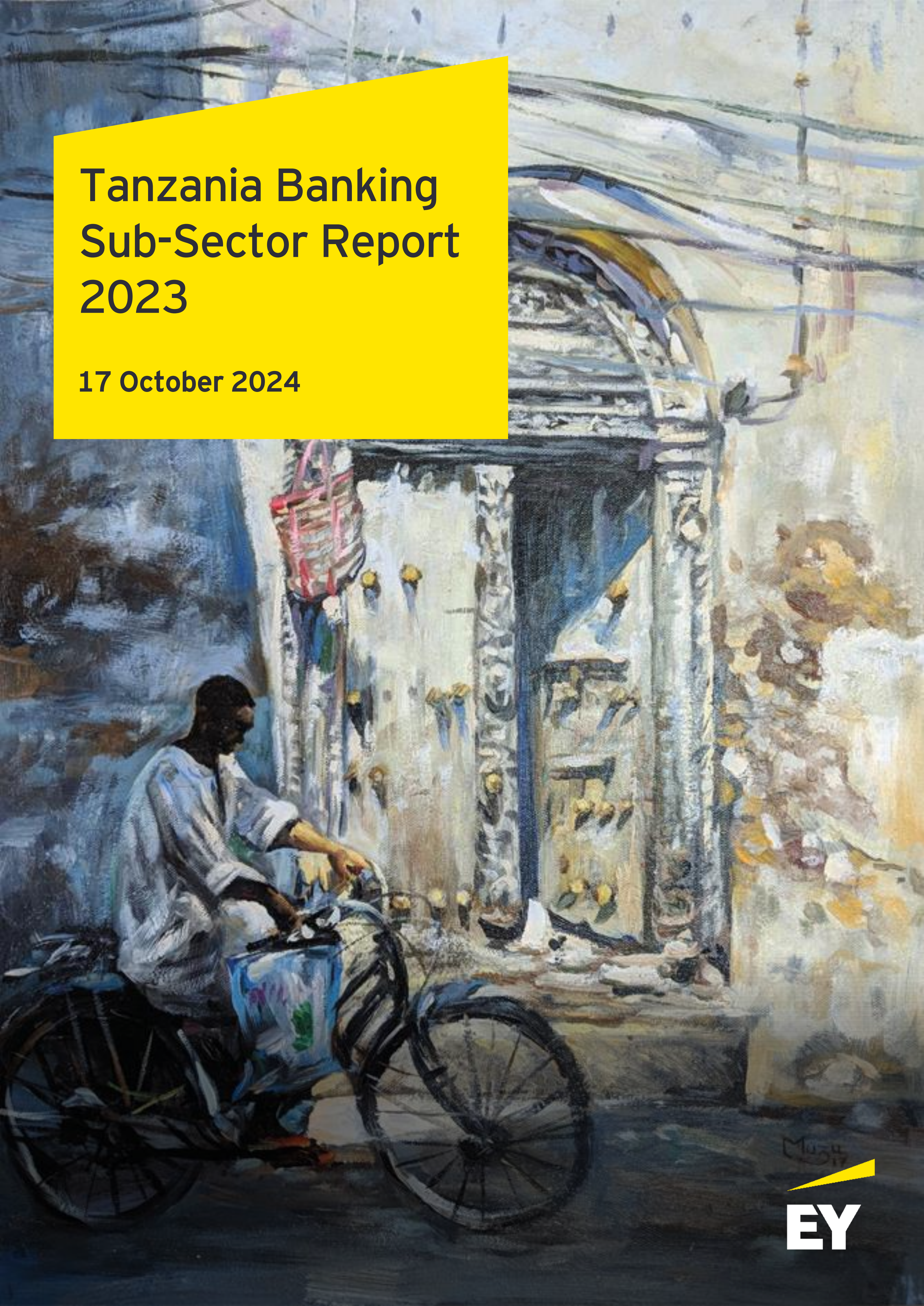


Tanzania Banking Sub-Sector Report 2023

17 October 2024

Table of
CONTENTS

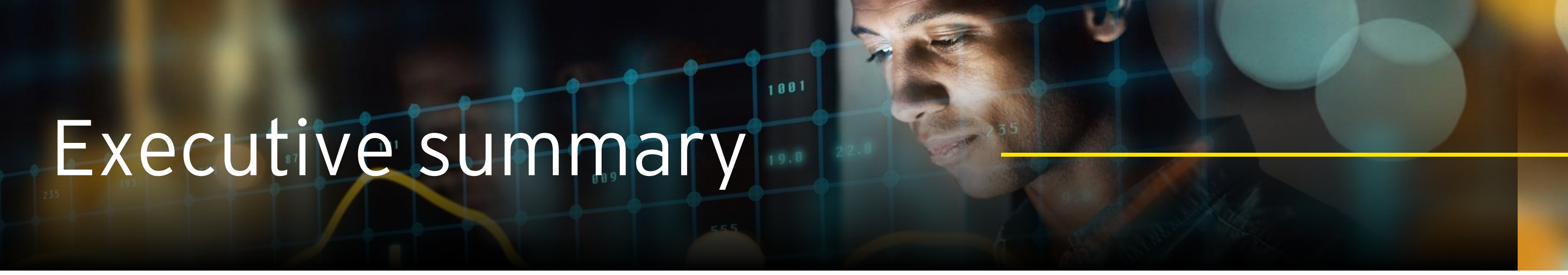
About the report

This report analyzes the 2023 financial performance and positions of 41 banking institutions in Tanzania.
The report is based on the published summarized financial statements presented in the format prescribed by the Bank of Tanzania and which were derived from audited financial statements of the respective institutions.

The title of the report is changed from being "Tanzania Banking Sector Report" to "Tanzania Banking Sub-Sector Report" to align with the Bank of Tanzania categorization whereby Banking Sub-sector forms part of Tanzania's wider Financial Sector.

Section 1:

Executive Summary



Executive summary

"High interest rates, low impairment losses, and a resilient economy lead to record profits."

- The Tanzania banking sub-sector has experienced significant growth and demonstrated resilience in 2023, with an analysis of key financial metrics revealing positive trends in profitability, asset quality, and operational efficiency. Notably, the sub-sector has seen an expansion in its credit portfolio, with loans and advances to total assets increasing from 56.5% to 59.2% indicating heightened lending activities.

- Profitability has markedly improved in 2023, with Return on Average Assets (ROAA) and Return on Average Equity (ROAE) increasing from 2.1% to 3.0% and 13.4% to 20.1% respectively. These metrics suggest better asset utilization and enhanced returns for shareholders. However, the interest margin to average earning assets stood constant at about 8.0%.

- Operational efficiency has also improved, as evidenced by the reduction in non-interest expense ratios to both interest income and gross income, indicating sub-sector wide cost optimization drives bearing fruits. Additionally, income composition has diversified, with a slight decrease in the interest income to total income ratio, reflecting a strategic shift in income sources.

- A stable political landscape and economic growth outlook of around 6% in near-term presents a bright future for the sub-sector. Gearing up to exploit opportunities and navigate risks requires banks to deeply consider higher capitalization, innovation, technology and ESG in its service delivery model.

- Restrictive banking regulations, aiming to curb ICT and other risks, such as restrictions on cloud computing, shared services, outsourcing, use of global CBS/ERP system will continue to challenge some Banks' drive to deploy or deepen digital channels while containing operating costs.

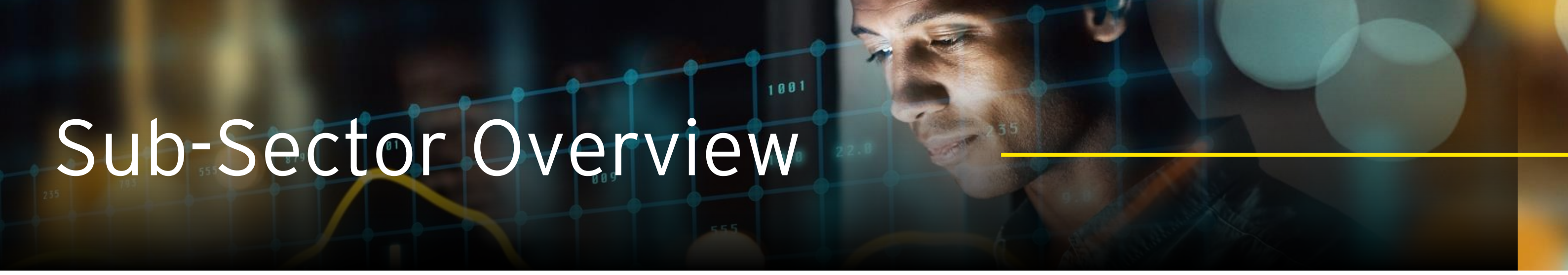
- Growth will also remain hampered by teething structural issues relating to costs, reliability and efficiency in land registry; enforcement of defaults; KYC issues relating to personal identification; issues with registration of chattels; and slow pace of business formalization. Navigating these challenges collaboratively with the Government and BOT remains crucial.

- Banks which will take early lead in embracing FinTech and digital advancements including Artificial Intelligence, robotic process automation and advanced analytics and integrated digital channels/platforms in their service delivery model are better positioned to produce best results.

- FinScope 2023 report shows that there are approximately 6.4 million i.e., 20% of Tanzanian adult population who are financially excluded up for grabs. So where are the takers?

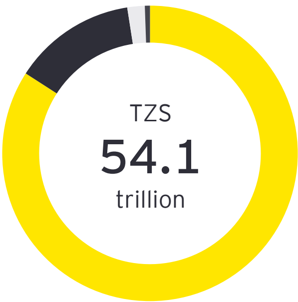
- In conclusion, the sub-sector's overall 2023 performance has been robust, with improvements across profitability, asset quality, and efficiency. Large banks have continued to lead in growth, while regional and small banks have shown significant improvements in profitability. Despite notable challenges in interest margins, the sub-sector's overall health was strong, with great potential for sustained growth.

Joseph Sheffu
Country Leader
EY Tanzania

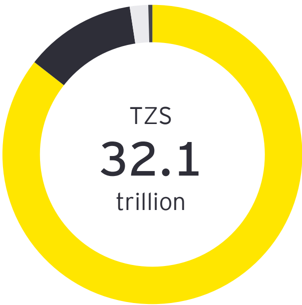


Sub-Sector Overview

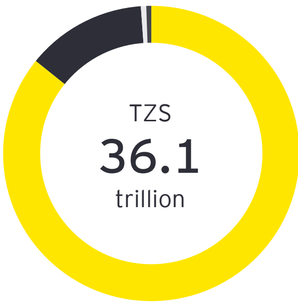
Sub-sector total assets



Sub-sector loans and advances



Sub-sector customer deposits



ROE

20.1%

Industry median
post-tax profit upon equity

Up by 6.7% from 13.4% in 2022

ROA

3.0%

Industry median
post-tax profit upon assets

Up by 0.9% from 2.1% in 2022%

NIM

8.0%

The median y-o-y percentage change in net interest margin

Constant from 8.0% in 2022

Cost-to-income ratio

40.1%

Ratio of non-interest expense to gross income

Down by 5.1% from 45.2% in 2022

LDR

91.4%

Ratio of gross loans to deposits

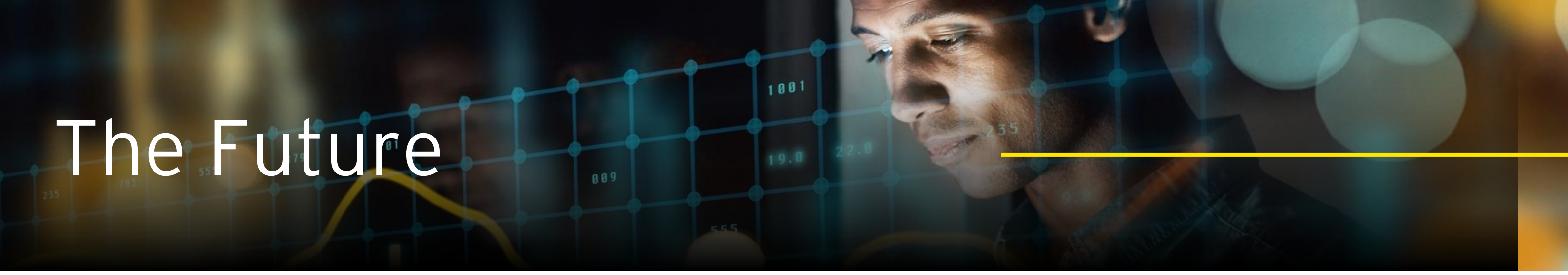
Up by 3.6% from 87.8% in 2022

NPLs

4.4%

The median y-o-y percentage change in NPLs

Down by 0.4% from 4.8% in 2022



The Future

Anticipating the Future: Focus Areas for Tanzanian Banks

Effective NPL Management

- Managing non-performing loans (NPLs) remains a critical priority for banks. Effective strategies for NPL management, including the use of advanced data analytics and robotic process automation, can help banks streamline operations and minimize inefficiencies. By connecting customer-facing operations with back-end servicing, banks can enhance their overall efficiency and reduce the impact of NPLs on their balance sheets.

Empowerment of Back-Office Operations

- Investing in back-office operations is essential for banks to drive significant growth. Modernizing front-to-back operations and leveraging cloud technologies can enhance operational efficiency and reduce costs. Virtual banking accessibility offers promising opportunities for innovative growth, allowing banks to reach underserved populations and provide more convenient services.

Banking in the Metaverse

- The metaverse presents new opportunities for banks to engage with customers through virtual experiences. By embracing this technology, banks can offer immersive and interactive services, enhancing customer engagement and satisfaction. This innovative approach can set banks apart in a competitive market and attract tech-savvy customers.

Focus on ESG (Environmental, Social, and Governance)

- ESG considerations are gaining prominence globally, and Tanzanian banks are no exception. Central banks, investors, and customers are increasingly demanding common ESG reporting standards. By prioritizing ESG initiatives, Tanzanian banks can enhance their reputation, attract responsible investors, and contribute to sustainable development goals. This includes adopting green finance practices, supporting renewable energy projects, and improving transparency in ESG reporting.

Improving Customer Service

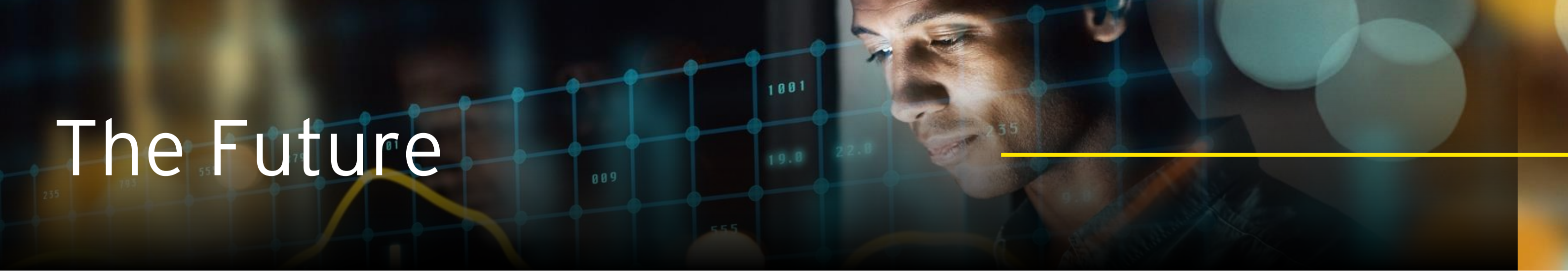
- Investing in customer service initiatives is crucial for banks to improve customer experience. This includes introducing and improving the use of chatbots, leveraging customer analytics, and developing customer loyalty programs. By enhancing customer service, banks can build stronger relationships with clients and drive customer retention.

Embracing Digital Banking

- The shift towards digital banking is imperative to meet the evolving needs of customers. By leveraging technologies such as artificial intelligence (AI) and machine learning, banks can automate processes, reduce operational costs, and offer personalized banking solutions. Digital banking enhances convenience, accessibility, and security, making it a vital focus area for the future.

Regulatory Oversight

- Increased use of technology will improve regulatory compliance, including areas such as anti-money laundering (AML), cybersecurity, electronic know your customer (eKYC), and open banking. The implementation of Basel IV regulations will further strengthen financial stability and risk management practices.



Anticipating the Future: Focus Areas for Tanzanian Banks

Capital Agenda, Risk and Oversight

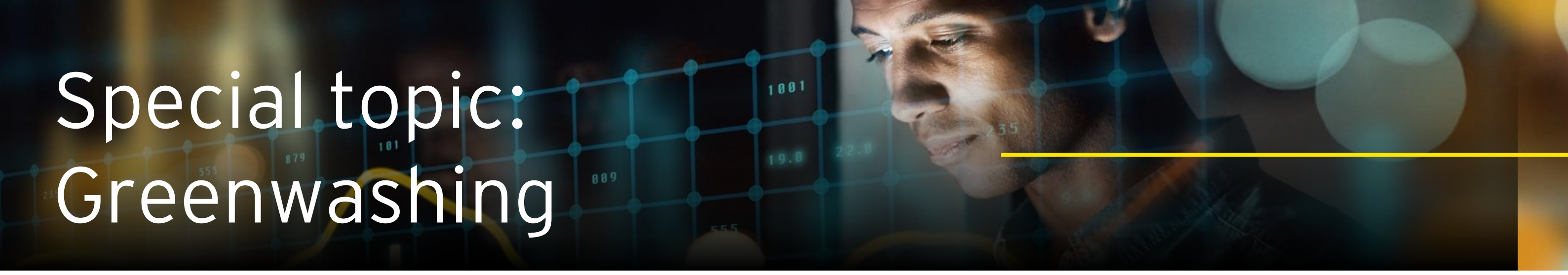
- Major new and upgraded regulations passed in 2023 will have major implication for Banks in 2024 and beyond include the Banking and Financial Institutions (Capital Adequacy) Regulations, 2023 aligning local regulations with internationally accepted best practices e.g., adoption of ICAAP framework; the Banking and Financial Institutions (Liquidity Management) Regulations, 2023; the Banking and Financial Institutions (Prompt Corrective Actions) Regulations, 2023; the Contingency Planning Guidelines for Banks and Financial Institutions, 2023; and the Recovery Planning Guidelines for Banks and Financial Institutions, 2023.

Digital Currencies

- Digital currencies encompasses various forms of electronic money, such as central bank digital currencies (CBDCs), cryptocurrencies like Bitcoin, and stablecoins including Tether. Although these digital assets offer utility, the Bank of Tanzania currently does not authorize the use of cryptocurrencies. In January 2023, the Bank issued a public notice detailing its ongoing exploration into CBDCs. Subsequently, amendments to the Finance Act have introduced a withholding tax (WHT) of 3% on payments for the exchange or transfer of digital assets, with 'digital assets' defined broadly to encompass non-tangible value including cryptocurrencies and tokens. This legislative change suggests a potential gradual acceptance of digital currencies.

- Banks are encouraged to develop an understanding of how to integrate these digital currencies into their systems. Adopting cryptocurrencies in the banking sub-sector can offer numerous benefits, including enhanced financial inclusion through direct peer-to-peer transactions and affordable cross-border remittances, which can drive economic participation and growth. This move is also expected to attract foreign investment and stimulate fintech innovation. Leveraging blockchain technology can improve transparency, efficiency, and security in financial transactions, boosting confidence in the financial system and positioning Tanzania as a technologically advanced and innovative economy.

Special topic: Greenwashing



Genuine Sustainability Through Enhanced Transparency and Regulatory Compliance

- In recent years, sustainability has become a buzzword across various industries, including banking. As financial institutions seek to align themselves with global environmental, social and governance (ESG) goals, the phenomenon of greenwashing has emerged as a significant concern. Greenwashing refers to the practice where banks or financial institutions falsely portray themselves as environmentally responsible or exaggerate their efforts and commitments towards sustainability. The Swiss Financial Market Authority (FINMA) defines greenwashing as the fact of misleading clients and investors about characteristics of financial products and services with regards to being "green", "sustainable" and "ESG". This is done to attract both investors and customers who are increasingly concerned about environmental issues and prefer to associate with institutions that support green initiatives.

- Greenwashing in the banking sub-sector can manifest in several ways. Banks might engage in misleading marketing, using eco-friendly imagery and language to suggest they are more environmentally responsible than they actually are. For example, a bank might heavily promote its financing in renewable energy projects while in the background continue financing fossil fuels or companies with poor environmental records. Such selective disclosure creates a skewed perception of the bank's overall environmental impact. Another common tactic is the superficial implementation of sustainability initiatives. Banks may launch minor green projects that receive significant publicity but have minimal actual impact. These initiatives are often more about enhancing the bank's image rather than contributing to genuine environmental sustainability. Similarly, some banks issue green bonds or create green investment funds that do not truly meet stringent environmental criteria or funds are ultimately on-lent for unqualified projects, thereby misleading investors about the true sustainability of their investments.

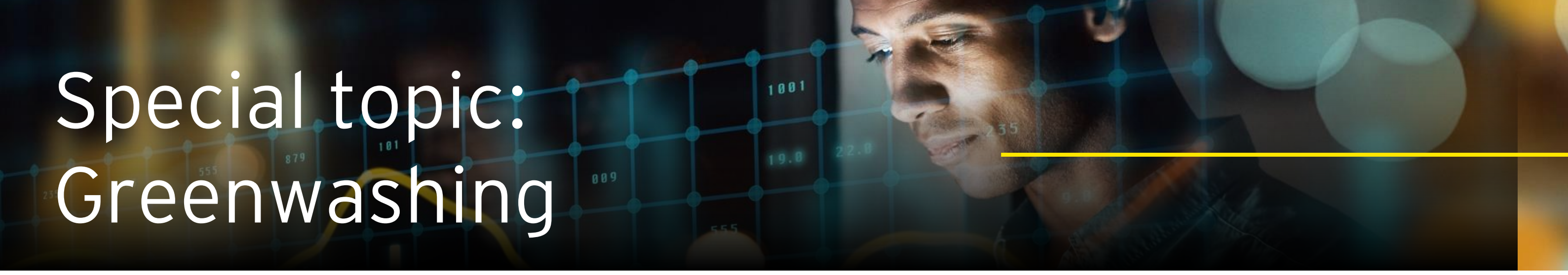
- When stakeholders whether customers, investors, or regulatory bodies discover that a bank's environmental claims are exaggerated or false, it can lead to a significant erosion of trust. This loss of credibility can have long-term repercussions for the bank's reputation and customer loyalty. Moreover, greenwashing can lead to the misallocation of resources.

- Funds and efforts that could be directed towards meaningful environmental initiatives are instead spent on marketing and superficial projects. This not only hampers genuine sustainability efforts but also delays progress in addressing critical environmental issues.

- In recent years, certain major international banks have faced accusations of greenwashing. Some of banks were able to secure concessional funding on pretext of on-lending to sustainable projects and some banks had announced various climate pledges and net-zero strategies, aiming to position themselves as leaders in environmental responsibility. However, environmental groups and critics have highlighted the contradiction between these public commitments and the banks' ongoing support for carbon-intensive industries, particularly in 2020 and 2021. This scrutiny underscores the challenges financial institutions face in balancing their traditional business operations with the growing demand for genuine sustainability practices.

- Additionally, greenwashing poses regulatory risks. As governments and international bodies tighten regulations around environmental disclosures and sustainability claims, banks found guilty of greenwashing face legal consequences and financial penalties. This regulatory scrutiny is likely to increase as the global focus on climate change intensifies.

- The Banking community in Tanzania may have to take lead in preventing such practices in the sub-sector.



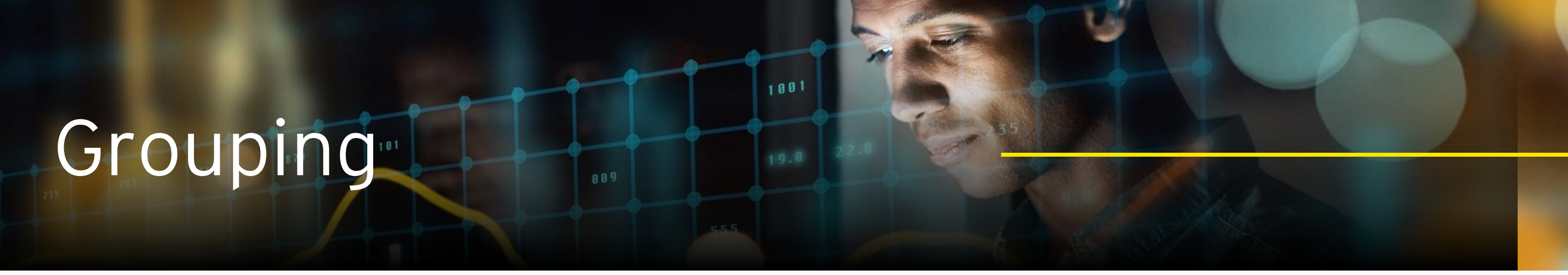
Special topic: Greenwashing

Genuine Sustainability Through Enhanced Transparency and Regulatory Compliance

- In enhancing transparency and accountability banks should provide detailed reports on their environmental impact and sustainability initiatives, verified by independent third-party audits to ensure accuracy. To ensure this, the International sustainability standards Board (ISSB) introduced IFRS S1 and IFRS S2 to address the growing need for standardized, transparent and reliable sustainability and climate related financial disclosures. These standards promote consistent, credible, and comparable sustainability reporting, helping stakeholders assess the true environmental impact of banks and reducing the risk of misleading greenwashing practices.

- EY as part of its advisory practices, assists its client banks in avoiding greenwashing by providing a suite of sustainability services that include advisory on environmental, social, and governance (ESG) strategy, reporting, and compliance. EY's expertise helps banks to accurately assess and disclose their environmental impact, align their business practices with sustainable development goals, and ensure that their public claims about environmental responsibility are substantiated by tangible actions and investments. By leveraging EY's insights and frameworks, banks can navigate the complexities of sustainable finance, enhance their ESG performance, and foster transparency, thereby building trust with stakeholders.

- In Tanzania, the central bank - Bank of Tanzania, in collaboration with the Capital Markets and Securities Authority (CMSA), has established a framework requiring banks to report on their ESG initiatives, a move aimed at curbing greenwashing. Nevertheless, questions remain regarding the auditing processes for green funding initiatives and the transparency of banks' publicized sustainability efforts.



Grouping

The report segments banking institutions into four groupings, i.e., large banks; medium banks; regional and small banks; and development finance banks ("DFB"). Save for DFB, the three peer groups are based on the respective total assets size.

12	20	7	2
Large	Medium	Regional and Small	DFB

Overview

- BOT's Annual Report 2022/2023 shows that as at 30th June 2023 there were 64 supervised financial institutions comprising 44 Banking Institutions (BI) and 20 Non-Banking Financial Institutions (NBFI). BI consisted of 34 commercial banks, 5 regional and community banks, 3 microfinance banks and 2 development finance banks.
- The scope of our review was limited to only BI excluding microfinance banks and NBFI.
- Save as otherwise indicated, we relied on the published summarized financial statements which are based on audited financial statements and, for comparability purposes we only included financial analysis at the company-level only, excluding operations of nonbanking subsidiary entities, foreign branches and/or at a group level.
- For comparative purposes, save for DFB we have grouped the BI into three peer groups based on the value of each BI Total Assets as shown in the respective BI Balance Sheets as at 31st December 2023. Same basis was used in the previous years.
- We have relied on published unaudited summarized financial statements for Mucoba Bank. As such, our analysis only presents indicative amounts.
- The source of our data is summarized financial statements of the respective BI indicated to have been derived from audited financial statements as published in the public newspapers which may be prone to compilation and publication errors.
- The legal names for the adjacent entities are presented in the abbreviations section in appendices.

Large
1. ABSA
2. Azania
3. CRDB
4. DTB
5. Exim
6. KCB
7. NBC
8. NMB
9. PBZ
10. Stan Chart
11. Stanbic
12. TCB

Medium
1. Akiba
2. Amana
3. BancABC (Presently Access Bank)
4. BOA
5. BOB
6. BOI
7. Canara
8. China Dasheng
9. Citibank*
10. DCB
11. Ecobank
12. Equity
13. Habib
14. I&M
15. Letshego (Presently Letshego Faidika Bank)
16. Maendeleo
17. MHB
18. Mkombozi
19. NCBA
20. UBA

Regional & Small
1. GTB
2. ICB
3. KCBL
4. MCB
5. MUCOBA
6. TACOBA
7. Uchumi

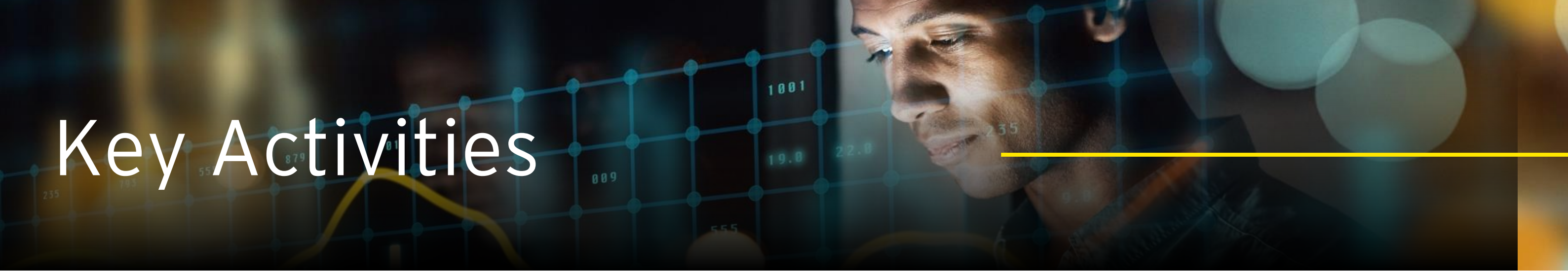
Development Finance Banks
1. TADB
2. TIB Development

Grouping criteria

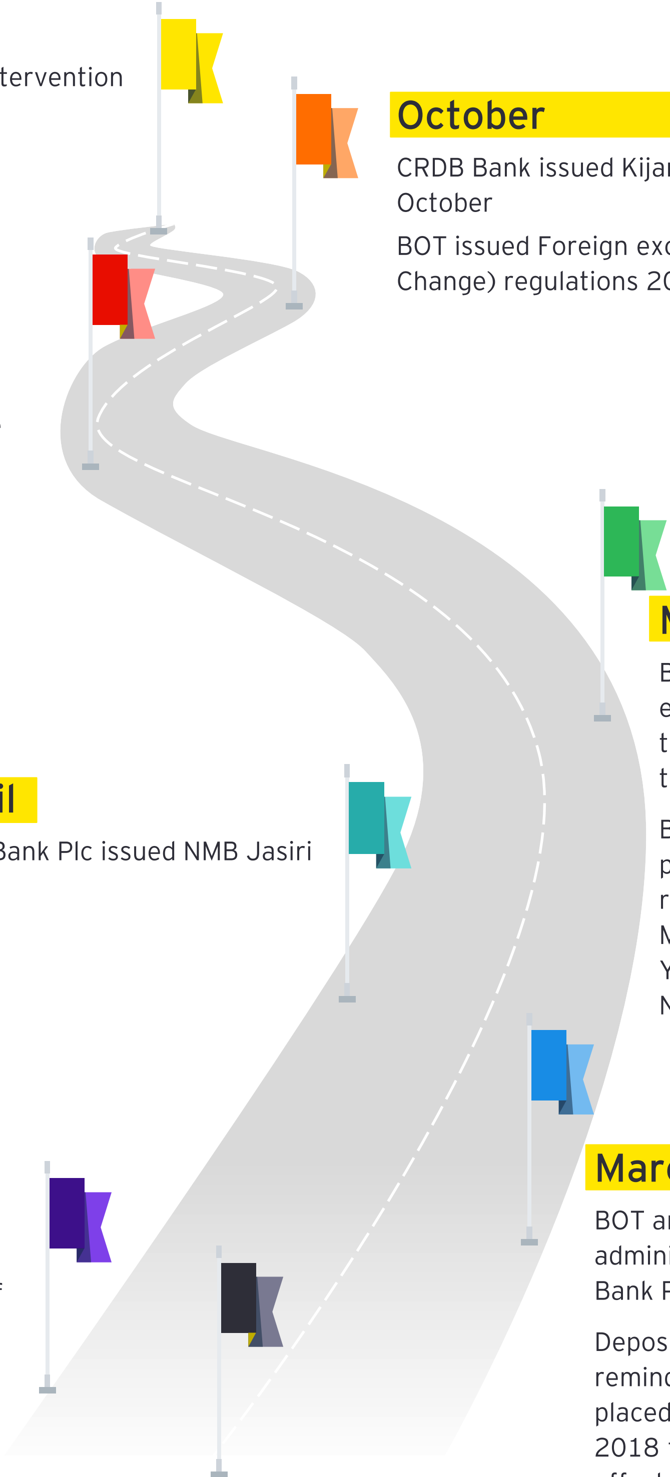
Total Assets in TZS:

- Large: > 1 Trillion
- Medium: > 100 Billion but <1 Trillion
- Regional & Small: < 100 Billion
- DFB - not part of grouping

Note
*Reclassified from Large to Medium grouping in this report to conform with 2023 financial position.



Key Activities



December
BOT issued foreign exchange intervention policy 2023

October
CRDB Bank issued Kijani bond on 23 October

BOT issued Foreign exchange (Bureau De Change) regulations 2023.

June
To ensure smooth and effective implementation of the new monetary policy framework (Interest rate - based monetary policy), BOT released the operational guidelines

May
BOT issued directives for foreign exchange dealers , including trading restrictions for transactions over $1million.

BOT announced the completion process of determining the resolution option of YETU Microfinance Plc and transfer of YETU's assets and liabilities to NMB bank Plc.

April
NMB Bank Plc issued NMB Jasiri bond.

March
BOT announces its continuing administration of YETU Microfinance Bank Plc for period of 30 days with

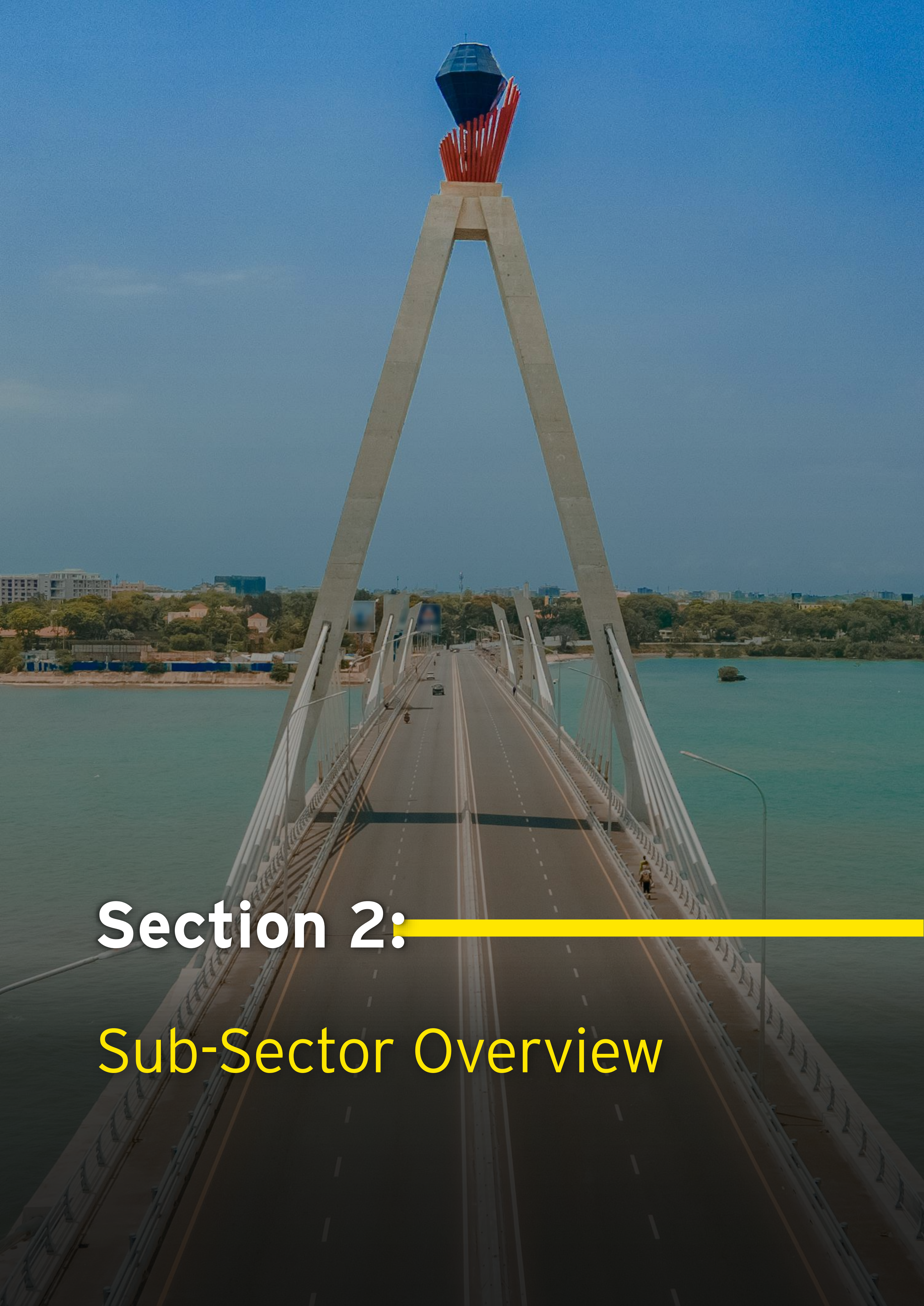
Deposit Insurance Board issued a reminder to depositors of banks placed under liquidation in 2017 and 2018 to claim their compensation effect from 12 March 2023.

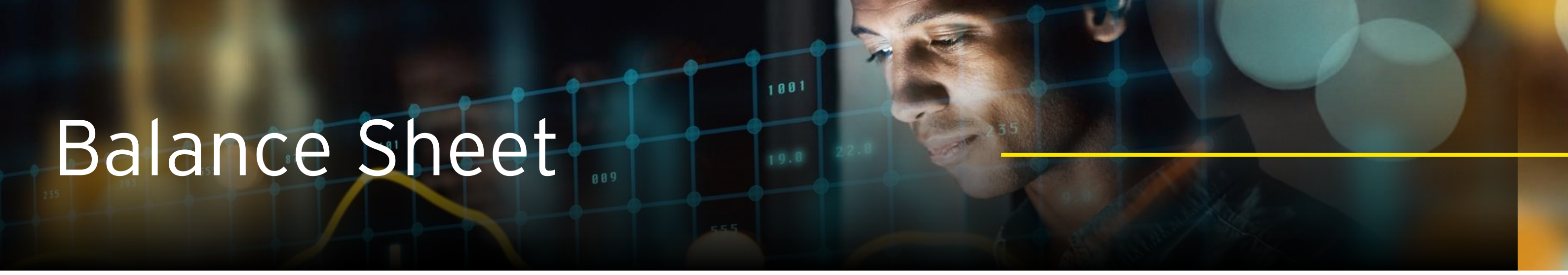
January
BOT announced the outcome of research involved a suitable approach to CBDC adoption based on Tanzania context.

January - December
Set of new and upgraded regulations issued.

Section 2:

Sub-Sector Overview





Balance Sheet

Amounts in TZS million	2019	2020	2021	2022	2023
Cash and balances with BOT	3 909 395	3 766 271	4 584 232	5 036 195	5 159 845
Balances w/other banks	1 546 443	1 777 547	2 466 953	2 017 313	3 022 525
Investment in government & debt securities	5 020 321	5 794 737	6 899 294	8 083 603	8 372 899
Loans, advances and overdrafts (net)	17 427 978	18 391 702	20 787 935	25 971 481	32 055 627
Other assets	4 270 492	4 463 826	4 451 161	4 844 153	5 510 611
Total assets	**32 174 630**	**34 194 082**	**39 189 575**	**45 952 745**	**54 121 507**
Customer deposits	22 426 771	23 497 112	27 519 786	30 647 702	36 075 070
Deposits from other banks	1 213 984	1 249 820	1 331 762	2 387 579	1 758 044
Other liabilities	3 703 016	4 052 266	4 163 579	5 993 042	8 258 068
Total liabilities	**27 343 772**	**28 799 198**	**33 015 126**	**39 028 323**	**46 091 182**
Paid up share capital	1 754 687	1 914 025	2 214 272	2 358 096	2 559 233
Retained earnings	1 700 592	1 863 736	2 202 250	2 937 643	3 387 800
Profit & loss account	275 252	419 531	527 037	929 424	1 470 325
Others	1 100 327	1 197 593	1 230 891	699 263	612 968
Total shareholders' funds	4 830 858	5 394 884	6 174 449	6 924 426	8 030 326
Total liabilities and shareholders funds	**32 174 630**	**34 194 082**	**39 189 575**	**45 952 745**	**54 121 507**

Key highlights

- Tanzania banking sub-sector assets has maintained its growth of 17.8% in 2023 from 17.3% in 2022. The asset increase is mainly contributed by 23.0% growth in loans. This suggests a rise in demand for loans fostered by economic growth. Large banks took various initiatives including producing innovative products and services that were offered to the public and placing emphasis on vital economic sectors, supporting our clients' expansion efforts.

- The strategic moves in increasing investments and lending went in hand with attracting more deposits highlight strong operational performance. In 2023, customer deposits increased by 17.7% contributed from Banks' wide distribution networks, while offering a good mix of deposits to support our business growth ambitions.

- Increase in Other Liabilities: This increase could be due to higher short-term borrowings, increased operational liabilities, or other financial obligations. May also indicate growth in business operations requiring more working capital. Increase in Shareholders Funds: The growth in paid-up share capital suggests new capital infusion or equity raising. Increase in retained earnings and profit indicates better profitability and earnings retention.

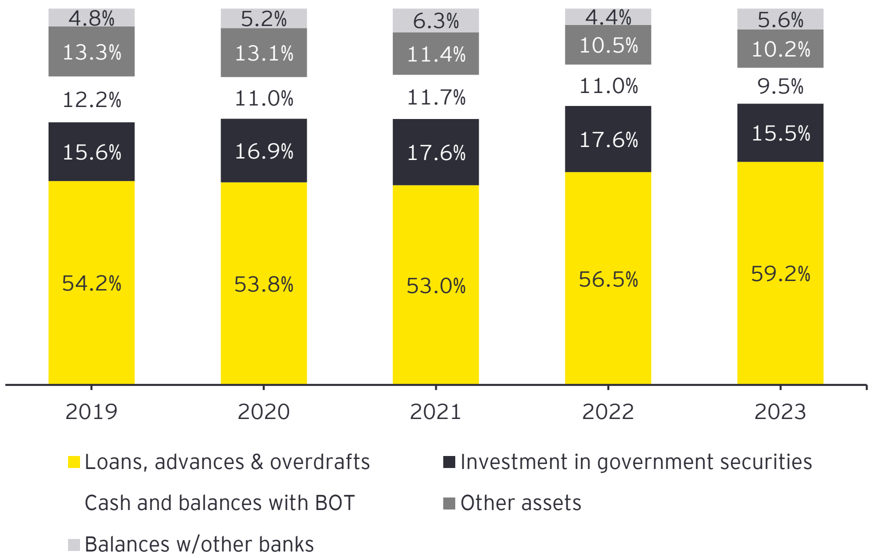
Income Statement

Amounts in TZS million	2019	2020	2021	2022	2023
Interest income	2 815 136	3 006 280	3 234 229	3 726 982	4 655 696
Interest expense	(685 192)	(748 294)	(760 177)	(934 249)	(1 293 120)
Net interest income	2 129 944	2 257 986	2 474 052	2 792 733	3 362 575
Bad debt provisions and write offs	(365 718)	(438 515)	(376 369)	(400 920)	(356 085)
Net income after provisions	1 764 226	1 819 472	2 097 683	2 391 813	3 006 490
Foreign exchange gain/loss	231 496	235 497	232 209	357 880	498 330
Fees, commissions & other income	649 061	705 754	811 125	797 187	1 104 193
Other Income	57 616	119 031	113 770	208 145	227 702
Non-interest income	938 173	1 060 281	1 157 104	1 363 212	1 830 225
Gross income	**2 702 399**	**2 879 753**	**3 254 787**	**3 755 025**	**4 836 716**
Non-interest expense	(2 125 421)	(2 215 585)	(2 199 827)	(2 298 228)	(2 600 623)
Profit/(loss) before tax	**576 978**	**664 167**	**1 054 959**	**1 456 797**	**2 236 093**
Income tax provision	(201 772)	(265 851)	(378 096)	(581 770)	(736 074)
Net income after tax	**359 305**	**403 155**	**676 863**	**875 027**	**1 500 019**
Number of employees	16 203	16 443	16 448	16 731	17 407

Key highlights

- The sub-sector's profit after tax demonstrated robust growth of 71.4% in 2023. The significant increases in both net interest income and non-interest income contributed to the overall strong performance. This is as a result of banks leveraging on its expansion opportunities. This substantial increase in net income reflects the strong financial performance of the sub-sector.
- The number of employees increased to 17,407 in 2023 from 16,731 in 2022, indicating growth in employment within the sub-sector. The increase in the number of employees also suggests expansion and confidence in the sub-sector's growth potential.

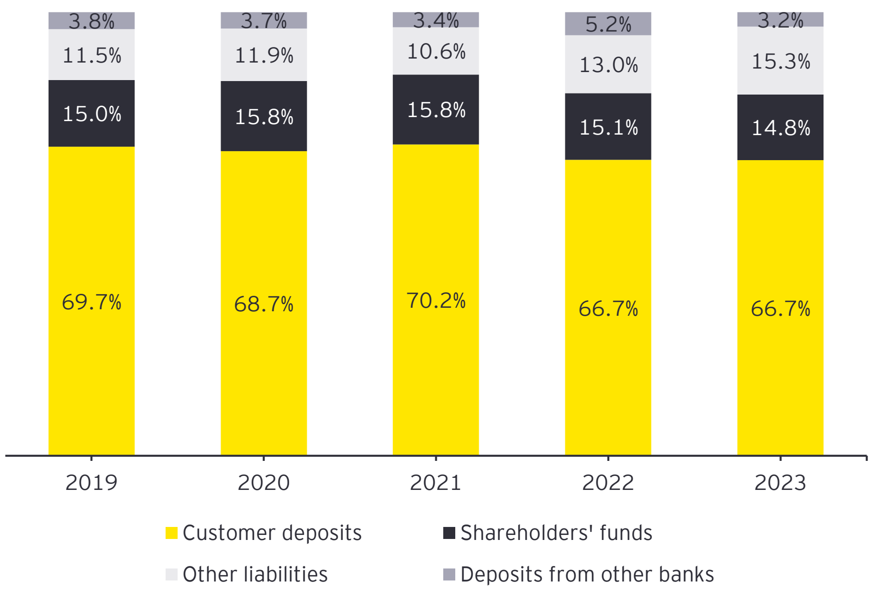
Balance sheet & funding structure



The asset composition remains stable with 59.2% of assets being loans advances. Albeit there is increase in loan composition that implies aggressive lending practices.

This increase has replaced the sub-sector's investment in government securities which dropped in its percentage composition of the sub-sector's assets.

A substantial investment in government securities shows a prudent approach to managing risk. Government securities are low-risk investments that provide stable returns and liquidity.



The bank's funding is strongly reliant on customer deposits. The percentage composition of customer deposits to funding remained stable at 66.7% in 2023 same as previous year.

This high percentage signifies customer trust and confidence in the banking system. Customer deposits are a stable and relatively low-cost source of funding for banks.

The sub-sector reliance on other sources such as borrowings for funding increased from 13.0% in 2022 to 15.3% in 2023.

94.1%

Loan to deposit ratio (LDR)

2023: up by 3.6%

59.2%

Gross loans to assets

2023: up by 2.7%

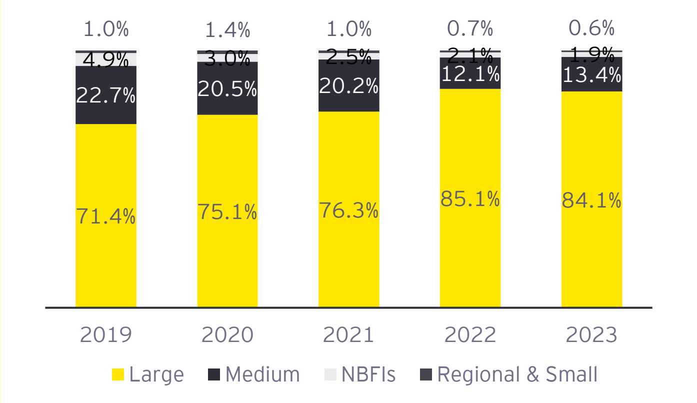
66.7%

Customer deposit to assets

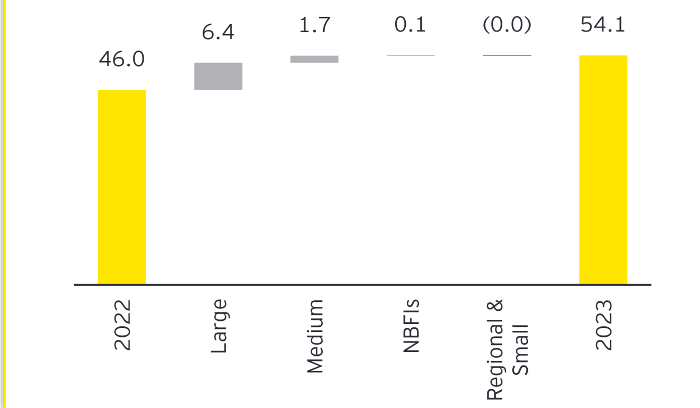
2023: constant from 2022

Competitive Landscape

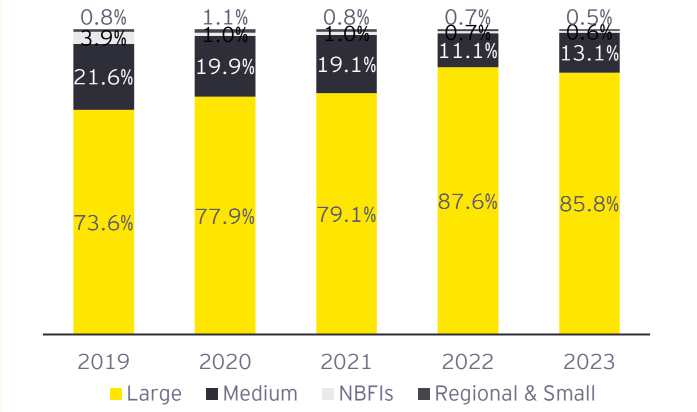
Market share of total assets



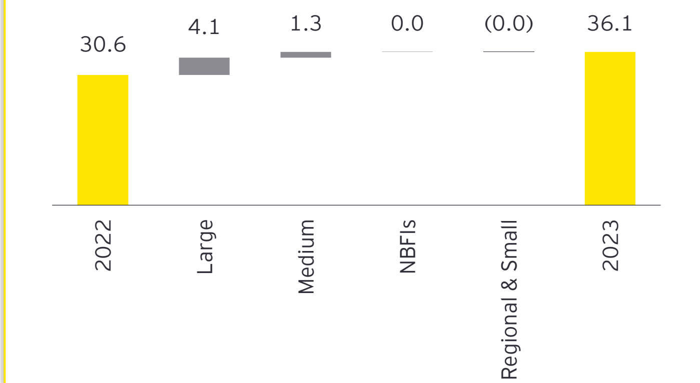
Contribution of assets by banks



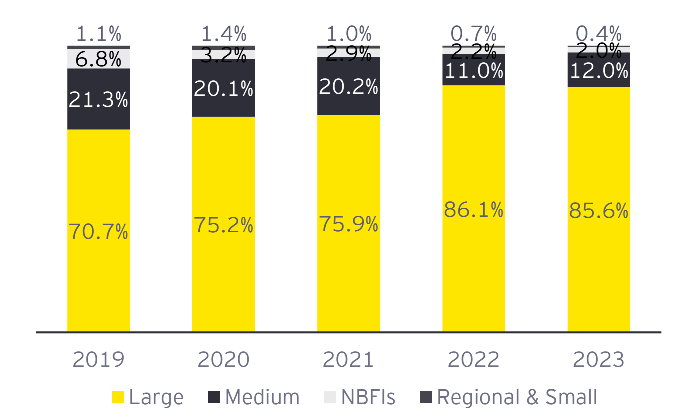
Market share of customer deposits



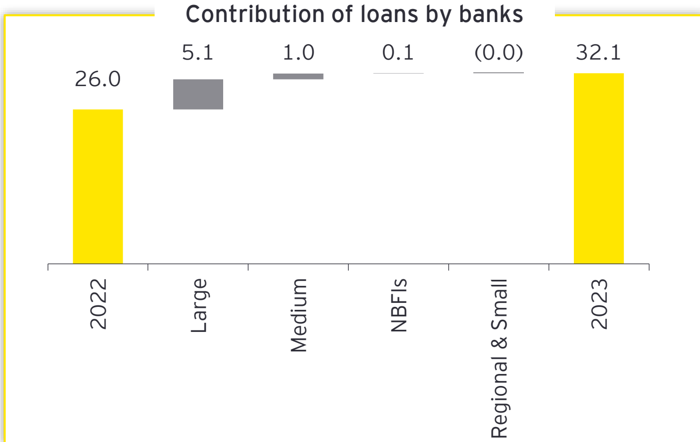
Contribution of deposits by banks



Market share of loans and advances

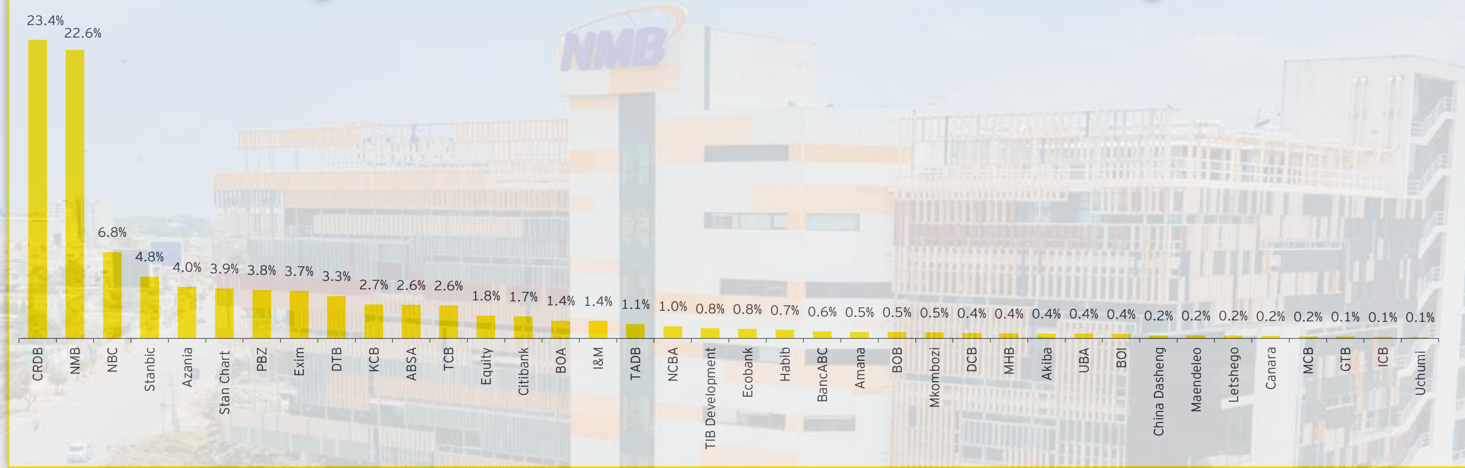


Contribution of loans by banks

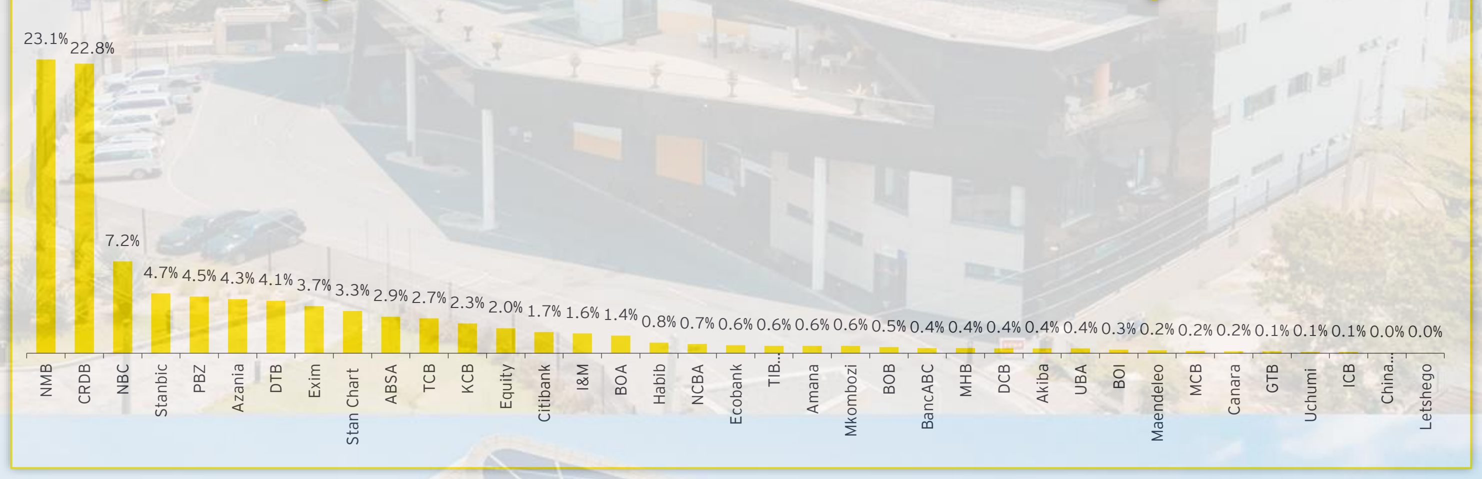


Competitive Landscape

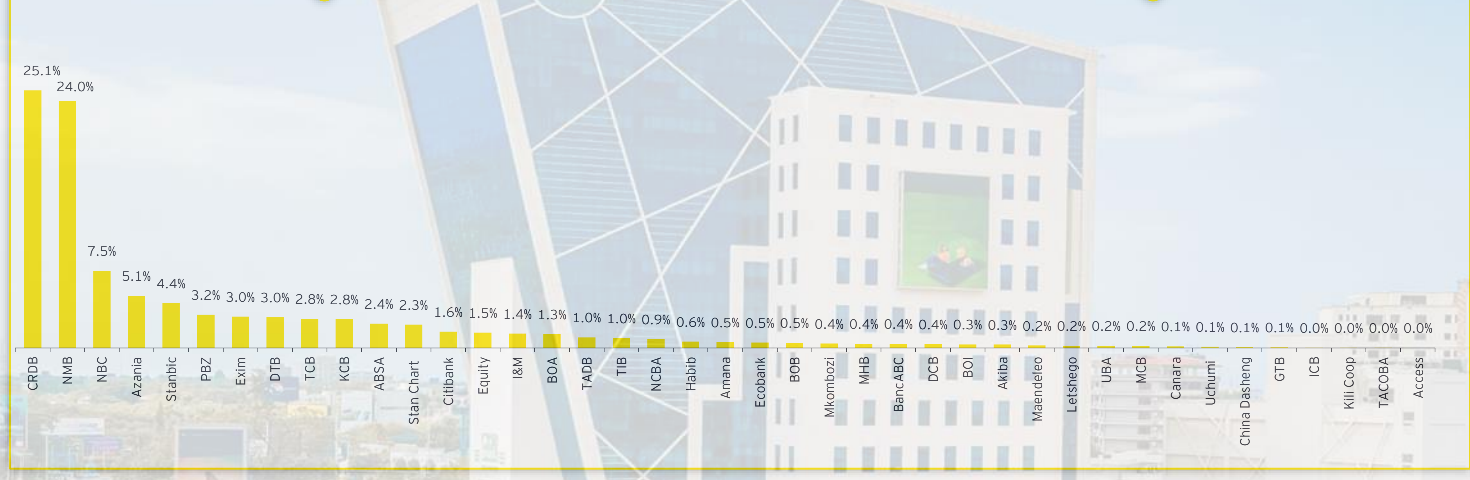
Composition of total assets



Market share of customer deposits



Market share of customer loans and advances



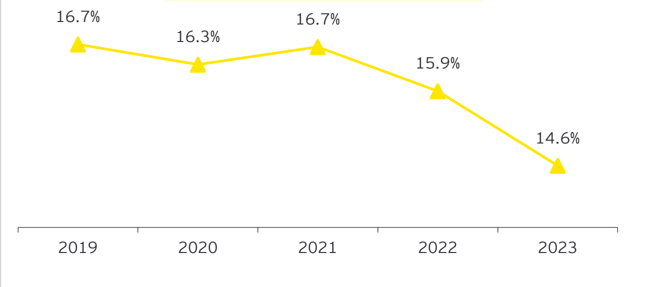
Section 3:

Sub-Sector Analysis

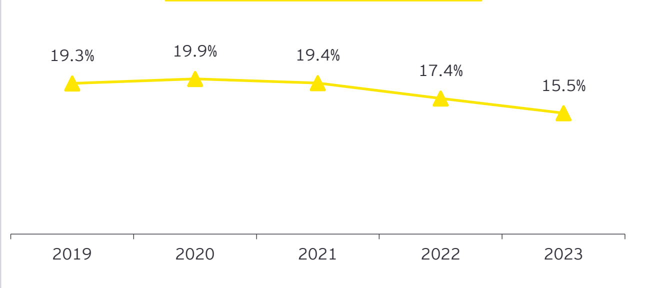
Capital Adequacy

Capital Adequacy Ratios

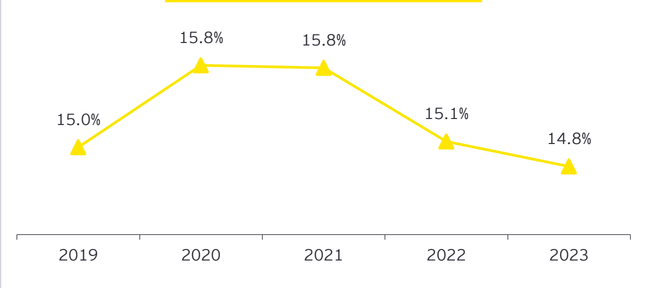
Core Capital to TRWAs



Total Capital to TRWAs

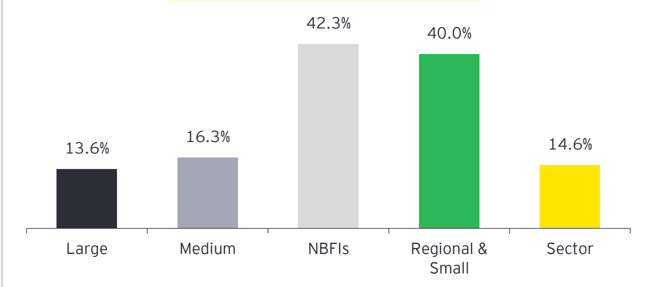


Shareholders' Funds to Total Assets

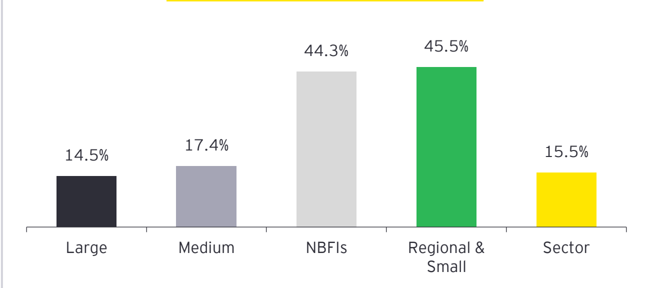


Capital Adequacy Ratios (2023)

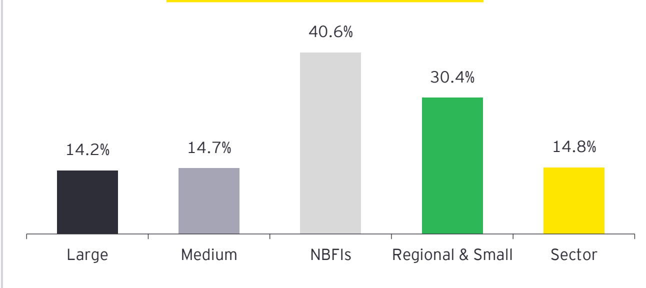
Core Capital to TRWAs



Total Capital to TRWAs

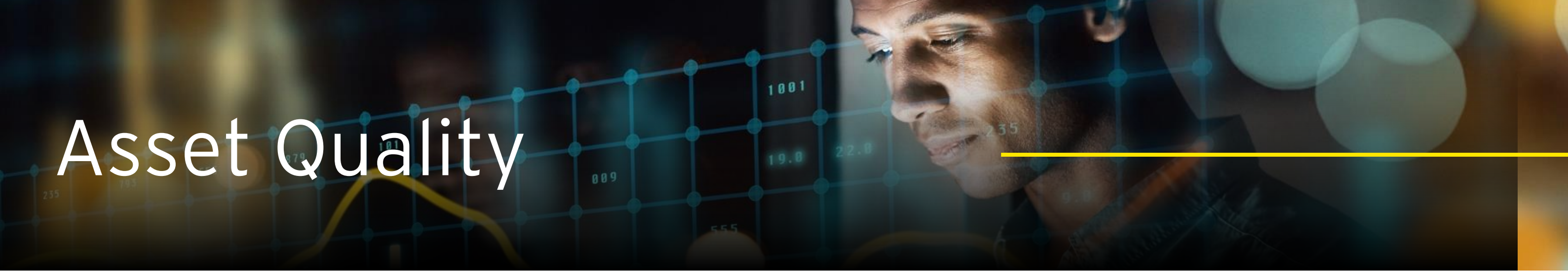


Shareholders' Funds to Total Assets



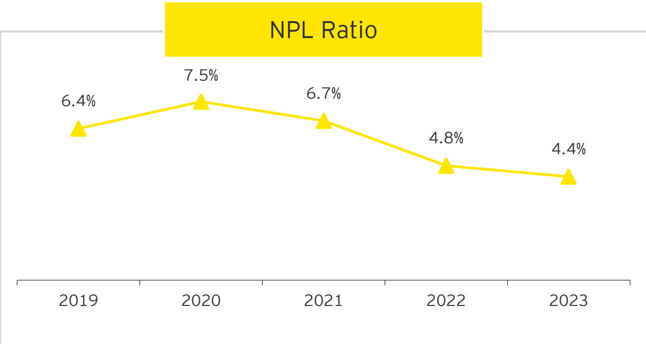
Key highlights

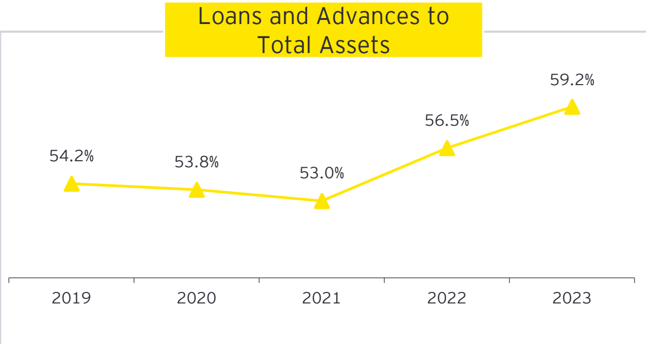
- The banking sub-sector in Tanzania CAR declined from 16.7% in 2021 to 14.6% in 2023, indicating reduced core capital relative to risk-weighted assets, likely due to increased lending, higher risk-weighted assets. This effect is observed in total capital ratio which has also decreased from 19.9% in 2020 to 15.5% in 2023.
- While the ratios remain above minimum regulatory requirements, the decline raises concerns about the sub-sector's ability to absorb financial shocks.

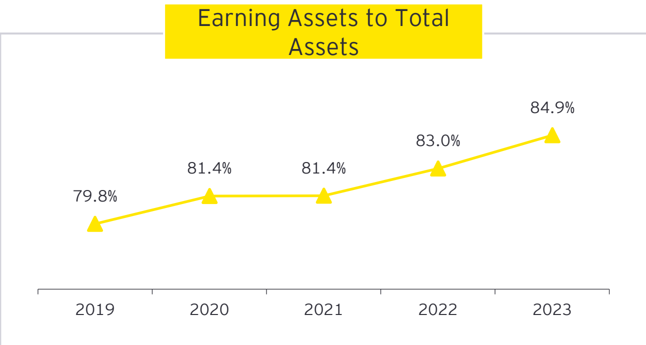


Asset Quality

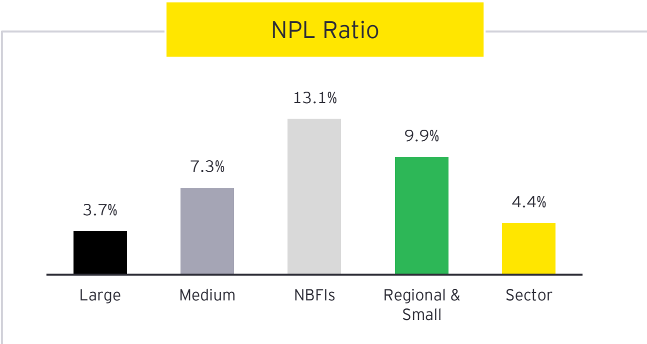
Asset Quality

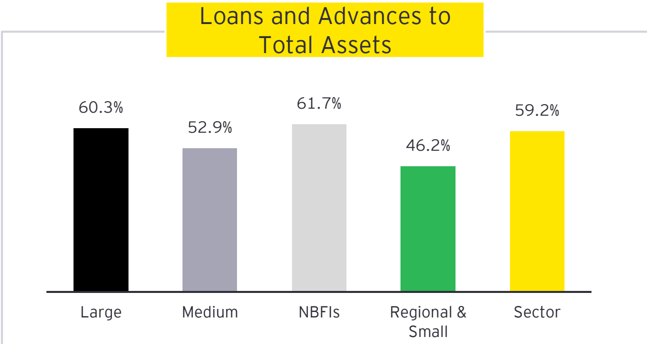


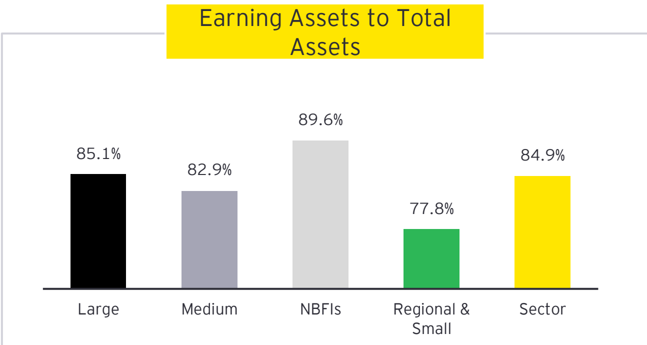




Asset Quality (2023)







Key highlights

- The NPL ratio improved from 4.8% in 2022 to 4.4% in 2023, reflecting a reduction in non-performing loans. Large banks recorded the lowest NPL ratio at 3.7%, indicating stronger loan performance, while NBFIs had the highest at 13.1%, signaling elevated credit risk in the sub-sector.

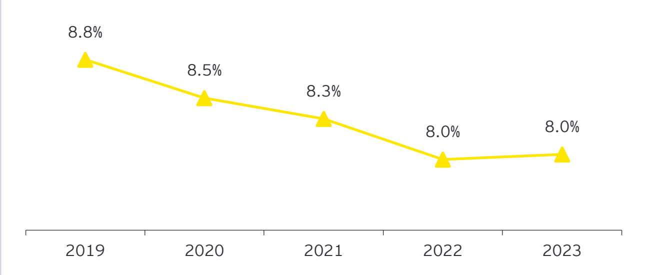
- The loans and advances to total assets ratio increased from 56.5% to 59.2%, suggesting a higher allocation of assets to lending. Medium banks had the lowest ratio at 52.9%, and NBFIs the highest at 61.7%, indicating their aggressive lending strategy.

- The earning assets to total assets ratio rose from 83.0% to 84.9%, implying an increased focus on income-generating assets.

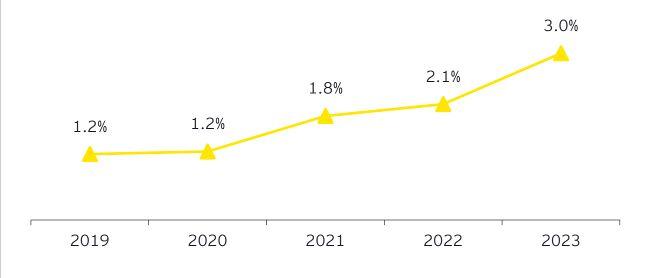
Earnings Quality

Probability Ratios

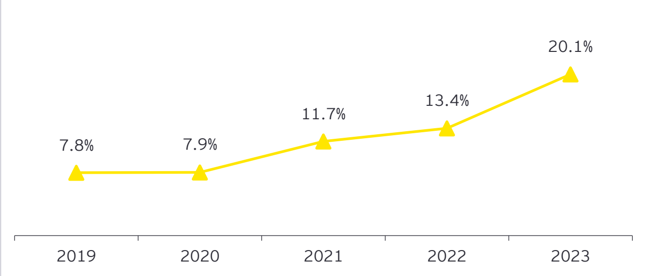
Net Interest Margin



ROAA

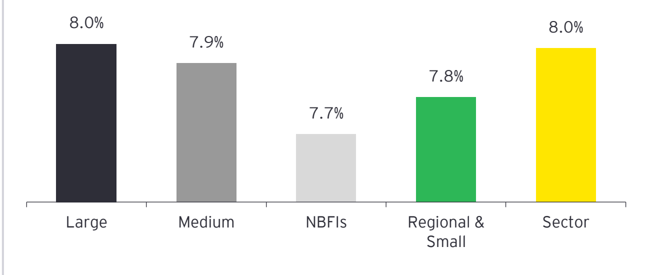


ROAE

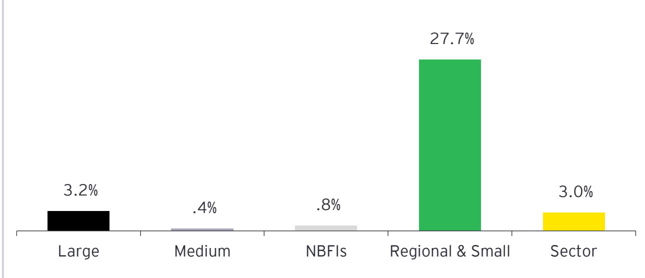


Probability Ratios (2023)

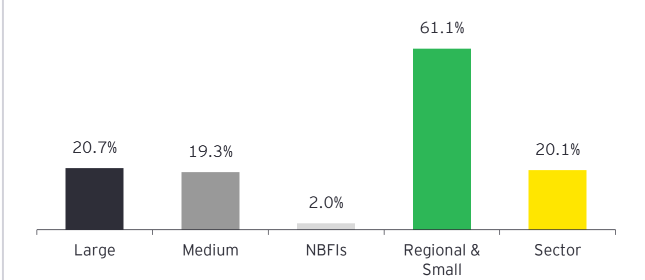
Net Interest Margin



ROAA



ROAE

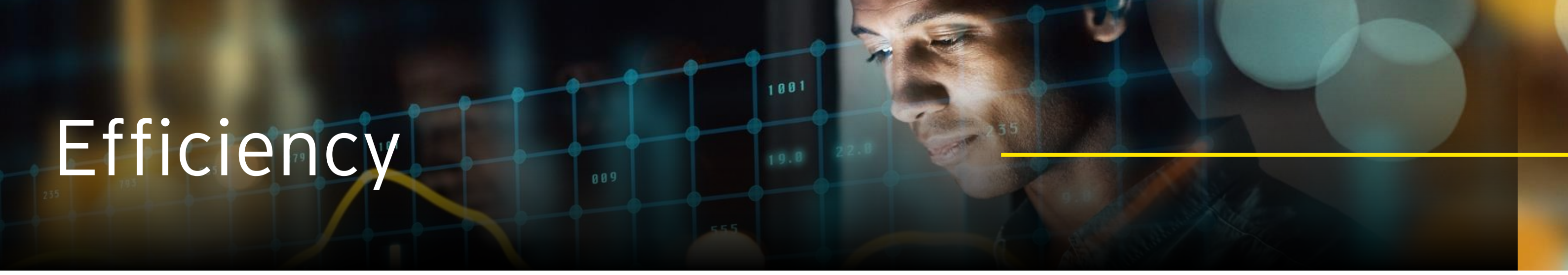


Key highlights

- The net interest margin (NIM) slightly declined from 8.0% in 2022 to 7.9% in 2023, driven by a marginal reduction in income generated from interest-related activities. Large banks maintained the highest NIM at 7.9%, reflecting their strong performance.

- Similarly to prior year, the return on average assets (ROAA) improved significantly from 2.1% to 3.0%, indicating enhanced asset profitability across the sub-sector. Medium banks lagged with a low ROAA of 0.4%, whereas Regional & Small banks achieved the highest ROAA at 27.7%, signaling efficient profit generation from their assets.

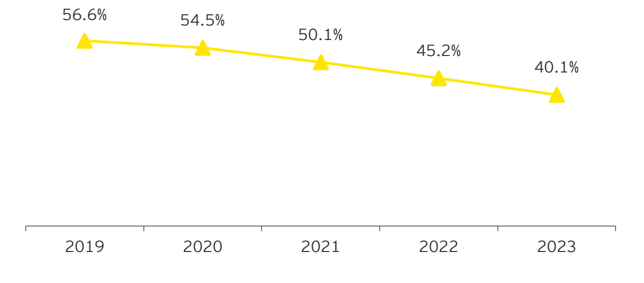
- The return on average equity (ROAE) increased from 13.4% in 2022 to 19.8% in 2023, reflecting better shareholder returns.



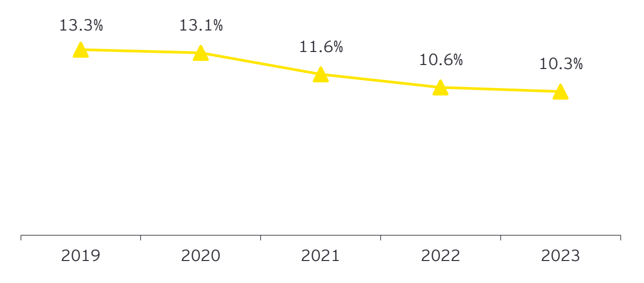
Efficiency

Efficiency Ratios

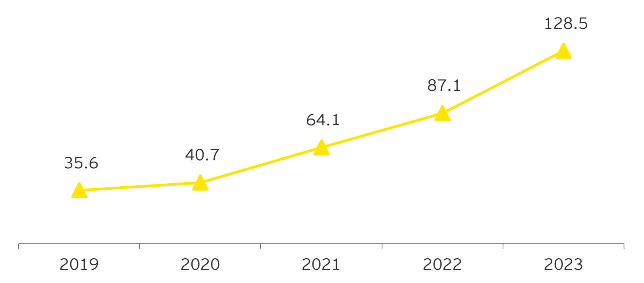
Cost to Total Income Ratio



Operational Efficiency

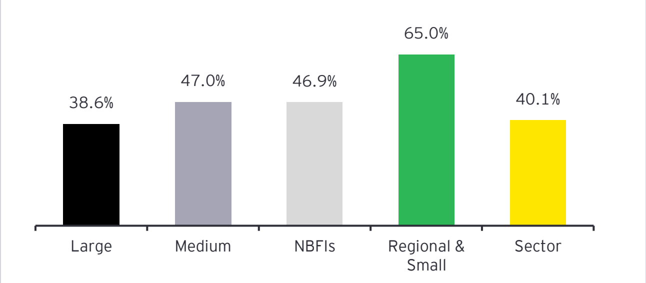


Employee Productivity (TZSm)

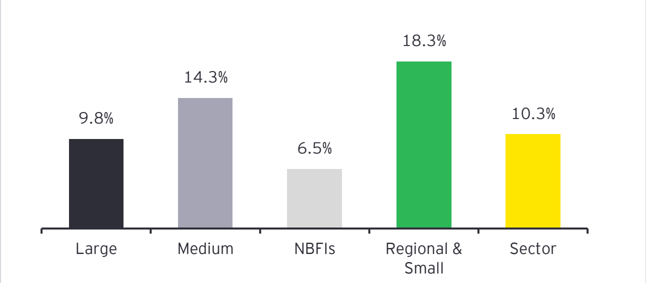


Efficiency Ratios (2023)

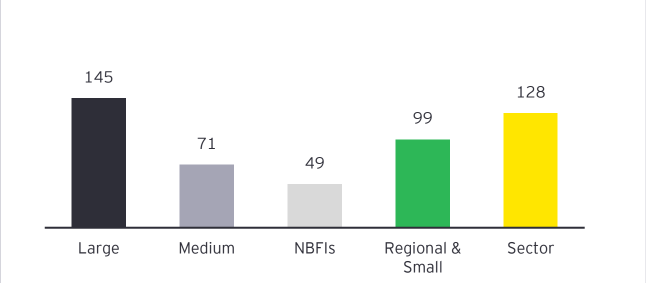
Cost to Total Income Ratio



Operational Efficiency

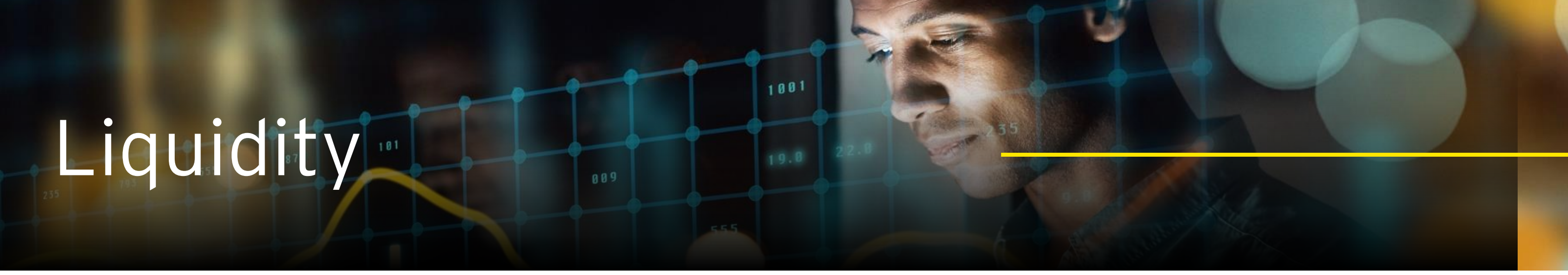


Employee Productivity (TZSm)



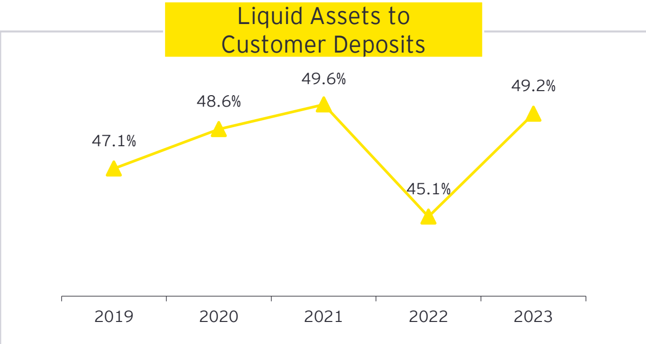
Key highlights

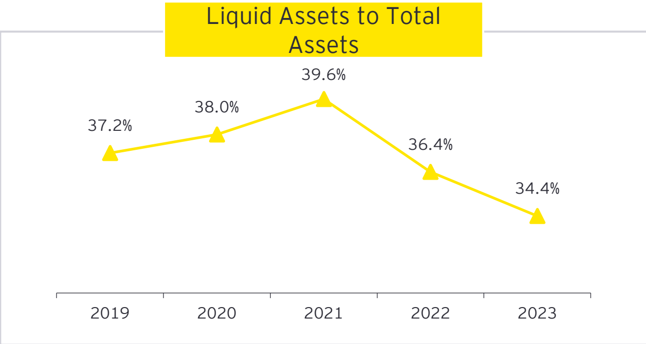
- Overall efficiency improved in 2023, with key metrics reflecting enhanced operational and productivity gains across the banking sub-sector. The cost to total income ratio fell, indicating better cost management and income generation.
- Employee productivity saw significant growth, reflecting better output per employee, particularly in regional and small banks. However, there remains a gap between large institutions and smaller ones, as regional and small banks continue to face higher cost burdens and operational inefficiencies.

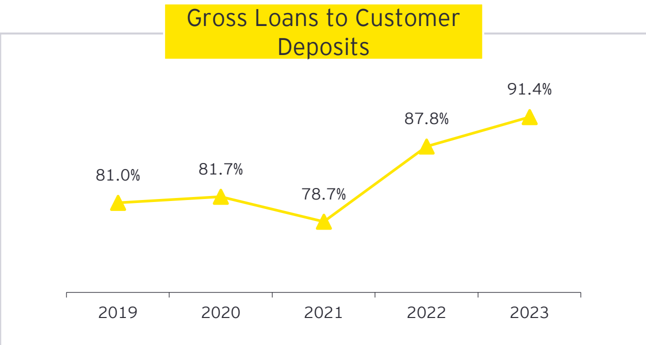


Liquidity

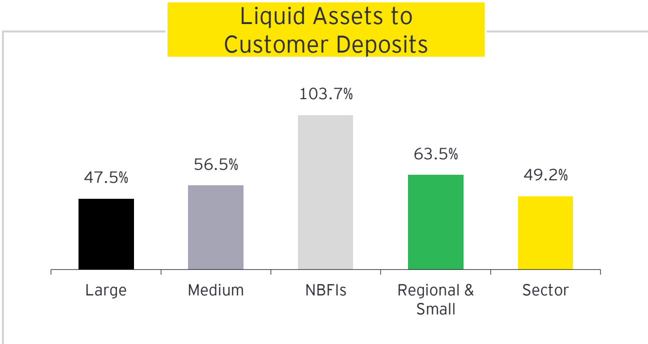
Liquidity Ratios

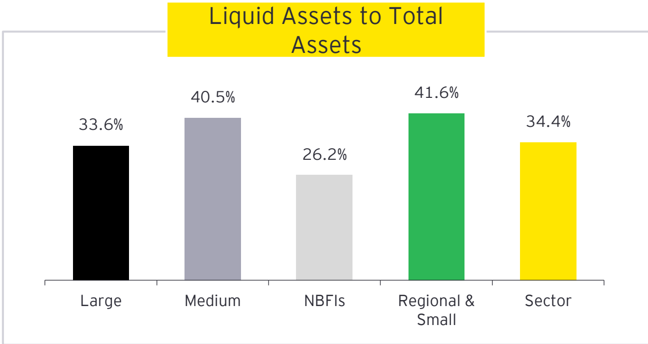


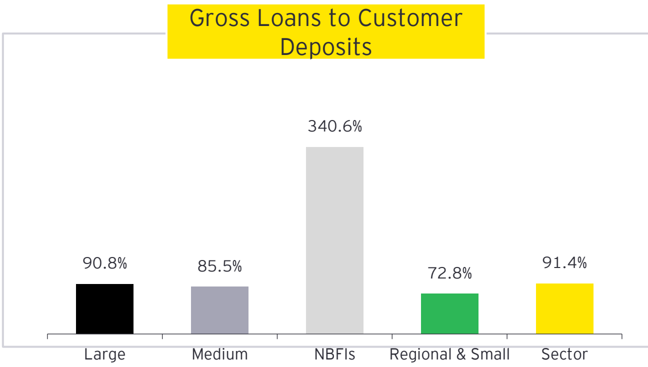




Liquidity Ratios (2023)

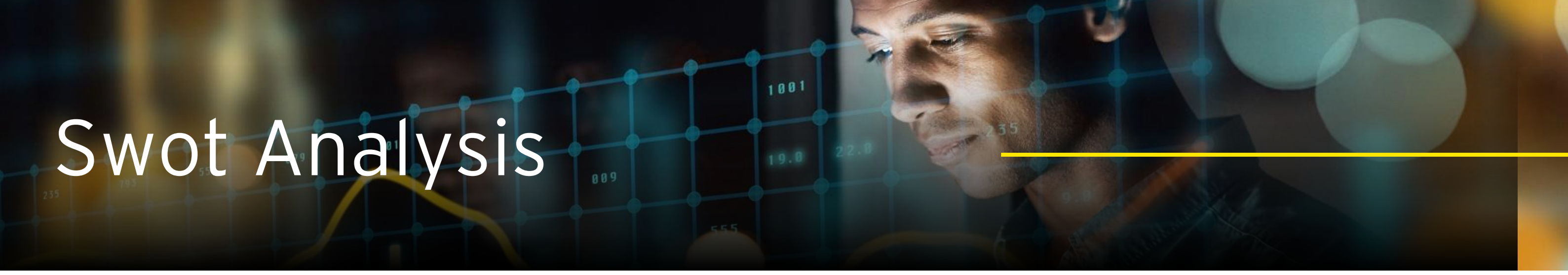






Key highlights

- The liquid assets to customer deposits ratio increased from 45.1% in 2022 to 49.2% in 2023, reflecting improved liquidity. NBFIs led with 103.7%, indicating a stronger liquidity position, while large banks had the lowest at 47.5%.
- The liquid assets to total assets ratio declined from 36.4% to 34.4%, suggesting fewer liquid assets relative to total assets. NBFIs had the lowest ratio at 26.2%, indicating reduced liquidity in their asset base, while regional and small banks had a higher ratio of 41.6%, reflecting better liquidity in their asset allocation.
- The gross loans to customer deposits ratio increased from 87.8% to 91.4%, showing higher lending activity. NBFIs exceeded 100%, indicating reliance on non-deposit funding, while regional and small banks had the lowest at 72.8%, showing a more conservative lending approach relative to deposits.



Swot Analysis

Strengths

- Consistent increase in net interest income and gross income as indicated by the financial statements, suggesting robust core banking operations.
- Significant strides in leveraging technology for operational efficiency, such as successful tests for system availability and disaster recovery, implementation of SIM Banking platform, and digital initiatives.
- The New Core Banking System and Full Card Management & Switching Solution projects are nearing completion, enhancing operational capabilities.
- Partnerships with international financial institutions and successful syndication for green financing demonstrate strong support and recognition from global financial players.
- Implementation of processes that enhance client experience, such as automated account opening and digital services, leading to higher customer satisfaction and retention.

Opportunities

- Ongoing IT and digital transformation projects present opportunities for improved efficiency, enhanced customer experience, and new revenue streams.
- Mobilizing funds for green financing, supported by international syndication, opens avenues for sustainable development projects.
- Leveraging new technologies and partnerships to introduce innovative banking products and services.
- Favorable regulatory environment encouraging the adoption of new technologies and financial products can further drive growth.

Weaknesses

- Although NPL ratios have improved, they remain a concern and need continuous monitoring and management.
- Issues with accessing certain Excel files due to compatibility problems indicate potential gaps in IT infrastructure and software standardization.
- High non-interest expenses may indicate inefficiencies and potential areas for cost optimization.

Threats

- Global economic uncertainties, including exchange rate fluctuations, can impact financial stability.
- Stricter regulatory requirements and compliance costs could strain resources and impact profitability.
- Increased reliance on digital platforms heightens vulnerability to cyber-attacks and data breaches.
- Intensifying competition from both local and international banks, as well as fintech companies, could erode market share and margins

Section 4:

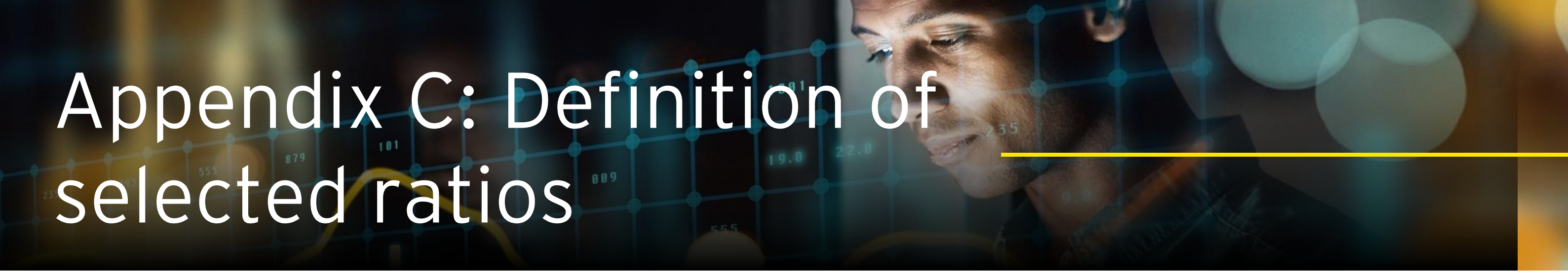
Appendix

Appendix A: List of financial institutions

S/N	Bank	Name of the Bank
1	ABSA	Absa Bank Tanzania Limited
2	Access	Access Microfinance Bank Tanzania Limited (AMBTL)
3	Akiba	Akiba Commercial Bank Limited
4	Amana	Amana Bank Ltd
5	Azania	Azania Bank Ltd
6	BancABC	African Banking Corporation (T) Ltd
7	BOA	BOA Bank (T) Limited
8	BOB	Bank of Baroda (T) Limited
9	BOI	Bank of India (T) Limited
10	Canara	Canara Bank (T) Limited
11	China	China Commercial Bank limited
12	China Dasheng	China Dasheng
13	Citibank	Citibank (T) Limited
14	CRDB	CRDB Bank PLC
15	DCB	Dar es Salaam Community Bank
16	DTB	Diamond Trust Bank (T) Limited
17	Ecobank	Ecobank (T) Limited
18	Equity	Equity Bank Tanzania Limited
19	Exim	Exim Bank (T) Limited
20	FNB	First National Bank (T) Limited
21	GTB	Guaranty Trust Bank (T) Limited
22	Habib	Habib African Bank Limited
23	ICB	International Commercial Bank (T) Limited
24	I&M	I&M Bank (T) Limited
25	KCB	Kenya Commercial Bank (T) Limited
26	KCBL	Kilimanjaro Co-operative Bank Limited
27	Letshego	Letshego Bank (T) Limited
28	Maendeleo	Maendeleo Bank PLC
29	MCB	Mwalimu Commercial Bank
30	MHB	Mwanga Hakika Bank
31	Mkombozi	Mkombozi Commercial Bank PLC
32	MUCOBA	MUCOBA Community Bank Ltd
33	NBC	National Bank of Commerce Limited
34	NCBA	NCBA Bank Tanzania Limited
35	NMB	National Microfinance Bank (T) PLC
36	PBZ	The People's Bank of Zanzibar Limited
37	Stan Chart	Standard Chartered Bank (T) Limited
38	Stanbic	Stanbic Bank (T) Limited
39	TADB	Tanzania Agriculture Development Bank Limited
40	TACOBA	Tandahimba Community Bank
41	TIB Development	TIB Development Bank Limited
42	TCB	Tanzania Commercial Bank Ltd
43	UBA	United Bank for Africa (T) Limited
44	Uchumi	Uchumi Commercial Bank Ltd

Appendix B: Abbreviations, acronyms and definitions

Abbreviation	Description
AML	Anti- Money Laundering
BI	Banking Institution
BOT	Bank of Tanzania
CAR	Capital Adequacy Ratio
CBDCs	Central Bank Digital Currencies
CIR	Cost-to-Income Ratio
CMSA	Capital Market and Securities Authority
CRBs	Credit Reference Bureaus
DFB	Development Finance Banks
DPIA	Data Protection Impact Assessment
EAC	East African Community
eKYC	Electronic Know your customer
ESG	Environmental, Social and Governance
FINMA	Financial Market Authority
GDP	Gross Domestic Product
GRI	Global Reporting Initiative
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
ISSB	International Sustainability Standards Board
LDR	Loans to Deposit Ratio
NBFIs	Non-Banking Financial Institutions
NBS	National Bureau of Statistics
NIM	Net Interest Margin
NPLs	Non-Performing Loans
PII	Personal Identifiable Information
ROAA	Return on Average Assets
ROAE	Return on Average Equity
TBA	Tanzania Bankers Association
TRWAs	Total Risk Weighted Assets
T-Bill(s)	Treasury Bills
T-Bond(s)	Treasury Bonds
TZS	Tanzania Shillings
TZSb	Tanzania Shillings in Billions
TZSm	Tanzania Shillings in Millions
TZSt	Tanzania Shillings in Trillions
USD	United States Dollar
WB	World Bank
WHT	Withholding Taxes



Appendix C: Definition of selected ratios

Capital Adequacy Ratios

- Core Capital to Total Risk-Weighted Assets (%): This is also referred to as Core Capital to Risk Weighted Assets plus Off-Balance Sheet Exposures. The ratio shows the degree to which creditors are covered first, by Total capital and then by Core Capital only
- Total Capital to Total Risk-Weighted Assets (%): This ratio is calculated by dividing a bank's total capital (Core Capital plus Supplementary Capital) by its risk-weighted assets.
- Shareholders' Funds to Total Assets (%): Show the proportion share of shareholders' total equity relative to the bank's total assets.

Asset Quality Ratios

- Non-Performing Loans Ratio (NPL) (%): Non-performing loans/loans and advances + probable losses. Tells how well the bank is managing its loan portfolio. The lower the % the better managed the portfolio.
- Loans and Advances to Total Assets (%): Loans and Advances as a % of total assets
- Earning Assets to Total Assets (%): This ratio is used to show the composition of the bank's earning assets and if most of them are earning assets and how efficiently and productively the bank uses those earning assets

Profitability and Earnings Ratios

- Net Interest Margin (%): This is also known as the Interest Margin to Earning Assets (%) and is Interest Income-Interest Expense/Average Earning Assets. Shows the net interest income earned on the bank's earning assets.
- Return on Average Assets (%): Using profit after tax, to show the returns generated by the bank's assets.
- Return on Average Equity (%): Using Shareholders' funds, to show the return to Shareholders from the bank's operations.

Efficiency Ratios

- Cost to Total Income Ratio (%): This ratio is also known as Non-Interest Expense to Gross Income. The ratio is used to show the extent to which non-interest expense would 'eat' into total income.
- Operational Efficiency Ratio (%): Non-Interest Expense + Interest Expense/Loans and Advances (including inter-bank) + Probable Losses. To determine how efficient the bank has been in making its loans i.e., keeping its costs down. The lower the % the more efficient the bank.
- Employee Productivity (TZS million): This ratio is also termed as Earnings Per Employee or Income to Staff. It is calculated by taking profit before tax divide by the number of staff. The ratio is used to show, again theoretically, how much each staff has contributed to the bank's earnings.

Liquidity Ratios

- Liquid Assets to Customer Deposits (%): This shows the contribution of liquid assets to the banks' customer. The ratio is used to show the extent of the bank's liquidity.
- Liquid Assets to Total Assets (%): This shows the contribution of liquid assets to the banks' total assets. The ratio is used to show the extent of the bank's liquidity.
- Gross Loans to Customer Deposits (%): Loans and Advances + Probable Losses/Customer deposits.
- Note that some of the ratios may not adhere to the exact definition per the Bank of Tanzania regulations and prudential guidelines. Furthermore, ratios in the review may be limited by the level of detail of information disclosed by banks. The definitions are as outlined below:
- Core Capital = Paid up share capital + share premium + preference shares + retained earnings + profit and loss account
- Total Capital = Total shareholder's funds
- Off Balance Sheet Exposures = Contingent liabilities and contingencies
- TRWAs - Risk Weighted Assets is a 'minimum' amount of capital that banks should hold. This minimum capital is a percentage of the total capital of a bank, which is also called the minimum risk-based capital adequacy. Indeed, RWAs calculated as: cash * 0% +Balance with BoT*0 + (Balances with other banks + Interbank loans and receivables) * 20% + (investment in Government securities + investment in debt securities) * 0% +cheques and items for clearing*0.5+loans, advances and overdrafts * 100% + Accounts receivable*100+Bills negotiated*100%+Equity investment*100+Fixed Assets*100%+ customers liabilities acceptable*100% + Interbranch suspense*100%+Other assets*100
- Liquid assets - An asset is said to be liquid if it can be sold quickly without significant losses and has low risk with short maturity period (less price sensitive to interest rate movements with unlikely capital losses). Typical examples of bank assets are cash, reserves, securities (Government debt and commercial paper) and inter-bank loans. The calculation for liquid assets: Cash + Balances with Bank of Tanzania + Balances with other banks + Inter-bank loans and receivables + Cheques and items for clearing + Investment in Government securities + Investment in debt securities.

Appendix D: Sources of information

Source of information

- All financial information is sourced from publicly available banks' financial statements
- Bank of Tanzania Annual Report For the Year Ended 30 June 2023
- Bank of Tanzania (BOT) (Source: https://www.bot.go.tz/Publications/Filter/13)
- Concept and forms of Greenwashing: A Systematic review by Sebastiao Vieira Freitas Netto (Source: www.researchgate.net)
- CRDB Bank Plc annual report 2023
- EMIS (Emerging Markets Information System)
- EY Banking and Capital market reports
- Greenwashing, bank financial performance and the moderating role of gender diversity by Giuliana Birindelli, Helen Chiappini and Raja Nabeel (Source: www.researchgate.net)
- National Bureau of Statistics (NBS) (Source: https://www.nbs.go.tz/index.php/en/)
- NMB Bank Plc annual report 2023
- NMB Jasiri Gender Bond Impact Report, 30 June 2023 (Source: https://www.nmbbank.co.tz/investor-relations-nmb/investor-information/nmb-jasiri-bond-2022#)

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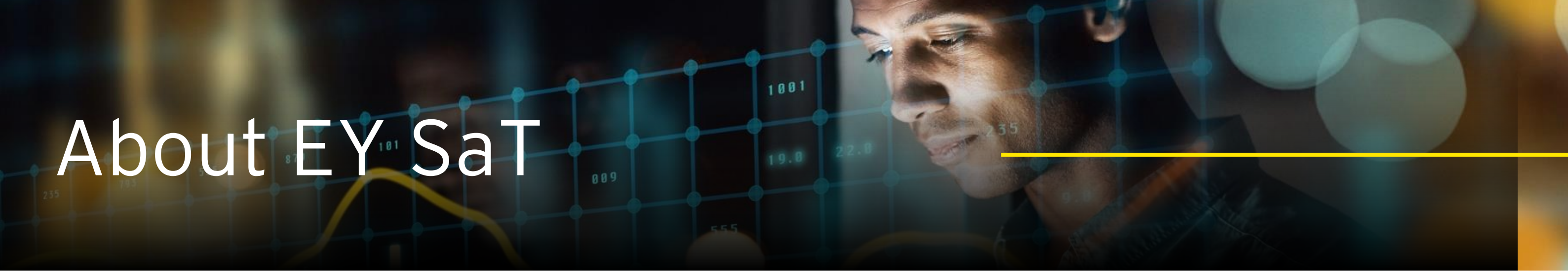

Strategy and Transactions

Transaction and Corporate Finance	EY-Parthenon	International Tax and Transaction Services (ITTS)

Transaction Diligence (TD)	Valuation Modelling and Economics (VME)	Lead Advisory	Strategy	Transaction Strategy and Execution	Turnaround and Restructuring Strategy	International Corporate TAX Advisory (ICTA)	Transaction Tax Advisory	Transfer Pricing

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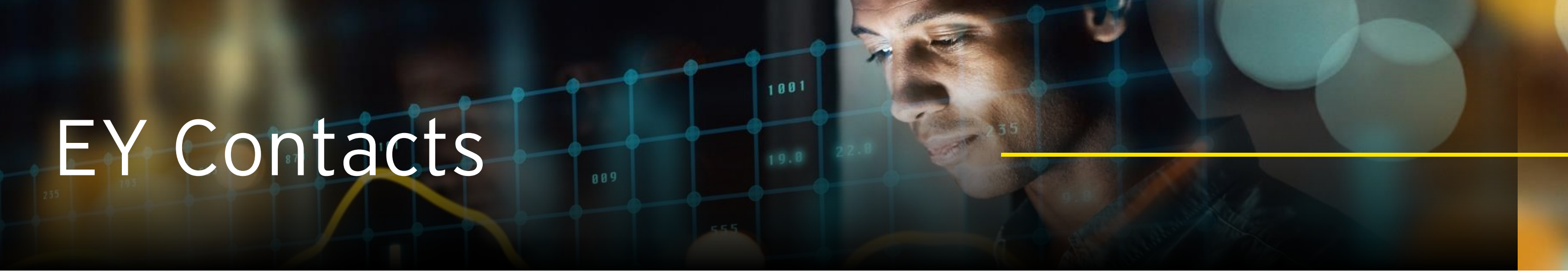

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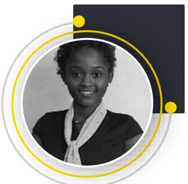

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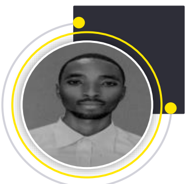

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