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ANNUAL BANKING SUPERVISION REPORT 2023

27TH EDITION

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MESSAGE FROM THE GOVERNOR

I am pleased to present the 27th Annual Banking Supervision Report, which updates the public on the performance and development of the banking sector for the year ending 31st December 2023. The report details the performance of banks and financial institutions regulated and supervised by the Bank of Tanzania as well as supervision of financial matters of social security scheme, and highlights the major activities undertaken and regulatory changes that occurred throughout the year.

In 2023, the global financial sector faced unfavourable conditions due to supply-chain disruptions caused by exchange rate volatility, the war in Ukraine and Middle East as well as climate-related constraints. Notwithstanding these challenges, the Bank of Tanzania in collaboration with other stakeholders managed to take appropriate measures, which ensured stability of the sector. As a result, the Tanzanian banking sector continued to depict strong performance and growth during the period. The banking system is strong in terms of profitability, capitalization, liquidity, asset quality, and loan quality.

During the year, Bank of Tanzania developed, reviewed and published Regulations, Guidelines and Guidance notes for implementation of Basel II and III, paving the way for full compliance with Basel II and III requirements by April 2025. The development of Real-Time Supervision Information System was also at an advanced stage. The system will enhance supervision processes, ensure data quality, and improve the timeliness and accuracy of information for banking sector oversight. Further, to keep pace with the speed of innovations in the sector the Bank continued to revise and develop regulations and guidelines for new products and services. This is considered necessary to enhance access and efficiency of financial services and thereby improve financial inclusion and deepening.

I assure the public that, the financial sector is forecasted to remain safe and sound with banks being solid and reliable. Bank of Tanzania will continue to promote financial stability through effective regulation and supervision as well as maintaining safety and soundness of the banking sector and financial system as a whole. This will in essence entail keeping abreast with developments in the local and global economy and continued realignment of the legal, regulatory and supervisory practices to the international best practices.

Emmanuel M. Tutuba

Governor - Bank of Tanzania

EXECUTIVE SUMMARY

The banking sub-sector accounts for more than 70 percent of the assets of the financial sector, which includes banking, microfinance, insurance, capital markets and social security sub-sectors. The Bank of Tanzania is mandated to license, regulate and supervise banks, microfinance service providers, mortgage finance institutions, financial leasing companies, bureaux de change, credit reference bureaux and representative offices of foreign banks. In addition, the Bank is vested with powers to regulate and supervise financial matters of social security schemes.

During the period under review, the banking sub-sector remained sound and stable in terms of capital adequacy, liquidity, asset quality and profitability. Core and total capital adequacy ratios were 17.7 percent and 18.4 percent respectively compared to 17.9 percent and 18.7 percent recorded in the preceding year, respectively. The decrease in capital adequacy ratios was attributed to increase of risk-weighted assets. The ratios were above the minimum regulatory requirements of 10 and 12 percent for core and total capital, respectively. Asset quality improved as reflected by a decline in level of non-performing loans (NPLs) ratio to 4.4 percent from 5.8 percent recorded in 2022. The improvement in asset quality was due to improved credit risk management practices by banks and financial institutions as well as measures instituted by the Bank.

The ratio of liquid assets to demand liabilities was 28.8 percent compared to 26.1 percent recorded in 2022, being above the minimum regulatory requirement of 20 percent. The growth was attributed to increase in liquid assets including cash, bank balances with other banks and short-term investments. Profitability improved as depicted by increase in return on assets (ROA) and return on equity (ROE) to 4.4 percent and 20.5 percent from 3.5 percent and 14.2 percent recorded in preceding year, respectively. The increase in profitability was driven by a rise in interest income consistent with growth in loan portfolio, increase in non-interest income and improvement in operational efficiency. The ratio of net open position to core capital increased to 4.5 percent from 2.5 percent reported in the preceding year, implying moderate exposure to foreign exchange risk.

Total assets increased by 17.8 percent to TZS 54,396.0 billion from TZS 46,159.5 billion recorded in the preceding year, which was mainly attributed to the increase in deposits, borrowings and retained earnings. Deposits increased by 16.9 percent to TZS 38,076.5 billion from TZS 32,584.7 billion recorded in the preceding year. The increase was mainly on account of increased public confidence in the banking sector, favourable economic activities and deposit mobilization strategies instituted by banks and financial institutions. Loans, advances and overdrafts increased by 22.7 percent to TZS 32,011.0 billion which accounted for 58.9

percent of total assets. The observed growth was attributed to favourable macroeconomic environment, the Bank's sustained accommodative monetary policy and regulatory measures taken to boost private sector's credit.

The sector's outreach continued to expand through branch network, agent banking, digital and other delivery channels. Number of bank branches increased to 1,011 from 987 reported in 2022. The number of agents increased by 41.1 percent to 106,176 from 75,238. Number of deposits transactions increased by 8.0 percent to 87,463,083 from 81,007,984 recorded in preceding year. Deposits through bank agents increased by 21.0 percent to TZS 74,914.4 billion. This growth implies increased use of this service delivery channel in extending banking services and mobilizing deposits.

During the year, the Bank issued licenses, revoked licenses, and approved acquisitions to enhance compliance, efficiency, and performance in the banking sector. The Bank approved the merger of Letshego Bank Limited and Faidika Microfinance to form Letshego Faidika Bank Limited. In addition, the Bank revoked the license of Yetu Microfinance Bank Plc and subsequently transferred its assets and liabilities to NMB Bank Plc. Furthermore, the Bank accepted the surrender of the financial leasing license by Salute Finance Tanzania Limited. Moreover, the Bank approved the change of Diamond Trust Bank Tanzania from a private company to a public company (Plc) and the change of Azania Bank Limited from a private company to a public company (Plc).

The credit reference system continued to improve as depicted by increase in both credit inquiries and number of credit reports sold. The improvement was attributed to growth of credit to private sector and the increase in awareness of the credit reference system. The Bank continued to sensitize banks and financial institutions on the importance of sharing accurate credit information and usage of credit reference bureaux services to reduce information asymmetry in credit underwriting processes and eventually reduce the level of NPLs.

Banks and bureaux de change continued to offer the services of buying and selling foreign currencies during the period under review. As at the end of 2023, there were 34 commercial banks and 13 bureaux de change with 86 branches across the country. The Bank continued to strengthen supervision of bureaux de change to enhance compliance with legal and regulatory requirements.

The Bank in collaboration with delegated authorities continued to discharge its licensing, regulatory and supervisory roles for microfinance service providers in line with the Microfinance Act, 2018. In 2023, the Bank issued 484 licenses to non-deposit taking microfinance service providers (Tier 2) whereas Tanzania Cooperative Development Commission (TCDC) licensed

125 SACCOS and Local Government Authorities (LGAs) registered 14,157 Community Microfinance Groups.

Further, the Bank participated in regional and international fora to facilitate harmonization, enhance cooperation and keep abreast with developments in the region and global regulatory environment. Furthermore, the Bank participated in supervisory colleges to enhance understanding of the risks facing cross-border banking groups to facilitate effective supervision.

The Bank shall continue to implement necessary policies, regulatory and supervisory measures as well as collaborating with other stakeholders to ensure the banking sector remains safe, sound and stable to support the national economy.

CHAPTER ONE

OVERVIEW OF THE FINANCIAL SECTOR

Tanzania's financial sector comprises five sub-sectors: banking, social security schemes, insurance, capital markets, and microfinance. The banking sub-sector is the largest, constituting over 70 percent of the total assets of the financial sector. The Bank of Tanzania is mandated to license, regulate, and supervise both banking and non-banking financial institutions. Banking institutions include commercial banks, development banks, microfinance banks and community banks. Non-banking financial institutions encompass microfinance service providers, mortgage finance institutions, financial leasing companies, bureaux de change, credit reference bureaux, and representative offices of foreign banks. Moreover, the Bank of Tanzania is responsible for regulating and supervising the financial matters of social security schemes.

Throughout the year, the Bank continued with its activities of licensing, regulating, and supervising banking and non-banking financial institutions. This involved overseeing the activities of regulated institutions to ensure compliance with the regulatory framework and enforcing adherence to laws, regulations, and guidelines.

1.1 Banking Institutions

The Bank of Tanzania under the Bank of Tanzania Act of 2006 and the Banking and Financial Institutions Act of 2006 is mandated to license, regulate and supervise banking institutions. Banking institutions are categorized into commercial banks, development banks, microfinance banks and community banks. During the year 2023, commercial banks dominated the banking sector accounting for 77.3 percent of total banking institutions (Table 1.1).

Table 1.1: Categories and Number of Banking Institutions

Category	2023	2022	2021	2020	2019
Commercial banks	34	34	34	35	38
Development banks	2	2	2	2	2
Microfinance banks	3	4	5	4	5
Community banks	5	5	5	5	6
Total	44	45	46	46	51

Source: Bank of Tanzania

Analysis of banks’ market share indicated that ten largest banks dominated the market in 2023 in terms of total assets, total loans, total deposits and capital (Table 1.2). The dominance was mainly due to large customer base and wide branch network. Meanwhile, locally-owned banks held more assets compared to foreign owned banks (Table 1.3).

Table 1.2: Market Share for Ten Largest Banks

Market share	Assets		Loans		Deposits		Capital	
	Dec-23	Dec-22	Dec-23	Dec-22	Dec-23	Dec-22	Dec-23	Dec-22
10 Largest Banks	78.6	77.4	80.8	78.9	78.7	77.9	77.7	73.9
Other Banks	22.6	22.6	21.1	21.1	22.1	22.1	26.1	26.1

Source: Bank of Tanzania

Table 1.3: Market Share of Local and Foreign Banking Institutions

Market share	Asset		Loans		Deposits		Capital	
	Dec-23	Dec-22	Dec-23	Dec-22	Dec-23	Dec-22	Dec-23	Dec-22
Local banking institutions	70.7	62.9	75.1	66.2	69.9	62.8	69.7	62.6
Foreign banking institutions	29.3	37.1	24.9	33.8	30.1	37.2	30.3	37.4

Source: Bank of Tanzania

1.1.1 Commercial Banks

These are banks licensed to offer fully-fledged banking services without geographical restrictions. In 2023, there were 34 commercial banks with 919 branches. In terms of ownership, 12 were locally owned, while 22 banks were foreign owned. Total commercial banks assets accounted for 97.3 percent of the total assets of banking sector, whereby locally and foreign-owned commercial banks accounted for 70.3 percent and 29.7 percent, respectively. Distribution channels of commercial banks included branches, ATMs, mobile banking, agent banking, internet banking and foreign exchange automated teller machines (FX ATM).

1.1.2 Development Banks

These are banks licensed to mobilize long-term funds to finance medium and long-term development projects. In 2023, there were two development banks, which are state-owned with 10 branches. The total assets of development banks accounted for 1.9 percent of the total assets of the banking sector.

1.1.3 Microfinance Banks

These are banks licensed to undertake banking business mainly with individuals, groups, and micro and small enterprises. In 2023, there were three microfinance banks which were all foreign owned with 77 branches across the country. The total assets of microfinance banks accounted for 0.4 percent of the total assets of the banking sector.

1.1.4 Community Banks

These are banks licensed to provide banking services in a defined geographical area. As at the end of 2023, there were five community banks which were all locally owned with 11 branches. Total assets of community banks accounted for 0.4 percent of total assets of the banking sector.

1.1.5 Distribution Channels

Banking services are offered through various delivery channels which include branches, agent and digital banking services. The number and usage of these channels have been increasing steadily, enhancing financial inclusion. The number of bank branches increased to 1,011 from 987 recorded in the preceding year (Appendix V). On the other hand, agent banking business continued to grow in number of agents, number of transactions, and value of deposit and withdrawal transactions. The number of agents increased by 41.1 percent to 106,176 while the volume of cash deposits and withdrawals increased by 8.0 percent and 8.2 percent to 87,463,083 and 50,795,424 respectively (Table 1.4).

Table 1.4: Agent Banking Transactions

	Cash Deposits			Cash Withdrawals	
	Number of Agents	**Volume**	**Value in TZS Billion**	**Volume**	**Value in TZS Billion**
2023	106,176	87,463,083	74,914.4	50,795,424	23,789.5
2022	75,238	81,007,984	61,916	46,935,798	19,200
Growth (Percent)	41.1	8.0	21.0	8.2	23.9

Source: Bank of Tanzania

Distribution of bank agents concentrated in major urban centres. Regions with at least 5 percent of bank agents where Dar es Salaam (33.7 percent), Arusha (7.2 percent), Mwanza (6.8 percent), Dodoma (5.3 percent) and Mbeya (5 percent) as indicated in Appendix VI.

1.2 Non-Banking Financial Institutions

Non-banking financial institutions are designated financial entities that provide specialized financial services to sectors or groups. The Bank of Tanzania continues to regulate and supervise non-banking financial institutions as mandated by the Bank of Tanzania Act of 2006, the Banking and Financial Institutions Act of 2006, the Microfinance Act of 2018, the Foreign Exchange Act of 1992, and the Social Security Act (CAP. 135) of 2019. These non-banking financial institutions include social security schemes, microfinance service providers, mortgage finance institutions, financial leasing companies, bureaux de change, credit reference bureaux, and representative offices of foreign banks.

1.2.1 Social Security Schemes

These are schemes established for the purpose of providing social protection to members including benefits such as healthcare and cash benefits paid to a member or their dependents in times of need. There were four mandatory social security schemes, namely, the Public Service Social Security Fund (PSSSF), the National Social Security Fund (NSSF), the National Health Insurance Fund (NHIF), and the Workers Compensation Fund (WCF). PSSSF and NSSF are pension funds which serve the public and private sectors, respectively. NHIF provides health insurance services, while WCF provides workers' compensation benefits. Moreover, there was 14 registered supplementary schemes serving the public and private sectors (Appendix VIII).

1.2.2 Microfinance Service Providers

These are entities or persons registered or licensed to undertake microfinance business. There are four tiers of microfinance service providers, which include Tier 2 (non-deposit taking microfinance service providers, including digital and individual money lenders); Tier 3 (Savings and Credit Cooperative Societies); and Tier 4 (community microfinance groups). To enhance its regulatory and supervisory mandate, the Bank delegated its functions and powers to the Tanzania Cooperative Development Commission (TCDC) and Local Government Authorities (LGAs) for Tier 3 and 4, respectively.

In 2023, there were 1,576 Non-Deposit Taking Microfinance Service Providers, 884 Savings and Credit Cooperative Societies and 48,284 Community Microfinance Groups.

1.2.3 Mortgage Finance Institutions

These are institutions licensed to provide wholesale and retail mortgage loans. There were two mortgage institutions namely the Tanzania Mortgage Refinancing Company (TMRC), which focuses on providing pre-financing and refinancing wholesale mortgage loans to banks and financial institutions, and First Housing Finance (Tanzania) Limited, which offers retail mortgage loans to the public.

1.2.4 Financial Leasing Companies

Financial leasing companies provide access to equipment financing without a need to provide collateral and large upfront cash deposits. In the year 2023, there were four financial leasing companies with 10 branches (Appendix VIII).

1.2.5 Bureaux de Change

These are institutions licensed to carry out the business of buying and selling foreign currencies. In the year 2023, there were 13 Bureaux de Change with 86 branches and 34 commercial banks offering bureau de change services to the public. Bureaux de change branches were located in

Dar es Salaam (46.5 percent), Arusha (17.4 percent), Zanzibar (15.1 percent), Kilimanjaro (5.8 percent) and others (15.1percent). In addition, bureau de change services were offered through nine foreign exchange ATMs located in Dar es Salaam, Zanzibar, Arusha, Mwanza and Manyara.

1.2.6 Credit Reference Bureaux

These are institutions licensed for collection, processing and sale of credit information of individuals and entities. In the year 2023, there were two institutions namely Dun & Bradstreet and Creditinfo Tanzania. These credit reference bureaux provide credit reports to lenders to enhance the credit underwriting process and establish the creditworthiness of prospective borrowers to reduce non-performing loans and ultimately enhance stability of the financial sector. In addition, every individual has a right to obtain a free copy once every twelve months, and challenge the accuracy of the information in the report.

1.2.7 Representative Offices of Foreign Banks

These are offices representing foreign banks, which are responsible for collecting information, conducting market research, providing information on business opportunities available in Tanzania to parent banks and customers. In addition, the offices provide information to customers in Tanzania, about financial products and services offered by parent banks. There were two representative offices of foreign banks, namely, Export-Import Bank of Korea and Bank of China Limited

CHAPTER TWO

PERFORMANCE OF THE BANKING SECTOR

Performance of the banking sector entails the analysis in terms of total assets, deposits, capital, liabilities and Financial Soundness Indicators (FSIs). In addition, the performance of the non-banking financial institutions involves analysis of total assets, capital and liabilities while performance of social security schemes involves further analysis of investment assets, members' contributions and investment income.

The banking sector remained profitable, adequately capitalized, with a sufficient level of liquidity and improved asset quality, supported by favourable economic conditions. The sector remained resilient to internal and external shocks and continued to grow in terms of deposits and assets, supported by fiscal and monetary policy interventions, regulatory and supervisory measures.

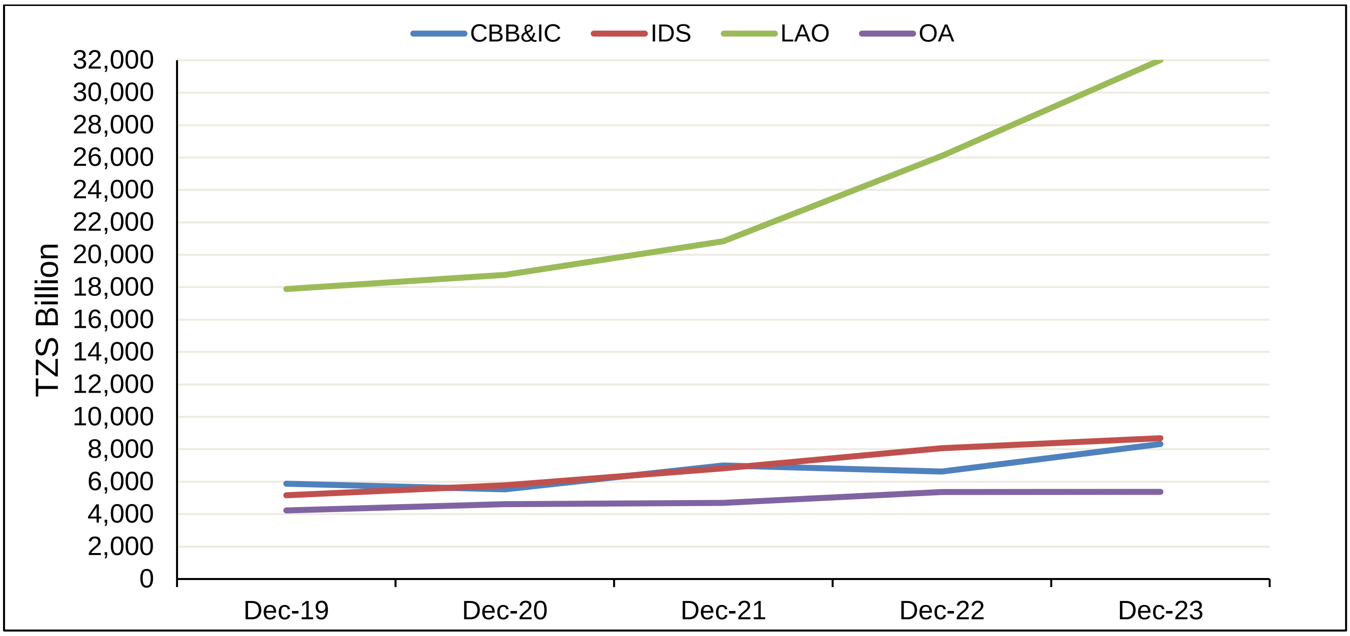
2.1.1 Assets Structure

The major components of the sector's assets were loans, advances and overdrafts which accounted for 58.9 percent; investment in debt securities (16.0 percent); and cash, balances with Bank of Tanzania, balances with other banks and items for clearing (15.3 percent); while the remaining assets accounted for 9.8 percent of total assets.

Total assets grew by 17.8 percent to TZS 54,396.0 billion compared to TZS 46,159.5 billion recorded in the preceding year, mainly financed by an increase in deposits, borrowings and profit made during the year.

Loans, advances and overdrafts grew by 22.7 percent to TZS 32,011.0 billion compared to TZS 26,095.9 billion reported in the corresponding period in 2022. The growth was attributed to favourable macroeconomic environment, the Bank's accommodative monetary policy and regulatory measures taken to boost private sector's credit growth (Figure 2.1).

Figure 2.1: Trend of Major Components of Assets



Source: Bank of Tanzania

Note: CBB&IC- Cash, Balance with other Banks and Items for Clearing; IDS - Investment in Debt Securities; LAO - Loans, Advances and Overdrafts and OA – Other Assets.

Earning assets[1] increased by 20.3 percent to TZS 45,907.6 billion compared to TZS 38,175.0 billion recorded in 2022. The ratio of earning assets to total assets increased to 84.4 percent compared to 82.7 percent recorded in 2022, indicating that the significant part of the sector's assets continued to be channelled to productive sectors of the economy (Table 2.1).

Table 2.1: Earning Assets Trend

Item	Dec-23	Dec-22	Dec-21	Dec-20	Dec-19
Total Earning Assets (TZS Billion)	45,907.6	38,175.0	32,016.4	28,362.5	26,435.0
Total Assets (TZS Billion)	54,396.0	46,159.5	39,346.3	34,689.5	33,161.8
Total Earning Assets to Total Assets (Percent)	84.4	82.7	81.3	81.8	79.7

Source: Bank of Tanzania

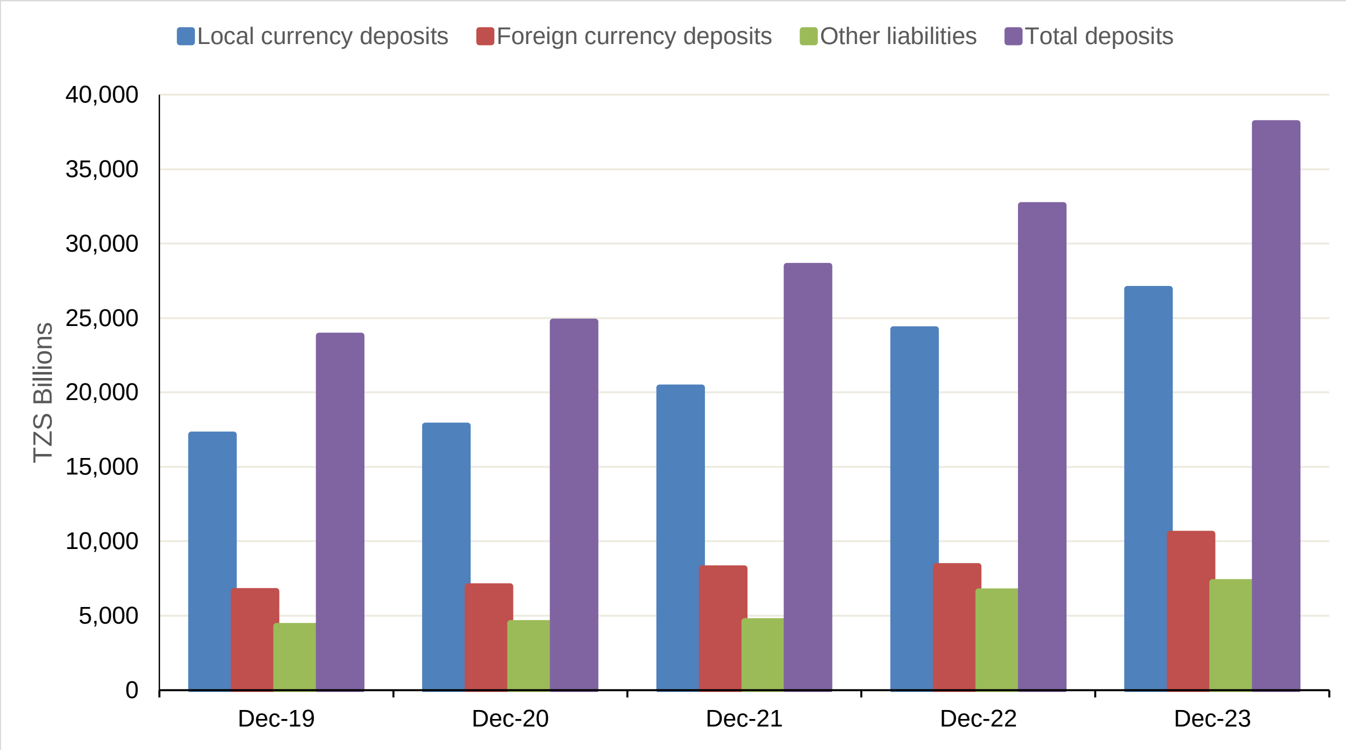
2.1.2 Liability Structure

Major components of the sector's liabilities were deposits and borrowings, which accounted for 82.2 percent and 11.9 percent of total liabilities, respectively, while the remaining liabilities accounted for 5.9 percent of total liabilities. Total liabilities of the sector increased by 18.1 percent to TZS 46,316.7 billion compared to TZS 39,222.6 billion recorded in the preceding year. The increase was attributed to a rise in deposits and borrowings. Total Deposits[2] increased by 16.9

[1] Earning assets comprised of loans, advances and overdrafts (69.7 percent); investments in debt securities (18.9 percent); interbank loans (3.9 percent), balances with other banks and financial institutions (6.7 percent); equity investments (0.5 percent) and commercial & other bills (0.2 percent) of the total earning assets.
[2] Total Deposits include deposit liabilities other than banks, special deposit accounts and deposits from banks and financial institutions.

percent to TZS 38,076.5 billion from TZS 32,584.7 billion recorded in preceding year whereas, local and foreign currency deposits increased by 19.3 percent and 2.1 percent to TZS 24,241.0 billion and TZS 8,343.7 billion, respectively. The improvement was attributed to increased public confidence in the banking sector, favourable economic activities and deposit mobilization strategies instituted by banks and financial institutions. Relatedly, borrowings increased by 18.5 percent to TZS 5,531.4 billion from TZS 4,669.6 billion. (Figure 2.2).

Figure 2.2: Liabilities Composition and Trend



Source: Bank of Tanzania

2.1.3 Capital Structure

Total capital of the sector is composed of share capital (43.2 percent), retained earnings (30.6 percent), share premium (12.7 percent) and other capital items (13.5 percent) as indicated in Table 2.2. Total capital increased by 16.5 percent to TZS 8,079.1 billion compared to TZS 6,936.9 billion recorded in the preceding year, mainly on account of an increase in retained earnings by 14.9 percent to TZS 3,264.4 billion from TZS 2,841.2 billion in 2022. Profitability increased by 63.3 percent to TZS 1,527.9 billion from TZS 934.4 billion recorded in the preceding year. The increase in capital signifies resilience of the sector in withstanding shocks.

Table 2.2: Capital Structure and Trend

Capital items	Dec-23	Dec-22	Dec-21	Dec-20	Dec-19
Share capital (Billions of TZS)	2,641.7	2,457.7	2,400.0	2,108.9	2,171.9
Share capital to total capital (%)	32.7	35.4	38.7	38.9	43.2
Share capital (% Growth)	7.5	2.4	13.8	(2.9)	3.5
Retained Earnings	3,264.4	2,841.2	2,059.7	1,836.4	1,536.9
Retained Earnings to total capital (%)	47.1	41.0	33.2	33.9	30.6
Retained Earnings (% Growth)	14.9	37.9	12.2	19.5	7.3
Share Premium (Billions of TZS)	477.9	464.5	658.2	635.0	638.5
Share Premium to total capital (%)	6.9	6.7	10.6	11.7	12.7
Share Premium (% Growth)	2.9	(29.4)	3.6	(0.5)	5.0
Other capital Items (Billions of TZS)	1,695.1	1,173.6	1,083.0	841.8	679.2
Other capital items to total capital (%)	24.4	16.9	17.5	15.5	13.5
Other capital Items (% Growth)	44.4	8.4	28.7	23.9	32.2
Total capital (Billions of TZS)	8,079.1	6,936.9	6,200.9	5,422.2	5,026.4
Total capital (% Growth)	16.5	11.9	14.4	7.9	8.0

Source: Bank of Tanzania

2.1.4 Off-Balance Sheet Items

Off-balance sheet items comprised of guarantees and indemnities (66.0 percent), letters of credit (22.8 percent), undrawn balances of loans and overdrafts (10.0 percent), bills for collections (0.7 percent) and others (0.5 percent). Off-balance sheet items increased by 24.0 percent to TZS 15,002.5 billion compared to TZS 12,098.9 billion recorded in 2022 (Table 2.3). The increase was due to participation of banking sector in trade finance and facilitation of Government strategic projects through guarantees. The off-balance sheet items were 27.6 percent of total assets compared to 26.2 percent recorded in the preceding year.

Table 2.3: Off-Balance Sheet Items

Items	Share in Dec 2023 (Percent)	Figures in TZS Billion					
		Dec-23	Dec-22	Dec-21	Dec-20	Dec-19	Dec-18
Guarantees and indemnities	66.0	9,897.9	6,165.8	4,907.7	3,827.3	3,981.0	2,829.2
Undrawn balances	10.0	1,494.5	1,760.0	1,642.2	1,380.7	1,560.1	1,715.2
Letters of Credit	22.9	3,431.0	3,783.1	2,393.8	1,083.9	1,354.5	1,262.7
Bills for Collection	0.7	98.6	152.0	493.5	402.9	358.2	273.9
Others	0.5	80.5	237.9	108.9	104.6	153.9	87.2
Total	**100.0**	**15,002.5**	**12,098.9**	**9,546.0**	**6,799.4**	**7,394.1**	**6,167.3**
Growth (Percent)		24.0	26.7	40.4	-8.0	19.9	28.1

Source: Bank of Tanzania

2.1.5 Financial Soundness Indicators

Financial Soundness Indicators (FSIs) provide insight of the financial health and soundness of banks and financial institutions in terms of capital adequacy, asset quality, earnings, liquidity and sensitivity to market risk. Overall, performance of the banking sector remained satisfactory as reflected by Financial Soundness Indicators (Appendix IV).

2.1.5.1 Capital Adequacy

The sector remained adequately capitalized as evidenced by core and total capital adequacy ratios. which were 17.7 percent and 18.4 percent compared to 17.9 percent and 18.7 percent reported in 2022, respectively. The decrease in capital adequacy ratios was attributed to increase in risk-weighted assets such as loans, advances and overdrafts. Both ratios were above the minimum regulatory requirements of 10 percent and 12 percent for core and total capital, respectively. However, the decrease in capital adequacy ratios did not affect the banking sector's capacity to absorb shocks that may arise from both internal and external environments.

2.1.5.2 Asset Quality

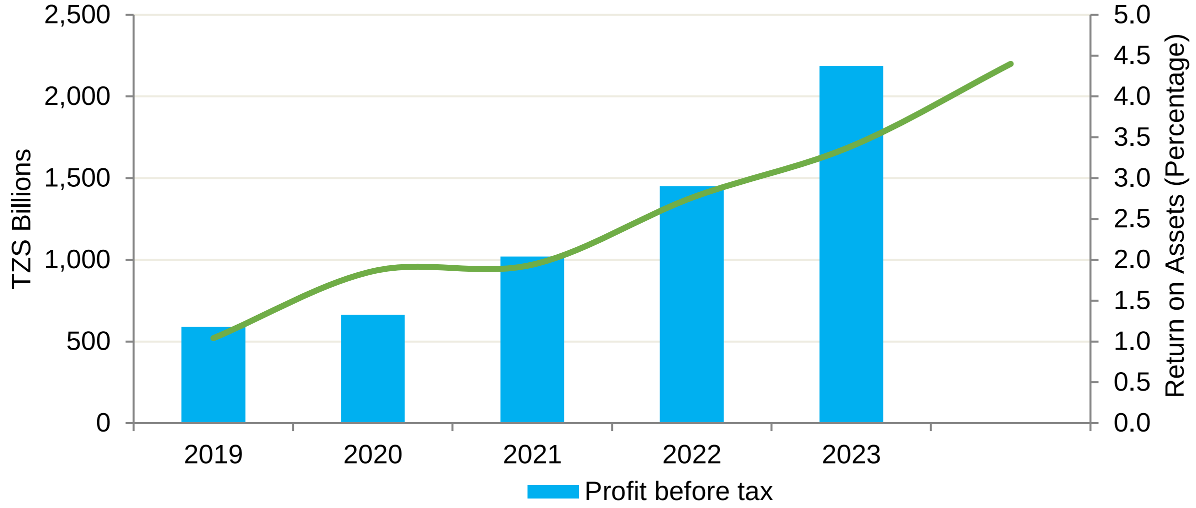
Asset quality improved as evidenced by a decrease in the non-performing loan ratio to 4.4 percent compared with 5.8 percent recorded in the preceding year. The ratio was within the desired benchmark of not more than 5.0 percent. The improvement was attributed to increase in a loan book while maintaining asset quality, improved credit risk management practices by banks and financial institutions, and measures instituted by the Bank. The measures included monitoring of the banks' implementation of NPLs reduction strategies; ensuring banks and financial institutions strengthen credit risk management practices including credit underwriting and monitoring processes; enhancing banks' staff integrity; and implementing remedial measures to contain non-performing loans.

The loan portfolio was diversified in various sub-sectors of the economy with personal loans accounting for the largest share (36.9 percent), trailed by trade and agriculture at 13.5 percent and 10.0 percent, respectively.

2.1.5.3 Earnings

The sector remained profitable as depicted by increase in profit by 63.5 percent to TZS 1,527.9 billion from TZS 934.4 billion reported in 2022. Return on Assets (ROA) and Return on Equity (ROE) increased to 4.4 percent and 20.5 percent from 3.4 percent and 14.2 percent recorded in 2022, respectively (Figure 2.3). The increase in profit was driven by growth in interest income consistent with growth of loan portfolio, a rise in non-interest income and improvement in operational efficiency. Non-interest expenses to total income ratio decreased to 40.3 percent from 43.9 percent reported in 2022 as a result of increase in interest income and non-interest income by 19.1 percent and 15.8 percent, respectively.

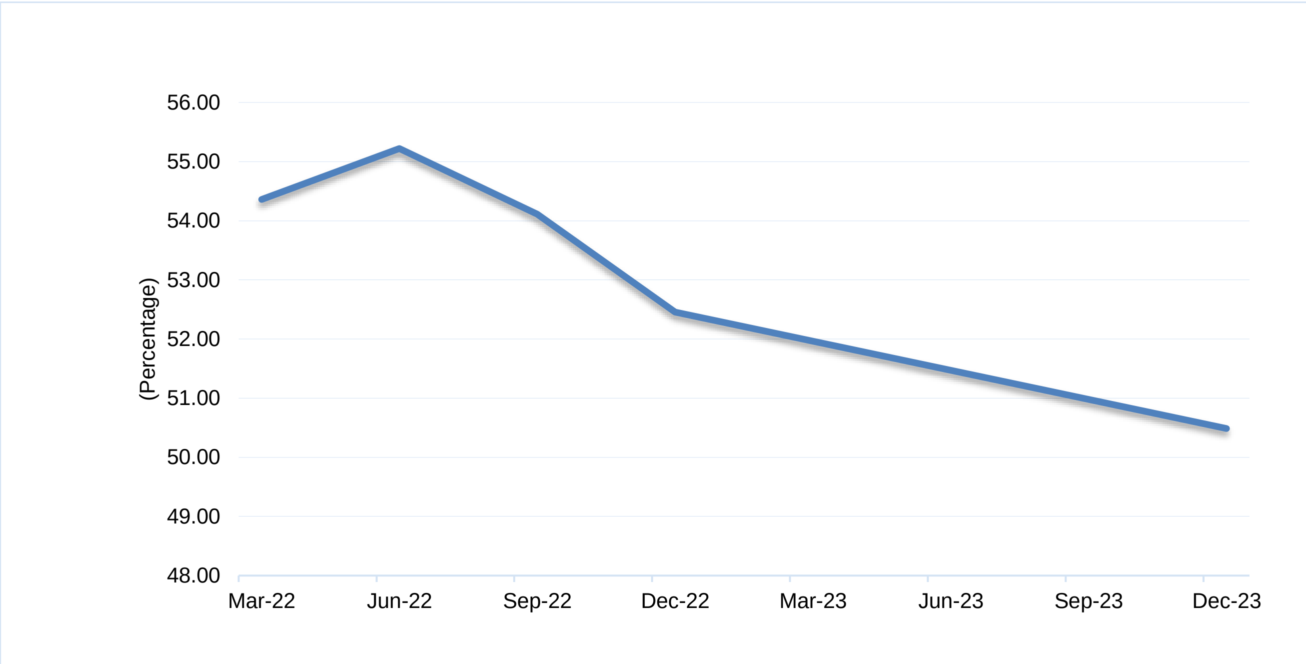
Figure 2.3: Earnings Trend



Source: Bank of Tanzania

The Bank continued to monitor Cost to Income Ratio (CIR)[3] of banks and financial institutions. The CIR decreased to 50.5 percent from 52.9 percent recorded in the preceding year, which was within the desired limit of 55 percent, indicating improvement in operational efficiency. (Figure 2.4).

Figure 2.4: Trend of Cost to Income Ratio



Source: Bank of Tanzania

[3] Cost to Income Ratio (CIR) is computed by dividing Non-Interest Expenses to the sum of Net Interest income and Non-Interest Income

2.1.5.4 Liquidity

The banking sector continued to maintain adequate liquidity, sufficient to meet maturing obligations and growth in assets. The ratio of liquid assets to demand liabilities was 28.8 percent compared to 26.1 percent reported in 2022, above the minimum regulatory requirement of 20 percent. The increase in liquidity ratio was attributed to the increase in liquid assets including cash, balances with other banks and short-term investments. The ratio of gross loans to total deposits increased to 92.5 percent in December 2023 from 89.2 percent reported in December 2022 indicating that deposits remained the main source of funding.

2.1.5.5 Sensitivity to Market Risk

The ratio of net open position to total capital increased to 4.5 percent from 2.5 percent reported in the preceding year, which was within the regulatory requirement of +/- 10.0 percent, implying a moderate decrease in banks'exposure to foreign exchange risk. The ratio of foreign currency denominated assets to total assets and foreign currency denominated liabilities to total liabilities were 29.8 percent and 35.2 percent compared to 36.8 percent and 32.2 percent in 2022, respectively. The increase in foreign currency denominated assets was partly associated with increase in loans, advances and overdraft; foreign currency cash and placements abroad; while increase in foreign currency denominated liabilities was attributed to increase in borrowings.

2.2 Non-banking Financial Institutions

Performance of non-banking financial institutions was satisfactory supported by the growth of assets and investments of social security schemes, increased number of microfinance service providers (MSPs), and increased profitability of financial leasing companies and mortgage finance institutions as detailed below.

2.2.1 Social Security Schemes

The performance of social security schemes improved as depicted by increase in investment assets, members' contribution and investment income. Total assets amounted to TZS 18,834.1 billion mainly attributed to increase in members contributions and investment income. Investment assets increased by 5.8 percent to TZS 17,118.8 billion from TZS 16,290.0 billion reported in 2022. Contributions from members increased by 13.4 percent to TZS 4,382.4 billion from TZS 3,864.4 billion reported in 2022 while income from investments decreased by 15.8 percent to TZS 1,210.7 billion from TZS 1,437.1 billion reported in 2022.

2.2.2 Microfinance Service Providers

In 2023, the number of licensed Tier 2 MSPs increased to 1,579 from 1,095 in 2022, whereas total loans disbursed rose to TZS 962.3 billion from TZS 811.3 billion in 2022. MSPs were in all regions across the country (Appendix VII). The list of licensed Tier 2 MSPs is published on the Bank's website: www.bot.go.tz. As for Tier 3 MSPs (SACCOS), the number increased to 884 from 759 in 2022, while Tier 4 MSPs (Community Microfinance Groups) increased to 48,284 from 34,127 in 2022.

The Bank continued to take measures to improve financial consumers' protection. The measures included requiring all licensed microfinance services providers to establish customer complaints handling mechanisms, conducting public awareness programs and capacity building to MSPs, enforcing the use of reducing balance method for interest rate computation and invoking regulatory sanctions to MSPs that violated laws and regulations.

2.2.3 Mortgage Finance Institutions

Performance of the mortgage finance institutions business continued to improve as supported by increase in total assets, loan portfolio and profitability. Total assets of mortgage finance institutions increased by 0.5 percent to TZS 255.9 billion from TZS 254.5 billion recorded in 2022. The increase was attributed to the rise of borrowings by 3.2 percent to TZS 201.7 billion, while mortgage loan portfolio rose by 7.8 percent to TZS 177.5 billion from levels recorded in 2022.

Major sources of funding for mortgage finance institutions were borrowings (78.8 percent) and shareholders' funds (21.2 percent). The mortgage finance institutions were adequately capitalized as required by regulatory requirements. Total capital of mortgage finance institutions stood at TZS 54.1 billion compared to TZS 58.9 billion recorded in 2022.

The profitability of mortgage finance institutions increased to TZS 2.8 billion compared to TZS 2.4 billion recorded in the preceding year. The increase was attributed to increase in interest income by 5.6 percent to TZS 25.8 billion compared to TZS 24.6 billion recorded in 2022.

2.2.4 Financial Leasing Companies

Total assets of financial leasing companies decreased by 44.3 percent to TZS 102.1 billion from TZS 183.6 billion in the preceding year[4]. The decrease was attributed to the exit of one financial leasing company from the market. Finance lease portfolio decreased by 21.1 percent to TZS 81.1 billion from the level recorded in the preceding year. Major sources of funding were borrowings and shareholders' equity which accounted for 64.6 percent and 35.4 percent of the total funding, respectively. Profitability of financial leasing companies stood at TZS 4.2 billion compared to TZS 5.2 billion recorded in 2022.

[4] Total assets comprised finance leases, operating leases, cash and cash equivalents percent) and other assets.

2.2.5 Bureaux de Change

Bureau de Change activities increased in terms of purchases and sales transactions. Total foreign currency purchases in the retail market amounted to USD 7,632.4 million compared to USD 6,860.5 million in the preceding year, while foreign currency sales amounted to USD to 7,606.0 million compared to USD 7,469.6 million. The increase in purchases and sales was attributed to increase in business activities.

2.2.6 Credit Reference Bureaux

The use of credit reference bureaux services continued to improve as evidenced by the significant rise in number of credit inquiries by 197.7 percent to 17,001,917 from the 5,712,114 reported in preceding year. Likewise, the number of credit reports sold increased by 257.6 percent to 9,749,405 from 2,726,381 reported in the preceding year, the increase was attributable to increase in digital lending by some banks. The Bank continued to sensitize banks and other credit providers on the usefulness of credit information sharing to increase efficiency of the credit underwriting process, reduce NPLs and ultimately enhance stability of the banking sector.

CHAPTER THREE

MAJOR ACTIVITIES AND OTHER DEVELOPMENTS

The Bank continued to execute its role of licensing, regulating and supervising banks and financial institutions including, financial leasing companies, credit reference bureaux, mortgage finance institutions, bureaux de change and microfinance service providers. The Bank was also regulating and supervising representative offices of foreign banks and financial matters of the social security schemes.

3.1 Licensing

During the year, the Bank issued and revoked licences, and approved acquisition of banking and financial institutions to enhance compliance, efficiency and performance of the banking sector. The Bank approved the following:

(a) Merger of Letshego Bank Tanzania Limited and Faidika Microfinance to form Letshego Faidika Bank Tanzania Limited;
(b) Revocation of the license of Yetu Microfinance Bank Plc and subsequent transfer of its assets and liabilities to NMB Bank Plc;
(c) Revocation of license of Msirikale Microfinance Company Limited, a Tier 2 microfinance service provider;
(d) Surrender of financial leasing licence by Salute Finance Tanzania Limited;
(e) Change of status of Diamond Trust Bank Tanzania Limited from a Private Company to Public Company (Plc);
(f) Change of status of Azania Bank from a Private Company to Public Company (Plc);
(g) Licensing of 8 Bureau de Change namely Fareed Bureau de Change Limited, Karen Bureau De Change Limited, Marangu Forex Bureau Limited, McSoms Bureau de Change Limited, Sanya Bureau de Change Limited, Stallion Xchange Bureau Limited, Vinmar Bureau de Change Limited and Z and L Bureau de Change Limited; and
(h) Licensing of 484 non-deposit taking microfinance service providers (Tier II) and through the delegated authorities, licensed 125 SACCOS (Tier III) and registered 14,157 Community Microfinance Groups (Tier IV).

3.2 Supervisory Activities

In executing its supervisory mandate, the Bank uses various approaches to supervise banks and financial institutions, which includes off-site surveillance and on-site examinations.

3.2.1 Off-site Surveillance

The Bank continued to conduct off-site surveillance by analysing periodic regulatory returns and other publicly available information with the view to determine financial performance and conditions of banks and non-banking financial institutions. In addition, through analysis of periodic regulatory returns, the Bank was able to assess and enforce compliance with banking laws and regulations.

3.2.2 On-site Examinations

The Bank continued to conduct full-scope and targeted on-site examinations of banks and non-banking financial institutions under the risk-based supervision framework and took prompt corrective actions to address anomalies identified during the examinations. Further, the Bank in collaboration with the Prime Minister's Office - Labour, Youth, Employment and Persons with Disabilities (PMO-LYED) conducted on-site examinations of mandatory and supplementary social security schemes.

3.3 Regulatory Activities

The Bank issued and reviewed regulations, guidelines and circulars to banks and financial institutions to ensure stability of the financial sector. The reviewed regulations, guidelines and circulars were as follows:

a) Regulations: The Banking and Financial Institutions (Liquidity Management) Regulations, 2023; the Banking and Financial Institutions (Prompt Corrective Actions) Regulations 2023; and the Banking and Financial Institutions (Capital Adequacy) Regulations, 2023;

b) Guidelines: Internal Capital Adequacy Assessment Process Guidelines, 2023; Internal Liquidity Adequacy Assessment Process Guidelines, 2023; and Market Discipline Guidelines for Banks and Financial Institutions, 2023;

c) Guidance Notes: Computation of Capital Charge for Credit Risk; Capital Charge for Market Risk; Capital Charge for Operational Risk; Liquidity Coverage Ratio and Net Stable Funding Ratio.

   The regulations, guidelines and guidance notes under (a), (b) and (c) were revised and issued as part of implementation of Basel II & III.

d) Circulars: Circular requiring banks, financial institutions and bureaus de change to trade using the rates displayed in the boards; and Circular for introducing new Schedule (Schedule 2 (v)) in BOT Form 16-1 which intends to report the classification of loans by economic activities in line with international classification of all economic activities.

e) Code of conduct: The Bank of Tanzania issued the Code of Conduct for Retail Foreign Exchange Market, 2023 in order to address foreign exchange black market and facilitate orderly and smooth functioning of the retail foreign exchange business carried out by banks, financial institutions and bureaux de change in the country.

f) The Foreign Exchange (Bureau de Change) Regulations, 2023, were issued to enhance regulation and supervision of foreign currency operations in Tanzania

g) Amendment of;

   i. The Banking and Financial Institutions (Licensing) (Amendment) Regulations 2023;
   ii. The Banking and Financial Institutions (Corporate Governance) Regulations 2023;
   iii. The Banking and Financial Institutions (Development Finance) Regulations 2023;
   iv. The Banking and Financial Institutions (Mortgage Refinance Companies) Regulations 2023; and
   v. The Banking and Financial Institutions (Financial Leasing) Regulations 2023.

h) The Cloud Computing Guidelines for Financial Service Providers, 2023. The Guidelines were issued to guide financial service providers on cloud computing; and

i) The Contingency Planning Guidelines for Banks and Financial Institutions, 2023 to guide developing and implementing contingency planning arrangements with a view of minimizing business disruptions, ensuring continuity of critical functions and instilling public confidence cost-effectively.

3.4 Capacity Building

The Bank continued to build capacity for internal and external stakeholders in areas related to banking sector supervision, financial literacy and financial consumer protection. These included;

(a) Internal capacity building to staff to strengthen supervisory and regulatory capabilities. The programs included training on the implementation of Basel II and III, prudential regulations; Anti-Money Laundering and Combat of Financing of Terrorism; Climate-Related Financial Risk Management and supervision of social security schemes; and

(b) Capacity building programs to external stakeholders to raise awareness on compliance with laws and regulations governing banks and financial institutions. The programs included: usefulness of credit reference system; submission of regulatory returns by MSPs and financial leasing companies; corporate governance practices to board of directors and management of banks and financial institutions; training on regulatory compliance to senior management of banks and financial institutions and parliamentary committees' members regarding roles and functions of Banking Sector Supervision Directorate. Further, public awareness programs were conducted through media, exhibitions and workshops.

3.5 Other Activities

The Bank continued to implement various activities to enhance efficiency of its supervisory and regulatory functions including development of Real-Time Supervision Information System (RTSIS) to enable collection, analysis and visualization of data timely to enhance off-site surveillance of banks and financial institutions. The development of the first phase has been completed which involved development of a data collection system where financial service providers will submit regulatory data. Phase two which focuses on developing tools for report preparation, data analytics and dashboards was in progress.

CHAPTER FOUR

DOMESTIC, REGIONAL AND INTERNATIONAL COOPERATION

The Government of Tanzania is a member of regional and international bodies including East African Community (EAC), Southern African Development Community (SADC), African Union (AU) and United Nations (UN). The Bank participates in domestic, regional and international fora to strengthen cooperation, and foster economic integration and development. Details on areas of cooperation are as follows:

4.1 Domestic Cooperation

The Bank organized meetings with domestic stakeholders to discuss issues related to banking sector development with the objective of ensuring stability and integrity of the financial system. Notably, the Bank being a member of Tanzania Financial Stability Forum (TFSF) collaborates with domestic associations such as Tanzania Bankers Association (TBA), Tanzania Association of Microfinance Institutions (TAMFI), National Council of Financial Inclusion (NCFI), Tanzania Microfinance Union (TAMIU) and Tanzania Social Security Association (TSSA) in analysing and resolving challenges emerging in the sector.

4.2 Regional Cooperation

The Bank is a member of the Monetary Affairs Committee (MAC) under the EAC; the Association of African Central Banks (AACB) under the African Union (AU); the Committee of Central Bank Governors (CCBG) under the SADC; the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG); East African Pension Supervisors Association (EAPSA); and the Community of African Banking Supervisors (CABS).

4.2.1. Monetary Affairs Committee

The Monetary Affairs Committee (MAC) of the East African Community (EAC) is composed of Governors of Central Banks of the seven EAC Partner States, which are Tanzania, Kenya, Uganda, Rwanda, Burundi, South Sudan and Democratic Republic of Congo (DRC). The main function of MAC is to coordinate efforts made by EAC Central Banks towards greater regional financial integration, stability and harmonization of banking sector policies. The emphasis is on areas related to financial stability, banks supervision, financial crisis resolution and management, improving banking sector surveillance tools to ensure domestic and regional financial system stability. MAC initiatives are implemented through committees or Technical Working Groups (TWG) composed of technical officials from the partner states. As a member of MAC, the Bank participated in regional technical workshops and MAC sub-committee meetings held in Zanzibar, and Entebbe-Uganda to deliberate various issues related to banking sector including compilation of financial soundness indicators, and stress testing and statistics. The meetings included:

(i) The 26th Ordinary Meeting of MAC held in Bujumbura, in Burundi on 17th March 2023, that discussed progress made on the implementation of various initiatives and challenges faced by the partner states;

(ii) The Regional Technical Working Group meeting on the compilation of Financial Soundness Indicators; (6th to 10th March 2023 in Zanzibar and 21st to 25th August 2023 Entebbe, Uganda)

(iii) Joint meeting of Economic Affairs and Coordination; Banking Supervision and Financial Stability Sub-committee of the MAC held in Zanzibar from 19th to 23rd June 2023.

(iv) The 15th meeting of Macro-Prudential Analysis, Stress Testing and Statistics Technical Working Group held in Kigo, Uganda from 26th to 30th June 2023 that discussed various appropriate policy actions on risks identified in the region and mitigate those risks and enhance the stability of the regional financial sector; and

(v) The Crisis Management Technical Working Group (CM-WG) meetings to review the progress made in implementing the Working Group Action Plan and progress made by the partner states in developing their national crisis management frameworks. Include dates

4.2.2. Committee of Central Bank Governors

The Committee of Central Bank Governors (CCBG), specifically Banking Supervision Subcommittee met to deliberate various issues relating to the financial sector. The CCBG is responsible for promoting the development of financial institutions and markets through cooperation and consensus on financial, investment, foreign exchange policies and financial stability matters. During the year, the Bank participated in the Banking Supervision and Financial Stability Subcommittee of CCBG held in April 2023 in Arusha to discuss and deliberate on matters related to strengthening financial stability, financial inclusion, and financial supervision in the SADC region.

4.2.3. The Eastern and Southern Africa Anti- Money Laundering Group

The Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) is among the nine regional Financial Action Task Force (FATF) bodies that form part of the FATF global network. The purpose of ESAAMLG is to combat money laundering and counter financing of terrorism by implementing the FATF recommendations. This includes, coordinating with other international organizations concerned with combating money laundering, studying emerging regional typologies, developing institutional and human resource capacities and coordinating technical assistance. In 2023, the Bank participated in the ESAAMLG Task Force of Senior Officials Meeting held in February in Arusha, Tanzania, and the ESAAMLG Council of Ministers Meeting held in September in Kasane, Botswana. Also, the Bank attended the FATF Plenary Meeting held Paris in October 2023.

4.3 International Cooperation

The Bank participated in international fora related to supervision, financial stability and financial inclusion matters, which were organized by the Alliance for Financial Inclusion (AFI). Further, the Bank obtained technical assistance from the World Bank on areas relating to implementation of Basel II & III and Climate-Related Financial Risks in the Banking Sector.

4.3.1. Alliance for Financial Inclusion

The Alliance for Financial Inclusion (AFI) is a policy leadership alliance owned and led by member central banks and financial regulatory institutions with a common objective of advancing financial inclusion at the country, regional and international level. At regional level, African Financial Inclusion Policy Initiative (AfPI) was formed to support and develop financial inclusion policies, regulatory frameworks and other policy guidelines in Africa. In 2023, the Bank participated in the Global Policy Forum with the theme on “Stability, Sustainability, and Inclusivity for Shared Prosperity” held in Manila, Philippines from 12th to 15th September 2023. The forum discussed the intersection between stability, sustainability and inclusion against the backdrop of a rapidly evolving global socioeconomic, geopolitical and environmental landscape.

4.3.2. IMF’s East Africa Technical Assistance Centre

East AFRITAC is a collaboration between the International Monetary Fund (IMF), the recipient countries, bilateral and multilateral development partners. It aims at enhancing capacity building by providing technical assistance and training to member countries including Tanzania. The Bank benefited from technical assistance related to regulatory and supervision of the banking sector.

4.3.3. World Bank

In 2023, the World Bank conducted technical assistance relating to implementation of Basel II & III and Climate-Related Financial Risks in the banking sector from 13th to 17th November 2023 at the Bank of Tanzania Sub Head Office, Dar es Salaam.

4.4 Network for Greening the Financial System (NGFS)

Bank of Tanzania became a plenary member of Central Banks and Supervisors Network for Greening the Financial System (NGFS) effectively from 13th June 2023. The membership to NGFS is a continuation of the Bank of Tanzania’s commitment in addressing climate related financial risks. In June 2023, the Bank of Tanzania participated in a meeting of Network for Greening the Financial System in Kigali, Rwanda.

4.5 Islamic Financial Service Board (IFSB)

Islamic Financial Service Board (IFSB) serves as an international standard-setting body of regulatory and supervisory agencies that have vested interest in ensuring the soundness and stability of the Islamic financial services industry. The IFSB promotes the development of a prudent and transparent Islamic financial services industry by introducing new, or adapting existing international standards consistent with Shariah principles, and recommending them for adoption. The work of the IFSB complements that of the Basel Committee on Banking Supervision. The Bank of Tanzania became an Associate Member of IFSB since 2016. During the year 2023/24 the Bank attended the following meetings and trainings organized by IFSB;

(i) Islamic Financial Services Board Annual General Meeting, which was held in August 2023 in Riyadh, Saudi Arabia;

(ii) Islamic Financial Services Board Capacity Building Programme, which was held in October 2023 in Kuala Lumpur, Malaysia;

(iii) Learning attachment on Islamic Banking and Basel II & III at the Central Bank of Nigeria, which was held in May 2023; and

(iv) Learning attachment on Basel II & III at the Central Bank of Egypt, which was held in June 2023.

4.6 Committee of Insurance, Securities and Non-Banking Financial Authorities (CISNA)

The Bank of Tanzania is a member of the Committee of Insurance, Securities and Non-Banking Financial Authorities (CISNA) of the Southern African Development Community (SADC). The main mandate of CISNA is to ensure non-bank financial services regulatory frameworks within SADC member states are harmonised and comply with the best international practices, standards and principles as set by relevant international standard setting bodies.

In October 2023, the Bank of Tanzania attended the CISNA Annual General Council Meeting and Bi Annual Meetings of the Governance Council and Sub Committees hosted by the Namibia Financial Institutions Supervisory Authority in Namibia.

4.7 Supervisory Colleges

Expansion of banks’ cross-border activities necessitates cooperation and information sharing among supervisors to ensure effective supervision. This is achieved partly through supervisory colleges, which are meetings organized by groups of supervisors aimed at enhancing consolidated supervision of banking groups. Supervisory colleges entail sharing of group risk assessment, financial condition and major issues of supervisory concerns to ensure effective supervision of banks by home and host supervisors. The Bank has entered into a Memorandum of Understanding (MoU) with central banks in EAC region, Comoro, India, Malawi, Morocco, Nigeria, South Africa and Zimbabwe.

Participation in supervisory colleges continues to enhance the Bank's understanding of the risks facing cross-border banking groups for effective supervision. In 2023, the Bank participated in Supervisory Colleges as indicated in (Table 4.1).

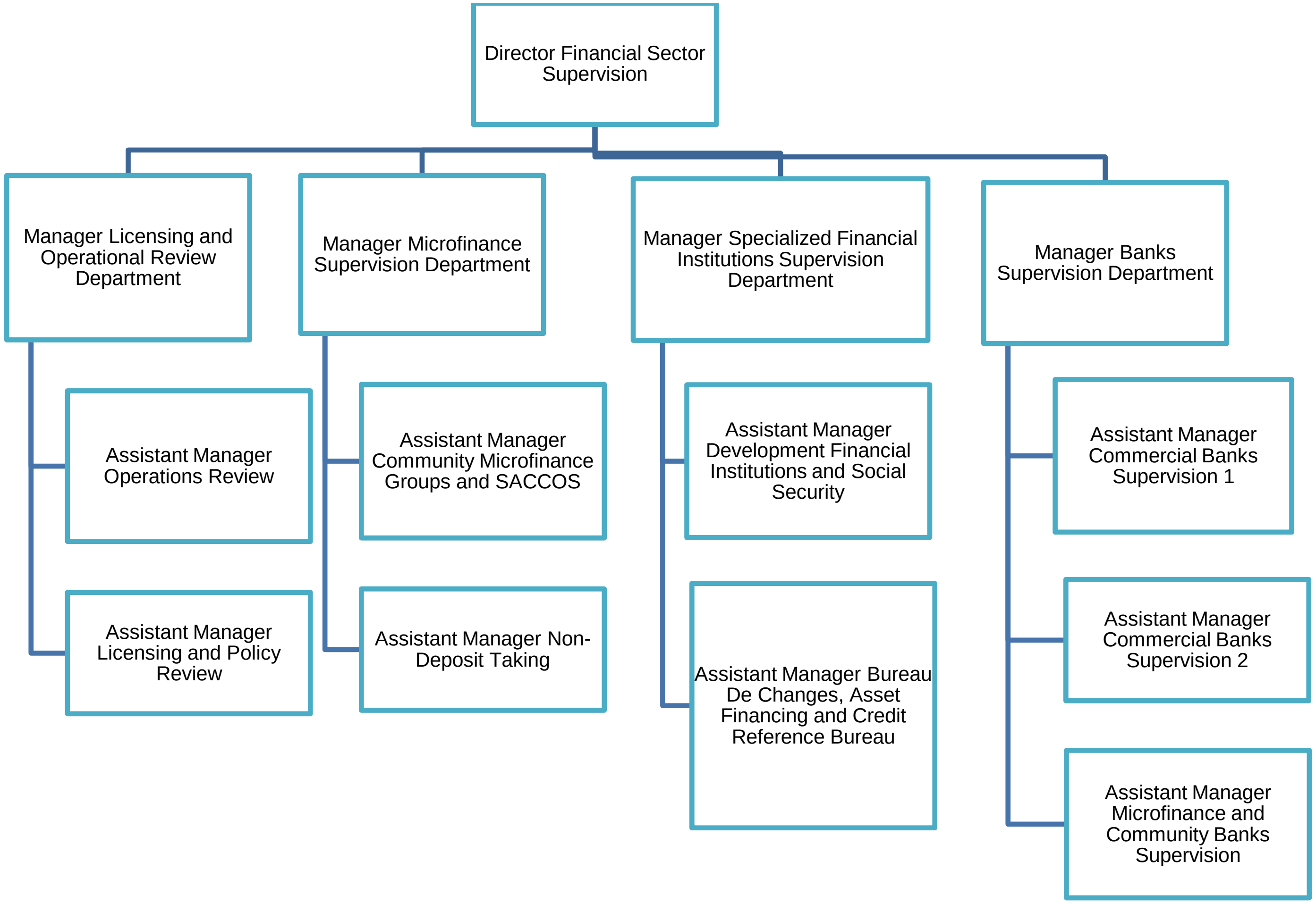
Table 4.1: Supervisory Colleges attended by the Bank of Tanzania

Date	Parent	Subsidiary	Organizer (Central Bank)
5th to 7th June 2023	ABSA Group Limited	ABSA Bank Tanzania Limited and National Bank of Commerce Limited	Reserve Bank of South Africa
21st to 22nd September 2023	Guaranty Trust Holding Company Plc	Guaranty Trust Bank (Tanzania) Limited	Central Bank of Nigeria
2nd to 6th October 2023	The Standard Bank Group of South Africa	Stanbic Bank Tanzania Limited	Reserve Bank of South Africa
20th November 2023	BMCE Bank Group	Bank of Africa Tanzania Limited	Bank Al-Maghrib of Morocco
	The Standard Chartered Bank Group	Standard Chartered Bank Tanzania Limited	Bank of England

Source: Bank of Tanzania

APPENDICES

Appendix I: Directorate of Financial Sector Supervision Organization Structure



Source: Bank of Tanzania

Appendix II: Consolidated Balance Sheet of the Banking Sector

(TZS Millions)

S/N	Particulars	2023	2022	2021	2020	2019
1	Cash	1,658,527	1,447,850	1,391,533	1,581,724	1,378,915
2	Balance with Bank of Tanzania	3,537,146	3,518,442	3,177,945	2,075,666	2,599,961
3	Balance with other banks and financial institutions	3,091,991	1,519,010	2,386,537	1,841,065	1,846,043
4	Cheques and items for clearing	38,729	141,557	49,353	33,057	58,162
5	Investments in debt securities	8,684,865	8,064,996	6,827,098	5,773,960	5,165,125
6	Interbank loans receivables	1,805,195	2,267,987	1,781,006	1,758,442	1,285,199
7	Loans, advance and overdraft(net)	32,010,970	26,095,912	20,822,561	18,765,130	17,884,030
8	Commercial and other bills purchased or discounted	78,405	55,063	35,302	30,711	66,235
9	Customers liabilities for acceptance	260,461	150,706	124,194	146,204	87,144
10	Equity investments	236,133	172,046	163,904	193,206	188,325
11	Claims on the treasury	37,000	40,884	40,884	0	0
12	Bank premises, furniture and equipment	1,041,593	1,012,966	985,890	1,006,477	970,337
13	Other property and assets owned	56,923	57,941	60,316	63,063	61,970
14	Inter-branch float items	840	467	370	903	496
15	Other assets	1,857,263	1,613,709	1,499,420	1,419,872	1,569,861
16	**Total assets**	**54,396,041**	**46,159,536**	**39,346,313**	**34,689,478**	**33,161,803**
17	Deposit liabilities other than banks	35,889,329	30,584,104	27,011,641	23,049,817	21,745,154
18	Special deposit account	1,092,366	929,369	673,511	866,383	1,106,926
19	Deposit from Banks and Financial Institution	1,094,768	1,071,245	813,919	849,744	966,028
20	Bankers Cheques and Draft Issued	8,176	9,326	9,769	10,875	12,862
21	Payment's orders/transfers payable	39,342	19,107	13,270	15,047	9,341
22	Borrowings	5,531,438	4,669,614	3,007,623	2,784,195	2,439,154
23	Subordinated debts	245,900	238,547	190,892	239,285	363,589
24	Accrued Taxes and Other Expenses Not Paid	724,098	611,553	477,996	476,792	448,739
25	Unearned Income and Other Deferred Credits	255,307	148,656	134,405	124,394	129,810
26	Outstanding Acceptance & Executed by or for Account of the Bank	143,266	82,688	70,650	74,560	51,033
27	Inter-branch float items	2,360	2,673	2,404	1,031	4,553

(TZS Millions)

S/N	Particulars	2023	2022	2021	2020	2019
28	Other liabilities	1,290,364	855,712	739,366	775,191	858,226
29	**Total liabilities**	**46,316,715**	**39,222,593**	**33,145,445**	**29,267,314**	**28,135,415**
30	**Total capital**	**8,079,076**	**6,936,943**	**6,200,867**	**5,422,165**	**5,026,388**
31	Paid up-share capital	2,641,707	2,457,705	2,399,952	2,108,923	2,171,871
32	Other capital accounts	5,437,369	4,479,238	3,800,916	3,313,242	2,854,517
33	**Total Liabilities and Capital**	**54,395,791**	**46,159,536**	**39,346,313**	**34,689,478**	**33,161,803**

Source: Bank of Tanzania

Appendix III: Consolidated Income Statement of the Banking Sector

(TZS Millions)

S/N	Particulars	2023	2022	2021	2020	2019
1	Interest income	4,567,063	3,836,168	3,281,462	3,022,885	2,937,303
2	Interest expenses	3,578,425	946,855	766,236	754,996	726,065
3	Net interest income	114,038	2,889,314	2,515,226	2,267,889	2,211,238
4	Bad debts written off	790,217	331,399	45,447	76,886	42,331
5	Provision for bad and doubtful debts	23,079	311,715	397,092	395,400	345,151
6	Non-interest income	0	1,485,283	1,100,113	1,010,801	950,954
7	Non-interest expenses	40,028	2,359,796	2,215,273	2,191,784	2,223,319
8	Operating income	21,277	1,371,687	957,527	614,620	551,391
9	Non-core credits/charges	1,263,123	78,082	62,161	48,291	38,150
10	Extraordinary credits and charges	816,159	0	847	0	0
11	Net income/ (loss) before income tax	9,272	1,449,769	1,020,535	662,911	589,541
12	Income tax provision	59,241	522,550	354,102	271,031	253,211
13	Net income / (loss) after income tax	4,180	934,388	666,434	397,922	344,842

Source: Bank of Tanzania

Appendix IV: Financial Soundness Indicators

	Dec-23	Dec-22	Dec-21	Dec-20	Dec-19
Capital adequacy					
Core capital to TRWA+OBSE	17.7	17.9	19.5	17.2	17.0
Core capital to total deposit	17.2	17.5	17.5	17.5	17.2
Total capital to TRWA+OBSE	18.4	18.7	20.2	18.1	18.1
Total capital to total assets	12.5	12.9	13.1	13.1	13.1
Liquidity					
Foreign exchange liabilities to total liabilities	35.2	32.2	29.7	30.2	30.3
Liquid assets to demand liabilities	28.8	26.1	29.4	30.7	32.1
Liquid assets to total assets	23.2	23.3	25.5	24.6	26.9
Liquid assets to customer deposits liabilities	35.2	35.2	37.1	37.0	41.0
Total loans to customer deposits	92.5	89.2	81.8	86.8	88.2
Earnings and profitability					
Net interest margin to total income	52.1	53.5	56.6	55.6	56.3
Non-interest expenses to total income	40.4	43.7	49.8	53.8	56.6
Return on assets (ROA)	4.4	3.4	2.8	1.9	1.9
Return on equity (ROE)	20.5	14.2	11.5	7.6	7.1
Personnel expenses to non-interest expenses	49.1	51.3	51.9	50.0	48.2
Asset quality					
Gross non-performing Loans to gross Loans	4.4	5.8	8.5	9.4	9.6
Large exposure to total capital	133.7	166.4	89.6	106.1	171.4
NPLs net of provisions to total capital	19.8	23.6	31.4	36.6	37.7
Net loans and advances to total assets	58.9	56.5	52.9	54.1	53.9
Sectoral distribution loans					
Agriculture, fishing, hunting and forestry	10.0	8.6	8.7	9.6	7.2
Building, construction and real estate	4.4	7.0	9.0	10.9	8.1
Education, health and other services	1.0	4.7	5.9	5.6	8.4
Electricity, gas and water	0.8	2.7	3.0	3.0	4.1
Financial intermediaries	1.5	1.6	1.1	1.0	1.0
Leasing	0.0	0.0	0.0	0.0	0.1

	Dec-23	Dec-22	Dec-21	Dec-20	Dec-19
Manufacturing	9.5	9.9	9.3	9.9	11.8
Mining	2.3	2.1	2.2	2.2	2.2
Personal loans	36.9	38.1	33.9	29.0	29.5
Tourism, hotel and restaurants	1.8	2.7	4.0	3.0	4.0
Trade	13.5	16.5	16.5	15.2	16.2
Transport & communication	4.2	4.3	4.7	5.7	5.1
Warehousing and storage	0.0	0.0	0.2	0.1	0.1
Sensitivity to market risk					
FX currency denominated assets to total assets	29.8	36.8	35.5	35.7	27.3
FX currency denominated liabilities to total liabilities	35.2	32.2	29.7	30.2	30.3
Gain or loss on forex operations to total Income	7.6	6.0	4.9	5.4	5.9
Interest income to total income	71.6	71.1	73.8	74.1	74.8
Net open positions in FX to total capital	4.5	2.5	7.8	9.0	8.8

Source: Bank of Tanzania

Appendix V: Geographical Distribution of Branches and ATMs

		Number of Branches					ATMs				
S/N	Geographical Area	2023	2022	2021	2020	2019	2023	2022	2021	2020	2019
1	Arusha	68	64	68	65	68	146	130	102	100	102
2	Coast	23	19	19	17	14	54	42	40	42	41
3	Dar es Salaam	273	278	282	284	290	710	596	452	476	481
4	Dodoma	47	48	46	41	41	120	85	77	71	67
5	Geita	21	20	20	20	19	33	55	22	20	21
6	Iringa	20	23	23	21	20	37	30	25	31	33
7	Kagera	29	28	29	28	27	51	33	31	32	36
8	Katavi	6	6	6	4	4	11	20	6	5	5
9	Kigoma	16	15	15	14	13	31	43	21	20	20
10	Kilimanjaro	51	49	49	48	46	86	65	59	58	60
11	Lindi	14	14	15	13	13	25	39	15	16	17
12	Manyara	22	20	22	22	19	32	31	22	22	20

S/N	Geographical Area	Number of Branches 2023	2022	2021	2020	2019	ATMs 2023	2022	2021	2020	2019
13	Mara	27	23	23	22	24	43	42	31	33	33
14	Mbeya	42	42	40	45	46	89	64	55	59	56
15	Morogoro	44	42	43	42	40	93	88	62	66	67
16	Mtwara	23	26	24	21	21	46	56	26	24	25
17	Mwanza	69	70	71	67	67	129	90	78	81	83
18	Njombe	18	15	17	18	17	26	58	18	18	20
19	Rukwa	8	8	9	8	8	16	15	12	12	12
20	Ruvuma	17	17	15	17	18	39	36	27	27	28
21	Shinyanga	29	30	29	30	28	49	49	35	35	36
22	Simiyu	11	10	10	10	7	15	11	11	8	8
23	Singida	18	18	17	17	15	28	29	21	22	21
24	Songwe	14	14	14	13	13	15	21	16	14	14
25	Tabora	25	22	21	21	21	38	39	29	29	28
26	Tanga	34	32	28	29	27	59	52	44	43	44
27	Pemba	11	8	9	9	8	16	19	10	8	8
28	Unguja	31	26	26	23	23	98	73	63	59	56
	Total	**1,011**	**987**	**990**	**969**	**957**	**2135**	**1,911**	**1,410**	**1,431**	**1,442**

Source: Bank of Tanzania

Appendix VI: Geographical Distribution of Bank Agents

S/N	Geographical Area	Percentage Share	Growth in 2023 (Percent)	2023	2022	2021	2020	2019
1	Dar es Salaam	33.7	44.5	35,764	24,745	16,059	12,753	9,358
2	Arusha	7.2	37.5	7,609	5,535	3,944	3,542	2,358
3	Mwanza	6.8	38.8	7,169	5,164	3,471	3,078	2,189
4	Dodoma	5.3	35.3	5,654	4,179	2,676	2,208	1,558
5	Mbeya	5.0	41.1	5,299	3,755	2,559	2,079	1,585
6	Morogoro	4.4	36.5	4,661	3,415	2,151	1,816	1,344
7	Kilimanjaro	3.7	36.2	3,895	2,860	1,881	1,597	1,198
8	Simiyu	2.6	44.1	2,742	1,904	1202	336	212
9	Coast	2.5	44.9	2,665	1,839	1078	917	668
10	Iringa	2.3	35.2	2,451	1,814	1217	1060	705
11	Njombe	2.1	46.6	2,255	1,538	1001	803	604
12	Unguja	2.1	55.8	2,253	1,446	869	642	454
13	Pemba	2.1	28.6	2,250	1,750	1080	100	65
14	Kagera	2.0	37.7	2,176	1,581	1041	950	636
15	Tanga	1.9	42.8	2,058	1,441	968	941	584
16	Mtwara	1.9	36.9	2,057	1,502	985	786	474
17	Mara	1.8	34.4	1,900	1,414	935	836	538
18	Shinyanga	1.7	36.9	1,833	1,339	888	1026	686
19	Geita	1.5	40.7	1,602	1,139	657	517	285
20	Kigoma	1.5	42.1	1,562	1,099	627	481	286
21	Lindi	1.3	38.4	1,361	983	629	490	312
22	Tabora	1.2	46.3	1,314	898	583	866	535
23	Songwe	1.2	39.3	1,307	938	584	408	258
24	Manyara	1.2	43.2	1,306	912	560	485	333
25	Ruvuma	1.0	39.7	1,012	724	485	633	394
26	Singida	0.8	48.7	881	592	409	503	359
27	Katavi	0.6	66.3	632	380	204	136	95
28	Rukwa	0.5	45.0	508	350	180	421	285
	Total			**106,176**	**75,238**	**48,923**	**40,410**	**28,358**

Source: Bank of Tanzania

Appendix VII: Geographical Location of Microfinance Service Providers

S/N	Region	Tier II	Tier III	Tier IV
1	Arusha	92	101	15,150
2	Dar es Salaam	474	249	11
3	Dodoma	98	38	22
4	Geita	35	10	192
5	Iringa	46	35	32
6	Kagera	30	34	43
7	Katavi	11	2	1
8	Kigoma	18	6	753
9	Kilimanjaro	21	75	4
10	Lindi	18	3	1926
11	Manyara	20	34	825
12	Mara	65	22	2743
13	Mbeya	94	62	3546
14	Morogoro	80	38	2924
15	Mtwara	28	4	1,784
16	Mwanza	143	27	3,522
17	Njombe	33	28	1613
18	Pwani	44	24	2,301
19	Rukwa	8	8	858
20	Ruvuma	42	15	2355
21	Shinyanga	38	12	955
22	Simiyu	16	3	1407
23	Singida	29	11	1479
24	Songwe	38	6	634
25	Tabora	29	4	1742
26	Tanga	29	33	1462
	Total	**1,579**	**884**	**48,284**

Source: Bank of Tanzania

Appendix VIII: Directory of Supervised Institutions

S/N	Commercial Banks	S/N	Commercial Banks
1	Absa Bank (Tanzania) Limited	20	I & M Bank (Tanzania) Limited
2	African Banking Corporation (Tanzania) Limited	21	International Commercial Bank (Tanzania) Limited
3	Akiba Commercial Bank Plc.	22	KCB Bank (Tanzania) Limited
4	Amana Bank Limited	23	Letshego Faidika Bank Limited
5	Azania Bank Limited	24	Mkombozi Commercial Bank Plc.
6	Bank of Africa (Tanzania) Limited	25	Mwalimu Commercial Bank Plc.
7	Bank of Baroda (Tanzania) Limited	26	Mwanga Hakika Bank Limited
8	Bank of India (Tanzania) Limited	27	National Bank of Commerce Limited
9	Canara Bank (Tanzania) Limited	28	National Microfinance Bank Plc.
10	China Dasheng Bank Limited	29	NCBA Bank Tanzania Limited
11	Citibank (Tanzania) Limited	30	Peoples' Bank of Zanzibar Limited
12	CRDB Bank Plc.	31	Stanbic Bank (Tanzania) Limited
13	DCB Commercial Bank Plc.	32	Standard Chartered Bank (Tanzania) Limited
14	Diamond Trust Bank (Tanzania) Limited	33	Tanzania Commercial Bank Plc
15	Ecobank (Tanzania) Limited	34	United Bank for Africa (Tanzania) Limited
16	Equity Bank (Tanzania) Limited		
17	Exim Bank (Tanzania) Limited		
18	Guaranty Trust Bank (Tanzania) Limited		
19	Habib African Bank Limited		
	Community Banks		**Microfinance Banks**
1	Kilimanjaro Cooperative Bank Limited	1	Access Microfinance Bank(Tanzania) Limited
2	Maendeleo Bank Plc.	2	Finca Microfinance Bank Limited
3	MUCOBA Bank Plc.	3	Vision Fund Tanzania Microfinance Bank Limited
4	Tandahimba Community Bank Limited		
5	Uchumi Commercial Bank Limited		
	Development Banks		**Credit Reference Bureaus**
1	Tanzania Agricultural Development Bank Limited	1	Credit Info Tanzania Limited
2	TIB Development Bank Limited	2	Dun & Bradstreet Credit Bureau Tanzania Limited
	Bureau De Change		**Financial Leasing Companies**
1	Fareed Bureau De Change Limited	1	Alios Finance Tanzania Limited
2	Fast Forex Bureau Limited	2	Equity for Tanzania Limited (EFTA)
3	Furaha Safari Bureau De Change Limited	3	Pass Leasing Company Limited
4	Kadoo Bureau De Change Limited	4	Scania Credit Solutions Tanzania Limited
5	Karen Bureau De Change Limited		
6	Marangu Forex Bureau Limited		
7	Mcsoms Bureau De Change Limited		
8	Optimum Rates Bureau De Change Limited		
9	Posta Bureau De Change Limited		
10	Sanya Bureau De Change Limited		
11	Stallion Forex Xchange Bureau Limited		
12	Vinmar Bureau De Change Limited		
13	Z&L Bureau De Change Limited		
	Mortgage Finance Companies		**Representative Offices**
1	Tanzania Mortgage Refinance Company	1	The Export-Import Bank of Korea Limited

2	First Housing Finance (Tanzania) Limited	2	Bank of China Limited
	Mandatory Social Security Schemes		**Supplementary Social Security Schemes**
1	Public Service Social Security Fund (PSSSF)	1	MSD Wekeza (PSSSF)
2	National Health Insurance Fund (NHIF)	2	TANAPA Group Endowment Fund (PSSSF)
3	National Social Security Fund (NSSF)	3	Voluntary Savings Retirement scheme(VSRS)
4	Workers Compensation Fund (WCF)	4	ELCT Retirement Scheme
		5	Tumaini Pension Fund
		6	PUMA Energy Provident Fund
		7	BOT Staff Benefits Fund
		8	Tanzania Portland Cement Company LTD Staff Pension Scheme
		9	National Information Sector Scheme (NISS)
		10	LAPF DC Scheme
		11	Deposit Administration Scheme (DAS)
		12	PSSF Supplementary Scheme
		13	Workers Retirement Fund
		14	PPF Wote Scheme

Source: Bank of Tanzania

Appendix IX: List of Audit Firms Registered to Audit Banks and Financial Institutions

S/N	Name of Audit Firm	S/N	Name of Audit Firm
1	ARK Partners	13	Innovex Auditors
2	ABA Alliance	14	KPMG
3	Auditax International	15	Mazars Wiscon Associates
4	Baker Tilly Dgp & Co	16	Mhasibu Consultants
5	Basil & Alred	17	Nexia Sj Tanzania
6	BDO East Africa	18	PKF Associates Tanzania
7	Claritas International	19	PricewaterhouseCoopers (PwC)
8	Cooperative Audit and Supervision Corporation (COASCO)	20	RSM Ashvir
9	Deloitte & Touche	21	TAC Associates
10	Ernest & Young	22	Tanna Sreekumar & Company
11	Globe Accountancy Services	23	Trion & Compnany
12	HLB Mekonsult		

Source: Bank of Tanzania

Appendix X: Calendar of Major Events

S/N	Event	Date
1	Change of Diamond Trust Bank Tanzania from a Private Company to Public Company (Plc);	1-Feb-23
2	The Bank revoked license of Yetu Microfinance Bank Plc and subsequent transfer of its assets and liabilities to NMB Bank Plc	23-May-23
3	Directives on Foreign Exchange Operations	31-May-23
4	Change of Azania Bank from a Private Company to Public Company (Plc);	14-Jun-23
5	Public Notice: Dealing in Foreign Currency Within the United Republic of Tanzania	20-Jun-23
6	Surrender of financial leasing licence by Salute Finance Tanzania Limited	28-Jul-23
7	Publication of the revised regulations and new guidelines developed in line with requirements of Basel II & III standards	23-Nov-23

Source: Bank of Tanzania