfer to stage 1	**66,531**	**(60,009)**	**(6,522)**	**-**
– Transfer to stage 2	**(41,833)**	**41,833**	**-**	**-**
– Transfer to stage 3	**(28,959)**	**(2,727)**	**31,686**	**-**
New financial assets originated or purchased	**1,532,348**	**-**	**-**	**1,532,348**
Payments received and financial assets derecognised	**(1,315,338)**	**(74,986)**	**(9,646)**	**(1,399,970)**
Effects of modification	**545,408**	**84,516**	**88,937**	**718,861**
Accrued interest	**56,209**	**3,088**	**6,745**	**66,042**
Write-offs	**-**	**-**	**(84,705)**	**(84,705)**
Other Changes	**-**	**-**	**-**	**-**
Gross carrying amount as at 31 December 2023	**3,719,286**	**162,249**	**135,925**	**4,017,460**
Loss allowance as at 31 December 2023	**14,008**	**16,542**	**44,067**	**74,617**
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	36,468
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

NOTES

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	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2023	**6,763**	**19,109**	**73,247**	**99,119**
Changes in the loss allowance				
– Transfer to stage 1	**7,129**	**(3,373)**	**(3,756)**	**-**
– Transfer to stage 2	**(31)**	**31**	**-**	**-**
– Transfer to stage 3	**(4,050)**	**(19)**	**4,069**	**-**
– Write-offs	**-**	**-**	**(84,705)**	**(84,705)**
New financial assets originated or purchased	**1,284**	**-**	**-**	**1,284**
Payments received and financial assets derecognised	**(1,313)**	**(2,160)**	**(4,995)**	**(8,468)**
Unwind discount	**600**	**11**	**1,226**	**1,837**
Impact on ECL Transfers	**3,227**	**1,352**	**56,085**	**60,664**
Effects of modification	**399**	**1,591**	**2,896**	**4,886**
Changes in models/risk parameters	**-**	**-**	**-**	**-**
Loss allowance as at 31 December 2023	**14,008**	**16,542**	**44,067**	**74,617**

Loss allowances - Loans and advances to customers at amortised cost

In TZS' Million	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2022	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)	35,747	-
– 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 2022	6,763	19,109	73,247	99,119

NOTES

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	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2023	**603,343**	**66,389**	**42,474**	**712,206**
Changes in the gross carrying amount				
– Transfer to stage 1	**19,823**	**(11,593)**	**(8,230)**	**-**
– Transfer to stage 2	**(13,385)**	**13,652**	**(267)**	**-**
– Transfer to stage 3	**(7,176)**	**(9,131)**	**16,307**	**-**
New financial assets originated or purchased	**540,679**	**-**	**-**	**540,679**
Payments received and financial assets derecognised	**(384,295)**	**(26,171)**	**(13,643)**	**(424,109)**
Effects of modification	**72,979**	**41,643**	**10,646**	**125,268**
Accrued interest	**15,872**	**4,460**	**3,483**	**23,815**
Write-offs	**-**	**-**	**(12,062)**	**(12,062)**
Other Changes	**-**	**-**	**-**	**-**
Gross carrying amount as at 31 December 2023	**847,840**	**79,249**	**38,708**	**965,797**
Loss allowance as at 31 December 2023	**3,476**	**1,733**	**8,714**	**13,923**
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

NOTES

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	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2023	**1,852**	**2,935**	**15,093**	**19,880**
Changes in the loss allowance				
– Transfer to stage 1	**2,686**	**(502)**	**(2,184)**	**-**
– Transfer to stage 2	**(114)**	**121**	**(7)**	**-**
– Transfer to stage 3	**(32)**	**(541)**	**573**	**-**
– Write-offs	**-**	**-**	**(12,062)**	**(12,062)**
New financial assets originated or purchased	**3,310**	**-**	**-**	**3,310**
Payments received and financial assets derecognised	**(721)**	**(1,293)**	**(7,510)**	**(9,524)**
Unwind discount	**483**	**114**	**395**	**992**
Impact on ECL Transfers	**(4,137)**	**(47)**	**12,546**	**8,362**
Effects of modifications	**149**	**946**	**1,870**	**2,965**
Changes in models/risk parameters	**-**	**-**	**-**	**-**
Loss allowance as at 31 December 2023	**3,476**	**1,733**	**8,714**	**13,923**
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)	(378)	(726)	(3,876)
Unwind discount	74	16	50	140
Impact on ECL Transfers	91	2,119	16,982	19,192
Effects of modification	10	29	81	120
Loss allowance as at 31 December 2022	1,852	2,935	15,093	19,880

NOTES

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	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2023	**127,823**	**3,754**	**4,546**	**136,123**
Changes in the gross carrying amount				
– Transfer to stage 1	**520**	**(310)**	**(210)**	**-**
– Transfer to stage 2	**(4,733)**	**4,762**	**(29)**	**-**
– Transfer to stage 3	**(6,635)**	**(1,058)**	**7,693**	**-**
New financial assets originated or purchased	**158,995**	**-**	**-**	**158,995**
Payments received and financial assets derecognised	**(106,642)**	**(1,473)**	**(2,904)**	**(111,019)**
Effects of modification	**826**	**613**	**890**	**2,329**
Accrued interest	**1,572**	**152**	**795**	**2,519**
Write off			**(1,717)**	**(1,717)**
Gross carrying amount as at 31 December 2023	**171,726**	**6,440**	**9,064**	**187,230**
Loss allowance as at 31 December 2023	**182**	**71**	**1,308**	**1,561**
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	1,957
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

NOTES

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	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2023	**167**	**47**	**304**	**518**
Changes in the loss allowance				
– Transfer to stage 1	**24**	**(11)**	**(13)**	**-**
– Transfer to stage 2	**(13)**	**13**	**-**	**-**
– Transfer to stage 3	**(35)**	**(20)**	**55**	**-**
– Write-offs	**-**	**-**	**(1,717)**	**(1,717)**
New financial assets originated or purchased	**772**	**-**	**-**	**772**
Payments received and financial assets derecognised	**(60)**	**(12)**	**(272)**	**(344)**
Unwind discount	**9**	**2**	**7**	**18**
Impact on ECL Transfers	**(716)**	**39**	**2,912**	**2,235**
Effect of modification	**-**	**-**	**-**	**-**
Changes in models/risk parameters	**34**	**13**	**32**	**79**
Loss allowance as at 31 December 2023	**182**	**71**	**1,308**	**1,561**
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)	(59)	(464)	(529)
Unwind discount	13	2	8	23
Impact on ECL Transfers	(85)	73	1,361	1,349
Loss allowance as at 31 December 2022	167	47	304	518

NOTES

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	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2023	**53,545**	**4,763**	**2,328**	**60,636**
Changes in the gross carrying amount				
– Transfer to stage 1	**4,540**	**(3,854)**	**(686)**	**-**
– Transfer to stage 2	**(1,242)**	**1,332**	**(90)**	**-**
– Transfer to stage 3	**(100)**	**(818)**	**918**	**-**
New financial assets originated or purchased	**24,137**	**-**	**-**	**24,137**
Payments received and financial assets derecognised	**(15,603)**	**(493)**	**(541)**	**(16,637)**
Effects of modification	**1,030**	**-**	**-**	**1,030**
Accrued interest	**840**	**26**	**172**	**1,038**
Write-offs	**-**	**-**	**(601)**	**(601)**
Other Changes	**-**	**-**	**-**	**-**
Gross carrying amount as at 31 December 2023	**67,147**	**956**	**1,500**	**69,603**
Loss allowance as at 31 December 2023	**59**	**38**	**563**	**660**
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

NOTES

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	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2023	**22**	**141**	**1,130**	**1,293**
Changes in the loss allowance				
– Transfer to stage 1	**562**	**(115)**	**(447)**	**-**
– Transfer to stage 2	**-**	**39**	**(39)**	**-**
– Transfer to stage 3	**-**	**(24)**	**24**	**-**
– Write-offs	**-**	**-**	**(601)**	**(601)**
New financial assets originated or purchased	**128**	**-**	**-**	**128**
Payments received and financial assets derecognised	**(6)**	**-**	**(331)**	**(337)**
Unwind discount	**50**	**4**	**19**	**73**
Impact on ECL Transfers	**(697)**	**(7)**	**808**	**104**
Effect of modification	**-**	**-**	**-**	**-**
Changes in models/risk parameters	**-**	**-**	**-**	**-**
Loss allowance as at 31 December 2023	**59**	**38**	**563**	**660**
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)	(584)
Unwind discount	27	15	14	56
Impact on ECL Transfers	(236)	(34)	1,817	1,547
Loss allowance as at 31 December 2022	22	141	1,130	1,293

NOTES

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	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2023	**2,899,597**	**16,561**	**31,282**	**2,947,440**
Changes in the gross carrying amount				
– Transfer to stage 1	**7,915**	**(5,616)**	**(2,299)**	**-**
– Transfer to stage 2	**(13,092)**	**13,244**	**(152)**	**-**
– Transfer to stage 3	**(17,386)**	**(3,960)**	**21,346**	**-**
New financial assets originated or purchased	**1,579,179**	**-**	**-**	**1,579,179**
Payments received and financial assets derecognised	**(1,239,650)**	**(1,650)**	**(5,397)**	**(1,246,697)**
Effects of modification	**30,212**	**587**	**1,197**	**31,996**
Accrued interest	**25,251**	**1,330**	**3,871**	**30,452**
Write-offs	**-**	**-**	**(15,694)**	**(15,694)**
Other Changes	**-**	**-**	**-**	**-**
Gross carrying amount as at 31 December 2023	**3,272,026**	**20,496**	**34,154**	**3,326,676**
Loss allowance as at 31 December 2023	**5,464**	**2,827**	**24,221**	**32,512**
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

NOTES

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	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2023	**17,676**	**3,206**	**23,088**	**43,970**
Changes in the loss allowance				
– Transfer to stage 1	**2,546**	**(978)**	**(1,568)**	**-**
– Transfer to stage 2	**(106)**	**215**	**(109)**	**-**
– Transfer to stage 3	**(206**	**(860)**	**1,066**	**-**
– Write-offs	**-**	**-**	**(15,694)**	**(15,694)**
New financial assets originated or purchased	**8,883**	**-**	**-**	**8,883**
Payments received and financial assets derecognised	**(4,861)**	**(532)**	**(2,235)**	**(7,628)**
Unwind discount	**2,183**	**53**	**1,114**	**3,350**
Impact on ECL Transfers	**(20,959)**	**1,598**	**17,877**	**(1,484)**
Effect of modification	**308**	**125**	**682**	**1,115**
Changes in models/risk parameters	**-**	**-**	**-**	**-**
Loss allowance as at 31 December 2023	**5,464**	**2,827**	**24,221**	**32,512**
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)	(247)	(889)	(13,494)
Unwind discount	2,493	41	1,174	3,708
Impact on ECL Transfers	(8,594)	1,723	10,065	3,194
Loss allowance as at 31 December 2022	17,676	3,206	23,088	43,970

NOTES

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	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2023	**2,860,070**	**170,366**	**107,250**	**3,137,686**
Changes in the gross carrying amount				
– Transfer to stage 1	**64,567**	**(60,010)**	**(4,557)**	**-**
– Transfer to stage 2	**(41,833)**	**41,833**	**-**	**-**
– Transfer to stage 3	**(28,959)**	**(2,727)**	**31,686**	**-**
New financial assets originated or purchased	**1,141,778**	**-**	**-**	**1,141,778**
Payments received and financial assets derecognised	**(1,149,535)**	**(74,818)**	**(9,431)**	**(1,233,784)**
Effects of modification	**545,408**	**84,516**	**88,937**	**718,861**
Accrued interest	**43,020**	**3,088**	**6,753**	**52,861**
Write-offs	**-**	**-**	**(84,705)**	**(84,705)**
Other Changes	**-**	**-**	**-**	**-**
Gross carrying amount as at 31 December 2023	**3,434,516**	**162,248**	**135,933**	**3,732,697**
Loss allowance as at 31 December 2023	**14,007**	**16,545**	**44,058**	**74,610**
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

NOTES

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	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2023	**6,710**	**19,108**	**73,232**	**99,050**
Changes in the loss allowance				
– Transfer to stage 1	**7,114**	**(3,373)**	**(3,741)**	**-**
– Transfer to stage 2	**(31)**	**31**	**-**	**-**
– Transfer to stage 3	**(4,050)**	**(19)**	**4,069**	**-**
– Write-offs	**-**	**-**	**(84,705)**	**(84,705)**
New financial assets originated or purchased	**1,284**	**-**	**-**	**1,284**
Payments received and financial assets derecognised	**(1,278)**	**(2,159)**	**(4,995)**	**(8,432)**
Unwind discount	**597**	**12**	**1,226**	**1,835**
Impact on ECL Transfers	**3,262**	**1,352**	**56,076**	**60,690**
Effects of modification	**399**	**1,593**	**2,896**	**4,888**
Loss allowance as at 31 December 2023	**14,007**	**16,545**	**44,058**	**74,610**
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

NOTES

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	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2023	**599,371**	**66,221**	**41,819**	**707,411**
Changes in the gross carrying amount				
– Transfer to stage 1	**19,398**	**(11,593)**	**(7,805)**	**-**
– Transfer to stage 2	**(13,352)**	**13,619**	**(267)**	**-**
– Transfer to stage 3	**(7,084)**	**(9,076)**	**16,160**	**-**
New financial assets originated or purchased	**529,540**	**-**	**-**	**529,540**
Payments received and financial assets derecognised	**(379,807)**	**(26,059)**	**(13,531)**	**(419,397)**
Effects of modification	**72,979**	**41,643**	**10,646**	**125,268**
Accrued interest	**15,844**	**2,750**	**3,447**	**22,041**
Write-offs	**-**	**-**	**(12,006)**	**(12,006)**
Other Changes	**-**	**-**	**-**	**-**
Gross carrying amount as at 31 December 2023	**836,889**	**77,505**	**38,463**	**952,857**
Loss allowance as at 31 December 2023	**3,466**	**1,683**	**8,690**	**13,839**
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

NOTES

10 RISK MANAGEMENT (Continued)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

SME lending (continued)

BANK

Loss allowances - Loans and advances to customers at amortised cost

In TZS' Million	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2023	**1,845**	**2,933**	**15,003**	**19,781**
Changes in the loss allowance				
– Transfer to stage 1	**2,636**	**(502)**	**(2,134)**	**-**
– Transfer to stage 2	**(113)**	**120**	**(7)**	**-**
– Transfer to stage 3	**(31)**	**(540)**	**571**	**-**
– Write-offs	**-**	**-**	**(12,006)**	**(12,006)**
New financial assets originated or purchased	**3,233**	**-**	**-**	**3,233**
Payments received and financial assets derecognised	**(720)**	**(1,291)**	**(7,495)**	**(9,506)**
Unwind discount	**475**	**114**	**391**	**980**
Impact on ECL Transfers	**(4,008)**	**(97)**	**12,497**	**8,392**
Effects of modification	**149**	**946**	**1,870**	**2,965**
Loss allowance as at 31 December 2023	**3,466**	**1,683**	**8,690**	**13,839**
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)	(380)	(1,270)	(4,360)
Unwind discount	62	16	42	120
Impact on ECL Transfers	167	2,119	17,006	19,292
Effects of modification	10	29	81	120
Loss allowance as at 31 December 2022	1,845	2,933	15,003	19,781

NOTES

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	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2023	**121,420**	**3,706**	**4,545**	**129,671**
Changes in the gross carrying amount				
– Transfer to stage 1	**520**	**(310)**	**(210)**	**-**
– Transfer to stage 2	**(4,733)**	**4,762**	**(29)**	**-**
– Transfer to stage 3	**(6,560)**	**(1,009)**	**7,569**	**-**
New financial assets originated or purchased	**151,906**	**-**	**-**	**151,906**
Payments received and financial assets derecognised	**(106,171)**	**(1,473)**	**(2,845)**	**(110,489)**
Effects of modification	**826**	**614**	**890**	**2,330**
Accrued interest	**1,360**	**151**	**795**	**2,306**
Write-offs	**-**	**-**	**(1,703)**	**(1,703)**
Other Changes	**-**	**-**	**-**	**-**
Gross carrying amount as at 31 December 2023	**158,568**	**6,441**	**9,012**	**174,021**
Loss allowance as at 31 December 2023	**152**	**70**	**1,260**	**1,482**
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

NOTES

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	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2023	**157**	**46**	**304**	**507**
Changes in the loss allowance				
– Transfer to stage 1	**25**	**(11)**	**(14)**	**-**
– Transfer to stage 2	**(13)**	**13**	**-**	**-**
– Transfer to stage 3	**(34)**	**(20)**	**54**	**-**
– Write-offs	**-**	**-**	**(1,703)**	**(1,703)**
New financial assets originated or purchased	**766**	**-**	**-**	**766**
Payments received and financial assets derecognised	**(60)**	**(12)**	**(272)**	**(344)**
Unwind discount	**8**	**2**	**7**	**17**
Impact on ECL Transfers	**(731)**	**39**	**2,852**	**2,160**
Effects of modification	**34**	**13**	**32**	**79**
Loss allowance as at 31 December 2023	**152**	**70**	**1,260**	**1,482**
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)	(397)	(577)
Impact on ECL Transfers	2	106	1,202	1,310
Changes in models/risk parameters	(6)	(32)	168	130
Loss allowance as at 31 December 2022	157	46	304	507

NOTES

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	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2023	**53,545**	**4,763**	**2,328**	**60,636**
Changes in the gross carrying amount				
– Transfer to stage 1	**4,540**	**(3,854)**	**(686)**	**-**
– Transfer to stage 2	**(1,242)**	**1,332**	**(90)**	**-**
– Transfer to stage 3	**(100)**	**(818)**	**918**	**-**
New financial assets originated or purchased	**24,137**	**-**	**-**	**24,137**
Payments received and financial assets derecognised	**(15,603)**	**(493)**	**(541)**	**(16,637)**
Effects of modification	**1,030**	**-**	**-**	**1,030**
Accrued interest	**840**	**26**	**172**	**1,038**
Write-offs	**-**	**-**	**(601)**	**(601)**
Other Changes	**-**	**-**	**-**	**-**
Gross carrying amount as at 31 December 2023	**67,147**	**956**	**1,500**	**69,603**
Loss allowance as at 31 December 2023	**59**	**38**	**563**	**660**
Gross carrying amount as at 1 January 2023	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

NOTES

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	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2023	**22**	**141**	**1,130**	**1,293**
Changes in the loss allowance				
– Transfer to stage 1	**562**	**(115)**	**(447)**	**-**
– Transfer to stage 2	**(1)**	**39**	**(38)**	**-**
– Transfer to stage 3	**1**	**(24)**	**23**	**-**
– Write-offs	**-**	**-**	**(601)**	**(601)**
New financial assets originated or purchased	**127**	**-**	**-**	**127**
Payments received and financial assets derecognised	**(6)**	**-**	**(331)**	**(337)**
Unwind discount	**50**	**4**	**19**	**73**
Impact on ECL Transfers	**(697)**	**(7)**	**808**	**104**
Effect of modification	**1**	**-**	**-**	**1**
Loss allowance as at 31 December 2023	**59**	**38**	**563**	**660**
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)	(584)
Unwind discount	27	15	14	56
Impact on ECL Transfers	(236)	(34)	1,817	1,547
Loss allowance as at 31 December 2022	22	141	1,130	1,293

NOTES

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	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2023	**2,790,764**	**13,478**	**30,675**	**2,834,917**
Changes in the gross carrying amount				
– Transfer to stage 1	**6,032**	**(3,824)**	**(2,208)**	**-**
– Transfer to stage 2	**(10,152)**	**10,301**	**(149)**	**-**
– Transfer to stage 3	**(16,108)**	**(3,864)**	**19,972**	**-**
New financial assets originated or purchased	**1,529,414**	**-**	**-**	**1,529,414**
Payments received and financial assets derecognised	**(1,174,957)**	**(944)**	**(4,679)**	**(1,180,580)**
Effects of modification	**30,212**	**588**	**1,197**	**31,997**
Accrued interest	**24,929**	**366**	**3,797**	**29,092**
Write-offs	**-**	**-**	**(15,687)**	**(15,687)**
Other Changes	**-**	**-**	**-**	**-**
Gross carrying amount as at 31 December 2023	**3,180,134**	**16,101**	**32,918**	**3,229,153**
Loss allowance as at 31 December 2023	**5,447**	**2,741**	**24,002**	**32,190**
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

NOTES

10 RISK MANAGEMENT (Continued)

10.3 Credit risk (continued)

10.3.8 Analysis of loans and advances to customers (continued)

Personal lending (continued)

Loss allowances - Loans and advances to customers at amortised cost

In TZS' Million	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2023	**17,658**	**3,121**	**22,893**	**43,672**
Changes in the loss allowance				
– Transfer to stage 1	**2,474**	**(936)**	**(1,538)**	**-**
– Transfer to stage 2	**(105)**	**213**	**(108)**	**-**
– Transfer to stage 3	**(206)**	**(857)**	**1,063**	**-**
– Write-offs	**-**	**-**	**(15,687)**	**(15,687)**
New financial assets originated or purchased	**8,820**	**-**	**-**	**8,820**
Payments received and financial assets derecognised	**(4,857)**	**(511)**	**(2,212)**	**(7,580)**
Unwind discount	**2,171**	**50**	**1,088**	**3,309**
Impact on ECL Transfers	**(20,816)**	**1,535**	**17,821**	**(1,460)**
Effect of modification	**308**	**126**	**682**	**1,116**
Loss allowance as at 31 December 2023	**5,447**	**2,741**	**24,002**	**32,190**
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	(4,954)	(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)	(288)	(898)	(13,577)
Unwind discount	2,493	41	1,174	3,708
Impact on ECL Transfers	(8,594)	1,679	9,882	2,967
Loss allowance as at 31 December 2022	17,658	3,121	22,893	43,672

NOTES

10 RISK MANAGEMENT (Continued)

10.3 Credit risk (continued)

10.3.9 Credit exposure – Reinsurance contract assets

The table below provides the information regarding the credit risk exposure from reinsurance contracts. All reinsurance contracts are rated high grade as per internal rating.

Reinsurance contracts held	Reinsurance contracts Assets
31 December 2023	
In TZS' Million	
Motor	**9**
Fire	**446**
Engineering	**4**
Others	**1**
Total reinsurance contracts held	**460**
Unpaid premium to reinsurers*	**(644)**
Net Reinsurance contracts liability	**(184)**

The Group's maximum exposure to credit risk from reinsurance contract assets is TZS 460 million.

*Represent unpaid premiums to reinsurers, which will settled after year end.

10.4 Capital, Liquidity and funding risk

The Bank has developed a comprehensive approach to the management of capital, liquidity and funding, supported by clearly defined governance and processes employed to manage and mitigate capital, liquidity and funding risks.

This section provides an overview of the Bank's risk appetite and corresponding management policies and tools in place for each of these risks.

10.4.1 Capital management

The primary objectives of the Bank's capital management policy are to ensure that the Bank complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios to support its business and to maximise shareholder value.

The Bank manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. To maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders. No changes have been made to the objectives, policies, and processes from the previous years. However, they are under constant review by the Board.

10.4.2 Liquidity and funding risks

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.

NOTES

10 RISK MANAGEMENT (Continued)

10.4 Capital, Liquidity and funding risk (Continued)

10.4.2 Liquidity and funding risks (Continued)

The ratios during the year were, as follows:

Liquidity ratio

	GROUP AND BANK	
In TZS' Million	2023	2022
Year-end	27.0%	27.0%
Maximum	27.8%	33.5%
Minimum	24.2%	20.2%
Average	26.3%	26.8%

Macro -economic and geopolitical uncertainties had no significant impact to the Group liquidity as at 31 December 2023 the liquidity ratio stood at 27.0% which is above the required regulatory ratio of 20%

Advances to deposit ratios

	GROUP AND BANK	
In TZS' Million	2023	2022
Year-end	95.4%	88.6%
Maximum	94.3%	90.0%
Minimum	83.3%	83.0%
Average	90.0%	87.2%

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 and long-term funding requirements.

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).

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

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

NOTES

10 RISK MANAGEMENT (Continued)

10.4 Capital, Liquidity and funding risk (Continued)

10.4.2 Liquidity and funding risks (Continued)

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

Liquidity reserve disclosure

GROUP AND BANK	2023	2022
In TZS' Million		
Source of Incremental funding or Margin requirement		
Cash and balances with Central Bank	636,510	592,751
Deposits in Other Banks available overnight	763,827	695,699
Government securities	738,139	515,024
Other liquid assets eligible at central bank other than mentioned above	2,558,621	156,249
Other liquid assets	6,983	23,703
Total liquid Assets	4,704,080	1,983,426

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 stressful 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.

NOTES

10 RISK MANAGEMENT (Continued)

10.4 Capital, Liquidity and funding risk (Continued)

10.4.4 Analysis of financial assets and liabilities by remaining contractual maturities (Continued)

				In TZS' Million
GROUP 31 December 2023	**Up to 3 months**	**3 - 12 months**	**Over 1 year**	**Total**
Financial Assets				
Cash and balances with the Central bank	636,510	-	-	636,510
Due from banks	787,484	67,809	-	855,293
Financial assets at FVPL	6,983	-	-	6,983
Debt instruments at FVOCI	-	-	734,687	734,687
Credit cards	2,309	-	-	2,309
Loans and advances to customers	1,099,554	1,591,729	10,360,289	13,051,572
Debt instruments at amortized cost	255,504	415,403	2,935,601	3,606,508
Other assets*	148,903	-	-	148,903
Total undiscounted financial assets	2,937,247	2,074,941	14,030,577	19,042,765
Financial Liabilities				
Deposits from customers	7,982,341	692,704	189,542	8,864,688
Deposits from banks	556,797	449,882	-	1,006,679
Subordinated debt	5,414	-	208,802	214,216
Borrowings	17,847	42,838	1,483,403	1,544,088
Green Bond	3,378	-	257,833	261,210
Lease liabilities	92	1,365	111,668	113,125
Other liabilities**	302,629	-	-	302,629
Total undiscounted financial liabilities	8,868,498	1,186,789	2,251,248	12,306,635
Net undiscounted financial assets/(liabilities)	(5,931,251)	888,152	11,779,329	6,736,130

*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).

NOTES

10 RISK MANAGEMENT (Continued)

10.4 Capital, Liquidity and funding risk (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	592,751	-	-	592,751
Due from banks	725,429	-	13,095	738,524
Financial assets at FVPL	7,286	-	51,448	58,734
Debt instruments at FVOCI	-	-	2,221,410	2,221,410
Credit cards	1,248	-	-	1,248
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	2,690,489	1,855,521	12,287,456	16,833,466
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
Subordinated debt	3,320	-	194,016	197,336
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	8,174,723	1,180,457	1,022,416	10,377,595
Net undiscounted financial assets/(liabilities)	(5,484,234)	675,064	11,265,040	6,455,871

*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).

NOTES

10 RISK MANAGEMENT (Continued)

10.4 Capital, Liquidity and funding risk (Continued)

10.4.4 Analysis of financial assets and liabilities by remaining contractual maturities (Continued)

BANK 31 December 2023	Up to 3 months	3 - 12 months	Over 1 year	In TZS' Million Total
Financial Assets				
Cash and balances with the Central bank	568,371	-	-	568,371
Due from banks	746,287	16,248	-	762,535
Financial assets at FVPL	1,102	-	-	1,102
Debt instruments at FVOCI	-	-	734,687	734,687
Credit cards	2,309	-	-	2,309
Loans and advances to customers	1,046,961	1,579,202	9,837,298	12,463,461
Debt instruments at amortized cost	244,005	372,521	2,713,274	3,329,800
Other assets*	138,138	-	-	138,138
Total undiscounted financial assets	**2,747,173**	**1,967,971**	**13,285,259**	**18,000,403**
Financial Liabilities				
Deposits from customers	7,462,360	673,566	188,947	8,324,873
Deposits from banks	544,252	449,882	-	994,134
Borrowings	17,847	42,838	1,483,403	1,544,088
Green Bond	3,378	-	257,833	261,210
Subordinated Debts	5,414	-	208,802	214,216
Lease liabilities	75	1,345	100,917	102,262
Other liabilities**	279,538	-	-	279,538
Total undiscounted financial liabilities	**8,312,864**	**1,167,631**	**2,239,902**	**11,720,321**
Net undiscounted financial assets/(liabilities)	**(5,565,691)**	**800,340**	**11,045,357**	**6,280,082**

*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).

NOTES

10 RISK MANAGEMENT (Continued)

10.4 Capital, Liquidity and funding risk (Continued)

10.4.4 Analysis of financial assets and liabilities by remaining contractual maturities (Continued)

BANK 31 December 2022	Up to 3 months	3 - 12 months	Over 1 year	In TZS' Million Total
Financial Assets		-		
Cash and balances with Central bank	474,881	-	-	474,881
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
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
Subordinated debt	3,320	-	194,016	197,336
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	7,647,999	1,162,520	1,019,087	9,829,605
Net undiscounted financial assets/(liabilities)	(4,861,555)	502,952	10,590,262	6,231,660

*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).

NOTES

10 RISK MANAGEMENT (Continued)

10.4 Capital, Liquidity and funding risk (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 2023	Within 1 year	1 – 5 years	Over 5 years	Total
Outstanding letters of credit	**271,039**	**1,075,172**	**1**	**1,346,212**
Guarantees	**1,144,295**	**1,073,098**	**201,202**	**2,418,595**
Commitments to extend credit	**333,997**	**-**	**-**	**333,997**
Capital commitments	**143,912**	**-**	**-**	**143,912**
Total commitments and guarantees	**1,893,243**	**2,148,270**	**201,203**	**4,242,716**
31 December 2022				
Outstanding letters of credit	1,551,114	319,203	-	1,870,317
Guarantees	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

BANK

In TZS' Million 31 December 2023	Within 1 year	1 – 5 years	Over 5 years	Total
Outstanding letters of credit	**194,845**	**1,075,172**	**1**	**1,270,018**
Guarantees	**1,142,870**	**1,073,029**	**209,202**	**2,417,101**
Commitments to extend credit	**305,613**	**-**	**-**	**305,613**
Capital commitments	**143,912**	**-**	**-**	**143,912**
Total commitments and guarantees	**1,787,240**	**2,148,201**	**201,203**	**4,186,644**
31 December 2022				
Outstanding letters of credit	1,478,501	319,203	-	1,797,704
Guarantees	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

NOTES

10 RISK MANAGEMENT (Continued)

10.4 Capital, Liquidity and funding risk (Continued)

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.

GROUP

As at 31 December 2023	Amount in TZS' Million				
	Encumbered		Unencumbered		
	Pledged as collateral	Other*	Available as collateral	Other	Total
Cash and balances with the central bank	**-**	**488,698**	**522,940**	**-**	**1,011,638**
Due from banks	**-**		**-**	**762,332**	**762,332**
Financial Assets at FVPL	**-**		**-**	**6,983**	**6,983**
Debt Instruments at FVOCI	**-**		**-**	**226,178**	**226,178**
Credit card	**-**		**-**	**2,309**	**2,309**
Equity investment at FVPL	**-**		**-**	**2,283**	**2,283**
Equity investment at FVOCI	**-**		**-**	**11,652**	**11,652**
Loans and advances to customers	**-**		**-**	**8,443,491**	**8,443,491**
Debt Instrument at amortized costs	**186,315**		**-**	**1,774,400**	**1,960,715**
Other assets	**-**		**-**	**148,903**	**148,903**
Total	**186,315**	**488,698**	**522,940**	**11,378,531**	**12,576,484**

As at 31 December 2022	Amount in TZS' Million				
	Encumbered		Unencumbered		
	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

*Represents the statutory minimum reserve balance with Bank of Tanzania which is not available for use by Group.

NOTES

10 RISK MANAGEMENT (Continued)

10.4 Capital, Liquidity and funding risk (Continued)
10.4.5 Analysis of encumbered and unencumbered assets (continued)

BANK

As at 31 December 2023	Amount in TZS' Million				
	Encumbered		Unencumbered		
	Pledged as collateral	Other*	Available as collateral	Other	Total
Cash and balances with the central bank	-	456,807	467,692	-	943,499
Due from banks	-		-	754,036	754,036
Financial Assets at FVPL	-		-	1,102	1,102
Debt Instruments at FVOCI	-		-	226,178	226,178
Credit card	-		-	2,309	2,309
Equity investment at FVPL	-		-	2,283	2,283
Equity investment at FVOCI	-		-	11,564	11,564
Loans and advances to customers	-		-	8,035,550	8,035,550
Debt Instrument at amortized costs	186,315		-	1,552,354	1,738,669
Other assets	-		-	138,138	138,138
Total	186,315	456,807	467,692	10,723,514	11,853,328

As at 31 December 2022	Amount in TZS' Million				
	Encumbered		Unencumbered		
	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

*Represents the statutory minimum reserve balance with Bank of Tanzania which is not available for use by Group.

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

NOTES

10 RISK MANAGEMENT (Continued)

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.

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.

NOTES

10 RISK MANAGEMENT (Continued)

10.5 Market risk (Continued)

10.5.1 Foreign exchange risk (continued)

Currency sensitivity analysis

With all other variables held constant, a shift in foreign exchange rate by 4% on foreign-denominated financial assets and liabilities would have resulted in lower or higher profit before tax as follows:

In TZS' Million	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
USD	**5,163**	5,122	**8,698**	5,122
EURO	**(188)**	13	**(323)**	13
GBP	**125**	1	**125**	2
BIF	**(493)**	2	**(493)**	2
Other	**54**	1	**54**	1

With all other variables held constant, a shift in foreign exchange rate by 4% on foreign-denominated financial assets and liabilities would have resulted in lower or higher equity as follows:

In TZS' Million	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
USD	**3,614**	3,585	**6,089**	3,585
EURO	**(132)**	9	**(226)**	9
GBP	**88**	1	**88**	1
BIF	**(345)**	1	**(345)**	1
Other	**38**	1	**38**	1

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 (2022: TZS 905 million).

The Bank's strategy is to monitor positions daily to ensure it manages against currency risk. Positions are maintained within established limits by balancing the assets and liabilities in the relevant currencies.

The below tables show the concentrations of foreign currency risk on the gross carrying value of financial assets and liabilities.

NOTES

10 RISK MANAGEMENT (Continued)

10.5 Market risk (Continued)

10.5.1 Foreign exchange risk (continued)

GROUP

In TZS' Million

As at 31 December 2023	TZS	USD	EURO	GBP	BIF	Others	Total
Financial Assets							
Cash and balances with the Central bank	790,520	210,244	7,873	1,611	-	1,390	1,011,638
Due from banks	82,756	409,845	239,453	1,944	12,324	16,011	762,332
Financial assets at FVPL	6,983	-	-	-	-	-	6,983
Debt instruments at FVOCI	226,178	-	-	-	-	-	226,178
Loans and advances to customers	6,109,581	2,332,220	1,690	-	-	-	8,443,491
Debt instruments at amortized cost	1,960,715	-	-	-	-	-	1,960,715
Credit cards	2,309	-	-	-	-	-	2,309
Other assets	142,163	6,740	-	-	-	-	148,903
Total financial assets	9,321,205	2,959,049	249,016	3,555	12,324	17,401	12,562,549
Financial Liabilities							
Deposits from customers	7,357,537	1,228,494	244,313	6,683	-	18,751	8,855,978
Deposits from Banks	119,171	876,390	-	-	-	-	995,561
Lease liabilities	49,817	-	-	-	-	-	49,817
Other liabilities**	290,365	12,247	11	6	-	-	302,629
Green Bond	175,204	-	-	-	-	-	175,204
Subordinated debts	-	130,986	-	-	-	-	130,986
Borrowings	93,107	840,002	-	-	-	-	933,109
	8,085,401	3,088,119	244,323	6,689	-	18,751	11,443,284
Net on-balance sheet financial position	1,235,804	(129,069)	4,693	(3,134)	12,324	(1,350)	1,119,265
Off-balance sheet commitments	1,099,862	2,382,913	281,842	-	-	190	3,764,807

*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).

NOTES

10 RISK MANAGEMENT (Continued)

10.5 Market risk (Continued)

10.5.1 Foreign exchange risk (continued)

GROUP

In TZS' Million

As at 31 December 2022	TZS	USD	EURO	GBP	BIF	Others	Total
Financial Assets							
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**	45,713	85,736	118	-	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).
v

NOTES

10 RISK MANAGEMENT (Continued)

10.5 Market risk (Continued)

10.5.1 Foreign exchange risk (continued)

BANK

In TZS' Million

As at 31 December 2023	TZS	USD	EURO	GBP	BIF	Others	Total
Financial Assets							
Cash and balances with the Central bank	**729,363**	**203,734**	**7,400**	**1,611**	**-**	**1,390**	**943,499**
Due from banks	**40,515**	**443,790**	**239,453**	**1,944**	**12,324**	**16,011**	**754,036**
Financial assets at FVPL	**1,102**	**-**	**-**	**-**	**-**	**-**	**1,102**
Debt instruments at FVOCI	**226,178**	**-**	**-**	**-**	**-**	**-**	**226,178**
Loans and advances to customers	**5,962,836**	**2,071,024**	**1,690**	**-**	**-**	**-**	**8,035,550**
Debt instruments at amortized cost	**1,738,669**	**-**	**-**	**-**	**-**	**-**	**1,738,669**
Credit cards	**2,309**	**-**	**-**	**-**	**-**	**-**	**2,309**
Other assets	**131,398**	**6,740**	**-**	**-**	**-**	**-**	**138,138**
Total financial assets	**8,832,370**	**2,725,289**	**248,543**	**3,555**	**12,324**	**17,401**	**11,839,481**
Financial Liabilities							
Deposits from customers	**6,965,206**	**1,084,145**	**240,453**	**6,678**	**-**	**18,751**	**8,315,233**
Deposits from Banks	**106,926**	**876,091**	**-**	**-**	**-**	**-**	**983,017**
Lease liabilities	**45,628**	**-**	**-**	**-**	**-**	**-**	**45,628**
Other liabilities**	**268,000**	**11,521**	**11**	**6**	**-**	**-**	**279,538**
Green Bond	**175,204**	**-**	**-**	**-**	**-**	**-**	**175,204**
Subordinated debts	**-**	**130,986**	**-**	**-**	**-**	**-**	**130,986**
Borrowings	**93,107**	**840,002**	**-**	**-**	**-**	**-**	**933,109**
Total Financial Liabilities	**7,654,071**	**2,942,745**	**240,464**	**6,684**	**-**	**18,751**	**10,862,715**
Net on-balance sheet financial position	**1,178,299**	**(217,456)**	**8,080**	**(3,129)**	**12,324**	**(1,350)**	**976,766**
Off balance sheet	**1,099,502**	**2,305,994**	**281,433**	**-**	**-**	**190**	**3,687,119**

*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).

NOTES

10 RISK MANAGEMENT (Continued)

10.5 Market risk (Continued)

10.5.1 Foreign exchange risk (continued)

BANK

In TZS' Million

As at 31 December 2022	TZS	USD	EURO	GBP	BIF	Others	Total
Financial Assets							
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
Total Financial Liabilities	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	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).

NOTES

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 590 million (2022: TZS 557 million),
- 3 million shares invested in TMRC with a total value of TZS 4,866 (2022: 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 2023 (2022: 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 (2022: 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 had been invested in a quoted instrument.
- The Group treats cashflows associated with investment are known with certainty.

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.

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.

NOTES

10 RISK MANAGEMENT (Continued)

10.5 Market risk (Continued)

10.5.3 Interest rate risk (Continued)

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 and Bank interest-bearing assets and liabilities, profit before tax would be lower or higher by TZS 226.5 million (2022: TZS 589.7 million) .

With all other variables held constant, if the interest rates prevailing during the year shifted by 500 basis points on all Group and Bank interest-bearing assets and liabilities, equity would be lower or higher by TZS 158.6 million (2022: TZS 412.8 million) .

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.

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

NOTES

10 RISK MANAGEMENT (Continued)

10.5 Market risk (Continued)

10.5.3 Interest rate risk (Continued)

10.5.3.1. IBOR reform

The Group successful managed the transitions of loan exposure that were subject to IBOR to SOFR

31 December

In TZS' Million

GROUP AND BANK	**2023**	**2022**
LIBOR USD (6 months)	-	70,622
LIBOR USD (12 months)	-	58,340
LIBOR TZS (6 months)	-	233,000
LIBOR USD (6 months)	-	-

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.

NOTES

10 RISK MANAGEMENT (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)

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.

GROUP

In TZS' Million

As at 31 December 2023	Up to 3 months	3 - 12 months	Over 1 year	Non-interest bearing	Total
Assets					
Cash and balances with the Central bank	-	-	-	1,011,638	1,011,638
Due from banks	746,101	16,231	-	-	762,332
Debt instruments at FVOCI	-	-	226,178		226,178
Credit cards	2,309	-	-	-	2,309
Loans and advances to customers	1,086,692	1,471,929	5,854,870	-	8,443,491
Debt instruments at amortized cost	257,713	480,426	1,222,576	-	1,960,715
Other financial assets*	-	-	-	148,903	148,903
Total financial assets	2,092,815	1,968,586	7,303,624	1,160,541	12,555,566
Liabilities					
Deposits from customers	7,958,850	661,111	163,060	72,957	8,855,978
Deposits from banks	576,151	419,410	-	-	995,561
Borrowings	17,847	40,639	874,623	-	933,109
Green Bond	3,378	-	171,826	-	175,204
Subordinated Debts	5,414	-	125,572	-	130,986
Lease liability	-	1,375	48,442	-	49,817
Other Liabilities**	-	-	-	302,629	302,629
Total financial liabilities	8,561,640	1,122,535	1,383,523	375,586	11,443,284
Total interest gap	(6,468,825)	846,051	5,920,101		

*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.

NOTES

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) (Continued)

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	-	952	30,485	-	31,437
Other Liabilities**	-	-	-	138,450	138,450
Total financial liabilities	8,033,901	1,137,750	625,195	192,080	9,988,926
Total interest gap	(6,126,406)	493,525	5,677,383		

*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.

NOTES

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) (Continued)

BANK — In TZS' Million

As at 31 December 2023	Up to 3 months	3 - 12 months	Over 1 year	Non-interest bearing	Total
Assets					
Cash and balances with the Central bank	-	-	-	943,499	943,499
Due from banks	737,805	16,231	-	-	754,036
Debts instruments at FVOCI	-		226,178	-	226,178
Credit cards	2,309	-	-	-	2,309
Loans and advances to customers	1,027,123	1,458,391	5,550,036	-	8,035,550
Debt instruments at amortized cost	246,281	439,294	1,053,094	-	1,738,669
Other financial assets*	-	-	-	138,138	138,138
Total financial assets	2,013,518	1,913,916	6,829,308	1,081,637	11,838,379
Liabilities					
Deposits from customers	7,437,206	642,569	162,501	72,957	8,315,233
Deposits from banks	563,606	419,410	-	-	983,016
Borrowings	17,847	40,639	874,623	-	933,109
Greed Bond	3,378	-	171,826	-	175,204
Subordinated Debts	5,414	-	125,572	-	130,986
Lease liability	-	1,375	44,253	-	45,628
Other Liabilities**	-	-	-	279,538	279,538
Total financial liabilities	8,027,451	1,103,993	1,378,775	352,495	10,862,714
Total interest gap	(6,013,933)	809,923	5,450,533		

*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.

NOTES

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) (Continued)

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
Debts 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	-	948	30,208	-	31,156
Other Liabilities**	-	-	-	136,302	136,302
Total financial liabilities	7,507,198	1,119,933	622,952	189,932	9,440,016
Total interest gap	(5,750,753)	321,503	5,532,778		

*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.

NOTES

10 RISK MANAGEMENT (Continued)

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.

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 Bank has made significant progress in embedding climate risk in its Risk framework, including developing appropriate risk appetite metrics. In addition, the Bank has re-evaluated its model landscape to incorporate climate-related risks and their impact on borrowers' credit risk.

Furthermore, the Group continues to build its workforce's knowledge and capacity in matters relating to climate-related risk. Despite the progress, the Bank acknowledges the need for further efforts to integrate climate fully into its risk assessments. Refer to Note 8.3.1 for details of accounting judgements, estimates, and assumptions regarding climate-related risks.

NOTES

10 RISK MANAGEMENT (Continued)

10.10 Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

The Group principally issues the following types of non-life insurance contracts: accident; motor, engineering and property insurance. There were no long-term insurance contracts (i.e., contracts with duration of more than one year) as of year-end.

The primary risk that the Group faces under its insurance contracts is that actual claims and benefit payments exceed the carrying amount of the insurance liabilities for a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning. This could happen if the frequency or severity of claims and benefits is higher than expected. Insurance events are unpredictable, and the actual number and amount of claims and benefits will differ from year to year compared to the level established using statistical techniques.

Factors that aggravate insurance risk include a lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

10.10.1 Managing insurance risk

The objective of the Group is to ensure that sufficient reserves are available to cover the liabilities associated with these insurance and reinsurance contracts that it issues. The risk exposure is mitigated by diversification across the portfolios of insurance contracts.

The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance held arrangements. Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are established to reduce the risk exposure of the Group.

The Group further enforces a policy of actively managing and promptly settling claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities and pricing appropriately.

The Group purchases reinsurance as part of its risk mitigation programme. Reinsurance held is placed on a proportional basis. Proportional reinsurance is quota–share reinsurance which is taken out to reduce the overall exposure of the Group. Amounts recoverable from reinsurers are estimated in a manner consistent with underlying insurance contract liabilities and in accordance with the reinsurance contracts. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance held, to the extent that any reinsurer is unable to meet its obligations.

For claims that have been reported at the financial position date, expert assessors estimate the expected cost of the final settlement. For expected claims that have not been reported by the financial position date and incurred but not reported (IBNR) provision is calculated using appropriate techniques. Consideration is also given to any stipulated minimum IBNR prescribed by regulations.

These provisions for claims are discounted for the time value of money increased by risk margin. Using the experience of a range of specialist claims assessors, provisions are reviewed at least annually to ensure they are sufficient.

As the Group started its insurance operations towards the end of the year 2023, the amount of the liability for incurred claims (including IBNR) at year end is insignificant and therefore the impact of change in key assumptions used in the measurement (i.e., expected loss and average term settlement) will not result in material impact to the recognised liability.

The Group has not disclosed claim development tables as the insurance operations started towards the year 2023.

The following tables disclose the concentration of insurance liabilities by the class of business in which the contract holder operates and by the maximum insured loss limit included in the terms of the policy.

Concentration of Insurance liabilities by class of business:

Maximum insured loss

31 December 2023

In TZS' Million Class of business	<50	50-100	>100	Total
Motor	38	-	-	38
Fire	-	-	156	156
Engineering	15	-	-	15
Others	1	-	-	1
Total	55	-	156	211

Comparatives are not provided as the group began insurance operations in the year 2023

NOTES

10 RISK MANAGEMENT (Continued)

10.10.1 Managing insurance risk (Continued)

Liquidity risk – Insurance exposures

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with insurance liabilities that are settled by delivering cash or another financial asset. The Group's liquidity risk policy sets out the assessment and determination of what constitutes liquidity risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the Group's risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment. The Group maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseeable interruption of cash flow. Liquidity analysis is provided under the insurance contract liability and reinsurance contracts assets under note 61.

Credit risk exposure associated with the insurance/re insurance contracts assets is immaterial. Refer to note 60 for details.

Pricing of risk

Pricing risks are managed by carefully establishing criteria by which each potential customer is allocated to the appropriate risk category, applying the underwriting rules, and by establishing prices appropriate to each risk category. Underwriting performance is measured by monitoring the claims loss ratio which is the ratio of claims to premiums.

Reserving risk

For claims that have been reported by the financial position date, expert assessors estimate the expected cost of the final settlement. For expected claims that have not been reported by the financial position date and incurred but not reported (IBNR) provision is calculated using appropriate techniques. Consideration is also given to any stipulated minimum IBNR prescribed by regulations. These provisions for claims are discounted for the time value of money increased by risk margin. Using the experience of a range of specialist claims assessors, provisions are reviewed at least annually to ensure they are sufficient.

11 FAIR VALUE MEASUREMENT

A fair value measurement assumes that the asset or liability is exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions. This note describes the fair value measurement of both financial and non-financial instruments.

11.1 Valuation principles

Financial instruments are evaluated based on their fair value, representing the amount received if the asset was sold or the liability was transferred in an orderly transaction between market participants at the measurement date. The fair value is a market-based measurement and uses the same assumptions that market participants would use when pricing an asset or liability under current market conditions. When estimating the fair value of an asset or a liability, the group considers the characteristics of the asset or liability that market participants would consider when pricing the asset or liability at the measurement date. The Group is presumed to be a going concern when determining fair value.

If the market is not available, the most advantageous market accessible to the Group on that date is considered. The fair value of a liability reflects its non-performance risk, which refers to the risk that the obligation will not be fulfilled and affects the value at which the liability is transferred.

The Group evaluates the fair value of cash and cash equivalents, loans, advances, customer deposits, and borrowed funds by taking into account various parameters such as interest rates, specific country factors, and individual creditworthiness of the customer.

The valuation is performed on a discounted cash flow basis, which involves estimating the future cash flows associated with the financial instrument and discounting them to present value. Based on this evaluation, allowances are considered for the expected losses of the receivables.

Overall, the Group's approach to determining fair value is based on rigorous analysis and consideration of various factors that can impact the value of financial instruments. This helps ensure that the Group has a reliable and accurate understanding of the fair value of its financial instruments.

Therefore, when measuring the fair value, we take into account the characteristics of asset or liability when pricing the asset or liability at the measurement date which includes;

- the condition and location of the asset; and
- restrictions, if any, on the sale or use of the asset.
- Impact of climate related risks

11.2 Valuation governance

The Bank's fair value methodology and the governance over its models include a number of controls and other procedures to ensure appropriate safeguards are in place to ensure its quality and adequacy. All new product initiatives (including their valuation methodologies) are subject to approvals by various functions of the Bank including the risk and finance functions. The responsibility of ongoing measurement resides with finance which reports under Chief Financial officer and on the quarterly basis are reviewed by the Internal audit function.

The reviewers validate fair value estimates by:
- Benchmarking prices against observable market prices or other independent sources
- Re-performing model calculations
- Evaluating and validating input parameter

NOTES

11 FAIR VALUE MEASUREMENT (Continued)

11.3 Group and Bank's assets and liabilities by fair value 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.

The following tables represents the Group's and Bank's financial assets that are measured at fair value at 31 December 2023. Motor vehicles that are measured at fair value are disclosed under Note 39.

GROUP				In TZS' Million
31 December 2023	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets measured at FVPL	**6,983**			**6,983**
Debt instrument measured at FVOCI:		**226,178**		**226,178**
- Treasury Bonds				
Equity Investment measured at FVOCI	**590**	**4,954**	**6,108**	**11,652**
Equity Investment measured at FVPL	**-**	**-**	**2,283**	**2,283**
Total assets	**7,573**	**231,132**	**8,391**	**247,096**
31 December 2022				
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

BANK				In TZS' Million
31 December 2023	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets measured at FVPL	**1,102**			**1,102**
Debt instrument measured at FVOCI		**226,178**		**226,178**
- Treasury Bonds				
Equity Investment measured at FVOCI	**590**	**4,866**	**6,108**	**11,564**
Equity Investment measured at FVPL	**-**	**-**	**2,283**	**2,283**
Total assets	**1,692**	**231,044**	**8,391**	**241,127**
31 December 2022				
Debt instrument measured at FVOCI:				
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

NOTES

11 FAIR VALUE MEASUREMENT (Continued)

11.3 Group and Bank's assets and liabilities by fair value hierarchy (Continued)

- There were no transfers between hierarchy levels 1 and 2 during the year.
- There were no transfers into and out of Level 3 of the fair value hierarchy 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 during the year

11.4 Valuation techniques

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.

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.

NOTES

11 FAIR VALUE MEASUREMENT (Continued)

11.4 Valuation techniques (Continued)

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 2023 and 2022 are shown below:

Valuation Techniques and Sensitivity analysis for Level 2 and 3 for Financial Assets				
Instrument	**Valuation Technique**	**Significant unobservable inputs**	**Range (Weighted Average)**	**Effect of reasonably possible alternative assumptions [Favourable/(unfavourable) change]**
Equity instruments at FVOCI	DCF method	Discount rate	2023:16%-17% 2022:16%-17%	2% increase (decrease) in discount rate would result in an (decrease) increase in fair value by TZS 16mn (2022: TZS 31mn).
		Discounted cashflow	Investment based	2 % increase (decrease) in investment would result in an increase (decrease) in fair value by TZS 122mn (2022: TZS 104mn).
Equity instruments at FVPL	DCF method	Discount rate	2023:16%-175 2022:16%-17%	2% increase (decrease) in discount rate would result in an (decrease) increase in fair value by TZS 6mn (2022: TZS 13mn).
		Discounted cashflow	Investment based	2 % increase (decrease) in investment would result in an increase (decrease) in fair value by TZS 58mn (2022: TZS 50mn).
Debt Instruments at FVOCI	DCF method	Discount rate	2023:14%-16% 2022:14%-16%	Significant increase in discount rate would result in lower fair value.
		Discounted cashflow	Based on expected 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	2023:14%-16% 2022:14%-16%	Significant increase in discount rate would result in lower fair value.
		Discounted cashflow	Based on expected cash flows as per contractual terms.	A significant increase in expected net cashflow would result in higher fair value.
Valuation Techniques and Sensitivity analysis for Level 2 and 3 for Non-Financial Assets				
MOTOR VEHICLE	Direct sales comparison approach	Prices of similar nature (per unit cost)	2023: 168mn 2022: TZS168mn	4% increase (decrease) in discount rate would result in an increase (decrease) in fair value by TZS 1,672mn (2022: TZS 1,604mn).

- *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 respectively as stated above.*
- *There was no interrelationship between significant unobservable inputs and other unobservable inputs used in the fair value measurement.*
- *The changing of one or more of the unobservable inputs to reflect reasonably possible alternative assumptions has not changed the fair value significantly during the year.*
- *During the year there was no significant change in fair value resulting from changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions.*

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 geopolitical and macro-economic uncertainties. This was mainly due to strong measures the Central Bank of Tanzania (BOT) took to minimise the risks.

During the year, there has been no change in valuation techniques on all levels.

11.5 Movements in Level 3 financial instruments measured at fair value

The following tables show a reconciliation of the opening and closing amounts of Level 3 financial assets which are recorded at fair value. Transfers from Level 3 to Level 2 occur when the market for some securities became more liquid, which eliminates the need for the previously required significant unobservable valuation inputs. Transfers into Level 3 reflect changes in market conditions as a result of which instruments become less liquid. Therefore, the Bank requires significant unobservable inputs to calculate their fair value.

NOTES

11 **FAIR VALUE MEASUREMENT (Continued)**

11.5 Movements in Level 3 financial instruments measured at fair value (Continued)

Reconciliation of Level 3 - Equity Investments at FVPL

In TZS' Million	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
At 1 January	**2,291**	2,886	**2,291**	2,886
Gain/(loss) on fair value remeasurement	**(8)**	(595)	**(8)**	(595)
Purchases	**-**	-	**-**	-
At 31 December	**2,283**	2,291	**2,283**	2,291

During the year there were no purchase, sales, issues and settlements.

Reconciliation of Level 3 - Equity Investments at FVOCI

In TZS' Million	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
At 1 January	**6,108**	5,187	**6,108**	5,187
Gain/(loss) on fair value remeasurement	**-**	921	**-**	921
Purchases	**-**	-	**-**	-
At 31 December	**6,108**	6,108	**6,108**	6,108

During the year there were no sales, issues, and settlements.
There were no any transfers into and out of Level 3 of the fair value hierarchy during the year.

11.6 Valuation methodologies of 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.

Cash and balances with Central bank

The carrying amount of cash and balances with the Central bank is a reasonable approximation of its fair value.

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.

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.

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.

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.

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.

Borrowings

The estimated fair value is based on discounted cash flows using the prevailing interest rate.

NOTES

11 **FAIR VALUE MEASUREMENT (Continued)**

11.6 Valuation methodologies of financial instruments not measured at fair value (Continued)

Credit card

The estimated fair value is based on discounted cash flows using the prevailing interest rate.

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.

12 INTEREST AND SIMILAR INCOME

In TZS' Million	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
Interest income calculated using the effective interest method				
Loans and advances to customers				
- Term loans	**854,037**	659,813	**813,359**	640,123
- Overdrafts	**124,562**	91,602	**122,733**	88,667
- Credit cards	**1,268**	1,088	**1,268**	1,088
Due from banks	**22,067**	18,765	**19,335**	17,600
Discount earned and interest on Debt instruments				
-Treasury bills	**32,271**	14,450	**30,234**	13,502
-Treasury and corporate bonds at amortised cost	**133,565**	106,544	**112,149**	83,460
-Treasury bonds at FVOCI	**59,282**	73,209	**59,282**	73,209
	1,227,052	965,471	**1,158,360**	917,649
Other interest and Similar income				
-Treasury bonds at FVPL	**379**	1,814	**379**	1,814
Total interest and similar income	**1,227,431**	967,285	**1,158,739**	919,463

13 INTEREST AND SIMILAR EXPENSE

In TZS' Million	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
Interest expense calculated using the effective interest method				
Deposits from customers				
– current accounts	**20,090**	18,361	**15,087**	13,310
– savings accounts	**27,354**	22,030	**24,819**	20,365
– fixed deposits	**118,142**	95,648	**115,781**	92,861
Deposits and balances due to other banks	**101,865**	47,724	**88,723**	46,974
Borrowings	**63,271**	28,727	**63,271**	28,727
Green Bond	**3,378**	-	**3,378**	-
Subordinated debt	**12,326**	6,982	**12,326**	6,982
	346,426	219,472	**323,385**	209,218
Interest expense on lease liability calculated using the effective interest method (Note 48)	**3,707**	1,980	**3,410**	1,952
Total interest and similar expenses	**350,133**	221,452	**326,795**	211,170

NOTES

14 FEE AND COMMISSION INCOME

In TZS' Million	GROUP		BANK	
Type of service	2023	2022	2023	2022
Fee income earned from services that are provided over time:				
Service charge on customer accounts	**35,312**	32,834	**34,527**	32,206
Commission on mobile phone services	**113,844**	71,729	**113,538**	71,549
Loan management fees*	**14,587**	8,130	**14,556**	8,114
VISA and master card fees	**21,898**	14,565	**21,519**	14,437
Commission on letters of credit	**32,207**	23,100	**31,395**	22,593
Fee on issue of Bank cards	**20,772**	18,202	**20,644**	18,119
Agency Banking	**66,334**	54,277	**66,189**	54,169
Fees on point of sale	**7,987**	10,223	**7,970**	10,202
Custodianship Commission	**7,636**	5,160	**7,619**	5,150
Commission on guarantees	**9,586**	14,397	**9,493**	14,175
	330,163	252,617	**327,450**	250,714
Fee income from providing financial services at a point in time:				
Salary processing fees	**3,361**	3,914	**3,189**	3,690
Insurance Commission	**34,140**	27,088	**33,983**	26,881
Fee on local transfers and drafts	**21,154**	13,470	**20,161**	12,333
Fee on international telegraphic transfers	**2,922**	2,721	**343**	516
Sale of Cheque books	**645**	626	**612**	599
ATM withdrawal charges	**23,089**	22,072	**23,039**	22,027
Statement Charges	**1,895**	1,705	**1,874**	1,687
Other fees and commissions	**11,470**	9,696	**9,754**	10,436
	98,676	81,292	**92,955**	78,169
Gross fee and commission income	**428,839**	333,909	**420,405**	328,883

*These are fees which are not an integral part in the calculation of effective interest rate and are being amortized over the life of the loan. This relate to fees charged for the management of the loan over its tenure. The fees cover cost such as site visits and credit monitoring.

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 made in the determination of revenue under IFRS 15. Details of contract balances related to unearned fees and commissions are disclosed under Note 47.

NOTES

14 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 2023				
Type of service	**Corporate Banking**	**Retail Banking**	**Treasury**	**Total**
Fee income earned from services that are provided over time:				
Service charge on customer accounts	13,985	21,327	-	35,312
Commission on mobile phone services	-	113,844	-	113,844
Loan management fees*	7,948	6,639	-	14,587
VISA and master card fees	-	21,898	-	21,898
Commission on letters of credit	32,207	-	-	32,207
Fee on issue of Bank cards	-	20,772	-	20,772
Agency Banking	-	66,334	-	66,334
Fees on point of sale	-	7,987	-	7,987
Custodianship Commission	-	-	7,636	7,636
Commission on guarantees	9,586	-	-	9,586
	63,726	258,801	7,636	330,163
Fee income from providing financial services at a point in time:				
Salary processing fees	3,361	-	-	3,361
Insurance Commission	-	34,140	-	34,140
Fee on local transfers and drafts	9,231	-	23	9,254
Fee on international telegraphic transfers	2,922	-	-	2,922
Sale of Cheque books	645	-	-	645
ATM withdrawal charges	-	23,089	-	23,089
Statement Charges	1,895	-	-	1,895
TRA collection income	-	-	-	-
Other fees and commissions	14,919	5,744	2,707	23,370
	32,973	62,973	2,730	98,676
Gross fee and commission income	96,699	321,774	10,366	428,839

NOTES

14 FEE AND COMMISSION INCOME (Continued)

Disaggregated fee and commission income

GROUP In TZS' Million Year ended 31 December 2022 Type of service	**Corporate Banking**	**Retail Banking**	**Treasury**	**Total**
Service charge on customer accounts	8,531	24,303	-	32,834
Commission on mobile phone services	18,643	53,086	-	71,729
Loan management 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
Fees on point of sale	2,657	7,566	-	10,223
Custodianship Commission	-	-	5,160	5,160
Commission on guarantees	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

BANK In TZS' Million Year ended 31 December 2023 Type of service	**Corporate Banking**	**Retail Banking**	**Treasury**	**Total**
Fee income earned from services that are provided over time:				
Service charge on customer accounts	**13,318**	**21,209**	**-**	**34,527**
Commission on mobile phone services	**-**	**113,538**	**-**	**113,538**
Loan management fees*	**7,917**	**6,639**	**-**	**14,556**
VISA and master card fees	**-**	**21,519**	**-**	**21,519**
Commission on letters of credit	**31,395**	**-**	**-**	**31,395**
Fee on issue of Bank cards	**-**	**20,644**	**-**	**20,644**
Agency Banking	**-**	**66,189**	**-**	**66,189**
Fees on point of sale	**-**	**7,970**	**-**	**7,970**
Custodianship Commission	**-**	**-**	**7,619**	**7,619**
Commission on guarantees	**9,493**	**-**	**-**	**9,493**
	62,123	**257,708**	**7,619**	**327,450**
Fee income from providing financial services at a point in time:				
Salary processing fees	**3,189**	**-**	**-**	**3,189**
Insurance Commission	**-**	**33,983**	**-**	**33,983**
Fee on local transfers and drafts	**8,261**	**-**	**-**	**8,261**
Fee on international telegraphic transfers	**343**	**-**	**-**	**343**
Sale of Cheque books	**612**	**-**	**-**	**612**
ATM withdrawal charges	**-**	**23,039**	**-**	**23,039**
Statement Charges	**1,874**	**-**	**-**	**1,874**
Other fees and commissions	**13,449**	**5,520**	**2,685**	**21,654**
	27,728	**62,542**	**2,685**	**92,955**
Gross fee and commission income	**89,851**	**320,250**	**10,304**	**420,405**

NOTES

14 FEE AND COMMISSION INCOME (Continued)

BANK In TZS' Million Type of service	**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 management 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
Fees on point of sale	2,652	7,550	-	10,202
Custodianship Commission	-	-	5,150	5,150
Commission on guarantees	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

15 FEE AND COMMISSION EXPENSE

	2023	2022	**2023**	2022
Commission expense Agency Banking	**52,748**	42,292	**52,605**	42,186
Commission expense Nostro transactions	**7,759**	8,979	**7,596**	8,979
Commission expense to VISA and Mastercard	**25,908**	19,466	**24,691**	18,379
	86,415	70,737	**84,892**	69,544

16 FOREIGN EXCHANGE INCOME

	GROUP		**BANK**	
	2023	2022	**2023**	2022
	TZS' Million	TZS' Million	**TZS' Million**	TZS' Million
Foreign exchange income	**65,949**	57,557	**56,895**	54,786

NOTES

17 NET GAIN OR (LOSS) ON EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	GROUP		BANK	
	2023	2022		2022
	TZS' Million	TZS Million	**TZS' Million**	TZS' Million
Financial assets measured at fair value through profit or loss*	**349**	2,613	**(282)**	1,814
Equity investment measured at fair value through profit or loss (Note 31A)	**-**	(595)	**-**	(595)
	349	2,018	**(282)**	1,219

*Fair value gain relating to UTT investment in Liquid fund and debt instruments held for trading that have been classified as a financial asset at FVPL.

The above amounts relate to financial instruments mandatorily measured at fair value through profit or loss.

18 NET GAIN ON DERECOGNITION OF FINANCIAL ASSETS MEASURED AT FVOCI

	GROUP		BANK	
	2023	2022	**2023**	2022
	TZS' Million	TZS' Million	**TZS' Million**	TZS' Million
Net gains on derecognition of financial assets measured at fair value through other comprehensive income	**7,038**	44,268	**7,038**	44,268

19 OTHER OPERATING INCOME

	GROUP		BANK	
	2023	2022		2022
	TZS' Million	TZS' Million		TZS' Million
Rental income* (Note 62)	**81**	92	**81**	92
Dividend income from investment	**820**	-	**11,311**	4,344
FSDT Assets grant income (Note 53.1)	**700**	786	**700**	786
MIVARF (Note 53.2)	**514**	932	**514**	932
Loss on disposal of fixed assets	**(1,015)**	(1,712)	**(1,015)**	(1,712)
Insurance service revenue**	**180**	-	**-**	-
	1,280	98	**11,591**	4,442

*This represents income from leases.

**The breakdown of insurance service revenue results by major product lines is presented below:

Insurance revenue	Motor	Fire	Engineering	Others	Total
In TZS' Million					
31 December 2023					
Contracts measured under the PAA - (Revenue)	124	52	1	3	180

The Company started its insurance operations in the year 2023. Therefore, there was no insurance revenue in the prior year.

NOTES

20 OPERATING EXPENSES

	GROUP		BANK	
	2023	2022	**2023**	2022
	TZS' Million	TZS' Million	**TZS' Million**	TZS' Million
General expenses	**110,500**	78,266	**106,587**	75,321
Board Fees*	**1,853**	1,363	**1,102**	965
Board Expenses**	**5,326**	5,346	**3,561**	3,743
Auditors' fees	**706**	689	**577**	628
Communication and IT costs	**42,938**	36,590	**42,098**	36,365
Marketing and advertising expenses	**18,031**	14,558	**16,566**	13,213
Travelling costs	**16,117**	14,683	**12,855**	12,530
Utilities expenses	**5,226**	5,045	**5,062**	4,875
Repairs and Maintenance	**7,948**	5,837	**7,742**	5,460
Local taxes***	**6,375**	4,203	**3,302**	4,183
Shareholders Meetings expenses****	**1,336**	1,243	**1,336**	1,243
Other expenses	**2,097**	6,282	**521**	5,979
Insurance service expenses*****	**63**	-	**-**	-
Net expenses from reinsurance contract*****	**83**	-	**-**	-
	218,599	174,305	**201,309**	164,505

*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.
***This is service levy charged on turnover and advertisement tax on billboards, posters & hoarding paid to municipal authorities.

**** 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.

******* Insurance service expenses**

31 December 2023 In TZS' Million	Motor	Fire	Engineering	Others	Total
Incurred claims and other directly attributable expenses	22	17	-	-	39
Amortisation of insurance acquisition cash flows	7	13	-	-	20
Changes to liabilities for incurred claims	-	4	-	-	4
	29	34	-	-	63

The Company started its insurance operations in 2023, so there was no insurance service expense in the prior year.

*******Net expenses from reinsurance contracts held**

31 December 2023 In TZS' Million	Motor	Fire	Engineering	Others	Total
Premium ceded to reinsurance companies	31	71	1	1	104
Commission income	(3)	(17)	(1)	-	(21)
	28	54	-	1	83

NOTES

21 DEPRECIATION

	GROUP		BANK	
	2023	2022	2023	2022
	TZS' Million	TZS' Million	TZS' Million	TZS' Million
Depreciation of property and equipment (Note 40)	51,993	48,066	50,333	47,310
Depreciation of Motor vehicles (Note 39)	3,732	3,467	3,563	3,328
	55,725	51,533	53,896	50,638

22 AMORTISATION

	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
Amortization right-of-use assets (Note 41)	15,837	9,499	15,397	9,312
Amortization of Prepaid Leases (Note 42)	256	278	256	278
Amortization of intangible assets (Note 43)	12,882	9,608	12,720	9,377
	28,975	19,385	28,373	18,967

23 EMPLOYEE BENEFIT EXPENSES

	GROUP		BANK	
In TZS' Million	2023	2022	2023	2022
Salaries and wages	217,931	202,480	207,686	196,539
Bonus	24,104	17,381	23,140	16,703
Social security contributions	27,719	25,958	27,037	25,717
Gratuity	5,388	4,397	4,487	3,877
Training and development	6,576	4,388	6,040	4,084
Employee separation costs	2,215	225	2,215	225
Leave allowance	16,740	15,500	15,890	15,220
Medical expenses	8,906	8,161	8,746	8,120
Staff Welfare	11,068	9,865	10,706	9,566
Skills & Development Levy	8,072	8,553	8,022	8,553
Group Personal Accident	639	892	617	891
Staff Transfers	1,983	1,624	1,864	1,539
Staff award	2,871	2,659	2,871	2,659
Staff uniforms	210	21	205	15
Workman's compensation	996	1,036	988	1,035
Retirement benefits	1,389	1,491	1,389	1,491
Other staff costs*	1,436	239	738	212
	338,243	304,870	322,641	296,446

*Other staff costs include several employee benefits expenses whose individual amounts are too small to be disclosed separately, e.g., condolences and burial expenses, staff recruitment-associated costs, etc.

24 INCOME TAX

(A) Income tax expense – amount recognised in profit or loss

	GROUP		BANK	
In TZS' Million	2023	2022	2023	2022
Current income tax – current year*	194,445	159,840	192,914	158,178
Current income tax – prior years*	8,700	(1,351)	8,627	(1,279)
Deferred tax – current year	(19,366)	(12,563)	(17,022)	(12,313)
Deferred tax – prior years	(7,920)	375	(7,920)	339
	175,859	146,302	176,599	144,925

The amount includes TZS 5,666mn (2022: TZS 3,762mn) relating to tax chargeable in respect of a foreign subsidiary (CRDB Burundi)

NOTES

24 INCOME TAX (Continued)

(B) Income tax recoverable

	GROUP		BANK	
In TZS' Million	2023	2022	2023	2022
At 1 January	8,098	8,940	9,854	9,619
Payments made during the year	195,283	156,050	193,331	155,537
Charge to profit or loss*	(203,145)	(158,489)	(201,541)	(156,899)
Withholding tax utilized	1,592	1,597	1,590	1,597
Closing balance	1,828	8,098	3,432	9,854

**Includes charges in relation to prior and current years. For details refer to note 24A*

(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:

	GROUP		BANK	
In TZS' Million	2023	2022	2023	2022
Profit before income tax	598,651	497,709	585,214	477,405
Tax calculated at the statutory income tax rate at 30%	179,595	149,313	175,564	143,222
Tax effect of:				
Depreciation on non-qualifying assets	668	639	659	630
Losses/(gains) on sales of non-qualifying assets	68	19	68	\19
Expenses not deductible for tax purposes	3,320	1,100	3,195	1,099
Under/over provisions of current tax in previous years	8,700	(1,351)	8,627	(1,279)
Under/(over) provision of deferred tax in previous years	(7,920)	375	(7,920)	339
Tax on foreign subsidiary	4,864	3,762	4,864	3,762
Tax on exempted income**	(8,654)	(2,953)	(8,494)	(2,953)
Other*	(4,782)	(4,602)	36	86
Income tax expense	175,859	146,302	176,599	144,925
Effective tax rate	29%	29%	30%	30%

Bank's taxation is based on consistent rate of 30% for both 2023 and 2022.

There is no change in tax rate from the previous year and no temporary differences associated with investments in subsidiaries, which can be found in the statement of financial position, mainly because of the inexistence of temporary differences and the fact that it is unlikely that the difference will be reversed in the future.

*Other factors include the effect of Burundi's lower tax rate from the expected 30% due to existing incentives and consolidation tax adjustment.

** This relates to income which are exempted from tax according to local tax laws

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.

NOTES

25 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.

In TZS' Million	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
Profit for the year (TZS'Million)	**422,792**	351,407	**408,615**	332,480
Number of shares ('Million)	**2,612**	2,612	**2,612**	2,612
Basic and diluted earnings per share (TZS)	**161.88**	134.54	**156.45**	127.30

There were no potentially dilutive ordinary shares outstanding as at 31 December 2023 (2022: Nil). Diluted earnings per share is the same as basic earnings per share.

26 DISTRIBUTIONS MADE AND PROPOSED

In TZS' Million	2023	2022
Cash dividends on ordinary shares declared: *		
Dividend declared 2022 TZS 45 per share (2022: TZS 36 per share)	**117,533**	94,025
Proposed dividends on ordinary shares:		
Cash dividend for 2023: TZS 50 per share (2022: TZS 45 per share)	**130,592**	117,533
Non-cash distribution		
There was no non-cash distribution during the year (2022: NIL)		

The Directors propose payment of a dividend of TZS 50 per share, amounting to TZS 130.6 billion out of 2023 profit to be ratified at the Annual General Meeting to be held in May 2024. In May 2023, dividend of TZS 45 per share, amounting to TZS 117.5 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 2022 and paid in 2023 and dividends declared in 2021 paid in 2022.

27 CASH AND BALANCES WITH CENTRAL BANK

In TZS' Million	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
Cash in hand	**488,698**	379,554	**475,807**	367,218
Clearing accounts with Central bank	**147,812**	213,197	**92,564**	107,663
Statutory Minimum Reserves (SMR) *	**375,128**	389,684	**375,128**	389,684
	1,011,638	982,435	**943,499**	864,565

*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.

- 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 2023 and 2022 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 the Central bank are non-interest-bearing assets.

NOTES

27 CASH AND BALANCES WITH CENTRAL BANK (Continued)

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

31 December 2023 — Amounts in TZS' Million

Internal rating grade	12 months PD range	Stage 1	Stage 2	Stage 3	Total
High grade	0.0%-0.5%	**1,011,638**	**-**	**-**	**1,011,638**
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		**1,011,638**	**-**	**-**	**1,011,638**

31 December 2022

Internal rating grade	12 months 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

BANK

31 December 2023

Internal rating grade	12 months PD range	Stage 1	Stage 2	Stage 3	Total
High grade	0.0%-0.5%	**943,499**	**-**	**-**	**943,499**
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		**943,499**	**-**	**-**	**943,499**

31 December 2022

Internal rating grade	12 months 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

NOTES

28 DUE FROM BANKS

	GROUP		BANK	
	2023	2022	2023	2022
	TZS' Million	TZS' Million	TZS' Million	TZS' Million
Cheques and items for clearing	893	1,262	-	-
Nostro accounts balances	478,888	118,750	559,244	124,514
Placements with other banks	284,046	575,687	196,287	589,658
Less: Allowance for ECL	(1,495)	(2,193)	(1,495)	(2,193)
	762,332	693,506	754,036	711,979

Maturity analysis

Redeemable on demand (within 3 months)				
Cheques and items for clearing	893	1,262	-	-
Nostro accounts balances	478,888	118,750	559,244	124,514
Placements with other banks				
Maturing within 3 months	221,260	575,687	180,056	575,301
- Maturity after 1 year	62,786	-	16,231	14,357
Less: Allowance for ECL	(1,495)	(2,193)	(1,495)	(2,193)
	762,332	693,506	754,036	711,979
Cheques and items for clearing	893	1,262	-	-
Nostro accounts balances	478,888	118,750	559,244	124,514
Placements maturing within 3 months	221,260	575,687	180,056	575,301
Cash and cash equivalent (Note 59)	701,041	695,699	739,300	699,815

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	
Placements with other banks	2023	2022	2023	2022
In TZS' Million				
At start of year	573,571	372,545	587,542	326,694
Additions	14,152,703	13,678,935	14,064,951	13,658,846
Matured	(14,442,228)	(13,475,793)	(14,456,206)	(13,395,882)
At end of year	284,046	575,687	196,287	589,658
Less: Allowance for ECL	(1,388)	(2,116)	(1,388)	(2,116)
	282,658	573,571	194,899	587,542

ECL for nostro accounts balances and cheques and items for clearing are immaterial amount to TZS 107 million (2022: 77million).

The placements made at the year end 2023 were for high rated banks with low credit risk as rated by Credit rating agencies.

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 2023	573,571	573,571
New financial assets originated or purchased	14,149,196	14,149,196
Payments received and financial assets derecognised	(14,442,228)	(14,442,228)
Accrued interest	3,507	3,507
Gross carrying amount as at 31 December 2023	284,046	284,046
Loss allowance as at 31 December 2023	1,388	1,388

NOTES

28 DUE FROM BANKS (Continued)

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

BANK Placements with other banks	Stage 1 TZS' Million	Total TZS' Million
Gross carrying amount as at 1 January 2023	589,658	589,658
New financial assets originated or purchased	14,061,444	14,061,444
Payments received and financial assets derecognised	(14,456,206)	(14,456,206)
Accrued interest	3,507	3,507
Gross carrying amount as at 31 December 2023	196,287	196,287
Loss allowance as at 31 December 2023	1,388	1,388
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

NOTES

28 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 — In TZS' Million

31 December 2023

Internal rating grade	12 months PD range	Stage 1	Stage 2	Stage 3	Total
High grade	0.0%-0.5%	-	-	-	-
Standard grade	0.5%-11.7%	284,046	-	-	284,046
Sub-standard grade	11.7%-29.5%	-	-	-	-
Low grade	29.5%-100.0%	-	-	-	-
Individually impaired	100%	-	-	-	-
Gross Carrying amount		**284,046**	-	-	**284,046**

31 December 2022

Internal rating grade	12 months 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

BANK — In TZS' Million

31 December 2023

Internal rating grade	12 months PD range	Stage 1	Stage 2	Stage 3	Total
High grade	0.0%-0.5%	-	-	-	-
Standard grade	0.5%-11.7%	196,287	-	-	196,287
Sub-standard grade	11.7%-29.5%	-	-	-	-
Low grade	29.5%-100.0%	-	-	-	-
Individually impaired	100%	-	-	-	-
Gross Carrying amount		**196,287**			**196,287**

31 December 2022

Internal rating grade	12 months 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

NOTES

28 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 2023 — In TZS' Million

Internal rating grade	12 months PD range	Stage 1	Stage 2	Stage 3	Total
High grade	0.0%-0.5%				
Standard grade	0.5%-11.7%	479,781	-	-	479,781
Sub-standard grade	11.7%-29.5%	-	-	-	-
Low grade	29.5%-100.0%	-	-	-	-
Individually impaired	100%	-	-	-	-
Gross Carrying amount		**479,781**	-	-	**479,781**

31 December 2022

Internal rating grade	12 months 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

BANK

31 December 2023 — In TZS' Million

Internal rating grade	12 months PD range	Stage 1	Stage 2	Stage 3	Total
High grade	0.0%-0.5%	-	-	-	-
Standard grade	0.5%-11.7%	559,244	-	-	559,244
Sub-standard grade	11.7%-29.5%	-	-	-	-
Low grade	29.5%-100.0%	-	-	-	-
Individually impaired	100%	-	-	-	-
Gross Carrying amount		**559,244**	-	-	**559,244**

31 December 2022

Internal rating grade	12 months 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

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 2023				
As at 1 January 2023	2,193	-	-	2,193
Charge/(release) for the period	(698)			(698)
Loss allowance as at 31 December 2023	1,495	-	-	1,495

NOTES

28 DUE FROM BANKS (Continued)

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

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%.

29 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	GROUP		BANK	
	2023	2022	2023	2022
In TZS' Million				
UTT Investment in Liquid Fund	5,881	6,286	-	-
Financial Assets held for trading	-	16,417	-	16,417
Watumishi Faida Fund	1,102	1,000	1,102	1,000
	6,983	23,703	1,102	17,417

The total amount includes Group's subsidiary CRDB insurance company Ltd investment in UTT Liquid Fund Unit Trust Scheme and investment by the Parent in Watumishi Housing investments (WHI) (Faida Fund) TZS10mn at TZS 100 per units. The share price of Faida fund appreciates to TZS 110.24 per units at the end of the year 2023.

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.

30 DEBT INSTRUMENTS

In TZS' Million	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
Debt instruments at amortized cost				
Treasury bills	613,979	515,200	599,220	451,535
Treasury and corporate bonds	1,347,300	969,121	1,140,013	697,066
Less: Allowance for ECL	(564)	(353)	(564)	(353)
	1,960,715	1,483,968	1,738,669	1,148,248
Debt instruments at FVOCI				
Treasury bond	226,206	786,225	226,206	786,225
Less: Allowance for ECL	(28)	(107)	(28)	(107)
	226,178	786,118	226,178	786,118

Treasury bills and bonds are debt securities issued by the Government. As at 31 December 2023, treasury bonds amounting to TZS 186,315 million (2022: TZS 450,449 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 2023 (2022: Nil).

As at 31 December, there were neither transferred financial assets nor repurchase and securities lending transactions (2022: Nil).

The maturity analysis of debt instruments net of ECL is as follows:

NOTES

30 DEBT INSTRUMENTS (Continued)

In TZS' Million	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
Maturing within 3 months				
Treasury bills	374,867	143,700	348,289	143,700
Treasury bonds	13,169	7,995	13,169	7,995
Maturing after 3 months - 12 months				
Treasury bills	239,048	307,770	233,112	307,770
Treasury bonds	91,006	110,601	91,006	110,601
Maturing after 12 months				
Treasury bonds	1,468,803	1,700,020	1,279,271	1,364,300
	2,186,893	2,270,086	1,964,847	1,934,366
Current	718,090	570,066	685,576	570,066
Non-current	1,468,803	1,700,020	1,279,271	1,364,300
	2,186,893	2,270,086	1,964,847	1,934,366

All debt instruments for the Group and Bank measured at FVOCI are non-current.

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 2023	Treasury bills	Treasury and Corporate bonds		
At start of year	515,200	969,121	786,225	2,270,546
New financial assets purchased	619,136	527,892	29,333	1,176,361
Accrued interest	17,820	28,634	5,906	52,360
Payments received and financial assets derecognised	(538,177)	(178,347)	(607,248)	(1,323,772)
Revaluation gains on debt instrument at FVOCI	-	-	11,990	11,990
At end of year	613,979	1,347,300	226,206	2,187,485
Less: Allowance for ECL	(84)	(480)	(28)	(592)
Net debt instruments	613,895	1,346,820	226,178	2,186,893
31 December 2022				
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 gains 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

NOTES

30 DEBT INSTRUMENTS (Continued)

An analysis of changes in the gross carrying amount in relation to debt instruments for the Bank is, as follows:

BANK

In TZS' Million	Amortised Cost		FVOCI	Total
31 December 2023	Treasury bills	Treasury and Corporate bonds		
At start of year	**451,535**	**697,066**	**786,225**	**1,934,826**
New financial assets purchased	**619,136**	**527,892**	**29,333**	**1,176,361**
Accrued interest	**17,820**	**28,634**	**5,906**	**52,360**
Payments received and financial assets derecognised	**(489,271)**	**(113,579)**	**(607,248)**	**(1,210,098)**
Revaluation gains on debt instrument at FVOCI	**-**	**-**	**11,990**	**11,990**
At end of year	**599,220**	**1,140,013**	**226,206**	**1,965,439**
Less: Allowance for ECL	**(84)**	**(480)**	**(28)**	**(592)**
Net debt instruments	**599,136**	**1,139,533**	**226,178**	**1,964,847**
As at 31 December 2022				
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 gains 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

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.

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 31 December 2023	Stage 1		Total
Debt instruments at amortised cost	Treasury bills	Treasury and Corporate Bonds	
Gross carrying amount as at 1 January 2023	**515,200**	**969,121**	**1,484,321**
New financial assets originated or purchased	**619,136**	**527,892**	**1,147,028**
Accrued interest	**17,820**	**28,634**	**46,454**
Payments received and financial assets derecognised	**(538,177)**	**(178,347)**	**(716,524)**
Gross carrying amount as at 31 December 2023	**613,979**	**1,347,300**	**1,961,279**
Loss allowance as at 31 December 2023	**(84)**	**(480)**	**(564)**

NOTES

30 DEBT INSTRUMENTS (Continued)

In TZS' Million	Stage 1		Total
Debt instruments at amortised cost	Treasury bills	Treasury and Corporate Bonds	
31 December 2022			
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)

BANK

In TZS' Million 31 December 2023			
Gross carrying amount as at 1 January 2023	**451,535**	**697,066**	**1,148,601**
New financial assets originated or purchased	**619,136**	**527,892**	**1,147,028**
Accrued interest	**17,820**	**28,634**	**46,454**
Payments received and financial assets derecognised	**(489,271)**	**(113,579)**	**(602,850)**
Gross carrying amount as at 31 December 2023	**599,220**	**1,140,013**	**1,739,233**
Loss allowance as at 31 December 2023	**(84)**	**(480)**	**(564)**
31 December 2022			
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)

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 2023					Amounts in TZS' Million
Internal rating grade	**12 months PD range**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
High grade	0.0%-0.5%	**1,961,279**	-	-	**1,961,279**
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		**1,961,279**	**-**	**-**	**1,961,279**

NOTES

30 DEBT INSTRUMENTS (Continued)

31 December 2022					
Internal rating grade	**12 months PD range**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
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

BANK

31 December 2023					
Internal rating grade	**12 months PD range**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
High grade	0.0%-0.5%	**1,739,233**	**-**	**-**	**1,739,233**
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		**1,739,233**	**-**	**-**	**1,739,233**

31 December 2022					
Internal rating grade	**12 months 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

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

	Stage 1		Total
In TZS' Million 31 December 2023	**Treasury bills**	**Treasury and Corporate bonds**	
As at 1 January 2023	**64**	**289**	**353**
Charge/(release) for the period	**20**	**191**	**211**
Loss allowance as at 31 December 2023	**84**	**480**	**564**
As at 31 December 2022			
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

NOTES

30 DEBT INSTRUMENTS (Continued)

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 2023		
Gross carrying amount as at 1 January 2023	**786,225**	**786,225**
New financial assets originated or purchased	**29,333**	**29,333**
Accrued Interest	**5,906**	**5,906**
Payments received and financial assets derecognised	**(607,248)**	**(607,248)**
Revaluation gains on debt instrument at FVOCI	**11,990**	**11,990**
Gross carrying amount as at 31 December 2023	**226,206**	**226,206**
Loss allowance as at 31 December 2023	**(28)**	**(28)**

GROUP AND BANK

As at 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 gains 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)

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

In TZS' Million

31 December 2023

Internal rating grade	**12 months PD range**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
High grade	0.0%-0.5%	**226,206**	**-**	**-**	**226,206**
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		**226,206**	**-**	**-**	**226,206**

31 December 2022

Internal rating grade	**12 months PD range**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
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

NOTES

30 DEBT INSTRUMENTS (Continued)

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 the movement of ECL in relation to Debt instruments measured at FVOCI is, as follows:

GROUP AND BANK

In TZS' Million 31 December 2023	FVOCI	Total
As at 1 January 2023	**107**	**107**
Charge/(release) for the period	**(79)**	**(79)**
Loss allowance as at 31 December 2023	**28**	**28**

In TZS' Million 31 December 2022	FVOCI	Total
As at 1 January 2022	72	72
Charge/(release) for the period	35	35
Loss allowance as at 31 December 2022	107	107

31A EQUITY INVESTMENTS AT FVPL

In TZS' Million	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
At 1 January	**2,291**	2,886	**2,291**	2,886
Share redemption*	**(8)**		**(8)**	
Revaluation gain/ (loss)	**-**	(595)	**-**	(595)
At 31 December	**2,283**	2,291	**2,283**	2,291

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 2023, mainly savings and time deposits. The percentage shareholding of the Bank in TACOBA as at 31 December 2023 was 7.7% (2022: 7.7%). The Group holds 3.2 million preference shares and 100,000 ordinary shares of TACOBA with a total of TZS 2,283 million (2022: TZS 2,291 million).

The investment is measured at FVPL since initial recognition as permitted by IFRS 9, and there are no changes of classification at the reporting date. The equity investment is not held for trading.

There was no change in the fair value of the financial assets during the year (2022: loss of TZS 595 million).

*As per the investment contract between CRDB and TACOBA, the investment is reduced by the amount equivalent to the proceeds from the sale of TACOBA's shares.

NOTES

31B EQUITY INVESTMENTS AT FVOCI

In TZS' Million	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
Investment in Tanzania Mortgage Refinance Company (TMRC)	**4,866**	4,866	**4,866**	4,866
Investment in Dar es Salaam Stock Exchange (DSE)	**590**	557	**590**	557
Investment in Kilimanjaro Community Bank (KCBL)	**6,108**	6,108	**6,108**	6,108
Burundi National switch	**88**	113	**-**	-
	11,652	11,644	**11,564**	11,531

Tanzania Mortgage Refinance Company (TMRC) is a private sector institution owned by banks that supports banks in mortgage lending by refinancing their mortgage portfolios. The bank's percentage shareholding in TMRC as of 31 December 2023 was 17.14% (2022: 17.14%).

Dar es Salaam Stock Exchange (DSE) is a stock exchange located in Dar es Salaam. It was incorporated in September 1996 and started trading in April 1998. The Capital Market and Securities Authority (CMSA) monitors and supervises the exchange's activities. The Bank's shareholding in DSE as of 31 December 2023 was 1.6% (2022: 1.6%).

Kilimanjaro Cooperative Bank Limited (KCBL) was registered under the Cooperative Societies Act, 1991 (Revised in 2003 and 2013) and was granted banking license no. CBA 008 on 4 August 1995 to operate as a community bank in the Kilimanjaro Region. The bank started operations on 10 July 1996, becoming the first Cooperative Bank in the country, 100% owned by Tanzanians. The bank's target market is individuals and cooperative societies, including AMCOS and SACCOS.

The percentage shareholding of the Bank in KCBL as at 31 December 2023 was 51% (2022: 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 the Republic of Burundi. The Group's shareholding in Burundi National Switch as of 31 December 2023 was 0.52% (2022: 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 dividends from its FVOCI equities in 2023 (2022: 38 million), and the Bank did not dispose of or derecognise any FVOCI equity instruments in 2023.

The fair value of unquoted equity investments 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 2023.

A discount rate of 16% per annum as a weighted average lending rate and average Treasury bond rate between 2-5 years.

The Group held the following shares in the above equity investment as at 31 December 2023 and 31 December 2022.

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	**590**
Burundi National switch	10,000	**88**
Kilimanjaro Cooperative Bank (KCBL)*	1,400,000	**6,108**

* The shares held by the Group in KCBL are preference shares.

32 CREDIT CARDS

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to credit cards is as follows.

In TZS' Million	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
Carrying amount	**2,544**	1,812	**2,544**	1,812
Less: Allowance for ECL	**(235)**	(564)	**(235)**	(564)
Net Credit cards	**2,309**	1,248	**2,309**	1,248

NOTES

32 CREDIT CARDS (Continued)

An analysis of credit cards based on internal ratings is summarised as follows:

GROUP AND BANK

In TZS' Million 31 December 2023	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
Current	**2,261**	**-**	**-**	**2,261**
Especially mentioned	**-**	**85**	**-**	**85**
Sub-standard	**-**	**-**	**136**	**136**
Doubtful	**-**	**-**	**2**	**2**
Loss	**-**	**-**	**60**	**60**
Gross Carrying amount	**2,261**	**85**	**198**	**2,544**
Less: Allowance for ECL	**(17)**	**(20)**	**(198)**	**(235)**
Net Credit cards	**2,244**	**65**	**-**	**2,309**

31 December 2022	Stage 1	Stage 2	Stage 3	Total
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

An analysis of changes in the gross carrying amount in relation to credit cards is, as follows:

GROUP AND BANK

31 December 2023 In TZS' Million	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2023	**1,640**	**58**	**111**	**1,809**
Changes in the gross carrying amount				
-Transfer to stage 1	**73**	**(55)**	**(18)**	**-**
-Transfer to stage 2	**(31)**	**32**	**(1)**	**-**
-Transfer to stage 3	**(42)**	**(7)**	**49**	**-**
New financial assets purchased	**251**	**-**	**-**	**251**
Accrued interest	**481**	**58**	**83**	**622**
Payment received and financial assets derecognised	**(111)**	**(1)**	**(26)**	**(138)**
Gross carrying amount as at 31 December 2023	**2,261**	**85**	**198**	**2,544**
Loss allowance as at 31 December 2023	**17**	**20**	**198**	**235**

NOTES

32 CREDIT CARDS (Continued)

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
Payment 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

An analysis of changes in the corresponding ECL allowances in relation to credit cards is, as follows:

GROUP AND BANK

In TZS' Million 31 December 2023	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2023	**455**	**20**	**89**	**564**
Change in the loss allowance				
-Transfer to stage 1	**30**	**(17)**	**(13)**	**-**
-Transfer to stage 2	**(4)**	**4**	**-**	**-**
-Transfer to stage 3	**(3)**	**(2)**	**5**	**-**
New financial assets originated	**7**	**-**	**-**	**7**
Payment received and financial assets derecognised	**(181)**	**-**	**(39)**	**(220)**
Unwind discount	**167**	**2**	**23**	**192**
Impact on ECL transfers	**(454)**	**13**	**133**	**(308)**
Loss allowance as at 31 December 2023	**17**	**20**	**198**	**235**

An analysis of changes in the corresponding ECL allowances in relation to credit cards is, as follows:

GROUP AND BANK

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	73	-	-	73
Payment received and financial assets derecognised	(2)	(4)	(25)	(31)
Impact on ECL transfers	315	19	59	393
Loss allowance as at 31 December 2022	455	20	89	564

NOTES

32 CREDIT CARDS (Continued)

An analysis of the movement of ECL in relation to credit cards is, as follows:

GROUP AND BANK

In TZS' Million 31 December 2023	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2023	455	20	89	564
Charge/(release) for the period	(438)	-	109	(329)
Loss allowance as at 31 December 2023	**17**	**20**	**198**	**235**

In TZS' Million 31 December 2022	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2022	44	6	79	129
Charge/(release) for the period	411	14	10	435
Loss allowance as at 31 December 2022	455	20	89	564

33 LOANS AND ADVANCES TO CUSTOMERS

GROUP

As at 31 December 2023 In TZS' Million	Stage 1	Stage 2	Stage 3	Total
Corporate	**3,719,286**	**162,249**	**135,925**	**4,017,460**
SME	**847,840**	**79,249**	**38,708**	**965,797**
Microfinance	**171,726**	**6,440**	**9,064**	**187,230**
Mortgage	**67,147**	**956**	**1,500**	**69,603**
Personal	**3,272,026**	**20,496**	**34,154**	**3,326,676**
Gross loans and advances to customers	**8,078,025**	**269,390**	**219,351**	**8,566,766**
Less: Provision for impairment	**(23,190)**	**(21,211)**	**(78,874)**	**(123,275)**
Net loans and advances to customers	**8,054,835**	**248,179**	**140,477**	**8,443,491**

GROUP

As at 31 December 2022 In TZS' Million	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

NOTES

33 LOANS AND ADVANCES TO CUSTOMERS (Continued)

BANK

As at 31 December 2022 In TZS' Million	Stage 1	Stage 2	Stage 3	Total
Corporate	**3,434,516**	**162,248**	**135,933**	**3,732,697**
SME	**836,889**	**77,505**	**38,463**	**952,857**
Microfinance	**158,568**	**6,441**	**9,012**	**174,021**
Mortgage	**67,147**	**956**	**1,500**	**69,603**
Personal	**3,180,134**	**16,101**	**32,918**	**3,229,153**
Gross loans and advances to customers	**7,677,254**	**263,251**	**217,826**	**8,158,331**
Less: Provision for impairment	**(23,131)**	**(21,077)**	**(78,573)**	**(122,781)**
Net loans and advances to customers	**7,654,123**	**242,174**	**139,253**	**8,035,550**

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

Despite the current macroeconomic and geopolitical uncertainties, credit portfolio performance has been relatively stable in 2023. The Group NPL ratio remains unchanged at 2.8%, as reported in the same period last year, due to the successful containment of portfolio migration to higher risk categories through establishing proactive portfolio monitoring strategies, automatic identification of early warning signals and taking 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 2023, the Group and Bank did not acquire a portfolio categorised as Purchased or originated credit-impaired assets (POCI)

The contractual amount outstanding on loans and advances written off by the Bank as at 31 December 2023 and still subject to enforcement activity was TZS 114,779 million (2022: TZS 42,338 million).

Maturity analysis

The maturity analysis is based on the remaining periods to contractual maturity from year end.

	GROUP		BANK	
In TZS' Million	2023	2022	2023	2022
- Maturity within 3 months	**1,251,386**	1,039,895	**1,199,148**	913,083
- Maturing after 3 months but within 12 months	**1,975,319**	1,257,138	**1,963,411**	1,134,392
- Maturity after 1 year	**5,216,786**	4,579,476	**4,872,991**	4,658,543
Net loans and advances to customers	**8,443,491**	6,876,509	**8,035,550**	6,706,018

NOTES

33 LOANS AND ADVANCES TO CUSTOMERS (Continued)

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.

In TZS' Million	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
Dar es Salaam zone	**4,329,916**	3,014,655	**4,527,812**	3,190,464
Mbeya zone	**498,168**	779,597	**498,168**	779,597
Lake zone	**1,298,423**	1,177,825	**1,298,423**	1,177,825
Zanzibar zone	**1,068,781**	599,866	**1,068,781**	599,866
Arusha zone	**765,147**	1,122,569	**765,147**	1,122,569
Burundi	**606,331**	346,777	**-**	-
Gross loans and advances to customers	**8,566,766**	7,041,289	**8,158,331**	6,870,321

The composition of the zones 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

Analysis of impairment by industry;

In TZS' Million	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
Agriculture	**29,415**	41,685	**29,411**	41,665
Building and Construction	**2,167**	4,739	**2,166**	4,736
Education	**9,469**	15,032	**9,468**	15,032
Financial Intermediaries	**425**	112	**350**	99
Hotels and restaurants	**1,126**	1,217	**1,126**	1,216
Manufacturing	**419**	272	**419**	264
Mining and quarrying	**339**	1,989	**339**	1,989
Mortgage	**710**	43,283	**710**	42,976
Personal	**32,461**	16,769	**32,140**	16,766
Real Estate	**35,288**	23,046	**35,287**	22,944
Trade	**7,516**	8,472	**7,432**	8,461
Transport and Communication	**2,714**	6,920	**2,709**	6,911
Others	**1,226**	1,244	**1,224**	1,244
Total loss allowance	**123,275**	164,780	**122,781**	164,303

Analysis of movement in the Loss allowance;

In TZS' Million	Stage 1	Stage 2	Stage 3	Total
At 1 January 2023	**26,480**	**25,438**	**112,862**	**164,780**
Charge for the period	**(3,290)**	**(4,227)**	**80,791**	**73,274**
Write-offs	**-**	**-**	**(114,779)**	**(114,779)**
Total loss allowance	**23,190**	**21,211**	**78,874**	**123,275**

NOTES

33 LOANS AND ADVANCES TO CUSTOMERS (Continued)

Analysis of movement in ECL - charge to profit or loss (Continued)

In TZS' Million	Stage 1	Stage 2	Stage 3	Total
At 1 January 2022 (restated)	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)
Total loss allowance	26,480	25,438	112,862	164,780

Analysis of movement in the ECL – charge to profit or loss;

GROUP

In TZS' Million 31 December 2023	Stage 1	Stage 2	Stage 3	Total
Impairment charges for credit losses	**(3,290)**	**(4,227)**	**80,791**	**73,274**
Provision-Burundi*	**-**	**-**	**2,843**	**2,843**
Amount recovered during the year	**-**	**-**	**(35,097)**	**(35,097)**
Charge to profit or loss	**(3,290)**	**(4,227)**	**48,537**	**41,020**

**Represent additional impairment charge of our Burundi subsidiary as per Burundi Central Bank against non-distributable reserve*

GROUP

In TZS' Million 31 December 2023	Stage 1	Stage 2	Stage 3	Total
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

Analysis of movement in the Loss allowance

BANK

In TZS' Million 31 December 2023	Stage 1	Stage 2	Stage 3	Total
At 1 January 2023	**26,392**	**25,349**	**112,562**	**164,303**
Charge for the period	**(3,261)**	**(4,272)**	**80,713**	**73,180**
Write-offs	**-**	**-**	**(114,702)**	**(114,702)**
Total loss allowance	**23,131**	**21,077**	**78,573**	**122,781**
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)
Total loss allowance	26,392	25,349	112,562	164,303

NOTES

33 LOANS AND ADVANCES TO CUSTOMERS (Continued)

Analysis of movement in the ECL – charge to profit or loss;

BANK

In TZS' Million 31 December 2023	Stage 1	Stage 2	Stage 3	Total
Impairment charges for credit losses	**(3,261)**	**(4,272)**	**80,713**	**73,180**
Amount recovered during the year	**-**	**-**	**(35,035)**	**(35,035)**
Charge to profit or loss	**(3,261)**	**(4,272)**	**45,688**	**38,145**
31 December 2022	Stage 1	Stage 2	Stage 3	Total
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

34 CREDIT LOSS EXPENSE

In TZS' Million 31 December 2023		Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers	**Note 33**	**(3,290)**	**(4,227)**	**48,537**	**41,020**
Debt instruments*	**Note 30**	**132**	**-**	**-**	**132**
Placements with other banks	**Note 28**	**(698)**	**-**	**-**	**(698)**
Credit cards	**Note 32**	**(438)**	**-**	**109**	**(329)**
Off Balance sheet items	**Note 35**	**(307)**	**(109)**	**(51)**	**(467)**
		(4,601)	**(4,336)**	**48,595**	**39,658**

31 December 2022		Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers	Note 33	(15,209)	(1,783)	76,309	59,317
Debt instruments*	Note 30	117	-	-	117
Placements with other banks	Note 28	864	-	-	864
Credit cards	Note 32	411	14	10	435
Off Balance sheet items	Note 35	(293)	185	(190)	(298)
		(14,110)	(1,584)	76,129	60,435

BANK

In TZS' Million 31 December 2023		Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers	**Note 33**	**(3,261)**	**(4,272)**	**45,678**	**38,145**
Debt instruments*	**Note 30**	**131**	**-**	**-**	**131**
Placements with other banks	**Note 28**	**(698)**	**-**	**-**	**(698)**
Credit cards	**Note 32**	**(438)**	**-**	**109**	**(329)**
Off Balance sheet items	**Note 35**	**(307)**	**(109)**	**(51)**	**(467)**
		(4,573)	**(4,381)**	**45,736**	**36,782**

31 December 2022		Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers	Note 33	(15,333)	(1,851)	75,741	58,557
Debt instruments*	Note 30	117	-	-	117
Placements with other banks	Note 28	864	-	-	864
Credit cards	Note 32	411	14	10	435
Off Balance sheet items	Note 35	(293)	185	(190)	(298)
		(14,239)	(1,837)	75,751	59,675

*Includes ECL charge for debt instruments measured at FVOCI and debt instrument at amortized cost.

NOTES

35 OFF BALANCE SHEET FINANCIAL ASSETS

An analysis of off-balance sheet items based on internal rating are summarised as follows:

GROUP

In TZS' Million 31 December 2023	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
Current	**4,006,711**	**-**	**-**	**4,006,711**
Especially mentioned	**-**	**15,163**	**-**	**15,163**
Sub-standard	**-**	**-**	**564**	**564**
Doubtful	**-**	**-**	**171**	**171**
Loss	**-**	**-**	**-**	**-**
Gross Carrying amount	**4,006,375**	**15,059**	**735**	**4,022,609**
Less: Allowance for ECL	**(336)**	**(104)**	**(13)**	**(453)**
Net Off Balance sheet financial assets	**4,006,375**	**15,059**	**722**	**4,022,156**

An analysis of the movement of ECL in relation to off-balance sheet is, as follows:

In TZS' Million 31 December 2023				
As at 1 January 2023	**643**	**213**	**64**	**920**
Charge/(release) for the period	**(307)**	**(109)**	**(51)**	**(467)**
Loss allowance as at 31 December 2023	**336**	**104**	**13**	**453**

In TZS' Million 31 December 2022	Stage 1	Stage 2	Stage 3	Total
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:

In TZS' Million 31 December 2022	Stage 1	Stage 2	Stage 3	Total
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

NOTES

35 OFF BALANCE SHEET FINANCIAL ASSETS (Continued)

An analysis of off-balance sheet items based on internal rating are summarised as follows:

BANK

In TZS' Million 31 December 2023	Stage 1	Stage 2	Stage 3	Total
Internal rating grade				
Current	3,976,833	-	-	3,976,833
Especially mentioned	-	15,163	-	15,163
Sub-standard	-	-	564	564
Doubtful	-	-	171	171
Loss	-	-	-	-
Gross Carrying amount	3,976,833	15,163	735	3,992,731
Less: Allowance for ECL	(336)	(104)	(13)	(453)
Net Off Balance sheet financial assets	3,976,497	15,059	722	3,992,278

An analysis of movement of ECL in relation to off balance sheet is, as follows:

In TZS' Million 31 December 2023	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2023	643	213	64	920
Charge/(release) for the period	(307)	(109)	(51)	(467)
Loss allowance as at 31 December 2023	336	104	13	453

BANK

In TZS' Million 31 December 2022	Stage 1	Stage 2	Stage 3	Total
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:

In TZS' Million 31 December 2022				
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

NOTES

35 OFF BALANCE SHEET FINANCIAL ASSETS (Continued)

An analysis of changes in the exposure amount in relation to financial guarantees is, as follows:

GROUP

	Stage 1	Stage 2	Stage 3	Total
In TZS' Million				
31 December 2023				
Exposure amount as at 1 January 2023	1,426,808	20,636	3,171	1,450,615
New exposure	1,678,948	-	-	1,678,948
Exposures derecognised/ matured	(706,918)	(1,612)	(2,438)	(710,968)
-Transfer to stage 1	19,024	(19,024)	-	-
-Transfer to stage 2	-	-	-	-
-Transfer to stage 3	-	-	-	-
Write-off	-	-	-	-
Exposure amount as at 31 December 2023	2,417,862	-	733	2,418,595
Loss allowance as at 31 December 2023	210	102	13	325

An analysis of movement of ECL in relation to financial guarantee is, as follows:

In TZS' Million 31 December 2023				
Loss allowance as at 1 January 2023	265	48	19	332
New exposures	284	-	-	284
Exposures derecognised/ matured	(204)	(20)	(16)	(240)
-Transfer to stage 1	28	(28)	-	-
-Transfer to stage 2	-	-	-	-
-Transfer to stage 3	-	-	-	-
Write-off	-	-	-	-
Impact on ECL transfers	(163)	102	10	(51)
Loss allowance as at 31 December 2023	210	102	13	325

31 December 2022

Exposure amount as at 1 January 2022	1,656,813	95	836	1,657,744
New exposures	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	-
Write off	-	-	-	-
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

NOTES

35 OFF BALANCE SHEET FINANCIAL ASSETS (Continued)

An analysis of movement of ECL in relation to financial guarantee is, as follows:

31 December 2022

In TZS' Million	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2022	697	27	254	978
New exposures	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	-
Write off	-	-	-	-
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:

BANK

In TZS' Million	Stage 1	Stage 2	Stage 3	Total
31 December 2023				
Exposure amount as at 1 January 2023	**1,426,304**	**20,636**	**3,171**	**1,450,111**
New exposures	**1,677,533**	**-**	**-**	**1,677,533**
Exposures derecognised/ matured	**(706,493)**	**(1,612)**	**(2,438)**	**(710,543)**
-Transfer to stage 1	**19,024**	**(19,024)**	**-**	**-**
-Transfer to stage 2	**-**	**-**	**-**	**-**
-Transfer to stage 3	**-**	**-**	**-**	**-**
Write off	**-**	**-**	**-**	**-**
Exposure amount as at 31 December 2023	**2,416,368**	**-**	**733**	**2,417,101**
Loss allowance as at 31 December 2023	**210**	**102**	**13**	**325**

In TZS' Million 31 December 2023	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2023	**265**	**48**	**19**	**332**
New exposures	**284**	**-**	**-**	**284**
Exposures derecognised/ matured	**(204)**	**(20)**	**(16)**	**(240)**
-Transfer to stage 1	**28**	**(28)**	**-**	**-**
-Transfer to stage 2	**-**	**-**	**-**	**-**
-Transfer to stage 3	**-**	**-**	**-**	**-**
Write off	**-**	**-**	**-**	**-**
Impact on ECL transfers	**(163)**	**102**	**10**	**(51)**
Loss allowance as at 31 December 2023	**210**	**102**	**13**	**325**

NOTES

35 OFF BALANCE SHEET FINANCIAL ASSETS (Continued)

An analysis of changes in the exposure amount in relation to financial guarantees is, as follows

31 December 2022	Stage 1	Stage 2	Stage 3	Total
Exposure amount as at 1 January 2022	1,656,672	95	836	1,657,603
New exposures	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	-
Write off	-	-	-	-
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 the movement of ECL in relation to financial guarantee is, as follows:

31 December 2022

Loss allowance as at 1 January 2022	697	27	254	978
New exposures	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	
Write off	-	-	-	-
Loss allowance as at 31 December 2022	265	48	19	332

An analysis of changes in the exposure amount in relation to letters of credit is, as follows:

GROUP

In TZS' Million	Stage 1	Stage 2	Stage 3	Total
31 December 2023				
Exposure amount as at 1 January 2023	**1,827,755**	**38,068**	**4,494**	**1,870,317**
New exposures	**1,191,427**	**-**	**-**	**1,191,427**
Exposures derecognised/ matured	**(1,752,966)**	**(34,267)**	**(4,494)**	**(1,791,727)**
-Transfer to stage 1	**-**	**-**	**-**	**-**
-Transfer to stage 2	**-**	**-**	**-**	**-**
-Transfer to stage 3	**-**	**-**	**-**	**-**
Write off	**-**	**-**	**-**	**-**
Exposure amount as at 31 December 2023	**1,266,216**	**3,801**	**-**	**1,270,017**
Loss allowance as at 31 December 2023	**125**	**3**	**-**	**128**

An analysis of the movement of ECL in relation to letters of credit is, as follows:

NOTES

35 OFF BALANCE SHEET FINANCIAL ASSETS (Continued)

GROUP

TZS' Million

31 December 2023	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2023	**378**	**165**	**45**	**588**
New exposures	**125**	**-**	**-**	**125**
Exposures derecognised/ matured	**(346)**	**(165)**	**(45)**	**(556)**
-Transfer to stage 1	-	-	-	-
-Transfer to stage 2	-	-	-	-
-Transfer to stage 3	-	-	-	-
Write off	-	-	-	-
Impact on ECL Transfers	**(32)**	**3**	**-**	**(29)**
Loss allowance as at 31 December 2023	**125**	**3**	**-**	**128**

An analysis of changes in the exposure amount in relation to letters of credit is, as follows:

GROUP

TZS' Million

31 December 2022	Stage 1	Stage 2	Stage 3	Total
Exposure amount as at 1 January 2022	802,779	-	-	802,779
New exposures	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	
Write off	-	-	-	-
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

An analysis of movement of ECL in relation to letters of credit is, as follows:

31 December 2022				
Loss allowance as at 1 January 2022	240	-	-	240
New exposures	585	-	-	585
Exposures derecognised/ matured	(237)	-	-	(237)
-Transfer to stage 1	-	-	-	-
-Transfer to stage 2	(165)	165	-	-
-Transfer to stage 3	(45)	-	45	-
Write off	-	-	-	-
Loss allowance as at 31 December 2022	378	165	45	588

NOTES

35 OFF BALANCE SHEET FINANCIAL ASSETS (Continued)

An analysis of changes in the exposure amount in relation to the Letter of credit is, as follows:

BANK

In TZS' Million	Stage 1	Stage 2	Stage 3	Total
31 December 2023				
Exposure amount as at 1 January 2023	**1,755,142**	**38,068**	**4,494**	**1,797,704**
New exposures	**1,115,233**	**-**	**-**	**1,115,233**
Exposures derecognised/ matured	**(1,604,159)**	**(34,267)**	**(4,494)**	**(1,642,920)**
-Transfer to stage 1	-	-	-	-
-Transfer to stage 2	-	-	-	-
-Transfer to stage 3	-	-	-	-
Write off	-	-	-	-
Exposure amount as at 31 December 2023	**1,266,216**	**3,801**	**-**	**1,270,017**
Loss allowance as at 31 December 2023	**125**	**3**	**-**	**128**

An analysis of the movement of ECL in relation to letters of credit is, as follows:

TZS' Million

31 December 2023	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2023	**378**	**165**	**45**	**588**
New exposures	**125**	**-**	**-**	**125**
Exposures derecognised/ matured	**(346)**	**(165)**	**(45)**	**(556)**
-Transfer to stage 1	-	-	-	-
-Transfer to stage 2	-	-	-	-
-Transfer to stage 3	-	-	-	-
-Impact on ECL Transfers	**(32)**	**3**	**-**	**(29)**
Write off	-	-	-	-
Loss allowance as at 31 December 2023	**125**	**3**	**-**	**128**

An analysis of changes in the exposure amount in relation to the Letter of credit is, as follows:

31 December 2022

TZS' Million

31 December 2023	Stage 1	Stage 2	Stage 3	Total
Exposure amount as at 1 January 2022	802,779	-	-	802,779
New exposures	1,710,833	-	-	1,710,833
Exposures derecognized/ 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	-
Write off	-	-	-	-
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

NOTES

35 OFF BALANCE SHEET FINANCIAL ASSETS (Continued)

An analysis of the movement of ECL in relation to letters of credit is, as follows:

BANK

31 December 2022

TZS' Million 31 December 2023	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2022	240	-	-	240
New exposures	576	-	-	576
Exposures derecognised/ matured	(228)	-	-	(228)
-Transfer to stage 1	-	-	-	-
-Transfer to stage 2	(165)	165	-	-
-Transfer to stage 3	(45)		45	
Write off	-	-	-	-
Loss allowance as at 31 December 2022	378	165	45	588

An analysis of changes in the exposure amount in relation to commitment to extend credit is, as follows:

GROUP

In TZS' Million 31 December 2023	Stage 1	Stage 2	Stage 3	Total
Exposure amount as at 1 January 2023	**462,402**	**-**	**-**	**462,402**
New exposures	**333,997**	**-**	**-**	**333,997**
Exposures derecognised/ matured	**(462,402)**	**-**	**-**	**(462,402)**
Exposure amount as at 31 December 2023	**333,997**	**-**	**-**	**(333,997)**
Loss allowance as at 31 December 2023	**-**	**-**	**-**	**-**
31 December 2022				
Exposure amount 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	-	-	-	-

An analysis of changes in the exposure amount in relation to commitment to extend credit is, as follows:

BANK

Commitment to extend credit

In TZS' Million 31 December 2023	Stage 1	Stage 2	Stage 3	Total
Exposure amount as at 1 January 2023	462,402	-	-	462,402
New exposures	**305,613**	**-**	**-**	**305,613**
Exposures derecognised/ matured	**(462,402)**	**-**	**-**	**(462,402)**
Exposure amount as at 31 December 2023	**305,613**	**-**	**-**	**305,613**
Loss allowance as at 31 December 2023	**-**	**-**	**-**	**-**
31 December 2022				
Exposure amount 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	-	-	-	-

NOTES

36 OTHER ASSETS

In TZS' Million	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
*Other financial Assets**				
Due from a related party (Note 64)	**-**	-	**3,777**	7,385
Receivable from mobile phone companies	**61,514**	52,709	**61,514**	52,709
Other receivables**	**101,905**	97,569	**87,359**	96,299
Less: Impairment	**(14,516)**	(17,591)	**(14,512)**	(17,588)
	148,903	132,687	**138,138**	138,805
Other non-financial assets				
Advance payment for capital expenditure	**62,128**	31,730	**62,128**	31,730
Prepaid expenses	**96,687**	78,922	**86,838**	75,567
Bank card stock	**1,669**	1,943	**1,659**	1,942
Stationery stock	**1,243**	1,542	**1,243**	1,542
	161,727	114,137	**151,868**	110,781
Total	**310,630**	246,824	**290,006**	249,586

***** 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 11,910 million (2022: TZS 3,685 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 2023, the impairment provisions which relates to these receivables is TZS 2,827 million (2022: TZS 882 million). The amount also includes various receivable balances (card settlement TZS 39,123 million, ATM settlement TZS 14,396 million, sundry debtors TZS 21,744 million etc.)

As at 31 December 2023 the Group had no contract assets (2022: Nil)

All other assets are current.

Maturity analysis

GROUP In TZS' Million	2023 Within 3 months	2023 3 -12 months	2022 Within 3 months	2022 3 -12 months
31 December				
Receivable from mobile phone companies	**61,514**	**-**	52,709	-
Other receivables	**101,905**	**-**	97,569	-
Less: Provision for impairment	**(14,516)**	**-**	(17,591)	-
	148,903	**-**	132,687	-

BANK In TZS' Million	2023 Within 3 months	2023 3 -12 months	2022 Within 3 months	2022 3 -12 months
31 December				
Due from a related party (Note 64)	**3,777**	**-**	7,385	
Receivable from mobile phone companies	**61,514**	**-**	52,709	-
Other receivables	**87,359**	**-**	96,299	-
Less: Provision for impairment	**(14,512)**	**-**	(17,588)	-
	138,138	**-**	138,805	-

NOTES

36 OTHER ASSETS (Continued)

Movement in provision for impairment on other assets is as shown below:

In TZS' Million	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
At 1 January	**17,591**	15,174	**17,588**	15,141
Reclass to non-current assets Held for sale	**(5,842)**	-	**(5,842)**	-
Increase during the year	**3,729**	4,709	**3,726**	4,709
Write-offs	**(962)**	(2,292)	**(960)**	(2,263)
At 31 December	**14,516**	17,591	**14,512**	17,588

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 2023 is based on the payments that the bank has received in the year 2023 in respect to December 2022 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.

An analysis of other financial assets based on internal rating are summarised as follows:

GROUP 31 December 2023	Stage 1	Stage 2	Stage 3	In TZS' Million Total
Internal rating grade				
Current	**149,132**	**-**	**-**	**149,132**
Especially mentioned	**-**	**1,772**	**-**	**1,772**
Sub-standard	**-**	**-**	**1,203**	**1,203**
Doubtful	**-**	**-**	**2,546**	**2,546**
Loss	**-**	**-**	**8,766**	**8,766**
Gross Carrying amount	**149,132**	**1,772**	**12,515**	**163,419**
Less: Allowance for ECL	**(4,980)**	**(248)**	**(9,288)**	**(14,516)**
Net Carrying amount	**144,152**	**1,524**	**3,227**	**148,903**

GROUP 31 December 2022	Stage 1	Stage 2	Stage 3	In TZS' Million Total
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

NOTES

36 OTHER ASSETS (Continued)

BANK 31 December 2023	Stage 1	Stage 2	Stage 3	Total
Current	**138,363**	**-**	**-**	**138,363**
Especially mentioned	**-**	**1,772**	**-**	**1,772**
Sub-standard	**-**	**-**	**1,203**	**1,203**
Doubtful	**-**	**-**	**2,546**	**2,546**
Loss	**-**	**-**	**8,766**	**8,766**
Gross Carrying amount	**138,363**	**1,772**	**12,515**	**152,650**
Less: Allowance for ECL	**(4,976)**	**(248)**	**(9,288)**	**(14,512)**
Net Carrying amount	**133,387**	**1,524**	**3,227**	**138,138**

31 December 2022 BANK	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

An analysis of changes in the gross carrying amount in relation to other financial assets is as follows:

GROUP In TZS' Million	Stage 1	Stage 2	Stage 3	Total
31 December 2023				
Exposure amount as at 1 January 2023	**140,764**	**1,656**	**7,858**	**150,278**
Changes in gross carrying amount				
-Transfer to stage 1	**-**	**-**	**-**	**-**
-Transfer to stage 2	**(1,639)**	**1,639**	**-**	**-**
-Transfer to stage 3	**(12,142)**	**-**	**12,142**	**-**
New exposures	**6,206,457**	**-**	**-**	**6,206,457**
Exposures derecognised/ matured	**(6,184,308)**	**(1,523)**	**(6,523)**	**(6,192,354)**
Write- off			**(962)**	**(962)**
Exposure amount as at 31 December 2023	**149,132**	**1,772**	**12,515**	**163,419**
Loss allowance	**4,980**	**248**	**9,288**	**14,516**

NOTES

36 OTHER ASSETS (Continued)

An analysis of changes in the ECL amount in relation to other financial assets is as follows:

GROUP

In TZS' Million 31 December 2023	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2023	**11,815**	**19**	**5,757**	**17,591**
Transfer to non-current held for sale	**(5,842)**	**-**	**-**	**(5,842)**
Change in the loss allowance				
-Transfer to stage 1	**-**	**-**	**-**	**-**
-Transfer to stage 2	**(247)**	**247**	**-**	**-**
-Transfer to stage 3	**(9,325)**	**-**	**9,325**	**-**
New exposures	**8,804**	**-**	**-**	**8,804**
Exposures derecognized/ matured	**(225)**	**(18)**	**(4,832)**	**5,075**
Write- off	**-**		**(962)**	**(962)**
Loss allowance as at 31 December 2023.	**4,980**	**248**	**9,288**	**14,516**

An analysis of changes in the gross carrying amount in relation to other financial assets is as follows:

GROUP

In TZS' Million 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
Changes in the gross carrying amount				
-Transfer to stage 1	-	-	-	-
-Transfer to stage 2	(2,505)	2,505	-	-
-Transfer to stage 3	(4,486)	-	4,486	-
New exposures	192,672	-	-	192,672
Exposures derecognised/ matured	(133,409)	(5,787)	(5,679)	(144,875)
Write offs	-	-	(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:

GROUP

In TZS' Million 31 December 2022	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 1 January 2022	3,495	336	11,343	15,174
Change in the loss allowance				
-Transfer to stage 1	-	-	-	-
-Transfer to stage 2	(143)	143	-	-
-Transfer to stage 3	(500)	-	500	-
New exposures	9,223	-	-	9,223
Exposures derecognised/ matured	(260)	(460)	(3,794)	(4,514)
Write off	-	-	(2,292)	(2,292)
Loss allowance as at 31 December 2022	11,815	19	5,757	17,591

NOTES

36 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 2023	Stage 1	Stage 2	Stage 3	Total
Exposure amount as at 1 January 2023	**146,879**	**1,656**	**7,858**	**156,393**
Changes in gross carrying amount				
-Transfer to stage 1	**-**	**-**	**-**	**-**
-Transfer to stage 2	**(1,639)**	**1,639**	**-**	**-**
-Transfer to stage 3	**(12,142)**	**-**	**12,142**	**-**
New exposures	**6,189,694**	**-**	**-**	**6,189,694**
Exposures derecognised/ matured	**(6,184,431)**	**(1,523)**	**(6,523)**	**(6,192,477)**
Write off	**-**	**-**	**(960)**	**(960)**
Exposure amount as at 31 December 2023	**138,361**	**1,772**	**12,517**	**152,650**
Loss allowance	**4,976**	**248**	**9,288**	**14,512**

An analysis of changes in the ECL amount in relation to other financial assets is as follows:

BANK

31 December 2023 In TZS' Million	Stage 1	Stage 2	Stage 3	Total
Exposure amount as at 1 January 2023	**11,812**	**19**	**5,757**	**17,588**
Transfer to non-current held for sale	**(5,842)**	**-**	**-**	**(5,842)**
Changes in gross carrying amount				
-Transfer to stage 1	**-**	**-**	**-**	**-**
-Transfer to stage 2	**(247)**	**247**	**-**	**-**
-Transfer to stage 3	**(9,325)**	**-**	**9,325**	**-**
New exposures	**8,801**			**8,801**
Exposures derecognised/ matured	**(223)**	**(18)**	**(4,832)**	**5,073**
Write- off	**-**	**-**	**(962)**	**(962)**
Loss allowance as at 31 December 2023	**4,976**	**248**	**9,288**	**14,512**

An analysis of changes in the gross carrying amount in relation to other financial assets is as follows:

BANK

31 December 2022 In TZS' Million	Stage 1	Stage 2	Stage 3	Total
Exposure amount as at 1 January 2022	93,921	4,938	11,343	110,202
Changes in gross carrying amount				
-Transfer to stage 1	-	-	-	-
-Transfer to stage 2	(2,505)	2,505	-	-
-Transfer to stage 3	(4,457)	-	4,457	-
New exposures	193,329	-	-	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

NOTES

36 OTHER ASSETS (Continued)

An analysis of the movement of ECL in relation to other assets is, as follows:

BANK

In TZS' Million 31 December 2022				
Loss allowance as at 1 January 2022	3,462	336	11,343	15,141
Change in the loss allowance				
-Transfer to stage 1	-	-	-	-
-Transfer to stage 2	(143)	143	-	-
-Transfer to stage 3	(500)	-	500	-
New exposures	9,253	-	-	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

37 NON-CURRENT ASSETS HELD FOR SALE

In TZS' Million	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
Land and Equipment				
Carrying value as at 1 January	**16,600**	16,600	**16,600**	16,600
Reclassification of impairment charge from other assets	**(5,842)**	-	**(5,842)**	-
Impairment charge	**(10,758)**	-	**(10,758)**	-
Carrying value as at 31 December	**-**	16,600	**-**	16,600

38 INVESTMENTS IN SUBSIDIARIES

	Incorporation	Held %	2023 TZS' Million	2022 TZS' Million
CRDB Bank Burundi S. A	Burundi	100%	**28,354**	21,583
CRDB Insurance Company Ltd	Tanzania	100%	**2,500**	2,500
CRDB Bank CONGO	DRC	55%	**55,623**	-
			86,477	21,683

The Group also has a non-profit organization "CRDB Bank Foundation", as a Corporate Social Investment wing of the Group. The Foundation is 100% controlled by the Group. No capital investment was made to the Foundation during the year.

Movement analysis (Bank)

In TZS' Million	2023	2022
At 1 January	**21,683**	21,683
Additions	**64,794**	-
At 31 December	**86,477**	21,683

NOTES

38 INVESTMENTS IN SUBSIDIARIES (Continued)

- 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 Company Limited is engaged in providing insurance Services.
- CRDB Bank DR Congo is a public limited company and licensed Bank registered under the Ohada Uniform Act, relating to the law of commercial companies and G.I.E and the Banking Regulation of DR Congo
- 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, no significant judgements and assumptions were 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.

39 MOTOR VEHICLES

In TZS' Million	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
Cost				
At 1 January	**28,057**	26,865	**26,597**	25,540
Additions	**6,922**	1,944	**6,191**	1,944
Revaluation	**-**	158	**-**	158
Disposals	**(1,476)**	(1,045)	**(1,476)**	(1,045)
Exchange differences	**306**	135	**-**	-
At 31 December	**33,809**	28,057	**31,312**	26,597
Depreciation				
At 1 January	**(9,277)**	(6,180)	**(8,683)**	(5,728)
Charge for the year	**(3,732)**	(3,467)	**(3,563)**	(3,328)
Disposals	**728**	370	**728**	370
At 31 December	**(12,281)**	(9,277)	**(11,518)**	(8,686)
Net book value	**21,528**	18,780	**19,794**	17,911

The Group's Motor vehicles were last revalued on 2022 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.

NOTES

39 MOTOR VEHICLES (Continued)

If motor vehicles were stated on the historical basis, the amount would be as follows.

In TZS' Million	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
Cost	**53,789**	48,344	**50,246**	45,532
Accumulated depreciation	**(48,787)**	(48,156)	**(45,686)**	(45,243)
Net book value	**5,002**	188	**4,560**	289

Non-financial assets measured at fair value

In TZS' Million	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
Fair value hierarchy – Level 3				
At 1 January	**18,780**	20,685	**17,911**	19,812
Exchange rate difference	**306**	135	**-**	-
Purchases	**6,922**	1,944	**6,191**	1,944
Revaluation	**-**	158	**-**	158
Net carrying amount at disposals	**(748)**	(675)	**(748)**	(675)
Depreciation charge	**(3,732)**	(3,467)	**(3,563)**	(3,328)
Net book value	**21,528**	18,780	**19,794**	17,911

- As at 31 December 2023, the Group had neither restriction on title nor motor vehicle pledged as security for liabilities (2022: Nil).
- There were no capitalized borrowing costs related to the acquisition Motor vehicles during the year ended 31 December 2023 (2022: Nil).
- There were no idle assets as at 31 December 2023 (2022: Nil).
- There was no Motor vehicle acquired during the year through business combinations.
- During the year there was no revaluation for Motor vehicles.
- There were no other changes under Motor vehicles during the year.
- As at 31 December 2023, management has assessed impairment of motor vehicles, there was no impairment recognised or reversed during the year.

NOTES

40 PROPERTY AND EQUIPMENT

In TZS' Million

GROUP 31 December 2023	Land & buildings	Leasehold improvement	Office equipment	Computer equipment	Smartcard equipment	Security equipment	Work in Progress*	Total
Cost								
At 1 January	216,995	107,022	123,310	105,403	79,999	17,760	4,411	654,900
Additions	1,581	7,644	10,709	22,779	18,088	3,445	9,709	73,955
Reclassification	-	1,775	448	40	26	239	(3,213)	(685)
Disposals	-	(253)	(3,584)	(751)	-	(43)	-	(4,631)
Exchange rate difference**	-	(1,796)	(305)	(90)	(110)	(58)	-	(2,359)
At 31 December	218,576	114,392	130,578	127,381	98,003	21,343	10,907	721,180
Depreciation								
At 1 January	(31,214)	(69,002)	(88,102)	(62,802)	(42,157)	(8,132)	-	(301,409)
Charge for the year	(3,046)	(7,946)	(13,750)	(14,866)	(9,321)	(3,064)	-	(51,993)
Reclassification			1,448	(61)	(1,095)		-	292
Disposal	-	208	3,628	750	-	43	-	4,629
At 31 December	(34,260)	(76,740)	(96,776)	(76,979)	(52,573)	(11,153)	-	(348,481)
Net book value	184,316	37,652	33,802	50,402	45,430	10,190	10,907	372,699

NOTES

40 PROPERTY AND EQUIPMENT (Continued)

In TZS' Million

GROUP 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

NOTES

40 PROPERTY AND EQUIPMENT (Continued)

In TZS' Million

BANK 31 December 2023	Land & buildings	Leasehold improvement	Office equipment	Computer equipment	Smart card equipment	Security equipment	Work in Progress*	Total
Cost								
At 1 January	208,043	101,612	118,925	104,425	79,176	17,768	2,751	632,700
Additions	1,591	5,828	9,231	15,971	16,895	3,372	1,034	53,922
Reclassification	-	1,775	446	40	26	239	(2,641)	(115)
Disposals	-	(253)	(3,582)	(753)	-	(43)	-	(4,631)
At 31 December	209,634	108,962	125,020	119,683	96,097	21,336	1,144	681,876
Depreciation								
At 1 January	(22,261)	(72,893)	(84,997)	(62,119)	(41,853)	(8,140)	-	(292,263)
Charge for the year	(3,046)	(7,584)	(13,237)	(14,190)	(9,186)	(3,090)	-	(50,333)
Reclassification	-	208	5,000	750	-	43	-	6,001
Disposals	-	-	(116)	(61)	(1,095)	-	-	(1,272)
At 31 December	(25,307)	(80,269)	(93,350)	(75,620)	(52,134)	(11,187)		(337,867)
Net book value	184,327	28,693	31,670	44,063	43,963	10,149	1,144	344,009

NOTES

40 PROPERTY AND EQUIPMENT (Continued)

In TZS'Million

BANK 31 December 2022	Land & buildings	Leasehold improvement	Office equipment	Computer equipment	Smart card equipment	Security equipment	Work in Progress*	Total
Cost								
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

* Work in progress relates to the Bank's buildings under construction and other PPE.
** Exchange rate differences arising on the translation of financial statement of CRDB Burundi (BIF) and CRDB Congo (USD)management into the presentation currency (TZS).

NOTES

40 PROPERTY AND EQUIPMENT (Continued)

- As of 31 December 2023, the Group had neither restriction on title nor property and equipment pledged as security for liabilities (2022: Nil).
- There were no capitalized borrowing costs related to the acquisition of property. plant and equipment during the year ended 31 December 2023 (2022: Nil).
- There were no idle assets as at 31 December 2023 (2022: Nil).
- As at 31 December 2023, contractual commitment for the acquisition of property, plant and equipment amount of TZS 11,652 million (2022: TZS 1,923 million) Note 62.
- 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 2023, management has assessed impairment of property, plant and equipment, there were no impairment recognised or reversed during the year.

41 RIGHT-OF-USE OF ASSETS

In TZS' Million	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
At 1 January	**51,252**	69,589	**50,261**	68,598
Additions	**32,646**	3,414	**28,340**	3,414
Derecognition	**-**	(21,751)	**-**	(21,751)
At 31 December	**83,898**	51,252	**78,601**	50,261
Depreciation				
At 1 January	**(21,965)**	(34,234)	**(21,220)**	(33,659)
Charge for the year	**(15,837)**	(9,499)	**(15,397)**	(9,312)
Derecognition	**-**	21,751	**-**	21,751
Exchange rate difference	**(41)**	17	**-**	-
At 31 December	**(37,843)**	(21,965)	**(36,617)**	(21,220)
Net book value	**46,055**	29,287	**41,984**	29,041

The Right-of-use of assets relates to leases of office spaces.

42 PREPAID LEASES

	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
Cost prepaid				
At 1 January	**11,846**	11,992	**11,846**	11,992
Disposal	**(114)**	(204)	**(114)**	(204)
At 31 December	**11,732**	11,788	**11,732**	11,788
Amortization				
At 1 January	**(2,540)**	(2,262)	**(2,540)**	(2,262)
Charge for the year	**(256)**	(278)	**(256)**	(278)
Disposal	**71**	58	**71**	58
At 31 December	**(2,725)**	(2,482)	**(2,725)**	(2,482)
Net book value	**9,007**	9,306	**9,007**	9,306

Prepaid leases relate to advance payments made for the right of occupancy of various portions of leasehold land where the Bank has its business premises.

NOTES

43 INTANGIBLES ASSETS

	GROUP		BANK	
	2023	2022	**2023**	2022
Cost				
At 1 January	**102,835**	78,774	**98,091**	74,171
Additions	**11,058**	25,667	**10,993**	25,496
Disposal	**(2,092)**	(1,576)	**(2,092)**	(1,576)
Exchange rate difference**	**(168)**	(30)	**-**	-
At 31 December	**111,633**	102,835	**106,992**	98,091
Amortization				
At 1 January	**(62,035)**	(53,600)	**(58,202)**	(49,998)
Charge for the year	**(12,882)**	(9,608)	**(12,720)**	(9,377)
Disposal	**1,328**	1,173	**1,328**	1,173
At 31 December	**(73,589)**	(62,035)	**(69,594)**	58,202
Net book value At 31 December	**38,044**	40,800	**37,398**	39,889

All intangible assets are in use.

Intangible assets relate to computer software used by the Group. Fully amortized intangible assets with a gross value of TZS 22,560 million (2022: TZS 44,266 million) are still in use. The notional amortization charge would have been TZS 4,301 million (2022: TZS 8,853 million). Some fully depreciated software is; PSQL 2000i, SAP system, OPICS system, IBM P6, BWC License for ATMs, Operation Risk System, ORACLE, Video conference, and IBM security software.

- As at 31 December 2023, included in intangible assets is the Core Banking system which is material with carrying amount of TZS 3,697 million (2022: TZS 6,654 million) with remaining amortization period of two (2) years.
- No intangible asset was pledged as security for liabilities as at 31 December 2023.
- There are also no restrictions other than those outlined in the software license.
- As at 31 December 2023, 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 2022.
- 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 written 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 government grants during the year.
- As at 31 December 2023, there were no contractual commitments for the acquisition of intangible assets.
- As at 31 December 2023, there were no significant intangible assets controlled by the Group which have not been recognized as assets.

**Exchange rate differences arising from the translation of a subsidiary's financial statement, CRDB Burundi (BIF), into the presentation currency (TZS).

44 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	**2023**	2022	**2023**	2022
At 1 January	**51,949**	41,130	**51,743**	41,138
Adjustment to opening balance	**22**	-	**-**	-
(Debit)/ Credit to profit or loss				
In respect to current year (Note 24a)	**19,366**	12,563	**17,023**	12,313
Under provision in prior year (Note 24a)	**7,920**	(375)	**7,920**	(339)
(Debit)/ Credit to OCI				
Charge to other comprehensive income*	**14,660**	(1,369)	**14,660**	(1,369)
At 31 December	**93,917**	51,949	**91,346**	51,743

NOTES

44 DEFERRED INCOME TAX (Continued)

*Charge to other comprehensive income includes;

Tax related to Debt instrument at FVOCI	**14,670**	(1,016)	**14,670**	(1,016)
Tax related to equity instrument at FVOCI	**(10)**	(353)	**(10)**	(353)
	14,660	1,369	**14,660**	1,369

Deferred income tax asset/(liability) is attributed to the following items:

	GROUP		BANK	
	2023	2022	**2023**	2022
In TZS' Million				
Accelerated capital allowance	**(19,545)**	(18,733)	**(19,536)**	(18,728)
Other provisions*	**33,925**	24,192	**31,345**	23,979
ECL related to loans and advances	**66,080**	52,418	**66,080**	52,418
Deferred income	**15,761**	12,223	**15,761**	12,223
Leases	**1,701**	515	**1,701**	515
Unrealised (gain)/ loss on debt instrument at fair value through OCI	**(3,597)**	(18,267)	**(3,597)**	(18,267)
Unrealised (gain)/loss on equity instrument at fair value through OCI	**(408)**	(399)	**(408)**	(399)
	93,917	51,949	**91,346**	51,743
Expected to be recovered within 12months	**8,268**	4,574	**8,043**	4,556
Expected to be recovered after 12months	**85,646**	47,375	**83,303**	47,187
	93,917	51,949	**91,346**	51,743

*Includes a deferred tax on other assets, legal claim provisions, accrued expenses, fair value gain or loss, and interest in suspense.

Deferred income tax recognized in profit or loss during the year.

	GROUP		BANK	
	2023	2022	**2023**	2022
In TZS' Million				
Accelerated capital allowance	**812**	2,607	**808**	2,619
Other provisions*	**(9713)**	(1,552)	**(7,366)**	(1,350)
ECL related to loans and advances	**(13,662)**	(12,483)	**(13,662)**	(12,483)
Deferred income	**(3,536)**	(760)	**(3,536)**	(760)
Leases	**(1,186)**	-	**(1,186)**	-
Total charge/(credit)	**(27,286)**	(12,188)	**24,942**	(11,974)

*Includes a deferred tax movement on other assets, legal claim provisions, accrued expenses, fair value gain or loss, and interest in suspense

45 DEPOSITS AND BALANCES DUE TO OTHER BANKS

	GROUP		BANK	
	2023	2022	**2023**	2022
In TZS' Millions				
Deposits from banks	**995,561**	1,127,369	**983,017**	1,103,605

All deposits from banks are current.

NOTES

46 DEPOSITS FROM CUSTOMERS

In TZS' Million	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
Current and demand accounts	**4,117,345**	4,107,066	**3,698,066**	3,690,185
Savings accounts	**3,247,963**	2,685,222	**3,162,344**	2,621,628
Term/call deposits	**1,490,670**	1,408,105	**1,454,823**	1,365,862
	8,855,978	8,200,393	**8,315,233**	7,677,675
Current deposits	**8,692,918**	8,082,287	**8,152,732**	7,561,470
Non-current deposits	**163,060**	118,106	**162,501**	116,205
	8,855,978	8,200,393	**8,315,233**	7,677,675

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.

Maturity analysis

GROUP

In TZS' Million	On demand	Within 3 months	3 -12 months	Over 1 year	Total
31 December 2023					
Current and demand accounts	**4,117,345**	-	-	-	**4,117,345**
Savings account	**3,247,963**	-	-	-	**3,247,963**
Term/call deposits	**197,243**	**469,256**	**661,111**	**163,060**	**1,490,670**
	7,562,551	**469,256**	**661,111**	**163,060**	**8,855,978**

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

BANK

In TZS' Million	On demand	Within 3 months		Over 1 year	Total
31 December 2023					
Current and demand accounts	**3,698,066**	-	-	-	**3,698,066**
Savings account	**3,162,344**	-	-	-	**3,162,344**
Term/call deposits	**195,524**	**454,229**	**642,569**	**162,501**	**1,454,823**
	7,055,934	**454,229**	**642,569**	**162,501**	**8,315,233**

NOTES

46 DEPOSITS FROM CUSTOMERS (Continued)

31 December 2022	On demand	Within 3 months	3 -12 months	Over 1 year	Total
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

47 OTHER LIABILITIES

In TZS' Million	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
Bills payable	**2,358**	1,404	**1,097**	769
Dividend payable	**13,482**	11,304	**13,482**	11,304
Accrued expenses	**71,505**	48,071	**67,031**	46,565
Contract liabilities (Deferred income) *	**57,359**	42,301	**53,709**	40,744
Outstanding credits	**4,988**	2,288	**4,736**	2,288
Unclaimed customer balances	**68,129**	29,849	**67,767**	29,831
ECL Off-balance sheet items (Note 35)	**453**	920	**453**	920
Card settlement account	**53,271**	572	**53,271**	572
Other payables**	**103,317**	45,534	**85,636**	45,546
	374,862	181,671	**347,182**	177,967

- Bills payable represent 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.

Dividend paid

In TZS' Million	GROUP AND BANK 2023	GROUP AND BANK 2022
At 1 January	**11,304**	9,207
Dividend declared 2022/2021	**117,533**	94,025
Dividend paid	**(115,354)**	(91,928)
At 31 December	**13,482**	11,304

Contract Liabilities (Deferred income) *

In TZS' Million	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
At 1 January	**42,301**	39,245	**40,744**	38,210
Additional	**29,648**	12,412	**27,556**	11,890
Revenue recognised	**(14,591)**	(9,356)	**(14,591)**	(9,356)
At 31 December	**57,358**	42,301	**53,709**	40,744

Contract liabilities are unearned fees and commissions related to various services offered by the Bank and grants from various strategic partners.

Revenue recognized during the year that was included in the opening balance is TZS 12,629 million (2022: TZS 3,346 million) for the Group and TZS 12,629 million (2022: TZS 7,221 million) for the Bank.

** Includes mainly amount payable to suppliers/ vendors and funds from Loan Board to be transferred to student accounts to other banks.

NOTES

48 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:

	GROUP		BANK	
In TZS' Million	2023	2022	2023	2022
As at 1 January	**31,437**	37,676	**31,156**	37,120
Additions	**32,647**	3,414	**28,340**	3,414
Interest expense	**3,707**	1,979	**3,410**	1,952
Interest paid	**(3,707)**	(1,979)	**(3,410)**	(1,952)
Principal paid	**(14,267)**	(9,075)	**(13,868)**	(8,880)
Other movements	**-**	(578)	**-**	(498)
At 31 December	**49,817**	31,437	**45,628**	31,156

The Group had total cash outflows for leases of TZS 17,978 million (2022: TZS 11,054)

The following are the minimum lease payment commitments considered under IFRS 16 Relating to recognised liabilities.

	GROUP		BANK	
In TZS' Million	2023	2022	2023	2022
Present value of minimum lease commitment	**49,817**	31,437	**45,628**	31,156
Future finance costs	**63,308**	52,554	**56,634**	52,044
Total minimum lease commitments	**113,125**	83,991	**102,262**	83,200

The maturity analysis for the lease liability is as follows.

	GROUP		BANK	
In TZS' Million	2023	2022	2023	2022
Within three Months	**92**	-	**75**	-
Within one Year	**1,365**	2,099	**1,345**	2,089
After One Year	**111,668**	81,892	**100,917**	81,111
Total minimum lease commitments	**113,125**	83,991	**102,262**	83,200

	GROUP		BANK	
In TZS' Million	2023	2022	2023	2022
Current	**1,375**	952	**1,375**	948
Non – Current	**48,442**	30,485	**44,253**	30,208
	49,817	31,437	**45,628**	31,156

The maturity analysis of the lease liabilities on an undiscounted basis is set out in the liquidity risk section of note 10.4.4.

NOTES

49 INSURANCE AND REINSURANCE CONTRACTS

Insurance and Reinsurance contract liabilities

The breakdown of groups of insurance and reinsurance contracts issued, and reinsurance contracts held, that are in an asset position and those in a liability position is set out in the table below:

Insurance contracts issued

	Insurance contracts assets	Insurance contracts liabilities	Net Insurance contracts liabilities
31 December 2023			
In TZS' Million			
Motor	-	(872)	(872)
Fire	-	(473)	(473)
Engineering	-	3	3
Others	-	1	1
Total insurance contracts issued	-	(1,341)	(1,341)

Maturity analysis:

- The liability for incurred claims as of year end is insignificant as the Group started its insurance operations towards the end of the year 2023.
- A significant portion of the insurance contract liability relates to the liability for remaining coverage, which is expected to be recognised as revenue in the next one year.
- The maturity profile of portfolios of insurance contracts issued that are liabilities and portfolios of reinsurance contracts held that are liabilities of the Group are based on the estimates of the present value of the future cash flows expected to be paid out in the periods presented.

Reinsurance contracts held

	Reinsurance contracts assets	Reinsurance contracts liabilities	Net reinsurance contracts liabilities
31 December 2023			
In TZS' Million			
Motor	-	(156)	(156)
Fire	-	(27)	(27)
Engineering	-	(1)	(1)
Total reinsurance contracts held	-	(184)	(184)

Maturity analysis:

The liability in respect of reinsurance contract assets is expected to be settled within 1 year.

NOTES

49 INSURANCE AND REINSURANCE CONTRACTS (Continued)

Insurance contract Liabilities

*Reconciliation of the liability for remaining coverage (LRC) and the liability for incurred claims (LIC)**

31 December 2023	Liabilities for remaining coverage (excluding loss component)	Liability for incurred claims (including the risk adjustment**)	Total
Insurance contract (assets)/liabilities on 1 January 2023	-	-	-
Insurance revenue	180	-	180
Insurance service expenses:	-	-	-
Incurred claims and other expenses	-	(39)	(39)
Losses on onerous contracts and reversals of those losses	-	-	-
Amortization of insurance acquisition cash flows	(21)	-	(21)
Changes to liabilities for incurred claims	-	(3)	(3)
Insurance service expenses	(21)	(42)	(63)
Insurance service results (before reinsurance contracts)	159	(42)	117
Insurance finance expenses	-	-	-
Effect of movements in exchange rates	-	-	-
Total changes in the statement of comprehensive income	159	(42)	117
Cash flows:			
Premiums received	1,751	-	1,751
Claims and other expenses paid	-	(21)	(21)
Insurance acquisition cash flows-commission expenses	(272)	-	(272)
Total cash flows	1,479	(21)	1,458
Net Insurance contract liabilities as at 31 December 2023	1,320	21	1,341

* The group has provided the roll forward net assets or liabilities reconciliations for insurance and reinsurance contracts as one reportable group as the insurance operations began towards the end of 2023 with minimum activities performed. Most of the contracts issued in 2023 are short term and have similar characteristics. In view of this, the group views the entire insurance operations as one reportable group for disclosure purposes

** Management has assessed the risk adjustment for the liabilities for the incurred claims to be immaterial.

Reinsurance contract assets

Reconciliation of the asset for remaining coverage (ARC):

Year 2023 – General business (TZS Mn)	Assets for remaining coverage - Excluding loss recovery component
Reinsurance contract assets as at 01 January 2023	
An allocation of reinsurance premiums	(104)
Amounts recoverable from reinsurers for incurred claims	
Amortization of insurance acquisition cash in-flows	21
Net income or expense from reinsurance contracts held	(83)
Re-Insurance finance expenses	-
Total changes in the statement of comprehensive income	(83)
Other changes - Value Added Taxes (VAT) payable**	(101)
Reinsurance contract liabilities as at 31 December 2023	(184)

** Represents the VAT portion included in the premiums payable to reinsurance companies.

NOTES

49 INSURANCE AND REINSURANCE CONTRACTS (Continued)

The VAT amount is recoverable from the Revenue Authority, and therefore the corresponding debit has been included in a separate VAT input account.

- There was no loss recovery component recognised during the period.
- There was no asset or amounts recoverable for incurred claims as at year end.
- The reinsurance contracts held balance is in a liability position at the yearend due to unpaid premiums due to reinsurance companies. Premiums to reinsurance companies are paid on quarterly basis. The liability balance of TZS 184 million represents net payable to reinsurance companies.

50 GREEN BOND

In TZS' Million	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
At 1 January	-	-	-	-
The amount received during the year	171,826		171,826	
Interest charge for the year	3,378	-	3,378	-
Interest paid in the year	-	-	-	-
At 31 December	175,204	-	175,204	-

In 2023, we issued the Green Bond branded as "Kijani Bond." This financial instrument aims to finance sustainable and green projects that align with the Bank's mission to support environmentally friendly initiatives.

This Medium-Term Note Programme (MTN) worth TZS 780 billion, equivalent to US$300 million, becomes the first bond with green, social and sustainability components to be issued in Tanzania and the largest in Sub-Saharan Africa by a corporation listed on a stock exchange. The MTN will be issued in tranches. The first tranche was issued in 2023, and TZS171.8 billion was raised and oversubscribed by 429.6%.
The Bond is for the period of up to 5 years with semi-annual interest and bears the interest rate of 10.25%
As at 31 December 2023, the Group and Bank were compliant with all Green Bond program requirements.

51 BORROWINGS

In TZS' Million	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
At 1 January	491,277	197,862	491,277	197,862
Loan received during the year	578,741	349,880	578,741	349,880
Interest charge	63,271	28,727	63,271	28,727
Interest paid	(55,121)	(24,663)	(55,121)	(24,663)
Repayment of principal	(161,513)	(59,202)	(161,513)	(59,202)
Exchange rate differences	16,454	(1,327)	16,454	(1,327)
At 31 December	933,109	491,277	933,109	491,277
Current	58,486	63,906	58,486	63,906
Non-current	874,623	427,371	874,623	427,371
	933,109	491,277	933,109	491,277

The Group and Bank has not had any defaults of principal, interest, or other breaches regarding borrowings during 2023 or 2022.

NOTES

51 BORROWINGS (Continued)

LONG-TERM BORROWINGS

In TZS' Million	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
AFDB	**64,549**	71,825	**64,549**	71,825
EIB	**378,752**	18,156	**378,752**	18,156
TMRC	**27,070**	27,077	**27,070**	27,077
TIB	**103**	208	**103**	208
NBC	**18,118**	22,024	**18,118**	22,024
PROPACO	**76,188**	117,868	**76,188**	117,868
IFC	**182,490**	234,119	**182,490**	234,119
INVESTEC	**72,060**	-	**72,060**	-
GCPF	**25,879**	-	**25,879**	-
GCF	**87,900**	-	**87,900**	-
At 31 December	**933,109**	491,277	**933,109**	491,277

51.1 AFDB BORROWING

In TZS' Million	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
At 1 January	**71,825**	106,603	**71,825**	106,603
Loan received during the year	**25,114**	-	**25,114**	-
Loan repaid during the year	**(37,672)**	(35,004)	**(37,672)**	(35,004)
Interest charge for the year	**4,912**	6,725	**4,912**	6,725
Interest paid in the year	**(4,074)**	(5,172)	**(4,074)**	(5,172)
Foreign exchange difference	**4,446**	(1,327)	**4,446**	(1,327)
At 31 December	**64,549**	71,825	**64,549**	71,825

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 2023, the Group and Bank were compliant with all the lender's covenants.

51.2 EIB BORROWING

In TZS' Million	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
At 1 January	**18,156**	42,382	**18,156**	42,382
Loan received during the year	**370,291**	-	**370,291**	
Interest charge for the year	**13,108**	3,117	**13,108**	3,117
Interest paid in the year	**(13,557)**	(3,740)	**(13,557)**	(3,740)
Principal repayment during the year	**(9,246)**	(23,603)	**(9,246)**	(23,603)
At 31 December	**378,752**	18,156	**378,752**	18,156

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 Euro14.8 million (TZS 38 billion) received in August 2016 and December 2018, respectively. These funds were earmarked for Mid-caps and SMEs in the country.

NOTES

51 BORROWINGS (Continued)
51.2 EIB BORROWING (Continued)

The facility is for the period of up to 8 years with an expected maturity of April 2024.

As at 31 December 2023, the Group and Bank were compliant with all the lender's covenants.

51.3 TMRC BORROWING

In TZS' Million	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
At 1 January	**27,077**	27,085	**27,077**	27,085
Interest charge for the year	**1,694**	2,183	**1,694**	2,183
Interest paid in the year	**(1,708)**	(2,191)	**(1,708)**	(2,191)
At 31 December	**27,063**	27,077	**27,063**	27,077

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.

The facility is for the period of up to 5 years with an expected maturity of June 2028.

As at 31 December 2023, the Group and Bank were compliant with all the lender's covenants.

51.4 TIB BORROWING

In TZS' Million	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
At 1 January	**208**	822	**208**	822
Interest charge for the year	**17**	60	**17**	60
Interest paid in the year	**(19)**	(79)	**(19)**	(79)
Principal repayment during the year	**(103)**	(595)	**(103)**	(595)
At 31 December	**103**	208	**103**	208

On 15 March 2017, the Bank received funds amounting to 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.

The loan tenure is 9 years.

As at 31 December 2023, the Group and Bank were compliant with all the lender's covenants.

51.5 NBC BORROWING

In TZS' Million	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
At 1 January	**22,024**	20,970	**22,024**	20,970
Amount received	**2,329**	2,516	**2,329**	2,516
Interest charge for the year	**(2,515)**	(1,462)	**(2,515)**	(1,462)
Interest paid in the year	**(3,720)**	-	**(3,720)**	-
At 31 December	**18,118**	22,024	**18,117**	22,024

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 expected to mature in August 2025.

As at 31 December 2023, the Group and Bank were compliant with all the lender's covenants.

NOTES

51 BORROWINGS (Continued)

51.6 PROPARCO

In TZS' Million	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
At 1 January	**117,868**	-	**117,868**	-
Loan received during the year	**-**	116,680	**-**	116,680
Interest charge for the year	**10,701**	4,528	**10,701**	4,528
Interest paid in the year	**(7,487)**	(3,340)	**(7,487)**	(3,340)
Principal repayment	**(50,229)**	-	**(50,229)**	-
Foreign exchange revaluation	**5,335**		**5,335**	
At 31 December	**76,188**	117,868	**76,188**	117,868

The Bank signed a Senior facility agreement of USD 50 Million with Société De Promotion Et De Participation Pour La Cooperation Économique S.A. (PROPARCO). This is a three-year 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

The facility was disbursed in April 2022 for the period of up to 3 years with an expected maturity of May 2025.

As at 31 December 2023, the Group and Bank were compliant with all the lender's covenants.

51.7 IFC

In TZS' Million	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
At 1 January	**234,119**	-	**234,119**	-
Loan received during the year	**-**	233,200	**-**	233,200
Interest charge for the year	**23,805**	9,598	**23,805**	9,598
Interest paid in the year	**(21,560)**	(8,679)	**(21,560)**	(8,679)
Principal repayment	**(60,543)**	-	**(60,543)**	-
Foreign exchange revaluation	**6,669**	-	**6,669**	-
At 31 December	**182,490**	234,119	**182,490**	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 2023. 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 2023, the Group and Bank were compliant with all the lender's covenants.

51.8 INVESTEC BORROWING

In TZS' Million	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
At 1 January	**-**	-	**-**	-
Loan received during the year	**70,320**		**70,320**	
Interest charge for the year	**4,823**	-	**4,823**	-
Interest paid in the year	**(3,084)**	-	**(3,084)**	-
At 31 December	**72,060**	-	**72,060**	-

In September 2023, the Bank received a long-term loan of USD 28 million from Investec & Intesa Syndication facility. Bank offered mandate to Investec & Intesa to open tender for international banks to participate in placement of fund to the bank book. The facility aims to support Bank's short term & midterm demand on bank operation.

The facility was disbursed in April 2022 for the period of up to 3 years with an expected maturity of May 2025.

As at 31 December 2023, the Group and Bank were compliant with all the lender's covenants.

NOTES

51 BORROWINGS (Continued)

51.9 GCPF BORROWING

In TZS' Million	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
At 1 January	**-**	-	**-**	-
Loan received during the year	**25,114**		**25,114**	
Interest charge for the year	**1,880**	-	**1,880**	-
Interest paid in the year	**(1,116)**	-	**(1,116)**	-
At 31 December	**25,879**	-	**25,879**	-

The Bank entered into a facility agreement with Global Climate Partnership Fund S.A (GCPF) for a senior credit line of USD 25 million for Green and Climate facility projects. The bank received its first tranche of USD 10 million on August 2023.

The facility is for a period of up to 7 years with 2 years grace period expected to mature in 2030.

As at 31 December 2023, the Group and Bank were compliant with all the lender's covenants.

51.10 GCF BORROWING

In TZS' Million	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
At 1 January	**-**	-	**-**	-
Loan received during the year	**87,900**		**87,900**	
Interest charge for the year	**-**	-	**-**	-
Interest paid in the year	**-**	-	**-**	-
At 31 December	**87,900**	-	**87,900**	-

CRDB entered an agreement with the United Nations Green Climate Fund (GCF) to receive a concessional agriculture adaptation credit of USD 70 million. The loan is disbursed in tranches within a program implementation period of 5 years. On 22nd December 2023, the Bank received the first tranche of USD 35 million as an adaptation credit facility for the execution of a lending program titled Tanzania Agriculture Climate Adaptation Technology Deployment Programme (TACATDP). The program is expected to support farmers in Tanzania to access loans that will enable them to acquire climate adaptation technologies to increase resilience in farming activities to combat the effects of climate change in agriculture.

The concessional loan is for up to 20 years, has a 5-year grace period, and is expected to mature in 2043.

As at 31 December 2023, the Group and Bank were compliant with all the lender's covenants.

52 SUBORDINATED DEBT- AFDB

In TZS' Million	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
At 1 January	**120,742**	-	**120,742**	-
Loan received during the year	**-**	116,597	**-**	116,597
Interest charge for the year	**12,326**	6,982	**12,326**	6,982
Interest paid in the year	**(10,973)**	(2,920)	**(10,973)**	(2,920)
Foreign exchange difference	**8,891**	83	**8,891**	83
At 31 December	**130,986**	120,742	**130,986**	120,742
Current	**5,414**	4,145	**5,414**	4,145
Non-current	**125,572**	116,597	**125,572**	116,597
	130,986	120,742	**130,986**	120,742

In February 2022, the Bank received a disbursement of USD 50 million 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 2023, the Group and Bank were compliant with all the lender's covenants.

NOTES

53 GRANTS

In TZS' Million	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
At 1 January	**3,012**	4,730	**3,012**	4,730
Grant received during the year	**19,900**	-	**19,900**	-
Grant amount utilised	**(1,214)**	(1,718)	**(1,214)**	(1,718)
Reclassification to deferred income	**(162)**	-	**(162)**	-
At 31 December	**21,536**	3,012	**21,536**	3,012

53.1 FSDT GRANTS

	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
At 1 January	**2,040**	2,826	**2,040**	2,826
Reclassification to deferred income	**(162)**	-	**(162)**	-
Grant amount utilised	**(700)**	(786)	**(700)**	(786)
At 31 December	**1,178**	2,040	**1,178**	2,040

On 26 May 2008, CRDB Bank Plc signed a four-year funding agreement with the Financial Sector Deepening Trust of Tanzania (FSDT) amounting to USD 3,806,500 as a grant for strengthening the Bank's microfinance partner institutions and increasing outreach.

The grant was utilized to construct service centres and purchase motor vehicles.

There are no conditions attached to the grant during the year.

53.2 MIVARF ASSET GRANT

In TZS' Million	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
At 1 January	**972**	1,904	**972**	1,904
Grant amount utilised	**(514)**	(932)	**(514)**	(932)
At 31 December	**458**	972	**458**	972

On 2 January 2013, the Group signed a six-year funding agreement with the 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 motor vehicles.

This grant expired in 2019. The outstanding amount relates to a deferred grant, which is being amortized in line with the corresponding depreciation for the respective PPE.

There are no conditions attached to the grant during the year.

53.3 GCF GRANT

In TZS' Million	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
At 1 January	**-**	-	**-**	-
Grant received during the year	**19,900**	-	**19,900**	-
Grant amount utilised	**-**	-	**-**	-
At 31 December	**19,900**	-	**19,900**	-

During the year, the Bank received a grant of USD 7.9 million for to be used in training, capacity building and policy interventions as specified in component 2 of Tanzania Agriculture Climate Adaptation Technology Deployment Programme (TACATDP) approved by Green Climate Fund (GCF). This grant will help the bank to enhance capacity on adaptation lending while facilitating to promote policy interventions to government agencies, ministries, and private institutions to unlock any significant barriers towards addressing climate change impacts through concessional lending.

NOTES

54 NET DEBT RECONCILIATION

The analysis and movement of the net debt is, as follows:

In TZS' Million	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
Lease Liability	**49,817**	31,437	**45,628**	31,156
Borrowings	**933,109**	491,277	**933,109**	491,277
Green Bond	**175,204**	-	**175,204**	-
Subordinated Debts	**130,986**	120,742	**130,986**	120,742
Net debt	**1,289,116**	643,456	**1,284,927**	643,175

Reconciliation of movements of liabilities to cash flows arising from financing activities

In TZS'Million GROUP	Lease Liability	Borrowings	Green Bond	Subordinated Debts	Total
Balance as at 1st January 2023	**31,437**	**491,277**	**-**	**120,742**	**643,456**
Changes from financing cashflows					
Borrowings received	**-**	**578,740**	**171,826**	**-**	**750,567**
Repayment of borrowings	**-**	**(161,513)**	**-**	**-**	**(161,513)**
Principal payment on lease liabilities	**(14,267)**	**-**	**-**	**-**	**(14,267)**
Total changes from financing cash flows	**(14,267)**	**417,227**	**171,826**	**120,742**	**574,787**
The effect of changes in FX rates		**16,455**	**-**	**8,891**	**25,347**
Other changes					
Liability-related	**32,647**			**-**	**32,647**
Interest Charge	**3,711**	**63,271**	**3,378**	**12,326**	**82,686**
Interest paid	**(3,711)**	**(55,121)**	**-**	**(10,973)**	**(69,806)**
Total liability-related other changes	**32,647**	**8,150**	**3,378**	**1,353**	**45,527**
Balance at 31 December 2023	**49,817**	**933,109**	**175,204**	**130,986**	**1,289,116**

In TZS' Million

GROUP	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

NOTES

54 NET DEBT RECONCILIATION (Continued)

Reconciliation of movements of liabilities to cash flows arising from financing activities

BANK	Lease Liability	Borrowings	Green Bond	Subordinated Debts	Total
In TZS' Million					
Balance as at 1st January 2023	**31,156**	**491,277**	**-**	**120,742**	**643,175**
Changes from financing cashflows					
Borrowings received	**-**	**578,740**	**171,826**	**-**	**750,567**
Repayment of borrowings	**-**	**(161,513)**	**-**	**-**	**(161,513)**
Principal payment on lease liabilities	**(13,868)**	**-**	**-**	**-**	**(13,868)**
Total changes from financing cash flows	**(13,868)**	**417,227**	**171,826**	**120,742**	**575,186**
The effect of changes in FX rates	**-**	**16,455**	**-**	**8,891**	**25,346**
Other changes					
Liability-related	**28,340**	**-**	**-**	**-**	**28,340**
Interest charge	**3,411**	**63,271**	**3,378**	**12,326**	**82,386**
Interest paid	**(3,411)**	**(55,121)**	**-**	**(10,973)**	**(69,505)**
Total liability-related other changes	**28,340**	**8,150**	**3,378**	**1,353**	**41,220**
Balance at 31 December 2023	**45,628**	**933,109**	**175,204**	**130,986**	**1,284,927**

BANK	Lease Liability	Borrowings	Subordinated Debts	Total
In TZS' Million				
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

NOTES

55 SHARE CAPITAL

	GROUP		BANK	
	2023	2022	**2023**	2022
	TZS' Million	TZS' Million	**TZS' illion**	TZS' Million
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 (2022: 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

56 NON-CONTROLLING INTERESTS (NCI)

Non-controlling interest balance relates to the value of the interest held by the non-controlling shareholders in CRDB DRC. CRDB DRC was incorporated and started its operations during the year 2023. CRDB Bank owns 55% shares in CRDB DRC.

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the group. The amounts disclosed for each subsidiary are before inter-company eliminations.

Summarised balance sheet

31 December 2023 In TZS' Million	CRDB DRC
Summarised statement of financial position	
Current assets	107,444
Current liabilities	(21,621)
Current net assets	**85,823**
Non-current assets	14,932
Non-current liabilities	(4,133)
Non-current net assets	**10,799**
Net assets	**96,622**
Accumulated balance for material NCI	**43,612**

Summarized statement of comprehensive income

In TZS' Million	**CRDB DRC 2023**
Loss for the period	(4,218)
Other comprehensive income	-
Total comprehensive loss	**(4,218)**
Loss allocated to NCI (45%)	**(1,898)**

NOTES

56 NON-CONTROLLING INTERESTS (NCI) (Continued)

Summarised cash flows

In TZS' Million	CRDB DRC 2023
Cash flows from operating activities	(101,760)
Cash flows from investing activities	737
Cash flows from financing activities	45,510
Net increase/ (decrease) in cash and cash equivalents	**(55,513)**

Transactions with non-controlling interests

There were no transactions with non-controlling interests during the year.

No dividends were paid to non-controlling interests during the year.

57 RESERVES

Ordinary shares

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.

	GROUP		BANK	
In TZS' Million	2023	2022	2023	2022
Legal reserve	**14,935**	11,065	**-**	-
Non distributable reserve	**5,419**	1,576	**1,676**	-
Exchange differences on translation of foreign operations	**(8,461)**	342	**-**	-
Revaluation reserve	**11,190**	46,011	**11,190**	46,011
At 31 December	**23,083**	58,994	**12,866**	46,011

Non distributable reserve

The reserves represent the excess of Central Bank provisions over IFRS provisions. These reserves do form part of Tier 2 capital.

Exchange differences on translation of foreign operations

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

The reserve is made up of periodic adjustment arising from the fair valuation of motor vehicles, 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.

NOTES

57 RESERVES (CONTINUED)

The revaluations reserve movements for the Group are as shown below:

GROUP In TZS' Million	Motor vehicles and other Fixed assets	Debt instrument at fair value through OCI	Equity instrument at fair value through OCI	Total
31 December 2023				
At 1 January	**2,484**	**43,462**	**65**	**46,011**
Increase/(decrease) during the year	**-**	**(34,230)**	**24**	**(34,206)**
Release to retained earnings. (net of deferred tax)	**(615)**	**-**	**-**	**(615)**
At 31 December	**1,869**	**9,232**	**89**	**11,190**
In TZS' Million				
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

BANK In TZS' Million	Motor vehicles	Debt instrument at fair value through OCI	Equity instrument at fair value through OCI	Total
31 December 2023				
At 1 January	**2,484**	**43,462**	**65**	**46,011**
Increase/(decrease) during the year	**-**	**(34,230)**	**24**	**(34,206)**
Release to retained earnings. (net of deferred tax)	**(615)**	**-**	**-**	**(615)**
At 31 December	**1,869**	**9,232**	**89**	**11,190**
In TZS' Million				
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

58 CAPITAL MANAGEMENT

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:

NOTES

58 CAPITAL MANAGEMENT (Continued)

- 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).

New regulations

During the year, the Central Bank issued several regulations for the implementation of Basel II and III. Basel II introduced the concept of Risk-weighted assets, acknowledging that not all assets carry the same level of risk. This allowed banks to allocate capital more accurately based on the riskiness of their portfolios. The framework was segregated into three pillars: Minimum Capital Requirements, Supervisory Review, and Market Discipline. These pillars aimed to enhance Risk Management practices, regulatory oversight, and market transparency.

Basel III went beyond Basel II's focus on Risk Management and aimed to build resilience and stability in the banking sector. The framework introduced higher Minimum Capital Requirements and, Critically Capital Buffers. These buffers act as cushions during economic stress, making sure that banks have sufficient capital to absorb losses.

The mandatory compliance of Basel II and III is set to start in April 2025. The Group is well-positioned to comply with laws and regulations and embrace their positive effects on the industry. The Group 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.

NOTES

58 CAPITAL MANAGEMENT (Continued)

The table below summarises the composition of regulatory capital and the ratios of the Bank for the year ended 31 December 2023 and 2022. During those two periods, the Group and Bank complied with all the externally imposed capital requirements to which they are subject.

	GROUP		BANK	
In TZS' Million	**2023**	2022	**2023**	2022
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	**1,491,183**	1,196,472	**1,448,851**	1,158,830
Prepaid expenses	**(44,915)**	(34,036)	**(35,044)**	(34,036)
Deferred tax asset	**(93,917)**	(51,949)	**(91,346)**	(51,743)
Total qualifying Tier 1 capital	**1,575,961**	1,334,097	**1,546,071**	1,296,661
Tier 2 capital				
General Banking reserve	**5,419**	1,576	**1,676**	-
Subordinated debt	**130,986**	120,742	**130,986**	120,742
Total qualifying Tier 2 capital	**136,405**	122,318	**132,662**	120,742
Total regulatory capital	**1,712,366**	1,456,415	**1,678,733**	1,417,402
Risk-weighted assets				
On-balance sheet	**6,526,385**	5,383,546	**6,298,570**	5,273,152
Off-balance sheet	**2,597,432**	1,938,573	**2,568,713**	1,938,573
Market risk	**64,848**	30,928	**64,848**	30,928
Operational risk	**686,223**	508,544	**686,223**	508,544
Total risk-weighted assets	**9,874,888**	7,861,591	**9,618,354**	7,751,198

Required		**Group's**	Group's	**Bank's**	Bank's
	ratio	**ratio**	Ratio	**Ratio**	ratio
		2023	2022	**2023**	2022
	%	**%**	%	**%**	%
Tier 1 capital	12.5	**16.0**	17.0	**16.1**	16.7
Tier 1 + Tier 2 capital (Total capital)	14.5	**17.3**	18.5	**17.5**	18.3

Throughout the year, the Group remained committed to prudent capital management practices, selectively growing our portfolio with high-yield and Risk-Weighted assets while also de-risking to ensure optimal capital utilization. Despite the microeconomic and geopolitical uncertainties, we remained well-capitalized and maintained healthy buffers above the minimum regulatory requirements. Our Group core and total capital ratios stood at an impressive 16.0% and 17.3%, respectively, exceeding the minimum regulatory requirements of 12.5% and 14.5% for Tier I and Tier II.

59 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.

	GROUP		BANK	
In TZS' Million	**2023**	2022	**2023**	2022
Cash in hand (Note 27)	**488,698**	379,554	**475,807**	367,218
Balances with Central Bank (Note 27)	**147,812**	213,197	**92,564**	107,663
Due from banks (Note 28)	**701,039**	695,699	**739,300**	699,815
	1,337,549	1,288,450	**1,307,671**	1,174,696

NOTES

58 CAPITAL MANAGEMENT (Continued)

Additional information to cash flow:

The aggregate amount of cash flows used to increase operating capacity

During the year, the Bank invested TZS 64,794 million in our subsidiaries, CRDB Insurance Company Ltd., CRDB Bank Burundi and CRDB Bank Congo, as disclosed in Note 38, "Investment in Subsidiaries". All investments were made in cash.

Cash flows used to maintain our operating capacity

The Group spent a total of TZS 91,935 million to purchase property and equipment, motor vehicles to replace the old ones (obsolete), and software to upgrade existing software resulting from new technological advancements. In addition, the Group received borrowings amounting to TZS 578,741 million mainly to fund business growth and meet the expectations of our stakeholders.

60 FINANCIAL INSTRUMENTS BY CATEGORY

GROUP

TZS' Million	Amortised cost	At fair value through OCI	At fair value through PL	Total
At 31 December 2023				
Financial assets				
Cash and balances with Central bank	**1,011,638**	**-**	**-**	**1,011,638**
Due from banks	**762,332**	**-**	**-**	**762,332**
Financial assets at FVPL	**-**	**-**	**6,983**	**6,983**
Debt instruments at FVOCI	**-**	**226,178**	**-**	**226,178**
Loans and advances to customers	**8,443,491**	**-**	**-**	**8,443,491**
Debt instruments at amortised cost	**1,960,715**	**-**	**-**	**1,960,715**
Credit cards	**2,309**	**-**	**-**	**2,309**
Equity investment	**-**	**11,652**	**2,283**	**13,935**
Other assets	**148,903**	**-**	**-**	**148,903**
	12,329,388	**237,830**	**9,266**	**12,576,484**

In TZS' Million	Amortised cost	At fair value through OCI	At fair value through PL	Total
At 31 December 2022				
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
	10,170,353	797,762	25,994	10,994,109

NOTES

60 FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

GROUP

*Other assets (excludes prepayments, stock, and advanced payment for capital expenditure as they are not financial assets).

GROUP Financial liabilities at amortised cost		
In TZS' Million	**2023**	2022
Deposits from banks	**995,561**	1,127,369
Deposits customers	**8,855,978**	8,200,393
Other liabilities*	**302,629**	138,450
Lease liabilities	**49,817**	31,437
Subordinated debt	**130,986**	120,742
Borrowings	**933,109**	491,277
	11,268,080	10,109,668

*Other liabilities (excludes deferred income and ECL of off-balance sheet as they are not financial liabilities).

BANK

In TZS' Million	Amortised cost	At fair value through OCI	At fair value through PL	Total
At 31 December 2023				
Financial assets				
Cash and balances with Central bank	**943,499**	**-**	**-**	**943,499**
Due from banks	**754,036**	**-**	**-**	**754,036**
Financial assets at FVPL	**-**	**-**	**1,102**	**1,102**
Debt instruments at FVOCI	**-**	**226,178**	**-**	**226,178**
Loans and advances to customers	**8,035,550**	**-**	**-**	**8,035,550**
Debt instruments at amortized cost	**1,738,669**	**-**	**-**	**1,738,669**
Credit cards	**2,309**	**-**	**-**	**2,309**
Equity investment	**-**	**11,564**	**2,283**	**13,847**
Other assets	**138,138**	**-**	**-**	**138,138**
	11,612,201	**237,742**	**3,385**	**11,853,328**

BANK

In TZS' Million At 31 December 2022	Amortised cost	At fair value through OCI	At fair value through PL	Total
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
	9,570,863	767,649	19,708	10,388,220

*Other assets (excludes prepayments, stock, and advanced payment for capital expenditure as they are not financial assets).

NOTES

60 FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

BANK	2023	2022
Financial liabilities at amortised cost		
Deposits from banks	**983,017**	1,103,605
Deposits customers	**8,315,233**	7,677,675
Other liabilities*	**279,538**	136,302
Lease liabilities	**45,628**	31,156
Subordinated debt	**130,986**	120,742
Borrowings	**933,109**	491,277
	10,687,511	9,560,757

*Other liabilities (excludes deferred income and ECL of off-balance sheet as they are not financial liabilities).

61 PROVISIONS OF LEGAL CLAIMS

In TZS' Million	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
Provision for litigation				
At 1 January	**1,580**	2,679	**1,580**	2,679
Additional provisions	**616**	2,639	**616**	2,639
Amount paid in the year	**(973)**	(3,738)	**(973)**	(3,738)
At 31 December	**1,223**	1,580	**1,223**	1,580

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.

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 1,223 million (2022:TZS 1,580million). For cases whose outcomes are uncertain, contingent liabilities have been considered as disclosed in Note 62.

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 2023.

In the year ending 31 December 2023, the company did not expect any reimbursement from the amount provided (2022: NIL).

NOTES

62 CONTINGENT LIABILITIES

In TZS' Million	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
Guarantees	**2,418,270**	1,450,615	**2,416,776**	1,450,111
Letters of credit	**1,346,084**	1,870,317	**1,269,889**	1,797,704
Commitment to extend credit	**333,997**	462,402	**305,613**	462,402
Legal claims	**9,220**	43,688	**9,220**	43,688
	4,107,571	3,827,022	**4,001,498**	3,753,905

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 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 the customer's default.

The Group and Bank are, 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 49. 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 2023, the company did not expect any reimbursement from the amount provided (2022: NIL).

63 COMMITMENTS AND LEASES

63.1 Commitments

In TZS' Million	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
Commitments to extend credit	**333,997**	462,402	**305,613**	462,402
Capital commitments				
Authorized and contracted for	**49,060**	28,343	**49,060**	28,343
Authorized and not yet contracted for	**102,643**	18,628	**102,643**	18,628
	151,703	46,976	**151,703**	46,976

Group capital commitments authorized and contracted for are in respect of the following projects;

- Computer Software
  - √ *Agency banking POS TZS 654mn*
  - √ *New card management system TZS 4,252mn*
  - √ *Ongoing system development projects mainly Core banking TZS 23,603mn*
  - √ *Ongoing New Enterprise Service Bus (ESB) & Migration project TZS 8,899mn*
- Construction projects TZS 11,652mn

63.2 Leasing Arrangements

Group as lessee

The Group has entered commercial leases for various office spaces, including ATM 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 judgment 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 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 (2022: Nil).

NOTES

63 COMMITMENTS AND LEASES (Continued)
63.2 Leasing Arrangements (Continued)

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:

In TZS' Million 31 December 2023	1-5 years	Over 5 years	Total
Extension options not to be exercised	**246**	**-**	**246**
Termination options expected to be exercised	**-**	**-**	**-**
	246	**-**	**246**
31 December 2022			
Extension options not to be exercised	44	101	145
Termination options expected to be exercised	-	-	-
	44	101	145

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 81 million (2022: TZS 92 million). The rental income includes TZS 19.7 million (2022: TZS 19.7 million) resulted from subleasing of the right of use assets.

Future minimum lease payments under non-cancellable operating leases as of 31 December were, as follows;

In TZS' Million	2023	2022
Within one year	**81**	92
After one year	**-**	-
	81	92

The above lease arrangements are mainly for the bank's staff on a short-term basis. The Bank has the option to terminate the lease with no significant penalties.

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 81 million (2022: TZS 92 million). The rental income includes TZS 19.7 million (2022: TZS 19.7 million) resulted from subleasing of the right of use assets.

Future minimum lease payments under non-cancellable operating leases as of 31 December were, as follows;

In TZS' Million	2023	2022
Within one year	**81**	92
After one year	**-**	-
	81	92

The above lease arrangements are mainly for the bank's staff on a short-term basis. The Bank has the option to terminate the lease with no significant penalties.

NOTES

64 RELATED PARTY DISCLOSURES

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 are as follows:

	Companies associated with Directors		Directors and other key management personnel	
In TZS' Million	2023	2022	2023	2022
Loans and advances to related parties				
At 1 January	**729**	684	**10,768**	7,423
Net movement during the year*	**908**	45	**2,825**	3,345
At 31 December	**1,637**	729	**13,593**	10,768
Interest earned	**102**	-	914	465
Current	**-**	-	**-**	-
Non-current	1,637	729	**13,593**	10,768
	1,637	729	**13,593**	10,768

*Includes disbursements and repayments throughout the year.

Loans to key management personnel were issued at an off-market interest rate as per Group policy. They are treated as employee benefits 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.
- As of 31 December 2023, the total outstanding loan balances were TZS 15,230 million (2022: TZS 11,497 million).
- As at 31 December 2023, the Group and Bank held collateral valued of TZS 15,904 million (2022: TZS 10,080 million) from key management personnel and non-executive directors.
- Loans and advances to related parties fall under Stage 1, and the balance sheet provisions for doubtful debts relate to the outstanding balances, which are TZS 3 million (2022: TZS 1 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 2 million (2022: TZS 25 million).

Deposits from related parties In TZS' Million	Companies associated with Directors 2023	2022	Directors and other key management personnel 2023	2022
At 1 January	**10**	**21**	**1,453**	**1,575**
Net movement during the year*	**2,139**	**(11)**	**1,780**	**(122)**
At 31 December	**2,149**	**10**	**3,233**	**1,453**
Interest paid	**-**	-	**-**	4

*Includes deposits and withdrawals throughout the year.

NOTES

64 RELATED PARTY DISCLOSURES (Continued)

Balances outstanding with related companies were as follows;

In TZS' Million	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
Due from related parties*				
CRDB Burundi S. A	-	-	3,775	7,385
CRDB Insurance Company	-	-	2	
Due to related parties*				
CRDB Insurance Company	-	-	-	-
Loan advanced to subsidiary**				
CRDB Burundi S. A	-	-	190,751	173,790
Nostro to subsidiary				
CRDB Burundi S. A	-	-	89,621	8,025
CRDB Congo	-	-	1,603	-
Placement to subsidiary***				
CRDB Burundi S. A	-	-	40,877	34,829
CRDB Congo placement to CRDB Burundi	12,757	-	-	-

*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 10.6bn in the year 2023 (2022: TZS 4.3bn) relates to a dividend distribution to the parent.

** Loans advanced to subsidiary relate to facilities which were intended to finance the below projects;

- To finance purchases of machinery for the 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.

***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. The 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.

Interest received and paid from and to related parties respectively were as follows;

In TZS' Million	GROUP 2023	GROUP 2022	BANK 2023	BANK 2022
Interest Income received from subsidiary				
CRDB Burundi S. A	-	-	9,308	9,880
Transactions with related companies were as follows;				
Payments made on behalf of subsidiaries				
CRDB Burundi S. A	-	-	7,432	-
CRDB Insurance Broker Company Ltd	-	-	2	-
	-	-	7,434	-
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

NOTES

64 RELATED PARTY DISCLOSURES (CONTINUED)

In the year ending 31 December 2023, the company did not sale or purchase properties to/from any related party (2022: NIL).

Transfer of research and development
In the year ending 31 December 2023, the company did not transfer any cost of research and development to/from any related party (2022: Nil).

Guarantee
In the year ending 31 December 2023, there was no guarantee given or received to/from any related party (2022: Nil).

Settlement of liabilities on behalf of the entity or by the entity on behalf of another party
In the year ending 31 December 2023, there were no settlement of liabilities on behalf of the entity or by the entity on behalf of another entity (2022: Nil).

Rendering or receiving of services
During the year, there were neither services rendered nor received to/from a related party.

Leases
There were no lease transactions with related parties during the year (2022: nil).

Treasury Shares
During the year, the Bank did not reacquire its own equity instruments from related parties.

Compensation of Key Management Personnel

A 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 the 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.

The remuneration of key management personnel during the year was as follows:

In TZS' Million	2023	2022
Short-term employee benefits (salary)	10,936	8,715
Other long-term benefit (gratuity)	1,533	1,292
	12,469	10,007

- 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 (2022: 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 2023, there were no pension contributions paid on behalf of Directors to defined contribution schemes.

The 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 benefits made during the year (2022: Nil).

Transactions and Balances with the Government of Tanzania (Group and Bank)

The Government of Tanzania owns 34.3% (2022: 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 1,964,847 million (2022: TZS1,934,366 million). Interest earned from investment in government securities during the year was TZS 201,665 million (2022: TZS 170,171 million). ECL related to transactions and balances are disclosed under note 30.

The Bank also accepts deposits from various Government institutions and related agencies, which attract interest like other deposits. As at 31 December 2023, deposit balances relating to the Government institutions and related agencies collectively amounted to TZS 130,190 million (2022: TZS 94,522 million).

65 EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

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

Notes

Notes

Notes

Notes