CANARA BANK (TANZANIA) LIMITED

ANNUAL REPORT

AND

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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BANK INFORMATION

BOARD OF DIRECTORS

Mr. Debashish Mukherjee	Chairman (Non-executive)	Indian
Mr. Santanu Kumar Majumdar	Director (Non-executive)	Indian
Ms. Kota Kalyani	Director (Non-executive)	Indian
Mr. Rajab S. Kakusa	Director (Independent)	Tanzanian
Ms. Mwanaidi A Mtanda	Director (Independent)	Tanzanian
Prof. Deus D Ngaruko	Director (Independent)	Tanzanian
Dr. Indiael D Kaaya	Director (Independent)	Tanzanian
Mr. T R Balaji Rao	Director (Executive)	Indian
Mr. Vibhuti Nath Roy Choudhary	Director (Executive)	Indian

INDEPENDENT AUDITOR

M/S Nexia SJ Tanzania

P O Box 12729
1st Floor, Oyster Plaza, Haile Selassie Road
Dar es Salaam
T: +255 22 2926252/53; 0713 444 254/0756 444 254

BANKERS

i) Bank of Tanzania
P.O. Box 2939
Dar es Salaam

ii) Citi Bank
New York
United States of America

iii) Bank of India (T) Limited
Maktaba Street
P.O. Box 7581
Dar es Salaam

iv) CRDB Bank Plc
Azikiwe Street
P.O. Box 268, Dar es Salaam

v) Canara Bank, India
Integrated Treasury Wing
5th &6th floor, Plot no. G-14, C Block
Bandra Kurla Complex, Bandra -East
Mumbai 400051, India

BANK INFORMATION (CONTINUED)

REGISTERED CORPORATE OFFICE OFFICE

Canara Bank (T) Limited

16/1 Elia Complex

Zanaki, Bibi Titi Street

P.O. Box 491

Dar es Salaam

Telephone: +255 22 2112534

Email: mdcbtl@canarabank.co.tz

PARENT BANK CORPORATE

Canara Bank India Head Office

112, J C Road

Bengaluru

Karnataka - India 560002

COMPANY SECRETARY

Mr. Vibhuti N R Choudhary

16/1 Elias Complex

Zanaki, Bibi Titi Street

P.O. Box 491

Dar es Salaam

Telephone: +255 22 2112532

Email: vibhuti@canarabank.co.tz

REPORT OF THOSE CHARGED WITH GOVERNANCE

INTRODUCTION

We have great pleasure in presenting the Bank's 7th Annual Report along with the Audited financial statements for the year ended 31 December 2022.

Canara Bank (Tanzania) Ltd was registered under Tanzania Companies Act, 2002 on 2 November 2015. The license to conduct Banking Business was granted to our Bank on 5 May 2016 by Bank of Tanzania in accordance with the provisions of Section 7 of the Banking and Financial Institutions Act 2006. However, actual Banking operations started on 9 May 2016 with opening of Dar es Salaam Branch which is the only branch as on this date.

PRINCIPAL ACTIVITIES

The principal activity of the Bank is to provide banking and related services stipulated by the Banking and Financial Institutions Act 2006. There have been no changes in the principal activities of the Bank during the financial year ended 31 December 2022.

OUR PARENT BANK: CANARA BANK, INDIA

Widely known as a customer-centric Bank, Canara Bank was founded by Shri Ammembal Subba Rao Pai, a great visionary and philanthropist, in July 1906, at Mangalore, then a small port town in Karnataka. The Bank has gone through the various phases of its growth trajectory over hundred and sixteen years of its existence. Growth of Canara Bank was phenomenal, especially after nationalization in the year 1969, attaining the status of a national level player in terms of geographical reach and clientele segments. The eventful journey of the Bank has been characterized by several memorable milestones. Today, Canara Bank occupies a premier position in the comity of Indian banks, with a business mix as on 31st December 2022 stood at USD 246 Billion with Operating Profit of USD 3,252 Million and Net Profit of USD 1109 Million.

Over the years, the Bank has scaled up its market position to emerge as a major 'Financial Conglomerate' with as many as thirteen subsidiaries/sponsored institutions/joint ventures in India and abroad. The amalgamation of Syndicate bank with Canara bank effective from April1, 2020 has led to further expansion of the Bank to 9,723 branches.

Not just in commercial banking, the Bank has also carved a distinctive mark, in various corporate social responsibilities, namely, serving national priorities, promoting rural development, enhancing rural self-employment through several training institutes and spearheading financial inclusion objective.

REPORT OF THOSE CHARGED WITH GOVERNANCE(CONTINUED)

"A good bank is not only the financial heart of the community, but also one with an obligation of helping in every possible manner to improve the economic conditions of the common people". These insightful words of the Bank's Founder continue to resonate even today in serving the society with a purpose. We strongly believe that the Bank's second century is going to be equally rewarding and eventful not only in service of the nation but also in helping the Bank emerge as a "Preferred Bank with Best Practices".

Presently, Government of India holds 62.93% of Bank's total shareholding.

ECONOMIC OVERVIEW: TANZANIA

The East African nation of Tanzania has a population of 61.7 million as per national census done in year 2022 as reported by National Bureau of Statistics(NBS), has increased by 37 percent from year 2012 when National census was last done. As per National census of year 2022, the City of Dar es Salaam alone is having a population of 5.3 Million which is the highest populated than all other regions of Tanzania.

According to Bank of Tanzania until Sept 2022, Tanzania, economic growth remained satisfactory, considering the global circumstances. In Mainland Tanzania, growth was 5.2 percent for the quarter ended September 2022, slightly lower than 5.5 percent of the corresponding quarter of 2021. Main growth drivers were transport and storage, agriculture, mining and quarrying, and construction. Inflation increased moderately, averaged 4.9 percent for the quarter ended December 2022, from 4.1 percent in the corresponding quarter of 2021, on account of an increase in the general price level of food.

The Bank of Tanzania sustained a cautious accommodative monetary policy, which aims at controlling inflationary pressures emanating from high import prices, while supporting economic activities. Accordingly, growth of money supply was broadly in line with the targets for 2022/23. Extended broad money supply grew by 12.5 percent in the quarter ending December 2022, against the annual target of 10.3 percent, on account of strong growth of credit to private sector, which registered an average growth of 22.9 percent.

The external sector of the economy continued to face adverse effects of the global shocks. The current account recorded a deficit of USD 1,448.2 million during the quarter ended December 2022, compared with a deficit of USD 792 million in the corresponding quarter of 2021, owing to an increase in imports, particularly petroleum products.

Through budget for year 2022/2023, the priorities are in the productive sectors including agriculture, livestock, fisheries, energy, investment and trade.

REPORT OF THOSE CHARGED WITH GOVERNANCE(CONTINUED)

ECONOMIC OVERVIEW: TANZANIA(CONTINUED)

Moreover, the presented budget commensurate with the objective of the Government to build the economy, reduce poverty and employment opportunities especially for the youth.

The estimates of Government budget for 2022/23 have been prepared based on macroeconomic assumptions and targets as follows:

- Real GDP growth rate of 4.7 percent in 2022 and 5.3 percent by 2023;
- Containing inflation at single digit between an average of 3.0 to 7.0 percent in the medium term;
- Domestic revenue collection is estimated at 14.9 percent of GDP in 2022/23;
- Tax revenue collection is projected at 11.7 percent of GDP in 2022/23; and 7
- Maintaining foreign reserves sufficient to cover for at least four months (4) of imports of goods and services.

HIGHLIGHT OF CANARA BANK TANZANIA PERFORMANCE DURING 2022

During the year 2022, the bank was able to achieve aggregate business of TZS 103 billion. Investments have grown by 24 percent from TZS 35 Billion in year 2021 to 43.7 Billion in year 2022. Total shareholders fund increased to TZS 40.6 Billion in year 2022 from TZS 40.2 Billion in year 2021.

The highlights of the performance in 2022 and 2021 is as in the table below: -

Particulars	Actual Dec-22 TZS Millions	Actual Dec-21 TZS Millions
Customer Deposits	53,334	56,655
Gross Loans and Advances	50,117	51,587
Total Business	103,451	108,242
Investments	43,770	35,070
Total Assets	106,534	135,310
Total Shareholders' funds	40,642	40,239
Operating Income	6,107	7,272
Net Interest Income	5,438	6,360
Operating Expenses	3,794	3,457
Profit before Tax	1,355	3,741

REPORT OF THOSE CHARGED WITH GOVERNANCE(CONTINUED)

PERFORMANCE AGAINST TARGETS DURING 2022

During the year under review, Canara Bank has managed to achieve business targets by 83% where by Customer deposits targets achieved by 82% and Gross Loans by 84%.

Total assets target achieved by 71% while shareholders' funds target been achieved by 99.9%

On the other hand, profit was achieved by 36%, Operating income achieved by 72% while Operating expenses contained at 93 % of target.

Particulars	Actual Dec-22 TZS Millions	Target Dec-22 TZS Millions	Achievement %ge
Customer Deposits	53,334	65,086	82%
Gross Loans and Advances	50,117	59,326	84%
Total Business	103,451	124,412	83%
Investments	43,770	44,054	99%
Total Assets	106,534	151,048	71%
Total Shareholders' funds	40,642	41,148	99%
Operating Income	6,107	8,507	72%
Net Interest Income	5,438	7,444	73%
Operating Expenses	3,794	4,092	93%
Profit before Tax	1,355	3,743	36%

KEY PERFORMANCE INDICATORS

The following Key Performance Indicators (KPIs) are used by Canara Bank Tanzania in measuring the delivery of bank strategy and managing the business.

Performance Indicator	Definition	2022	2021
Return on average total assets	Net profit/Total Assets	0.76%	2.09%
Return on average shareholders' funds	Net profit/Total Equity	2.19%	6.70%
Cost to Income Ratio	Operating Expenses/Total Income	62.41%	48.05%
Net Interest Income to average earning assets.	Net interest income/ Average Interest earning assets	5.04%	5.52%
Non-performing loans to total gross loans	Non - performing loans/Gross loans and advances	4.35%	3.17%
Gross loans and advances to Customer Deposits	Gross loans to customers/Total Customer deposits	93.97%	91.06%

REPORT OF THOSE CHARGED WITH GOVERNANCE(CONTINUED)

KEY PERFORMANCE INDICATORS(CONTINUED)

Performance Indicator	Definition	2022	2021
Earning Assets to Total Assets	Earning Assets / Total Assets	92.46%	90.96%
Customer Deposit Growth	Increase in Customer deposits/Opening balance of Customer deposits	-5.86%	17.63%
Assets Growth	Increase in Total Assets/Opening balance of Total Assets	-21.27%	11.30%
Tier 1 Capital Ratio	Core Capital /Risk weighted assets including off balance sheet items	65.50%	58.79%
Total Capital Ratio	Total Capital /Risk Weighted assets including off balance sheet items	66.27%	60.73%

BANK BUSINESS OBJECTIVES AND STRATEGIES

The Bank's long-term strategy is to emerge as a preferred bank, with best practices in respect to asset portfolio management, customer orientation, product innovation, profitability and corporate governance, and to enhance value for its shareholders.

In the medium term, the Bank's key business strategy includes:

i. Securing cost effective funding by increasing the Bank's current account and savings account (CASA) deposits;
ii. Prudent fund management through optimizing costs and yields;
iii. Focusing on the Agricultural, Small, Medium Enterprises and Retail segments;
iv. Enhancing exclusive customer relationship management, marketing and brand building;
v. Leveraging on the use of technology for product innovation and providing efficient customer service.

Achievement of Strategic Objectives for The Year 2022

Prudent fund management through optimizing costs and yields

With this strategic goal, management has been able to achieve its targets on fund management for the year 2022. Attained on cost of customer deposits 5.13% against the target of 5.4%, while attained yield of 9.62% against the target of 10% on Advances.

REPORT OF THOSE CHARGED WITH GOVERNANCE(CONTINUED)

BANK BUSINESS OBJECTIVES AND STRATEGIES (CONTINUED)

Achievement of Strategic Objectives for The Year 2022(continued)

Focusing on Agriculture, Small, Medium Enterprises and Retail segments

With this strategic goal, management has put efforts and was able to provide loans and advances to agriculture sector with outstanding loans of TZS 4.9 Billion as at 31st December 2022.

Enhancing exclusive customer relationship management, marketing and brand building

With this strategic goal, management commenced Marketing activities to identify strategic groups, customer retention strategies including quick response on complaints, customer visits, special recognition/ appreciation of customers and Increasing visibility through improvement of our website and Corporate Social Responsibility.

Leveraging the use of technology for product innovation and provision of efficient customer service

Management has taken some initiatives to improve service delivery through the use of Information technology. In the year 2022 bank has initiated internet banking which is in completion stage. This will enable customers to do transactions remotely.

Future Prospects/Developments

For the year 2023 Management are optimistic that gross advances will grow by 20%, Customer deposits by 12% and incomes by 30 %.

The specific goals for the year 2023 are as follows: -

i. to achieve low cost to total deposit ratio of 28%,
ii. to ensure quality of assets by reducing gross non-performing loan ratio to 2.38 %,
iii. to ensure Cost to Income Ratio of 53.18%,
iv. to attain Earning asset to total assets ratio of 92%,
v. to attain Net Interest margin ratio of 6.25%,
vi. to increase customer satisfaction with no customer complaints,

REPORT OF THOSE CHARGED WITH GOVERNANCE(CONTINUED)

Future Prospects/Developments (Continued)

Management also expects to increase business through various products and services which will be introduced or improved including: -

i. Introduction of agency banking,
ii. Launching of new deposit and credit products,
iii. Increased use of IT enabled services,
iv. Enhancing growth of introduced of Banc assurance.

DIVIDENDS

During the year under review dividend of TZS 492.5 Million, equal to TZS 15 per share was paid to shareholders.

INFORMATION TECHNOLOGY

Canara Bank Tanzania has planned to focus on various new IT initiatives. The bank has set up its both primary and secondary Data Centre and Data Recovery Site in Tanzania since beginning and has gone live with government electronic payment gateway.

CORPORATE SOCIAL RESPONSIBILITY

Bank is committed for its corporate social responsibility towards Tanzanians. For the year 2022, Canara bank had supported two government schools namely Unubini primary School and Kibada Secondary School with computers and office chairs respectively amounting to TZS 9 Million. In the previous year bank had provided 100 desks to Kisutu Primary School amounting to TZS 10million.

CAPITAL STRUCTURE

The Bank's capital structure for the year under review is as follows:

Authorized

50,000,000 ordinary shares of TZS 1,000 each

Issued and fully paid

32,830,000 ordinary shares of TZS 1,000 each. Details of the capital structure are disclosed in Note 21 of this financial statements.

REPORT OF THOSE CHARGED WITH GOVERNANCE(CONTINUED)

CAPITAL ADEQUACY

As per the regulations of Bank of Tanzania, Bank should maintain Total minimum capital adequacy of 14.5% of Risk weighted assets and Core capital adequacy of 12.5% of risk weighted assets. As against this as at 31st December 2022, bank is maintaining Total capital and Core Capital adequacy ratios of 66.27% and 65.5 % respectively.

SOLVENCY

Financial statements have been prepared on a going concern basis. The bank has adequate resources to support operations for the foreseeable future.

RELATED PARTY TRANSACTIONS

No loans/advances were due from the related parties to the Bank by virtue of common ownership. As at 31st December 2022 deposits of TZS 9.2 Billion were due from Parent bank. Directors remuneration for the year amounted to TZS 29 Million. Details of related party transactions are disclosed under Note 23 of this financial statements.

OUR VALUE CREATION PROCESS

We transform resources we have through creation of output (products and services) to generate value to our key stakeholders including investors, customers, employees, regulators and community.

CAPITAL

Capital plays a key role in banking operations and it represents financial, human, manufactured and social resources which enables value creation for our stakeholders including investors, employees, customers, regulators and community.

Financial Capital

Financial capital compromised of the financial resources available and allocated for the provision of products and services for our customer.

These resources are made up of funding from owner's equity, debt and internally generated capital from business operations (retained earnings).

REPORT OF THOSE CHARGED WITH GOVERNANCE(CONTINUED)

OUR VALUE CREATION PROCESS(CONTINUED)

CAPITAL(CONTINUED)

Financial Capital(Continued)

As at December 2022, the financial capital we have is Owner's equity of TZS 40.6 billion and deposits of TZS 63.3 billion.

Human Capital

This resource comprised of our motivated employees with their skills and experiences, as well as their creativity to innovate and develop better products and services.

Bank has continually invested on human resource development focusing on training, staff wellness, staff recognition and career growth.

As at December 2022 Bank was having 26 employees with only 7.6 percent of employee turnover. Revenue value per employee being TZS 235 Million.

Manufactured/Infrastructural Capital

This comprised of the equipment, physical installations, platforms, applications and systems that are used by the bank in the provision of products and services.

Efficient deployment of manufactured capital not only enables us to respond to societal needs, be innovative, and efficiently deliver new products and services to the market, but also reduces resource use and system downtime, thus enhancing both operational and cost efficiencies, ensuring sustainable growth.

Bank is having one branch but with mobile banking application and Internet banking, customers can to do transaction without the need to visit branch.

Social/Relationship Capital

Our bank believes in transparent and ethical relationships with our key stakeholders including customers, suppliers, regulators, government and society.

As at 31st December 2022 bank had 1,421 customers.

REPORT OF THOSE CHARGED WITH GOVERNANCE(CONTINUED)

OUR VALUE CREATION PROCESS(CONTINUED)

OUTPUT

Represents the services and products that we provide to our various customers to generate output to stakeholders.

Saving and Current Deposit Accounts

Canara Bank offers Savings and Current accounts to its corporate, Small and medium sized and Individual customers.

As at December 2022 the number of savings and current deposit accounts is 1546, where by Current Accounts were 307 and Savings Accounts 1,239

Loan Accounts

Bank offers various loan products to our Corporate, SME and Individual customers including Term Loans, Retail loans, Insurance Premium Finance, Payroll loans and Overdrafts. As at December 2022 the number of outstanding loans was 218.

Investment Products.

Bank provides various investment products to customers where by customer earn interest income. These are investment through Fixed Deposit by customers and money market investments done by other financial institutions.

Payment Transactions

Bank enables Customer payment transactions through E- remit, Swift/ TISS, Cheque and Mobile banking. Through E-remit customer is assured of instant fund transfer to India.

Forex

We enable our customers to exchange their monies from once currency to other and there by facilitating international trade.

REPORT OF THOSE CHARGED WITH GOVERNANCE(CONTINUED)

OUR VALUE CREATION PROCESS(CONTINUED)

OUTCOME

Refers to value that we create and serve to stakeholders as a result of allocation of resources to bank products and services.

Shareholders

These are the initial providers of financial capital.

We create value to our shareholders through

- Increasing Equity value and net profit. As at Dec 2022 Return on Equity was 2.19 % and Return on Asset was 0.76 %
- Management adherence to a disciplined process of capital allocation
- Payment of dividend, bank paid dividends of TZS 492.5 Million to its shareholders during the year under review.

Employees

Our staff are key to making Canara Bank a great place for other stakeholders.

Bank create value to employees through: -

- Employing Local citizens (Tanzanians)
- Rewarding for value they provide through payment of salaries and other benefits.
- Developing staff to advance their career.
- Creating jobs as we grow.

Regulators

We create value to our regulators and policy makers through

- Compliance to laws and regulations.
- Payment of corporate taxes and staff personal taxes.
- Buying government Treasury bill and bonds.

REPORT OF THOSE CHARGED WITH GOVERNANCE(CONTINUED)

OUR VALUE CREATION PROCESS(CONTINUED)

OUTCOME(CONTINUED)

Customers

Customers remain the largest source of our deposits, which enable us to fund lending activities. We create value to our customers through: -

- Safe guarding deposits and investments and providing good yields on investments.
- Providing credit that enables wealth creation, economic development and job creation
- Providing financial education.
- Facilitating payment transactions necessary for economic value exchange.

Community

It is society that grants us the license to operate and as such, the bank is conscious of the needs of society. We create value to society through: -

- Buying of goods and services from society
- Corporate Social Responsibility, in year 2022 we have spent TZS 9 million.
- Transforming our society economy through lending.

CORPORATE GOVERNANCE

We believe in adopting the best practices in Corporate Governance. The Board, Management and Canara Bank employees are committed to upholding the core values of transparency, integrity, honesty and accountability, which are fundamental to the attainment of good governance and excellent performance in any organization.

BOARD OF DIRECTORS

The Board is responsible and accountable for providing effective corporate governance, direction and control of the company. The directors have a duty to exercise leadership, enterprise, integrity and judgment based on transparency, fairness, accountability and responsibility. Directors are committed to the principles of good corporate governance and recognize the need to conduct the Banking business with best practices.

REPORT OF THOSE CHARGED WITH GOVERNANCE(CONTINUED)

CORPORATE GOVERNANE (CONTINUED)

BOARD OF DIRECTORS(CONTINUED)

Therefore, Directors confirm that:

- The Board of Directors conducted the meeting regularly during the year 2022.
- The position of the Chairman & Chief Executive officer is held by different persons.
- They have effective control over the company and its executive management.
- Board exercises the responsibility for policy decisions, budgeting & monitoring performance.

Composition of Board of Directors

The names of Directors of Board of Canara Bank (Tanzania) Limited for the Financial Year 2022 are as under:

No.	Name of directors	Date of Birth	Nationality	Qualification/Expertise	Date of appointment
1	Mr. Debashish Mukherjee	09.05.1965	Indian	Banking/Economics/Finance	23.03.2021
2	Mr. Santanu K. Majumdar	15.01.1969	Indian	Banking/Accounting	13.05.2019
3	Ms. Kota Kalyani	18.03.1965	Indian	Banking	27.01.2020
4	Mr. Rajab S. Kakusa	11.01.1963	Tanzanian	Accounting/Insurance/Banking	23.11.2021
5	Ms. Mwanaidi A Mtanda	27.09.1955	Tanzanian	Accounting	26.06.2020
6	Prof. Deus D Ngaruko	30.05.1969	Tanzanian	Economics	09.03.2020
7	Dr. Indiael D Kaaya	15.03.1979	Tanzanian	Accounting	26.03.2020
8	Mr. T R Balaji Rao	27.09.1965	Indian	Banking/Economics/Finance	16.07.2019
9	Mr. Vibhuti N. R. Choudhary	01.05.1975	Indian	Banking, PGPM in Finance & HR	16.07.2019

REPORT OF THOSE CHARGED WITH GOVERNANCE(CONTINUED)

CORPORATE GOVERNANCE(CONTINUED)

Board Committees

The Board was supported by the following committees during the year 2022.

Audit committee

No.	Name of directors	'Nationality	Position
1	Mr. Rajab S. Kakusa	Tanzanian	Chairperson
2	Ms. Mwanaidi A Mtanda	Tanzanian	Member
3	Dr. Indiael D. Kaaya	Tanzanian	Member

Credit committee

No.	Name of directors	Nationality	Position
1	Mr. Santanu K. Majumdar	Indian	Chairperson
2	Prof. Deus D Ngaruko	Tanzanian	Member
3	Ms. Kota Kalyani	Indian	Member

Risk management committee

No.	Name of directors	Nationality	Position
1	Prof. Deus D Ngaruko	Tanzanian	Chairperson
2	Mr. Santanu K. Majumdar	Indian	Member
3	Ms. Kota Kalyani	Indian	Member

Remuneration committee

No.	Name of directors	Nationality	Position
1	Ms. Kota Kalyani	Indian	Chairperson
2	Mr. Santanu K. Majumdar	Indian	Member
3	Prof. Deus D Ngaruko	Tanzanian	Member

REPORT OF THOSE CHARGED WITH GOVERNANCE(CONTINUED)

CORPORATE GOVERNANCE(CONTINUED)

Board Meetings

Board is required by regulator guidelines to meet at least four times a year and the Board met four times during the year 2022. Board meeting during year 2022 were held on 22nd March 2022, 17th June 2022, 04th October 2022 and 22 December 2022.

Below is a summary of directors' attendance to the meetings for the year 2022.

Name of director	*BOARD*	*BRMC*	*BCC*	*BRC**	*BAC*
Mr. Debashish Mukherjee	4/4	N/A	N/A	N/A	N/A
Mr. Santanu K. Majumdar	4/4	4/4	4/4	2/2	N/A
Ms. Kota Kalyani	3/4	4/4	4/4	2/2	N/A
Mr. Rajab S. Kakusa	3/4	N/A	N/A	N/A	3/4
Ms. Mwanaidi A Mtanda	3/4	N/A	N/A	N/A	3/4
Prof. Deus D Ngaruko	4/4	4/4	4/4	2/2	N/A
Dr. Indiael D Kaaya	4/4	N/A	N/A	N/A	4/4
Mr. T R Balaji Rao	4/4	4/4	4/4	2/2	4/4
Mr. Vibhuti N. R. Choudhary	4/4	4/4	4/4	2/2	4/4

*Board Remuneration Committee(BRC) was established as required by the Banking and Financial Institutions (Corporate governance) regulation, 2021. It was established by Board of Directors on June 2022 and two meetings were held on September 2022 and December 2022.

Directors' Responsibility

The Board of Directors confirms that in the preparation of Annual financial statement for the year ended 31st December 2022.

- Accounting policies framed in accordance with the guidelines of Bank of Tanzania, were consistently applied.
- The applicable accounting standards have been followed.

REPORT OF THOSE CHARGED WITH GOVERNANCE(CONTINUED)

CORPORATE GOVERNANCE(CONTINUED)

Directors' Responsibility(Continued)

- Proper and sufficient care was taken for maintenance of adequate accounting records with the provisions of applicable guidelines governing Banks in Tanzania.
- True and fair view of the state of affairs of the Bank and profit of the Bank is given at the year ended 31 December 2022.
- Directors also confirm compliance with the provisions of the requirements of Tanzania Financial Reporting Standard (TFRS 1).

Management

The management of the bank is under the Managing Director organized into the following departments

- Credit
- Treasury and Trade Finance
- Operations
- Information Technology
- Finance & Human Resources
- Risk and Compliance
- Internal Audit

Management Team

Name	Position
Mr. T R Balaji Rao	Managing Director
Mr. Vibhuti N. R. Choudhary	Deputy CEO
Mr. Kaushalendra Tiwari	General Manager Credit
Mr. John Charles	General Manager Operation
Ms. Salma Mrisho	Head of Treasury and Trade Finance

REPORT OF THOSE CHARGED WITH GOVERNANCE(CONTINUED)

CORPORATE GOVERNANCE(CONTINUED)

Management Team(Continued)

Name	**Position**
Ms. Salma Mrisho	Head of Treasury and Trade Finance
Mr. Jacob Kitonga	Head of Information Technology
Mr. Fadhili Sanga	Head of Finance and Human Resources
Mr. Ally Ramadhan	Head of Risk and Compliance
Mr. Fredrick Hippolite	Head of Internal Audit

EMPLOYEES WELFARE

Employer and employee relationship

Management has continued to maintain good relationship with employee during the year 2022.

The bank is an equal opportunity employer that provides equal access to employment opportunities. It also ensures that best candidates are chosen to any position without any kind of discrimination.

Medical assistance

Bank provides medical insurance to cover to all employees with one registered spouse and up to four children of age bellow 18 years.

Financial assistance to staff

Bank provides loans and salary advances to its employees as per Human Resources policy approved by Board of Directors.

Persons with disabilities

Applications for employment by disabled persons are always considered, bearing in mind the aptitude of the applicant concerned.

REPORT OF THOSE CHARGED WITH GOVERNANCE(CONTINUED)

EMPLOYEES WELFARE(CONTINUED)

Persons with disabilities(Continued)

In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Bank continues.

Employees benefit plan

The Bank pays contributions to National Social Security Fund (NSSF) which is a defined contribution scheme. Employee contribute 10% and Employer contribute 10% to the scheme.

Training

Bank undertakes both internal and external training to all staff as per annual training plan which is approved by Board of Directors. These trainings intend to upgrade skills and enhance development.

GENDER BALANCE

The Bank is an equal Opportunity Employer. As at 31st December 2022, bank is having 42 percent female employees and 58 percent male employees.

AUDITORS

M/S Nexia SJ Tanzania were the auditors of the Bank during the year ended 31 December 2022. They have expressed their willingness to continue for the next financial year 2023.

ACKNOWLEDGEMENTS

The Board expresses its gratitude to the Bank of Tanzania and various department of Government of Tanzania for the valuable guidance and support provided to us.

The Board also acknowledges the support of its customers, other financial institutions and correspondent Banks for their support & cooperation. The Board also wishes to place on record its appreciation for all the staff members of the Bank for their dedicated services and contributions for the performance of the Bank.

REPORT OF THOSE CHARGED WITH GOVERNANCE(CONTINUED)

EMPLOYEES WELFARE(CONTINUED)

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Bank undertakes both internal and external training to all staff as per annual training plan which is approved by Board of Directors. These trainings intend to upgrade skills and enhance development.

GENDER BALANCE

The Bank is an equal Opportunity Employer. As at 31st December 2022, bank is having 42 percent female employees and 58 percent male employees.

AUDITORS

M/S Nexia SJ Tanzania were the auditors of the Bank during the year ended 31 December 2022. They have expressed their willingness to continue for the next financial year 2023.

ACKNOWLEDGEMENTS

The Board expresses its gratitude to the Bank of Tanzania and various department of Government of Tanzania for the valuable guidance and support provided to us.

The Board also acknowledges the support of its customers, other financial institutions and correspondent Banks for their support & cooperation. The Board also wishes to place on record its appreciation for all the staff members of the Bank for their dedicated services and contributions for the performance of the Bank.

REPORT OF THOSE CHARGED WITH GOVERNANCE(CONTINUED)

ACKNOWLEDGEMENTS(CONTINUED)

Lastly, we thank the management and staff of Canara Bank, India, (Our Parent Bank), for their continued support and guidance.

The directors are required in terms of the Tanzanian Companies Act 2002 to maintain adequate accounting records and are responsible for the content, integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements present fairly the state of affairs of the Bank as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

For and On Behalf of Board of Directors:

T R BALAJI RAO

Managing Director

Place: Dar Es Salaam

Date: 11/04/2023

STATEMENT OF RESPONSIBILITIES OF THOSE CHARGED WITH GOVERNANCE

The directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards, requirements of the Companies Act, 2002 & the Banking and Financial Institution Act, 2006, the guidelines of Bank of Tanzania and National Board of Accountants and Auditors (NBAA).

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Bank and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the Board of Directors sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Bank and all employees are required to maintain the highest ethical standards in ensuring the Bank's business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in the Bank is on identifying, assessing, managing and monitoring all known forms of risk across the Bank. While operating risk cannot be fully eliminated, the Bank endeavors to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and managed within predetermined procedures and constraints.

The Directors acknowledge that they are responsible for establishing appropriate policies and procedures to prevent non-compliance with laws and regulations (NOCLAR), including whistleblowing procedures as a necessary part of good internal governance.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the bank's cash flow forecast for the year to December 31, 2023 and, in light of this review and the current financial position, they are satisfied that the bank has or had access to adequate resources to continue in operational existence for the foreseeable future.

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

The external auditors are responsible for independently auditing and reporting on the bank's financial statements. The financial statements have been examined by the bank's external auditors and their report is presented on pages 26 to 31.

The financial statements set out on pages 32 to 70, which have been prepared on the going concern basis, were approved by the board of directors on 11.04.2023 and were signed on their behalf by:

T R BALAJI RAO	Dr. Indiael D. Kaaya
Managing Director	Director
Place: Dar Es Salaam	
Date: 11/04/2023	

DECLARATION OF HEAD OF FINANCE

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

It is the duty of a Professional Accountant to assist the Board of Directors/Governing Body/ Management to discharge the responsibility of preparing financial statements of an entity showing true and fair view of the entity position and performance in accordance with applicable International Accounting Standards and statutory financial reporting requirements.

Full legal responsibility for the preparation of financial statements rests with the Board of Directors/Governing Body as under Directors Responsibility statement on an earlier page.

I, FADHILI PETRO SANGA, being the Head of Finance of Canara Bank (Tanzania) Limited hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2022 have been prepared in compliance with applicable International Financial Reporting standards and statutory requirements.

I thus confirm that the financial statements give a true and fair view position of Canara Bank (Tanzania) Limited as on 31 December 2022 and that they have been prepared based on properly maintained financial records.

Signed by______________

Position: HEAD OF FINANCE

NBAA Membership No. GA 5296

Date: 11/04/2023

REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF CANARA BANK (TANZANIA) LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Canara Bank (Tanzania) Limited, which comprise the statement of financial position as at 31 December 2022, 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 and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2022, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act, 2002 and the Banking and Financial Institutions Act, 2006 of Tanzania.

Basis for Opinion

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

We are independent of the Bank in accordance with the International Ethics Standards Board for Accountant's Code of Ethics for Professional Accountants (IESBA Code) together with the National Board of Accountants and Auditors (NBAA) Code of Ethics and we have fulfilled our ethical responsibilities in accordance with these requirements.

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

Key Audit Matters

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

REPORT OF THE INDEPENDENT AUDITOR (CONTINUED)
TO THE MEMBERS OF CANARA BANK (TANZANIA) LIMITED

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

No.	Key audit matters	How our audit addressed the key audit matter
1.	**Impairment loss on loans and advances to customers**	
	Impairment is a subjective area due to the level of judgement applied by management in determining provisions. The Bank is required to calculate impairment of loans and advances in accordance with both the regulations of the Bank of Tanzania and IFRSs. We focused on the identification of impairment events, which differs based upon the type of lending product and customer. Judgement is required to determine whether a loss has been incurred. We also focused on the measurement of impairment losses, including the assessment of whether historical experience is appropriate when assessing the likelihood of incurred losses in respect to loans. As disclosed in under the *significant accounting policies,* judgement is applied in determining the appropriate parameters and assumptions used to calculate impairment. For example, the assumption of customer that will default, the valuation of collateral for secured lending and the expected future cash flows of loans. The disclosure associated with credit risk is set out in the financial statements, under Significant accounting policies point number 5.1.	• Our audit procedures included the assessment of key controls over the approval, recording and monitoring of loans and advances, and evaluating the methodologies, inputs and assumptions used by the Bank in calculating collectively assessed impairment losses, and assessing the adequacy of impairment allowances for individually assessed loans and advances. We compared the Bank's assumptions for impairment allowances to externally available industry, financial and economic data and our own assessment in relation to key inputs. As part of this, we assessed the Bank's estimates and assumptions used including the consistency of judgement applied in determination of the amount and timing of expected future cash flows, and consideration of economic factors and historical default rates. • We evaluated whether the Bank's assumption on the expected future cash flows, including the value of realisable collateral was based on up-to-date valuations and available market information. • We also assessed whether the financial statements disclosures appropriately reflect the Bank's exposure to credit risk. • We challenged management assumptions regarding the recovery rate of unsecured facilities.

REPORT OF THE INDEPENDENT AUDITOR (CONTINUED)
TO THE MEMBERS OF CANARA BANK (TANZANIA) LIMITED

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

No.	Key audit matters	How our audit addressed the key audit matter
2.	**Information control systems and controls over financial reporting in the financial statements.**	
	The Bank's financial and accounting and reporting systems are heavily dependent on complex systems. Significant reliance on IT systems presents a significant risk to the Bank as the core banking system is considered complex due to multiple significant functionalities and interdependencies with other systems. We spent significant audit effort in the audit of these systems as part of the audit process, as it is critical for the control environment of the bank and therefore, we determined it to be a key audit matter.	Our audit procedures in this area included, among others the use of our IT auditors / specialists in: • Reviewing of IT Governance practices to access their adequacy, the existence of IT Risk assessment, and the role of IT Steering Committee (if any) and the Board of Directors; • Reviewing information systems within the financial institutions including core banking system, operating systems, applications, databases, servers and networking devices and confirm whether all the systems are robust enough to ensure data integrity, confidentiality and availability; • Performing application controls testing which include configuration controls, sensitive access and segregation of duties controls, interface controls, data integrity controls and obtain reasonable assurance on the accuracy and completeness of reports; • Reviewing and accessing whether balances resulting from all transactions and data processed within the Bank's IT system are accurately captured and reported in the General Ledger, the Financial Statements and Returns submitted to the BOT; and • Reviewing IT security controls including application security, privileged access, audit trails, system monitoring and maintenance, controls over program and system changes, integrity and systems ability to recover from unexpected shutdown`s and ability to recover from a disaster resulting in loss of data. The business continuity practice in its totality was reviewed.

REPORT OF THE INDEPENDENT AUDITOR (CONTINUED)
TO THE MEMBERS OF CANARA BANK (TANZANIA) LIMITED

Report on the Audit of the Financial Statements (continued)

Other Information

Other information consists of the information included in the corporate information, report of the directors, statement of directors' responsibility and declaration of the head of finance, other than the financial statements and our auditor's opinion thereon.

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

Directors' are responsible for the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

Directors' are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act, 2002 and the Banking and Financial Institutions Act, 2006 of Tanzania, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Directors either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

A further description of the auditor's responsibilities for the audit of the financial statements is given in the Appendix to Independent Auditor's report. This description forms part of our auditor's report.

REPORT OF THE INDEPENDENT AUDITOR (CONTINUED)
TO THE MEMBERS OF CANARA BANK (TANZANIA) LIMITED

Report on the Audit of the Financial Statements (continued)

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 and for no other purpose.

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

(i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

(ii) in our opinion proper books of account have been kept by the Bank, so far as appears from our examination of those books; and

(iii) the Bank's statement of financial position and statement of comprehensive income are in agreement with the books of account.

As required by the Companies Act, CAP 212 Act No. 12 of 2002, we are also required to report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Bank has not kept proper accounting records, if the financial statements are not in agreement with the accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Bank is not disclosed. In respect of the foregoing requirements, we have no matter to report.

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 Page 58 of the financial statements have been computed in accordance with the Banking and Financial Institutions Act, 2006, and the Banking and Financial Institutions (Capital Adequacy) Regulations, 2014 of Tanzania.

Nexia S.J

Nexia SJ Tanzania
Certified Public Accountants
1st Floor, Oyster Plaza, Haile Selassie Road
P.O. Box 12729, Dar es Salaam, Tanzania.

S. Jaffer

Sujata Jaffer
Engagement Partner
NBAA registration no. ACPA 718
Dar es Salaam
Ref: NSJ/05/2023

Date: 11 | 04 | 2023

REPORT OF THE INDEPENDENT AUDITOR(CONTINUED) TO THE MEMBERS OF CANARA BANK (TANZANIA) LIMITED

Report on the Audit of the Financial Statements (continued)

Appendix to Independent Auditors Report

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

	Note	2022 TZS '000	2021 TZS '000
Interest income	7	8,707,515	9,635,815
Interest expenses	8	(3,269,710)	(3,275,445)
Net Interest income		**5,437,805**	**6,360,369**
Fees & commission income	9(i)	499,873	784,798
Fees & commission expense	9(ii)	(34,069)	(33,924)
Foreign exchange income	9(iii)	196,931	152,735
Other income	9(iv)	6,496	8,449
Operating income		**6,107,037**	**7,272,428**
Net Impairment charge	25(ii)	(957,306)	(73,772)
Net Operating income		**5,149,731**	**7,198,656**
Employees benefit expenses	10(i)	(1,650,857)	(1,387,770)
Depreciation and amortization expenses	10(ii)	(413,943)	(471,622)
Other operating expenses	10(iii)	(1,729,460)	(1,598,107)
Operating expenses		**(3,794,259)**	**(3,457,499)**
Profit/(loss) before taxation		**1,355,472**	**3,741,157**
Income tax (charge)/credit	17(i)	(460,034)	(1,127,853)
Profit for the year		**895,439**	**2,613,304**
Other comprehensive income		-	-
Total comprehensive income for the year		**895,439**	**2,613,304**

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	Note	2022 TZS '000	2021 TZS '000
ASSETS			
Cash	11(i)	595,791	832,825
Balances with Bank of Tanzania	11(ii)	4,942,863	9,467,896
Deposits and balances due from Banking institutions	12	4,683,537	36,886,282
Government securities	13	43,769,977	35,070,140
Loans and advances to customers	15	50,045,177	51,115,390
Other assets	16	1,103,449	1,184,109
Income tax recoverable	17(ii)	119,921	755
Deferred tax asset	17(iii)	75,855	-
Property and equipment	18(i)	429,100	448,562
Intangible assets -Computer Software	18(ii)	48,403	26,187
Right to use assets	18(iii)	720,263	277,807
Total assets		106,534,335	135,309,954
LIABILITIES			
Customer deposits	19(i)	53,334,133	56,654,608
Deposits from banks	19(ii)	9,984,600	36,430,000
Lease liabilities	20(i)	720,263	280,530
Other liabilities	20(ii)	1,853,482	1,660,184
Income tax payable	17(ii)	-	3,420
Deferred tax liability	17(iii)	-	42,343
Total liabilities		65,892,478	95,071,086
SHAREHOLDERS' EQUITY			
Share capital	21(i)	32,830,000	32,830,000
Retained earnings		7,344,163	6,129,498
Statutory reserve	21(ii)	467,694	1,279,370
Total shareholders' equity		40,641,857	40,238,868
Total equity and liabilities		106,534,335	135,309,954

The Financial statements on pages 32 to 70 were approved and authorized for issue by Board of Directors on 11.04.2023 and signed on its behalf by:

TR Balaji Rao

Managing Director

Dr. Indiael D. Kaaya

Director

The notes set out on pages 36 to 70 form an integral part of the financial statements

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

	Attributable to equity holders of the Bank				
	Share Capital TZS '000	General Reserve TZS '000	Statutory Reserve TZS '000	Retained earnings TZS '000	Total equity TZS '000
Balance at 1st January 2021	32,830,000	-	41,351	4,754,213	37,625,564
Transfer to retained earnings	-	-	-	-	-
Transfer to statutory reserve	-	-	1,238,019	(1,238,019)	-
Transfer to general reserve	-	-	-	-	-
Total comprehensive income for the year	-	-	-	2,613,304	**2,613,304**
Balance at 31st December 2021	32,830,000		1,279,370	6,129,498	40,238,868
Balance at 1st January 2022	32,830,000	-	1,279,370	6,129,498	40,238,868
Dividend paid	-	-	-	(492,450)	**(492,450)**
Transfer to retained earnings	-	-		-	-
Transfer to statutory reserve	-		(811,676)	811,676	-
Total comprehensive income for the year	-	-	-	895,439	**895,439**
Balance at 31st December 2022	32,830,000	-	467,694	7,344,163	40,641,857

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 TZS '000	2021 TZS '000
Cash flows from operating activities			
Profit before taxation		1,355,472	3,741,158
Adjustments for:			
Depreciation	10(ii)	413,943	471,621
Provision for Impairment of assets	25(ii)	957,306	73,772
Gain/loss on disposal of fixed assets	9(iv)	634	(866)
Net foreign exchange gain		(196,931)	(152,735)
Net cash flow before changes in working capital		2,530,424	4,132,950
Change in statutory minimum reserve	11(ii)	266,003	(442,278)
Change in investment in Treasury Bills & Bonds		(7,000,049)	(2,005,810)
Change in loans and advances to customers		99,422	(2,759,131)
Change in Other Assets		81,876	(330,066)
Change in loans to other financial institutions		(4,198)	1,458,474
Change in deposits		(29,765,875)	11,835,707
Change in other Liabilities		193,298	(411,788)
Cash generated from operations before tax		(33,599,100)	11,478,058
Income tax paid	17(ii)	(700,817)	(1,168,246)
Net cash flow from operating activities		(34,299,917)	10,309,812
Cash flows from investing activities			
Purchase of property & equipment	18	(148,550)	(4,996)
Proceeds from disposal of equipment	9(iv)	9,027	1,075
Net cash used in investing activities		(139,523)	(3,921)
Cash flows from financing activities			
Payment of lease liabilities	20(i)	(280,530)	(254,147)
Dividend paid	21(iii)	(492,450)	-
Net cash generated from financing activities		(772,980)	(254,147)
Net cash flow for the period		(35,212,420)	10,051,744
Effect of exchange rate changes on cash and cash equivalents		196,931	152,735
Cash and cash equivalents as at 1st January		47,101,300	36,896,824
Cash and cash equivalents as at 31st December	14	12,085,811	47,101,300

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Canara Bank (Tanzania) Limited is a wholly owned, subsidiary of Canara Bank India. It has been incorporated under the Tanzanian Companies Act, 2002 on 2 November 2015. The Bank of Tanzania issued license to conduct banking business under section 7 of the Banking and Financial Institutions Act, 2006 on 5 May 2016. The Bank commenced business on 09 May 2016.

2. ACCOUNTING CONVENTION

The Financial statements have been prepared under the historical cost convention of accounting modified to include revaluation of financial instruments wherever applicable. The Bank prepares its financial statements under International Financial Reporting Standards (IFRS).

3. ADOPTION OF NEW AND REVISED STANDARDS & INTERPRETATIONS.

3.1 STANDARDS, AMENDMENTS TO THE STANDARDS AND INTERPRETATIONS EFFECTIVE ON OR AFTER JANUARY 2022.

The following new and revised IFRSs have been applied in the current year and had no material impact on the amounts reported in these financial statements, except where stated.

i. Property, plant and Equipment – Proceeds before intended use (Amendments to IAS 16)

Proceeds from selling items (e.g. samples) before the related PPE is available for its intended use can no longer be deducted from the cost of PPE. Instead, such proceeds are recognized in profit or loss, together with the cost of producing those items (to which IAS 24 applies). Therefore, a company will need to distinguish between:

- Costs of producing and selling items before the PPE is available for its intended use; and
- Costs of making the PPE available for its intended use.

Determining how to characterize such costs may require significant estimation and judgment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3.ADOPTION OF NEW AND REVISED STANDARDS & INTERPRETATIONS(CONTINUED)

3.1 STANDARDS, AMENDMENTS TO THE STANDARDS AND INTERPRETATIONS EFFECTIVE ON OR AFTER JANUARY 2022 (CONTINUED)

The amendments apply retrospectively but only for new PPE that reaches its intended use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments. They can be early adopted.

The amendments are effective for annual periods beginning on or after 1 January 2022.

i. Onerous Contracts – Cost of fulfilling a contract (Amendments to IAS 37- *Provisions, Contingent Liabilities and Contingent Assets*)

The changes in *Onerous Contracts – Cost of fulfilling a contract (Amendments to IAS 37)* clarifies that when assessing if a contract is onerous, the cost of fulfilling it includes all costs related directly to the contract. Such costs include both:

- The incremental costs of the contract (i.e. costs a company would avoid if it did not have the contract, like direct labor and materials); and
- An allocation of other costs that relate directly to fulfilling the contract (e.g. contract management and supervision, or depreciation of equipment used in fulfilling it).

(An example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Entities apply the amendments to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated.

ii. IFRS 3 (Business Combinations) amendment reference to the conceptual framework.

Update references in IFRS 3 to the revised 2018 Conceptual Framework. The amendments introduce new exceptions to the recognition and measurement principles in IFRS 3 to ensure that this update does not change which assets and liabilities qualify for recognition in a business combination or create new day gains or losses.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3.ADOPTION OF NEW AND REVISED STANDARDS & INTERPRETATIONS(CONTINUED)

3.1 STANDARDS, AMENDMENTS TO THE STANDARDS AND INTERPRETATIONS EFFECTIVE ON OR AFTER JANUARY 2022 (CONTINUED)

An acquirer applies the definition of a liability in IAS 37 - not the definition in the Conceptual Framework - to determine whether a present obligation exists at the acquisition date as a result of past events.

For a levy in the scope of IFRIC 212, the acquirer applies the criteria in IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred as of the acquisition date. In addition, the amendments clarify that the acquirer does not recognize a contingent asset at the acquisition date.

The changes in Reference to the Conceptual Framework (Amendments to IFRS 3):

- Update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework;
- Add to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and
- Add to IFRS 3 an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

iii. Annual Improvements cycle 2018-2020

These amendments include minor changes to:

Amendments to IFRS 1, First-Time Adoption of International Financial Reporting Standards.

Simplify the application of IFRS 1 by a subsidiary that becomes a first-time adopter of IFRS Accounting Standards after its parent. If such a subsidiary applies IFRS 1. D16(a), it may elect to measure cumulative translation differences at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to IFRS Accounting Standards.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3.ADOPTION OF NEW AND REVISED STANDARDS & INTERPRETATIONS(CONTINUED)

3.1 STANDARDS, AMENDMENTS TO THE STANDARDS AND INTERPRETATIONS EFFECTIVE ON OR AFTER JANUARY 2022 (CONTINUED)

Amendments to IAS 41, Agriculture

Taxation in fair value measurements. The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13.

3.2 NEW AND AMENDED STANDARDS AND INTERPRETATIONS IN ISSUE BUT NOT YET EFFECTIVE IN THE YEAR ENDED 31 DECEMBER 2022.

The Bank did not early-adopt any new or amended standards in the year.

i. IFRS 17 Insurance Contracts

IFRS 17 provides the first comprehensive guidance on accounting for insurance contracts under IFRS Accounting Standards. It aims to increase transparency and reduce diversity in the accounting for insurance contracts.

Effective for accounting periods beginning on or after 1 January 2023.

ii. Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2, Making Materiality Judgements)

Continues the IASB's clarifications on applying the concept of materiality. These amendments help companies provide useful accounting policy disclosures, and they include:

- requiring companies to disclose their *material* accounting policies instead of their *significant* accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and do not need to be disclosed; and

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3.2NEW AND AMENDED STANDARDS AND INTERPRETATIONS IN ISSUE BUT NOT YET EFFECTIVE IN THE YEAR ENDED 31 DECEMBER 2022(CONTINUED)

- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material.

The IASB also amended IFRS Practice Statement 2 to include guidance and examples on applying materiality to accounting policy disclosures.

Effective for accounting periods beginning on or after 1 June 2023

iii. Definition of Accounting Estimates (Amendments to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors)

clarifies how companies distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates. The distinction between the two is important because changes in accounting policies are applied retrospectively, whereas changes in accounting estimates are applied prospectively.

The amendments clarify that accounting estimates are monetary amounts in the financial statements subject to measurement uncertainty.
The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

Effective for accounting periods beginning on or after 1 June 2023

iv. Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

Clarifies how companies account for deferred taxes on transactions such as leases and decommissioning obligations, with a focus on reducing diversity in practice.
The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

Effective for accounting periods beginning on or after 1 January 2023

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3.2NEW AND AMENDED STANDARDS AND INTERPRETATIONS IN ISSUE BUT NOT YET EFFECTIVE IN THE YEAR ENDED 31 DECEMBER 2022(CONTINUED)

v. Classification of Liabilities as Current or Non-current, and Non-Current Liabilities with Covenants (Amendments to IAS 1, Presentation of Financial Statements)

- Clarify that the classification of liabilities as current or noncurrent is based solely on a company's right to defer settlement for at least 12 months at the reporting date. The right needs to exist at the reporting date and must have substance.
- Only covenants with which a company must comply on or before the reporting date may affect this right. Covenants to be complied with after the reporting date do not affect the classification of a liability as current or noncurrent at the reporting date. However, disclosure about covenants is now required to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.
- The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability. If a liability has any conversion options, then those generally affect its classification as current or noncurrent, unless these conversion options are recognized as equity under IAS 32, Financial Instruments: Presentation.

Effective for accounting periods beginning on or after 1 January 2023

vi. Lease Liability in a Sale and Leaseback (Amendments to IFRS 16, Leases)

Requires a seller-lessee to account for variable lease payments that arise in a sale-and-leaseback transaction as follows:

- On initial recognition, include variable lease payments when measuring a lease liability arising from a sale-and-leaseback transaction.
- After initial recognition, apply the general requirements for subsequent accounting of the lease liability such that no gain or loss relating to the retained right of use is recognized.
- Seller-lessees are required to reassess and potentially restate sale-and-leaseback transactions entered into since the implementation of IFRS 16 in 2019.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of accounting

Canara Bank (Tanzania) Limited has prepared its financial statements in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared and presented on historical cost conventions modified to include revaluation of financial instruments wherever applicable.

4.2 Revenue recognition.

Income is recognized on an accrual basis. When an account is classified as non-performing, the interest accrued on that account is suspended and kept in interest suspense account until it is realized in cash.

4.3 Foreign currency transactions.

In preparing the financial statements of the entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rate of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statement.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except of differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognized directly in equity.

4.4 Financial assets.

The bank classifies its financial assets in the following categories: Financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available for sale financial assets. The classification is done on the basis of following criteria: -

- *Financial assets at fair value through profit or loss*
  A financial asset is classified in this category if acquired principally or the purpose of selling in the short term or if so designated by the management.
- *Loans and receivables*
  Loans and receivables are non-derivative financial assets with fixed or determined payments that are not quoted in an active market.

NOTES TO THE FINANCIAL STATEMENTS(CONTINUED)
4.SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)

4.4 Financial assets (Continued)

They arise when the bank provides money, goods or services directly to debtor with no intention of trading the receivables.

- *Held-to-maturity*
  Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the bank management has the positive intention and ability to hold to maturity.
- *Available for sale*
  Available for sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or change in interest rates, exchange rates or equity price.

Purchase and sales of financial assets at fair value through profit or loss, held to maturity and available for sale are recognized on trade date. Loans and receivables are recognized when cash is advanced to the borrowers. All financial assets are initially recognized at fair value plus transaction cost. Financial assets are de-recognized when the rights to receive cash flows from the financial assets have expired.

Subsequently, financial assets at fair value through profit or loss and available for sale, are carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest method.

4.5 Impairment of financial assets.

The bank assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the financial asset and that loss event has an impact on the estimated future cash flows of the financial assets that can be reliably estimated.

If there is objective evidence that an impairment loss has been incurred on "Financial assets at fair value through profit or loss", "Financial assets Held-to-maturity" or financial assets available for sale", the amount is measured as difference between the assets carrying cost and its present value of estimated future cash flow discounted at the effective interest rate. The carrying amount is reduced through an allowance account and the amount of loss is recognized in the income statement.

NOTES TO THE FINANCIAL STATEMENTS(CONTINUED)
4.SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)

4.5 Impairment of financial assets. (Continued)

In case of loans and receivables, if there is an evidence of impairment loss, specific provisions is made in line with the requirements of the guidelines issued by the Bank of Tanzania (BOT) as follows:

The provisions are to be compared using both International Financial Reporting Standard (IFRS) 9 approach and Bank of Tanzania (BOT) regulatory approach as under:

No. of days Overdue	Classification	Provision (%)
Below 30	Standard	Nil
31 - 90	Especially mentioned	3
91 - 180	Substandard	20
181 - 360	Doubtful	50
Above 361	Loss	100

In case IFRS-9 provision is less than BOT provision, then a special non-distributable reserve is to be created through an appropriation of distributable reserve to

eliminate the shortfall. The transfer is to be made in the statement of changes in equity and the purpose of the reserve shall be stated in a note to the accounts.

Profit for the year should be transferred to retained earnings and an appropriate charge to the regulatory non-distributable reserve made before any dividend is declared.

The special non-distributable reserve created shall not be part of bank's core capital. In other words, the reserve will not be taken into account when computing Core capital of the bank. Where the bank has made a loss or has negative retained earnings, the excess provision should be added to accumulated losses when computing core capital.

4.6 Property & equipment.

Property & equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

NOTES TO THE FINANCIAL STATEMENTS(CONTINUED)
4.SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)
4.6 Property and equipment (Continued)

Subsequent costs are included in the asset's carrying amount or are recognized as separate asset, as appropriate, only when it is probable that future economic benefit associated with the asset will flow to the bank for more than one year. All other repairs and maintenance expenses are charged to the income statement.

Depreciation is provided in full in the month of additions. No depreciation is provided in the month of sale/disposal. Depreciation is calculated to write off the cost of the fixed assets on a reducing balance basis over their estimated useful lives. The annual depreciation rates in use are:

• Computer hardware	37.50% (WDV)
• Motor vehicle	37.50% (WDV)
• Office furniture & equipment	12.50% (WDV)
• Computer software	33.33% (Flat)

All of the above assets are reviewed for impairment once annually where ever there is a circumstantial evidence of impairment.

4.7 Lease

The bank is having lease transactions during the year. Bank has lease agreement for the office premises and residential premises.

Bank as a lessee

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Bank recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities.

NOTES TO THE FINANCIAL STATEMENTS(CONTINUED)
4.SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)

4.7 Leases (Continued)

The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Commercial and Residential Premises -1 to 3 years

If ownership of the leased asset transfers to the Bank at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Right of use assets have been shown separately on the face of the financial statements.

Lease liabilities

At the commencement date of the lease, the Bank recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Bank uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Bank's lease liabilities have been shown separately on the face of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS(CONTINUED)

4.SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)

4.7 Leases (Continued)

Short-term leases and leases of low-value assets

The Bank applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

The outstanding Bank Premises lease is for three years while residential lease for one year. The annual lease payment (Undiscounted) is as follows:

	Bank Premises TZS "000"	Residential Flats TZS "000"	Total TZS "000"
Next Year	242,136.00	86,925.00	329,061.00
Year 2	242,136.00	-	242,136.00
Year 3	242,136.00	-	242,136.00
Total	726,408.00	86,925.00	813,333.00

4.8 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprises of balances with less than three months' maturity from the date of acquisition, including cash, non-restricted balances with Bank of Tanzania, balances with other commercial banks, money market and investments in government securities.

4.9 Taxation

Income tax expense represents the sum of the current tax payable and the deferred taxation. Current taxation is provided on the basis of the profit for the year, as shown in the financial statement, adjusted in accordance with the Income Tax Act, 2004.

NOTES TO THE FINANCIAL STATEMENTS(CONTINUED)

4.SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)

4.9 Taxation (Continued)

Deferred tax is provided on all temporary differences. Temporary differences are differences between the carrying amount of assets and liabilities for financial reporting purpose and their tax base.

The amount of deferred tax provided is based on the tax rate that has been enacted or substantially enacted by the balance sheet date and is expected to apply when the related deferred income tax is realized or the deferred tax liability is settled.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

4.10 Provisions

Provisions are recognized when the Bank has a present legal or contractual obligation as a result of past events, which will result in an economic outflow and where a reliable estimate can be made of the amount of the obligation.

4.11 Employee benefits

All short-term employee benefits are provided for in the income statement on accrual basis. Further, employees are members of a defined contribution scheme, employees contribute ten percent of their salary and employer contributes ten percent of the employees' salary to the scheme. The employers' contribution is accounted for in the period it falls due.

4.12 Comparatives

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

4.13 Statutory reserves

As per the circular of BOT, for provision of non-performing assets, Bank is required to compute provision using both IFRS-9 approach and BOT regulatory approach. IFRS-9 provision should be charged to the income statement. In case IFRS-9, provisions for classified assets is less than BOT provision, then a special non-distributable reserve should be immediately created through an appropriation of distributable reserves to eliminate the shortfall. This reserve should be termed as "Statutory Reserve".

NOTES TO THE FINANCIAL STATEMENTS(CONTINUED)

5. RISK MANAGEMENT

Operating in a liberalized and globalized environment, bank is exposed to different types of risks emanating from financial and non-financial factors. Risks faced by the bank have been categorized as Credit risk, market risk, liquidity risk, operational risk and strategic risk.

The Board of Directors has overall responsibility for the establishment and oversight of the bank's risk management framework. The board has established the Assets and Liabilities, Credit and Operational Risk and ICT Committees, which are responsible for developing and monitoring bank's risk management policies in their respective area. All Board committees have non-executive members and report regularly to the Board of Directors on their activities.

The Bank's risk management policies are established to identify and analyze the risks faced by the bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered and the guidelines issued by the Bank of Tanzania. The Bank, through its training and management procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Audit committee is responsible for monitoring compliance with the bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the group. The Audit committee is assisted in these functions by the Internal Audit. Internal Audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee. The follow up of these procedures is closely monitored by the Managing Director, in the day to day activities of the bank.

5.1 Credit risk

Credit risk is a risk of financial loss to the bank, if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the bank's loans and advances to customers and other banks, and investment debt securities.

NOTES TO THE FINANCIAL STATEMENTS(CONTINUED)

5.1 Credit risk (Continued)

The Board of Directors has delegated responsibility for the oversight of credit risk to its Credit committee. The credit department of the bank, reporting to the credit committee is responsible for management of the bank's credit risk, including: -

- Formulating credit policies covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorization structure for approval and renewal of credit facilities. The credit limits are governed by the Credit policy, as approved by the board.
- Reviewing and assessing credit risks.
- Limiting concentration of exposure to counterparties, geographies and industries (for loans and advances).

Regular audit of credit process is undertaken by the internal audit.

The classification of loans and advances based on the overdue balances, showing exposure to credit risk, is given below:

Particulars	Balance outstanding TZS "000"	Secured TZS "000"	Unsecured TZS "000"
Standard	47,910,221	39,863,028	8,047,193
ESM	24,965	-	24,965
Substandard	1,845,220	1,845,220	-
Doubtful	74,936	56,908	18,028
Loss	261,336	261,336	-
Total	50,116,677	42,026,492	8,090,185

During the year under review, there was total impairment loss on loans and other assets of TZS 957 Million. Out of that impairment loss amount, TZS 6.13 Million corresponds to Expected Credit Loss as per IFRS 9, while TZS 951.2 Million is loan write off expense for two loan accounts that remained in loss category for 4 consecutive quarters as governed by Bank of Tanzania regulations.

The bank has complied with the requirements of the Bank of Tanzania and the International Financial Reporting Standards as explained in note 4 (v). More disclosures of impairment loss are found in note 25 (i) and 25 (ii) of the Financial statements.

NOTES TO THE FINANCIAL STATEMENTS(CONTINUED)

5.RISK MANAGEMENT(CONTINUED)

5.2 Market risk.

The bank is exposed to market risk. Market risk arises from open positions in interest rate, currency and equity products. The board sets limit and reviews it at regular interval on the risk that may be accepted. Further the exposure is monitored on daily basis.

5.3 Liquidity risk

The bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loans drawn and guarantees, from margin and other calls on cash settlement. The board has set limit based on their experience of the minimum proportion of maturing funds available to meet and on the minimum level of inter-bank and other borrowing facility that should be in place to cover withdrawals at unexpected levels of demand.

Bank has been able to operate with adequate liquidity and complying with BOT requirements. As at December 2022, bank was maintaining liquidity ratio of 38.01% which is above regulatory limit of 20%. Further, maturity gap analysis between Financial assets and Financial liabilities of the bank, reveals positive net maturity gap as per annexure in page 54.

Management forecast for next 12 months reveals that bank will have adequate liquidity to support business requirements.

5.4 Interest rate risk

The bank is exposed to various risk associated with the effect of fluctuation in the prevailing levels of market interest rates on its financial position and cash flow. The bank has the discretion to change the rate on deposits, loans and advances in line with the changes in market trend. These measures minimize the bank's exposure to interest rate risk.

The interest sensitivity gap performed as at December 2022, shows that the bank has positive interest sensitivity gap as it holds more rate sensitive assets than rate sensitive liabilities and therefore changes in interest rate not expected to adversely affect earnings as shown in an annexure in page 55.

NOTES TO THE FINANCIAL STATEMENTS(CONTINUED)

5.RISK MANAGEMENT(CONTINUED)

5.4 Interest rate risk (Continued)

The management projections for next year also shows positive interest rate sensitivity gap.

5.5 Currency risk

The bank is exposed to the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rate. The bank is involved in foreign currency market only to the extent of buying and selling to the extent of required currency. The bank is not involved in foreign currency forward contracts and thus the risk is limited.

As at December 2022, the total bank exposure to foreign currency exchange risk amounted to TZS 315 million, being only 0.96 % of available core capital which is within a limit of 7.5% set by regulator, as shown in annexure in page 56.

5.6 Operational risks

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market, liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risk arises from all the bank's activities.

The bank's objective is to manage the operational risk so as to balance the avoidance of financial losses and damage to the bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiate and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the senior management at each department level. The responsibility is supported by the development of overall standards for management of operational risks in the following areas:

i. Requirements for appropriate segregation of duties, including the independent authorization of transactions;
ii. Requirements for the reconciliation and monitoring of transactions;
iii. Compliance with regulatory and other legal requirements;

NOTES TO THE FINANCIAL STATEMENTS(CONTINUED)

5.RISK MANAGEMENT(CONTINUED)

5.6 Operational risks (Continued)

iv. Documentation of controls and procedures;
v. Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
vi. Requirements for the reporting of operational losses and proposed remedial action;
vii. Development of contingency plans;
viii. Training and professional development;
ix. Ethical and business standard;
x. Risk mitigation, including insurance where this is effective.

Compliance with the standards is supported by the periodic review by the Internal Audit. The results of the internal audit are discussed with the management , with summaries submitted to the Audit Committee

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5.RISK MANAGEMENT(CONTINUED)

Annexure to note 5 .3, table showing Liquidity risk position

The table below analyses the Bank's Financial assets and Financial liabilities into relevant maturity groupings based on the remaining period at 31st December 2022 to the contractual maturity date.

Particulars	Up to 3 months TZS '000	3 to 6 months TZS '000	6 to 12 months TZS '000	Over 12 Months TZS '000	Total TZS '000
ASSETS					
Cash	595,791				595,791
Balance with Bank of Tanzania	4,942,913				4,942,913
Deposits and balances due from Banking institutions	3,755,201	696,600	232,200		4,684,001
Government securities	5,869,590	5,904,270	7,319,384	24,677,170	43,770,415
Loans and advances to customers	2,944,899	5,538,718	15,412,622	26,220,439	50,116,677
Other assets	595,688				595,688
Total Assets	18,704,082	12,139,589	22,964,206	50,897,608	104,705,484
LIABILITIES					
Customer Deposits	25,617,296	6,909,067	17,052,401	3,755,369	53,334,133
Deposits with banks	9,984,600				9,984,600
Lease liabilities				720,263	720,263
Other liabilities	1,518,395				1,518,395
Total Liabilities	37,120,291	6,909,067	17,052,401	4,475,632	65,557,390
NET LIQUIDITY GAP	(18,416,209)	5,230,522	5,911,804	46,421,976	39,148,095

**Other Assets*

Includes only interest receivable from Placements with other banks and Government Securities.

***Other Liabilities*

Includes only Interest Payable on deposits.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
5.RISK MANAGEMENT(CONTINUED)

Annexure to note 5 .4, Table showing Interest sensitivity gap

The table below analyses the Bank's Financial assets and liabilities at carrying amounts, categorized by the earlier of contractual repricing or maturity dates. The Bank does not bear an interest rate on off balance sheet items.

Particulars	Up to 3 months TZS '000	3 to 6 months TZS '000	6 to 12 months TZS '000	Over 1 years TZS '000	Non-interest bearing TZS '000	Total TZS '000
ASSETS						
Cash					595,791	595,791
Balance with Bank of Tanzania					4,942,913	4,942,913
Deposits and balances due from Banking institutions	3,755,201	696,600	232,200			4,684,001
Government securities	5,869,590	5,904,270	7,319,384	24,677,170		43,770,415
Loans and advances to customers	2,944,899	5,538,718	15,412,622	26,220,439		50,116,677
Other assets					595,688	595,688
Total Assets	12,569,690	12,139,589	22,964,206	50,897,608	6,134,391	104,705,484
LIABILITIES						
Customer Deposits	25,617,296	6,909,067	17,052,401	3,755,369		53,334,133
Deposits with banks	9,984,600					9,984,600
Lease liabilities				720,263		
Other liabilities					1,518,395	1,518,395
Total Liabilities	35,601,896	6,909,067	17,052,401	4,475,632	1,518,395	64,837,127
INTEREST SENSITIVITY GAP	(23,032,206)	5,230,522	5,911,804	46,421,976	4,615,997	39,868,357

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
5.RISK MANAGEMENT(CONTINUED)

Annexure to note 5.5 Table showing Bank's exposure to foreign currency exchange rate risk

The table below analyses the bank's assets and liabilities at carrying amounts, categorized by currency. *All amounts are expressed in thousands of Tanzania Shillings.*

Particulars	USD	GBP	EURO	INR	OTHERS	Total
ASSETS						
Cash	389,646	-	-	-	-	389,646
Bank balances in current account	1,749,049	-	-	57,940	-	1,806,989
Money market placement	4,179,600	-	-	-	-	4,179,600
Loans, advance and bills	38,453,961	-	-	-	-	38,453,961
Other assets	134,177	-	-	-	-	134,177
Total Assets	**44,906,433**	-	-	**57,940**	-	**44,964,373**
LIABILITIES						
Deposits	44,426,084	-	-	-	-	44,426,084
Other liabilities	853,227	-	-	-	-	853,227
Total Liabilities	**45,279,311**	-	-	-	-	**45,279,311**
Net Balance sheet position	(372,879)	-	-	57,940	-	(314,939)
Exchange rate as at 31st December 2022	2322	-	-	29	-	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. CAPITAL MANAGEMENT

The Bank's objectives when managing capital, which is broader concept than the 'equity' on the face of the balance sheet, are:

i. To comply with the capital requirement set by the regulator;
ii. To safeguard the Bank's ability to continue as going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
iii. To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's Management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the Bank of Tanzania (BOT), for supervision purposes. The required information is filed with the BOT on a monthly basis.

The Bank of Tanzania (BOT) requires each bank to:

- Hold a minimum level of core capital of TZS 15 billion;
- Maintain a ratio of core capital to the risk weighted assets plus risk weighted off balance sheet items at or above the required minimum of 12.5%; and
- Maintain total capital of not less than 14.5% of risk weighted assets plus risk weighted off balance sheet items.

The bank's regulatory capital as managed by its management is divided into two tiers:

Tier 1 capital: Share capital, retained earnings and reserves created by appropriation of retained earnings. Prepaid expenses and deferred charges are deducted in arriving at Tier 1 capital.

Tier 2 capital: Qualifying subordinate loan capital, collective impairment allowances and unrealized gains arising on the fair valuation of equity instruments held as available for sale.

The risk weighted assets are ensured by means of a hierarchy of five risk weights classified according to the nature and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collaterals or guarantees. A similar treatment is adopted for off balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarizes the composition of regulatory capital and the ratios of the bank for the period ending on 31st December, 2022:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
6. CAPITAL MANAGEMENT(CONTINUED)

Minimum capital required for market risks- Standardized Measurement method		**Amount TZS "000"**
Foreign Exchange Risk		44,745
Interest Rate Position Risk		-
Equities Position Risk		-
Total Minimum capital required for market risk		44,745
Adjusted risk weighted assets		**Risk-weight equivalents**
Credit risk on balance sheet items		48,561,983
Credit risk on off balance sheet items		2,820,808
Total Minimum capital required for market risk		559,318
Total Minimum capital required for operational risk		9,062,674
Total adjusted risk weighted assets and off balance sheet exposures		61,004,783
Available capital		
Available core capital		39,957,658
Available total capital		40,425,352
Capital adequacy ratios		
Core capital to risk weighted assets and off balance sheet exposures		65.50%
Total capital to risk weighted assets and off balance sheet exposures		66.27%
Particulars	**BOT Requirement**	**Actual**
Core capital to risk weighted assets and off balance sheet exposures	12.5%	65.50%
Total capital to risk weighted assets and off balance sheet exposures	14.5%	66.27%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

		2022 TZS '000	2021 TZS '000
7	**INTEREST INCOME**		
	Interest on loans and advances	4,558,028	5,050,064
	Interest on Government securities	3,285,182	3,241,076
	Interest on loans to other banks	864,305	1,344,674
		8,707,515	9,635,815
8	**INTEREST EXPENSE**		
	Interest on customer deposits	2,808,292	2,726,078
	Interest on deposits from other banks	450,681	511,587
	Interest expense on lease liability	10,736	37,780
		3,269,710	3,275,445
9(i)	**FEES & COMMISSION INCOME**		
	Commissions		
	Commission on fund transfers	107,616	109,274
	Commission on Trade Finance	43,700	214,784
	Bancassurance Commission	1,446	-
		152,762	324,058
	Service fees		
	Processing fees	310,720	431,901
	Cash withdrawal and deposit fees	24,262	13,812
	Cheque book fees	7,470	9,185
	Other service fees	4,659	5,842
		347,111	460,740
	Gross fees and Commission Income	499,873	784,798
9(ii)	**FEES & COMMISSION EXPENSE**		
	Interbank transaction fees	34,069	33,924
		34,069	33,924
9(iii)	**FOREIGN EXCHANGE INCOME**		
	Income from foreign exchange dealings	196,931	152,735
		196,931	152,735

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

		2022 TZS '000	2021 TZS '000
9(iv)	**OTHER OPERATING INCOME**		
	Locker rent income	7,131	7,583
	(Loss)/Gain on disposal of fixed assets	(634)	866
		6,496	8,449
	Gain/loss on disposal of Fixed Assets		
	Gross value of asset disposed	60,453	2,895
	Accumulated depreciation of asset disposed	(50,792)	(2,686)
	Net book value of asset disposed	9,661	209
	Proceeds received on disposal	9,027	1,075
	(Loss)Gain on disposal	(634)	866
10	**OPERATING EXPENSES**		
10(i)	**Employees benefit expenses**		
	Salaries	1,100,822	916,992
	Entertainment allowance	30,577	29,599
	Conveyance allowance	8,339	8,324
	Other allowances	270,898	197,040
	Education fee reimbursement	22,132	27,266
	Skills and development levy	60,411	46,734
	Workers compensation fund	8,403	14,233
	Pension fund contribution	128,113	122,288
	Medical assistance	4,124	13,813
	Staff welfare	17,038	11,483
		1,650,857	1,387,770
10(ii)	**Depreciation and Amortization Expenses**		
	Depreciation of Property and equipments(Note 18 i)	102,791	124,677
	Amortization of Intangible assets(Note 18 ii)	33,344	69,137
	Amortiztion of Right of use assets IFRS 16 (Note 18 iii)	277,807	277,807
		413,943	471,622

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

		2022 TZS '000	2021 TZS '000
10(iii)	**Other Operating Expenses**		
	Director fees (Note 23(c))	29,198	29,173
	Training expenses	31,528	12,180
	Transportation expenses	8,579	9,611
	Travelling and hotel expenses	92,873	33,572
	Advertisement & publicity	62,671	57,639
	Audit fees	27,632	29,000
	Excise duty	50,485	80,260
	City service levy	12,302	14,707
	License fees	32,476	55,905
	Postage & courier charges	2,766	2,298
	Telephone & internet charges	100,335	101,397
	Insurance	243,405	169,146
	Legal & professional fees	50,309	33,314
	Membership & subscription	25,811	28,089
	Miscellaneous expenses	6,777	109,736
	Swift & reuters service charges	108,473	101,945
	Printing & stationery	18,969	20,367
	Annual maintenance charges	516,560	411,549
	Repairs and maintenance	49,971	57,789
	Security charges	45,345	46,472
	Utility expenses	27,331	30,073
	Unrecoverable VAT	185,663	163,885
		1,729,460	1,598,107

11.	**CASH AND BALANCES WITH BANK OF TANZANIA**		
11(i)	Cash balance	595,791	832,825
11(ii)	**Balance with Bank of Tanzania**		
	Statutory minimum reserve (SMR)	3,077,685	3,343,687
	Current account/clearing account	1,865,228	6,124,304
		4,942,913	9,467,991
	Less;ECL Allowance on BOT Balance (Note 25 i)	(49)	(95)
	Net Balance with Bank of Tanzania	4,942,863	9,467,896

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

		2022 TZS '000	2021 TZS '000
12.	**DEPOSITS AND BALANCES DUE FROM BANKING INSTITUTIONS**		
	Due from Banks in Tanzania	3,391,946	35,524,780
	Due from Banks in abroad	1,292,209	1,373,729
		4,684,154	36,898,509
	Less:ECL Allowance on dues from other banks (Note 25 i)	**(617)**	**(12,227)**
		4,683,537	36,886,282
	Related party (Note 23)	496,956	486,018
	Other banks	4,187,199	36,412,491
		4,684,154	36,898,509
	Maturing within 3 months	3,755,201	35,974,371
	Maturing after 3 months	928,336	924,138
		4,684,154	36,898,509
13.	**GOVERNMENT SECURITIES**		
	Investments in Treasury Bills	15,700,331	11,077,497
	Investments in Treasury Bonds	28,070,084	23,992,994
	Less:ECL Allowance on Government Securities (Note 25 i)	(438)	(351)
		43,769,977	35,070,140
	Maturing within 3 months	5,869,590	4,169,803
	Maturing after 3 months	37,900,386	30,900,338
		43,769,977	35,070,140
14	**CASH AND CASH EQUIVALENTS**		
	Cash balance - see note 11(i)	595,791	832,825
	Balance with Bank of Tanzania (excluding SMR) - see note 11(ii)	1,865,228	6,124,304
	Deposits and balances due from other banks and financial institution maturing within 3 months - see note 12	3,755,201	35,974,371
	Government securities maturing within 3 months - see note 13	5,869,590	4,169,803
		12,085,811	47,101,303

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

		2022 TZS '000	2021 TZS '000
15	**LOANS & ADVANCES TO CUSTOMERS**		
	Corporate loans	48,393,655	49,587,242
	Staff loans	492,408	280,489
	Personal loans	1,230,614	1,719,929
	Gross Loans and Advances to Customers	50,116,677	51,587,660
	Less: Interest in suspense	-	(57,002)
	Less:ECL Allowance on Loans and Advances(Note 25 i)	(71,500)	(415,268)
	Net Loans and Advances to Customers	50,045,177	51,115,390
	Sector wise analysis of loans and advances		
	Manufacturing	15,175,418	14,058,851
	Real estate	5,078,735	6,462,616
	Trade and commerce	4,327,480	6,120,263
	Transport and Communication	11,416,257	11,794,882
	Warehousing & Storage	937,128	1,551,110
	Other services	6,588,747	6,586,611
	Personal Loans	1,686,687	118,066
	Agriculture	4,906,226	4,895,261
		50,116,677	51,587,659
	Maturity analysis		
	Repayable on demand		-
	Repayable in 3 months or less	2,944,899	7,520,021
	Repayable between 3 months and 1 year	20,951,340	13,815,125
	Repayable after 1 year	26,220,439	30,252,517
		50,116,677	51,587,659
16	**OTHER ASSETS**		
	Interest receivable	595,688	714,348
	Prepaid expenses	216,505	179,128
	Other assets	299,306	300,381
		1,111,499	1,193,858
	Less:ECL Allowance on Other Assets (Note 25 i)	(8,051)	(9,749)
		1,103,449	1,184,109

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

		2022 TZS '000	2021 TZS '000
17	**TAXATION**		
17(i)	**Income tax expense/(credit)**		
	Current income tax (note 17(ii)	578,232	1,168,420
	Deferred tax expense/(credit) Previous year- note 17 (iii)	48,869	-
	Deferred tax expense/(credit) Current year- note 17 (iii)	(167,067)	(40,567)
		460,034	1,127,853
17(ii)	**Income tax (payable)receivable**		
	Opening balance	(2,665)	(2,491)
	Tax paid for current year	697,397	1,165,000
	Tax paid for previous year	3,420	3,246
		698,153	1,165,755
	Less: tax charge for current year	(578,232)	(1,168,420)
	Net Income tax recoverable (payable)	119,921	(2,665)
	Less: Recoverable Corporate tax	119,921	755
	Income tax payable	-	(3,420)
		119,921	(2,665)
17(iii)	**DEFERRED TAX LIABILITY/(ASSET)**		
	Balance at the beginning of the year	42,343	82,910
	Prior year adjustment(impairment)	48,869	-
	Charge/(credit) for the year - See Note 16	(167,067)	(40,567)
	Balance at the end of the year	(75,855)	42,343
	The deferred tax liability/(asset) arises from:		
	Deferred tax B/F (Per AFS)	91,212	82,910
	Property and equipments	27,296	(44,143)
	Lease (IFRS 16)	9,737	(17,307)
	Provisions for impairment of loans and other assets	(593,924)	(73,772)
		(556,891)	(135,222)
	Deferred tax (asset)/liabity (30%)	(167,067)	(40,567)
	Deffered tax C/F	(75,855)	42,343

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18 (i) PROPERTY AND EQUIPMENT

	Computer & Hardware	Motor Vehicle	Office furniture & Equipment	Total
	TZS '000	TZS '000	TZS '000	TZS '000
Cost				
At 1 January 2021	1,424,175	62,819	643,889	**2,130,883**
Additions	-	-	6,031	**6,031**
Disposals	(2,895)	-	-	**(2,895)**
At 31 December 2021	1,421,281	62,819	649,920	2,134,020
At 1 January 2022	1,421,281	62,819	649,920	**2,134,020**
Additions	70,195	-	22,794	**92,990**
Disposals	(45,781)		(14,672)	**(60,453)**
At 31 December 2022	1,445,695	62,819	658,042	2,166,556
Depreciation				
At 1 January 2021	1,219,105	55,528	288,832	**1,563,466**
Charge for the year	76,911	2,734	45,032	**124,677**
Disposals	(2,686)	-	-	**(2,686)**
At 31 December 2021	1,293,330	58,262	333,865	1,685,457
At 1 January 2022	1,293,330	58,262	333,865	**1,685,457**
Charge for the year	60,772	1,709	40,310	**102,791**
On disposals	(42,821)		(7,971)	**(50,792)**
At 31 December 2022	1,311,281	59,971	366,204	1,737,456
Net Book Value				
At 31 December 2021	127,951	4,557	316,055	448,562
At 31 December 2022	134,414	2,848	291,839	429,100

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

		2022 TZS '000	2021 TZS '000
18 (ii)	**INTANGIBLE ASSETS-COMPUTER SOFTWARE**		
	Cost		
	At 1 January	2,917,848	2,915,989
	Additions	55,560	1,859
	Transfer from WIP	-	-
	At 31 December	2,973,408	2,917,848
	Amortization		
	At 1 January	2,891,661	2,822,524
	Charge for the year	33,344	69,137
	At 31 December	2,925,005	2,891,661
	Net Book Value		
	At 31st December	48,403	26,187
18 (iii)	**RIGHT TO USE ASSET**		
	Opening right to use assets	277,807	555,615
	Addition of new Right of Use Asset	720,263	-
	Less;Depreciation Charge on Right to Use Assets	(277,807)	(277,807)
	Closing Right to use Assets	720,263	277,807
19.	**DEPOSITS**		
19(i)	CUSTOMER DEPOSITS		
	Savings Accounts	4,251,852	3,006,378
	Current Accounts	7,748,741	5,261,006
	Fixed Deposits	41,333,540	48,387,224
		53,334,133	56,654,608
19(ii)	DEPOSITS FROM BANKS		
	Interbank deposit- related parties (note 23)	9,288,000	30,030,000
	Interbank deposits-other banks	696,600	6,400,000
		9,984,600	36,430,000
	TOTAL DEPOSITS	63,318,733	93,084,608
	Total deposits Maturity analysis		
	Repayable on demand	12,000,593	8,267,384
	Repayable in 3 months or less	23,601,303	53,893,957
	Repayable between 3 months and 1 year	23,961,468	28,330,590
	Repayable after 1 year	3,755,369	2,592,678
		63,318,733	93,084,608

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

		2022 TZS '000	2021 TZS '000
20.(i)	**LEASE LIABILITY**		
	Opening lease liability	280,530	534,678
	Addition of new lease liability	720,263	-
	Payment of lease Liability for the year	(280,530)	(254,147)
	Closing lease liability	720,263	280,530
20.(ii)	**OTHER LIABILITES**		
	Accrued expenses payable	125,427	122,312
	Accrued interest payable	1,518,395	1,380,846
	Accrued Interest on Lease Liability	-	7,013
	Duties and taxes payable	35,442	39,918
	ECL Allowance financial guarantees and LC (Note 25 i)	9	227
	Other payable	174,210	109,868
		1,853,482	1,660,184
21(i)	**SHARE CAPITAL**		
	Authorized:		
	50,000,000 ordinary shares of Tzs 1,000 each (2021 - 50,000,000 ordinary shares of Tzs 1,000 each)	50,000,000	50,000,000
	Issued and fully paid up:		
	32,830,000 ordinary shares of Tzs 1,000 each (2021 - 32,830,000 ordinary shares of Tzs 1,000 each)	32,830,000	32,830,000
21(ii)	**STATUTORY RESERVE**		
	Opening balance as at 1st January	1,279,370	41,351
	Transfer (from) to Retained Earnings	(811,676)	1,238,019
	Closing balance as at 31st December	467,694	1,279,370
21(iii)	**DIVIDEND PAID DURING THE YEAR**		
	Number of issued full paid ordinary shares	32,830	32,830
	Dividend per share	15	
	Dividend paid	492,450	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

		2022 TZS '000	2021 TZS '000
22	**CORE CAPITAL**		
	Issued and fully paid up capital	32,830,000	32,830,000
	Retained earnings	7,344,163	6,129,499
	Prepayments	(216,505)	(179,128)
		39,957,657	38,780,371
23.	**RELATED PARTY TRANSACTIONS**		
	(a) Amount due to Related Parties		
	Canara Bank India (Note 19)	9,288,000	30,030,000
		9,288,000	30,030,000
	(b) Amount due from Related Party (Note 12)		
	Canara Bank India	32,556	24,018
	Canara Bank London	464,400	462,000
		496,956	486,018
	(c) Directors Remuneration		
	Directors Annual fees (Note 10 iii)	29,198	29,173
		29,198	29,173
24.	**CONTINGENT LIABILITIES**		
	Contingent liabilities as at balance sheet date are as follows:		
	Bank guarantees given	3,028,254	1,867,252
	Letter of credit issued	0	2,138,596
	Undrawn loan commitments	3,577,902	2,754,854
	Withholding Tax Payable on Deemed Divided	141,151	141,151
	Gross Contingent Liabilities	6,747,307	6,173,019
	Less:ECL Allowance as per IFRS 9 (Note 25 i)	(9)	(227)
	Net Contingent Liabilities	6,747,298	6,172,792

During the year 2020 Tanzania Revenue Authority had conducted an examination of returns for the years of Income 2017-2018.It was established that the net tax payable (withholding tax on deemed dividend) for the 2017 to be TZS. 63,999,883 and for year 2018 to be TZS. 102,551,437. The bank objected the liability on the examination and deposited TZS.25,400,000 in line with sec 51(6) of the Tax Administration Act 2015.

In 2021, TRA had confirmed the tax assessment previously objected, However as per provision of law, Canara Bank Tanzania had further appealed to Tanzania Revenue Appeal Board(TRAB) .

During the year 2022, both parties had appeared before Tanzania Revenue Appeal Board on March, April and September. As at end of year 2022, the bank is awaiting the final decision of appeal board. Hence no provision has been made in the accounts as the outcome is uncertain.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25 PROVISION FOR IMPARMENT LOSSES

25 (i) Movement of ECL Allowances	As at 01-Jan-2022	Charge to P&L for year 2022	Provision Write off	As at 31-Dec-2022
	TZS '000	TZS '000	TZS '000	TZS '000
Loans and advances (Note 15)	415,268	19,613	363,381	71,500
Deposits and balances due from other banks(Note 12)	12,227	(11,609)	0	617
Balance with Bank of Tanzania (Note 11)	95	(45)	0	49
Government securities (Note 13)	351	87	0	438
Other Assets (Note 16)	9,749	(1,699)	0	8,051
Off balance sheet (Note 24)	227	(219)	0	9
Total for year	437,917	6,128	363,381	80,664

25(ii) Breakdown of impairment loss to profit and Loss for year 2022	Impairment charge for credit losses	Loan Write off	Charge to profit and Loss for year 2022
	TZS '000	TZS '000	TZS '000
Loans and advances	19,613	951,177	970,791
Deposits and balances due from other banks.	(11,609)	0	(11,609)
Balance with Bank of Tanzania	(45)	0	(45)
Government securities	87	0	87
Other Assets	(1,699)	0	(1,699)
Off balance sheet items	(219)	0	(219)
Total for the year	6,128	951,177	957,306

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25(iii)	**Breakdown of impairment loss to profit and loss for the year 2021.**	**Impairment charge for credit losses**	**Loan Write off**	**Charge to profit and Loss for year**
		TZS '000	**TZS '000**	**TZS '000**
	Loans and advances	68,593	0	68,593
	Deposits and balances due from other banks.	3,457	0	3,457
	Balance with Bank of Tanzania	56	0	56
	Government securities	42	0	42
	Other Assets	1,897	0	1,897
	Off balance sheet items	(274)	0	(274)
	Total for the year	73,772	0	73,772

26. INCORPORATION

The Bank is incorporated as a limited liability company under the Tanzanian Companies Act, 2002.

27. CURRENCY

These financial statements are presented in Tanzanian Shillings (TZS. '000) unless otherwise stated.

28. COMPARATIVES

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