



MKOMBOZI COMMERCIAL BANK PLC

THE FOURTEENTH ANNUAL GENERAL MEETING

29th JULY, 2023

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VISION AND MISSION STATEMENT

VISION

To be a leading bank in addressing the growth needs of small and medium size enterprises through delivery of high quality and integrity banking services to a wide micro customer base and corporate enterprises.

MISSION

To be a bank that will provide high quality financial services to all sectors and levels of the economy in a sustainable and socially responsible manner to meet stakeholders' expectations.

NOTICE TO ALL SHAREHOLDERS OF MKOMBOZI COMMERCIAL BANK PLC

NOTICE IS HEREBY GIVEN THAT the Fourteenth Annual General Meeting of Mkombozi Commercial Bank Plc shall be held on 29th July, 2023 at Millennium Towers II, Mtana Hall, First Floor, Makumbusho, Bagamoyo Road, Dar es Salaam from 9.00 a.m.

AGENDA

1. Confirmation of Quorum and Opening of the Meeting.
2. Adoption of the Agenda.
3. Confirmation of the minutes of the Thirteenth Annual General Meeting held on 30th July 2022.
4. Matters arising from the Thirteenth Annual General Meeting held on 30th July, 2022.
5. To receive, discuss and adopt the Directors' report for the year ended 31st December, 2022.
6. To receive, discuss and approve the Bank's financial statements for the year ended 31st December 2022 and adopt external auditor's report on financial statements of the Bank for the year ended 31st December, 2022.
7. Appointment of Statutory Auditors.
8. To receive, discuss and approve the proposal for migrating to Main Investment Market Segment (MIMS).
9. To set a date for the next Annual General Meeting.
10. Any other business.
11. Closure of the meeting.

Take further notice that:

1. A member wishing to attend the meeting must come with a copy of their receipt of purchased shares of the bank or a Share Certificate of the same.
2. A member entitled to attend and vote at the meeting is entitled to appoint a PROXY to attend and vote on their behalf in accordance

with the provisions of the Company's Articles of Association. A PROXY FORM must be deposited at the registered office of the bank so as to arrive not later than three (3) days before the meeting. The form should be in the following format:

“Mkombozi Commercial Bank Plc”

I/We.....of,
being a Member/Members of the above-named Company, hereby
appoint of as my/our proxy to
vote for me/us on my/our behalf at the Annual General Meeting of
the bank to be held on the 29th July, 2023 and at any adjournment
thereof.

Signed this day of 2023

3. All shareholders and/or representatives will be required to register before entering the meeting hall on the date of the meeting.

4. The booklets containing financial statements and other information of the bank will be available at the bank's branches and the bank's website <https://mkombozibank.co.tz/> a week before the meeting.

For further information contact the Bank's offices at:

Mkombozi Commercial Bank Plc
Plot No.40, Behind St Joseph Church
Mansfield Street
P.O.Box 38448, DAR ES SALAAM
Tel.no. +255 22 2137806/7,
Toll free no. 0800 750 040
Email: shareholders@mkombozibank.co.tz
info@mkombozibank.co.tz



PAULINA KUNJUMU
COMPANY SECRETARY
BY ORDER OF THE BOARD
JUNE, 2023

THE BOARD CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I take this opportunity to welcome you all to this Fourteenth Annual General Meeting of Mkombozi Commercial Bank PLC (the Bank or MKCB). For me, it has indeed been a great honour and privilege to have served as Chairperson of this bank for the past one and half years. I have the honour to present to you the highlights of the Bank's annual performance for the financial year ended 31 December 2022.

I would like to commend the efforts of the Management and all members of staff who worked tirelessly for the achievements outlined in this report. I thank my colleagues, members of the Board of Directors for their dedication and guidance in execution of the Bank's objectives and for their oversight role. It is on the backcloth of unwavering dedication and contribution by the entire team that the year 2022 was a success story for the Bank. I would also like to sincerely thank all our esteemed customers for their continued support to our Bank knowing that without their business our Bank would not have achieved what is being presented to you. We also appreciate and thank our key regulators, the Bank of Tanzania, Capital Markets and Securities Authorities, the Government and all other stakeholders from whom we have continued to receive tremendous support and guidance. To our shareholders, we thank you immensely for your continued support and dedication in supporting the Bank's strategic initiatives by providing needed capital resources.

Key achievements and developments during the year

While our performance results are shown on pages 53-94, which illustrate how we have grown our business, I invite you to peruse the bank's key developments outlined below and urge you to read the Managing Director's statement in this Annual Report, which will give you more specific details about our businesses and our plans for the future.

- The Bank's commitment and focus on financial inclusion remains to be a key strategic priority. We successfully completed integration with key partners in the provision of digital services especially Mobile Network Operators (MNOs) and other digital solution integrators.

- We registered good traction in rolling out of Agency Banking Channel (Mkombozi WAKALA), Church Cash Collection Solution (SADAKA Digital) and Internet Banking. We enhanced our Mobile Banking Channel by launching the Mobile Application in addition to the existing USSD code platform.
- We finalized plans for opening of new branch outlets in Arusha and Mwanza which shall be operational before end of quarter three of 2023. The Branch in Arusha was opened in May 2023.
- We finalized plans to relocate the current Head Office and St. Joseph's Branch outlets to the new St. Joseph's House, which is a strategic location to enhance both our corporate image and service excellence. This relocation is expected to happen in quarter three of 2023.
- We strengthened our human resource base by recruiting key senior officers in strategic segments especially Finance and Commercial Banking. We enhanced the front office Sales and Relationship/Service Management team across the network that is necessary to support our growth and service excellency ambitions.
- Overall, our business consolidation and growth ambitions continue to bear positive fruits as translated through increased clientele base, enhanced revenue levels, efficient cost management and quality of risk management.

Economic and Market Conditions in 2022

Economic activity in 2022 was undermined by supply-chain disruptions, which were caused by the war in Ukraine, resurgence of COVID-19, and climate-related constraints. However strong macro fundamentals allowed the country to emerge from the COVID-19 pandemic in good shape, though economic recovery has been relatively modest due to strong headwinds created by the ongoing war in Ukraine, tightening global financial conditions, and global economic slow-down. The economic recovery in 2022 nevertheless remains broad based with most sectors rebounding to pre-COVID activity levels.

Inflation was significantly above central banks' targets in 2022, particularly in advanced economies. Due to the easing of supply chain constraints and commodity prices, as well as monetary policy tightening, inflation either started declining or the pace of rising moderated towards the end of the year. The average annual headline inflation in the country was 4.3%, while the real GDP growth stood at 4.7% in 2022 (compared to 4.9% in 2021), projected to grow by 5.2% and 6.2% in 2023 and 2024 respectively.

The conduct of monetary policy was successful in maintaining adequate supply of liquidity in the economy consistent with inflation objective, with monetary aggregates growing broadly in line with targets. Overall, the banking sector was adequately capitalized, liquid and profitable throughout 2022. Deposits and assets increased, and asset quality improved.

Strategic Plan for 2022 to 2023

The Bank continues to focus on the following strategic initiatives in the medium-term in order to achieve its profitability and growth ambitions: -

- Business Repositioning through Digitalization Interventions; namely, Agency Banking, Mobile Banking Application, Internet Banking and Cash Management Solutions;
- To expand the Bank's physical outreach through Agency Banking and Mini Branch/Service Centre outlets;
- To focus on the niche market to drive business development ambitions with strategic emphasis in transforming the deposits mix between CASA Deposits (Current and Savings) and FD (Fixed Deposits) to 70% and 30% respectively in a medium term (1-3 years);
- To enhance the Credit Framework (Origination, Management and Remedial) to achieve good loan formation for efficiency and profitability in a medium term (1-3 years);
- To intensify cost optimization initiatives with a strategic focus to achieve a cost/income ratio of 55% in a medium term (1-3 years);
- To drive staff productivity through upskilling of staff and implementation of robust Performance Management Framework;

- To enhance Customer Service Management Framework to improve service delivery across the board in order to improve customer experience;
- To enhance innovation and investment in technology in order to deliver quality service and improve customer experience, (investment in new Core Banking System).

The AGM Documents

The AGM document which has been circulated to the shareholders include the Directors' Report and Financial Statements of the Bank for the year ended 31 December 2022. These will be formally presented to the shareholders for deliberation and adoption. Shareholders are invited to participate in the deliberations and give valuable contributions for greater and sustained achievements of the Bank's objectives.

On behalf of the Board of Directors, I again thank you all for attending this important meeting and for your continued support. I wish you all a successful 14th Annual General Meeting.

Thank you and God Bless.



Gasper Casmir Njuu
BOARD CHAIRMAN
29th July, 2023

THE MANAGING DIRECTOR'S STATEMENT

Dear Shareholders,

It is my pleasure to confirm that 2022 was a strong year for our Bank, by a multitude of measures. A key achievement was continued strategic positioning of the Bank to deliver on its agenda in terms of resources and infrastructure. The Bank remained resilient, weathered the various challenges, made satisfying progress with our strategic priorities, improved efficiency and credit quality, strengthened the balance sheet and delivered strong financial returns.

We have made good progress in our transformation journey, with visible results from our years of consistent and disciplined cost management, credit turnaround, product and process alignment and investments in people and technology. Having built a tested foundation through the execution of our "Turnaround and Repositioning" Strategy (2020-2023), we focused on execution momentum to consolidate our achievements and to deliver on our critical imperatives in 2022. We have become more efficient, addressed legacy loan and operations challenges, strengthened capital and digitised our products and services for the future. As a result, our Bank delivered record growth in profits attributable to shareholders, which has had significant contribution in capital restoration journey for the Bank. Over the recent past three years, the Bank has reduced its accumulated loss position from TZS 11.3 billion in 2019 to TZS 1.49 billion as of to-date, the outcome of which is reflected in the recapitalization momentum of the Bank. We look forward to a complete turnaround to profits retention with effect from 2023 financial year. We thank our shareholders and customers for placing their confidence in our Bank and allowing us to serve and meet their financial needs. We owe them our heartfelt gratitude.

Outcome of the key financial metrics

Key Performance Metrics Summarized: (Absolute Figures in TZS million)

SN	Financial Metric	31/12/2022	31/12/2021 (Restated*)	Variance
1	Interest Income	25,666	22,076	3,590
2	Modification gain (loss)*	1,021	(2,758)	3,779
3	Fees and Commissions	4,673	4,403	270
4	Interest Expenses	(7,320)	(8,787)	1,467
5	Operating Expenses	(15,951)	(15,662)	(289)
6	Provision for bad loans	(2,944)	(1,979)	(965)
7	Operating Income	5,145	(2,707)	7,852
8	Income Tax Credit	476	847	(371)
9	Profit After Tax	5,621	(1,860)	7,481
10	Other comprehensive income	1,178	(37)	1,215
11	Total comprehensive income (loss) for the year	6,799	(1,897)	8,696
12	Loans and Advances	115,039	106,860	8,179
13	Government Securities	43,208	42,669	539
14	Customers Deposits	184,579	181,513	3,066
15	Accumulated loss	(1,499)	(9,056)	7,557
16	None Performing Loans (NPL) Ratio	9%	9%	-
17	Cost to Income Ratio	62%	90%	28%
18	Capital Adequacy Ratio (CAR)	13.05%	9%	4%

**Attributed to correction of error with regards to modification of financial assets due to change of the interest computation methodology from flat to reducing balance in order to comply with the Consumer Protection Regulation that was effective from 2020.*

- **Revenue – Growing/enhancing earning assets**

The interest income and fees and commission components are mainly loan driven. Our loan book improved by TZS 8.17 billion to TZS 115.03 billion compared with TZS 106.86 billion in 2021. There were deliberate efforts to enhance micro lending segment which saw the Solidarity Group Loans (SGL) loan book grow by TZS 2.10 billion to TZS 5.73 billion compared with TZS 3.64 billion in 2021. Whilst loan interest remains to be our key revenue line generally, however, we are intensifying efforts in growing non-funded revenue lines in order to enhance productivity and business efficiency overall.

- **Cost – Enhancing a culture of cost discipline**

Expense discipline lies at the heart of driving returns for shareholders, as the less we spend to generate a shilling of revenue, the better the results. So, from the outset, we made bold decisions to drive costs down. We have significantly reduced costs as a result and, in 2022, improved the efficiency ratio to a record *62 per cent (compared to 90% in 2021)*. We continue to look for ways to enhance our operational efficiency, whilst enhancing revenue level to achieve the desired regulatory benchmark ratio of 55 per cent in order to facilitate dividend payout in the short run.

- **Operating Profit – Driving positive operating leverage**

Our operating profits have been enhanced significantly from our expense discipline. In spite of the growing operations in terms of investment in basic infrastructure and resources, our operating costs have reduced by eight (8) per cent to TZS 15.90 billion in 2022 from TZS 17.28 billion in 2019. This is a critical game changer as we expand our revenue base to drive our growth and profitability ambition.

- **Liquidity – Liquid and strong**

Our balance sheet is liquid, strong and well capitalised. Total assets increased by TZS 11 billion to TZS 221.72 billion (five per cent) compared with TZS 210.72 billion in 2021. The growth was attributed to the generation of customer deposits, which reflects our customers' trust

in the Bank brand. Our loan-to-deposit ratio is 63 per cent, which provides significant head room to expand our lending activity especially in the market segment of our choice in consistent with our mission and vision. Our liquid assets balances have increased partly due to our deliberate but strategic decision for stringency in our lending activities. Investments in securities, mostly government Treasury Bond and Bills have increased by TZS 539million to TZS 43.21 billion. Additionally, our deposits placed with other financial institutions grew by TZS 996million to TZS 24.13billion. These reflect the strong liquidity in our balance sheet.

- **Improved asset quality metrics**

Another one of our strategic objectives is to continue to address legacy non-performing loans and enhance good loan formation initiatives in order to build quality earning loan portfolio. We did well on both of these two fronts. Our NPLs stock reduced to TZS11.47billion from TZS 14.01billion in 2021. However, the ratio remains relatively the same at nine (9) per cent as for the previous year due to proportionate decline in overall loan book. This ratio is above regulatory benchmark of five (5) per cent. We are focused in ensuring that it improves further beyond this benchmark in the financial year 2023.

- **Capital levels within regulatory limits**

Tier 1 and Tier 2 Capital Adequacy Ratios (CAR), which is a measure of the balance sheet's ability to withstand financial distress, were 13.05 per cent and 14.84 per cent of total risk-weighted assets (RWA), which is within the regulatory minimum of 12.5 per cent and 14.5 per cent respectively. The improvement in CAR was attributed to both internal after-tax profits growth of TZS 6.79billion, and mobilization of the subordinated debt (additional Tier 2 capital) of TZS 2.7billion in January 2022. This level of capitalization adequacy is essentially a limiting factor in expanding our business outreach at the pace desired by our stakeholders.

- **Customer Centricity**

We are focusing at becoming the best at providing our customers with excellent experience. We continue to improve service delivery, customer journeys and speed of resolution. We have enhanced our customer service proposition and improved complaints tracking and resolution framework. We are collectively working to transform our mindsets around how we serve customers in order to enhance service experience across the board.

- **Technology and business expansion initiatives**

The ever-evolving competitive operating landscape requires continuous investments in technology to drive operational efficiency and enhance customers' offerings, service and experience. These investments included implementing our digital platform which enables the Bank to drive its outreach agenda through Agent Banking (476 Agents recruited by May 2023), Internet Banking (600+ customers connected by May 2023), Cash Management Solutions such as SADAKA Digital (170+ Parishes onboarded by May 2023) and Government Payment Solution – GePG (under final testing stage, to be launched by July 2023).

We have opened our 12th fully-fledged bank branch in Arusha in May 2023, located at the PSSF Building, Plot No. 15 Block 2 Nyerere Road, Arusha. This marks a significant milestone in our business expansion strategy. Arusha presents a unique business opportunity to the Bank in many fronts, with significant untapped opportunity from our chosen market niche (church and its institutions) as well as other lucrative sectors of the economy, specifically tourism and leisure. Plans are underway to open two more mini/small branches by end of 2023, one in Mwanza at Bugando Medical Centre premises and another one in Mbeya. These additional outfits will provide significant mileage to the Bank's business momentum to achieve sustainable and profitable growth.

The future

Our operating circumstances and environment call for prioritization of the steps that are necessary to move this Bank to a better future. We shall continue to make responsible choices in the allocation of resources to achieve this by framing our goals in our own context and internalize into our core business in conformity with the business plan and operating environment.

I am honoured to have the opportunity to lead this institution through its strategic transformational and growth agenda. I'm proud of what our employees, customers, shareholders, board of directors, community, government, regulators and all other stakeholders have contributed to our efforts to drive our vision. We are determined to transform Mkombozi Bank PLC to greatness for the benefit of all our stakeholders.



Respige Kimati.

Managing Director.

29th July, 2023

AGENDA NUMBER 3

CONFIRMATION OF MINUTES OF THE THIRTEENTH ANNUAL GENERAL MEETING HELD AT UBUNGO PLAZA IN DAR ESSALAAM ON SATURDAY ON 30TH JULY, 2022

MINUTES OF THE THIRTEENTH GENERAL MEETING OF THE SHAREHOLDERS OF MKOMBOZI COMMERCIAL BANK PLC HELD AT UBUNGO PLAZA IN DAR ES SALAAM ON SATURDAY THE 30TH JULY 2022.

MEMBERS OF THE BOARD OF DIRECTORS

- | | | | |
|----|------------------------------|---|------------------------|
| 1. | Mr. Gasper C. Njuu | - | Chairperson |
| 2. | Most Rev. Beatus Kinyaiya | - | Director |
| 3. | Ms. Uphoo Swai | - | Director |
| 4. | Mr. Robert Mtendamema | - | Director |
| 5. | Mr. Benedict Sudi Wariasanga | - | Director |
| 6. | Mr. Martin Mdoe | - | Director |
| 7. | Mr. Respige Onesmo Kimati | - | Managing Director |
| 8. | Mr. Oswald L. Mpangala | - | Legal Services Manager |

ABSENT WITH APOLOGY

- | | | | |
|----|-----------------------|---|----------|
| 1. | Dr. Fr Charles Kitima | - | Director |
|----|-----------------------|---|----------|

INVITED GUESTS

- | | | | |
|----|------------------------------|---|---|
| 1 | Mr. Elibariki Fanuel Mkireni | - | Representative, Ernst & Young |
| 2. | Mr. Meckland Edson | - | Representative, Dar es Salaam Stock Exchange (DSE) |
| 3. | Ms. Aisha M. Mbilikira | - | Representative, Capital Markets And Securities Authority (CMSA) |

SHAREHOLDERS

No.	NAME	STATUS
1	ABEL BERA SEBASTIAN	Known
2	ABEL KUSIGA	Known
3	ADELLA F. KAVISHE	Known
4	ADRIAN J MAKELELE	Known
5	AEMP/SCHOOL-DIOCESE OF GEITA	Known
6	AFROKIA C KWEKA	Known
7	AGATHA E. MAYE	Known
8	AGNESS JOHN KIWIA	Known
9	ALBERT H. MILANZI	Known
10	ALCP/OSS AFRICA PROVINCE	Known
11	ALEX ATHUNAS	Known
12	ALEX STEPHAN KASILO	Known
13	ALEXUS C. MUTASINGWA	Known
14	ALFRED B. MILLEMBE	Known
15	ALFRED MATIKO	Known
16	ALINANINE MWAKILABA	Known
17	ALOYS B. MWACHA	Known
18	ALOYS D. SHUKURU	Known
19	ANASTASIA D. MASHUBU	Known
20	ANDREA M. MGAYA	Known
21	ANGELA J. KYAKULA	Known
22	ANSGAR ROBERT MAPUNDA	Known
23	ANTHONY J. LUBUVA	Known
24	APOLINARY B. MWARABU	Known
25	ARCHDIOCESE OF ARUSHA	Known
26	ARCHDIOCESE OF DAR ES SALAAM	Known
27	ARCHDIOCESE OF SONGEA	Known
28	ARCHIDIOCESE OF ARUSHA	Known
29	ARTHUR O. GAMA	Known
30	ASSENGA SCAROLI	Known
31	ASUNTA VENANCE IKONKO	Known
32	AUGUSTINE R. KASHULI	Known

33	B. E. TEMU	Known
34	BAHATI ADEN KAJELA	Known
35	BEATA M. NGANDAKU	Known
36	BERNADETHA P. MASANJA	Known
37	BERTOLD T. NJAWIKE	Known
38	BIHAWANA SEMINARY	Known
39	BINGILEKI F BINGILEKI	Known
40	BISHOP BEATUS KINYAIYA	Known
41	BUGANDO MEDICAL CENTRE	Known
42	CALIST A. CHUWA	Known
43	CALISTUS PHILIP ASSENGA	Known
44	CATHERINE M. VINGILLAH	Known
45	CATHERINE MWIDETE	Known
46	CATHOLIC DIOCESE LINDI	Known
47	CATHOLIC DIOCESE OF IFAKARA	Known
48	CATHOLIC DIOCESE OF KAHAMA	Known
49	CATHOLIC DIOCESE OF MBULU	Known
50	CATHOLIC DIOCESE OF MOROGORO	Known
51	CATHOLIC DIOCESE OF MOSHI	Known
52	CELINA D. MREFU	Known
53	CHARLES LUBAWA	Known
54	CHRISTIAN ALOYCE	Known
55	CHRISTINA C. MCHAMI	Known
56	CHRISTINA FABIAN KAPEMBE	Known
57	CLAUDI C. MFUNGO	Known
58	CLEVINA TIBAMANYA	Known
59	CONSAVIUS LWILLA	Known
60	CONSOLATA ALBERT BEBWA	Known
61	CUTHBERT KARLIHANGA	Known
62	DANIEL M. UBALANJE	Known
63	DANIEL MEEHAN KINDAGARTEN	Known
64	DAYANA B. MGUMBA	Known
65	DEVINA MATOLA	Known
66	DEVOTHA P. CHAMWALI	Known
67	DINA H MBUBA	Known

68	DIOCESE OF BUKOBA	Known
69	DIOCESE OF BUNDA	Known
70	DIOCESE OF DODOMA ITF: SECRETARIAT OF CATHOLIC DIOCESE OF DODOMA	Known
71	DIOCESE OF GEITA	Known
72	DIOCESE OF GEITA ITF: OLD AGE	Known
73	DIOCESE OF GEITA ITF: OLD AGE-DIOCESE OF GEITA	Known
74	DIOCESE OF IRINGA	Known
75	DIOCESE OF KAYANGA,	Known
76	DIOCESE OF KIGOMA	Known
77	DIOCESE OF KIGOMA ITF: DIOCESE OF KIGOMA	Known
78	DIOCESE OF KONDOA	Known
79	DIOCESE OF LINDI	Known
80	DIOCESE OF MAHENGE (DIOCESE)	Known
81	DIOCESE OF MBINGA	Known
82	DIOCESE OF MPANDA	Known
83	DIOCESE OF MTWARA	Known
84	DIOCESE OF MUSOMA	Known
85	DIOCESE OF MWANZA	Known
86	DIOCESE OF NJOMBE	Known
87	DIOCESE OF RULENGE	Known
88	DIOCESE OF RULENGE NGARA	Known
89	DIOCESE OF RULENGE-NGARA ITF: RULENGE DIOCESE PRIEST FUND	Known
90	DIOCESE OF SINGIDA	Known
91	DIOCESE OF SUMBAWANGA	Known
92	DIOCESE OF SUMBAWANGA ITF: IDARA YA AFYA JIMBO	Known
93	DIOCESE OF TANGA	Known
94	DIOCESE OF TUNDURU – MASASI	Known
95	DIOCESE OF ZANZIBAR	Known
96	DISMAS ISSA MLUNGAMO	Known
97	DISMASIA E. LYANGANI	Known
98	DONATI P. KULENGA	Known
99	DOROTHY MWAISALA	Known

100	DR. MAGOKE GODFREY	Known
101	EDWARD M. MWAIBAMBE	Known
102	EDWARDINA NGAIZA	Known
103	EDWINA A. LUPEMBE	Known
104	ELIAS A MMAIZI	Known
105	EMELDA CHARLES MWENDA	Known
106	EMERENCIANA L. UTOUL	Known
107	EMIL G. TESHA	Known
108	EMMANUEL KULANGESIWA	Known
109	EMMY MAGENI	Known
110	ENGTRAUDA P. MUMBA	Known
113	ENOCK PH KIKOTI	Known
114	ERICK MWARABU K	Known
115	ERNEST P. LYAMANYELE	Known
116	ESSAYAS THOMAS MGENDERA	Known
117	ESTHER M. MHANGA	Known
118	EUPTROPEA H. MARO	Known
119	EVA JOHN MKUNDI	Known
120	EVARIST A. MINANI	Known
121	EWALD N. MREMA	Known
122	EXPEDITO D SIMMON	Known
123	FABIAN LAURENT	Known
124	FARAJA MASSAWA	Known
125	FARIJIKA RWAMASHONGA	Known
126	FAUSTER FAUSTIN KIWIA	Known
127	FAUSTUS G. RUGONDA	Known
128	FLORA MBINGA	Known
129	FORTUNATA CHAGU	Known
130	GENEROSA JOSEPH RUTAIHWA	Known
131	GERVAS J. KAVISHE	Known
132	GERVAS L. MBILINYI	Known
133	GESMIRA SHANGWA	Known
134	GISLA KASIANZULU	Known
135	GODFREY MANDONDA KIBANDA	Known
136	GRACE DAVID MUSHI	Known

137	HENRY J. MBOYA	Known
138	HUGO EUGEN SHIRIMA	Known
139	HUSNA HAJI KAVISHE	Known
140	IJAGALA TRUST CO.LTD	Known
141	IMMACULATA D. MUTAISHAIRWA	Known
142	INNOCENT MARCO KAPALALE	Known
143	ITCL	Known
144	JANEMARY RUTAHOILE	Known
145	JANEVUITSA MWANYIKA	Known
146	JANUARY MARIA	Known
147	JAPHET TINDWA	Known
148	JASTAS S. MKORONGO	Known
149	JERRY B. MWASA	Known
150	JESCA JOEL KABALIBAL	Known
151	JIMBO KATOLIKI MOSHI	Known
152	JOAN MSUYA	Known
153	JOHANES E. MACHUMU	Known
154	JOHN EWALO MOSHY	Known
155	JOHN M BIZONGWAKO	Known
156	JOHN MWANYINGILI MWALYANGO	Known
157	JOSEPH J KESSY	Known
158	JOSEPH J.H. KIJERUDA	Known
159	JOSEPHINA P. MBILINYI	Known
160	JOSEPHINE MUHULA	Known
161	JOVINA KIPONGO	Known
162	JUDITH MKOBA	Known
163	JULIUS MBAWALA	Known
164	JUMUIYA MT. CECILIA	Known
165	JUMUIYA MT. CECILIA MLANDEGE	Known
166	JUMUIYA YA BIKIRA MARIA	Known
167	KARISTO ALFRED MFALAMAGOHA	Known
168	KAYANGA CATHOLIC DIOCESE	Known
169	KELVIN LUSEKELO MSUSI	Known
170	KIMARA CATHOLIC CHURCH	Known
171	KOLETHA MWALUGENGE	Known

172	KONDOA CATHOLIC DIOCESE	Known
173	KWAYA YA UPENDO	Known
174	LAMBERTHA NYASINT MAHAI	Known
175	LAURENT KEWE	Known
176	LAWRENTIA MALWA MAYOLI	Known
177	LEONARDINA I. MAPUNDA	Known
178	LETICIA CHAMBILA	Known
179	LEY CAMILIAN FAMILY	Known
180	LIGHTNESS MBUTA	Known
181	LINA L. MISANA	Known
182	LONGINUS BANKYANULE	Known
183	LOUIS SEVELIN KESSY	Known
184	LUCIANA A MADUGA	Known
185	LUCY GEORGE MAYAO	Known
186	LUTIGARDA L. RWEZAULA	Known
187	MAENDELEO GROUP	Known
188	MAKIANA A. NDONJEKWA	Known
189	MAKUBURI PARISHI	Known
190	MAKUBURI PARISHI-KWAYA YA MT. KIZITO	Known
191	MAKUBURI PARISHI-MT. THERESIA WA MTOTO YESU	Known
192	MALYON WOSS SIGALA	Known
193	MARCELLA MARTIN KOMBA	Known
194	MARCELLINO X. KAYOMBO	Known
195	MARCO J. MWENDA	Known
196	MARIA DIMOSSO	Known
197	MARIA FELIX SILAYO	Known
198	MARIA ROMANI	Known
200	MARIA WA LURD	Known
201	MARIAB. MGUMBA	Known
202	MARTIN R. SINGWA	Known
203	MARY K. NGOLE	Known
204	MARY KIWIA	Known
205	MARY MAHUCHO MSEMWA	Known
206	MATHIAS C. MKULA	Known

207	MATHIAS LAURENT	Known
208	MATHIAS MUJUAMUNGU	Known
209	MELCHIOR NJIGE	Known
210	MESHACK CHACHA	Known
211	METHOD KAMALA	Known
212	MGANDA V. OSCAR	Known
213	MICHAEL KASHINDYE	Known
214	MICHAEL YEREMIA LUVANGA	Known
215	MODESTA M. JENGO	Known
216	MONICA ELIA	Known
217	MOYO MT. WA YESU	Known
218	MT. AGATHA MSASANI	Known
219	MWISHE M. LAURENT	Known
220	NATALIA H. SHIRIMA	Known
221	NEEMA MELCHIOR NUNGU	Known
222	NEMES THOBIAS MKUDE	Known
223	NICHOLAUS MALANDO	Known
224	NICODEMAS T. KANJE	Known
225	NICODEMUS JOSEPH KISHEA	Known
226	OLIVER A. KULANGISIWA	Known
227	OLIVER PETER	Known
228	OLYMPIA ODILLO	Known
229	ONESMO R. NDAKI	Known
230	OTHMAN MAALIM ZARALI	Known
231	OZANA MWANICHETA KINYONTO	Known
232	PASCHAL MALIFEDHA KANYALA	Known
233	PATRICK N. SHIRIMA	Known
234	PENINA OSWARD MARWA	Known
235	PERAMIHO SEMINARY	Known
236	PETER A. ALLOO	Known
237	PETER J KESSY	Known
238	PETER PAUL	Known
239	PILIKA PRISILA RASHID	Known
240	PRIMITIVA P. KAMUGISHA	Known
241	PRISCILLA G. MSAFIRI	Known

242	PROF.MARCELLINA MVULA CHIJORIGA	Known
243	PULKERIA EMILY	Known
244	RAHELI MOSHI	Known
245	RAYMOND MSOMA	Known
246	REGINA JOEL KABALIBAL	Known
247	REHEMA LUBAWA	Known
248	REVOCATUS R. MSHEMA	Known
249	ROSALIA DIDAS WATUGULU	Known
250	ROSE B. MBUTA	Known
251	RULENGE - NGARA CATHOLIC DIOCESE	Known
253	SALMA MWASA	Known
254	SALUSTIAN THOBIAS NKOLA	Known
255	SALVATORIAN SISTERS	Known
256	SCHOLASTICA J. NTIRUKA	Known
257	SCHOLASTICA MATEI	Known
258	SECHELALI J. HOKORORO	Known
259	SELINA MLINGI	Known
260	SEVERINI KASMIRI NYEHO	Known
261	SHEDIRICK M. KISINGA	Known
262	SIMON MRINA	Known
263	SRS.OF ST. GEMMA-DODOMA	Known
264	ST. AUGUSTINE UNIVERSITY OF TANZANIA -MWANZA	Known
265	ST. JOHN BOSCO PARISH	Known
266	STELLA P. BUNDALA	Known
267	STELLAH L. BANKYANULE	Known
268	TANZANIA EPISCAPAL CONFERENCE (TEC)	Known
269	TEC	Known
270	THE REGISTERED TRUSTEES OF THE ROMAN CATHOLIC DIOCESE OF KIGOMA	Known
271	THEODORA SABINUS	Known
272	THERESIA ZAWADI NKUNJA	Known
273	THOMAS JULIUS NG'WALA	Known
274	TRUSTEES OF THE CATHOLIC ARCHDIOCESE OF TABORA	Known

275	TUPENDANE WOMEN	Known
276	TUPENDANE WOMEN	Known
277	UFUMWA SACCOSS LTD	Known
278	UNIVERSITY CATHOLIC COMM.	Known
279	UWAMBE SACCOS LTD	Known
280	VALENCE A. KATUMWA	Known
281	VENANCE SANGAWE	Known
282	VERDIANA MARGAI	Known
284	VERONICA KIIZA	Known
285	VERONICA LUCAS HONERO	Known
286	VERONICA R. KANWERA	Known
287	VIANEY P. LINGA	Known
288	VICKY MARINO LAFFA	Known
289	VICTORIA A. GANAI	Known
290	VICTORIA E LUKUMBA	Known
291	VICTORIA LUKWEMBA	Known
292	VICTORIA S. KISANJI	Known
293	VICTORIA STEPHEN MAUI	Known
294	WENSE L. ULIMALI	Known
295	WILLIAM ISRAEL KITALI	Known
296	WINIFRIDA P. KAMUGISHA	Known
297	WITNES A. MAZUBU	Known
298	YAVAN SHEDRACK FOYA	Known
299	YOLATHA BAZIL	Known
300	ZAKARIA NBII	Known
301	ZERNO T. LUKWEMBA	Known

1.0 **OPENING OF THE MEETING**

The Chairperson called the meeting to order at 09:45am.

2.0 **ADOPTION OF AGENDA**

The following agenda were adopted:

1. Opening of the meeting;
2. Adoption of the agenda;
3. Confirmation of the minutes of the Twelfth Annual General Meeting held on 31st July 2021;
4. To receive and discuss matters arising from the Twelfth Annual General Meeting held on 31st July 2021;
5. To receive, discuss and approve the Directors' report for year ended 31st December 2021;
6. To receive, discuss and approve the Bank's financial statements and the external auditor's report for the year ended 31st December 2021;
7. Appointment of the external auditors;
8. To propose a date for the next Annual General Meeting;
9. Any other business; and
10. Closure of the meeting

3.0 **CONFIRMATION OF THE MINUTES OF THE TWELFTH ANNUAL GENERAL MEETING HELD ON 31ST JULY 2021.**

3.1 Shareholders confirmed the minutes of the Twelfth Annual General Meeting held on 31st July 2021 as the correct proceedings of the meeting with minor typographical amendments.

4.0 **TO RECEIVE AND DISCUSS MATTERS ARISING FROM THE TWELFTH ANNUAL GENERAL MEETING HELD ON 31ST JULY 2021,**

4.1 REPORTED that the Shareholders' directive to the Board of Directors on finding the best option to capitalize the bank was

implemented to the effect that the bank was able to secure subordinated loan of TZS 2.7 Billion in January 2022.

4.2 REPORTED that the Bank of Tanzania duly approved new directors elected by the Shareholders and they commenced their duties on 27th January 2022.

4.3 REPORTED that the directive to hold the 13th Annual General Meeting on 30th July 2022 was implemented as the meeting was held on the proposed date.

5.0 **TO RECEIVE, DISCUSS AND ADOPT THE DIRECTORS' REPORT FOR YEAR ENDED 31ST DECEMBER 2021.**

5.1 REPORTED that the bank continued with provision of banking and related services as per the Banking and Financial Institutions Act of 2006 and that there were no changes to the Bank's core function for the year ended 31st December, 2021.

5.2 REPORTED that a total of 22, 820,059,500 shares were paid up at the end of year 2021.

5.3 REPORTED that a total of eight (8) directors including the Managing Director served the bank during the period and no director owned more that 0.3% of total issued share capital of the Bank.

5.4 REPORTED that the Board of Directors continued to be responsible in ensuring that all its procedures and regulations were adhered in accordance with the Banks operating procedures. Further the banks day to day operations were under the Managing Director assisted by the Management Team.

5.5 REPORTED that the Bank posted net profit after tax of TZS 3 Billion compared to TZS 3.8 Billion reported in the year ended 31st December 2020. Other performance metrics of the bank were as follows: -

5.5.1 The bank earned total net income before loan impairment (provision) of TZS 19.73 Billion, slightly above TZS 19.50 Billion recorded in 2020.

5.5.2 The bank's total assets declined by 1% to TZS 216.8 Billion compared to TZS 219.9 Billion reported in 2020.

5.5.3 Net loan and advances dropped by 5% to TZS 115.0 Billion compared to TZS 123.4 Billion reported for the previous year. However, the quality of the loans book improved slightly by attaining Non-Performing Loan Ratio (NPL) of 9% compared to 10% reported in 2020.

5.5.4 Total operating expenses declined by 3% to TZS 15.56 Billion from TZS 16.0 Billion. This was attributed by the bank's continued focus on cost management initiatives.

5.5.5 Customer deposits stood at TZS 181.5 Billion which was a decline by 1.3% from TZS 183.9 Billion reported on the previous year.

5.5.6 Shareholders' funds increased by 26% to TZS 25.82 Billion from TZS 20.57 Billion reported on the previous year.

5.6 REPORTED that the Board of Directors conducted an assessment on the going concern of the Bank whereby the results revealed that the Bank would be able to execute its operations for a long period of time.

5.7 REPORTED that the Board of Directors did not propose payment of dividends to the shareholders for the year ended 31st December 2021 due to the fact that the Bank did not meet the cost to income ratio criteria of 55% stipulated by the Bank of Tanzania to qualify for dividend payment and also due to the fact that the Bank was in the process of recapitalization of its business.

- 5.8 REPORTED that the Bank had sufficient and experienced staff to execute its operations and fulfill the Bank's business plan.
- 5.9 REPORTED that the Bank did not provide support to political parties and continued to have good relations with all stakeholders including the Bank's oversight committees.
- 5.10 REPORTED that the bank successfully completed and rolled out digital projects entailing Agent Banking (Mkombozi WAKALA), Internet Banking, Cash Management Solution and Mobile Application.
- 5.11 REPORTED that the bank continued with business recapitalization through remediation of impaired credits, profit retention and mobilization of fresh capital through rights issue that enabled the bank to comply with required regulatory capital ratios.
- 5.12 REPORTED that the bank continued to implement robust credit framework that was addressing key credit functions, namely, origination, management and remedial to achieve good loan formation and administration.
- 5.13 REPORTED that the shareholders made the following OBSERVATIONS from the deliberations:
- 5.13.1 The bank appeared not to live up to its original vision of dealing with small businesses and instead the main focus was on commercial loans. The bank reported that focus was put on micro loans through Solidarity Group Loans (SGL) and consumer loans;
 - 5.13.2 The bank had failed to distribute dividends to the shareholders consistently. The bank reported that this was attributed to the growth ambitions of the bank which calls for more financing resources as well as regulatory

compliance limitation for compliance with the cost/income ratio of 55% as a prerequisite for dividend pay-out;

- 5.13.3 The bank had issued loans to church related institution that were unable to service their facilities to the extent of threatening the bank's survival. The bank reported that no church institutions had its loan not performing as at the date of reporting. The historic non-performing loan challenges are being remedied irrespective of the segment they belong.
- 5.13.4 The bank did not take necessary actions against staff involved in issuance of bad loans that placed the bank in jeopardy. The bank reported that cases of staff being involved in issuance of bad loans are usually handled accordingly and appropriate actions are taken against those who are proved to act with dishonest or negligence.
- 5.13.5 The bank did not table the list of loan facilities granted to the employees of the bank as this was not a prerequisite agenda item for AGM.
- 5.13.6 That notices and necessary materials for the Annual General Meeting did not reach some of the Shareholders in time.
- 5.13.7 That Non-Performing Loans were a threat to the banks business due to many factors including lack of training by some loan officers.

6.0 **REPORTED** that the Shareholders made the following DIRECTIVES pursuant to the observations aforementioned: -

- 6.1 To strengthen the microfinance section of the banks business to revitalize the vision of dealing with small business.
- 6.2 The bank to report the number of loans and the outstanding balance of credit facilities granted to the employees of the bank during the Annual General Meeting.
- 6.3 The bank to ensure that notices and materials necessary for the Annual General Meeting are circulated to the Shareholders timely.

- 6.4 The bank to enhance training of the bank staff to understand various technique on how to administer good loans from initiation.
- 7.0 The Shareholders of the Bank received, discussed and approved the report of the Board of Directors.
- 8.0 **TO RECEIVE, DISCUSS AND APPROVE THE BANK'S FINANCIAL STATEMENTS AND THE EXTERNAL AUDITOR'S REPORT FOR THE YEAR ENDED 31ST DECEMBER 2021.**
- 8.1 REPORTED that the Bank's external auditors for the year 2021 were Ernst & Young.
- 8.2 REPORTED that as of 31st December 2021, the Auditors were able to review the Bank's balance sheet, earnings, notice of changes in the issue of interest-free stocks, annual cash flow statement, policy summary and other financial directives from previous year.
- 8.3 REPORTED that in the opinion of the Auditors, the audited financial statements presented the correct financial position of the Bank as at 31st December 2021 in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act of 2002, and the Banking and Financial Institutions Act of 2006.
- 8.4 REPORTED that the Auditors conducted their audit in accordance with the International Standards on Auditing (ISAs).
- 8.5 REPORTED that the Auditors obtained all information and explanations which to the best of their knowledge and belief were necessary for the purpose of their audit.
- 8.6 REPORTED that in the Auditors' opinion, proper books of accounts were kept by the Bank, Directors' Report was consistent with financial

statements, information specified by the law regarding directors' remuneration and transactions with the Bank was disclosed and the Bank's statement of financial position and statement of profit or loss and other comprehensive income agreed with the books of accounts.

8.7 REPORTED that in the auditors' opinion, the bank's capital adequacy ratios presented were computed in accordance with the Banking and Financial Institutions Act, 2006, and the Banking and Financial Institutions (Capital Adequacy) Regulations, 2014, and related Bank of Tanzania pronouncements.

8.8 The Shareholders RESOLVED to approve the Bank's financial statements and the external auditor's report for the year ended 31st December 2021.

9.0 **APPOINTMENT OF THE EXTERNAL AUDITOR.**

9.1 REPORTED that the contract with Ernst & Young (EY) as external auditors of the bank expired in December 2021.

9.2 REPORTED that following the expiration of the contract and subsequent exit of Ernst & Young (EY), the bank proposed other external auditors to take upon the role.

9.3 REPORTED that the bank proposed KPMG, PWC Tanzania, Claritas, HLB and Innovex as suitable auditors of the bank for the next three years from 2022. The bank further reported the professional fees quoted by each auditor firm.

9.4 REPORTED that due to outstanding experience and financial capacity, the Board of Directors proposed PWC Tanzania to be the auditors of the bank for the next three years.

9.5 The Shareholders RESOLVED to appoint PWC Tanzania as the Banks Auditors for the period of three years with effect from 2022 to 2024.

10.0 TO SET A DATE FOR THE NEXT ANNUAL GENERAL MEETING

10.1 It was reported that the Shareholder resolved that the next Annual General Meeting should be held on 29th July, 2023.

11.0 ANY OTHER BUSINESS

11.1 REPORTED that the bank was emphasized to ensure that messages for the next annual general meetings were circulated to all shareholders.

11.2 REPORTED that the bank was required to engage catholic churches to capitalize on huge number of customers available within the church network.

12.0 CLOSURE OF THE MEETING

12.1 The Chairperson closed the meeting at 3:26 p.m.

Confirmed on this 29th July 2023.



Mr. Gasper Njuu

CHAIRMAN



Ms. Paulina Kunjumu

SECRETARY

AGENDA NUMBER 4

MATTERS ARISING FROM THE THIRTEENTH ANNUAL GENERAL MEETING HELD ON 30TH JULY, 2022

MINUTE NO.	DIRECTIVE OF THE SHAREHOLDERS OR MATTER TO BE UPDATED	ACTION TAKEN OR RESPONSE
6.1	To strengthen the microfinance section of the banks business to revitalize the vision of dealing with small business.	The bank has grown the Microfinance section of the business through Small Group Loans such that there is significance growth of the portfolio by TZS 2.10 billion from TZS 3.64 billion reported in 2021 to TZS 5.73 billion in 2022. The bank continues to place focus on Microfinance business by marketing Small Group Loan to all its network across the country.
6.2	The bank to report the number of loans and the outstanding balance of credit facilities granted to the employees of the bank during the Annual General Meeting.	As at the year-end 2022, the bank had 150 loans valued at TZS 1,098,055,316.47 outstanding to the members of staff. All loans are being serviced adequately as per underlying terms and conditions.
6.3	The bank to ensure that notices and materials necessary for the Annual General Meeting are circulated to the Shareholders timely.	The Board of Directors ensured that the notice and materials for the 14 th Annual General Meeting were circulated to the Shareholders on a timely manner.
6.4	The bank to enhance training of the bank staff to understand various technique on how to administer good loans from initiation.	Training to the members of staff is a key priority every year. The Bank conducted various credit related trainings in 2022 and shall continue to do so in order to address the skills gap challenge and development need to our staff.

AGENDA NUMBER 5

5 TO RECEIVE, DISCUSS AND ADOPT THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST DECEMBER, 2022.

5.1 PRINCIPAL ACTIVITIES

The principal activity of the Bank is the provision of banking and related services stipulated in the Banking and Financial Institutions Act, 2006 of Tanzania. There has been no change in the principal activities of the Bank during the financial year.

5.2 SHARE CAPITAL STRUCTURE

The Bank's share capital structure for the year under review is shown below:

Authorized Share Capital
TZS 50,000,000,000 comprising 50,000,000 ordinary shares of TZS 1,000 each.

Called up and fully paid-up share capital

TZS 22,820,069,500 comprising 23,555,002 ordinary shares of TZS 1,000 each.

Part of these shares were issued at discount as shown in note 35 to the financial statements.

5.3 SHAREHOLDING STRUCTURE

As at 31 December 2022, the shares of the Bank were held as follows:

Category	No of shares	Value of shares (TZS)	% of holding
Roman Catholic Church Dioceses and affiliated Institutions	7,049,049	6,731,213,750	29.50%
Other Institutions	2,235,141	2,207,832,500	9.67%
Tanzania Episcopal Conference (TEC)	4,133,995	4,133,995,000	18.12%
Individuals	10,136,817	9,747,028,250	42.71%
Total	23,555,002	22,820,069,500	100.0%

As at 31 December 2021 the shares of the Bank were held as follows:

Category	No of shares	Value of shares (TZS)	% of holding
Roman Catholic Church Dioceses and affiliated Institutions	7,049,049	6,731,213,750	29.50%
Other Institutions	2,235,141	2,207,832,500	9.67%
Tanzania Episcopal Conference (TEC)	4,133,995	4,133,995,000	18.12%
Individuals	10,136,817	9,747,028,250	42.71%
Total	23,555,002	22,820,069,500	100.0%

5.4 DIRECTORS

The directors of the Bank who held office during the year and to the date of this report were:

Name	Position	Age	Profession/ Qualification	Nationality	Date appointed/ Resigned
Gasper Njuu	Chairman	63 Years	Advanced Diploma in Banking, Post Graduate Diploma in Financial Management, MBA in International Business	Tanzanian	Appointed on 27 January 2022
Respige O. Kimati	Managing Director	48 Years	B. Com in Finance, MSc in Finance	Tanzanian	Appointed on 18 January 2020
Most Rev. Beatus Kinyaiya	Director	65 years	Archbishop of Archdiocese of Dodoma, MA in History, BA in Geography, BA in Spiritual Theology	Tanzanian	Reappointed on 30 May 2015
Mr. Martin Mdoe	Director	51 Years	Advocate of the High Court of Tanzania, LLB, LLM and MBA.	Tanzanian	Appointed on 27 January 2022
Mr. Robert Mtendamema	Director	49 years	Bsc Computer Science and Master of Science in Data Communications Networks and Distributed Systems	Tanzanian	Appointed on 8 August 2018
Ms Uphoo Swai	Director	50 years	Certified Public Accountant, Advanced Diploma in Accountancy, Master of Business Administration	Tanzanian	Appointed on 8 August 2018
Mr. Benedict Warisianga Sudi	Director	54 years	Certified Public Accountant, Advanced Diploma in Accountancy	Tanzanian	Appointed on 9 May 2019
Fr. Dr. Charles Kitima	Director	57 years	BA in Theology, Licentiate in Canon Law and Doctorate in Laws	Tanzanian	Appointed on 2 January 2019

The following directors held shares in the Bank as at the respective year-ends:

Name of the director	Number of shares held	
	2022	2021
Most Rev. Beatus Kinyaiya	13,574	13,574
Prof. Marcellina Mvula Chijoriga*	17,000	17,000
Mr. Ayoub Mtafya*	6,250	6,250
Mr. Robert Mtendamema	1,190	1,190
Mr. Respige Onesmo Kimati	260	-
Total shares held by directors	38,274	38,014

No director owned more than 0.1% of total issued share capital of the Bank.

*Prof. Marcelina Chijoriga's and Mr. Ayoub Mtafya's membership to the Board of Directors ceased on 26th January 2022.

5.5 COMPANY SECRETARY

The Bank's Secretary as at May 2022 was Mr. Baltazar Mbilinyi. His Contract ended in May 2022.

5.6 CORPORATE GOVERNANCE

The Board of Directors (the "Board") consists of eight directors including the Managing Director. Other than the Managing Director, no director holds an executive position in the Bank. The Board has overall responsibility for the Bank, including responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters, and reviewing performance by management against business plans and budgets.

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

The Board is required to meet at least four times a year. The Board delegates the day to day management of the business to the Managing Director who is assisted by the Bank's Management Team. The Management Team is invited to attend Board meetings and facilitates the effective control of the Bank's operational activities, acting as a medium of communication and coordination between the various business units.

During the year, the Board held four ordinary meetings and five extraordinary meetings due to special activities that necessitated the Board's deliberations. The Board meetings held during the year are as summarized below;

No.	Name of the director	Position	Total meetings	Meetings attended	%
1.	Mr. Gasper Njuu	Board Chairperson	9	9	100%
2.	Most Rev. Beatus Kinyaiya	Director	9	9	100 %
3.	Mr. Benedict Sudi Warisianga	Director	9	9	100%
4.	Mr. Martin Mdoe	Director	9	9	100%
5.	Ms. Uphoo Swai	Director	9	9	100%
6.	Fr. Dr. Charles Kitima	Director	9	9	100%
7.	Mr. Robert Mtendamema	Director	9	8	89%
8.	Prof. Marcellina Chijoriga *	Director	9	1	11%
9.	Mr. Ayoub Mtafya*	Director	9	1	11%

*Prof. Marcelina Chijoriga's and Mr. Ayoub Mtafya's membership to the Board of Directors ceased on 26th January 2022.

The Board has three committees, that is, the Board Audit, Risk and Compliance Committee, the Board Human Resources and Operations Committee and the Board Credit Committee. Each committee has a charter to govern its roles and responsibilities as well as facilitate efficiency and effectiveness of the Board's performance.

The Bank is committed to the principles of effective corporate governance, especially recognising the importance of integrity, transparency and accountability. The Board exercised close oversight over the Bank's operations and ensured high standards of corporate governance through its committees as shown below:

The Board Audit, Risk and Compliance Committee (BARC) is composed of the following:

No.	Name of director	Position	Total meetings	Meetings attended	%
1.	Ms. Uphoo Swai	Chairperson	8	8	100%
2.	Most Rev. Beatus Kinyaiya	Director	8	8	100%
3.	Mr. Benedict Warisianga Sudi	Director	8	8	100%

The Board Credit Committee (BCC) is composed of the following:

No.	Name of director	Position	Total meetings	Meetings attended	%
1.	Mr. Robert Mtendamema	Chairperson	8	8	100%
2.	Mr. Martin Mdoe	Director	8	7	88%
3.	Fr. Charles Kitima	Director	8	7	88%
4.	Mr. Ayoub Mtafya	Director	8	1	13%

The Board Human Resources and Operations Committee is composed of the following:

No.	Name of director	Position	Total meetings	Meetings attended	%
1.	Mr. Martin Mdoe	Chairperson	5	4	80%
2.	Mr. Robert Mtendamema	Director	5	5	100%
3.	Fr. Charles Kitima	Director	5	4	80%
4.	Mr. Ayoub Mtafya	Director	5	1	20%

5.7 MANAGEMENT TEAM

The Managing Director was assisted by the following Heads of Departments:

<ul style="list-style-type: none"> • Chief Finance Officer • Chief Operations Officer • Head of Treasury • Head of Credit • Chief Internal Auditor • Chief Commercial Officer 	<ul style="list-style-type: none"> • Head of Legal Services (Company Secretary) • Head of Risk and Compliance • Assistant Manager, Human Resources Department • Head of IT
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More information on performance indicators is provided in paragraph 5.8 of the Directors report.

5.8 FINANCIAL PERFORMANCE AND POSITION

The Bank posted a Profit Before Tax of TZS 5,145 million during the year ended 31 December 2022 (2021: Restated Loss before tax TZS (2,707) million), which was attributed to the following key performance parameters: -

- The Net Operating income was TZS 21,096 million compared with TZS 12,954 million in 2021; reflecting a drop-in interest expenses of TZS 1,298 million (16%) attributed to cheap deposit mobilization, increase in interest income by TZS 3.6billion (21%) predominantly attributed to increase in loans and advances and loans modification gain of TZS 1.02billion (2021: modification loss TZS 2.7billion).
- The customers deposits increased to TZS 184,578million (2021: TZS 181,512 million). The increase in 2022 (2%) is attributed to deposit mobilization initiatives.
- The total assets increased to TZS 221,722 million (2021: Restated TZS 210,379 million) attributed to TZS 9,483 million increase in loans and advances to customers and banks.
- The total operating expenses were TZS 15,951 million compared with TZS 15,661 million in 2021, the slight increase (2%) reflecting the increased levels of business operations.

- The Loans and Advances portfolio increased to TZS 115,039 million (2021: restated TZS 106,860 million). The increase in 2022 (9%) is predominantly attributed to enhanced credit origination process as well as improved capital adequacy positions.

The key performance indicators (KPIs) of the Bank are indicated below:

Performance Indicator	Definition and calculation method	2022	2021 Restated
Return on Equity	Profit/(loss) Before Tax/ Total Equity	20%	(15%)
Return on Assets	Profit/(loss) Before Tax/ Total Assets	2%	(1%)
Cost to Income Ratio	Operating Costs/Net Interest + Non-Interest Income	62%	90%
Interest Margin on Earning Assets	Total Interest Income/ (interest on government securities + balances with other banks + interbank loans receivable + investments in other securities + net loans, advances and overdrafts)	12%	13%
Non - Interest Income to Gross Income	Non - Interest Income/ Total Income	18%	23%
Earnings Per Share	Basic Earnings/ Number of Ordinary Shares in Issue (TZS)	239	(79)
Gross Loans to Customers Deposits	Total Loans and Advances to Customers/ Total Deposits due to Customers	63%	59%
Non - performing Loans to Gross Loans	Non - performing Loans/ Gross Loans and Advances	9%	9%
Earning Assets to Total Assets	Earning assets/Total assets	84%	84%
Growth in Total Assets	Trend (2022 Total Assets – 2021 Total Assets)/ (2021 Total Assets)	5%	(3%)

Capital adequacy

Core (Tier 1) Capital Ratio	[Core Capital/Total Risk-weighted on and Off Statement of Financial Position, Operational and Market Risk Weighted Exposures] x 100	13.05%	9%
Total (Tier 1 + Tier 2) Capital Ratio	[Total Capital/Total Risk-weighted on and off statement of financial position, operational and market risk weighted exposures] x 100	14.84%	9%

The Bank posted a Profit Before Tax of TZS 5,145 million during the year ended 31 December 2022 (2021: restated loss TZS 2,706 million). The Core Capital and Total Capital Ratio were at TZS 19,621 million and TZS 22,321 million, translating to 13.05% and 14.84% respectively (2021: restated TZS 12,190 million, 9% and 9%). The current year compares favourably with the minimum regulatory requirement of TZS 15,000 million, 12.5% and 14.5% respectively in Core Capital, Core and Total Capital Ratio. The directors confirm that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis.

5.9 NETWORK AND OUTREACH

The Bank had eleven branches as at 31 December 2022; four located in Dar es Salaam, and one each in Mwanza, Bukoba, Morogoro, Dodoma, Iringa Njombe and Moshi. The Bank's total number of depositors and borrowers as at the respective year-ends were as shown below:

	2022	2021
Account type		
Current accounts	4,177	3,615
Savings accounts	88,804	72,417
Time deposits	727	878
Total number of deposit accounts	93,708	76,910
Loan to customers' accounts	13,991	10,883

5.10 DIVIDEND

The directors do not propose payment of dividends for the year 2022
(2021: None)

5.11 KEY DEVELOPMENTS DURING THE YEAR

- The Bank's commitment and focus on financial inclusion remains to be a key strategic priority. We successfully completed integration with key partners in the provision of digital services especially Mobile Network Operators (MNOs) and other digital solution integrators.
- We registered good traction in rolling out of Agency Banking Channel (Mkombozi WAKALA), Church Cash Collection Solution (SADAKA Digital) and Internet Banking. We enhanced our Mobile Banking Channel by launching the Mobile Application in addition to the existing USSD code platform.
- We finalized plans for opening of new branch outlets in the Cities of Arusha and Mwanza which shall be operational by quarter three of 2023. Arusha Branch was opened in May 2023.
- The Bank's commitment and focus on financial inclusion remains to be a key strategic priority. We successfully completed integration with key partners in the provision of digital services especially Mobile Network Operators (MNOs) and other digital solution integrators.
- We registered good traction in rolling out of Agency Banking Channel (Mkombozi WAKALA), Church Cash Collection Solution (SADAKA Digital) and Internet Banking. We enhanced our Mobile Banking Channel by launching the Mobile Application in addition to the existing USSD code platform.
- We finalized plans to relocate the current Head Office and St. Joseph's Branch outlets to the new St. Joseph's House, which is a strategic location to enhance both our corporate image and service excellence. This relocation is expected to happen in quarter three of 2023.
- We strengthened our human resource base by recruiting key senior officers in strategic segments especially Finance and Commercial Banking. We enhanced the front office Sales and Relationship/ Service Management team across the network that is necessary to support our growth and service excellency ambitions.

- Overall, our business consolidation and growth ambitions continue to bear positive fruits as translated through increased clientele base, enhanced revenue levels, efficient cost management and quality of risk management.

5.12 RELATED PARTY TRANSACTIONS AND BALANCES

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

5.13 PLANNED DEVELOPMENT

The Bank continues to focus on the following strategic initiatives in the medium-term in order to achieve its profitability and growth ambitions: -

- Business Repositioning through Digitalization Interventions; namely, Agency Banking, Mobile Banking Application, Internet Banking and Cash Management Solutions;
- To expand the Bank's physical outreach through Agency Banking and Mini Branch/Service Centre outlets;
- To focus on the niche market to drive business development ambitions with strategic emphasis in transforming the deposits mix between CASA Deposits (Current and Savings) and FD (Fixed Deposits) to 70% and 30% respectively in a medium term (1-3 years);
- To enhance the Credit Framework (Origination, Management and Remedial) to achieve good loan formation in order to improve efficiency and profitability in a medium term (1-3 years);
- To intensify cost optimization initiatives with a strategic focus to achieve a cost/income ratio of 55% in a medium term (1-3 years);
- To drive staff productivity through upskilling of staff and implementation of robust Performance Management Framework;
- To enhance Customer Service Management Framework to improve service delivery across the board in order to improve customer experience;

- To enhance innovation and investment in technology in order to deliver quality services and improve customer service experience (investment in new Core Banking System).

5.14 HUMAN RESOURCES

The Bank has adequate employees with pre-requisite competency and experience in key positions to manage the banking operations and pursue the business objectives.

5.15 PRINCIPAL RISKS AND UNCERTAINTIES

As the Bank continues to scale up its operations, it ensures that the resultant commercial and operational risks are mitigated through enforcement of appropriate policies and procedures. The Bank's activities expose it to risks including financial (liquidity, credit and market) and strategic risks. The Bank's overall risk management policies are approved by the Board and implemented by management. These policies involve analysis, evaluation, acceptance and management of some degrees of risks or a combination of risks. More details of the financial risks facing the Bank are presented in the financial statements.

5.16 RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

5.17 SERIOUS PREJUDICIAL MATTERS

In the opinion of the directors, there are no serious prejudicial matters that can affect the Bank.

5.18 WELFARE OF EMPLOYEES

Relationship between Management and Employees

The relationship between employees and management continued to be good. Complaints are resolved through meetings and discussions. Work morale continues to be good and there were no unresolved complaints from employees. There was good teamwork between management and staff.

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

Training

Training programs have been and are continually being developed to ensure employees are adequately trained at all levels. Employees received training to upgrade their skills and enhance their

performance. During the year, the Bank spent TZS 89.0 million on training of staff (2021: TZS 70.3 million).

Staff Loans and Advances

The Bank provides loans to staff as well as salary advances to enable them meet financial needs and promote their economic development. Staff loans and advances are based on specific terms and conditions approved by the Board. At the end of the reporting period, the aggregate staff loan outstanding balance was TZS 1,098,055,316.47.

Medical Facilities

The Bank provides medical insurance cover to all of its employees and their immediate family dependents

Retirement Benefits

The Bank makes statutory contributions in respect of staff social security benefits. The Bank's obligations in respect of these contributions are limited to 10% of the employee's gross salary.

5.19 GENDER PARITY

The Bank is an equal opportunity employer and maintains reasonable gender balance among its employees. The Bank had the following employees by gender:

Gender	<u>2022</u>	<u>2021</u>
Female	71	70
Male	96	94
Total	<u>167</u>	<u>164</u>

5.20 POLITICAL DONATIONS

The Bank did not make any political donations during the year (2021: Nil).

5.21 RELATIONSHIP WITH STAKEHOLDERS

The Bank continued to maintain cordial relationships with stakeholders including the regulators.

5.22 CORPORATE SOCIAL RESPONSIBILITY (CSR) AND CHARITABLE DONATIONS

The Bank participates actively in community activities and development programs throughout the country. Charitable donations made during the year amounted to TZS 23.42 million (2021: TZS 12.68 million). The Bank made donations to various institutions including orphanage centres as education support for orphans.

5.23 AUDITOR

PricewaterhouseCoopers was the auditor of the Bank for the year ended 31 December 2022. A proposal appointing the external auditor of the Bank for the year ended 31 December 2022 was approved by shareholders in the Thirteenth's Annual General Meeting which resolved that PricewaterhouseCoopers will be the auditor of the Bank for a period of three years from 2022.

The Directors' Report was approved by the Board of Directors on 4th May, 2023 and signed on behalf of the Board per the resolution of the Board by:



Mr. Gasper Casmir Njuu
Chairperson of the Board



Ms. Uphoo Swai
Board Member and
Chairperson of the BARC.

STATEMENTS OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31ST DECEMBER 2022.

The directors are required by the Companies Act, 2002 and Banking and Financial Institutions Act, 2006 of Tanzania to prepare financial statements for each financial period that present fairly, in all material respects, the state of financial affairs of the Bank as at the end of the financial year and of the profit or loss for the year. The directors are also obliged to ensure that the Bank keeps proper accounting records that discloses, with reasonable accuracy, the financial position of the Bank. They are also responsible for safeguarding the assets of the Bank.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, 2002 and Banking and Financial Institutions Act, 2006 of Tanzania. The directors are of the opinion that the financial statements present fairly, in all material respects, the state of the financial affairs of the Bank, and of their financial results in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, 2002 and Banking and Financial Institutions Act, 2006 of Tanzania.

The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the statements that are free from material misstatement.

The Bank's directors have assessed the Bank's ability to continue as a going concern for the foreseeable future and have no reason to believe that the business will not be a going concern in the year ahead.

14th ANNUAL GENERAL MEETING



The financial statements were approved by the Board of Directors on 4th May, 2023 and were signed on its behalf by:

Mr. Gasper Casmir Njuu
Chairperson of the Board

Ms. Uphoo Swai
Board Member and
Chairperson of the BARC.


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

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

It is the duty of a Professional Accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing a true and fair view of the entity's financial position and performance in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2002 and Banking and Financial Institutions Act, 2006 of Tanzania. Full legal responsibility for the preparation of financial statements rests with the Board of Directors as stated under the Statement of Directors' Responsibilities on the previous page.

I, **Vitalis Constantine Michael**, being the Chief Financial Officer of Mkombozi Commercial Bank Plc hereby acknowledge my responsibility of ensuring that the financial statements for the year ended 31 December 2022 have been prepared in compliance with International Financial Reporting Standards and the requirements of the Companies Act, 2002 and the Banking and Financial Institutions Act, 2006 of Tanzania.

I thus confirm that the financial statements give a true and fair view of the financial position and results of Mkombozi Commercial Bank Plc as on that date and for the year then ended, and that the financial statements have been prepared based on properly maintained financial records.

Signed by: 

Position: Chief Financial Officer

NBAA Membership No: GA9176

Date: 4TH May 2023

AGENDA NUMBER 6

TO RECEIVE, DISCUSS AND APPROVE THE BANK'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2022 AND ADOPT EXTERNAL AUDITOR'S REPORT ON FINANCIAL STATEMENTS OF THE BANK FOR THE YEAR ENDED 31ST DECEMBER, 2022.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Mkombozi Commercial Bank Public Limited Company (the "Bank") set out on pages 56 to 94, which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that

are relevant to our audit of the financial statements in Tanzania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

This report, including the opinion, has been prepared for, and only for, the Bank's members as a body in accordance with the Companies Act, 2002 of Tanzania and for no other purposes.

As required by the Companies Act, 2002 of Tanzania, we report to you, based on our audit, that:

- We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
- In our opinion, proper books of account have been kept by the Bank, so far as appears from our examination of those books;
- The Directors' Report is consistent with the financial statements;
- Information specified by law regarding directors' remuneration and transactions with the Bank is disclosed; and,
- The Bank's statement of financial position and statement 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 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 of 2014 of Tanzania and the related Bank of Tanzania pronouncements.

The engagement partner on the audit resulting in this independent auditor's report is Cletus Kiyuga.



Cletus Kiyuga ACPA- PP 1981

For and on behalf of PricewaterhouseCoopers

Certified Public Accountants

Dar es Salaam

Date: 5th May, 2023

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2022 TZS'000	2021 <u>Restated*</u> TZS'000
Interest income calculated using the effective interest method	8	25,666,314	22,075,616
Interest expense calculated using the effective interest method	9	(7,319,903)	(8,787,173)
Net interest income		18,346,411	13,288,443
Expected credit losses – financial assets	10	(2,943,622)	(1,979,217)
Net interest income after expected credit losses		15,402,789	11,309,226
Modification of financial assets		1,020,898	(2,757,741)
Fees and commission income	11	2,950,155	3,235,526
Other income	12	689,767	367,675
Net foreign currency trading and translation gains	13	1,033,281	800,258
Total non-interest income		4,673,203	4,403,459
Net operating income		21,096,890	12,954,944
Personnel expenses	14	(7,877,382)	(8,407,309)
Depreciation and amortization	15	(2,064,688)	(2,040,283)
Other operating expenses	16	(6,009,348)	(5,214,190)
Total operating expenses		(15,951,418)	(15,661,782)
Profit/(Loss) before income tax		5,145,472	(2,706,838)
Income tax credit	17	476,421	847,328
Profit/(Loss) for the year		5,621,893	(1,859,510)
Other comprehensive income			

Items that may be reclassified subsequently to profit or loss		2022	2021
		TZS'000	Restated*
			TZS'000
FVOCI investment securities;			
-Fair value gain/(loss) arising during the year		1,682,521	(52,825)
-Tax Thereon		(504,756)	15,847
Other comprehensive income, net of tax		1,177,765	(36,978)
Total comprehensive income/ (loss) for the year, net of tax		6,799,658	(1,896,488)
		TZS	TZS
Basic and diluted earnings per share	18	239	(79)

**Certain amounts here do not correspond to the 2021 financial statements and reflects adjustments made to correct errors in prior year, refer to note 40 for details.*

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2022

		2022	2021	01 Jan 2021
	Notes	TZS '000	*Restated TZS '000	Restated* TZS'000
ASSETS				
Cash and balances with Bank of Tanzania	19	21,935,859	21,864,924	22,088,102
Loans and advances to banks	20	24,133,243	23,137,105	35,819,175
Government securities – FVOCI	23(a)	12,099,332	9,970,853	-
Government securities – amortised cost	23(b)	31,108,527	32,698,014	28,037,348
Loans and advances to customers	22	115,038,724	106,859,941	118,743,143
Investment in corporate bond	24	2,001,614	2,002,903	2,002,258
Equity investments	25	539,000	539,000	539,000
Right-of-use assets	26	4,290,588	4,164,289	4,382,734
Other assets	21	4,987,106	3,715,082	1,450,845
Property and equipment	28	3,003,051	2,824,006	3,223,974
Intangible assets	27	440,639	818,153	900,351
Current income tax recoverable	17	1,017,432	647,743	641,682
Deferred tax asset	29	1,127,429	1,129,667	-
TOTAL ASSETS		221,722,544	210,371,680	217,828,612

LIABILITIES AND EQUITY

Liabilities				
Deposits due to customers	30	184,578,821	181,512,718	183,907,938
Borrowings	31(a)	1,497,942	3,833,014	8,894,206
Subordinated loan	31(b)	2,913,750	-	-
Other liabilities	32	1,633,919	1,518,358	1,620,711
Provisions	33	788,285	751,470	536,220
Lease liabilities	34	5,121,743	4,367,694	4,789,421
		196,534,460	191,983,254	199,748,496

Equity

		2022	2021	01 Jan 2021
	Notes	TZS '000	*Restated	Restated*
		TZS'000	TZS'000	TZS'000
Share capital	35	23,555,002	23,555,002	20,615,272
Share discount	35	(734,932)	(734,932)	-
Accumulated losses		(1,498,956)	(9,055,650)	(6,066,474)
Regulatory reserve	36(a)	2,726,183	4,660,984	3,531,318
Other reserves-FVOCI	36(b)	1,140,787	(36,978)	-
		25,188,084	18,388,426	18,080,116
TOTAL LIABILITIES AND EQUITY		221,722,544	210,371,680	217,828,612

*Certain amounts here do not correspond to the 2021 and 2020 financial statements and reflects adjustments made to correct errors in prior year, refer to note 40 for details.

These financial statements were authorised for issue by the Board of Directors on 04th May 2023, and were signed on behalf of the Board of Directors by:



Mr. Gasper Casmir Njuu
Chairperson of the Board



Ms. Uphoo Swai
Board Member and
Chairperson of the BARC.

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

	Share capital TZS' 000	Share discount TZS' 000	Retained earnings TZS' 000	Regulatory reserve** TZS' 000	Fair Value reserve TZS' 000	Total TZS' 000
	(Note 35)	(Note 35)		(Note 36(a))	(Note 36(b))	
Balance as at 1 January 2021- As previously stated	20,615,272	-	(3,573,857)	3,531,318	-	20,572,733
Prior year adjustments (note 40(III))	-	-	(2,492,617)	-	-	(2,492,617)
Restated balance 1 January 2021*	-	-	(6,066,474)	-	-	18,080,116
Profit for the year:						
As previously reported	-	-	3,046,104	-	-	3,046,104
Prior year adjustments (note 40(I)) *	-	-	(4,905,614)	-	-	(4,905,614)
As restated*	-	-	(1,859,510)	-	-	(1,859,510)
Other comprehensive income-(restated)*	-	-	-	-	(36,978)	(36,978)
Total comprehensive income for the year (restated)	-	-	(1,859,510)	-	(36,978)	(1,896,488)
Advance towards share capital	2,939,730	(734,932)	-	-	-	2,204,798
Transfer to regulatory reserve	-	-	(1,129,666)	1,129,666	-	-
Balance as at 31 December 2021 (restated)	23,555,002	(734,932)	(9,055,650)	4,660,984	(36,978)	18,388,426

	Share capital TZS' 000	Share discount TZS' 000	Retained earnings TZS' 000	Regulatory reserve** TZS' 000	Fair Value reserve TZS' 000	Total TZS' 000
Balance as at 31 December 2021 - As previously stated	22,820,070	-	(1,657,419)	4,660,984	-	25,823,635
Prior year adjustments (note 40(III)) *	734,932	(734,932)	(7,398,231)	-	(36,978)	(7,435,209)
Restated balance 1 January 2022	23,555,002	(734,932)	(9,055,650)	4,660,984	(36,978)	18,388,426
Profit for the year	-	-	5,621,893	-	-	5,621,893
Other comprehensive income	-	-	-	-	1,177,765	1,177,765
Total comprehensive income for the year	-	-	5,621,893	-	1,177,765	6,799,658
*Transfer from regulatory reserve	-	-	1,934,801	(1,934,801)	-	-
At 31 December 2022	23,555,002	(734,932)	(1,498,956)	2,726,183	1,140,787	25,188,084

*Certain amounts here do not correspond to the 2021 and 2020 financial statements and reflect adjustments made to correct errors in prior years, refer to note 40 for details.

**Regulatory Banking Risk Reserve represents an amount set aside to cover additional provision for loan losses required to comply with the requirements of the Bank of Tanzania prudential guidelines. This reserve is not available for distribution.

STATEMENT OF CASHFLOW

	Notes	2022 TZS'000	2021 restated TZS'000
Operating activities			
Profit before tax		5,145,472	(2,706,838)
<i>Adjustments:</i>			
Interest expense on lease liabilities	9	426,557	597,227
ECL on loans and advances to customers	10	2,943,622	1,979,217
Depreciation on right-of-use assets	14	885,268	776,713
Amortization of intangible assets	14	377,514	387,114
Non-trading foreign exchange (gain)/loss	34	17,488	(26,222)
Depreciation on property and equipment	14	801,906	876,456
Effective interest receivable Write off		841,185	2,026,792
Interest expense on borrowings		335,803	707,982
Increase in provisions	33	511,815	384,000
Unwinding of Modification loss-interest		(511,269)	(86,954)
Modification (Gain) /Loss		(1,020,898)	2,757,741
		10,754,463	7,673,228
<i>Changes in operating assets and liabilities:</i>			
Increase in statutory minimum reserve		(460,685)	(51,201)
Increase in other assets		(1,382,349)	(247,736)
(increase)/Decrease in loans and advances to customers		(10,431,424)	5,206,405
Increase/(decrease) in deposits due to customers		3,066,103	(2,395,220)
Payment of gratuities		(475,000)	(168,750)
Decrease in other liabilities		115,560	(102,354)
Cash generated from operations		1,186,668	9,914,372
Income tax paid	17	(395,785)	(272,552)
Net cash flows from operating activities		790,883	9,641,820

	Notes	2022 TZS'000	2021 restated TZS'000
Investing activities			
Decrease/(Increase) in government securities		1,143,528	(14,684,344)
Decrease/(Increase) in investment in corporate bond		1,289	(645)
Purchase of intangible assets	27	-	(304,916)
Purchases of property and equipment	28	(980,950)	(477,088)
Net cash flows from/ (used in) investing activities		163,867	(15,466,993)
Financing activities			
Lease liabilities paid – principal	34	(431,413)	(955,773)
Lease liabilities interest paid	34	(270,150)	(595,227)
Proceeds from new borrowings		2,700,000	-
Repayment of borrowings		(2,457,124)	(5,769,174)
Issue of shares during the year (Right Issue)	35	-	2,204,798
Net cash flow used in financing activities		(458,687)	(5,115,376)
Net increase in cash and cash equivalents		496,063	(10,940,549)
Cash and cash equivalents at 1 January		36,295,552	47,236,101
Cash and cash equivalents at 31 December	37	36,791,615	36,295,552

Going concern.

The Bank's management and directors have assessed the Bank's ability to continue as a going concern for the foreseeable future. The financial statements are prepared on the basis of a going concern.

The Bank's core capital, core capital ratio and total capital ratio were TZS 19,621 million (2021: restated TZS 12,190million) equivalent to 13.05% and 14.84% (2021: 9% and 9%). Both the absolute core capital and Capital Adequacy Ratios were within regulatory benchmark of TZS 15,000 million, and the regulatory requirements of 12.5% and 14.5% respectively.

The Bank's core and total capital positions are dependent on a number of factors including financial results and raising of additional equity and the level of risk weighted assets. The directors and management expect to improve these factors in the foreseeable future.

The Bank's liquidity position is expected to be reasonably sufficient to meet the maturing obligations and other business requirements. This is expected to continue for the foreseeable future. The Bank's management and directors will continue to take necessary mitigations including close monitoring of key liquidity metrics, liquidity outflows, close and tight management of positions and intraday flows, slowing down/prioritizing lending in order to minimize the risk of default and liquidity distress, and managing the loan portfolio closely in order to take necessary performance remedial actions timely.



Cletus Kiyuga ACPA- PE 1981

For and on behalf of PricewaterhouseCoopers

Certified Public Accountants

Dar es Salaam

Date: 5th May, 2023

8. INTEREST INCOME	2022	2021
	TZS'000	Restated
		TZS'000
Interest income calculated using the effective interest method comprises:		
Loans and advances	20,440,943	16,841,734
Government securities and corporate bond	4,565,807	4,588,939
Placements	659,564	644,943
	25,666,314	22,075,616

9. INTEREST EXPENSES	2022	2021
	TZS'000	TZS'000
Interest expense calculated using the effective interest method		
Time deposits	5,974,997	6,508,072
Savings deposits	575,747	600,654
Deposits due to other banks	6,800	375,238
Borrowing	122,052	707,982
Subordinated loan	213,750	-
Lease liabilities interest accretion (Note 34)	426,557	595,227
	7,319,903	8,787,173

10. EXPECTED CREDIT LOSSES	2022	2021
	TZS'000	TZS'000
Increase in ECL on loans and advances to customers (Note 22)	1,769,801	264,457
Increase in ECL on loans and advances to banks (Note 20)	-	3,614
Write off previously unprovided credit exposure	1,173,821	1,711,146
	2,943,622	1,979,217

11. FEES AND COMMISSION INCOME

	2022	2021
	TZS'000	TZS'000
<i>Fee income earned from services that are provided over time:</i>		
Loan processing fees	1,553,527	1,786,437
<i>Fee income from providing financial services at a point in time:</i>		
Service charges	270,008	306,828
Withdrawal fees	279,384	271,147
Commission on Western Union Transfers	20,542	24,424
Commission charged on transfers	39,732	56,202
Commission on ATM withdrawal charges	79,730	93,741
Agency and mobile fees	261,861	180,312
Bank Guarantee	69,572	21,462
Other fees	375,799	494,973
	1,396,628	1,449,089
	2,950,155	3,235,526

12. OTHER INCOME

	2022	2021
	TZS'000	TZS'000
Charged off recoveries	409,033	144,280
Miscellaneous income	280,734	223,395
	689,767	367,675

13. NET FOREIGN CURRENCY TRADING AND TRANSLATION GAINS

	2022	2021
	TZS'000	TZS'000
Foreign currency trading gains	967,813	752,851
Net unrealised foreign currency translation gains	65,468	47,407
	1,033,281	800,258

14. PERSONNEL EXPENSES	<u>2022</u>	<u>2021</u>
	TZS'000	TZS'000
Wages and salaries	5,680,113	6,080,052
Social security contributions and retirement benefits	568,013	608,157
Local leave allowance	495,368	495,348
Gratuity	329,375	384,000
¹ Other staff costs	804,513	839,752
	7,877,382	8,407,309

¹Other staff costs include statutory deductions, medical expenses and terminal benefits.

15. DEPRECIATION AND AMORTIZATION	<u>2022</u>	<u>2021</u>
	TZS'000	Restated TZS'000
Depreciation on right-of-use assets (Note 26)	885,268	776,713
Amortization of intangible assets (Note 27)	377,514	387,114
Depreciation on property and equipment (Note 28)	801,906	876,456
	2,064,688	2,040,283

16. OTHER OPERATING EXPENSES	<u>2022</u>	<u>2021</u>
	TZS'000	TZS'000
Auditor's remuneration	101,027	81,797
Professional fees	169,903	154,122
Directors' emoluments	64,000	64,000
Communication cost	180,130	242,104
Travelling and accommodation	170,029	105,725
Local authority service charges	74,269	84,427
Maintenance cost - software	333,343	246,010
ATM management fees	321,125	219,671
Occupancy costs	726,171	368,458
Maintenance cost - motor vehicles	15,551	10,751

	2022 TZS'000	2021 TZS'000
Insurance costs	342,824	377,382
Marketing and advertising costs	235,865	192,540
Training costs	89,046	70,308
Security costs	373,504	371,638
Data connectivity and bank charges	445,853	545,422
Printing and stationery	183,432	185,049
Repairs and maintenance of office equipment	232,712	266,129
Share issue costs	-	1,200
Excise duty on commissions	319,628	243,382
Other Expenses ¹	1,630,936	1,384,075
	6,009,348	5,214,190

¹Other expenses include miscellaneous expenses, donations, loss on disposal/write off of assets, and general office administration expenses.

17. INCOME TAX

Income tax expense

	2022 TZS'000	2021 TZS'000
Current income tax – current year	26,097	266,492
Deferred tax credit – current year (Note 29)	(793,649)	464,922
Deferred tax charge – prior years (Note 29)	291,131	(1,578,742)
	(476,421)	(847,328)

The tax on the Bank's (loss)/profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	2022 TZS'000	2021 TZS'000
Profit/(loss) before tax	5,145,471	(1,859,571)
Tax calculated at a tax rate of 30% (2021: 30%)	1,543,641	(557,871)
<i>Tax effect of:</i>		
Expenditure permanently disallowed	5,571	71,781

	2022 TZS'000	2021 TZS'000
Prior Year effective interest adjustments*	(1,570,679)	-
Prior year adjustments-others	(746,086)	1,217,504
Deferred tax credit not previously recognized (note 29)	291,132	(1,578,742)
	(476,421)	(847,328)
Current income tax recoverable		
At 1 January	(647,743)	(641,682)
Payments during the year	(395,785)	(272,552)
Amount utilised to set off tax liabilities	-	266,491
Current income tax charge for the year	26,097	-
At 31 December	(1,017,432)	(647,743)

Prior year's effective interest adjustments*: relates to write off interest income which was previously taxed and now claimed after write off.

18. EARNINGS PER SHARE

Basic earnings/(loss) per share is calculated by dividing the (loss)/profit for the year attributable to ordinary equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings/(loss) per share is calculated by dividing the profit/(loss) for the year attributable to ordinary equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

There were no dilutive potential ordinary shares. As such, basic and diluted earnings/loss per share are the same as follows:

	2022	2021 restated
Profit/(loss) attributable to ordinary shareholders (TZS'000)	5,621,893	(1,859,510)
Weighted average number of ordinary shares (Note 35)	23,555,002	23,555,002
Basic and diluted earnings /(loss) per share (TZS)	239	(79)

19. CASH AND BALANCES WITH THE BANK OF TANZANIA

	2022	2021
	TZS'000	restated
	TZS'000	TZS'000
Cash in hand	9,187,797	8,314,259
Balances with BoT - Current accounts	1,660,508	2,923,796
Balances with BoT - Statutory minimum reserve (SMR)	11,087,554	10,626,869
	21,935,859	21,864,924

Cash in hand and balances with BoT are non-interest bearing. The SMR is not available for the Bank's day-to-day operations and is hence excluded from cash and cash equivalents for the purpose of the statement of cash flows (Note 37).

20. LOANS AND ADVANCES TO BANKS

	2022	2021
	TZS'000	restated
	TZS'000	TZS'000
Balances with other banks	9,887,648	10,304,557
Cheques in the course of collection with other banks	123,190	124,513
Placements with other banks	14,126,019	12,711,649
	24,136,857	23,140,719
Expected credit losses	(3,614)	(3,614)
Current	24,133,243	23,137,105

Balances with other banks and money market placements bear interest rates of 3% to 14%. The amounts are unsecured

The credit quality of loans and advance to banks is performing ie categorised internally as current ie stage 1. Details of the Bank's internal grading system are explained in Note 5 and the accounting policies on determination of ECL allowances are in Note 4.

21. OTHER ASSETS

	2022	2021 restated
	TZS'000'	TZS'000'
Sundry debtors	1,071,861	403,836
Prepayments	571,916	459,662
Staff benefits fair value	1,447,742	893,172
Stock of stationery	110,613	32,872
Balances with MNOs	1,810,067	1,920,392
Others	(25,094)	5,148
Expected credit losses (Note 10)	-	-
	4,987,106	3,715,082

Sundry debtors are non-interest bearing and due on 30 – 60 days terms. The amounts are unsecured.

22. LOANS AND ADVANCES TO CUSTOMERS

	2022	2021 restated
	TZS'000'	TZS'000'
Commercial	95,048,324	88,332,077
Individuals	18,557,933	3,800,591
Salaried loans	5,249,265	18,357,429
Advances to staff	25,917	-
Gross loans and advances to customers	118,881,439	110,490,097
Allowance for expected credit losses	(3,842,715)	(3,630,156)
	115,038,724	106,859,941
Maturity analysis		
With maturity of 3 months or less	7,821,868	3,691,105
With maturity of between 3 months and 1 year	18,462,391	20,314,585
With maturity of more than 1 year	88,754,465	82,854,251
	115,038,724	106,859,941

The interest rates charged on these loans range from 13% to 19% (2021: 13% to 17%).

The movement in the allowance for ECL was as follows:

	2022	2021
	TZS'000	TZS'000
At 1 January	(3,630,156)	(4,848,384)
Charge	(1,769,801)	(264,457)
Write offs	1,557,242	1,482,685
At 31 December	(3,842,715)	(3,630,156)

22. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of ECL allowances. Details of the Bank's internal grading system are explained in Note 5 and the accounting policies on determination of ECL allowances are in Note 4.

At 31 December 2022	Stage 1	Stage 2	Stage 3	Total
	TZS'000	TZS'000	TZS'000	TZS'000
Internal rating grade				
<i>Performing:</i>				
Current	101,985,538	5,074,413	-	107,059,951
Especially mentioned	71,412	-	-	71,412
<i>Non-performing:</i>				
Sub-standard	422,668	1,499	2,610,394	3,034,561
Doubtful	508,489	1,259	2,380,454	2,890,202
Loss	60,087	-	5,765,226	5,548,541
Total	103,048,194	5,077,171	10,756,074	118,881,439

At 31 December 2021 - restated	Stage 1 TZS'000	Stage 2 TZS'000	Stage 3 TZS'000	Total TZS'000
Internal rating grade				
<i>Performing:</i>				
Current	67,147,783	28,259,221	25,105	95,432,109
Especially mentioned	-	58,476	563	59,039
<i>Non-performing:</i>				
Sub-standard	4,239,570	2,864	2,030,215	6,272,649
Doubtful	-	1,602	893,630	895,232
Loss	-	-	7,831,068	7,831,068
Total	71,387,353	28,322,163	10,780,581	110,490,097

23. GOVERNMENT SECURITIES

	2022 TZS'000'	2021 TZS'000'
23 (a) Government security – FVOCI		
Treasury bonds maturing after one year	12,099,332	9,970,853
23(b) Government securities – amortised cost		
Treasury bills maturing between 3 months and one year	9,651,529	10,911,184
Treasury bonds maturing after one year	21,456,998	21,786,830
	31,108,527	32,698,014
Expected Credit Losses (Note 10)	-	-
	43,207,859	42,668,867

These securities are due from the Government of the United Republic of Tanzania. The securities are unsecured and carry interest rates of 5% to 15% (2021: 5% to 15%) per annum.

23. GOVERNMENT SECURITIES

	2022	2021
	TZS'000'	TZS'000'
(a) Government security – FVOCI		
At start of the year	9,970,853	-
Purchase of investment securities	445,958	10,023,678
Maturity of securities	-	-
Fair value gain/losses	1,682,521	(52,825)
At end of year	12,099,332	9,970,853
Maturity		
Current	122,382	106,967
Non-current	11,976,950	9,863,886
At end of year	12,099,332	9,970,853
(b) Government security – amortised cost		
At start of the year	32,698,014	28,037,348
Purchase of investment securities	13,751,472	6,900,000
Maturity of securities	(15,340,958)	(2,239,334)
At end of year	31,108,527	32,698,014
Maturity		
Current	9,651,529	10,911,184
Non-current	21,456,998	21,786,830
At end of year	31,108,527	32,698,014

24. INVESTMENT IN CORPORATE BOND

Tanzania Mortgage Refinance Company Limited (TMRC)	2022	2021
	TZS'000'	TZS'000'
At start of the year	2,002,903	2,002,258
Interest charged	1,614	2,903
Interest paid	(2,903)	(2,258)
At end of year	2,001,614	2,002,903
Maturity		
Current	2,001,614	-
Non-current	-	2,002,903
Expected Credit Losses (Note 10)	-	-
	2,001,614	2,002,903

The bond is unsecured and carries an interest rate of 11.78% (2021: 11.78%). The bond will mature on 22 June 2023. The credit risk of this corporate bond is low, it being backed up by TMRC's member banks. The slight increase is mainly due to accrued interest. The value of the bond remained at TZS 2 billion.

25. EQUITY INVESTMENTS

	2022	2021
	TZS'000'	TZS'000'
Umoja Switch Co. Ltd	39,000	39,000
TMRC	500,000	500,000
	539,000	539,000

The equity investments are classified as financial assets at fair value through other comprehensive income (FVOCI).

These shares do not have a quoted market price in an active market. The fair value of the equity investment at the reporting date has been determined using the price of recent transaction of the shares provided by TMRC and Umoja Switch.

26. RIGHT-OF-USE ASSETS

	<u>2022</u>	<u>2021 re-stated</u>
	TZS'000'	TZS'000'
Cost		
At 1 January	6,219,749	5,661,481
Additions	270,027	558,268
Remeasurement*	741,540	-
At 31 December	7,231,316	6,219,749
Depreciation		
At 1 January	2,055,460	1,278,747
Charge for the year	885,268	776,713
At 31 December	2,940,728	2,055,460
Net carrying amount	4,290,588	4,164,289

*Remeasurement: relates to impact of remeasuring the opening balances. During the year discounting rates for some of the lease contracts were revised.

The right-of-use assets comprise lease arrangements for office and branch space.

The directors have not accounted for a long term planned lease for the new head office following consideration that the contract for this lease had not been finalised by the end of 31 December 2022. The value of this addition to lease accounting expects to exceed TZS 1billion.

27. INTANGIBLE ASSETS

	<u>2022</u>	<u>2021</u>
	TZS'000'	TZS'000'
Cost		
At 1 January	2,238,519	1,933,603
Additions	-	304,916
At 31 December	2,238,519	2,238,519

	2022 TZS'000'	2021 TZS'000'
Amortization		
At 1 January	1,420,366	1,033,252
Charge for the year	377,514	387,114
At 31 December	1,797,880	1,420,366
Net carrying amount	440,639	818,153

The intangible assets comprise the core banking and other software used by the Bank. The intangible assets are amortised over the estimated useful life of 5 years.

28. PROPERTY AND EQUIPMENT

	Machinery & Equipment TZS '000	Furniture, fixture & fittings TZS '000	Computer & IT equipment TZS '000	Motor vehicles TZS '000	Leasehold improvements TZS '000	Work-in-progress TZS '000	Total TZS '000
Cost							
At 1 January 2021	2,181,082	1,913,923	3,020,612	197,624	1,624,194	-	8,937,435
Additions	346,178	30,424	100,486	-	-	-	477,088
At 31 December 2021	2,527,260	1,944,347	3,121,098	197,624	1,624,194	-	9,418,023
Additions	80,975	2,966	30,982	-	-	866,028	980,951
At 31 December 2022	2,611,735	1,947,313	3,152,080	197,624	1,624,194	866,028	10,398,974
Depreciation							
At 1 January 2021	1,011,757	1,077,906	2,472,648	81,343	1,073,907	-	5,717,561
Charge for the year	257,888	191,383	327,076	49,406	50,703	-	876,456
At 31 December 2021	1,269,645	1,269,289	2,799,724	130,749	1,124,610	-	6,594,017
Charge for the year	228,026	189,093	186,878	49,406	148,503	-	801,906
At 31 December 2022	1,497,671	1,458,382	2,986,602	180,155	1,273,113	-	7,395,923

	Machinery & Equipment TZS '000	Furniture, fixture & fittings TZS '000	Computer & IT equipment TZS '000	Motor vehicles TZS '000	Leasehold improvements TZS '000	Work-in-progress TZS '000	Total TZS '000
Net carrying amount							
At 31 December 2021	1,261,115	675,058	321,374	66,875	499,584	-	2,824,006
At 31 December 2022	1,114,064	488,930	165,478	17,469	351,081	866,028	3,003,051

Property and equipment were not pledged as collateral against liabilities.

29. DEFERRED TAX ASSET

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes using the principal tax rate of 30%.

Deferred income tax asset and deferred income tax credit to the profit or loss are attributed by the following items:

	1 January TZS'000	(Charge)/Credit to			31 December TZS'000
		Profit or loss – Prior year TZS'000	OCI Current year TZS'000	Profit or loss – Current year TZS'000	
Year ended 31 December 2022					
Property and equipment	(1,945)	30,452	-	(101,585)	(73,078)
Current income tax losses carried forward	-	-	-	-	-
Fair valuation (gain)/loss reserve	15,847	-	(504,756)	-	(488,909)
General provisions	1,115,765	(321,583)	-	895,234	1,689,416
Net deferred tax asset	1,129,667	(291,131)	(504,756)	793,649	1,127,429
Year ended 31 December 2021					
Property and equipment	-	30,459	-	(32,404)	(1,945)
Current income tax losses carried forward	-	241,093	-	(241,093)	-
Fair valuation (gain)/loss reserve	-	-	15,847	-	15,847
General provisions	-	1,307,189	-	(191,424)	1,115,765
Net deferred tax asset	-	1,578,742	15,847	(464,922)	1,129,667

Summarized as:	2022	2021 restated
At 1 January	1,129,667	-
Credited/Recognized in profit or loss	502,518	1,113,820
Recognized in OCI	(504,756)	15,847
At 31 December	1,127,429	1,129,667

30. DEPOSITS DUE TO CUSTOMERS

	2022	2021
	TZS'000	TZS'000
Current accounts	57,441,690	54,082,914
Savings deposits	59,733,768	52,825,287
Time deposits	67,403,363	74,604,517
	184,578,821	181,512,718
Current	179,666,898	177,460,630
Non-current	4,911,923	4,052,088
	184,578,821	181,512,718

The deposits are unsecured. The time deposits were at fixed interest rates of 5% to 12% and the other deposits at variable rates of 0% to 12% per annum with a maximum tenure of two years.

31(a) BORROWING

	2022	2021
	TZS'000	TZS'000
As at 1 January	3,833,014	8,894,206
Additions	-	-
Interest expense charged	122,052	707,982
Principal paid	(2,363,428)	(5,394,167)
Interest paid	(93,696)	(375,007)
As at 31 December	1,497,942	3,833,014

Maturity analysis	2022 TZS'000	2021 TZS'000
Current	28,356	332,975
Non-current	1,469,586	3,500,039
	1,497,942	3,833,014

This relates to the funds borrowed from TMRC and other financial institutions.

In 2018, the Bank obtained unsecure loan of TZS 6 billion, TZS 2.37 billion and TZS 5 billion from TMRC, BOT and Self microfinance (2019) repayable quarterly and monthly respectively. As at 31/12/2022 the outstanding balance related to TMRC at an effective interest rate of 9% per annum.

As at 31 December 2022, the Bank was compliant with all the lender's covenants.

31(b) SUBORDINATED LOAN	2022 TZS'000'	2021 TZS'000'
As at 1 January	-	-
Additions	2,700,000	-
Interest expense charged	213,750	-
Principal paid	-	-
Interest paid	-	-
As at 31 December	2,913,750	-
Maturity analysis		
Current	213,750	-
Non-current	2,700,000	-
	2,913,750	-

In 2022, the Bank obtained unsecure loan of TZS 2.7billion from Bugando Medical Centre (TZS 2 billion) and Tanzania Episcopal Conference Centre (TZS 0.7billion), repayable annually within 9 years. The effective interest rate of the loan during the year was 9.5%.

As at 31 December 2022, the Bank was compliant with all the lender's covenants

32. OTHER LIABILITIES

	2022	2021
	TZS'000	Restated TZS'000
Accruals	943,357	1,313,615
Accounts payable	98,906	195,688
Deferred fees	536,030	9,055
Sundry creditors	55,626	-
	1,633,919	1,518,358

Other liabilities are unsecured, interest free and due on 30 – 60 days terms.

33. PROVISIONS

	2022	2021
	TZS'000	TZS'000
At 1 January	751,470	536,220
Increase during the year	511,815	384,000
Utilized	(475,000)	(168,750)
At 31 December	788,285	751,470

Gratuity provision:

The provisions are due after one year. The provision relates to gratuity for the senior officers of the Bank. The benefit accrues at 25% of the annual basic salary for the contract period and is paid at the end of the contract term.

Legal provision:

This relates to provision for legal cases that are deemed probable for events of failure by the bank to occur.

34. LEASE LIABILITIES

	2022	2021 Restated
	TZS'000	TZS'000
At 1 January	4,367,694	4,789,421
Additions	270,027	558,268
Remeasurement*	741,540	-
Interest accretion	426,557	597,227
Payments	(701,563)	(1,551,000)
Forex (loss/ (gain))	17,488	(26,222)
At 31 December	5,121,743	4,367,694
Maturity analysis for the lease liability:		
Due in 1 year	1,260,112	853,786
Due after 1 year	3,861,631	3,513,908
	5,121,743	4,367,694

The weighted average discount rate applied as at year-end was 12.5%, USD 7% (2021: for all contracts 11.84%) per annum.

*Remeasurement: relates to impact of remeasuring the opening balances. During the year discounting rates for some of the lease contracts were revised.

The directors have not accounted for a long term planned lease for the new head office following consideration that the contract for this lease had not been finalised by the end of 31 December 2022. The value of this addition to lease accounting expects to exceed TZS 1billion.

35. SHARE CAPITAL

	2022	2021 Restated
	TZS'000	TZS'000
Authorised		
50,000,000 ordinary shares of TZS 1,000 each	50,000,000	50,000,000

	2022	2021
	TZS'000	Restated
		TZS'000
Issued and fully paid ordinary shares		
20,615,272 issued at TZS 1,000	20,615,272	20,615,272
2,939,730 issued at TZS 750	2,204,798	2,204,798
Discount on 2,939,730 shares	734,932	734,932
23,555,002 shares at TZS 1,000	23,555,002	23,555,002
SHARE DISCOUNT	(734,932)	(734,932)

During the year there were no additional shares issued (2021: There was a rights issue resulting in additional TZS 2,204,797,500 of the share capital). The shares issued in 2021 were issued at a discount of TZS 250 per share which resulted to a total of share discount of TZS 735 million.

36. REGULATORY AND OTHER RESERVES

- a) The regulatory reserve relates to the excess of the regulatory provisions for loans and advances above the IFRS 9 provisions. The regulatory provisions and reserve are determined in accordance with the Banking and Financial Institutions prudential regulations and guidelines. The reserve is not available for distribution to the shareholders and is excluded when determining regulatory core capital.
- b) The FVOCI reserve is attributable to marking to market fair value gains or losses on financial assets classified under FVOCI category. This reserve is not available for distribution to shareholders.

	2022	2021
	TZS'000	TZS'000
Regulatory loans provision	6,568,898	8,291,134
Less: IFRS ECL allowance (Note 22)	(3,842,715)	(3,630,156)
Regulatory reserve	2,726,183	4,660,984

		Restated
Movement in fair valuation reserve is as follows:		
At 1 January	(36,978)	-
<u>Charged to OCI</u>		
Fair valuation gain/(loss)	1,682,521	(52,825)
Deferred tax on fair valuation loss	(504,756)	15,847
	1,177,765	(36,978)
At 31 December	1,140,787	(36,978)

37. CASH AND CASH EQUIVALENTS

	<u>2022</u>	<u>2021</u>
	TZS'000	Restated TZS'000
Cash and balances with BoT (Note 19)	21,935,859	21,864,924
Less: SMR (Note 19)	(11,087,554)	(10,626,869)
Cash and balances with BoT excluding SMR	10,848,305	11,238,055
Loans and advances to Banks (Note 20)	24,133,243	23,137,105
Balances with MNOs	1,810,067	1,920,392
	36,791,615	36,295,552

38. RELATED PARTIES TRANSACTIONS AND BALANCES

Shareholder category	<u>2022</u>	<u>2021</u>
Church dioceses and affiliated institutions	29.50%	29.50%
Other institutions	9.67%	9.67%
Tanzania Episcopal Conference (TEC)	18.12%	18.12%
Individuals (general public)	42.71%	42.71%
	100%	100%

38. RELATED PARTIES TRANSACTIONS AND BALANCES

The Bank's issued share capital is owned as follows:

The following were the balances and transactions with related parties:

	<u>2022</u>	<u>2021</u>
I. Loans due from key management personnel	TZS'000	TZS'000
At 1 January	609,246	543,058
Loans advanced during the year	95,861	394,223
Loan repayments during the year	(248,392)	(328,035)
At 31 December	456,715	609,246
ECL for these loans at the end of the year	13,856	7,344
Interest income earned	59,070	27,557

II. Shareholder deposits	2022	2021
	TZS'000	TZS'000
Roman Catholic Church Dioceses	2,038,956	2,449,114
Tanzania Episcopal Conference (TEC)	109,480	39,787
	2,148,436	2,488,901

III. Compensation for key management personnel

Salaries and other short-term benefits	1,317,500	1,316,400
Post-employment benefits – Social security contributions	131,750	131,640
Gratuity (Note 33)	329,375	384,000
	1,778,625	1,832,040

IV. Directors' remuneration (Note 16)	64,000	64,000
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V. Subordinated Loans

Subordinated loans comprise of funds borrowed from Bugando Medical Centre and Tanzania Episcopal Conference. The outstanding balances as at 31 December 2022 and 2021 (NIL) are as follows:

	2022	2021
	TZS '000'	TZS'000
Tanzania Episcopal Conference (TEC)	757,649	--
Bugando Medical Centre (BMC)	2,156,101	--
	2,913,750	--

39. COMMITMENTS

	2022 TZS'000	2021 TZS'000
Capital commitments		
Capital expenditure that has been approved by the Board but not contracted for, most of which being commitments brought forward from 2021.	4,121,040	3,698,703

The capital commitments as at year-end comprise TZS 1.9 billion for new core banking system acquisition, TZS 1.3 billion for digital channels development and other ICT related infrastructures and other computer software; TZS 309 million for opening business centres in strategic locations.

Commitments to extend credit - undrawn loan commitments

Commitments to extend credit represent contractual commitments to advance loans and revolving credits to customers. Commitments generally have fixed expiry dates, or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements. However, the potential credit loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific standards.

The Bank had the following commitments:

	2022 TZS'000	2021 TZS'000
Undrawn commitments to lend	2,494,785	1,317,076

The undrawn commitments to lend were under the current grade (Stage 1) credit risk category.

40 PRIOR YEAR ADJUSTMENT

The below prior year adjustments referenced A to J arise from the following:

a) **Effective interest rate**

Following management's issuance of loans to customer at flat interest rate for a period between 2014 and 2020 a manual computation was done to align the accounting of interest income using effective interest rate as required by IFRS whilst the core banking system recorded using contractual flat terms. The prior year financial statement included an overtime accumulated stock of this manually computed interest receivable of TZS 7.5 billion. During the year 2022, management performed a thorough review of this receivable and identified a material exposure that is not recoverable through current contractual terms for existing customers and part of the receivable related to customers who no longer existed in the bank's portfolio. On this basis, management elected to de-recognise these receivables to the extent they are unrecoverable.

b) **Modification of loans and advance to customers**

Management made significant modification to some loans and advances to customers which required assessment of derecognition qualification of the assets or recognition of modification loss or gain. There are modifications which were done in years 2020 and 2021 but no necessary adjustments to the financial statements were done. Management corrected these errors in the current year financial statements by restating the financial statements.

c) **Misstatement of lease liability**

In years 2020 and 2021 the below errors were made in the financial statements in relation to lease liability and right of use assets:

- i) Application of incorrect frequency of payment of lease rentals in arriving at lease liability.
- ii) Lease liability for some contracts were erroneously included as assets.
- iii) Lease payments included in the lease liability line was misstated by exclusion of lease payment not done and prepayments which were included under other liabilities and other assets respectively. The lease liability balance had considered that all payments were done as per contractual terms.

d) **Accounting for government securities measured at fair value through OCI (FVOCI)**

In 2021 the bank invested in government securities for the purpose of managing liquidity through both holding the financial assets in order to collect the contractual cash flows and also to selling the assets. The financial assets under this business model that are solely repayments of the interest and principal amount are required to

measure through fair value through OCI. At the end of 2021 these assets were disclosed and measured at amortised cost, in 2022 financial statement this was corrected to include measurement at FVOCI.

e) **Wrong classification of balances with mobile Network operators**

In 2021 the bank classified its operational mobile funds balances with Mobile Network operators as cash and bank with Central bank TZS 578 million and balances with other banks of TZS 352 million. These balances are accounted and classified as other assets in line with their nature and bank's policy.

f) **Property and equipment items classified under other assets**

In 2021, management classified capitalised long-term assets i.e., properties and equipment of TZS 477 million under other assets instead of Property and equipment.

g) **Incomplete disclosure of cash and cash equivalents**

In 2021, management excluded items with balance of TZS 1 billion of nature cash and cash equivalents from cash and cash equivalents disclosure and consequently not shown as such in statement of cash flows.

h) **Non-bank long term borrowing classified as deposit with banks**

A long-term borrowing with TMRC was classified as deposit with other banks contrary to the nature of the liability.

i) **Non-disclosure of share discount**

During the rights issue concluded in 2021, the issued shares of total 2,939,730 were issued at TZS 750 each which was a discounted price from authorised price of price of TZS 1,000 per share. The share discount of TZS 735 million was not disclosed in the financial statements.

j) **Valuation of staff loans not adjusted against staff loans**

The fair value adjustment of TZS 833 million in relating to the bank's staff loans was recorded under other assets instead of adjusting against respective staff loans which misstated the carrying value of these loans.

The financial statements for the years ended 31 December 2020 and 31 December 2021 have been restated to correct the above misstatements.

The effects of the restatements are shown below.

i. Statement of profit or loss and other comprehensive income – year ended 31 December 2021 (extract)

	Refer- ence	31 December 2021 Previously reported TZS'000	Profit In- crease/ (Decrease) TZS'000	31 December 2021 Restated TZS'000
Interest income calculated using the effective interest method	a and b	24,015,454	(1,939,838)	22,075,616
Interest expense calculated using the effective interest method	c	(8,650,643)	(136,531)	(8,787,174)
Net interest income		15,364,811	2,076,369	13,288,442
Modification of financial assets	b	-	(2,757,741)	(2,757,741)
Net foreign currency trading and translation gains	c	774,036	26,222	800,258
Total non-interest income		4,377,237	(2,731,519)	1,645,718
Net operating income		17,762,830	(4,807,887)	12,954,943
Depreciation and amortization		(1,942,556)	(97,727)	(2,040,283)
Profit/(Loss) before income tax	a,b,c and d	2,198,776	(4,905,614)	(2,706,838)
Profit/(Loss) for the year	a,b,c and d	3,046,104	(4,905,614)	(1,859,510)
-Fair value gains arising during the year	d	-	52,825	52,825
-Tax Thereon	d	-	(15,847)	(15,847)
Other comprehensive income	d	-	36,977	36,977
Total comprehensive income for the year, net of tax		3,046,104	(4,942,592)	(1,896,488)

Basic earnings per share for the period has also been restated. The amount of the correction for basic earnings per share was decreased to TZS (79) from TZS 96.

ii. **Statement of financial position- year ended 31 December 2021
(extract)**

Year ended 31 December 2021	Reference	As previously reported TZS'000	Increase/ (Decrease) TZS'000	As restated TZS'000
Assets				
Cash and balances with BoT	e	22,417,520	(552,596)	21,864,924
Loans and advances to banks	e	23,488,287	(351,182)	23,137,105
Loans and advances to customers	a, b and j	115,028,633	(8,168,692)	106,859,941
Government securities	d	42,692,825	(9,994,811)	32,698,014
Government securities-FVOCI	d	-	9,970,853	9,970,853
Right of Use asset	c	3,193,168	971,121	4,164,289
Property and equipment	f	2,346,798	477,208	2,824,006
Other assets	c, e, f and j	2,515,864	1,199,218	3,715,082
Deferred tax asset	d	1,113,820	15,847	1,129,667
Total Assets		212,796,715	(2,425,035)	210,371,680
Liabilities				
Deposit due to banks	h	3,833,014	(3,833,014)	-
Borrowings	h	-	3,833,014	3,833,014
Lease Liability	a	3,239,143	1,128,551	4,367,694
Other liabilities	d	1,644,734	(155,242)	1,489,492
Equity				
Share capital	i	22,820,070	734,932	23,555,022
Share discount	i	-	(734,932)	(734,932)
Accumulated losses	a,b,c and d	(1,657,419)	(7,398,231)	(9,055,650)
FVOCI reserve	d	-	36,977	36,977
Total Liabilities and Equity		212,796,715	(2,425,035)	210,371,680

**Statement of financial position- year ended 31 December 2020
(extract)**

Year ended 31 December 2020	Reference	As previously reported TZS'000	Increase/ (Decrease) TZS'000	As restated TZS'000
Assets				
Loans and advances to customers	a and b	121,381,392	(2,638,249)	118,743,143
Right of Use asset	c	3,872,155	510,579	4,382,734
Other assets	c, e and f	1,472,469	(21,625)	1,450,844
Deferred tax asset	d	-	-	-
Total Assets		219,977,905	(2,149,293)	217,828,612
Liabilities				
Deposit due to banks	h	8,894,206	(8,894,206)	-
Borrowings	h	-	8,894,206	8,894,206
Lease Liability	a	3,916,890	872,531	4,789,421
Other liabilities	d	2,149,918	(529,207)	1,620,711
Equity				
Accumulated losses	a,b,c and d	(3,573,857)	(2,492,617)	(6,066,474)
Total Liabilities and Equity		219,977,905	(2,149,293)	217,828,612

Statement of cash-flow (extract)	Reference	31 December 2021 Previously reported TZS'000	Increase/ (Decrease) TZS'000	31 December 2021 Restated TZS'000
Operating activities				
Profit/(loss) before tax	a and b	2,198,776	(4,905,614)	(2,706,838)
Depreciation on right-of-use assets	d	678,986	97,727	776,713
Modification (Gain) / Loss		-	2,670,787	2,670,787
Effective interest receivable Write off	c	-	2,026,792	2,026,792
Cash generated from operations	a,b,c and d	2,317,244	7,597,128	9,914,372
Financing activities				
Lease liabilities paid – principal	c	(677,747)	(278,026)	(955,773)
Lease liabilities interest paid	c	(458,697)	(136,530)	(595,227)
Net cash flows used in financing activities	c	1,068,354	(6,183,730)	(5,115,376)
Cash and cash equivalents at 31 December		35,278,938	1,016,614	36,295,552

41. CONTINGENT LIABILITIES

The Bank had no contingent liabilities as at year-end (2021: None).

42. EVENTS AFTER THE REPORTING PERIOD

There were no other events after the reporting that required adjustment to or disclosure in the financial statements.

AGENDA NUMBER 8.

TO RECEIVE, DISCUSS AND APPROVE THE PROPOSAL FOR MIGRATING TO MAIN INVESTMENTS MARKET SEGMENT (MIMS).

Mkombozi Commercial Bank PLC was listed on the Dar es Salaam Stock Exchange (DSE) under the Enterprise Growth Market (EGM) segment in December 2014. Pursuant to the market conditions, the EGM segment is a transition path where enterprises are expected to be nurtured for a maximum period of three (3) years before they qualify for entry to the Main Investment Market Segment (MIMS). Among other conditions of EGM is maintenance of a Nominated Advisor to guide the enterprise during the course of its transition. Accordingly, the Bank has since passed this criterion and is now required to be upgraded to the MIMS category.

This upgrade to the MIMS category has a positive financial bearing to the Bank in that we shall only be obliged to pay the statutory annual membership fee, currently fixed at TZS 17,446,451 compared with total annual cost of TZS 25,163,225 under EGM segment, the latter of which includes cost of Nominated Advisor.

The Board of Directors of Mkombozi Commercial Bank PLC on its 55th Ordinary Meeting held on 27th October, 2022 discussed and deliberated on this proposal for approval by Shareholders pursuant to the conditions of the DSE.

We submit this proposal for Shareholders deliberation and approval.



Gasper Casmir Njuu.

Board Chairman.

29th July 2023.

BOARD OF DIRECTORS



Mr. Gasper Njuu
Board Chairperson



Mr. Respige Kimati
Managing Director



Mr. Benedict Sudi
Director



Ms. Uphoo Swai
Director



Most Rev. Beatus Kinyaiya
Director



Mr. Robert Mtendamema
Director



Fr. Charles Kitima
Director



Mr. Martin Mdoe
Director

MANAGEMENT TEAM



Mr. Respige Kimati
Managing Director



Mr. Vitalis Michael
Chief Financial Officer



Mr. Thomas Enock
Chief Operating Officer



Mr. Crispin Kweka
Chief Internal Auditor



Ms. Paulina Kunjumu
Head of Legal services and
Company Secretary



Mr. Nwaka G. Mwabulambo
Head of Treasury



Ms. Fortunata Olomi
Chief Commercial Officer



Mr. Leonard Weinand
Head of IT



Mr. David Semkondo
Head of Risk & Compliance

