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FINANCIAL SECTOR SUPERVISION

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MESSAGE FROM THE GOVERNOR

I am delighted to present the 26th Annual Financial Sector Supervision Report, which informs the public on performance and development of the financial sector for the year ended on 31st December 2022. The report covers the performance of banks and financial institutions regulated and supervised by the Bank of Tanzania and highlights major activities performed by the Bank in executing its mandate with respect to the financial sector as well as regulatory changes that took place throughout the year.

It is apparent that the global environment in 2022 was unfavourable due to supply-chain disruptions caused by the war in Ukraine, frequent resurgence of COVID-19, and climate-related constraints. These global shocks weighed down domestic economic activities and increase inflation. However, owing to the response measures adopted, the performance of the economy maintained a satisfactory growth rate of 4.7 percent, which is slightly below 4.9 percent in 2021. The financial sector remained profitable, stable and resilient, with favourable capital and liquidity ratios above the minimum regulatory requirements. The sector performance is expected to remain stable and improving in 2023.

The Bank is committed to collaborate with all key stakeholders in executing its mandate of formulating and implementing monetary policy geared towards achieving low and stable inflation conducive for sustainable economic growth. In addition, the Bank will continue to monitor risks posed by domestic and global economic shocks and strengthen its supervisory approach to accommodate new developments and align with international standards, while ensuring safety of depositors' money and the stability of the financial sector.

It is my firm belief that all members of the Board of Directors, officers of the Bank of Tanzania and stakeholders will continue to support and contribute to the maintaining of stability, safety, and soundness of the financial system that will serve the common good of the United Republic of Tanzania and its people.

Emmanuel M. Tutuba
Oct 15 2023 12:49 PM
DocuSign

Emmanuel M. Tutuba

Governor - Bank of Tanzania

EXECUTIVE SUMMARY

The financial sector in Tanzania is composed of banking, microfinance, insurance, capital markets and social security sub-sectors. The banking sub-sector accounts for more than 70 percent of assets of the financial sector. 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 17.9 percent and 18.7 percent compared to 19.5 percent and 20.2 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 percent 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 5.8 percent from 8.5 percent recorded in 2021. 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 26.1 percent compared to 29.4 percent recorded in 2021, above the minimum regulatory requirement of 20 percent, the decline in liquidity ratio was attributed to portfolio shift to more profitable investments. Profitability improved as depicted by increase in return on assets (ROA) and return on equity (ROE) to 3.5 percent and 14.2 percent from 2.8 percent and 11.5 percent recorded in preceding year, respectively. The increase in profitability was driven by increase 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 decreased to 2.5 percent from 7.8 percent reported in the preceding year, implying a decrease in banks' exposure to foreign exchange risk.

Total assets increased by 17.3 percent to TZS 46,159.5 billion from TZS 39,346.3 billion which was mainly attributed to the increase in deposits, borrowings and retained earnings. Deposits increased by 14.3 percent to TZS 32,584.7 billion from TZS 28,499.1 billion recorded in the preceding year. The increase was due to 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 25.3 percent to TZS 26,095.9 billion which accounted for 56.5 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 support private sector's credit growth.

The sector's outreach continued to expand through branch network, agent banking, digital and other delivery channels. Number of banks' branches decreased to 987 from 990 reported in 2021, while the number of agents and number of deposit transactions increased by 53.8 percent to 75,238 and 59.0 percent to 81,007,984, respectively. Deposits through agents increased by 71.1 percent to TZS 61,915.9 billion. The growth implies that this service delivery channel has become a more effective means of mobilizing deposits and increasing access to and usage of banking services.

During the year, the Bank approved acquisition of First National Bank Tanzania Limited by Exim Bank Tanzania Limited and change of banking licence of Mwanga Hakika Microfinance Bank Limited from microfinance to fully-fledged commercial bank. In addition, Yetu Microfinance Bank Plc was placed under the statutory administration due to failure to meet regulatory liquidity and capital requirements. Subsequently, assets and liabilities of the bank were transferred to NMB Bank Plc as resolution option.

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. As at the end of 2022, there were 34 commercial banks and five bureaux de change with 43 branches across the country. The Bank continued to strengthen supervision of bureaux de change services providers 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 2022, the Bank issued 403 licenses to non-deposit taking microfinance service providers (Tier 2) whereas Tanzania Cooperative Development Commission (TCDC) licensed 179 SACCOS and Local Government Authorities (LGAs) registered 10,004 Community Microfinance Groups.

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. The Bank also 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 financial sector remain safe, sound and stable to support the national economy.

CHAPTER ONE

OVERVIEW OF THE FINANCIAL SECTOR

Tanzania's financial sector is composed of banking, social security schemes, insurance, capital markets, and microfinance sub-sectors. The banking sub-sector accounts for more than 70 percent of the financial sector. Bank of Tanzania is mandated to license, regulate and supervise banking and non-banking financial institutions. Banking institutions include commercial banks, development banks, community banks and microfinance banks, while non-banking financial institutions include microfinance service providers, mortgage finance institutions, financial leasing companies, bureaux de change, credit reference bureaux and representative offices of foreign banks. Further, the Bank is vested with powers and responsibilities to regulate and supervise financial matters of social security schemes.

During the period, the Bank continued to execute its licensing, regulatory and supervisory role. This included monitoring activities of supervised institutions to ensure that they remain within the requirements of the regulatory framework, essentially enforcing compliance with laws, regulations and guidelines.

1.1 Banking Institutions

The regulatory and supervisory powers of the Bank are provided under the Bank of Tanzania Act 2006, the Banking and Financial Institutions Act, 2006, the Foreign Exchange Act, 1992 and National Payment Systems Act, 2015. Banking institutions are categorized into commercial banks, development banks, microfinance banks and community banks (Table 1.1).

Table 1.1: Categories and Number of Banking Institutions

Category	2022	2021	2020	2019	2018
Commercial banks	34	34	35	38	40
Development banks	2	2	2	2	2
Microfinance banks	4	5	4	5	5
Community banks	5	5	5	6	6
Total	45	46	46	51	53

Source: Bank of Tanzania

Analysis of banks' market share indicated that, ten largest banks dominated the market in 2022 accounting for 77.4 percent of total assets, 78.9 percent of total loans and 77.9 percent of total deposits (Table 1.2).

Table 1.2: Market Share for Ten Largest Banks

Market share	Assets		Loans		Deposits		Capital	
	Dec-22	Dec-21	Dec-22	Dec-21	Dec-22	Dec-21	Dec-22	Dec-21
10 Largest Banks	77.4	76.0	78.9	76.4	77.9	78.3	73.9	75.9
Others Banks	22.6	24.0	21.1	23.6	22.1	21.7	26.1	24.1

Source: Bank of Tanzania

The dominance was mainly due to large customer base and wide branch network. Meanwhile, locally owned banks continued to hold more assets compared to foreign owned banks (Table 1.3).

Table 1.3: Market Share of Local and Foreign Banking Institutions

Market share	Asset		Loans		Deposits		Capital	
	Dec-22	Dec-21	Dec-22	Dec-21	Dec-22	Dec-21	Dec-22	Dec-21
Local banking institutions	62.9	60.9	66.2	65.4	62.8	60.5	62.6	59.8
Foreign banking institutions	37.1	39.1	33.8	34.6	37.2	39.5	37.4	40.2

Source: Bank of Tanzania

1.1.1 Commercial Banks

These are banks licensed to offer fully-fledged banking services without geographical restrictions. In 2022, there were 34 commercial banks with 901 branches. In terms of ownership, 11 were locally owned while 23 banks were foreign owned. Total assets of commercial banks accounted for 97.2 percent of total assets of banking institutions, whereby locally and foreign owned commercial banks accounted for 60.5 percent and 36.7 percent, respectively. Distribution channels of commercial banks included branches, ATMs, mobile banking, internet banking and foreign exchange automated teller machines (FX ATM). In addition, one commercial bank had one digital branch which enables customers to perform self-banking services.

1.1.2 Development Banks

These are banks licensed to mobilize long-term funds to finance medium and long-term development projects. In 2022, there were two development banks, which are state-owned with 10 branches. The total assets of development banks accounted for 2.0 percent of total assets of banking institutions.

1.1.3 Microfinance Banks

These are banks licensed to undertake banking business mainly with individuals, groups and micro, and small enterprises in the rural or urban areas. In 2022, there were 4 microfinance banks with 65 branches across the country, out of which one was locally owned and three were foreign owned. Total assets of microfinance banks accounted for 0.4 percent of total assets of banking institutions, locally and foreign owned microfinance banks accounted for 42.0 percent and 58.0 percent, respectively.

1.1.4 Community Banks

These are banks licensed to provide banking services in a defined geographical area. As at the end of 2022, there were five locally owned community banks with 11 branches. Total assets of community banks accounted for 0.4 percent of total assets of banking institutions.

1.1.5 Distribution Channels

Banking services are offered through various delivery channels which include branches, agent banking and digital banking services. The number and usage of these channels has been increasing steadily which enhance financial inclusion. Branch network is dominated by large banks which accounted for 55.2 percent and concentration in urban centres accounted for 51.6 percent of total branches (Appendix V). Agent banking business continued to grow in number of agents, number of transactions, value of deposit and withdrawal transactions (Table 1.4). Agent banking business is dominated by large banks which accounted for 59.7 percent and concentration in urban centres accounted for 56.5 percent of total operating banks agents. (Appendix VI).

Table 1.4: Agent Banking Transactions

	Cash Deposits			Cash Withdrawals	
	Number of Agents	**Volume**	**Value in TZS Billion**	**Volume**	**Value in TZS Billion**
2022	75,238	81,007,984	61,915.9	46,935,798	19,200.3
2021	48,923	50,942,662	36,179.4	30,706,146	10,779.6
Growth (Percent)	53.8	59.0	71.1	52.9	78.1

Source: Bank of Tanzania

1.2 Non-Banking Financial Institutions

Non-banking financial institutions are designated financial institutions that provide specialized financial services to sectors or groups. Bank of Tanzania continued to regulate and supervise non-banking financial institutions as provided in the Bank of Tanzania Act, 2006, Banking and Financial Institutions Act, 2006, Microfinance Act, 2018, Foreign Exchange Act, 1992 and Social Security Act (CAP. 135), 2019. The 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 public or private schemes established for the purpose of providing economical security and form of benefits which include health care and cash benefits paid to a member or dependants of the member at the time of need. There were four mandatory social security schemes, namely, Public Service Social Security Fund (PSSSF), National Social Security Fund (NSSF), National Health Insurance Fund (NHIF) and Workers Compensation Fund (WCF). PSSSF and NSSF are pension funds which serve public and private sectors, respectively. NHIF provides health insurance services while WCF provides workers' compensation benefits. In addition, there were 13 supplementary schemes serving 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 1 (Microfinance Banks); Tier 2 (non-deposit taking microfinance service providers including digital and individual money lenders); Tier 3 (SACCOS); and Tier 4 (community microfinance groups). To enhance its regulatory and supervisory mandate, the Bank delegated its functions and powers to Tanzania Cooperative Development Commission (TCDC) and Local Government Authorities (LGAs) for Tier 3 and 4, respectively.

1.2.3 Mortgage Finance Institutions

These are specialized institutions licensed to provide wholesale and retail mortgage loans. There were two mortgage institutions, namely, Tanzania Mortgage Refinancing Company (TMRC) with core activity of providing wholesale, pre-financing and re-financing mortgage loans to banks and financial institutions; and First Housing Finance (Tanzania) Limited which provides retail mortgage loans.

1.2.4 Financial Leasing Companies

These are non-deposit taking entities licensed to carry out financial leasing operations. Financial leasing companies provide finances for purchases of property without a need to provide collateral and large upfront cash deposits. There were five financial leasing companies with 11 branches (Appendix VIII).

1.2.5 Bureaux de Change

These are companies licensed to carry out the business of buying and selling foreign currencies and money remittance operations. There were five Bureaux de Change with 43 branches and 34 commercial banks offering bureau de change services to the public. Bureau de change branches were located in Dar es Salaam and Coastal Zone (21), Northern Zone (9), Western & Lake Zone (5), Zanzibar (5) and Central & Southern Zone (3). In addition, bureau de change services were offered through nine FX ATM machines located in Dar es Salaam, Zanzibar, Arusha and Kilimanjaro.

1.2.6 Credit Reference Bureaux

These are companies licensed for collection and sale of credit information of individuals and entities. There were two companies mandated to collect information from banks and financial institutions through credit reference databank maintained at the Bank. Credit Reference Bureaux provide credit reports to lenders to enhance credit underwriting process and establish the credit worthiness of prospective borrowers to reduce non-performing loans and ultimately enhance stability of the financial sector. In addition, every individual has a right to access the credit report, obtain a free copy once in every twelve months and challenge information contained 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 FINANCIAL SECTOR

Performance of the financial sector entails the analysis of banking sub-sector 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.

2.1 Banking Sector

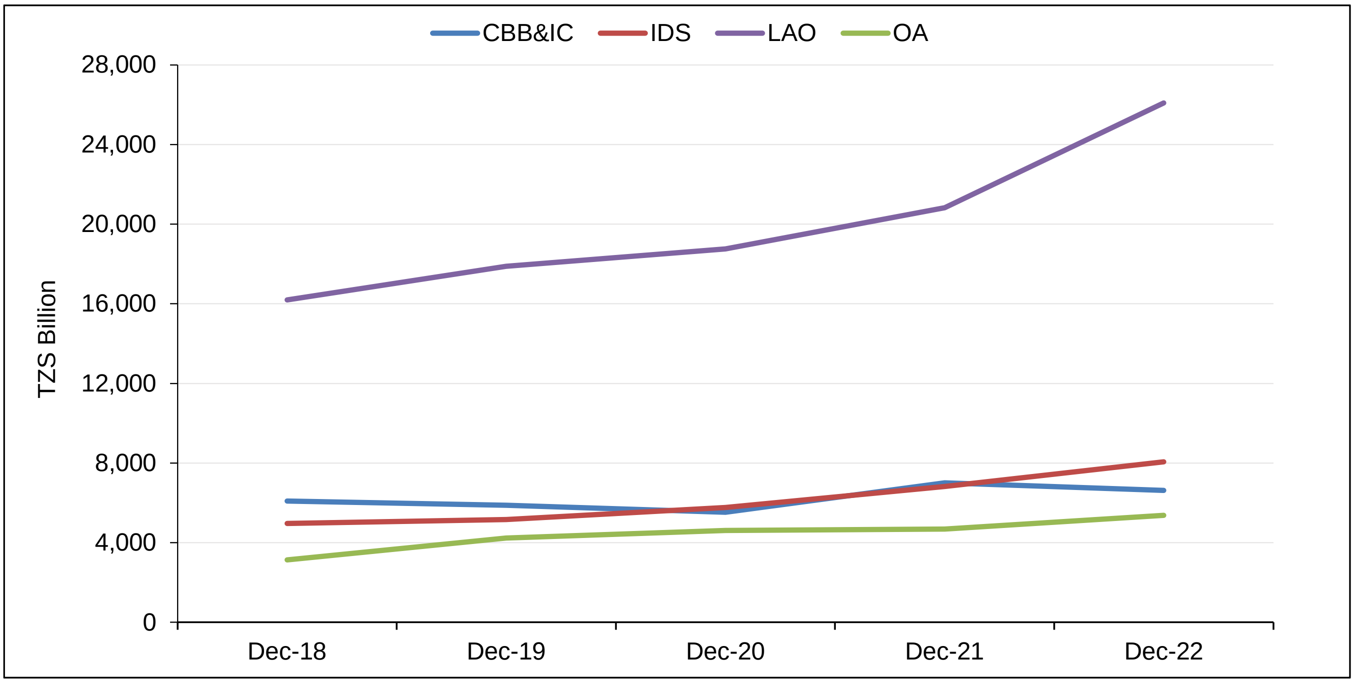
The banking sector remained profitable, adequately capitalized, with sufficient level of liquidity and improved asset quality, attributable to recovery of businesses from the negative effects of COVID-19 pandemic. The sector remained resilient to internal and external shocks and continued to grow in terms of deposits and assets, supported by favourable macroeconomic environment, 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 56.5 percent; investment in debt securities (17.5 percent); and cash, balances with Bank of Tanzania, balances with other banks and items for clearing (14.4 percent); while the remaining assets accounted for 11.6 percent of total assets.

Total assets grew by 17.3 percent to TZS 46,159.5 billion compared to TZS 39,346.3 billion recorded in the preceding year, mainly financed by an increase in deposits, borrowings and retained earnings. Loans, advances and overdrafts grew by 25.3 percent to TZS 26,095.9 billion compared to TZS 20,822.6 billion reported in the corresponding period in 2021. The growth was attributed to favourable macroeconomic environment, the Bank's accommodative monetary policy and regulatory measures taken to support 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 19.2 percent to TZS 38,175.0 billion compared to TZS 32,016.4 billion recorded in 2021. The ratio of earning assets to total assets increased to 82.7 percent compared to 81.3 percent recorded in 2021, 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-22	Dec-21	Dec-20	Dec-19	Dec-18
Total Earning Assets (TZS Billion)	38,175.0	32,016.4	28,362.5	26,435.0	24,179.1
Total Assets (TZS Billion)	46,159.5	39,346.3	34,689.5	33,161.8	30,383.0
Total Earning Assets to Total Assets (Percent)	82.7	81.3	81.8	79.7	79.6

Source: Bank of Tanzania

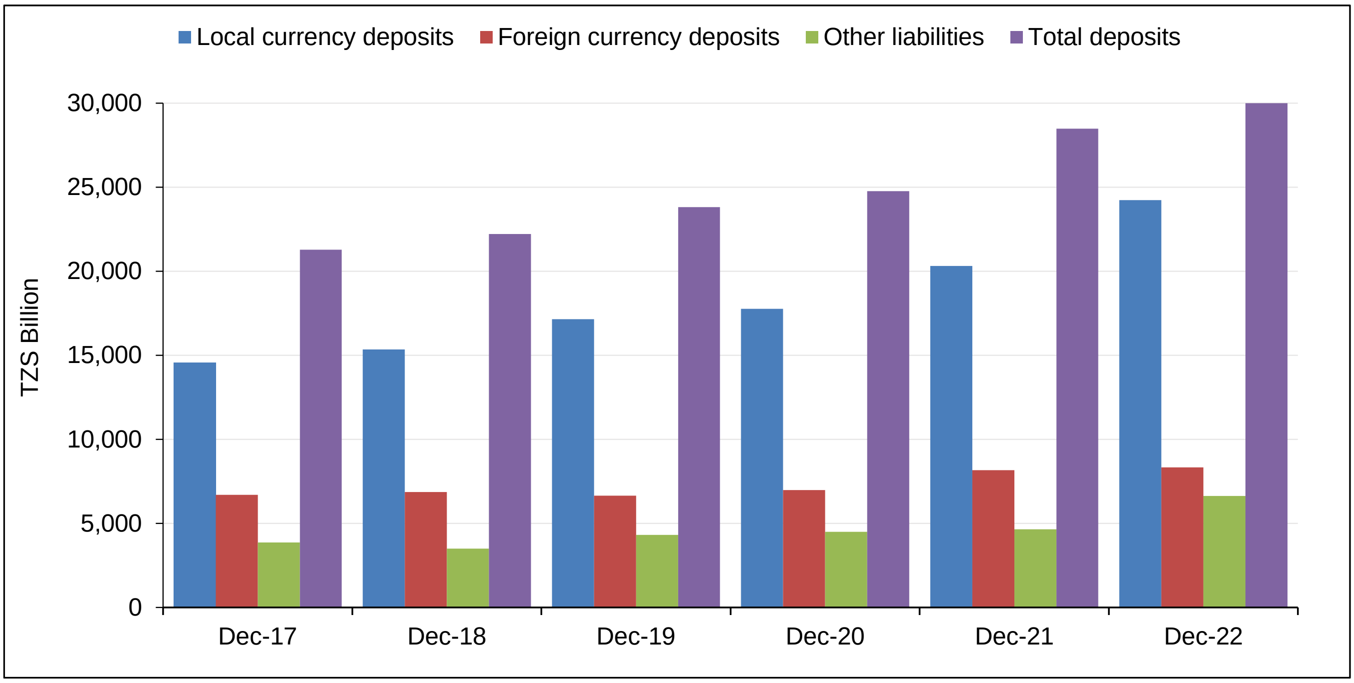
2.1.2 Liability Structure

The major components of the sector's liabilities were deposits and borrowings, which accounted for 83.1 percent and 11.9 percent of total liabilities, respectively, while the remaining liabilities accounted for 5.0 percent of total liabilities. Total liabilities of the sector increased by 18.3 percent to TZS 39,222.6 billion compared to TZS 33,145.5 billion recorded in the preceding year. The

[1] Earning assets comprised of loans, advances and overdrafts (68.5 percent); investments in debt securities (21.1 percent); interbank loans (5.9 percent), balances with other banks and financial institutions (4 percent) and equity investments (0.5 percent) of the total earning assets.

increase in liabilities was attributed to increase in deposits and borrowings. Total Deposits[2] increased by 14.3 percent to TZS 32,584.7 billion from TZS 28,499.1 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 increase in deposits was due to increased public confidence in the banking sector, favourable economic activities and deposit mobilization strategies instituted by banks and financial institutions. In addition, borrowings increased by 55.3 percent to TZS 4,669.6 billion from TZS 3,007.6 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 composed of share capital (35.4 percent), retained earnings (41.0 percent), share premium (6.7 percent) and other capital items (16.9 percent) as indicated in (Table 2.2). Total capital increased by 11.9 percent to TZS 6,936.9 billion compared to TZS 6,200.9 billion recorded in the preceding year, mainly on account of an increase in retained earnings by 37.9 percent to TZS 2,841.2 billion from TZS 2,059.7 billion in 2021. In addition, profitability increased by 67.3 percent to TZS 934.4 billion compared to TZS 666.4 billion recorded in the preceding year. The increase in capital signifies enhanced resilience of the sector to withstand shocks that may emanate from both internal and external environments.

[2] Total Deposits include deposit liabilities other than banks, special deposit accounts and deposits from banks and financial institutions.

Table 2.2: Capital Structure and Trend

Capital items	Dec-22	Dec-21	Dec-20	Dec-19	Dec-18
Share capital (Billions of TZS)	2,457.7	2,400.0	2,108.9	2,171.9	2,097.6
Share capital to total capital (%)	35.4	38.7	38.9	43.2	45.1
Share capital (% Growth)	2.4	13.8	(2.9)	3.5	9.3
Retained Earnings	2,841.2	2,059.7	1,836.4	1,536.9	1,432.7
Retained Earnings to total capital (%)	41.0	33.2	33.9	30.6	30.8
Retained Earnings (% Growth)	37.9	12.2	19.5	7.3	6.5
Share Premium (Billions of TZS)	464.5	658.2	635.0	638.5	608.1
Share Premium to total capital (%)	6.7	10.6	11.7	12.7	13.1
Share Premium (% Growth)	(29.4)	3.6	(0.5)	5.0	0.3
Other capital Items (Billions of TZS)	1,173.6	1,083.0	841.8	679.2	513.9
Other capital items to total capital (%)	16.9	17.5	15.5	13.5	11.0
Other capital Items (% Growth)	8.4	28.7	23.9	32.2	(34.1)
Total capital (Billions of TZS)	6,936.9	6,200.9	5,422.2	5,026.4	4,652.3
Total capital (% Growth)	11.9	14.4	7.9	8.0	0.04

Source: Bank of Tanzania

2.1.4 Off-Balance Sheet Items

Off-balance sheet items comprised of guarantees and indemnities (51.0 percent), letters of credit (31.3 percent), undrawn balances of loans and overdrafts (14.5 percent), bills for collections (1.2 percent) and others (2.0 percent). Off-balance sheet items increased by 26.7 percent to TZS 12,099.0 billion compared to TZS 9,546.0 billion recorded in 2021 (Table 2.3). The increase was due to effective participation of banking sector in trade finance and facilitation of Government strategic projects through guarantees. The off-balance sheet items were 26.2 percent of the total assets compared to 24.3 percent recorded in the preceding year.

Table 2.3: Off-Balance Sheet Items

Items	Share in Dec 2022 (Percent)	Dec-22	Dec-21	Dec-20	Dec-19	Dec-18
Guarantees and indemnities	51.0	6,165.8	4,907.7	3,827.3	3,981.0	2,829.2
Undrawn balances	14.5	1,760.0	1,642.2	1,380.7	1,560.1	1,715.2
Letters of Credit	31.3	3,783.1	2,393.8	1,083.9	1,354.5	1,262.7
Bills for Collection	1.3	152.0	493.5	402.9	358.2	273.9
Others	2.0	237.9	108.9	104.6	153.9	87.2
Total	**100.0**	**12,098.9**	**9,546.0**	**6,799.4**	**7,394.1**	**6,167.3**
Growth (Percent)		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 17.9 percent and 18.7 percent compared to 19.5 percent and 20.2 percent reported in 2021, respectively. Both ratios were above the minimum regulatory requirements of 10 percent and 12 percent for core and total capital, respectively. The decrease in capital adequacy ratios was attributed to increase in risk weighted assets such as loans, advances and overdrafts. 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

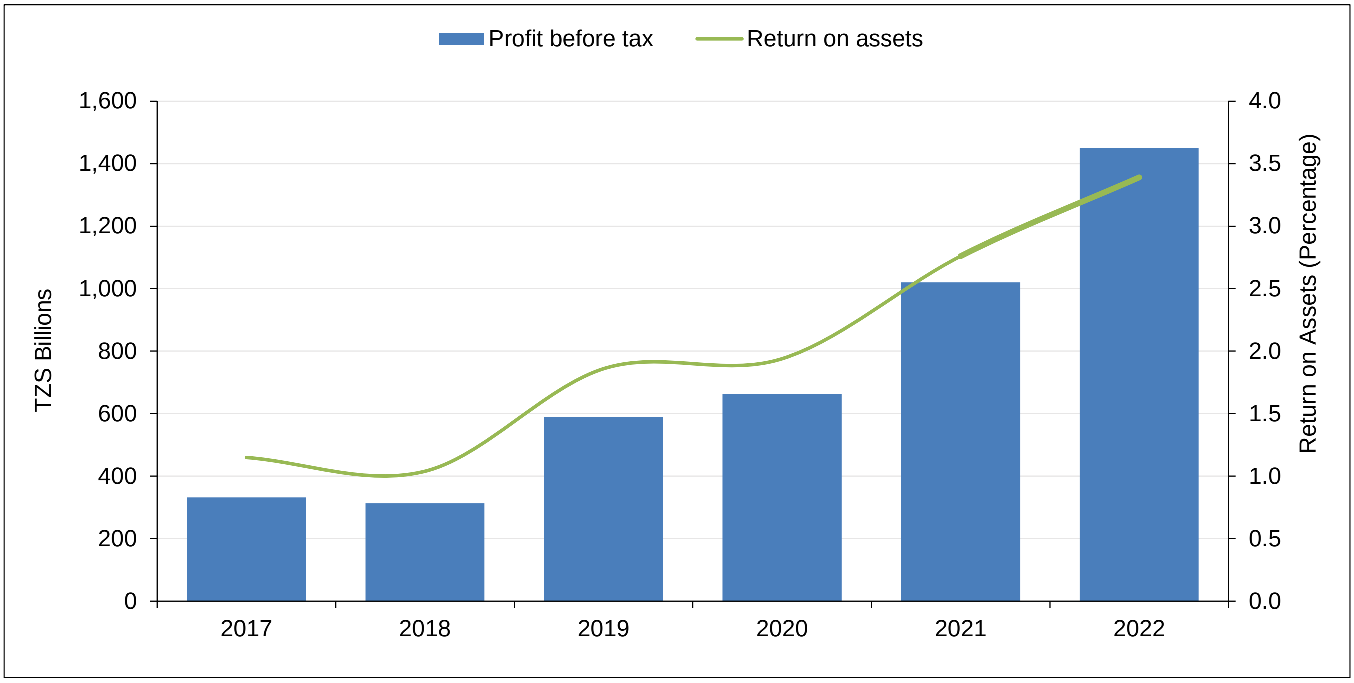
Asset quality improved as evidenced by a decrease in non-performing loan ratio to 5.8 percent compared with 8.5 percent recorded in the preceding year, though the ratio remained slightly above the desired benchmark of not more than 5.0 percent. The improvement in asset quality was attributed to increase in a loan book while maintaining asset quality, the 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; ensure banks and financial institutions strengthen credit risk management practices including credit underwriting and monitoring processes; enhance banks' staff integrity; and implement remedial measures to contain non-performing loans.

Loan portfolio was diversified in various sub-sectors of the economy, personal loans (38.1 percent); trade (16.5 percent); manufacturing (10.0 percent); agriculture (8.6 percent); building, construction and real estate (7.0 percent). The remaining sectors accounted for 19.8 percent of loan portfolio.

2.1.5.3 Earnings

The sector remained profitable as depicted by increase in profitability by 67.3 percent to TZS 934.4 billion from TZS 666.4 billion reported in 2021. Return on Assets (ROA) and Return on Equity (ROE) increased to 3.4 percent and 14.2 percent from 2.8 percent and 11.5 percent recorded in 2021, respectively (Figure 2.3). The increase in profitability was driven by increase in interest income consistent with growth of loan portfolio, increase in non-interest income and improvement in operational efficiency. Non-interest expenses to total income ratio decreased to 43.9 percent from 49.8 percent reported in 2021 as a result of decrease in non-interest expenses.

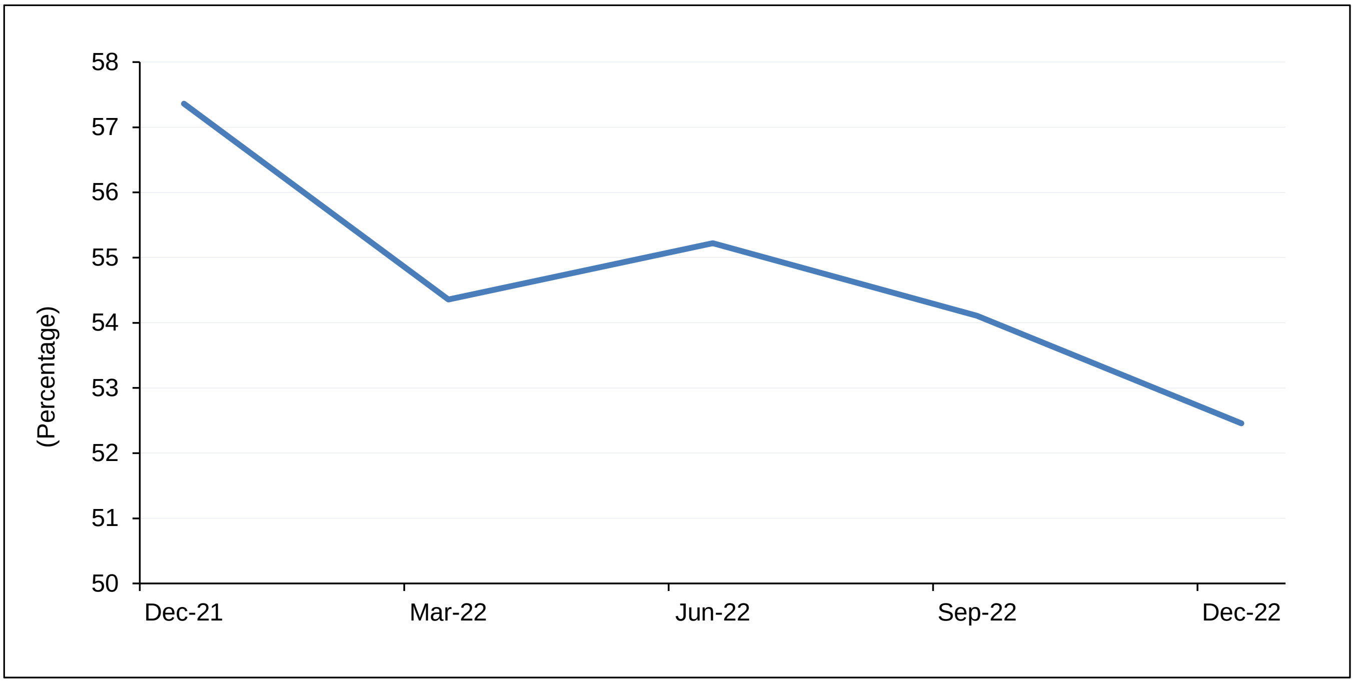
Figure 2.3: Earnings Trend



Source: Bank of Tanzania

The Bank continued to monitor Cost to Income Ratio (CIR)[3] of banks and financial Institutions. The CIR decreased to 52.9 percent from 57.3 percent recorded in the preceding year 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 fund growth in assets. The ratio of liquid assets to demand liabilities was 26.1 percent compared to 29.4 percent reported in 2021, above the minimum regulatory requirement of 20 percent. The decline in liquidity ratio was attributed to portfolio shift to more profitable investments including loans, advances and overdrafts; and investments in debt securities. The ratio of gross loans to total deposits increased to 89.2 percent in December 2022 from 81.8 percent reported in December 2021 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 decreased to 2.5 percent from 7.8 percent reported in the preceding year, which was within the regulatory requirement of +/- 7.5 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 36.8 percent and 32.2 percent compared to 35.5 percent and 29.7 percent in 2021, respectively. The increase in foreign currency denominated assets was partly associated with increase in loans, advances and overdraft; and 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 17,799.9 billion mainly contributed by Investment assets by 91.5 percent which was above the regulatory requirement of not less than 85.0 percent. Investment assets increased by 14.5 percent to TZS 16,290.0 billion from TZS 14,224.5 billion reported in 2021. The increase was attributed to an increase in income from members' contributions and investment. Contributions from members increased by 21.9 percent to TZS 3,864.4 billion from TZS 3,169.8 billion reported in 2021 while Income from investments increased by 32.7 percent to TZS 1,437.1 billion from TZS 1,083.4 billion reported in 2021.

2.2.2 Microfinance Service Providers

Performance of the microfinance business has improved as supported by increase in number of microfinance service providers (MSPs), total loans disbursed, number of beneficiaries and increased outreach to unbanked population. During the period, the number of licensed Tier 2 MSPs increased to 1,095 from 692 in 2021, amount of total loans disbursed was TZS 811.3 billion from TZS 620.6 billion in 2021. The number of Tier 3 MSPs (SACCOS) increased to 759 from 580 and Tier 4 MSPs (Community Microfinance Groups) increased to 34,127 from 24,123 in 2021. In addition, MSPs were located in all regions across the country (Appendix VII) and the list of licensed Tier 2 MSPs is published in the website of the Bank www.bot.go.tz.

The Bank has continued to take measures to improve financial customers' protection. The measures include instructing 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 instructing MSPs to refund borrowers the over deducted loan amounts.

2.2.3 Mortgage Finance Institutions

Performance of the mortgage finance institutions business continued to improve as supported by increase in capital, total assets, loan portfolio and profitability. Total capital of mortgage finance institutions increased by 14.7 percent to TZS 58.9 billion compared with TZS 51.3 billion recorded in 2021, attributed to increase in profitability. The mortgage finance institutions met capital adequacy requirements as provided in respective regulations.

Total assets of mortgage finance institutions increased by 16.0 percent to TZS 254.5 billion from TZS 219.4 billion recorded in 2021. The performance was attributed to increase in investment in debt securities by 14.6 percent to TZS 73.5 billion from TZS 64.1 billion and growth of mortgage loan portfolio by 11.5 percent to TZS 164.7 billion from TZS 147.8 billion. Major sources of funding for mortgage finance institutions were borrowings (57.0 percent), corporate bonds (19.9 percent) and shareholders' funds (23.1 percent).

Loan portfolio of mortgage finance institutions increased by 12.8 percent to TZS 167.1 billion compared to TZS 148.1 billion recorded in the preceding year. The increase was attributed to recovery of businesses from the residual effects of COVID-19 pandemic. Non-performing loans were 0.3 percent of total mortgage portfolio, which was within the acceptable level of not more than 5 percent.

Profitability of mortgage finance institutions increased to TZS 2.4 billion compared to TZS 1.8 billion recorded in the preceding year. The increase was attributed to increase in interest income by 13.0 percent to TZS 24.6 billion compared to TZS 21.8 billion recorded in 2021.

2.2.4 Financial Leasing Companies

Total assets of financial leasing companies increased significantly by 77.0 percent to TZS 183.6 billion from TZS 104.1 billion recorded in the preceding year. The increase was mainly attributed to increase in financial lease companies in the market. Total assets comprised of finance leases (56.0 percent), operating leases (21.9 percent), cash and cash equivalents (6.8 percent) and other assets (15.4 percent). Major sources of funding were borrowings and shareholders' equity which accounted for 54.8 percent and 24.7 percent of the total funding, respectively.

Finance lease assets portfolio increased by 195.5 percent to TZS 102.8 billion compared to TZS 32.3 billion recorded in the preceding year. The increase was mainly attributed to increase in finance lease investments as a result of increase in financial leasing companies in the market and improved economic conditions. Profitability decreased by 15.7 percent to TZS 5.2 billion from TZS 6.3 billion recorded in 2021 which was mainly attributed to increase in operating expenses to TZS 32.5 billion from TZS 31.9 billion as a result of increase in operating leases.

2.2.5 Bureaux de Change

Bureau de Change activities slightly decreased in terms of purchases and sales transactions. Total foreign currency purchase in the retail market amounted to USD 6,860.5 million compared to USD 6,898.1 million while foreign currency sale amounted to USD 7,469.6 million compared to USD 8,762.7 million reported in the preceding year. The decrease in purchases and sales of foreign currency was attributed to scarcity of the foreign currency in the market.

2.2.6 Credit Reference Bureaux

The use of credit reference bureaux services continued to improve as evidenced by the significant increase in number of credit inquiries by 147.7 percent to 5,712,114 from 2,306,088 reported in preceding year. Likewise, number of credit reports sold increased by 195.4 percent to 2,726,381 from 923,057 reported in the preceding year. The Bank continued to sensitize banks and other credit providers on the usefulness of credit information sharing to increase efficiency of the credit market, reduce NPLs and ultimately enhance stability of the financial 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. In addition, the Bank regulates and supervises representative offices of foreign banks and financial matters of the social security schemes.

3.1 Licensing

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

(a) Licensing of Optimum Rates Bureau De Change Limited and Furaha Safari Bureau De Change Limited to carry out the business of bureau de change;
(b) Acquisition of First National Bank Tanzania Limited by Exim Bank Tanzania Limited;
(c) Change of banking licence of Mwanga Hakika Microfinance Bank Limited from microfinance bank to fully fledged commercial bank, namely, Mwanga Hakika Bank Limited;
(d) Licensing of 403 non-deposit taking microfinance service providers (Tier 2), while TCDC licensed 179 SACCOS and LGAs registered 10,004 Community Microfinance Groups; and
(e) Revocation of licence of Unimoni Bureau De Change Limited due to failure to meet regulatory capital requirements.

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 through 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, 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 examination of mandatory and supplementary social security schemes.

3.3 Statutory Administration

In December 2022, the Bank placed Yetu Microfinance Bank Plc under statutory administration due to failure to meet regulatory liquidity and capital requirements. This action was aimed at protecting the interests of depositors and other creditors as well as maintaining stability of the banking sector. Subsequently, the assets and liabilities of the bank were transferred to NMB Bank Plc as a resolution option.

3.4 Regulatory Activities

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

3.4.1 Regulations

(a) The Banking and Financial Institutions (Financial Leasing) Regulations, 2022, were issued with the objective of incorporating, among others, the requirements for licensing, minimum capital, provision of lease financing and reporting to facilitate effective regulation and supervision of financial leasing institutions;

(b) The Banking and Financial Institutions (Mortgage Refinance Companies) Regulations, 2022, were issued to provide regulatory requirements for companies engaging in mortgage refinance business including minimum capital and liquidity levels, procedures for provision of mortgage finances, effective audit and internal control operations, reporting and corporate governance practices to ensure effective supervision as well as safety and soundness of the companies; and

(c) The Foreign Exchange Regulations, 2022, were issued to enhance regulation and supervision of foreign currency operations in Tanzania.

3.4.2 Guidelines

(a) The Guidelines for Banks and Financial Institutions on Climate-Related Financial Risks Management, 2022. These Guidelines were issued to guide banks and financial institutions on risk management framework for climate-related financial risks; and

(b) The Stress Testing Guidelines for Banks and Financial Institutions, 2022 were issued with the objective to guide banks and financial institutions in conducting stress tests, using the results and preparing mitigation plans.

3.4.3 Circulars

(a) Circular requiring banks and financial institutions to take necessary actions including strengthening protection of their systems and information against cybersecurity incidents involving user access credentials;

(b) Circular requiring banks and financial institutions to institute effective mechanisms for disbursement and regular monitoring of loans and advances to ensure that the credit facilities granted are utilized for intended purposes;

(c) Circular requiring External Auditors to ensure their audit works are conducted in a comprehensive manner, including ensuring verification of balances used in the preparation of financial statements, and in full compliance with all applicable local and international audit standards;

(d) Circular guiding banks and financial institutions to accept the use of residence permits during opening of bank accounts and provision of other banking services to non-residents; and

(e) Circular requiring banks and financial institutions to display updated fees and charges for all products and services on their websites.

3.5 Capacity Building

The Bank continued to build capacity to internal and external stakeholders in areas related to financial sector supervision to enhance capacity of regulated institutions. 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; 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 Financial Sector Supervision Directorate. Further, public awareness programs were conducted through media, exhibitions and workshops.

3.6 Other Activities

The Bank continued to implement various activities to enhance efficiency of its supervisory and regulatory functions. These included:

(a) 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;

(b) Automation of submission of regulatory returns by MSPs, mortgage financing and refinancing companies;

(c) Implementation of Basel II & III to ensure capital allocation reflects level of risks, separating operational risk from credit risk and quantifying economic and regulatory capital more closely to reduce the scope for regulatory arbitrage; and

(d) Implementation of Domestic Systemically Important Banks (DSIBs) framework to determine banks whose distress or failure have the potential to cause considerable disruption to the domestic financial system and the wider economy.

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. Detailed information for domestic, regional and international cooperation are provided below;

4.1 Domestic Cooperation

The Bank organized meetings with domestic stakeholders to discuss issues related to financial sector development with the objective of ensuring stability and integrity of the financial system. Also, the Bank is a member of Tanzania Financial Stability Forum (TFSF) and collaborates with domestic associations such as Tanzania Bankers Association (TBA), Tanzania Association of Microfinance Institutions (TAMFI) and Tanzania Social Security Association (TSSA).

4.2 Regional Cooperation

The Bank is a member of Monetary Affairs Committee (MAC) under the EAC; the Association of African Central Banks (AACB) under the 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).

The Bank participated in regional fora relevant to its regulatory and supervisory mandate. The fora aimed at sharing information and experiences on regulatory and supervisory practices, hence broadening exposure to new developments in the financial sector.

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 financial sector policies. The emphasis is on areas related to financial stability, including banks supervision, financial crisis resolution and management as well as improving financial sector surveillance tools to ensure domestic and regional financial system stability. In addition, MAC aims at expediting the formation of the East African Monetary Union (EAMU) as a precursor to a political federation. MAC initiatives are implemented through committees or Technical Working Groups (TWG) composed of technical officials from the partner states. The technical officials are tasked with various assignments which are then overseen by Governors. As a member of MAC, the Bank participated in following regional technical workshops and MAC sub-committee meetings to deliberate various issues related to financial sector;

- The 25th Ordinary Meeting of MAC that discussed progress made on the implementation of various initiatives and challenges faced by the partner states;
- The Regional Technical Working Group meeting on the compilation of Financial Soundness Indicators;
- The Macro-Prudential Analysis, Stress Testing and Statistics Technical Working Group meeting that discussed various appropriate policy actions on risks identified in the region and specific measures to mitigate the effect of COVID-19 pandemic; and
- 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.

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 CCBG and subcommittee held two meetings each to review progress on implementation of strategic area pertaining to maintain financial stability 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 2022, the Bank participated in the 43rd ESAAMLG Taskforce of Senior Officials Meeting held in Arusha, Tanzania; and the 44th ESAAMLG Taskforce of Senior Officials held in Livingstone, Zambia to discuss and deliberate on member countries' AML/CFT mutual evaluation reports.

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 Africa). Also, the Bank obtained technical assistance from the World Bank on areas relating to implementation of Basel II & III, climate-related financial risks management and supervision of pension funds.

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 2022, the Bank participated in the Global Policy Forum with the theme on “Moving forward together: towards a resilient, inclusive and sustainable future”. The theme aimed to emphasize the role of financial inclusion in mitigating the impact of the pandemic on the underserved and vulnerable populations to ensure that recovery is fully inclusive, green, and sustainable. In addition, the Bank in collaboration with AFI co-hosted a meeting in Arusha, with the focus on inclusive supervision of fintech in Africa. The key deliverable was the regional policy framework on supervision of fintech in Africa, which provides technical guidance and serves as a benchmark to regulators in the region when creating policies for the growing Fintech industry.

4.3.2. IMF’s East Africa Technical Assistance Centre

East AFRITAC is a collaborative venture 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 2022, the World Bank conducted technical assistance workshop to provide awareness on climate-related financial risks; provided Technical Assistance in development of regulatory framework in line with the requirements of Basel II and III and conducted a review of the role of pension funds in Tanzania.

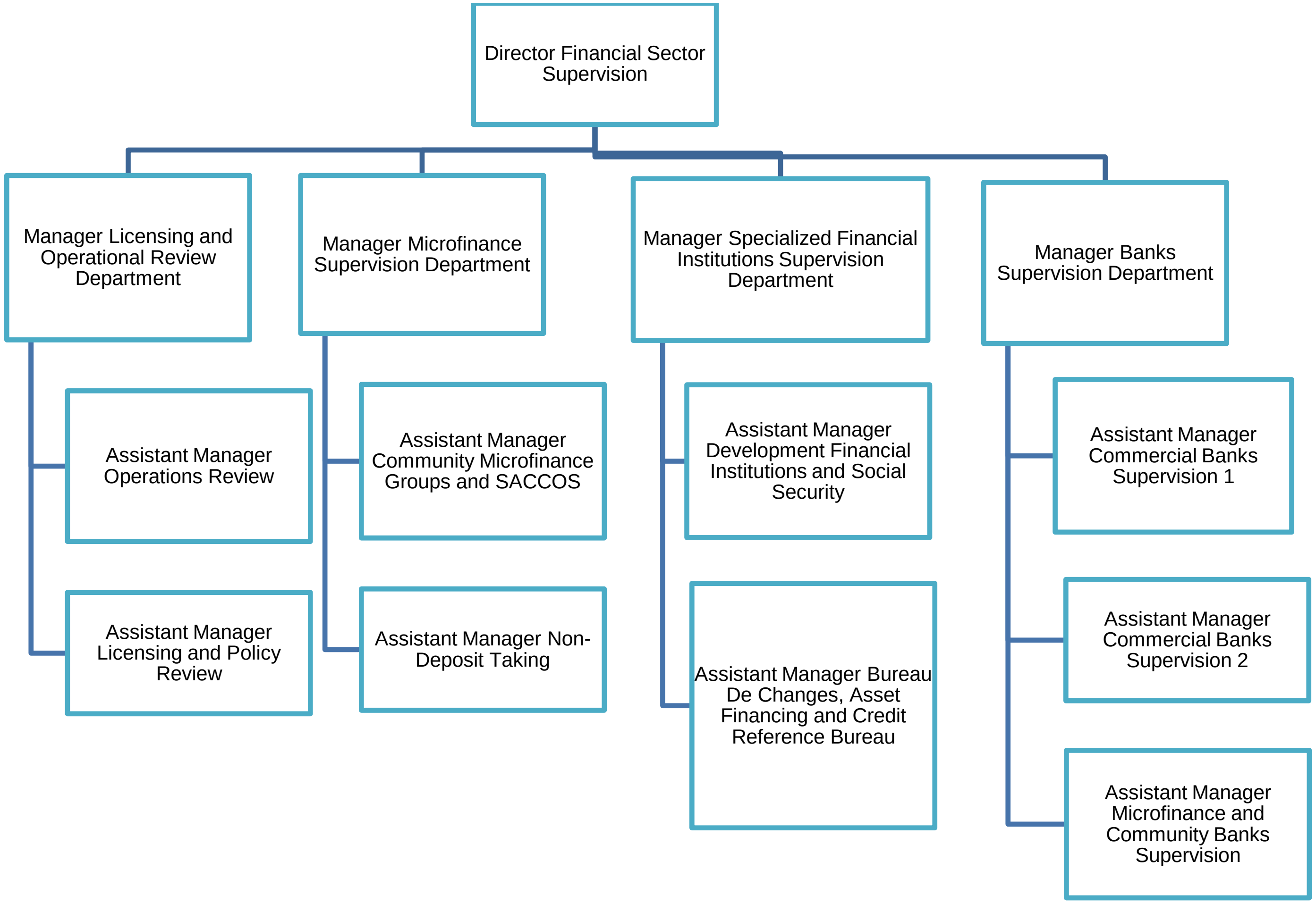
4.4 Supervisory Colleges

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. Further, in order to enhance off-site and on-site supervision among bank supervisors, the Bank has entered into Memorandum of Understanding (MoU) with central banks in EAC region, Comoro, India, Malawi, Morocco, Nigeria, South Africa and Zimbabwe.

In 2022, the Bank participated in Supervisory Colleges organized by the BMCE Bank Group, the parent bank of Bank of Africa Tanzania Limited, organized by Bank Al-Maghrib of Morocco; United Bank for Africa (Tanzania) Limited organized by the Central Bank of Nigeria; and Ecobank Tanzania Limited organized by Central Bank of West African States (BCEAO). Participation in supervisory colleges continues to enhance the Bank's understanding of the risks facing cross-border banking groups for effective supervision.

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	2022	2021	2020	2019	2018
1	Cash	1,447,850	1,391,533	1,581,724	1,378,915	1,213,859
2	Balance with Bank of Tanzania	3,518,442	3,177,945	2,075,666	2,599,961	2,788,791
3	Balance with other banks and financial institutions	1,519,010	2,386,537	1,841,065	1,846,043	2,035,188
4	Cheques and items for clearing	141,557	49,353	33,057	58,162	53,955
5	Investments in debt securities	8,064,996	6,827,098	5,773,960	5,165,125	4,964,661
6	Interbank loans receivables	2,267,987	1,781,006	1,758,442	1,285,199	792,990
7	Loans, advance and overdraft(net)	26,095,912	20,822,561	18,765,130	17,884,030	16,195,698
8	Commercial and other bills purchased or discounted	55,063	35,302	30,711	66,235	26,813
9	Customers liabilities for acceptance	150,706	124,194	146,204	87,144	71,292
10	Equity investments	172,046	163,904	193,206	188,325	163,776
11	Claims on the treasury	40,884	40,884	0	0	0
12	Bank premises, furniture and equipment	1,012,966	985,890	1,006,477	970,337	822,282
13	Other property and assets owned	57,941	60,316	63,063	61,970	55,914
14	Inter-branch float items	467	370	903	496	132
15	Other assets	1,613,709	1,499,420	1,419,872	1,569,861	1,197,656
16	**Total assets**	**46,159,536**	**39,346,313**	**34,689,478**	**33,161,803**	**30,383,007**
17	Deposit liabilities other than banks	30,584,104	27,011,641	23,049,817	21,745,154	20,487,222
18	Special deposit account	929,369	673,511	866,383	1,106,926	644,288
19	Deposit from Banks and Financial Institution	1,071,245	813,919	849,744	966,028	1,095,504
20	Bankers Cheques and Draft Issued	9,326	9,769	10,875	12,862	23,927
21	Payments orders/transfers payable	19,107	13,270	15,047	9,341	4,145
22	Borrowings	4,669,614	3,007,623	2,784,195	2,439,154	2,146,697
23	Subordinated debts	238,547	190,892	239,285	363,589	373,243
24	Accrued Taxes and Other Expenses Not Paid	611,553	477,996	476,792	448,739	394,317
25	Unearned Income and Other Deferred Credits	148,656	134,405	124,394	129,810	72,928
26	Outstanding Acceptance & Executed By or for Account of the Ban	82,688	70,650	74,560	51,033	71,292
27	Inter-branch float items	2,673	2,404	1,031	4,553	979
28	Other liabilities	855,712	739,366	775,191	858,226	416,178
29	**Total liabilities**	**39,222,593**	**33,145,445**	**29,267,314**	**28,135,415**	**25,730,721**
30	**Total capital**	**6,936,943**	**6,200,867**	**5,422,165**	**5,026,388**	**4,652,285**
31	Paid up-share capital	2,457,705	2,399,952	2,108,923	2,171,871	2,097,641
32	Other capital accounts	4,479,238	3,800,916	3,313,242	2,854,517	2,554,645
33	**Total Liabilities and Capital**	**46,159,536**	**39,346,313**	**34,689,478**	**33,161,803**	**30,383,007**

Source: Bank of Tanzania

Appendix III: Consolidated Income Statement of the Banking Sector

(TZS Millions)

S/N	Particulars	2022	2021	2020	2019	2018
1	Interest income	3,836,168	3,281,462	3,022,885	2,937,303	2,897,232
2	Interest expenses	946,855	766,236	754,996	726,065	768,564
3	Net interest income	2,889,314	2,515,226	2,267,889	2,211,238	2,128,668
4	Bad debts written off	331,399	45,447	76,886	42,331	58,527
5	Provision for bad and doubtful debts	311,715	397,092	395,400	345,151	531,644
6	Non-interest income	1,485,283	1,100,113	1,010,801	950,954	910,631
7	Non-interest expenses	2,359,796	2,215,273	2,191,784	2,223,319	2,165,218
8	**Operating income**	1,371,687	957,527	614,620	551,391	283,890
9	Non-core credits/charges	78,082	62,161	48,291	38,150	29,036
10	Extraordinary credits and charges	0	847	0	0	-142
11	**Net income/ (loss) before income tax**	1,449,769	1,020,535	662,911	589,541	312,785
12	Income tax provision	522,550	354,102	271,031	253,211	191,990
13	**Net income / (loss) after income tax**	934,388	666,434	397,922	344,842	133,897

Source: Bank of Tanzania

Appendix IV: Financial Soundness Indicators

`	Dec-22	Dec-21	Dec-20	Dec-19	Dec-18
Capital adequacy					
Core capital to TRWA+OBSE	17.9	19.5	17.2	17.0	16.2
Core capital to total deposit	17.5	17.5	17.5	17.2	16.2
Total capital to TRWA+OBSE	18.7	20.2	18.1	18.1	18.1
Total capital to total assets	12.9	13.1	13.1	13.1	13.3
Liquidity					
Foreign exchange liabilities to total liabilities	32.2	29.7	30.2	30.3	33.7
Liquid assets to demand liabilities	26.1	29.4	30.7	32.1	35.2
Liquid assets to total assets	23.3	25.5	24.6	26.9	28.8
Liquid assets to customer deposits liabilities	35.2	37.1	37.0	41.0	42.7
Total loans to customer deposits	89.2	81.8	86.8	88.2	85.1
Earnings and profitability					
Net interest margin to total income	53.5	56.6	55.6	56.3	55.5
Non-interest expenses to total income	43.7	49.8	53.8	56.6	56.4
Return on assets (ROA)	3.4	2.8	1.9	1.9	1.0
Return on equity (ROE)	14.2	11.5	7.6	7.1	2.9
Personnel expenses to non-interest expenses	51.3	51.9	50.0	48.2	45.3
Asset quality					
Gross non-performing Loans to gross Loans	5.8	8.5	9.4	9.6	10.5
Large exposure to total capital	166.4	89.6	106.1	171.4	142.8
NPLs net of provisions to total capital	23.6	31.4	36.6	37.7	41.6
Net loans and advances to total assets	56.5	52.9	54.1	53.9	53.3
Sectoral distribution loans					
Agriculture, fishing, hunting and forestry	8.6	8.7	9.6	7.2	7.3
Building , construction and real estate	7.0	9.0	10.9	8.1	10.1
Education, health and other services	4.7	5.9	5.6	8.4	13.6
Electricity, gas and water	2.7	3.0	3.0	4.1	3.7
Financial intermediaries	1.6	1.1	1.0	1.0	1.8
Leasing	0.0	0.0	0.0	0.1	0.1
Manufacturing	9.9	9.3	9.9	11.8	10.7
Mining	2.1	2.2	2.2	2.2	1.7
Personal loans	38.1	33.9	29.0	29.5	20.3
Tourism, hotel and restaurants	2.7	4.0	3.0	4.0	4.5
Trade	16.5	16.5	15.2	16.2	18.5
Transport & communication	4.3	4.7	5.7	5.1	5.2
Warehousing and storage	0.0	0.2	0.1	0.1	0.1
Sensitivity to market risk					
FX currency denominated assets to total assets	36.8	35.5	35.7	27.3	30.0
FX currency denominated liabilities to total liabilities	32.2	29.7	30.2	30.3	33.7
Gain or loss on forex operations to total Income	6.0	4.9	5.4	5.9	5.5
Interest income to total income	71.1	73.8	74.1	74.8	75.5
Net open positions in FX to total capital	2.5	7.8	9.0	8.8	6.2

Source: Bank of Tanzania

Appendix V: Geographical Distribution of Branches and ATMs

		Number of Branches						ATMs				
S/N	**Geographical Area**	2022	2021	2020	2019	2018	2017	2022	2021	2020	2019	2018
1	Arusha	64	68	65	68	61	54	130	102	100	102	108
2	Coast	19	19	17	14	11	11	42	40	42	41	40
3	Dar es Salaam	278	282	284	290	286	275	596	452	476	481	537
4	Dodoma	48	46	41	41	39	32	85	77	71	67	64
5	Geita	20	20	20	19	14	11	55	22	20	21	19
6	Iringa	23	23	21	20	18	17	30	25	31	33	36
7	Kagera	28	29	28	27	25	20	33	31	32	36	35
8	Katavi	6	6	4	4	3	2	20	6	5	5	5
9	Kigoma	15	15	14	13	13	10	43	21	20	20	18
10	Kilimanjaro	49	49	48	46	40	39	65	59	58	60	63
11	Lindi	14	15	13	13	10	10	39	15	16	17	16
12	Manyara	20	22	22	19	20	15	31	22	22	20	27
13	Mara	23	23	22	24	21	20	42	31	33	33	33
14	Mbeya	42	40	45	46	36	39	64	55	59	56	56
15	Morogoro	42	43	42	40	36	34	88	62	66	67	69
16	Mtwara	26	24	21	21	18	23	56	26	24	25	28
17	Mwanza	70	71	67	67	65	57	90	78	81	83	88
18	Njombe	15	17	18	17	14	13	58	18	18	20	22
19	Rukwa	8	9	8	8	7	8	15	12	12	12	14
20	Ruvuma	17	15	17	18	15	14	36	27	27	28	30
21	Shinyanga	30	29	30	28	25	23	49	35	35	36	39
22	Simiyu	10	10	10	7	6	4	11	11	8	8	8
23	Singida	18	17	17	15	13	11	29	21	22	21	20
24	Songwe	14	14	13	13	15	11	21	16	14	14	13
25	Tabora	22	21	21	21	18	16	39	29	29	28	32
26	Tanga	32	28	29	27	27	24	52	44	43	44	45
27	Pemba	8	9	9	8	4	3	19	10	8	8	7
28	Unguja	26	26	23	23	18	19	73	63	59	56	48
	Total	**987**	**990**	**969**	**957**	**878**	**815**	**1,911**	**1,410**	**1,431**	**1,442**	**1,520**

Source: Bank of Tanzania

Appendix VI: Geographical Distribution of Bank Agents

S/N	Geographical Area	Growth in 2022(Percent)	2022	2021	2020	2019	2018
1	Arusha	40.3	5,535	3,944	3,542	2,358	1,390
2	Coast	70.6	1,839	1078	917	668	494
3	Dar es Salaam	54.1	24,745	16,059	12,753	9,358	5,968
4	Dodoma	56.2	4,179	2,676	2,208	1,558	951
5	Geita	73.4	1,139	657	517	285	175
6	Iringa	49.0	1,814	1217	1060	705	533
7	Kagera	51.8	1,581	1041	950	636	452
8	Katavi	86.4	380	204	136	95	97
9	Kigoma	75.3	1,099	627	481	286	198
10	Kilimanjaro	52.1	2,860	1,881	1,597	1,198	746
11	Lindi	56.3	983	629	490	312	228
12	Manyara	62.9	912	560	485	333	310
13	Mara	51.2	1,414	935	836	538	407
14	Mbeya	46.7	3,755	2,559	2,079	1,585	1,165
15	Morogoro	58.8	3,415	2,151	1,816	1,344	927
16	Mtwara	52.5	1,502	985	786	474	382
17	Mwanza	48.8	5,164	3,471	3,078	2,189	1,347
18	Njombe	53.6	1,538	1001	803	604	411
19	Rukwa	94.6	350	180	421	285	213
20	Ruvuma	49.4	724	485	633	394	326
21	Shinyanga	50.8	1,339	888	1026	686	443
22	Simiyu	58.4	1,904	1202	336	212	131
23	Singida	44.8	592	409	503	359	272
24	Songwe	60.7	938	584	408	258	181
25	Tabora	54.0	898	583	866	535	330
26	Tanga	48.8	1,441	968	941	584	425
27	Pemba	62.0	1,750	1080	100	65	29
28	Unguja	66.4	1,446	869	642	454	296
	Total		**75,238**	**48,923**	**40,410**	**28,358**	**18,827**

Source: Bank of Tanzania

Appendix VII: Geographical location of Microfinance Service Providers

S/N	Region	Tier II	Tier III	Tier IV
1	Arusha	67	92	1,042
2	Dar es Salaam	333	211	1,689
3	Dodoma	64	35	983
4	Geita	23	5	1,436
5	Iringa	35	31	760
6	Kagera	21	30	590
7	Katavi	6	2	329
8	Kigoma	12	4	1501
9	Kilimanjaro	12	64	1528
10	Lindi	13	3	2128
11	Manyara	15	27	320
12	Mara	46	15	2133
13	Mbeya	66	53	2106
14	Morogoro	49	36	2461
15	Mtwara	23	4	1,439
16	Mwanza	101	24	2,762
17	Njombe	22	25	1442
18	Pwani	36	21	2,105
19	Rukwa	6	7	460
20	Ruvuma	22	14	1904
21	Shinyanga	29	11	405
22	Simiyu	8	3	1190
23	Singida	19	7	1307
24	Songwe	28	5	173
25	Tabora	21	4	1160
26	Tanga	18	26	774
	Total	**1,095**	**759**	**34,127**

Source: Bank of Tanzania

Appendix VIII: Directory of Supervised Institutions

S/N	Commercial Banks	S/N	Commercial Banks
1	Absa Bank (Tanzania) Limited	18	Guaranty Trust Bank (Tanzania) Limited
2	African Banking Corporation (Tanzania) Limited	19	Habib African Bank Limited
3	Akiba Commercial Bank Plc.	20	I & M Bank (Tanzania) Limited
4	Amana Bank Limited	21	International Commercial Bank (Tanzania) Limited
5	Azania Bank Limited	22	KCB Bank (Tanzania) Limited
6	Bank of Africa (Tanzania) Limited	23	Letshego Bank (T) Limited
7	Bank of Baroda (Tanzania) Limited	24	Mkombozi Commercial Bank Plc.
8	Bank of India (Tanzania) Limited	25	Mwalimu Commercial Bank Plc.
9	Canara Bank (Tanzania) Limited	26	Mwanga Hakika Bank Limited
10	China Dasheng Bank Limited	27	National Bank of Commerce Limited
11	Citibank (Tanzania) Limited	28	National Microfinance Bank Plc.
12	CRDB Bank Plc.	29	NCBA Bank Tanzania Limited
13	DCB Commercial Bank Plc.	30	Peoples' Bank of Zanzibar Limited
14	Diamond Trust Bank (Tanzania) Limited	31	Stanbic Bank (Tanzania) Limited
15	Ecobank (Tanzania) Limited	32	Standard Chartered Bank (Tanzania) Limited
16	Equity Bank (Tanzania) Limited	33	Tanzania Commercial Bank Plc
17	Exim Bank (Tanzania) Limited	34	United Bank for Africa (Tanzania) 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	4	Yetu Microfinance Bank Plc
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	Posta Bureau De Change	1	Alios Finance Tanzania Limited
2	Kadoo Bureau De Change	2	Equity for Tanzania Limited (EFTA)
3	Fast Forex Bureau De Change	3	Pass Leasing Company Limited
4	Optimum Rates Bureau De Change Limited	4	Salute Finance Limited
5	Furaha Safari Bureau De Change Limited	5	Scania Credit Solutions Tanzania 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	TAZARA Pension 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	Auditax International	12	KPMG
2	Baker Tilly Dgp & Co	13	Mhasibu Consultants
3	Basil & Alred	14	Nexia Sj Tanzania
4	BDO East Africa	15	Pricewaterhousecoopers
5	Claritas International	16	PKF Associates Tanzania
6	Cooperative Audit and Supervision Corporation (COASCO)	17	RSM Ashvir
7	Deloitte & Touche	18	Trion & Compnany
8	Ernest & Young	19	Tanna Sreekumar & Company
9	Globe Accountancy Services	20	TAC Associates
10	HLB Mekonsult	21	Mazars Wiscon Associates
11	Innovex Auditors	22	ABA Alliance

***Source**: Bank of Tanzania*

Appendix X: Calendar of Major Events

SN	Event	Date
1	The Bank revoked license of Unimoni Bureau De Change Limited	4th January 2022
2	Bank of Tanzania issued a license to Optimum Rates Bureau De Change Limited	21st April 2022
3	Bank of Tanzania issued, the Stress Testing Guidelines for Banks and Financial Institutions, 2022	28th April 2022
4	Bank of Tanzania issued the Foreign Exchange Regulations, 2022	13th May 2022
5	The Bank approved the acquisition of First National Bank Tanzania Limited by Exim Bank Tanzania Limited	6th July 2022
6	Bank of Tanzania approved a change of banking license for Mwanga Hakika Microfinance Bank from microfinance bank to commercial bank category. The bank changed its name to Mwanga Hakika Bank Limited and was issued with a new banking license number MFB 0007.	11th August 2022
7	Bank of Tanzania issued the Banking and Financial Institutions (Mortgage Refinance Companies) Regulations, 2022,	16th September 2022
8	Bank of Tanzania issued the Banking and Financial Institutions (Financial Leasing) Regulations, 2022	23rd September 2022
9	Bank of Tanzania issued the Guidelines on Climate-Related Financial Risks Management for Banks and Financial Institutions, 2022	25th October 2022
10	Bank of Tanzania issued a license to Furaha Safari Bureau De Change Limited	11th November 2022
11	Bank of Tanzania placed Yetu Microfinance Bank Plc under statutory administration due to failure to meet regulatory Liquidity and capital requirements	12th December 2022

Source: Bank of Tanzania