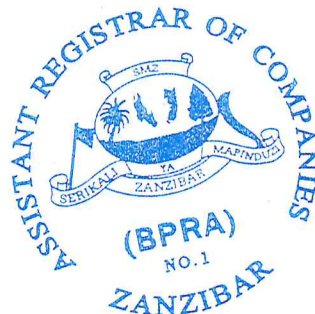




**REVOLUTIONARY GOVERNMENT OF ZANZIBAR
OFFICE OF THE CONTROLLER AND AUDITOR GENERAL**

**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE
FINANCIAL STATEMENTS OF PEOPLE'S BANK OF ZANZIBAR LIMITED (PBZ) FOR THE YEAR
ENDED 31 DECEMBER 2024**



The Controller and Auditor General,
Zanzibar Audit Office,
Ukaguzi House - Maisara,
P. O. Box 258,
Zanzibar.

People's Bank of Zanzibar Limited (PBZ)
Tel: +255 24 2234579
Fax: +255 24 2234572
E-mail: info@pbzbank.co.tz
Website: www.pbzbank.co.tz

MARCH, 2025

Having compared this copy with the
Original, I certify that it is a true copy
[Signature]
Assistant Registrar of Companies
Dated on 24 day of 10 2025

**PEOPLE'S BANK OF ZANZIBAR LIMITED (PBZ)
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

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**PEOPLE'S BANK OF ZANZIBAR LIMITED (PBZ)
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

LIST OF ABBREVIATIONS

BOT	Bank of Tanzania
CBS	Core Banking System
CGU	Cash generating unit
CVA	Credit value adjustment
DVA	Debit value adjustment
EAD	Exposure at default
ECL	Expected Credit Loss
EIR	Effective Interest Rate
EMV	Euro money, MasterCard and Visa
EURO	Euro currency
FVA	Fair value adjustment
FVOCI	Fair value through other comprehensive income
FVPL	Fair value through profit or loss
FX	Foreign Exchange
GBP	Great Britain Pound
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
ISA	International Standards on Auditing
LGD	Loss given default
LTECL	Lifetime expected credit loss
NAV	Net Assets Value
OCI	Other comprehensive income
PBZ	The People's Bank of Zanzibar LTD.
PD	Probability of default
POCI	Purchased or originated credit impaired (Financial assets)
RGZ	Revolutionary Government of Zanzibar
SAC	Shariah Advisory Committee
SIC	Standing Interpretations Committee
SMR	Statutory Minimum Reserve
SPPI	Solely payments of principal and interest
SWIFT	Society Worldwide Inter-Bank Financial Telecommunication
TISS	Tanzania Inter Bank Settlement System
TZS	Tanzania Shillings
USD	United States Dollar
ZSSF	Zanzibar Social Security Fund
ZIC	Zanzibar Insurance Corporation
CRDB	Cooperatives and Rural Development Bank
UBS	Union Bank of Switzerland
LGs	Letter of Guarantees
LC	Letter of Credit

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**PEOPLE'S BANK OF ZANZIBAR LIMITED (PBZ)
CORPORATE INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2024**

CORPORATE INFORMATION

Board of Directors

Mr. Joseph A. Meza
Mr. Arafat A. Haji
Mr. Fahad S. Hamid
Dr Saleh J. Rashid
Mr. Ahmed S. Khamis
Mr. Khamis J. Mfaume
Ms Khalda Kh. Gharib
Mr. Mohammed F. Mzee

Head of Legal and Company Secretary

Mr. Ali Alhaj Masoud,
ZIC Building, Mpirani Street,
P. O. Box 1173,
Telephone: +255 24 2231118/9/20,
Zanzibar, Tanzania,
Email: alialhaj@pbzbank.co.tz

Auditor

Controller and Auditor General,
Ukaguzi House – Maisara,
P.O. Box 258,
Zanzibar, Tanzania

Registered Office and contact

Head office
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P. O. Box 1173
Telephone: +255 24 2234579
Fax: +255 24 2234572 (Mpirani office)
Email: info@pbzbank.co.tz
Website: www.pbzbank.co.tz
Zanzibar, Tanzania.

Lawyer

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Telephone :024 2232502,
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Email: info@agc.go.tz
Website: agchambers@zanlink.com



**PEOPLE'S BANK OF ZANZIBAR LIMITED (PBZ)
CORPORATE INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2024**

List of Bankers

1. UBS Switzerland Ag,
Postfach, 8098 Zurich,
www.ubs.com,
For Information:
Tel.+41-44-234 11 11
2. Bank of Tanzania,
2 Mirambo Street,
11884 Dar Es Salam, Tanzania,
Tel +255-22-2234494/5/7
+255-22-2235433
3. CRDB - Azikiwe Branch
P.O.Box 72344
Tel No 022-2124556
022-2124558
Swift Code: Corutztz
Dar es Salaam
4. Citi Bank
Reuterweg 16, 60323 Frankfurt/Main
Blatt/Page ¼
Iban: De67 502109004114264038
Bic Code: Citideff
5. Standard Chartered Bank Tanzania Ltd
(Branch Office, See Legal Head Office)
Dar Es Salaam, Tanzania
Telephone 255/22-2113774
Swift Bic: ScbLtzTx
Chips Uis: 356728
Chips Member No(S): 0256
6. Citi Bank, Na
(Branch Office, See Legal Head Office Las Vegas United State)
1 Court Sq
New York City, Ny 11120
United States
Telephone: (718) 472-3400
Swift Bic: Citius 33 Pbgb
Chips Uid: 337344
Chips Member No(S) 0008x
7. Citi Bank, Na
(Branch Office, See Legal Head Office Las Vegas United State)
11 Old Jewry
London, England Wc2r 1 Hb
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**THE PEOPLE'S BANK OF ZANZIBAR LIMITED (PBZ)
THE REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2024**

1 INTRODUCTION

The Directors hereby submit their report and the audited financial statements for the year ended 31 December 2024 which disclose the state of affairs of People's Bank of Zanzibar Limited ("the Bank" or PBZ).

2 INCORPORATION

The People's Bank of Zanzibar Limited (PBZ Bank) a government owned commercial Bank offering both Islamic and Conventional Banking Services, was established on 30th June 1966 and incorporated under Cap. 153 of the Zanzibar Companies Decree which has been repealed and replaced by Companies Act No.15 of 2013.

3 VISION AND MISSION

i. Vision

'A leader in the provision of valued financial services to customers and other stakeholders'

ii. Mission

'To provide innovative financial service solutions that are responsive to customer's needs at competitive cost'.

4 BRANCH NETWORK

As of December 31, 2024, the bank has made significant strides in further enhancing its alternative service delivery channels, reflecting its commitment to expanding accessibility, convenience, and innovation for customers compared to 2023. The bank's ATM network within the Umoja Switch has expanded to 48 ATMs, up from 45 in 2023, continuing to dominate 33.1% of all transactions in the network, which connects 19 banks across Tanzania. This network expansion is not just in numbers, but also in strategic geographic coverage, with 11 ATMs now located in Mainland Tanzania (up from 10 in 2023), 8 in Pemba, and 29 in Unguja, demonstrating a balanced approach to enhancing ATM accessibility across key regions. In addition to ATMs, the growth of agency banking has been remarkable, with the number of registered agents increasing by 34%, from 1,155 in 2023 to 1,549 in 2024. This expansion significantly strengthens the bank's presence in rural and underserved areas, providing more customers with access to essential banking services through local agents. The bank's partnerships also continue to offer enhanced services, with PBZ customers able to access more than 260 ATMs nationwide and make international transactions seamlessly through VISA.



**THE PEOPLE'S BANK OF ZANZIBAR LIMITED (PBZ)
THE REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2024**

4 BRANCH NETWORK (CONTINUED)

The collaboration with Selcom remains an asset, as it allows PBZ customers to make payments via MasterCard at merchant POS terminals, extending the bank's service offerings to both domestic and international markets. Collectively, these developments indicate the bank's ongoing commitment to modernizing its service channels, increasing its market share, and delivering a seamless banking experience to its diverse customer base, whether in Tanzania or abroad.

5 PRINCIPAL ACTIVITIES

The Bank is licensed in Tanzania under the Banking and Financial Institutions Act, 2006 is the provision of Banking services.

PBZ offers a wide range of commercial Banking services. The principal activities covered, inter alia, traditional and alternative (electronic) channels of Banking services. PBZ continues to offer an array of products ranging from deposits to financing and investments, treasury business, money transfer and trade financing. Furthermore, the Bank is also engaged in foreign exchange dealings.

i. Islamic Banking activities

In recent years, Islamic Banking appetite has tremendously increased in Tanzania, especially in coastal area including Zanzibar. Islamic Banking services has higher contribution in promoting financial inclusion within society. Due to its growth, it shows the potential and great opportunity for more expansion, PBZ aiming to become a leader in the provision of Islamic services in Tanzania by offering innovative and valued services to its customers and improving geographical presence.

PBZ Islamic banking (Ikhlas) was established to transact under shari'ah compliant process (Islamic law), currently the Bank operates with 8 branches of which four are in Zanzibar and another four are in mainland Tanzania. During the year, PBZ Ikhlas issued total of TZS.157 billion as financing that follows shariah compliance, an increase of 51% compared to previous year, Islamic financing contributed TZS 18,086 million in total bank revenue during the year, which is 51% higher, compared to TZS 11,987 million recorded in 2023. SUKUK investment increased to TZS 11.2 billion compared to TZS 8 billion as reported in the previous quarter, the quality of assets is strong with NPF ratio of 0.84%, Islamic deposits grow by 33% to TZS 550 billion for the year 2024 (2023: TZS 414 billion), the growth contributed by increase in all categories of Islamic deposits (current accounts, saving and time deposit intermediate). PBZ continues to offer innovative Islamic products to cater for the demand of the market.

Islamic Banking products are mainly dealing with deposit mobilization contracts and fund utilization (financing) products. During the year under review, Bank approved the Islamic financing facilities to the various sectors and products such as Murabaha, Bai-Muajjal, Ijarah, Mortgage, Salaam and Istisnaa, in year under review the bank launched new product of Bancassurance meaning that bank has relationship with insurance company that aimed offering insurance products or insurance benefit. Under deposits mobilization, the products offered are current accounts (Mudharaba, Wadiah and Qard), saving accounts (Mudharaba and Wadiah) and Islamic fixed deposits. All products are available in Tanzania Shilling (TZS) and other three major foreign currencies i.e. United State Dollar (USD), Great Britain Pound (GBP) and European Money (Euro). Investment accounts are Musharakah and Mudharaba products. Islamic bank offers other various services to customers including all alternatives channels products such as mobile banking, internet banking, agency banking, mobile app, VISA services and other transaction services like forex exchange and money transfer both local and abroad. The major challenge faces Islamic Banking is non-availability of Islamic banking legal and regulatory framework and lack of Sovereignty Sukuk for Islamic banks to trade, this holdholds back the Islamic banking growth and profitability Apart from increases of appetite for Islamic banking services in Tanzania



**THE PEOPLE'S BANK OF ZANZIBAR LIMITED (PBZ)
THE REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2024**

5 PRINCIPAL ACTIVITIES (CONITNUED)

ii. Conventional Banking activities

PBZ offers variety of Banking deposit products in the categories of current accounts, time deposits and savings accounts. The available deposit accounts are denominated in Tanzania Shilling (TZS) and other three major foreign currencies which are United State Dollar (USD), Great Britain Pound (GBP) and European Money (Euro). Additionally, the Bank grants different types of credit facilities in Commercial terms, personal/consumption loans, overdraft facilities and Mortgage financing.

Other products and services have been channelled electronically available through mobile Banking and internet Banking. Through these services, customers perform different Banking services in their Bank account via mobile phone, PBZ Mobile apps and workstation at any time anywhere performing various transactions such as:

- Government services and payments
- Money Transfer
- Cash withdraws including cardless services
- Airtime top up
- Bill payments
- Forex exchange rates request
- Cheque book request
- Balance enquiry
- PBZ agent and merchant Banking
- Mini and full Bank statement.

The Bank is well known for its expertise in Trade financing activities of import and export trade business such as letters of credit (LC), bills for collection etc. Other facilities are bid bonds, performance bonds, guarantees etc. Fund remittance services offered by the Bank are World remit (WR), Western union (WU), Express Money transfer, SWIFT and TISS services. All of these services are available both in Conventional and Islamic.



**THE PEOPLE'S BANK OF ZANZIBAR LIMITED (PBZ)
THE REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2024**

6 CORPORATE GOVERNANCE

COMPOSITION OF THE BOARD OF DIRECTORS

The Board consists of eight (8) Directors, seven (7) of them are Non-Executive Directors (including Chairperson) and one (1) is Executive Director i.e. Managing Director. The Board Chairperson is appointed by President of Revolutionary Government of Zanzibar while other six (6) members are appointed by the Minister from Ministry of State, Finance and Planning-Zanzibar. The boards first 3 years term expired on 21st January 2024. On 16th March 2024 a new board was appointed by authority, the chairperson was replaced by Mr. Joseph A. Meza (New Chairman), Prof. Mohammed Hafidh Khalfan, Mr. Hussein Magodo Mataka, Mr. Abdulrahman Mohammed Said replaced by new members Mr. Ahmed Said Khamis, Ms Khalda Khatib Gharib and Mr. Mohammed Fakh Mzee, other members continue with next term, Dr. Muhsin Salim Masoud contract expired on 9th February 2024 as Managing Director, The Bank's Company Secretary was Mr. Ali Alhaj Masoud. The members of the board as at the date of this report and who have served during the year except where otherwise stated are as shown in the table below:

No	Name	Position	Age	Discipline/Qualifications	Nationality	Appointment
1.	Mr. Joseph Abdalla Meza	Chairperson	66	MBA Post Graduate Diploma in Tax Management, Diploma in Accountancy	Tanzanian	17 th March 2024
2.	Mr. Arafat Ally Haji	Board Member and MD	39	MBA: Information Technology, MBA: Islamic Banking and Finance (ongoing), Advance Diploma in Banking	Tanzanian	9 th May, 2024
3.	Mr. Fahad Soud Hamid	Board Member	42	EMIF, MBA, CPA(T)	Tanzanian	17 th March 2024 (Reappointed)
4.	Dr Saleh Juma Rashid	Board Member	44	PhD in Finance, CPA(T), MSc in Accounting and Finance, BBA, IPSAS	Tanzanian	17 th March 2024 (Reappointed)
5.	Ms. Khalda Khatib Gharib	Board Member	37	Bachelor's degree in financial administration – Accounting.	Tanzanian	17 th March 2024
6.	Mr. Khamis Jaffar Mfaume	Board Member	40	LLM in Taxation, LLB	Tanzanian	17 th March 2024 (Reappointed)
7.	Mr. Mohamed Fakh Mzee	Board Member	48	Master in Intellectual Property, Bachelor of Law with Shariah	Tanzanian	17 th March 2024
8.	Mr. Ahmed Said Khamis	Board Member	42	MBA: International Business, B.com: Accounts	Tanzanian	17 th March 2024



**THE PEOPLE'S BANK OF ZANZIBAR LIMITED (PBZ)
THE REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2024**

6 CORPORATE GOVERNANCE (CONTINUED)

SHARIAH ADVISORY COMMITTEE (SAC)

The Shariah Advisory Committee is responsible to advise the Board of Directors on Shariah matters to ensure that the Islamic Business Operations of PBZ comply with Shariah principles at all times. The Committee also ensures that Islamic deposits, financing products and Banking activities are compiled with Shariah principles in all aspects. The list of SAC members is given below:

No	Name	Position	Age	Discipline/Qualifications	Nationality
1.	Prof. Hamed R.H. Hikimany	Chairperson	75	Ph.D. in Education (Economics). MA Economics of Education.	Tanzanian
2.	Dr. Abdallah Ussi Hamad	Board Member	40	Ph.D. in Islamic Banking and Finance. MSc. in Finance (Specialization in Islamic Banking and Finance). Bachelor of Business Administration (Accounting and Finance).	Tanzanian
3.	Shk. Ali Sharif Maalim	Board Member	50	Bachelor in Shari'ah Post graduate Diploma in Islamic Judiciary and Islamic Policy.	Tanzanian
4.	Shk. Abdullah T. Abdullah	Board Member	56	Diploma in Islamic Banking and Financing. MA in Religions, Peace and Conflict Resolution. PGD International Relations and Diplomacy	Tanzanian
5.	Shk. Mohamed Issa Hemed	Board Member	61	BA Shari'ah Diploma in Islamic Knowledge (Thaanawy) Certified Sukuk Professional	Tanzanian

The Shariah Advisory Committee met in four (4) regular meeting and two (2) extra ordinary meetings during the year under review.



**THE PEOPLE'S BANK OF ZANZIBAR LIMITED (PBZ)
THE REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2024**

6 CORPORATE GOVERNANCE (CONTINUED)

The Board delegates the day-to-day management of the Banking activities to the Managing Director who is assisted by a Management Committee. The Management Committee is responsible for the implementation of strategies and internal controls as well as monitoring the performance of the Bank.

During the year, the Board had the following Board sub-committees to ensure a high standard of corporate governance throughout the Bank. All Board Committees including Shariah Advisory Committee report to full board.

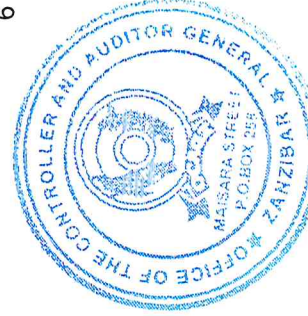
- Board Credit, Risk and Compliance Committee (BCRCC)
- Board Audit Committee (BAC)
- Board Strategies, Human Resources and Investment Committee (BSHRIC)

The following table shows the number of Board and Committee meetings held during the year and the attendance by directors:

The Bank considers and accepts the best practices in Corporate Governance. The Board, Management and staff of the Bank are committed to uphold the core values of excellence, integrity, accountability, teamwork and ethical which are fundamental to the performance of any organization.

Directors	Board (12), Shariah Committee (4)	BCRCC (9)	BAC (5)	BSHRIC (5)	SAC (5)
Mr. Joseph Abdalla Meza	16	N/A	N/A	N/A	N/A
Mr. Arafat Ally Haji	14	N/A	N/A	N/A	N/A
Mr. Fahad S. Hamid	16	N/A	5	N/A	N/A
Dr. Saleh J. Rashid	16	N/A	5	N/A	N/A
Ms. Khalda Khatib Gharib	15	N/A	5	N/A	N/A
Mr. Khamis J. Mfaume	16	10	N/A	4	N/A
Mr. Mohamed Fakih Mzee	15	10	N/A	4	N/A
Mr. Ahmed Said Khamis	14	10	N/A	4	N/A
Prof. Hamed R.H. Hikimany	5	N/A	N/A	N/A	6
Shk. Abdulla T. Abdulla	5	N/A	N/A	N/A	6
Shk. Ali Sharif Maalim	6	N/A	N/A	N/A	6
Shk. Mohamed Issa Hemed	6	N/A	N/A	N/A	6

N/A = The member is not a member of that committee.



**THE PEOPLE'S BANK OF ZANZIBAR LIMITED (PBZ)
THE REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2024**

6 CORPORATE GOVERNANCE (CONTINUED)

i. Board Credit, Risk and Compliance Committee (BCRCC)

The Board Credit, Risk and Compliance Committee (BCRCC) discusses credit reports on quarterly basis and provides credit approval for all applications above the Management Credit Limit and monitors performance and quality of credit portfolio. The committee also discusses risk and compliance issues while managing the credit risk by reviewing continuously the credit portfolio, credit standards and credit policy. Committee ensuring a comprehensive risk management framework is in place for management of risk within Bank. Finally, the risk and compliance functions with legal and regulatory requirements and adequacy of the risk management are determined by the committee. The committee is vested with authority to oversee Management activities in managing operational, liquidity, market, legal and other risks. The following are the members of the committee:

S/N	Name	Position
1	Mr. Khamis J. Mfaume	Chairperson
2	Mr. Mohammed F. Mzee	Member
3	Mr. Ahmed S. Khamis	Member

The Board Credit, Risk and Compliance Committee met ordinarily four (4) times and five (6) special meeting during the year.

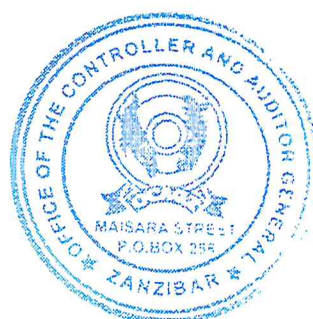
ii. Board Audit Committee (BAC)

The main functions of this Committee are to assist the Board of Directors in its responsibilities of monitoring of financial reporting process; to ensure financial statements are prepared in accordance with the law and regulations; and, to review the internal control systems and safeguarding of Bank assets.

The committee fulfils oversight responsibilities relating to integrity of the Bank's Financial Statements. The committee has also oversight responsibilities on planning and conduct of audits to determine the Bank's Financial Statements and disclosures are complete and accurate and are in accordance with the standards, applicable laws and regulations. Members of the committee are composed of the following:

S/N	Name	Position
1	Dr. Saleh J. Rashid	Chairperson
2	Mr. Fahad S. Hamid	Member
3	Ms. Khalda KH. Gharib	Member

The Board Audit Committee met ordinarily five (5) times during the year.



**THE PEOPLE'S BANK OF ZANZIBAR LIMITED (PBZ)
THE REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2024**

6 CORPORATE GOVERNANCE (CONTINUED)

iii. Board Strategies, Human Resources and Investment Committee (BSHRIC)

This Committee is responsible for ensuring that necessary policies and procedures are in place to efficiently and effectively manage Bank's human resources and to offer all employees fair and competitive compensation aligned with performance. Also, the committee is responsible for overseeing the investment management function of the Bank's investment for short- and long-term business objectives. The committee members are listed below

S/N	Name	Position
1.	Mr. Ahmed S. Khamis	Chairman
2.	Mr. Khamis J. Mfaume	Member
3.	Mr. Mohammed F. Mzee	Member

The Board Strategies, Human Resources and Investment Committee met statutorily four (4) times and one more special meeting during the year.



**THE PEOPLE'S BANK OF ZANZIBAR LIMITED (PBZ)
THE REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2024**

7 MANAGEMENT OF THE BANK

As at end of year under review, management of the Bank, which is made by key management personnel, was chaired by Managing Director. Other members are four (4) Directors and eight (8) Heads and Independent Managers. The composition of the committee who served the Bank during the year ended 31 December 2024 or otherwise stated is shown below.

Key management personnel:

Name	Position
Mr. Arafat Ally Haji	Managing Director
Mr. Anwar A. Saleh	Director of Finance
Ms. Viwe Juma Ali	Director Human Resource and Administration
Mr. Ali Hassan Ish-haka	Acting Head of Banking Operations
Mr. Rajab Mohammed Ramia	Director of Islamic Banking
Mr. Ali A. Masoud	Head of Legal and Company Secretary
Mr. Seif A. Said	Head of Risk Management and Compliance
Mr. Suleiman A. Suleiman	Chief Internal Audit
Ms. Salma H. Mussa	Acting Head of Credit
Mr. Said M. Said	Director of Commercial
Mr. Masoud A. Mohammed	Head of Procurement
Mr. Kassim S. Said	Head of ICT
Mr. Ahmed S. Abdulkarim	Head of Recovery Unit

7.1 Management committees

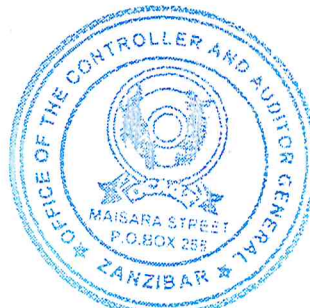
There are five (5) committees on management level comprised of senior management whose frequency meetings are on weekly, monthly or quarterly.

The following are the main management committees of the Bank.

a) Management committee

This is the Bank committee which meets once in every week its scheduled to meet on Monday of every week however they can meet in any other day as decided by the chairman who is Managing Director or the one delegated to chair the committee meeting. This committee has the following roles in the Bank.

- To discuss the business and commercial issues for the Bank aligned with the Bank's strategic planning and budget, by exploring the ways to increase the business volume in expectation of increasing the market share and shareholder's wealth for the shareholder.
- To discuss the implementation of day-to-day operations of the Bank by considering the existing policies, manual and procedure so as to ensure the operations are done effectively; and,
- To examine the applicability of the Bank's policies which custodies by risk and compliance department toward ensuring that the Bank is safeguarded from being affected with those risks which will result into effect to the Bank performance.



**THE PEOPLE'S BANK OF ZANZIBAR LIMITED (PBZ)
THE REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2024**

7 MANAGEMENT OF THE BANK (CONTINUED)

7.1 Management committees (Continued)

b) Credit committee

This is another committee which meets in once in every month or at any time when the need arises. The main roles of this committee are.

- (i) To discuss the overall credit activities in account of the credit analysis, portfolio management, provisioning and way forward on implementing all required Internal regulations, policies and those issued by regulator (BOT).
- (ii) Presenting and discussing the credit which meet the criterial of its limit being above the manager credit for the management approval and those which have the limits to be presented to the Board of Directors for the decision and approval; and,
- (iii) Discussing the Bank's credit welfare toward granting and proper management of the credits to the customer, by looking the need of the market and economic which have greater impact to the customer's growth base and repayment capacity.

c) ALCO committee

This is asset -liability committee which meet once in every month have main roles of.

- (i) Discussing the ways of maintaining and controlling the Bank's liquidity in daily basis, they discuss the way forward for maintaining the liquidity position of the Bank for better decision on investing of borrowing from the market.
- (ii) Discussing the controls of liquidity risk in the Banks by applying the risk management measure which directed to the decision making.
- (iii) Discussing the investment portfolio of the Bank depend on the liquidity position both in risk- and risk-free investment like treasury bill, treasury bond and inter Bank placement; and,
- (iv) Discussing the impact of the business and risk toward on Bank's asset and liquidity, which aimed to maintain the liquidity position by applying the appropriate strategies on accomplish the Bank's goals on liquidity side.

d) Steering committee

This is a management committee which meet once in every quarter or when need arises for the aim of discussing the ICT operation ability in the Bank. The committee have among the roles as following.

- (i) Discussing the ICT issues which have greater impact on daily operations activities for the decision making.
- (ii) Discussing the function ability of the existing ICT infrastructure to ensure that the service provision is steadily and smooth in the organizations which will helps to customer retentions; and,
- (iii) Discussing all necessary issues for digitalization of the Bank to meet the competition in the industry for the aim of improving the service delivery to the extent of satisfying the customer.



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7 MANAGEMENT OF THE BANK (CONTINUED)

7.1 Management committees (Continued)

e) Risk Management Committee

This is another management Committee which meet once in every month when need arise, aim of the Committee is empowered to manage all inherent business risks such as Credit Risk, Liquidity Risk, Market Risk, Operation Risk, Strategic Risk and Compliance Risk, and make decision within its mandate before escalation to the Board Audit and Risk Management Committee. The main roles of this committee are:

- (i) To translate the bank Risk Management Framework, its related policies and other risk limits set by the Board into adequate applicable procedures understandable by all staff for implementation to mitigate business and processes inherent risks.
- (ii) To review the bank Risk Profile on monthly basis and take remedial actions on timely basis.
- (iii) Implementing strategies, policies and other directives given by the Board regarding risk management practices.
- (iv) Ensure that risks inherent in day-to-day operations are well identified and mitigated in all business areas and processes across the bank.
- (v) Putting in place systems to identify, control and monitor process and business inherent risks.
- (vi) Ensure there is a defined process to monitor and report all incidents of control breaks or failures across the bank

8 CAPITAL STRUCTURE AND SHAREHOLDING

Capital Structure

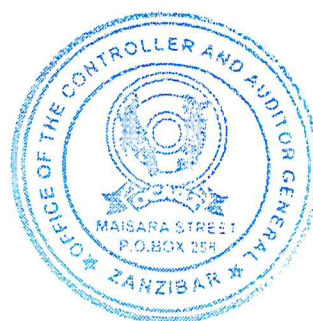
As at 31st December 2024 the authorized share, capital comprised 600,000,000 ordinary shares (2023: 600,000,000 ordinary shares)

Paid up share capital.

		2024		2023
	No. of Ordinary Share	TZS '000	No. of Ordinary Share	TZS '000
Fully paid-up ordinary share	310,000,000	31,000,000	310,000,000	31,000,000

Shareholding structure

Name of shareholders	Number of shares	Value of shares TZS '000	%of holding
Revolutionary Government of Zanzibar (RGZ)	310,000,000	31,000,000	100%



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9 RESULTS AND DIVIDENDS

During the year 2024, PBZ Bank paid a total dividend of TZS 7,000 million, the dividend related to the financial year 2023. The payments of dividend were made to PBZ shareholder President Office Finance and Plan-Zanzibar.

10 REVIEW OF BUSINESS PERFORMANCE

During the year under review, the Bank recorded a profit before tax of TZS 92,086 million (2023: TZS 74,063 million). The Bank's operating results for the year are set out on page 42 of the financial statements.

Key performance ratios

The key performance ratios of the Bank are as indicated hereunder:

Ratios	Definition and calculation method	Years	
		2024	2023
Return on average assets	Profit before tax/ Average Assets	4.04%	4.29%
Return on average equity	Profit after tax/average equity	28.43%	30.57%
Non-interest income to net interest income	Non-interest income/net interest income	34%	32.91%
Operating expenses to average assets	Operating expenses/average assets	2.68%	3.15%
Interest Expenses to Interest Income	Interest expenses/ interest income	27.64%	17.41%
Interest Margin to Average Earning Assets	Net interest income/ average earning assets	5.44%	8.31%
Cost to income	Total costs/Net income	43.33%	45.69%
Gross loans to customers' deposits	Total loans to customers/Total deposits from customers.	65.38%	65.23%
Earning assets to total assets	Earning assets/Total assets.	85.60%	64.53%
Growth on total assets	Increase in assets for the year/Total asset opening balance.	22.11%	46.27%
Growth on loans and advances to customers	Increase in Loans and advances /Opening balance of loans and advances.	12.88%	29.75%
Growth on customer deposits	Increase in customer deposits/Opening balance of customer deposits	12.75%	62.89%
Non - performing loans to gross loans	Non - performing loans/Gross loans and advances	1.96%	2.47%
Capital adequacy			
Tier 1 Capital	Core Capital /Risk weighted assets including off balance sheet items	24.05%	22.85%
Tier 1+Tier 2 Capital	Total Capital /Risk Weighted assets including off balance sheet items	25.52%	25.04%



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10 REVIEW OF BUSINESS PERFORMANCE (CONTINUED)

i. FUNDING MIX

The Bank's primary source of funding during the year was deposits from customers (Demand deposits, Savings deposits and Time/ Fixed deposit) which commands 78% of the total funding, equity 10% and borrowing 12%. There was no major change in the funding mix in 2024 compared to the year 2023. The Current/ Savings Account (CASAs) represented 67% of total customer deposits in 2024 (2023: 80%). This interprets a lower cost of funds for the Bank.

The balance between debt and equity was as follows.

	2024	2023
	TZS '000	TZS '000
Customer deposits (due to customers and Banks)	1,952,670,626	1,731,912,702
Borrowings - Current	203,326,661	90,139,938
Debt securities in issue	20,418,171	20,418,171
Other liabilities	78,744,816	16,499,556
	2,255,160,274	1,858,970,367
Share capital	31,000,000	31,000,000
Government grant	3,258,239	3,275,701
Regulatory risk reserve	4,326,853	11,485,009
Other reserves	209,102,797	146,194,647
	247,687,889	191,955,357

ii. BORROWINGS

The Bank secured TZS 10 billion with 11.40% rate, 7 years from ZSSF as long-term borrowing during the year 2022, the bank also maintain another bond with ZSSF 12%, 7 years TZS 10 billion with remaining maturity of 2 years (September 2025). The bank was actively on interbank borrowing during the period this was contributed by industry liquidity challenge during the year.

a) Interbank borrowing

	2024	2023
	TZS'000	TZS'000
Balance 1 January	90,139,938	153,108,903
Loans received during the year	414,793,079	-
Loan repaid during the year	(303,401,222)	(63,479,975)
Accrued interest on borrowing	1,794,866	511,010
Total	203,326,661	90,139,938



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10 REVIEW OF BUSINESS PERFORMANCE (CONTINUED)

ii BORROWINGS (CONTINUED)

b) Debt securities in issue

	2024 TZS'000	2023 TZS'000
7 YEARS 12%	10,000,000	10,000,000
7 YEARS, 11.40% Corporate bond	10,000,000	10,000,000
Accrued Interest on Bond	418,171	418,171
Total	20,418,171	20,418,171

iii. INVESTMENTS

The Bank held the following equity investments as at 31st December 2024

Investment	Number of shares	Share Value (TZS)'000'
Africa Export – Import Bank	37	2,425,808
TMRC	625,000	1,013,750
Umoja Switch Company Ltd	889	889,000
MUCOBA	24,509,804	5,000,000
Swift investment	6	123,052
		9,451,610
Less: Allowance for probable loss		(5,000,000)
Total		4,451,610

The Bank held the following equity investments as at 31st December 2023

Investment	Number of shares	Share Value (TZS)'000'
Africa Export – Import Bank	37	2,169,887
TMRC	625,000	1,013,750
Umoja Switch Company Ltd	39	100,831
MUCOBA	24,509,804	5,000,000
Swift investment	6	129,131
		8,413,599
Less: Allowance for probable loss		(5,000,000)
Total		3,413,599



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10 REVIEW OF BUSINESS PERFORMANCE (CONTINUED)

Business review of financial performance

i. Operating Results

The Bank realized profit before tax amount of TZS 92,086 million during the year (2023: TZS 74,063 million) representing an increase of 24%. The increase was due good performances on personal loans that lead to the increase on interest income on both personal and loan and overdraft, income from Islamic banking financing and Bank commission during the year under review.

The Bank posted 32% growth in interest income year on year to close at TZS 161,208 million (2023: TZS 121,705 million). The increase is attributed to increase on commercial loan and loan overdraft. Interest expenses increased by 110% to TZS 44,557 million (2023: TZS 21,189 million). This increase was because of high cost in deposits. Interest margin decreased by 72% in 2024 compared to 83% in 2023.

Non-interest income, increased by 21% year on year to TZS 40,160 million in 2024 from TZS 33,079 million in 2023 due to the increase in income from Islamic Financing and Fees and commission income compared to previous period. Revenue from Islamic financing and investment increased by 6,099 million years on year from TZS 11,987 million generated in year 2023 to TZS 18,086 million in 2024.

Total operating expenses increased by TZS 6,746 million from TZS 54,416 million in 2023 to TZS 61,162 million for the year 2024. The increase was attributed by increasing in staff cost and administrative expenses during the year under review.

ii. Financial Position

The Total assets of the Bank increased by 22% year-on-year to TZS 2,505,361 million (2023: TZS 2,051,803 million). This increase was mainly due to higher volume of loans and advances granted. Loan and advance (conventional loan and Islamic financing) increased on net basis by TZS 173,974 million or 17% to TZS 1,212,895 million in 2024 (2023: TZS 1,038,921 million). The increase in loan and advances is in line with the strategic plan and forecast target. Cash and balance with BOT decreased by 69% to TZS 198,059 million in 2024 from TZS 640,969 million in 2023. The decrease in cash and balance with BOT was mainly attributed by the decrease in foreign currency. Investment in Government securities increased by TZS 75,221 million or 85% from TZS 88,995 million in 2023 to TZS 164,216 million in 2024. The increase in government securities was mainly due to the increase investment in Treasury bond. During the year, customers' deposits liabilities which represent 87% of total liabilities increased by 13% to TZS 1,952,671 million in 2024 from TZS 1,731,913 million reported in 2023. Also, shareholder's fund rose by 29% to TZS 247,688 million in 2024 from TZS 191,955 million reported in 2023.



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11 CASH FLOWS

In 2024, net cash flow from operating activities decreased from TZS 417,3849 million (2023) to TZS 9,423 million in 2024, investment in government securities outflow cash by TZS 75,221 million (2023: outflow of TZS 21,717 million) and lending to customer's outflow cash by TZS 173,974 million (2023: outflow was TZS 237,215 million). On the other hand, deposits from customers decreased to TZS 220,758 million (2023: TZS 668,680 million). Customer deposits are the major factors explaining the Bank's movement in cash flow generated from operations during the period deposits outflow cash of TZS 220,758 million. Bank paid total of TZS 5,945 million in various investing activities (2023: paid TZS 7,092 million) and increase cash from financing activities by TZS 103,360 million (TZS 72,464 million outflow in 2023) The Bank continues to maintain sound liquidity position to meet its cash flow commitments.

12 LIQUIDITY AND FUNDING

The Bank places a strong emphasis on managing liquidity risk and daily cash flow management which is handled by the Treasury Department to ensure the Bank holds sufficient liquid assets to enable it to continue with its normal operations. Asset Liability

Committee (ALCO) also manage the Bank's exposure to liquidity risk by ensuring that limits are in line with realistic assumptions and track compliance monthly.

The Bank's main sources of funding are customers' deposits and shareholders' funds as part of its normal market operations.

13 SOLVENCY AND GOING CONCERN

The Bank has complied with the Bank of Tanzania liquidity and capital adequacy ratios. The Directors consider the Bank to be solvent. Nothing has come to the attention of the Directors indicates of any material uncertainties that may cast significant doubt on the Bank and its subsidiary's ability to continue as a going concern for at least twelve months from the date of this financial statements. The Directors consider the Bank to be solvent within the meaning ascribed by the Companies Act No.15 of 2013 and Banking and Financial Institutions Act, 2006.

14 CAPITAL ADEQUACY

The Bank monitors the adequacy of its capital using ratios established by the Bank of Tanzania (BOT). These ratios measure capital adequacy by comparing the Bank's eligible capital with its risk assets, off-balance sheet exposure and commitments and market and operational risk positions at a weighted amount to reflect their relative risk.

The bank ensures at any time maintain sufficient capital consistent with bank respective risk profile, PBZ assesses its capital levels in adequacy against series of internal quantitative capital plan in the implementation of bank strategic goals that help to evaluate the strength of capital and expected impact in stressed economic environment.

The Bank follows the Bank of Tanzania's liquidity and capital adequacy ratios, including the required minimum Core Capital amount of TZS 138,247 million against the available risk exposures. The Board confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. The Board has reasonable expectation that the Bank will have adequate resources to continue in operational existence and growth for the foreseeable future.

The capital adequacy of the Bank is shown in note 48 to the financial statements



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15 BANCASSURANCE REPORTING

PBZ Bank operates in compliance with the Bancassurance Guidelines for Banks and Financial Institutions, 2019, by forming partnerships with six reputable insurance companies. The bank facilitates access to insurance products for both its customers and non-customers, including general insurance and life insurance.

PBZ Bank has partnered with the following insurance companies: Zanzibar Insurance Corporation, ZIC Takaful Company Limited, Jubilee Life Insurance Ltd, Sanlam Life Insurance Ltd, Metro Tanzania life Insurance and Alliance life Insurance.

In accordance with the Bancassurance Regulations for Banks and Financial Institutions, 2019, every bank or financial institution engaged in the Bancassurance business is required to disclose the income and expenses associated with the provision of bancassurance services in the notes to the annual financial statements.

For the year ended 31 December 2024, PBZ Bank recorded a commission income of TZS 1,460 million (2023: nil) in the statement of profit or loss and other comprehensive income. This commission was generated from bancassurance operations. The total operating cost for this business amounted to TZS 59 million in 2024 (2023: nil). A summary of the bancassurance operations is presented below:

Description	2024 TZS '000'	2023 TZS '000'
Insurance Income		
Life Insurance	1,286,672	-
General Insurance	173,543	-
Total Insurance Income	1,460,215	-
Insurance Operating Expenses		
Staff Cost	(26,849.55)	-
Software Expense	(1,686.91)	-
Other Operating Costs	(30,853.26)	-
Total Operating Expenses	(59,389.72)	-
Net Profit from Bancassurance	1,400,825	-



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16 PRINCIPAL RISKS AND UNCERTAINTIES

PBZ is exposed to the following principal risks and uncertainties according to the nature of the business:

i. Credit Risk

This is the risk of loss associated with borrower's potential inability or unwillingness to fulfil their contractual obligations on a timely basis. Credit risk may arise directly from the risk of default of a primary obligor (issuer, debtor, counterparty, or borrower) or indirectly from a secondary obligor (guarantor or reinsurer). We quantify credit risk, at both the individual obligor and portfolio levels, to manage expected credit losses to limit earnings volatility and minimize unexpected losses.

ii. Strategic Risk

This is the risk that the Bank or business areas will make inappropriate strategic choices or will be unable to successfully implement selected strategies or related plans and decisions. Business strategy is the major driver of our risk profile and consequently, the strategic choices we make in terms of business mix determine how our risk profile changes. Responsibility for selecting and successfully implementing business strategies is mandated to the individual heads of the businesses

iii. Operational Risk

The Bank is exposed to operational risks that may arise from inadequate or failed internal processes, people, systems or external events. However, the Bank has adequate operational risk policies and framework that cater for mitigation of these risks.

iv. Liquidity Risk

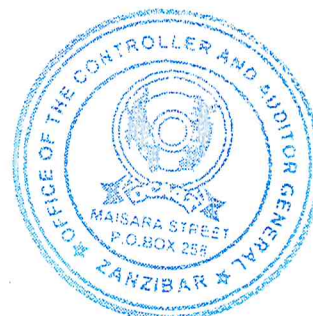
This is the risk that we may be unable to generate sufficient cash or its equivalents in a timely and cost-effective manner to meet our commitments as they come due. Liquidity risk arises from mismatches in the timing and value of on-balance sheet and off-balance sheet cash flows. Our liquidity profile is structured to ensure that we have sufficient liquidity to satisfy current and prospective commitments in both normal and stressed business and liquidity environments.

v. Market Risk

This is defined to be the impact of market prices on our financial condition. This includes potential gains or losses due to changes in market-determined variables such as interest rates, credit spreads, equity prices, foreign exchange rates and implied volatilities.

vi. Information Technology and Cyber Risk

This is the risk of financial loss, service disruptions, theft of intellectual property and confidential information, litigation and reputational damage due to the failure of information technology systems. We continue to develop advancements in cyber defence capabilities to support our business model, protect our systems and enhance the experience of our clients on a global basis by employing industry best practices and collaborating with peers and experts to provide our customers with confidence in their financial transactions.



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16 PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

vii. Information Technology and Cyber Risk

This is the risk of financial loss, service disruptions, theft of intellectual property and confidential information, litigation and reputational damage due to the failure of information technology systems. We continue to develop advancements in cyber defence capabilities to support our business model, protect our systems and enhance the experience of our clients on a global basis by employing industry best practices and collaborating with peers and experts to provide our customers with confidence in their financial transactions.

viii. Compliance Risk

Compliance risk is the current or prospective risk to earnings, capital and reputation arising from violations or non-compliance with laws, rules, regulations, agreements, prescribed practices, or ethical standards, as well as from incorrect interpretation of relevant laws or regulations. The Bank has developed adequate controls to ensure that it complies with all country laws, regulations and international compliance requirements.

ix. ICT risk

Risk associated with the use of Information and Communication Technology to support business processes/standards. ICT risk results from inadequate or failed ICT Strategy, ICT Project and Program or ICT Operations. The Bank has robust checks in place to limit its exposure to ICT risk and performs regular monitoring to validate the efficacy of its ICT risk controls

x. Reputational risk

The risk that an activity, action or stance taken by the Bank's officials will impair its image in the community and/or the long-term trust placed in the bank by its stakeholders resulting in the loss of business or the threat or legal action. The bank has stringent reputation risk controls in place including very tight controls on corporate communications and messaging.

xi. Procyclicality Risk

The risk that associates with the tendency of financial variables to fluctuate around a trend during the economic cycle. The tendency of risk measurement to overestimate future risk in times of crises, while underestimate it in a normal time this is a major problem that all financial institution including bank must manage. The bank required to provide substantial capital aftermath of financial crises but far less capital to search crises. Hence Bank require to evaluate their risk bases on probabilistic and Statistical models from which risk measure are estimated.

xii. Shariah Compliance Risk

The possibility that financial services or product will not be in compliance with established Shariah principle and standards, financial products and services that designed especial for Islamic financial marketplace are distinguished from their conventional counter party by compliance with shariah precepts and principals while this product may appear similar to conventional financial products and services particularly from an economic perspective. The contractual under pinning the product and services to comply with shariah.



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17 KEY STRENGTH AND RESOURCES

The bank continues to give its top priority to key resources which are people and technology which gives us strength in service delivery, productivity and financial strength.

The bank has skilled and experienced employees who are considered as a key resource in pursuing its business objectives and continues to encourage open and honest communication in decision making.

Information and Communication Technology (ICT) is an enabler in service delivery. This is the reason why the bank continued to invest in advanced technology to realize operational excellence and better service delivery to our customers. In 2024 the bank continued with fine-tuning of the new core Banking system to support business growth and innovation

18 CRITICAL ACCOUNTING POLICIES AND JUDGEMENTS

Results of the bank are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of the financial statements. When preparing the financial statements, it is the Directors' responsibility under the Companies Act 2002 and Zanzibar companies Act No 15 of 2013 to select suitable accounting policies and to make judgments and estimates that are reasonable and prudent.

The accounting policies that are deemed critical to our results and financial position, in terms of the materiality of the items to which the policies are applied and the high degree of judgment involved, including the use of assumptions and estimation, are described in notes 5 and 6 to the Financial Statements.



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19 STRATEGIC OBJECTIVES

The financial year 2024 was the third year for the implementation of current five years' rolling strategic plan which covers the period 2022 to 2026. However Remarkably, the Bank has achieved the key strategic financial outcomes for period ahead of schedule, demonstrating its agility in adapting to changing market conditions, capitalizing on new business opportunities, and expanding into underserved market segments. The bank's strong financial performance has outpaced initial projections, with several key indicators, such as revenue growth, profitability, asset base, and capital adequacy, already surpassing 2026 targets.

Two years to expiry, PBZ has prepared new 2025-2029 Strategic Plan which reflects PBZ's unwavering commitment to excellence, innovation, and sustainable growth. In today's dynamic and evolving banking landscape, PBZ understands that flexibility, responsiveness, and a forward-thinking approach are crucial to achieving long-term success. This plan is centred on creating enduring value for PBZ's stakeholders, promoting government agenda, supporting the communities it serves, and ensuring that PBZ not only adapts to change but leads the way. Through the well-defined strategic initiatives and disciplined execution, the aim is to reinforce PBZ's position as a trusted, innovative partner in the banking industry.

Far more than just a roadmap, this strategic plan serves as a call to action for PBZ to seize emerging opportunities, enhance its capabilities, and navigate challenges as the bank progress towards its vision of becoming one of the most profitable and rapidly expanding banks in Tanzania.

Over the next five years, PBZ's strategic priorities are anchored in four foundational pillars: Value-Driven Performance, Business Innovation, Brand Repositioning and Skills Development and Culture Transformation. These pillars are designed to propel the bank forward in realizing its strategic goals.

In the development of PBZ Bank's strategic plan, the Balanced Scorecard (BSC) approach was adopted to ensure a comprehensive and structured framework for implementing the strategy effectively. The BSC is particularly suitable for PBZ Bank's growth ambitions, including its goal of becoming the preferred conventional bank and leading provider of Islamic banking solutions by 2029 and fostering a high-performance culture through culture transformation

20 FUTURE PROSPECTS AND DEVELOPMENT PLANS

In 2025, the Bank will embark on implementing its 2025-2029 Strategic Plan, which is a forward-looking roadmap designed to steer the institution toward a future of resilience, innovation, and sustainable success through the next five years. This plan reflects our collective vision to position PBZ Bank as a leading financial institution in Tanzania and beyond, excelling in Corporate and SME banking, digital financial solutions, and Islamic banking.

Over the next five years bank plan to implement several strategic projects which include; strengthening digital and electronic channels that targets to transform branch operations and improve customer experience, expanding the Bank's target market to increase branch networks across Zanzibar and Tanzania mainland, fostering cultural transformation and developing staff skills, additionally, bank will Integrate ESG Principles into its Operations to ensure Sustainable growth..



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21 OPERATING ENVIROMENT

(i) Zanzibar economy overview

In 2024, Zanzibar's economy continued to show moderate growth, though at a slightly slower pace compared to 2023. The tourism sector remained a major contributor to economic activity, with tourist arrivals increasing by 4.8%, slightly down from the 5.3% recorded in 2023. Despite the slowdown, tourism remained resilient, contributing significantly to foreign exchange earnings. However, inflation increased to 8% in 2024, up from 7% in 2023, largely driven by higher global commodity prices, especially for food, fuel, and construction materials. This inflationary pressure negatively impacted the cost of living for households, particularly in urban areas where goods are more reliant on imports.

On the fiscal side, Zanzibar's fiscal deficit persisted but narrowed slightly in 2024 compared to the widening deficit in 2023. While revenue collections improved by 7.5%, reflecting a more effective tax collection system, government spending remained high due to ongoing infrastructure projects, such as the expansion of roads, ports, and energy systems, contributing to a large portion of the fiscal deficit. The government also increased investment in social sectors, with education and health spending rising by 9% to support long-term human capital development. The current account deficit worsened in 2024, driven by a 14% increase in the import bill, particularly for energy imports like petroleum and industrial materials needed for construction and manufacturing. This placed additional pressure on Zanzibar's foreign exchange reserves, which dropped by 5% during the year. Despite this, the export sector showed improvement, particularly in clove exports, which rose by 8%, partly due to better global demand and improved farming practices.

Zanzibar's total debt stock stood at TZS 3,200 billion by the end of September 2024, up from TZS 3,043 billion in 2023, with external debt still accounting for the largest share. While this increase in debt was necessary to finance infrastructure and development projects, it raised concerns about debt sustainability, especially with external debt servicing consuming a larger portion of government revenue. The debt-to-GDP ratio rose slightly to 46% in 2024, up from 44% in 2023, reflecting the growing fiscal pressure.

In conclusion, while Zanzibar's economy continued to grow in 2024, the challenges of rising inflation, widening fiscal and current account deficits, and increasing debt remained significant. However, strategic investments in infrastructure and efforts to boost the tourism and export sectors offer long-term growth potential. Continued fiscal discipline and diversification of the economy will be crucial to managing these challenges and ensuring sustainable economic development moving forward.



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21 OPERATING ENVIROMENT (CONTINUED)

(ii) Tanzania economy overview

In 2024, Tanzania's economic performance continued its upward trajectory, with the country's real GDP growth projected at 5.7%, surpassing the 5.2% growth recorded in the corresponding quarter of 2023. This growth was primarily driven by key sectors such as agriculture, manufacturing, and tourism, which collectively supported the broader economy. The agriculture sector, which remained a cornerstone of the economy, continued to benefit from favorable weather conditions and improved farming practices, contributing significantly to GDP in both years. However, the manufacturing sector in 2024 experienced more significant expansion, driven by stronger domestic demand and an increase in export opportunities, a development that was less prominent in 2023.

Inflation in 2024 averaged 3.2%, showing a slight decrease from the 3.3% inflation rate recorded in 2023, indicating that price stability was maintained. Both years kept inflation well below the Bank of Tanzania's medium-term target of 5%, benefiting from prudent monetary policy and favourable global economic conditions. Moderation in the prices of food, non-food items, and energy and fuels helped ease inflationary pressures in both years.

The Bank of Tanzania maintained the key interest rate at 6% throughout 2024, consistent with the rate in 2023, to support economic growth and ensure stable inflation. The banking sector showed resilience in both years, with growth in financial and insurance services, continuing to support investment and economic activity.

Infrastructure development became a more pronounced factor in 2024, with the country launching a \$3.1 billion modern standard gauge railway connecting Dar es Salaam to Dodoma. This project is expected to significantly boost trade efficiency, reduce transport costs, and stimulate regional economic integration. In contrast, 2023 saw more focus on internal economic stabilization and sectoral growth but lacked the high-profile infrastructure advancements seen in 2024.

Foreign exchange earnings from tourism also showed a steady recovery in 2024, with more international visitors contributing to the economy, compared to the more subdued tourism activity in 2023 due to global disruptions. The sector's recovery was also supported by the country's growing reputation as a sustainable and attractive tourist destination.

In summary, 2024 saw stronger overall economic performance compared to 2023, with real GDP growth higher, inflation slightly lower, and significant advancements in infrastructure projects. Both years demonstrated economic resilience, but 2024 marked an acceleration in investment and infrastructure development, helping to position the economy for continued growth in the future.



**THE PEOPLE'S BANK OF ZANZIBAR LIMITED (PBZ)
THE REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2024**

22 TREASURY POLICY

The Bank maintains a well-documented treasury policy that outlines approved Treasury activities in the Bank and how various risks that arise from such dealings together with other Banking activities are identified, measured and managed. These, among others, include liquidity risk, foreign exchange risk and interest rate risk.

Regulatory ratios and internal limits on the above stated risks are stipulated in the policy to enable an efficient monitoring of compliance. Moreover, to combat any losses that may result from dealing activities, the policy allows for establishment of dealer limits, counterparty limits and stop-loss limits that must be reviewed regularly and kept up-to-date. In addition to this, roles and responsibilities of Treasury staff, Market Risk unit, senior management and Assets and Liabilities Committee (ALCO) members in complying with the policy are stated.

Assets and Liability Management (ALM) Policy covers a strategic management of the Bank's balance sheet and off-balance sheet items intending to achieve sustained growth, profitability and solvency. It involves a multiplicity of management activities and responsibilities, including the formulation of short and long-term strategic objectives and the management of inherent financial risks. Also, It involves managing the mix of the Bank's balance sheet to attain maximum return within the Bank's risk appetite, while maintaining regulatory compliance. The ALM Policy highlights a set of actions and procedures designed to manage the Bank's financial risks to ensure competitive return on assets by putting in place specific predefined risk management policies.

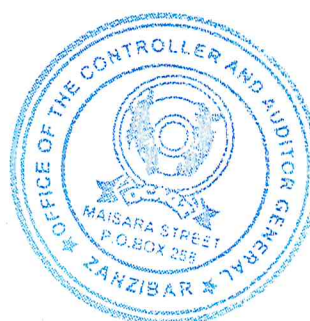
i) Liquidity Management

Liquidity Risk Management Policy provides guidance on management of liquidity risk under normal and stressed conditions. The policy prescribed a framework for making liquidity management decisions in the Bank, approaches to funding and liquidity operations, limits to liquidity risk exposures, regulatory compliance, reporting, controls and contingency funding planning.

The Bank's sound and robust liquidity management process, as carried out within the Bank and monitored by ALCO, encompasses the following:

- Day-to-day funding, managed by monitoring future cash flows to ensure that daily obligations can be met. This includes replenishment of funds as they mature or borrowed by customers. The Bank maintains an active presence in money markets to enable this to happen.
- Maintaining a portfolio of highly liquid and marketable securities that can easily be liquidated as protection against any unforeseen interruption to cash flows.
- Monitoring balance sheet liquidity ratios, i.e., Liquid Asset Ratio (LAR), Loan to Deposit Ratio (LDR) and Long-term Funding Ratio (LTFR) against internal and regulatory requirements.
- Managing the concentration and profile of debt maturities.
- Diversification of depositor base.
- Performing Liquidity stress and scenario tests; and
- Maintaining a robust and effective contingency funding plan.

It is vital to know that changes in interest rates impact the overall profit of the Bank. Hence, in addition to liquidity management, the Bank manages its interest expenses through regular review of the fixed deposit rates and other savings accounts rates, together with striving to obtain reasonable and fair borrowing rates from the interbank and multilateral lenders.



**THE PEOPLE'S BANK OF ZANZIBAR LIMITED (PBZ)
THE REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2024**

22 TREASURY POLICY(CONTINUED)

ii) Foreign Exchange risk

Foreign Exchange risk is a current or prospective exposure to earnings and capital arising from adverse movement in currency exchange rate. The Treasury policy mainly focuses on foreign exchange risk that arises from trading activities whose management principles are as outlined below.

- Identification of foreign exchange risks in the trading and Banking book.
- Risk appetite specification in the form of limits and triggers.
- Breach management.
- Price validation and profit recognition.
- Sign off positions and profit or loss; and,
- Reporting and management of foreign exchange risk.

The policy further outlines the roles and responsibilities of ALCO, Market risk unit and foreign exchange traders in managing this risk for the Bank.

iii) Interest rate risk

Interest rate risk is the risk that arises from mismatches between the re-pricing dates on interest rate sensitive assets and liabilities in the normal course of business activities. Treasury policy explains the types of interest rate risk together with methods for measuring and managing it. The policy additionally outlines the roles and responsibilities of ALCO and Treasury in their involvement with managing the risk. All these are disclosed both internally via reports to ALCO (monthly) and Board Credit Risk and Compliance Committee (BCRCC) on a quarterly basis and publicly through annual financial reports. All borrowings have been disclosed under note 24 and 25 to the financial statements. Interest rate sensitivity analysis is disclosed under note 10.5.1

iv) Contingency Funding Plan

Liquidity contingent plan puts down procedures of dealing with liquidity problem. It consists of a set of policies and procedures that serve as a blueprint for PBZ to meet its funding needs in a timely manner and at a reasonable cost. It helps to ensure that PBZ prudently and efficiently

iv) Contingency Funding Plan (continued)

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

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

The Board assessed the internal control systems throughout the year under review and is of the opinion that they met accepted criteria. Taking risk is an integral part of any financial institution, and the operational risks are inevitable consequence of being in business. The Bank's aim is therefore, to achieve an appropriate balance between the risk and return and minimize potential adverse effects on the Bank's financial performance. The Board is responsible for identifying the major business risk faced by the Bank and to determine the appropriate course of action to manage those risks. Risk management is carried out by the department responsible for Risk and Compliance under policies approved by the Board of Directors. Internal Audit Department is responsible for the independent review of risk management and the control environment. The most core risks are credit risk, liquidity risk, interest risk, foreign currency risk and operational risks. The Board carries out risk and internal control assessment through Board Audit Committee.



**THE PEOPLE'S BANK OF ZANZIBAR LIMITED (PBZ)
THE REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2024**

23 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

PBZ strives to integrate material environment, social and governance factors alongside the financial factor to optimize the risk return profile of the bank financial portfolio. Environmental and social sustainability are fundamental aspects of achieving desired outcomes and are consistent with our long-term growth strategy. In the PBZ's 2025-2029 Strategic Plan also reaffirms its dedication to excellence, innovation, and sustainable growth, while embedding Economic, Social, and Governance (ESG) principles into its core strategy. PBZ's commitment to balancing profit with purpose, positions it as a leading bank in responsible growth, ensuring that it not only thrives in the competitive market but also contribute positively to society.

PBZ bank believes that working to promote sustainability both for our firm and for our clients is good business practice. This belief is reflected in our dedication to financing and credit business opportunities with positive environmental and social impacts, actively mitigating environmental, social and climate related financial risks associated with client transactions, reducing our operational risk. Our commitment to sustainability is also aligned with, and contributes to,

PBZ's Vision is to serve as a leader in the provision of valued financial services to our customers and other stakeholders. Considering the crucial impact of environmental conservation, the bank has developed a specific environmental, social and climate related financial risk management policy. The objective is to guide the Bank to transition towards climate resilient operations and investments and to provide the framework at which actual and potential direct and indirect environmental and social impacts because of the bank's operations or financing program can be managed.

23. 1 Climate-related Risks and Opportunities:

As part of our commitment to sustainable banking, we have implemented measures to assess and mitigate climate-related risks, both physical and transitional. We are particularly focused on the impacts of climate change in Tanzania, where both droughts and floods pose significant risks to agricultural and infrastructure sectors.

Physical Risks: The bank has assessed the potential impact of extreme weather events on our lending portfolio, especially in sectors like agriculture, real estate, and energy. We are consulting and working with clients in these sectors to implement climate-resilient strategies, and the bank targets to increase percentage of green loan from total portfolio by 40% in 2029.

Transition Risks: As Tanzania shifts toward cleaner energy solutions, we keen supporting the transition by financing renewable energy projects and encouraging businesses to reduce carbon footprints. We have strategies to improve our portfolio into a growing number of green bonds and projects aligned with Tanzania and Africa's energy transition goals.

23. 2 Carbon Emissions and Energy Use:

We are committed to reducing our operational carbon footprint. In 2024, we started to reduce the number of paper printings by introducing an online approval system and officialize emails as means of communication, activities approvals and payments, same PBZ plan to reduce energy consumption across all branches, primarily through energy-efficient lighting, bank plan to reduce paper usage by 50% in 2029.

23.3 Waste and Water Management:

Waste Management: In 2024, PBZ reduce substantial amounts of waste in the decision to reduce paper usage, distributing dustbins across all branches to manage waste properly. Bank management aims to reduce waste sent to landfills by 20% by implementing recycling programs across all branches.

Water Use: We plan to reduce water consumption in our head office and major branches by 30% through the installation of low-flow fixtures and better water management practices.



**THE PEOPLE'S BANK OF ZANZIBAR LIMITED (PBZ)
THE REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2024**

24 GENDER PARITY AND STAFF STRENGTH

The Bank gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribe, religion and disability which does not impair ability to discharge duties. As of 31 December 2024, the Bank had 524 staff 299 staff (57%) were males and 225 staff (43%) were females (2023: 485). Permanent staffs were 519 employees while 5 employees were under three-year renewable contracts.

25 POLITICAL DONATIONS

The Bank did not provide donations during the year ended 31st December 2024.

26 RELATED PARTY TRANSACTIONS

Parties are related if one party can control the other party or exercise significant influence over the other party in making financial or operational decisions. In the normal course of business, several Banking relationships are entered into with related parties' i.e., key management staff, Directors, their associates and companies associated with Directors. Such

relationships are guided by policies approved by the Board to ensure the same is done at arm's length.

The volumes of related party transactions for the year and the outstanding amounts at the year-end are provided under Note 44 to the financial statements.

27 CORPORATE SOCIAL RESPONSIBILITIES AND CHARITABLE DONATION

In the year ended 31 December 2024, The People's Bank of Zanzibar Limited (PBZ) significantly increased its corporate social responsibility efforts, allocating a total of TZS 580 million, a substantial rise from TZS 498 million in 2023. This increase reflects the Bank's growing commitment to making a positive impact in various sectors that are vital to the community's well-being and long-term development. PBZ's contributions were spread across several key areas, including health, tourism, education, and sports, through a range of donations and sponsorships aimed at improving local infrastructure, promoting sustainable practices, and enhancing access to essential services. These efforts were designed to support the social and economic growth of Zanzibar, fostering opportunities for improved healthcare, education, cultural preservation, and youth development. The Bank's support is a testament to its corporate responsibility and its dedication to contributing to the overall progress of society, ensuring that the community benefits from its continued growth and success.

(a) Education

In 2024, the Bank spent TZS 70 million to support important educational projects across Tanzania, making a meaningful difference in the country's education system. The funding helped improve the infrastructure and resources at the Tanzania Centre for Education, increasing access to quality education. It also supported the opening ceremony and orientation program for new university students, helping them transition smoothly into higher education. These investments boosted student performance and strengthened the overall education system, highlighting the importance of continued support for education to ensure long-term success for both students and the country.



**THE PEOPLE'S BANK OF ZANZIBAR LIMITED (PBZ)
THE REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2024**

27 CORPORATE SOCIAL RESPONSIBILITIES AND CHARITABLE DONATION (CONTINUED)

(b) Health

PBZ made a significant and impactful donation of TZS 120 million, underscoring its deep commitment to supporting the government's efforts in improving public health and enhancing the well-being of communities. A substantial portion of this donation was strategically allocated to a range of transformative healthcare initiatives, such as the Maisha Bora Foundation's medical camps, which provided essential healthcare services to underserved populations. Additionally, PBZ contributed to the expansion and upgrade of the Zayadesa Health Center, ensuring better healthcare infrastructure and facilities for residents. The funds also supported various other health centres, facilitating the delivery of crucial medical services. Furthermore, PBZ's generous contribution helped fund comprehensive health check-up programs, enabling individuals to access preventative care and early diagnosis for a wide range of health conditions. This donation is a testament to PBZ's long-term vision of creating a healthier, more resilient society, reinforcing its dedication to corporate social responsibility and its role in driving positive, lasting change in the region.

(c) Blue economy

In 2024, the bank strategically allocated a TZS 50 million fund to support the Blue Economy, aiming to promote sustainable use of ocean resources and foster greater community and business engagement. The fund was used to organize seminars, training sessions, and conferences focused on Blue Economy activities, providing key stakeholders with the knowledge and skills necessary for sustainable practices. Additionally, the funds were directed toward various engagement initiatives, including advertising campaigns to raise awareness about the importance of the Blue Economy and its potential. Specific focus was given to promoting the responsible management of oil blocks and encouraging the public to participate in marine conservation and sustainable resource utilization.

This initiative underscores the bank's commitment to supporting long-term environmental sustainability and economic growth within the Blue Economy.

(d) Sports

In 2024, PBZ (People's Bank of Zanzibar) has positioned itself as a prominent supporter and promoter of sports, significantly contributing to the growth and development of various sporting activities across Zanzibar. With a total investment of around TZS 800 million, the bank has not only provided financial assistance but also supported the purchase of essential sports equipment in both Unguja and Pemba, aiding in the advancement of grassroots sports. As part of its sponsorship initiatives, PBZ has committed TZS 550 million to the PBZ Premier League and TZS 100 million to the Yamle Yamle Cup, demonstrating its dedication to enhancing football and other competitive events in the region. Beyond these contributions, PBZ's involvement extends to a wide array of sports, including the Women's Premier League, football academies, beach soccer, marathons, and boxing, ensuring a broad impact across different sports disciplines. Through these efforts, PBZ is fostering greater inclusivity, encouraging participation from various groups, and helping to develop the sports infrastructure, nurturing local talent, and contributing to the overall growth of sports culture in Zanzibar.



**THE PEOPLE'S BANK OF ZANZIBAR LIMITED (PBZ)
THE REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2024**

27 CORPORATE SOCIAL RESPONSIBILITIES AND CHARITABLE DONATION (CONTINUED)

(e) Social and Other

The bank has invested a generous TZS 600 million to support a wide range of impactful social initiatives that uplift and empower the Zanzibar community. This significant contribution has been directed towards providing essential food supplies for orphanages, ensuring nourishment during the holy month of Ramadan, and hosting vibrant celebrations to mark the Islamic New Year. In addition, the bank has actively promoted gender equality by organizing events for International Women's Day, fostering greater social awareness and inclusion. The bank's support extends to agricultural projects that promote local growth and sustainability, as well as various other activities designed to strengthen community bonds and improve the quality of life for Zanzibar's residents. Through these diverse and thoughtful contributions, the bank demonstrates an unwavering commitment to social responsibility, helping to create lasting, positive change in society.

(f) Islamic Charity fund

In 2024, the bank dedicated TZS 70 million from its Islamic division to support a wide range of community-driven programs aimed at improving the lives of those in need. The funds were used to assist widows, the poor, and orphans, providing them with financial support, resources, and assistance to help improve their quality of life. In addition, the bank made significant contributions to madrasas, ensuring that Islamic education continued to thrive and reach more students. The bank also focused on capacity-building programs, which helped individuals gain valuable skills, enabling them to better support themselves and their families. Through these efforts, the bank not only adhered to its Islamic principles but also played a key role in promoting social justice and economic empowerment, creating lasting positive impacts in local communities and working toward a more equitable society.

28 EMPLOYEES WELFARE

(a) Training Facilities

Training is the learning process of imparting and sharpening skills of an employee to enable him/her to perform duties efficiently. The Bank continued to offer long and short-term training facilities to employees with a view to building up their capacity.

During the year ended 31 December 2024 the Bank engaged to train its employees for the purpose of improving the following:

- customer services,
- Staff morale
- Shaping behaviour and attitudes of staff towards organizational performance.
- Staff improvement to cater further customers' needs
- Compliance with regulatory bodies (BOT, TRA and others)

Bank built a modern training centre at Mlandege Zanzibar with capacity of handling more than 50 staff, the centre provides conducive environment and equipment's for staff learning, various trainings and workshops will be conducted throughout a year, that will highly improve awareness on various bank products and customer handling technique that can help the bank staff to be more productive.



**THE PEOPLE'S BANK OF ZANZIBAR LIMITED (PBZ)
THE REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2024**



[Handwritten signature]
24.10.2025

28 EMPLOYEES WELFARE (CONTINUED)

(b) Medical Assistance

The Bank fully meets the cost of medical consultation and treatment for all employees and their immediate family members. During the year ended 31 December 2024 the Bank provided health service care through health insurance service scheme. Each staff with a maximum of four dependents is granted medical service by the Bank.

(c) Financial Assistance to Staff

The Bank offers salary advances free of charge of up to three-months to any member of staff as per Staff Regulations in place. Also, it provides loans to its staff up to TZS. 200 million depending on employee salary levels. Other financial assistance offered are mortgage loan, motorcar/motorcycle loan and education loan

(d) Persons with Disabilities

Applications for employment by persons with disability are always being considered. In the event of members of staff becoming disabled, every effort is made to ensure that his/her employment with the Bank continues. Disable staff are given best treatment and conducive environment to perform their duties smoothly.

(e) Employees Benefit Plan

The Bank pays contributions to a publicly administered pension scheme on mandatory basis, which qualifies to be a defined contribution plan. The number of employees as at 31 December 2024 was 524 (2023: 485). The Bank is contributing 14% of gross salary for each employee to Social Security Fund includes 1% of workers compensation fund. During the period under review, the Bank contributed TZS 1,393 million (2023: 1,327 million) to the Fund for employee's benefit.

(f) Relationship Between Management and Employees

There was continued good relationship between employees and management of the PBZ Bank for the year ended 31 December 2024. There were no unresolved complaints received by management from employees during the year under review

29 AUDITOR

According to Article 112 of the Constitution of Zanzibar of 1984 and the Public Audit Act No.7 of 2023 and Public Finance Management Act No. 12 of 2016, the Office of the Controller and Auditor General Zanzibar serves as the Statutory auditor of The People's Bank of Zanzibar Limited (PBZ or the Bank). However, in accordance with Section 33 of the Public Audit Act, M/S PricewaterhouseCoopers (PwC) has been appointed to audit The People's Bank of Zanzibar Limited (PBZ) on behalf of the Office of the Controller and Auditor General Zanzibar (OCAGZ). PwC will carry out the financial statements audit in accordance with International Standards of Auditing (ISA5), while OCAGZ will carry out the operations and compliance audits of procurement of works, goods and services and budget formulation and execution

BY ORDER OF THE BOARD

[Handwritten signature]
Mr. Joseph A. Meza
Chairman of the Board

28/13/2025
Date



[Handwritten signature]
Mr. Arafat A Haji
Managing Director

28/13/2025
Date

**THE PEOPLE'S BANK OF ZANZIBAR LIMITED (PBZ)
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2024**

The Zanzibar Companies Act No 15 of 2013 and Tanzania Companies Act of 2002 requires the Directors to prepare financial statements for each financial period which present fairly, in all material respects, the state of financial affairs of the Bank as at the end of each financial year and of its profit or loss. It also requires the Directors to ensure that the Bank keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the bank. The Directors are also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud, error and other irregularities

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with with IFRS Accounting Standards and the requirements of the Zanzibar Companies Act No 15 of 2013 and the Banking and Financial Institutions Act, 2006.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Bank and of its financial performance in accordance with IFRS Accounting Standards. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

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

BY ORDER OF THE BOARD

Mr. Joseph A. Meza
Chairman of the Board

28/3/2025

Date

Mr. Arafat A. Haji
Managing Director

28/3/2025

Date



24.10.2025



**THE PEOPLE'S BANK OF ZANZIBAR LIMITED (PBZ)
DECLARATION BY THE HEAD OF FINANCE
FOR THE YEAR ENDED 31 DECEMBER 2024**

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

It is the duty of a Professional Accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing a true and fair view of the entity's financial position and performance in accordance with applicable IFRS Accounting Standards and statutory financial reporting requirements. Full legal responsibility for the preparation of financial statements rests with the Board of Directors' as per the Statement of Directors' Responsibility on page 33.

I, **Anwar A. Saleh** being the Director of Finance of People's Bank of Zanzibar Limited hereby acknowledge my responsibility of ensuring that the financial statements for the year ended 31 December 2024 have been prepared in compliance with International Financial Reporting Standards and the requirements of the Zanzibar Companies Act No 15 of 2013 Banking and Financial Institutions Act (BFIA), 2006 and its regulations.

I thus confirm that the financial statements give a true and fair view of the financial performance of People's Bank of Zanzibar Limited for the year ended 31 Dec 2024 and its financial position as on that date and that they have been prepared based on properly maintained financial records.



.....
Signed by: Anwar A. Saleh

Position: Director of Finance

NBAA Membership No: ACPA 6403

Date 28/12/2024
.....



INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF THE PEOPLE'S BANK OF ZANZIBAR LTD (PBZ).

RE: REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF PEOPLE'S BANK OF ZANZIBAR LIMITED (PBZ) FOR THE YEAR ENDED 31 DECEMBER 2024.

Report on the financial statements

My Opinion

In my opinion, Bank financial statements give a true and fair view of the Bank's financial position of People's Bank of Zanzibar Limited (PBZ) as at 31 December 2024 and its Bank financial performance and Bank cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Tanzanian Companies Act, CAP 212 Act No. 12 of 2002, Zanzibar Companies Act No 15 of 2013 and the Banking and Financial Institutions Act, 2006.

What I have audited

I have audited the Bank's financial statements of the People's Bank of Zanzibar Limited (PBZ) which comprise of.

- The Bank statements of financial position as at 31st December 2024;
- The Bank statement of comprehensive income for the year then ended.
- The Bank statement of changes in equity for the year then ended.
- The Bank statement of cash flows for the year then ended; and
- The notes to the financial statements, which include a summary of material accounting information and disclosures and other explanatory information.

Basis of opinion

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the Bank financial statements section of my report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Independence

I am independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the National Board of Accountants and Auditors (NBAA) Code of Ethics, and I have fulfilled my other ethical responsibilities in accordance with these requirements.



INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF THE PEOPLE'S BANK OF ZANZIBAR LTD (PBZ) (CONTINUED)

Report on the financial statements (CONTINUED)

Key Audit Matters

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

Key Audit Matter	How my audit addressed the key audit matter
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Impairment of loans and advance and financing to customers.	My audit procedures included:
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As at 31 December 2024, the provision for impairment on loans and Islamic financing to customers at Amortized Cost is TZS 10,626,334 (2023: TZS 9,123,093). This represents the estimation of expected losses at the year end.

The determination of appropriate provisions for impairment is a key audit matter as it requires management judgement, is subject to estimation uncertainty and relies on available data.

Areas which involve judgement and estimates include determination of probability of default (PDs), exposure amount given default (EAD) and ascertaining of future cash flows which the bank will obtain when realizing the assets pledged as collaterals.

There is a risk that the provision for impairment of financial assets does not represent a complete and accurate estimate of expected losses and that the carrying value of these items is misstated.

This includes the risk that the ECL model is not in compliance with IFRS 9. The accounting policy and key sources of estimation uncertainty in relation to financial asset impairment provisions are disclosed in Note 7 to the financial statements.

Assessment of Probability of Default (PD) and Loss Given Default (LGD).

- I undertook an assessment of the Bank's provisioning methodology and compared it with the requirements of IFRS 9.
- I reviewed the application of the business model to existing portfolios and reviewed the results of the Solely Payments of Principal and
- Interest test for relevant financial instruments.
- I evaluated the design and operating effectiveness of the Bank's controls and IT controls around credit management, ECL model and provision assessment.
- I tested key controls over completeness and accuracy of data inputs to loan loss provisioning.
- I assessed management's assumptions in relation 'significant increase in credit risk' and the allocation of loans to various categories based on the levels of risks; The management is required to estimate probability and exposures at default. This involves consideration of certain factors including macro-economic variables such as inflation and economic growth.
- I reviewed the IFRS 9 and IFRS 7 disclosures for adequacy and compliance with the amendments relating to IFRS 9.



INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF THE PEOPLE'S BANK OF ZANZIBAR LTD (PBZ)
(CONTINUED)

Key Audit Matters (continued)

Key Audit Matter	How my audit addressed the key audit matter
<p>Application of historical and forward- looking information, including macro- economic factors in the assessment of the PDs.</p>	<ul style="list-style-type: none">• I tested a sample of loans to ensure that they have been included in the correct stage/buckets depending on the risk profiles of the customers in accordance with the Bank's methodology and IFRS 9; and,
<p>Assessing and forecasting expected future cash flows from impaired (stage 3) loans and advances to customers and assessing the financial condition of the counterparty, estimated recoverable amounts and collateral realisation.</p>	<ul style="list-style-type: none">• I understood the ECL models and the key inputs and selected a sample for testing, taking into consideration both quantitative and qualitative factors. The quantitative factors were primarily based on our performance materiality while the qualitative factors considered aspects such as facilities watch-listed by management and the regulator, nonperforming borrowers known from publicly available information and borrowers in sectors that are not performing as expected• For the selected sample of NPLs, I inspected the related loan files and evaluated that the inputs in the ECL models agreed to the supporting documentation in the files. Inputs considered included interest rates which are used as the discount factors, outstanding loan balances which are the basis for determining the LGD, value of the collateral held which is the basis for expected cash flows from loans to be recovered through foreclosure.



INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF THE PEOPLE'S BANK OF ZANZIBAR LTD (PBZ)
(CONTINUED)

Key Audit Matters (continued)

Key Audit Matter	How my audit addressed the key audit matter
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- | | |
|--|--|
| | <ul style="list-style-type: none">• I evaluated whether the basis for determining the expected net cash flows from the loans was reasonable in the circumstances. This included evaluating that expected cash flows based on foreclosure are based on the collateral Forced Sale Values as determined by the external valuer and as adjusted by appropriate haircuts, or as otherwise justified by management, including reflecting available supportable information which reflects borrower specific and/or current market conditions. For cash flows expected from repayments by the borrowers, I evaluated that they were supported by enforceable commitments and evidence of source of cash to be used by the borrower to repay the loans. |
|--|--|



INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF THE PEOPLE'S BANK OF ZANZIBAR LTD (PBZ) (CONTINUED)

Other information

The directors are responsible for the other information. The other information comprises with List of Abbreviations, Corporate Information, The report by those charged with Governance, Statement of Directors' Responsibilities and the Declaration by the Head of Finance but does not include the Bank's financial statements and my auditor's report thereon.

My opinion on the Bank financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the Bank financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Bank financial statements, or my knowledge obtained in the audit.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the Directors for the Bank Financial Statements

The Directors are responsible for the preparation and fair presentation of the Bank financial statements in accordance with International Financial Reporting Standards and the requirements of the Tanzanian Companies Act, CAP 212 Act No. 12 of 2002, Zanzibar Companies Act No 15 of 2013 and the Banking and Financial Institutions Act, 2006, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, in preparing the Bank financial statements, the Directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so the directors are responsible for overseeing the Bank's financial reporting process

Responsibilities of the Controller and Auditor General

My objectives are to obtain reasonable assurance about whether the Bank financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but it is not guaranteed that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these Bank financial statements.



INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF THE PEOPLE'S BANK OF ZANZIBAR LTD (PBZ) (CONTINUED)

Responsibilities of the Controller and Auditor General (continued)

As part of an audit in accordance with ISAs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

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

- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions.
- May cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Bank financial statements, including the disclosures, and whether the Bank financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the financial statements. I am responsible for the direction, supervision and performance of the Bank audit. I remain solely responsible for my audit opinion.

I communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the Directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

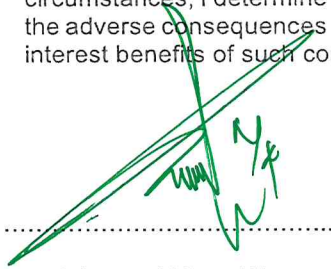


INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF THE PEOPLE'S BANK OF ZANZIBAR LTD (PBZ)
(CONTINUED)

Responsibilities of the Controller and Auditor General (continued)

From the matters communicated with the Directors, I determine those matters that were of most significance in the audit of the Bank financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Dr. Othman Abbas Ali
Controller and Auditor General

28th March, 2021

Date



THE PEOPLE'S BANK OF ZANZIBAR LIMITED (PBZ)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	2024 TZS'000	2023 TZS'000
Interest and similar income	31	161,207,816	121,705,154
Interest and similar expense	32	(44,556,549)	(21,188,819)
Net interest income		116,651,267	100,516,335
Net fees and commissions	33	20,272,737	15,254,704
Net income from Islamic financing	34	11,591,074	10,526,843
Net foreign exchange income	35	6,102,115	6,220,469
Other operating income	36	2,194,186	1,076,636
Total non-interest income		40,160,112	33,078,652
Net operating income before ECL charge		156,811,379	133,594,987
Charge of ECL - loan and financing	37	(3,181,987)	(1,337,787)
Change of ECL - other assets	37	(381,357)	(3,768,996)
Write-off of assets	38	-	(10,149)
Net operating income		153,248,035	128,478,055
Personal expenses	39	(22,294,737)	(21,156,016)
General and administrative expenses	40	(24,908,650)	(21,751,342)
Other operating expenses	41	(13,958,737)	(11,508,189)
Total operating expenses		(61,162,124)	(54,415,547)
Profit before income tax		92,085,911	74,062,508
Income tax	42	(29,582,506)	(22,777,952)
Profit for the year		62,503,405	51,284,556
Other Comprehensive income:			
Gain on fair value change on equity instrument measured at FVOCI (net of tax)		246,589	381,745
Total Comprehensive Income for the Year		62,749,994	51,666,301
Basic and Diluted earnings per share		201.62	165.43



**THE PEOPLE'S BANK OF ZANZIBAR LIMITED (PBZ)
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024**

ASSETS	Notes	2024 TZS'000	2023 TZS'000
Cash and balance with Bank of Tanzania	10	198,059,004	640,969,430
Placement with other banks	11	760,083,339	188,830,909
Cheques & items for clearing	47	445,313	615,087
Government securities at amortized cost	12	164,216,087	88,994,762
Loans and advances to customers	13	1,056,110,083	935,575,786
Islamic Financing and Investment to customer	14	156,785,093	103,345,465
Equity investment at Fair Value -OCI	15	4,451,610	3,413,599
Other assets	16	100,516,004	25,918,542
Property and equipment	17	32,975,229	31,825,048
Right on Use Asset	18	8,220,413	8,254,025
Intangible assets	19	13,889,509	13,811,519
Deferred tax asset	25	9,609,746	10,249,548
TOTAL ASSETS		2,505,361,430	2,051,803,720
Liabilities			
Deposits due to customers-conventional	20	1,402,671,599	1,317,492,551
Deposits due to customers-Islamic	20	549,999,027	414,420,151
Deposits due to banks		253,852	170,475
Other liabilities	21	71,017,921	8,417,846
Lease liability payable	22	7,726,895	8,081,710
Debt securities at amortized cost	23	20,418,171	20,418,171
Borrowings	24	203,326,661	90,139,938
Corporate tax payable	43	2,259,416	707,521
		2,257,673,542	1,859,848,363
Equity attributable to owners			
Share capital	26	31,000,000	31,000,000
Government grant	27	3,258,239	3,275,701
Regulator risk reserve	28	4,326,853	11,485,009
Retained earning	29	206,950,285	144,111,297
Other reserves	30	2,152,512	2,083,350
		247,687,889	191,955,357
TOTAL LIABILITIES AND EQUITY		2,505,361,430	2,051,803,720

The financial statements were approved for issue onby the Board of Directors and signed on its behalf by:

Mr. Joseph A. Meza
Chairman of the Board

Date

28/13/2025

Mr. Arafat A Haji
Managing Director

Date

28/13/2025



THE PEOPLE'S BANK OF ZANZIBAR LIMITED (PBZ)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2024

	Share Capital	Grants	Regulatory Risk Reserve	Fair Value Reserve	Fixed Assets Revaluation Reserve	Retained Earnings	Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Year ended 31 December 2024	31,000,000	3,275,701	11,485,009	1,205,909	877,442	144,111,296	191,955,357
At 1 January 2024							
<u>Comprehensive Income</u>							
Amortization of grants	-	(17,462)	-	-	-	-	(17,462)
Transfer from regulatory reserve	-	-	(7,158,156)	-	-	7,158,156	-
Additional fixed asset revaluation reserve	-	-	-	-	(177,426)	177,426	-
Transaction with owner's	-	-	-	246,589	-	62,503,405	62,749,993
Dividend Paid	-	-	-	-	-	(7,000,000)	(7,000,000)
At 31 December 2024	31,000,000	3,258,239	4,326,853	1,452,498	700,016	206,950,284	247,687,889

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



THE PEOPLE'S BANK OF ZANZIBAR LIMITED (PBZ)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2024

	Share Capital	Grants	Regulatory Risk Reserve	Fair Value Reserve	Fixed Assets Revaluation Reserve	Retained Earnings	Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Year ended 31 December 2023							
Comprehensive Income							
At 1 January 2023	31,000,000	3,293,163	3,484,219	824,164	1,054,868	107,236,086	146,892,500
Amortization of grants		(17,462)				(8,000,790)	(17,462)
Transfer from regulatory reserve			8,000,790		(177,426)	177,426	-
Additional fixed asset revaluation reserve						51,284,555	51,666,301
Transaction with owner's Dividend Paid				381,746		(6,585,982)	(6,585,982)
At 31 December 2023	31,000,000	3,275,701	11,485,009	1,205,910	877,442	144,111,295	191,955,357

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



THE PEOPLE'S BANK OF ZANZIBAR LIMITED (PBZ)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2024

	Notes	2024 TZS'000	2023 TZS'000
Cash flow from Operating activities			
Profit for the year		92,085,911	74,062,508
Adjustments for:			
Depreciation of Property and Equipment	17	3,647,817	3,663,350
Depreciation of Right on Use Asset	18	1,799,327	1,489,414
Adjustment on Lease		(45,986)	-
Gain or loss on disposal		84,349	(2,996)
Finance cost on Lease Liability		751,831	550,808
Amortization of intangible assets	19	778,582	749,612
Amortization of government grant		(17,462)	(17,462)
		6,998,458	6,432,726
Changes in operating assets and liabilities:			
Change in statutory minimum reserve		(40,765,217)	(37,845,565)
Change in government securities		(75,221,325)	(21,717,504)
Change in Loans and advances to customers		(120,534,297)	(214,504,644)
Change in Islamic Financing		(53,439,628)	(22,710,282)
Change in other assets		(74,597,462)	(10,197,803)
Change in deposits from customers		220,757,924	668,680,079
Change in deposits from banks		83,377	(1,390,410)
Change in other liabilities		62,600,075	363,542
Cash generated from operations		17,967,816	441,172,647
Income tax paid	43	(27,390,809)	(23,324,024)
Net cash (used in) generated from operating activities (a)		(9,422,991)	417,848,623
Cash flows from investing activities			
Acquisition of Property and equipment	17	(5,088,073)	(6,190,589)
Acquisition of Intangible Assets	19	(856,570)	(900,520)
Net cash used in investing activities (b)		(5,944,643)	(7,091,109)
Cash flow from financing activities			
Receipt on borrowing	24	416,587,945	12,740
Repayment on borrowing	24	(303,401,222)	(63,492,715)
Payment of lease liabilities -rent paid	22	(2,826,375)	(2,398,166)
Dividend payment		(7,000,000)	(6,585,982)
Net cash flows generated from /(used) financing activities (c)		103,360,348	(72,464,123)
Net increase in cash and cash equivalents (a+b+c)		87,992,712	338,293,391
Cash and cash equivalents at beginning of year		753,779,789	415,486,399
Cash and cash equivalents at end of year	44	841,772,501	753,779,790



**THE PEOPLE'S BANK OF ZANZIBAR LIMITED (PBZ)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

NOTES

1 GENERAL INFORMATION

The People's Bank of Zanzibar Limited (the Bank) is a limited liability company incorporated in 1966 under the Zanzibar Companies Decree (Cap. 153) which has been repealed and replaced by Companies Act No.15 of 2013 domiciled in Zanzibar. The address of its registered office is:

People Bank of Zanzibar Limited
Mpirani ZIC Building,
P. O. Box 1173
Zanzibar, Tanzania.

2 MATERIAL ACCOUNTING POLICIES

The financial statements have been prepared on a historical cost basis, except for the following.

- Debt instrument at fair value through OCI and motor vehicles measured at fair value
- Other financial assets and liabilities measured at amortised cost as explained in the accounting policies.
- Financial assets measured at FVPL
- Equity instrument measured at FVOCI
- Equity instrument measured at FVPL

In the preparation of financial statements, the Bank has considered the impact of macro-economic and geopolitical uncertainty, especially on areas which need significant estimates and judgements and considered materiality assessments.

The financial statements are presented in Tanzania shillings (TZS) which is the functional currency, and the amounts are rounded to the nearest million, except where otherwise indicated.

The Bank has prepared its financial statement on the basis that it will continue to operate as a going concern.

(a) Basis of preparation

i) Compliance with IFRS Accounting Standards

The Bank's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB) and are prepared in the manner required by the Companies Act No.12 of 2002, Zanzibar Companies Act No.15 of 2013 and the Banking and Financial Institutions Act, 2006.

Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. The directors believe that the underlying assumptions are appropriate and that the Bank's financial statements, therefore, present the financial position and results fairly. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 6.



**THE PEOPLE'S BANK OF ZANZIBAR LIMITED (PBZ)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

NOTES (CONTINUED)

3 PRESENTATION OF FINANCIAL STATEMENTS

These financial statements comprise the statements of financial position (also referred to as the balance sheet) as at 31 December 2024, the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year ended; as well as the notes, which comprise a summary of accounting policies and other explanatory notes.

The Bank presents its statement of financial position in order of liquidity based on its intention and perceived ability to recover/settle most assets/liabilities of the corresponding financial statement line item. Financial assets and liabilities are generally reported gross in the consolidated statement of financial position except when IFRS netting criteria are met.

Application of the going concern principle

The Bank's management has assessed its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. In making this assessment, the Bank has considered the impact of climate-related matters on going concern assessment. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Company has not adopted any new standards, interpretations or amendments that have been issued but are not yet effective in these financial statements. Other amendments and interpretations apply for the first time in 2024 but do not have an impact on the Bank's consolidated financial statements.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

(i) New and amended standard adopted by the Bank

The following standards have been adopted by the Group and Bank for the first time for the financial year beginning on 1 January 2024:



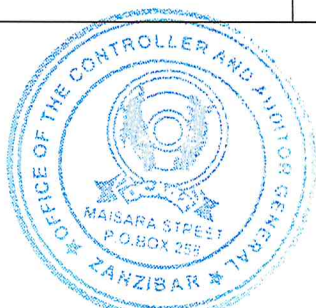
**THE PEOPLE'S BANK OF ZANZIBAR LIMITED (PBZ)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

NOTES (CONTINUED)

4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

- (i) *IFRS Accounting Standards and amendments effective for the first time for December 2024 year-ends*

Accounting changes	Effective date	Details
Amendments to IAS 1, 'Presentation of Financial Statements' - Non-current liabilities with covenants	Annual periods beginning on or after 1 January 2024 (Published January 2020 and November 2022)	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions. <u>Impact to the Bank's financial statements:</u> The standard has no impact to bank's financial statements
Amendment to IFRS 16, 'Leases' - sale and leaseback	Annual periods beginning on or after 1 January 2024 (Published September 2022)	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted. <u>Impact to the Banks's financial statements:</u> Based on management assessment, the amendment is not expected to have significant impact to the Bank's financial statements. The Bank policy on accounting for deferred taxes on its leases has been in line with the new amendment.
Amendments to Supplier Finance Arrangements (IAS 7 'Statement of Cash Flows' and IFRS 7 'Financial Instruments: Disclosure')	Annual periods beginning on or after 1 January 2024 (Published May 2023)	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis. <u>Impact to the Bank's financial statements:</u> Based on management assessment, the amendment is not expected to have significant impact of the Bank's financial statements.



**THE PEOPLE'S BANK OF ZANZIBAR LIMITED (PBZ)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

NOTES (CONTINUED)

4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(ii) *IFRS Accounting Standards and amendments issued but not effective*

Accounting changes	Effective date	Details
Amendments to IAS 21, 'The Effects of Changes in Foreign Exchange Rates' - Lack of Exchangeability (Amendments to IAS 21)	Annual periods beginning on or after 1 January 2025 (Published August 2023)	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations. <u>Impact to the Bank's financial statements:</u> Based on management assessment, the amendment is not expected to have significant impact of the Bank's financial statements.
Amendment to IFRS 9, "Financial Instruments" and IFRS 7, "Financial Instruments: Disclosures" - Classification and Measurement of Financial Instruments	Annual periods beginning on or after 1 January 2026 (Published May 2024)	These amendments: <ul style="list-style-type: none"> clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system. clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion. add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI). <u>Impact to the Bank's financial statements:</u> Based on management assessment, the amendment is not expected to have significant impact of the Bank's financial statements.



THE PEOPLE'S BANK OF ZANZIBAR LIMITED (PBZ)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

NOTES (CONTINUED)

4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(ii) *IFRS Accounting Standards and amendments issued but not effective (continued)*

Accounting changes	Effective date	Details
IFRS 18, 'Presentation and Disclosure in Financial Statements'	Annual periods beginning on or after 1 January 2027 (Published April 2024)	The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses. IFRS 18 replaces IAS 1 'Presentation of Financial Statements' and focuses on updates to the statement of profit or loss with a focus on the structure of the statement of profit or loss; required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general. Many of the other existing principles in IAS 1 are retained, with limited changes. IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its 'operating profit or loss' <u>Impact to the Bank's financial statements:</u> Based on management assessment, the amendment is not expected to have significant impact of the Bank's financial statements.
IFRS 19, 'Subsidiaries without Public Accountability'	Annual periods beginning on or after 1 January 2027 (Published May 2024)	The objective of IFRS 19 is to provide reduced disclosure requirements for subsidiaries, with a parent that applies the Accounting Standards in its consolidated financial statements. IFRS 19 is a voluntary Accounting Standard that eligible subsidiaries can apply when preparing their own consolidated, separate or individual financial statements. <u>Impact to the Bank's financial statements:</u> Based on management assessment, the amendment is not expected to have significant impact of the Bank's financial statements

There are no other standards that are not yet effective and that would be expected to have a material impact on the Bank in the current or future reporting periods and on foreseeable future transactions

'For all new standards and interpretations not yet adopted by Bank, these will be adopted on the respective effective dates, if applicable.



**THE PEOPLE'S BANK OF ZANZIBAR LIMITED (PBZ)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

NOTES (CONTINUED)

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES

The accounting policies applied by the Bank have been approved by the Board of Directors of the Bank and in accordance with International Financial Reporting Standards (IFRSs) promulgated by the International Accounting Standards Board. The major accounting policies adopted, which are consistent with those used in the previous financial year, except for the amendments to IFRSs effective as of 1 January 2019 as disclosed below and applied by the Bank are summarized below.

a) Foreign Currency translation

i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in 'Tanzanian Shillings (TZS), which is the Company's presentation and functional currency

ii) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency at the spot rate of exchange ruling at the date of the transaction. Transactions in foreign currencies during the year are converted into Tanzanian Shillings using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value is determined.

Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. All foreign exchange differences arising on non-trading activities are taken to other operating income/expense in the income statement, except for the effective portion of the differences on foreign currency borrowings that are accounted for as an effective hedge against a net investment in a foreign entity. These differences are recognised in OCI until the disposal of the net investment, at which time, they are recognised in the income statement.

Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI. Non-monetary items that are measured at historical cost in a foreign currency are translated using the prevailing exchange rates as at the date of recognition.



**THE PEOPLE'S BANK OF ZANZIBAR LIMITED (PBZ)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024**

NOTES (CONTINUED)

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES

b) Recognition of interest income

Interest income calculated using the effective interest method presented in the statement of profit or loss and other comprehensive income includes:

- interest on financial assets and financial liabilities measured at amortised cost.
- interest on debt instruments measured at fair value through other comprehensive income.

i. Effective Interest rate method

The Bank recognise interest income for all financial assets measured at amortised cost and FVOCI using the effective interest rate method. Interest expense is also calculated using the effective interest rate method for all financial liabilities held at amortised cost.

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' or 'interest expense' in the statement of profit or loss. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. The calculation includes loan application and loan commitment fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

The EIR (and therefore, the amortised cost of the financial asset) is calculated by considering transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Bank recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, the EIR calculation also considers the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations of fixed rate financial assets or liabilities' cash flows are revised for reasons other than credit risk, then changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount.

The difference from the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset or liability on the balance sheet with a corresponding increase or decrease in Interest revenue/expense calculated using the effective interest method. For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest also alters the effective interest rate, but when instruments were initially recognised at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.



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NOTES (CONTINUED)

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES

b) Recognition of interest income (continued)

ii. Interest and similar income/expense

Net interest income comprises interest income and interest expense calculated using both the effective interest method and other methods. These are disclosed separately on the face of the income statement for both interest income and interest expense to provide symmetrical and comparable information.

The Company calculates interest income on financial assets other than those considered credit-impaired by applying the EIR to the gross carrying amount of the financial asset.

When a financial asset becomes credit-impaired (as set out in Note 7.15) and is therefore regarded as "stage 3" the interest income is calculated by applying the EIR to the net amortised cost of the credit-impaired financial asset (i.e., the gross carrying amount less the allowance for expected credit losses (ECLs)). If the financial asset cures (as outlined in Note 7.16) and is no longer credit-impaired, the Company reverts to calculating interest income on a gross basis.

For purchased or originated credit-impaired (POCI) financial assets, the Group calculates interest income by calculating the credit-adjusted EIR and applying that rate to the amortised cost of the financial asset. The credit adjusted EIR is the interest rate that, at initial recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI financial asset.

The Bank earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Bank's revenue contracts do not typically include multiple performance obligations, as explained further in part c below

When the Bank provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time (unless otherwise specified in part c below).

The Bank has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer

c) Fees and commission income (continued)

(i) *Fee and commission income from providing services where performance obligations are satisfied at a point in time*

Services provided where the Bank's performance obligations are satisfied at a point in time are recognized once control of the services is transferred to the customer. This is typically on completion of the underlying transaction or service or, for fees or components of fees that are linked to a certain performance, after fulfilling the corresponding performance criteria. These include fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement/participation or negotiation of the acquisition of shares or other securities, or the purchase or sale of businesses, brokerage and underwriting fees.



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5 SUMMARY OF MATERIAL ACCOUNTING POLICIES

c) Fees and commission income (continued)

- (i) *Fee and commission income from providing services where performance obligations are satisfied at a point in time (continued)*

The Bank typically has a single performance obligation with respect to these services, which is to successfully complete the transaction specified in the contract.

Performance obligations satisfied over time include asset management, custody and other services, where the customer simultaneously receives and consumes the benefits provided by the Bank's performance as the Bank performs.

- (ii) Fees and commission where performance obligations are satisfied over time.

Performance obligations satisfied over time include Loan commitment fees, Loan syndication fees, custody fees, interchange fees and other services, where the customer simultaneously receives and consumes the benefits provided by the Bank's performance as the Bank performs.

The Bank's fee and commission income from services where performance obligations are satisfied over time include the following:

Loan commitment fees: These are fixed annual fees paid by customers for loans and other credit facilities with the Bank. Commitment/Facility fees received by the Bank to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Bank will enter a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. Commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and amortised over the loan tenure.

As the benefit of the services is transferred to the customer evenly over the period of entitlement, the fees are recognised as revenue on a straight-line basis. Payment of the fees is due and received monthly in arrears. But, where it is unlikely that a specific lending arrangement will be entered into with the customer, the loan commitment is not measured at fair value.

The Bank does not designate loan commitments as financial liabilities at fair value through profit or loss. Commitment fees, together with related direct costs, for loan facilities where drawdown is probable are deferred and recognised as an adjustment to the effective interest on the loan once drawn. Commitment fees in relation to facilities where drawdown is not probable are recognised over the term of the commitment.

Loan syndication fees: These are recognised as revenue when the syndication has been completed, and the Bank has retained no part of the loan package for itself or has retained no part at the same effective interest rate as the other participants. Syndication fees that do not meet these criteria are capitalised as origination fees and amortised to the income statement as interest income.

Custody fees: The Bank earns a fixed annual fee for providing its customers with custody services, which include the safekeeping of purchased securities and processing of any dividend income and interest payments. As the benefit to the customer of the services is transferred evenly over the service period, these fees are recognised as revenue evenly over the period, based on time elapsed. Payment of these fees is due and received quarterly in arrears.



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5 SUMMARY OF MATERIAL ACCOUNTING POLICIES

c) Fees and commission income (continued)

(ii) Fees and commission where performance obligations are satisfied over time (continued)

Interchange fees: The Bank provides its customers with credit card processing services (i.e., authorisation and settlement of transactions executed with the Bank's credit cards) where it is entitled to an interchange fee for each transaction (i.e., when a credit cardholder purchases goods and services from merchants using the Bank's credit card). The fees vary based on the number of transactions processed and are structured as either a fixed rate per transaction processed or at a fixed percentage of the underlying cardholder transaction. Interchange and merchant fees are recognised upon settlement of the card transaction payment.

Other non-banking fee and commission income relates to fees and commissions earned for rendering services to customers other than those related to the banking operations. This includes fee and commission income earned from providing services on behalf of third-party service providers, that is commissions and brokerage earned on the sale of insurance products to customers on behalf of an insurer (Bank assurance services)

d) Net foreign exchange income

Net foreign exchange income includes all gains/(losses) from trading and changes in fair value for financial assets and financial liabilities

(i) Net gains / (losses) on financial assets at fair value through profit or loss

Net gains/ (losses) on financial assets at FVTPL represent revenue from non-trading assets invested for the purpose of cashflow management. The financial asset is designated at FVTPL and measured at FVTPL as elected under IFRS 9. The line item represents fair value changes.

(i) Net gains/(losses) on derecognition of financial assets measured at amortised cost or FVOCI

Net gain/(loss) on derecognition of financial assets measured at amortised cost includes income (or loss) recognised on sale or derecognition of financial assets measured at amortised costs calculated as the difference between the book value (including impairment) and the proceeds received. When the financial asset measured through FVOCI is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and presented in the profit or loss statement within 'net gains/ (losses) on derecognition of financial assets measured at fair value through OCI'.



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5 SUMMARY OF MATERIAL ACCOUNTING POLICIES

e) Financial instruments

(i) Date of recognition

Financial assets and liabilities, except for loans and advances to customers and balances due to customers, are initially recognized on the trade date, i.e., the date on which the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades, i.e., purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace. Loans and advances to customers are recognized when funds are transferred to the customers' accounts. The Bank recognizes balances due to customers when funds are transferred to the Bank.

(ii) Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described in Notes 6.9.1.1 and 6.9.1.2. Financial instruments are initially measured at their fair value (as defined in Note 6.8), except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Bank accounts for the Day 1 profit or loss, as described below

(iii) Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognizes the difference between the transaction price and fair value in net trading income. In those cases, where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognized in profit or loss when the inputs become observable, or when the instrument is derecognized.

f) Financial instruments (continued)

(iv) Measurement categories of financial assets and liabilities

The Bank classifies all its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortized cost,
- FVOCI.
- FVTPL.

The Bank classifies and measures its derivative and trading portfolio at FVPL, as explained in part iv. The Bank may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies, as explained in part iv.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortized cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied, as explained in part iv.



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5 SUMMARY OF MATERIAL ACCOUNTING POLICIES

f) Financial instruments (continued)

(iv) *Measurement categories of financial assets and liabilities (continued)*

Classification and subsequent measurement of financial assets depend on.

- The Bank's business model for managing the asset; and
- The cash flow characteristics of the asset.

Based on these factors, the Bank classifies its financial assets into one of the following three measurement categories.

Amortized cost: Assets held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI') and that are not designated at FVPL are measured at amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Fair value through profit or loss (FVPL): Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in the profit or loss statement within 'net gains/ (losses) on financial assets at fair value through profit or loss' in the period in which it arises. Financial assets designated in this class are not held for trading

Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest and are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses financial assets is included in interest income using the effective interest rate method.

The business model assessment is not performed on an instrument-by-instrument basis, but at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The main consideration in determining the different business models across the group is whether the objectives of the business model are met primarily through holding the financial assets to collect contractual cash flows, through the sale of these financial assets, by managing assets and liabilities on a fair value basis, or through a combination of these activities.



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NOTES (CONTINUED)

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES

f) Financial instruments (continued)

The Company classifies the financial instruments into classes that reflect the nature of information and consider the characteristics of those financial instruments. The classification made can be seen in the table below:

- i. *Deposits from Banks, Loans and advances/IB Financing to customers, financial investments at amortized cost*

The Bank Measures *Due from Banks, Loans and advances to customers and other financial investments at amortized cost* only if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. The details of these conditions are outlined below.

a) Business model assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective:

- The risks that affect the performance of the business model (and the financial assets held within that business model) and the way those risks are managed.
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)

The expected frequency, value and timing of sales are also important aspects of the Bank's assessment. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

b) The SPPI test

As a second step of its classification process the Bank assesses the contractual terms of the financial asset to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set. In contrast, contractual terms that introduce a more than *de minimis* exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.



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NOTES (CONTINUED)

5. SUMMARY OF MATERIAL ACCOUNTING POLICIES

f) Financial instruments (continued)

(iv) Measurement categories of financial assets and liabilities

ii) Derivatives recorded at fair value through profit or loss

A derivative is a financial instrument or other contract with all three of the following characteristics: Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying').

It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors. It is settled at a future date

The Bank enters derivative transactions with various counterparties. These include interest rate swaps, futures, credit default swaps, cross-currency swaps, forward foreign exchange contracts and options on interest rates, foreign currencies and equities. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Fully collateralized derivatives that are settled net in cash on a regular basis are only recognized to the extent of the overnight outstanding balance. Changes in the fair value of derivatives are included in net trading income unless hedge accounting is applied.

iii) Embedded derivatives

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way like a stand-alone derivative. An embedded derivative cause some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument.

Derivatives embedded in financial liability, or a non-financial host are separated from the host and accounted for as separate derivatives if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative (as defined above); and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.



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NOTES (CONTINUED)

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES

g) Financial assets or financial liabilities held for trading

The Bank classifies financial assets or financial liabilities as held for trading when they have been purchased or issued primarily for short-term profit-making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets and liabilities are recorded and measured in the statement of financial position at fair value. Changes in fair value are recognized in net trading income. Interest and dividend income or expense is recorded in net trading income according to the terms of the contract, or when the right to payment has been established.

Included in this classification are debt securities, equities, short positions and customer loans that have been acquired principally for the purpose of selling or repurchasing in the near term.

(i) Debt instruments at FVOCI

The Bank classifies debt instruments at FVOCI when both of the following conditions are met:

The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets. The contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in OCI. Interest income and foreign exchange gains and losses are recognized in profit or loss in the same manner as for financial assets measured at amortized cost as explained in Note 6.2.2. The ECL calculation for Debt instruments at FVOCI is explained in Note 6.12.4. Where the Bank holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. On de-recognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to profit or loss. The Bank invested in Debt instruments at FVOCI (Debt security) representing borrowed fund by Government through BOT. The Bank classifies and measures these investments in debt securities; Government bonds and Treasury bonds at amortized cost.

(ii) Equity instruments at FVOCI

Upon initial recognition, the Bank occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognized in profit or loss as other operating income when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.



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5 SUMMARY OF MATERIAL ACCOUNTING POLICIES

g) Financial assets and liabilities (continued)

(iii) Debt issued and other borrowed funds

After initial measurement, debt issued, and other borrowed funds are subsequently measured at amortized cost. Amortized cost is calculated by considering any discount or premium on issued funds, and costs that are an integral part of the EIR. A compound financial instrument which contains both a liability and an equity component is separated at the issue date

(iv) Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis
Or
- The liabilities are part of a group of financial liabilities, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy
Or
- The liabilities contain one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss except for movements in fair value of liabilities designated at FVPL due to changes in the Bank's own credit risk. Such changes in fair value are recorded in the Own credit reserve through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the EIR, considering any discount/premium and qualifying transaction costs being an integral part of instrument. Interest earned on assets mandatorily required to be measured at FVPL is recorded using the contractual interest rate, as explained in Note 6.2.2. Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other operating income when the right to the payment has been established



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NOTES (CONTINUED)

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES

g) Financial assets and liabilities (continued)

(v) Financial guarantees, letters of credit and undrawn loan commitments

The Bank issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognized in the financial statements (within Provisions) at fair value, being the premium received. After initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the profit or loss, and an ECL allowance.

The premium received is recognized in the profit or loss in Net fees and commission income on a straight-line basis over the life of the guarantee.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. Like financial guaranteed contracts, these contracts are in the scope of the ECL requirements. The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position

(vi) Reclassification of financial assets and liabilities

The Bank does not reclassify its financial assets after their initial recognition, apart from the exceptional circumstances in which the Bank acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

(vii) Derecognition of financial assets and liabilities

(a) Derecognition due to substantial modification of terms and conditions

The Bank derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded.

The newly recognized loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCL.

When assessing whether to derecognize a loan to a customer, amongst others, the Bank considers the following factors:

- Change in currency of the loan
- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, as set out below, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.



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5 SUMMARY OF MATERIAL ACCOUNTING POLICIES

(i) Derecognition of financial assets and liabilities (continued)

Derecognition due to substantial modification of terms and conditions (continued)

For financial liabilities, the Bank considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent. For financial assets, this assessment is based on qualitative factors

h) Credit losses and Impairment of financial assets

The Bank recognizes a loss allowance for expected credit losses (ECLs) on the following items:

- financial assets measured at amortized cost (including term loan and IB financing to customers, due from Banks, revolving facilities and financial instruments at amortized cost)
- Guarantee contract and letter of credit commitment.
- Undrawn overdrafts commitments
- debt securities measured at FVOCI
- Other assets in scope of IFRS 9 including Salary advance to staff

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive).

(a) Overview of the ECL principles

The Bank records an allowance for expected credit loss for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit losses (LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit losses.

ECL is the portion of lifetime expected credit losses that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both life-time expected credit losses and 12 months ECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument



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5 SUMMARY OF MATERIAL ACCOUNTING POLICIES

h) Credit losses and Impairment of financial assets (continued)

(a) Overview of the ECL principles

Based on the above process, the Bank groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

- Stage 1: When loans are first recognized, the Bank recognizes an allowance based on 12m ECL. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the lifetime expected credit losses. Stage 2 loans also include facilities, where the credit risk has improved, and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered credit impaired. The Bank records an allowance for the LTECL.
- POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit-adjusted EIR. The ECL allowance is only recognized or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

(b) The calculation of ECL

The Bank calculates ECL based on four probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- EAD The Exposure at Default is an estimate of the exposure at a future default date, considering expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral or credit enhancements that are integral to the loan and not required to be recognized separately, as set out in Note 6.10.2 It is usually expressed as a percentage of the EAD.



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5 SUMMARY OF MATERIAL ACCOUNTING POLICIES

h) Credit losses and Impairment of financial assets (continued)

(b) The calculation of ECL (continued)

When estimating the ECL, the Bank considers four scenarios (a base case, an upside, a mild downside ('downside 1') and a more extreme downside ('downside 2')). Each of these is associated with different PDs, EADs and LGDs, as set out in Note 6.10.2. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

Except for credit cards and other revolving facilities, for which the treatment is separately set out, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value. The mechanics of the ECL method are summarized below:

- Stage 1: 12 months ECL is calculated as portion of LTECL that represent ECL that result from default events on a financial instrument that are possible within 12 months after reporting date. The Bank calculates the 12m ECL allowance based on expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of four scenarios, as explained above.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECL. The mechanics are like those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- Stage 3: For loans considered credit-impaired, the Bank recognizes the lifetime ECL for these loans. The method is like that for Stage 2 assets, with the PD set at 100%.
- POCI: POCI assets are financial assets that are credit impaired on initial recognition. The Bank only recognizes the cumulative changes in lifetime ECL since initial recognition, based on a probability-weighting of the four scenarios, discounted by the credit adjusted EIR.
- Loan commitments and letters of credit: When estimating LTECL for undrawn loan commitments, Bank estimates expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on PV of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of four scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan. For revolving facilities that include both a loan and an undrawn commitment, ECL is calculated and presented together with the loan.



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NOTES (CONTINUED)

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES

h) Credit losses and Impairment of financial assets (continued)

(b) The calculation of ECL (continued)

Financial guarantee contracts The Bank's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the profit or loss, and the ECL provision. For this purpose, the Bank estimates ECL based on the PV of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the four scenarios.

In the event where the computed ECL provisions as per IFRS 9 are less than those calculated as per BOT regulatory requirements, a Regulatory Risk Reserve (non-distributable reserve) shall be created and credited through Retained Earning to eliminate the shortfall. And where the ECL provisions are higher than provision as per BOT regulations, any credit outstanding in a Regulatory Risk Reserve account shall be liquidated to Retained Earning account.

(c) Debt instruments measured at fair value through OCI

The ECL for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognized in OCI is recycled to the profit and loss upon derecognition of the assets.

(d) Purchased or originated credit impaired financial assets (POCI)

For POCI financial assets, the Bank only recognizes the cumulative changes in lifetime expected credit losses since initial recognition in the loss allowance.

(e) Credit cards and other revolving facilities

The Bank's product offering includes a variety of corporate and retail overdraft and credit cards facilities, in which the Bank has the right to cancel and/or reduce the facilities with one day's notice. The Bank does not limit its exposure to credit losses to the contractual notice period but instead calculates ECL over a period that reflects its expectations of customer behaviour, the likelihood of default and its future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on experience and the Bank's expectations, the period over which the Bank calculates ECL for these products, is five years for corporate and seven years for retail products.

The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is like other lending products. This is based on shifts in the customer's internal credit grade, but greater emphasis is also given to qualitative factors such as changes in usage.



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NOTES (CONTINUED)

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES

h) Credit losses and Impairment of financial assets (continued)

(f) ECL Provision and Regulatory Risk Reserve

The interest rate used to discount the ECL for credit cards is based on the average effective interest rate that is expected to be charged over the expected period of exposure to the facilities. This estimation considers that many facilities are repaid in full each month and are consequently not charged interest.

The calculation of ECL, including the estimation of the expected period of exposure and discount rate is made on an individual basis for corporate and on a collective basis for retail products. The collective assessments are made separately for portfolios of facilities with similar credit risk characteristics

(g) Forward looking information

In its ECL models, the Bank relies on a broad range of forward-looking information as economic inputs, such as:

- GDP growth
- Unemployment rates
- Central Bank base rates
- House price indices

The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.



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NOTES (CONTINUED)

SUMMARY OF MATERIAL ACCOUNTING POLICIES

h) Credit losses and Impairment of financial assets (continued)

(h) Credit enhancements: collateral valuation and financial guarantees.

To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Bank's statement of financial position. Cash flows expected from credit enhancements which are not required to be recognized separately by IFRS standards, and which are considered integral to the contractual terms of a debt instrument which is subject to ECL, are included in the measurement of those ECL.

On this basis, the fair value of collateral affects the calculation of ECL. Collateral is generally assessed at a minimum, at inception and re-assessed on a quarterly basis. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily. To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers or based on housing price indices.

Guarantees held are included in the measurement of loan ECLs when either they are specified in the contractual terms of the loan or else are integral to the loan, in that they formed part of the basis on which the loan was extended.

Guarantees that are not integral to the loan's contractual terms are accounted as separate units of accounts subject to ECL. Credit default swaps are not considered to be integral to a loan's contractual terms and are accounted as derivative financial instruments.

(i) Collateral repossessed.

The Bank's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Bank's policy

In its normal course of business, the Bank engages external agents to recover funds from the repossessed assets, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the balance sheet.

(j) Write-offs

Financial assets are written off either partially or in their entirety only when the Bank has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.



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NOTES (CONTINUED)

5 MATERIAL ACCOUNTING INFORMATION AND DISCLOSURES (CONTINUED)

h) Credit losses and Impairment of financial assets (continued)

(k) Forborne and modified loans

The Bank sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Bank considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties, and the Bank would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department.

Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Bank's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

When the loan has been renegotiated or modified but not derecognized, the Bank also reassesses whether there has been a significant increase in credit risk. The Bank also considers whether the assets should be classified as Stage 3. Once an asset has been classified as forborne, it will remain forborne for a minimum 24-month probation period. For the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

- All its facilities have to be considered performing.
- The probation period of two years has passed from the date the forborne contract was considered performing.
- Regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period.
- The customer does not have any contracts that are more than 30 days past due. If modifications are substantial, the loan is derecognized

i) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at calls with banks, other short-term highly liquid investments with original maturities of three months or less, including cash and non-restricted balances with Central bank, Investment securities and amounts Due from banks that are subject to an insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments. Cash and cash equivalents include the cash reserve requirement held with Central bank.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.



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NOTES (CONTINUED)

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

j) Repurchase and reverse repurchase agreements.

Securities sold under agreements to repurchase at a specified future date are not derecognized from the statement of financial position as the Bank retains substantially all the risks and rewards of ownership. The corresponding cash received is recognized in the statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within cash collateral on securities lent and repurchase agreements, reflecting the transaction's economic substance as a loan to the Bank. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the EIR. When the counterparty has the right to sell or re-pledge the securities, the Bank reclassifies those securities in its statement of financial position to financial assets held for trading pledged as collateral or to financial investments available-for-sale pledged as collateral, as appropriate.

Conversely, securities purchased under agreements to resell at a specified future date are not recognized in the statement of financial position. The consideration paid, including accrued interest, is recorded in the statement of financial position, within cash collateral on securities borrowed and reverse repurchase agreements, reflecting the transaction's economic substance as a loan by the Bank. The difference between the purchase and resale prices is recorded in net interest income and is accrued over the life of the agreement using the EIR. If securities purchased under an agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within financial liabilities held for trading and measured at fair value with any gains or losses included in net trading income.

k) Securities lending and borrowing

Securities lending and borrowing transactions are usually collateralized by securities or cash. The transfer of the securities to counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

Securities borrowed are not recognized in the statement of financial position, unless they are then sold to third parties, in which case, the obligation to return the securities is recorded as a short sale within financial liabilities held for trading and measured at fair value with any gains or losses included in net trading income.



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NOTES (CONTINUED)

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

l) Leases

At the inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. The Bank leases office space in various parts of the region. Rental contracts are typically made for fixed periods of three to ten years, but they may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. Contracts may contain both lease and non-lease components. The Bank allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Bank is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Bank. Each lease payment is allocated between the liability and finance costs. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments: fixed payments (including in-substance fixed payments), less any lease incentives receivable. Variable lease payments that are based on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees.

- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option.
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option; and
- Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Bank, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security, and conditions.

To determine the incremental borrowing rate, the Bank:

- where possible, use recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and,
- adjusts specific to the lease, such as term, country, currency, and security



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NOTES (CONTINUED)

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

l) Leases (continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability.
- any lease payments made at or before the commencement date less any lease incentives received.
- any initial direct costs; and
- restoration costs

Critical judgements in determining the lease term

- Extension and termination options - Extension and termination options are included in a number of property lease contracts. These terms maximise operational flexibility in managing contracts.
- In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For the leases of office space, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Bank is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Bank is typically reasonably certain to extend (or not terminate).

Otherwise, the Bank considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset. Most extension options in offices and vehicle leases have not been included in the lease liability because the Bank could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is exercised (or not exercised) or the Bank becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs that affects this assessment and is within the control of the lessee

(a) Bank as a lessee

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



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NOTES (CONTINUED)

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

I) Leases (continued)

(a) Bank as a lessee (continued)

i) Right-of-use asset

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are amortized on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transfers to the Bank at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are presented within Note 19

ii) Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Bank uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, or a change in the lease payments.

(b) Bank as a lessor

Leases where the Bank does not transfer substantially all the risk and benefits of ownership of the asset are classified as operating leases. Rental income is recorded as earned based on the contractual terms of the lease in other operating income. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.



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NOTES (CONTINUED)

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

m) Property and equipment

Property and equipment excluding classes of buildings and motor vehicles are stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortization period or methodology, as appropriate, and treated as changes in accounting estimates. Class of buildings and motor vehicles are measured at a revalued amount, being its fair value at the date of revaluation less subsequent depreciation and impairment, provided that fair value can be measured reliably.

Depreciation of owned assets is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Asset particulars	Useful life
Motor Vehicles and Motorcycles	7 years
Furniture and equipment	5 years
Buildings	33 years
Computers and laptops	3 years
ATMs	7 years
Servers	7 years
Leasehold improvements	10 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognized. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Leasehold improvement properties (improvement cost of rented Bank's buildings and offices) are depreciated over the periods of the leases period.



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NOTES (CONTINUED)

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

n) Intangible assets

Expenditure on research activities is recognized as an expense in the period in which it is incurred. Expenditure on development activities and Computer's software are capitalized if the product or process is technically and commercially feasible and the Bank has sufficient resources and the intention to complete development. The expenditure capitalized includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable. Capitalized costs are stated at cost less accumulated amortization and impairment losses. Other development expenditure is recognized as an expense in the period in which it is incurred. Other intangible assets that are acquired by the Bank are stated at cost less accumulated amortization (where the estimated useful life is finite) and impairment losses. Expenditure on internally generated goodwill and brands is recognized as an expense in the period in which it is incurred.

Amortization of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. Both the period and method of amortization are reviewed annually.

Intangible assets are not amortized while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortization of intangible assets with finite lives.

o) Impairment of other non-financial assets

At each reporting date, the Bank reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

For the purposes of assessing impairment, assets are grouped together into the smallest group that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets (Cash Generating Units or CGUs). The impairment test can also be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably.

The Bank's corporate assets do not generate separate cash inflows and are used by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGUs to which the corporate assets are allocated.

Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised



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NOTES (CONTINUED)

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

p) Recognition of impairment losses

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

q) Employee's benefit and retirement obligation

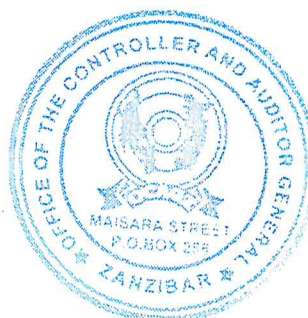
Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Employees of the Bank are members of Social Security Funds scheme (ZSSF and NSSF). Employees contribute 7% of their monthly salary to the Fund while the Bank contributes 14% of basic for each employee to the scheme and the amount is charged to profit or loss when due. For the obligation before the establishment of ZSSF in year 1998, PBZ on behalf of RGZ is liable to pay as gratuity obligation to its employees

r) Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) because of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The expense relating to any provision is presented in the income statement net of any reimbursement in other operating expenses. The unwinding of the discount is recognised as a finance cost.



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NOTES (CONTINUED)

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

s) Taxes

(i) Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date in the Tanzania and generates taxable income.

Current income tax relating to items recognized directly in equity or other comprehensive income is recognized in equity or other comprehensive income respectively and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(ii) Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled, and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it becomes probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred taxes are recognized as income tax benefits or expenses in the profit or loss except for tax related to the fair value remeasurement of debt instruments at FVOCI, foreign exchange differences and the net movement on cash flow hedges, which are charged or credited to OCI.

These exceptions are subsequently reclassified from OCI to the profit or loss together with the respective deferred loss or gain. The Bank also recognizes the tax consequences of payments and issuing costs, related to financial instruments that are classified as equity, directly in equity.

The Bank only off-sets its deferred tax assets against liabilities when there is both a legal right to offset its current tax assets and liabilities and it is the Bank's intention to settle on a net basis.



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NOTES (CONTINUED)

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

t) Value Added Tax (VAT)

Expenses and assets are recognized inclusive of the amount of value added tax except where the value added tax incurred on a purchase of assets or services is recoverable from the taxation authority, in which case the value added tax is recognized as an asset or liability in the statement of financial position.

u) Dividends on ordinary shares

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Shareholder. Interim dividends are deducted from equity when they are declared and are no longer at the discretion of the Bank.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

v) Share Capital and equity reserves

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as a 'share premium' in equity. Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

The reserves recorded in equity (OCI) on the Bank's statement of financial position include:

- The cumulative net change in the fair value of debt instruments classified at FVOCI, less the allowance for ECL
- The cumulative net change in fair value of equity instruments at FVOCI
- Foreign currency translation reserve, which is used to record exchange differences arising from the translation of the net investment in foreign operations
- Other capital reserves, which includes regulatory risk reserve and fixed assets revaluation reserve
- Revaluation of gain on property and equipment

w) Government grants

Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that the Bank will comply with the conditions attaching to them. Grants that compensate the Bank for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Bank for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognized in profit or loss over the useful life of the asset by way of reduced depreciation expense. When the Bank receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.



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NOTES (CONTINUED)

5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred. The capitalization of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalization of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

y) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up to date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognized at the lower of their carrying amount and fair value less costs to sell. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere. Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognized in profit or loss. As long as a non-current asset is classified as held for sale or is included in a disposal group that is classified as held for sale, the noncurrent asset is not depreciated or amortized.



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NOTES (CONTINUED)

6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Bank's financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Bank's accounting policies, management has made the following judgments and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Existing circumstances and assumptions about future developments may change due to circumstances beyond the Bank's control and are reflected in the assumptions when they occur. Items with the most significant effect on the amounts recognized in the financial statements with substantial management judgment and/or estimates are collated below with respect to judgments/estimates involved.

Significant Judgements

In applying the Bank's accounting policies, management has made the following judgements, which have the most significant effects on the amounts recognised in the consolidated financial statements.

a) Impairment losses on financial assets

The measurement of impairment losses both under IFRS 9 across all categories of financial assets in scope requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by several factors, changes in which can result in different levels of allowances. The Bank's ECL calculations are outputs of complex models with several underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgments and estimates include:

- The Bank's definition of default and The Bank's staging criteria
- The Bank's criteria for assessing if there has been a significant increase in credit risk
- Segmentation for Conventional loans
- The Bank's internal credit grading model, which assigns PDs to the individual grades
- Probability of Default (PD) methodology for conventional loans
- Loss Given Default (LGD) methodology
- Exposure at Default (EAD) methodology
- Unutilized facilities of overdrafts were calculated as the difference between the limits and the sum of outstanding exposure. And thereafter applied a CCF to arrive to their exposure at default.
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs



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NOTES (CONTINUED)

6. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

a) Impairment losses on financial assets (continued)

- The Bank's definition of default and The Bank's staging criteria
- The Bank's criteria for assessing if there has been a significant increase in credit risk
- Segmentation for Conventional loans
- The Bank's internal credit grading model, which assigns PDs to the individual grades
- Probability of Default (PD) methodology for conventional loans
- Loss Given Default (LGD) methodology
- Exposure at Default (EAD) methodology
- Unutilized facilities of overdrafts were calculated as the difference between the limits and the sum of outstanding exposure. And thereafter applied a CCF to arrive to their exposure at default.
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models. It has been the Bank's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

b) Going concern

The Bank's management has assessed its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

c) Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values.

d) Effective Interest Rate (EIR) method

The Bank's EIR method, as explained in Note 5 recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans and deposits and recognizes the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges). This estimation, by nature, requires an element of judgment regarding the expected behaviour and life cycle of the instruments, as well expected changes to country base rate and other fee income/expense that are integral parts of the instrument.



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NOTES (CONTINUED)

6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

e) Estimating the incremental borrowing rate

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Bank 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency).

Management has considered adjusted Bank of Tanzania (BOT) bonds rates to be the incremental borrowing rate. Incremental borrowing rate have been arrived after conducting a thorough analysis of the lending rates if the entities were PBZ can borrow to finance construction or acquisition of the leases asset. Our analysis indicated that PBZ can borrow at 12.5% at ZSSF, 12% at TMRC (previous rate for member institutions) and 9.5% at TMRC (current rate for member institutions). Based on best finance of the management, incremental borrowing rate was taken to be 9.5% which represent the rate that Bank can borrow from TMRC. This has been unbiased and cheaper source of fund to finance acquisition or construction of the leased assets.

f) Taxes

The Bank subject to compliance with two different tax legislation which is Tanzania Revenue Authority (TRA) and Zanzibar Revenue Authority (ZRA). TRA deal with compliance of Income tax act which contains corporate tax, employment tax (PAYE) and other withholding tax, includes excise duty for Mainland Tanzania services, while ZRA deal VAT, Stamp duty and excise duty and levy on Electronic Money Transfer for Zanzibar consumption services. PBZ as ZRA agent during year 2024 manage to collect TZS 7,422 million (2023, TZS 4,965 million) from various Bank suppliers and paid to ZRA. Also, for TRA withholding tax paid for 2024 was TZS 9,350 million (2023, TZS 6,607 million).

During the year 2024, Bank paid TZS 27,391 million as corporate tax compared with TZS 23,324 million paid for the year 2023.

The Bank prepares its accounts in accordance with IFRS, however the recognized profit by IFRS requires some adjustments as directed by income tax act, 2014, to arrive at taxable base for 30% corporate tax charge, this will result into differed deferred tax, according to IAS 12, is the amount of tax payable /receivable in future in respect of taxable temporary difference. Temporary differences are defined as being differences between the carrying amount of an asset (or liability) within the Statement of Financial Position and its tax base that is the amount at which the asset (or liability) is valued for tax purposes by the relevant tax authority.

The deferred tax asset recognized as at 31 December 2024 by Bank is TZS 9,610 million compared to the year 2023 which is TZS 10,250 million.

g) Provisions

The Bank use IFRS 9 tools for calculating impairment charges for their financial assets, during year 2024 loan and advance estimated to TZS 9,561 million (2023, TZS 8,281 million) Islamic financing TZS 1,065 million (2023, TZS 842 million), Government Securities TZS 1,177 million (2023 TZS 999 million), Other assets estimated TZS 13,499 million (2023, TZS 13,059 million) and total equity investment provision was TZS 5,000 million for the year 2024. Regulatory provision as specified by BOT for loan and advance was estimated TZS 14,007 million (2023, TZS 19,150 million), Islamic financing was TZS 946 million (2023 TZS 1,458 million).



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NOTES (CONTINUED)

6 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

h) Property and equipment and intangible assets

Critical estimates are made by the Directors in determining the useful lives of property and equipment and intangible assets as well as their residual values.

7 FINANCIAL INSTRUMENTS BY CATEGORY

At 31 December 2024	Amortized cost	FVOCI	Total
Financial assets	TZS'000	TZS'000	TZS'000
Cash and Balances with BOT	198,059,005	-	198,059,005
Placement with other Banks	760,083,339	-	760,083,339
Cheques & Items for Clearing	445,313	-	445,313
Investment in Debt Securities	164,216,087	-	164,216,087
Loans and Advances to customers	1,056,110,083	-	1,056,110,083
Islamic Financing to customers	156,785,093	-	156,785,093
Equity Investment	-	4,451,610	4,451,610
Other assets in scope of IFRS 9	17,128,119	-	17,128,119
Total Financial Assets	2,352,827,039	4,451,610	2,357,278,649
Financial liabilities			
Deposits due to customers	1,952,670,626	-	1,952,670,626
Deposits due to Banks	253,852	-	253,852
Borrowings	203,326,661	-	203,326,661
Corporate Bond	20,418,171	-	20,418,171
Total Financial Liabilities	2,176,669,310		2,176,669,310



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NOTES (CONTINUED)

7 FINANCIAL INSTRUMENTS BY CATEGORY(CONTINUED)

At 31 December 2023 Financial assets	Amortized cost TZS'000	FVOCI TZS'000	Total TZS'000
Cash and Balances with BOT	640,969,430	-	640,969,430
Placement with other Banks	188,830,909	-	188,830,909
Cheques & Items for Clearing	615,087	-	615,087
Investment in Debt Securities	88,994,762	-	88,994,762
Loans and Advances to customers	935,575,786	-	935,575,786
Islamic Financing to customers	103,345,465	-	103,345,465
Equity Investment	-	3,413,599	3,413,599
Other assets in scope of IFRS 9	17,279,439	-	17,279,439
Total Financial Assets	1,975,610,878	3,413,599	1,979,024,477
Financial liabilities			
Deposits due to customers	1,731,912,702	-	1,731,912,702
Deposits due to Banks	170,475	-	170,475
Borrowings	90,139,938	-	90,139,938
Corporate Bond	20,418,171	-	20,418,171
Total Financial Liabilities	1,842,641,286	-	1,842,641,286

8 FAIR VALUE MEASUREMENT

This note describes the fair value measurement of both financial and non-financial instruments. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using a valuation technique. To show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as explained below.

Assets and liabilities by fair value hierarchy

The fair value of the Bank's properties are measured at the end of the reporting period categorized into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*.

The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e., unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e., observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations; Fair value measured using significant unobservable inputs



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NOTES (CONTINUED)

8 FAIR VALUE MEASUREMENT (CONTINUED)

Assets and liabilities by fair value hierarchy (continued)

Amount under property and equipment represent categories of buildings and motor vehicles for which measured at revaluation model. Other categories in the PPE are carried at cost model.

Valuation techniques and methods

Equity Investments at FVOCI

The AFREXIM Bank equity investment is actively traded on Stock Exchange of Mauritius with readily available active prices per Depository Receipt. Further, the Bank published recently Net Asset Value (NAV) which is the Bank used as fair value. Thus, the Bank classified the asset as Level 1.

The NAV serves as the basis for subscription and redemption transactions for investors in the entity. If the investment is required to be measured at fair value, and does not have a readily determinable fair value, it may qualify for a practical expedient (that is not available under IFRS) to determine the fair value of investments using NAV, without adjustment, in certain defined circumstances.

This practical expedient can be applied on an investment-by-investment basis but should be applied consistently to the entire investment in that entity. Further, it is an accounting policy election and should be applied consistently from period to period, unless a change is preferable. Other investments (TMRC, UMOJA SWITCH and SWIFT) categorized as level 2 since by the price quoted exist in active market with no significant unobservable inputs.

Other assets under scope of IFRS 9 and non-financial assets

All other assets as shown above, the Bank classified in level 3 since there are no quoted price in active market with significance unobservable input.

9 FINANCIAL RISK MANAGEMENT

i) Risk management structure

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles. The Board Audit and Risk Management Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. The Board Audit and Risk Management Committee is responsible for managing risk decisions and monitoring risk levels and reports to the Board of Directors.

The Risk and Compliance Unit is responsible for implementing and maintaining risk related procedures to ensure an independent control process is maintained. The unit works closely with and reports to The Board Audit and Risk Management Committee to ensure that procedures are compliant with the overall framework.



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NOTES (CONTINUED)

9 FINANCIAL RISK MANAGEMENT (CONTINUED)

i) Risk management structure (continued)

The Risk and Compliance Unit is responsible for monitoring compliance with risk principles, policies and limits across the Bank. Each business unit has responsible for the control of risks, including monitoring the actual risk of exposures against authorised limits and the assessment of risks of new products and structured transactions. It is the Bank's policy that this unit also ensures the complete capture of the risks in its risk measurement and reporting systems. The Bank's policy also requires that exceptions are reported daily, where necessary, to the Board Audit and Risk Management Committee, and the relevant actions are taken to address exceptions, and any areas of weakness

The Bank's Treasury is responsible for managing its assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Bank. The Bank's policy is that risk management processes throughout the Bank are audited annually by the Internal Audit function, which examines both the adequacy of the procedures and the Bank's compliance with them. Internal Audit discusses the results of all assessments with management and reports its findings and recommendations to the Board Audit and Risk Management Committee

ii) Risk measurement and reporting systems

The Bank's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Bank also runs worst-case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries. In addition, the Bank's policy is to measure and monitor the overall risk-bearing capacity in relation to the aggregate risk exposure across all risk types and activities



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NOTES (CONTINUED)

9 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. The Board of Directors approves limits on the level of credit risk.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees, but a significant portion is personal lending where no such facilities can be obtained.

Credit risk measurement

In measuring credit risk of loans and advances to customers and to Banks at a counterparty level, the Bank reflect two components (i) the 'probability of default' by the client or counterparty on its contractual obligations and (ii) current exposures to the counterparty and its likely future development, from which the Bank derives the 'exposure at default'. These credit risk measurements, which reflect expected loss (the 'expected credit loss model'), are embedded in the daily operational management and are in line with IFRS 9.

The Bank uses reasonable and supportable forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL. External and internal information is used to generate a 'base case' scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities.

Bank's internal rating scale

The Bank has its internal credit rating tools tailored in accordance with the Bank of Tanzania guidelines. Customers of the Bank are segmented into five rating classes. The Bank's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class.

Bank's rating	Description of the grade	Number of days outstanding
1.	Current	0-30
2.	Especially mentioned	31-90
3.	Sub-standard	91-180
4.	Doubtful	181-360
5.	Loss	361- Above

Significant increase in credit risk

The Bank monitors all financial assets that are subject to assess whether there has been a significant increase in credit risk since initial recognition. When there is a significant increase in credit risk (SICR) since initial recognition is identified, a financial asset is moved from stage 1 to 'Stage 2' but is not yet deemed to be credit impaired. If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.



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NOTES (CONTINUED)

9 FINANCIAL RISK MANAGEMENT (CONTINUED)

Significant increase in credit risk (continued)

The table below summarises the 'three-stage' model for impairment based on changes in credit quality since initial recognition

	Stage 1 (performing loans)	Stage 2 (under performing loans)	Stage 3 (non-performing loans)
Credit risk	Financial instruments with low credit risk at the reporting date or which have not had SICR	Financial instruments which have had a significant increase in credit risk since initial recognition but do not have objective evidence of a credit loss event.	Financial assets that have objective evidence of impairment at the reporting date
Recognition of ECL	12 Month expected credit losses are recognized.	Lifetime expected credit losses are recognised.	Lifetime expected credit losses are recognized.
Recognition of interest	Interest revenue is calculated on the gross carrying amount of the asset.	Interest revenue is calculated on the gross carrying amount of the asset.	Interest revenue is calculated based on the amortized cost net of the loss provision, (net carrying amount).

The Bank considers a debt instrument asset, loan commitments and financial guarantee contracts to have experienced a significant increase in credit risk when one or more of the following quantitative or qualitative criteria have been met:

Loans and advances/financing to customers

(i) Quantitative criteria

Based on quantitative review for the purpose of the expected credit losses calculations, loans and advances, loan commitments and financial guarantees shall be classified as follows.

- 1) 0 – 30 days to be classified as Stage 1; Loans and advances, loan commitments and financial guarantees which are performing according to contracted terms and conditions with low credit risk at the reporting date with 12-month expected credit losses being recognised.

31 – 90 days to be classified as Stage 2; Loans and advances, loan commitments and financial guarantees which have had significant increase in credit risk since initial recognition but do not have objective evidence of credit loss event with lifetime expected credit losses being recognized.ii91 days or more to be classified as Stage 3; Loans and advances, loan commitments and financial guarantees which have objective evidence of impairment at the reporting date with lifetime expected credit losses being recognized (credit-impaired assets).i.



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NOTES (CONTINUED)

9 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Credit risk measurement (continued)

Significant increase in credit risk (continued)

(ii) Qualitative criteria

For Personal Loans/financing, if the borrower meets one or more of the following criteria:

- Short-term forbearance or restructuring.
- Adverse changes of external data from credit references agencies.

For Commercial loans/financing, if the borrower is on the Watch list and/or the instrument meets one or more of the following criteria:

- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates.
- Actual or expected forbearance or restructuring.
- Actual or expected significant adverse change in operating results of the borrower.
- Significant change in collateral value which is expected to increase risk of default.
- Early signs of cash flow/liquidity problems such as delay in servicing of loans/financing.
- Adverse changes of external data from credit references agencies

Balances due from other Banks

Below are qualitative factors considered as indicators of significant increase in credit risk.

- Significant counterparty management restructuring due to continues bad performance of the company.
- Significant adverse change in the regulatory, economic or technology of the borrower that results in a significant change in the borrower's ability to meet its debt obligations.
- Significant reductions in financial support from a parent company that resulted to significant adverse change of operating results of the counterparty.

Government securities

Below are qualitative factors considered as indicators of significant increase in credit risk.

- The Government has initiated debt restructuring process.

Grouping of instruments for losses measured on a collective basis

For expected credit loss provisions modelled on a collective basis, a Grouping of exposures is performed based on shared risk characteristics, such that risk exposures within a Bank are homogeneous. The characteristics used to determine Grouping are product type, Industry, collateral type etc.

Definition of default and credit-impaired assets

The Bank defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:



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NOTES (CONTINUED)

9 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Credit risk measurement (continued)

Significant increase in credit risk (continued)

Definition of default and credit-impaired assets (continued)

Loans and advances/financing to customers

Quantitative criteria

The borrower is more than 90 days past due on its contractual payments.

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- the borrower is in long-term forbearance;
- the borrower is deceased;
- the borrower is insolvent;
- the borrower is in breach of financial covenant(s);
- an active market for that financial asset has disappeared because of financial difficulties;
- concessions have been made by the lender relating to the borrower's financial difficulty;
- it is becoming probable that the borrower will enter Bankruptcy; and,
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

Balances due from other Banks

For balances from other Banks, below are considered as default when they occur

- When repayment of interest and principal are not done on time as per contractual schedules to the extent of 30 days delay;
- When a counterparty is taken under management by Statutory Manager;
- When a counterparty licence has been revoked by the Central Bank; and,
- When the counterparty is declared Bankrupt by responsible bodies like Registration, Insolvency or court.

Government securities

For Government securities, below are considered as default when they occur.

- When repayments of interest and principal are not done on time as per contractual schedules and that such delays considered are not those caused by operational issues

The default definition has been applied consistently to model the probability of default (PD), exposure at default (EAD) and loss given default (LGD) throughout the Bank's expected loss calculations



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NOTES (CONTINUED)

9 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Credit risk measurement (continued)

Forward looking information incorporated in the ECL model

The forward-looking information that has been incorporated in the ECL Model including:

Macro factor, such as foreign exchange rate, Consumer price index and Real and Nominal GDP has been used to ascertain associated with stress factor on economic sector, presence of covid-19

Economic variable assumptions

The economic variables used during ECL Model calculation include

- Foreign Exchange Rate
- Consumer price Index
- Nominal and Real GDP

Risk limit control and mitigation policies

This policy focus on management of risk associate with price movement in market, that interest rate and foreign exchange rate. The People's Bank of Zanzibar's operations among others, include taking of foreign exchange deposits and borrowings as well as issuance of foreign currencies loans. Likewise, the Bank takes interest bearing local currency deposits and borrowings for investment in interest earning assets like loans/advances, inter-Bank lending and government securities. These activities expose the Bank to foreign exchange rate and interest rate fluctuations. This market risk policy provides guidance for managing foreign exchange risk and interest rate risks in the Bank.

Some other specific control and mitigation measures are out lined below;

(a) Collateral

- Landed Mortgage Collateral
- Debenture and Chattel Mortgage
- Corporate Guarantee
- Government Guarantee
- Cash Cover
- Unsecured

(b) Credit-related commitments

These are the off-balance sheet item which comprises guarantees of different nature, letter of credit and undrawn balances. These credit related issues are extended to customers who are either entered to Government tender or import goods from abroad. For undrawn balances comprises the unutilised overdraft facilities.



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NOTES (CONTINUED)

9 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

9.1 Loss allowance

The loss allowance recognized in the period is impacted by a variety of factors, as described below: As per regulatory requirement these are financial position which remain unpaid for more than 91 days the underlined factors which lead to increase or decrease financial risk are the effect of COVID-19, cash flow failure which resulted from market stress and competition.

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to above mentioned factors under note 9.4.5:

Convention loans and advances

	Stage 1	Stage 2	Stage 3	Total
	TZS '000'	TZS '000'	TZS '000'	TZS '000'
At 1 January 2024	5,629,764	1,007,552	1,643,770	8,281,086
<i>Movement between stages:</i>				
Transfer from stage 1 to stage 2	37,115	(37,115)	-	-
Transfer from stage 1 to stage 3	(1,304,924)	-	1,304,924	-
Transfer from stage 2 to stage 1	331,852	(331,852)	-	-
Transfer from stage 2 to stage 3	-	(986,396)	986,396	-
Transfer from stage 3 to stage 1	19,030	-	(19,030)	-
Transfer from stage 3 to stage 2	-	530	(530)	-
New loans	2,050,490	24,211	1,017,866	3,092,568
Allowance on the same stage due to contracts	(1,944,907)	519,547	1,375,117	(50,243)
Settled loans (write off)	-	-	(1,224,838)	(1,224,838)
Settled loans (normally)	(351,944)	(63,864)	(121,632)	(537,440)
Balance at 31 December 2024	4,466,476	132,614	4,962,043	9,561,133



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NOTES (CONTINUED)

9 FINANCIAL RISK MANAGEMENT (CONTINUED)

9.1 Loss allowance (continued)

Convention loans and advances (continued)

	Stage 1	Stage 2	Stage 3	Total
	TZS '000	TZS '000	TZS '000	TZS '000
At 1 January 2023	6,136,132	694,145	2,905,743	9,736,020
<i>Movement between stages:</i>				-
Transfer from stage 1 to stage 2	(1,549,146)	1,549,146		-
Transfer from stage 1 to stage 3	(182,579)		182,579	-
Transfer from stage 2 to stage 1	3,076	(3,076)		-
Transfer from stage 2 to stage 3		(125,517)	125,517	-
Transfer from stage 3 to stage 1	30,858		(30,858)	-
Transfer from stage 3 to stage 2		5,579	(5,579)	-
New loans	4,035,702	740,445	1,859,083	6,635,230
Decrease in allowance on the same stage due to contracts	(2,817,908)	(1,773,669)	(520,374)	(5,111,951)
Settled loans (write off)			(2,653,322)	2,653,322)
Settled loans (normally)	(26,372)	(79,500)	(219,019)	(324,891)
Balance at 31 December 2023	5,629,764	1,007,552	1,643,770	8,281,086



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NOTES (CONTINUED)

9 FINANCIAL RISK MANAGEMENT (CONTINUED)

9.1 Loss allowance (continued)

Convention loans and advances (continued)

Personal

	Stage 1	Stage 2	Stage 3	Total
	TZS '000	TZS '000	TZS '000	TZS '000
At 1 January 2023	3,971,991	991,408	1,133,011	6,096,410
<i>Movement between stages:</i>				-
Transfer from stage 1 to stage 2	(33,990)	33,990		-
Transfer from stage 1 to stage 3	(1,207,133)		1,207,133	-
Transfer from stage 2 to stage 1	330,234	(330,234)		-
Transfer from stage 2 to stage 3		(984,086)	984,086	-
Transfer from stage 3 to stage 1	16,233		(16,233)	-
Transfer from stage 3 to stage 2		530	(530)	-
New loans	1,804,889	40,581	941,038	2,786,509
Allowance remaining on same stage	(341,315)	397,576	1,110,399	1,166,660
Settled loans (write off)			(851,250)	(851,250)
Settled loans (normally)	(314,642)	(22,296)	(121,632)	(458,571)
Balance at 31 December 2024	4,226,267	127,469	4,386,021	8,739,757



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NOTES (CONTINUED)

9 FINANCIAL RISK MANAGEMENT (CONTINUED)

9.1 Loss allowance (continued)

Convention loans and advances (continued)

Construction and Transportation

	Stage 1	Stage 2	Stage 3	Total
	TZS '000	TZS '000	TZS '000	TZS '000
At 1 January 2024	104,290	43	271,591	375,924
<i>Movement between stages:</i>				-
Transfer from stage 1 to stage 2	(1)	1	-	-
Transfer from stage 1 to stage 3	(59)	-	59	-
Transfer from stage 2 to stage 1	8	(8)	-	-
Transfer from stage 2 to stage 3	-	-	-	-
Transfer from stage 3 to stage 1	1	-	(1)	-
Transfer from stage 3 to stage 2	-	-	-	-
New loans	69,920	-	-	69,920
Allowance remaining on same stage	(104,140)	35	10,172	(93,932)
Settled loans (write off)	-	-	-	-
Settled loans (normally)	(91)	(70)	(280,670)	(280,831)
Balance at 31 December 2024	69,928	1	1,152	71,081



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NOTES (CONTINUED)

9 FINANCIAL RISK MANAGEMENT (CONTINUED)

9.1 Loss allowance (continued)

Convention loans and advances (continued)

Education, Health & Services

	Stage 1	Stage 2	Stage 3	Total
	TZS '000	TZS '000	TZS '000	TZS '000
At 1 January 2024	23,016	-	11,343	34,359
<i>Movement between stages:</i>				
Transfer from stage 1 to stage 2	-	-	-	-
Transfer from stage 1 to stage 3	-	-	-	-
Transfer from stage 2 to stage 1	-	-	-	-
Transfer from stage 2 to stage 3	-	-	-	-
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	-	-	-
New loans	2,269	-	-	2,269
Allowance remaining on same stage	23,158	-	1,613	24,771
Settled loans (write off)	-	-	-	-
Settled loans (normally)	(23,158)	-	(12,764)	(35,922)
Balance at 31 December 2024	25,313	-	192	25,505



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NOTES (CONTINUED)

9 FINANCIAL RISK MANAGEMENT (CONTINUED)

9.1 Loss allowance (continued)

Convention loans and advances (continued)

Manufacturing and Trade

	Stage 1	Stage 2	Stage 3	Total
	TZS '000	TZS '000	TZS '000	TZS '000
At 1 January 2024	556,920	192	197,534	754,646
<i>Movement between stages:</i>				
Transfer from stage 1 to stage 2	(210)	210	-	-
Transfer from stage 1 to stage 3	(10)	-	10	-
Transfer from stage 2 to stage 1	16	(16)	-	-
Transfer from stage 2 to stage 3	-	(8)	8	-
Transfer from stage 3 to stage 1	(1,427)	-	(1,427)	(2,854)
Transfer from stage 3 to stage 2	-	-	-	-
New loans	1,469	192	1,312	2,973
Allowance remaining on same stage	(452,650)	104	(197,373)	(649,919)
Settled loans (write off)	-	-	-	-
Settled loans (normally)	-	(311)	-	(311)
Balance at 31 December 2024	104,109	363	63	104,536



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NOTES (CONTINUED)

9 FINANCIAL RISK MANAGEMENT (CONTINUED)

9.1 Loss allowance (continued)

Convention loans and advances (continued)

Others

	Stage 1	Stage 2	Stage 3	Total
	TZS '000	TZS '000	TZS '000	TZS '000
At 1 January 2024	302,600	15,910	337,466	655,976
<i>Movement between stages:</i>				
Transfer from stage 1 to stage 2	(2,865)	2,865	-	-
Transfer from stage 1 to stage 3	(97,718)	-	97,718	-
Transfer from stage 2 to stage 1	1,594	(1,594)	-	-
Transfer from stage 2 to stage 3	-	(2,302)	2,302	-
Transfer from stage 3 to stage 1	58	-	(58)	-
Transfer from stage 3 to stage 2	-	-	-	-
New loans	292,510	3,052	15,866	311,428
Allowance remaining on same stage	(11,762)	(11,234)	(245,820)	(268,816)
Settled loans (write off)	-	-	-	-
Settled loans (normally)	(72,058)	(1,915)	(6,461)	(80,434)
Balance at 31 December 2024	412,359	4,781	201,015	618,155



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NOTES (CONTINUED)

9 FINANCIAL RISK MANAGEMENT (CONTINUED)

9.1 Loss allowance (continued)

Convention loans and advances (continued)

Agriculture

	Stage 1	Stage 2	Stage 3	Total
	TZS '000	TZS '000	TZS '000	TZS '000
At 1 January 2024	-	-	375,102	375,102
<i>Movement between stages:</i>				
Transfer from stage 1 to stage 2	-	-	-	-
Transfer from stage 1 to stage 3	-	-	-	-
Transfer from stage 2 to stage 1	-	-	-	-
Transfer from stage 2 to stage 3	-	-	-	-
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	-	-	-
New loans	-	-	-	-
Allowance remaining on same stage	-	-	-	-
Settled loans (write off)	-	-	-	-
Settled loans (normally)	-	-	(373,002)	(373,002)
Balance at 31 December 2024	-	-	2,100	2,100



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NOTES (CONTINUED)

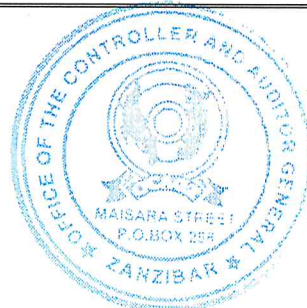
9 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

9.1 Loss allowance (continued)

Islamic Financing

	Stage 1	Stage 2	Stage 3	Total
	TZS '000'	TZS '000'	TZS '000'	TZS '000'
At 1 January 2024	384,616	457,390	-	842,007
<i>Movement between stages:</i>				
Transfer from stage 1 to stage 2	(6,546)	6,546	-	-
Transfer from stage 1 to stage 3	(16,994)	-	16,994	-
Transfer from stage 2 to stage 1	2,364	(2,364)	-	-
Transfer from stage 2 to stage 3	-	(7,907)	7,907	-
Transfer from stage 3 to stage 1	520	-	(520)	-
Transfer from stage 3 to stage 2	-	3	(3)	-
Increment allowance	-	-	-	-
New financing	427,667	22,236	6,511	456,414
Written off	-	-	(233,221)	(233,221)
Balance at 31 December 2024	791,627	475,904	(202,330)	1,065,200
	Stage 1	Stage 2	Stage 3	Total
	TZS '000'	TZS '000'	TZS '000'	TZS '000'
At 1 January 2023	780,050	700,981	(126,976)	1,354,055
<i>Movement between stages:</i>				
Transfer from stage 1 to stage 2	(89,893)	89,893	-	-
Transfer from stage 1 to stage 3	(305,541)	-	305,541	-
Transfer from stage 2 to stage 1	-	-	-	-
Transfer from stage 2 to stage 3	-	(439,495)	439,495	-
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	7,324	(7,324)	-
Increment allowance	-	-	-	-
New financing	-	98,687	590,603	689,290
Written off	-	-	(1,201,339)	(1,201,339)
Balance at 31 December 2023	384,616	457,390	-	842,007



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NOTES (CONTINUED)

9 FINANCIAL RISK MANAGEMENT (CONTINUED)

Changes in gross carrying amount.

Significant changes in the gross carrying amount of financial assets that contributed to changes in the loss allowance were as follows:

Changes in gross carrying amount was associated with the increasing trend in issuing of new personal loan to TPDF and some corporate customers in both PBZ Convention and PBZ Islamic. List the factors which led to change in gross carrying amount of loans such as high volume of new Salaried Workers Loans and other consumer's loans originated during the period.

The following table further explains changes in the gross carrying amount and explains their significance to the changes in the loss allowance for the same portfolio as discussed above;

Convention loans

2024	Stage 1 TZS '000'	Stage 2 TZS '000'	Stage 3 TZS '000'	Total TZS '000'
At 1 January 2024	763,814,110	165,792,801	17,794,396	947,401,307
<i>Movement between stages:</i>				
Transfer from stage 1 to stage 2	(7,681,335)	7,681,335	-	-
Transfer from stage 1 to stage 3	(4,836,062)	-	4,836,062	-
Transfer from stage 2 to stage 1	122,311,578	(122,311,578)	-	-
Transfer from stage 2 to stage 3	-	(4,356,715)	4,356,715	-
Transfer from stage 3 to stage 1	4,860,366	-	(4,860,366)	-
Transfer from stage 3 to stage 2	-	649,714	(649,714)	-
New loans	428,790,337	8,279,704	3,837,537	440,907,579
Loans remained on the same stage	(239,533,715)	(21,126,186)	(1,610,079)	(262,269,980)
Settled loans (write off)	-	-	(1,224,253)	(1,224,253)
settled loans (normally)	(46,058,871)	(4,884,138)	(3,738,304)	(54,681,313)
Balance at 31 December 2024	1,021,666,408	29,724,938	18,741,993	1,070,133,340



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NOTES (CONTINUED)

9 FINANCIAL RISK MANAGEMENT (CONTINUED)
Changes in gross carrying amount. (continued)

Personal Loans

	Stage 1 TZS '000'	Stage 2 TZS '000'	Stage 3 TZS '000'	Total TZS '000'
At 1 January 2024	675,807,234	163,809,879	11,939,851	851,556,964
<i>Movement between stages:</i>				
Transfer from stage 1 to stage 2	(6,638,115)	6,638,115	-	-
Transfer from stage 1 to stage 3	(4,596,739)	-	4,596,739	-
Transfer from stage 2 to stage 1	121,593,961	(121,593,961)	-	-
Transfer from stage 2 to stage 3	-	(4,338,711)	4,338,711	-
Transfer from stage 3 to stage 1	3,916,534	-	(3,916,534)	-
Transfer from stage 3 to stage 2	-	649,714	(649,714)	-
New loans	263,636,599	7,361,548	3,817,302	274,815,449
Loans remained on the same stage	(191,392,902)	(19,425,951)	(639,210)	(211,458,062)
Settled loans (write off)	-	-	(1,209,787)	(1,209,787)
settled loans (normally)	(50,289,368)	(4,945,546)	(2,795,557)	(58,030,470)
Balance at 31 December 2024	812,037,204	28,155,087	15,481,802	855,674,093

Agriculture

	Stage 1 TZS '000'	Stage 2 TZS '000'	Stage 3 TZS '000'	Total TZS '000'
At 1 January 2024	-	-	2,100,000	2,100,000
<i>Movement between stages:</i>				
Transfer from stage 1 to stage 2	-	-	-	-
Transfer from stage 1 to stage 3	-	-	-	-
Transfer from stage 2 to stage 1	-	-	-	-
Transfer from stage 2 to stage 3	-	-	-	-
Transfer from stage 3 to stage 1	-	-	-	-
Transfer from stage 3 to stage 2	-	-	-	-
New loans	-	-	-	-
Loans remained on the same stage	-	-	-	-
Settled loans (write off)	-	-	-	-
settled loans (normally)	-	-	-	-
Balance at 31 December 2024	-	-	-	2,100,000



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NOTES (CONTINUED)

9 FINANCIAL RISK MANAGEMENT (CONTINUED)
Changes in gross carrying amount.(continued)

Construction and Transportation

	Stage 1 TZS '000'	Stage 2 TZS '000'	Stage 3 TZS '000'	Total TZS '000'
At 1 January 2024	10,783,890	1,024,541	3,193,509	15,001,939
<i>Movement between stages:</i>				
Transfer from stage 1 to stage 2	(16,406)	16,406	-	-
Transfer from stage 1 to stage 3	(117,654)	-	117,654	-
Transfer from stage 2 to stage 1	511,935	(511,935)	-	-
Transfer from stage 2 to stage 3	-	-	-	-
Transfer from stage 3 to stage 1	39,769	-	(39,769)	-
Transfer from stage 3 to stage 2	-	-	-	-
New loans	143,336,556	-	-	143,336,556
Loans remained on the same stage	4,953,447	(504,047)	271,624	4,721,024
Settled loans (write off)	-	-	-	-
settled loans (normally)	(991,730)	(8,559)	(696,943)	(1,697,232)
Balance at 31 December 2024	158,499,806	16,406	2,846,074	161,362,287

Manufacturing and Trade

	Stage 1 TZS '000'	Stage 2 TZS '000'	Stage 3 TZS '000'	Total TZS '000'
At 1 January 2024	32,075,321	887,204	2,097,975	35,060,500
<i>Movement between stages:</i>				
Transfer from stage 1 to stage 2	(1,015,270)	1,015,270	-	-
Transfer from stage 1 to stage 3	(23,950)	-	23,950	-
Transfer from stage 2 to stage 1	134,701	(134,701)	-	-
Transfer from stage 2 to stage 3	-	(15,702)	15,702	-
Transfer from stage 3 to stage 1	879,799	-	(879,799)	-
Transfer from stage 3 to stage 2	-	-	-	-
New loans	4,657,198	907,352	4,368	5,568,918
Loans remained on the same stage	(31,334,640)	(1,195,957)	(869,601)	(33,400,198)
Settled loans (write off)	-	-	-	-
settled loans (normally)	-	-	(219,802)	(219,802)
Balance at 31 December 2024	5,373,159	1,463,466	172,794	7,009,419



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NOTES (CONTINUED)

9 FINANCIAL RISK MANAGEMENT (CONTINUED)
Changes in gross carrying amount. (continued)

Others

	Stage 1 TZS '000'	Stage 2 TZS '000'	Stage 3 TZS '000'	Total TZS '000'
At 1 January 2024	15,297,625	71,178	538,270	15,907,073
<i>Movement between stages:</i>				
Transfer from stage 1 to stage 2	(11,543)	11,543	-	-
Transfer from stage 1 to stage 3	(97,718)	-	97,718	-
Transfer from stage 2 to stage 1	70,981	(70,981)	-	-
Transfer from stage 2 to stage 3	-	(2,302)	2,302	-
Transfer from stage 3 to stage 1	4,360	-	(4,360)	-
Transfer from stage 3 to stage 2	-	-	-	-
New loans	12,728,002	10,805	15,866	12,754,673
Loans remained on the same stage	(9,329,913)	(231)	(372,893)	(9,703,037)
Settled loans (write off)	-	-	(14,465)	(14,465)
settled loans (normally)	(137,012)	(1,649)	(26,002)	(164,663)
Balance at 31 December 2024	18,524,781	18,362	236,436	18,779,580

Education, Health and Services

	Stage 1 TZS '000'	Stage 2 TZS '000'	Stage 3 TZS '000'	Total TZS '000'
At 1 January 2024	29,850,039	-	22,691	29,872,730
<i>Movement between stages:</i>				
Transfer from stage 1 to stage 2	-	-	-	-
Transfer from stage 1 to stage 3	-	-	-	-
Transfer from stage 2 to stage 1	-	-	-	-
Transfer from stage 2 to stage 3	-	-	-	-
Transfer from stage 3 to stage 1	19,904	-	(19,904)	-
Transfer from stage 3 to stage 2	-	-	-	-
New loans	4,431,983	-	-	12,754,673
Loans remained on the same stage	(12,429,707)	-	-	(9,703,037)
Settled loans (write off)	-	-	-	(14,465)
settled loans (normally)	5,359,239	71,616	-	(164,663)
Balance at 31 December 2024	27,231,458	71,616	2,787	27,305,861



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NOTES (CONTINUED)

9 FINANCIAL RISK MANAGEMENT (CONTINUED)

Changes in gross carrying amount.

Convention loans:2023

	Stage 1 TZS '000'	Stage 2 TZS '000'	Stage 3 TZS '000'	Total TZS '000'
At 1 January 2023	678,129,169	40,121,307	16,004,089	734,254,564
<i>Movement between stages:</i>				
Transfer from stage 1 to stage 2	(95,814,673)	95,814,673	-	-
Transfer from stage 1 to stage 3	(613,319)	-	613,319	-
Transfer from stage 2 to stage 1	21,495,526	(21,495,526)	-	-
Transfer from stage 2 to stage 3	-	(3,238,901)	3,238,901	-
Transfer from stage 3 to stage 1	421,067	-	(421,067)	-
Transfer from stage 3 to stage 2	-	8,330,349	(8,330,349)	-
New loans	163,437,390	46,808,985	11,560,502	221,806,877
Settled loans (write off)	-	-	(2,653,322)	(2,653,322)
settled loans (normally)	(3,241,050)	(548,086)	(2,217,677)	(6,006,813)
Balance at 31 December 2023	763,814,110	165,792,801	17,794,396	947,401,306



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NOTES (CONTINUED)

9 FINANCIAL RISK MANAGEMENT (CONTINUED)

Changes in gross carrying amount (continued)

Islamic financing

	Stage 1	Stage 2	Stage 3	Total
	TZS '000'	TZS '000'	TZS '000'	TZS '000'
At 1 January 2024	100,414,540	16,746,628	5,770,963	122,932,131
Movements				
Transfer from stage 1 to stage 2	(1,091,112)	1,091,112	-	-
Transfer from stage 1 to stage 3	(208,020)	-	208,020	-
Transfer from stage 2 to stage 1	2,329,714	(2,329,714)	-	-
Transfer from stage 2 to stage 3	-	(201,193)	201,193	-
Transfer from Stage 3 to Stage 1	181,687	-	(181,687)	-
Transfer from Stage 3 to Stage 2	-	1,564	(1,564)	-
New financings	103,925,726	1,791,648	116,900	105,834,274
Settled Financings	(39,176,498)	(2,674,351)	(183,795)	(42,034,644)
Balance at 31 December 2024	166,376,038	14,425,694	5,930,029	186,731,761

	Stage 1	Stage 2	Stage 3	Total
	TZS '000'	TZS '000'	TZS '000'	TZS '000'
At 1 January 2023	38,695,307	44,225,627	12,112,147	95,033,081
Movements				
Transfer from stage 1 to stage 2	(3,476,217)	3,476,217	-	-
Transfer from stage 1 to stage 3	(852,659)	-	852,659	-
Transfer from stage 2 to stage 1	2,337,827	(2,337,827)	-	-
Transfer from stage 2 to stage 3	-	(387,810)	387,810	-
Transfer from Stage 3 to Stage 1	318,409	-	(318,409)	-
Transfer from Stage 3 to Stage 2	-	266,528	(266,528)	-
New financings	66,079,331	1,772,265	126,212	67,977,808
Settled Financings	(2,687,458)	(30,268,372)	(7,122,928)	(40,078,758)
Balance at 31 December 2023	100,414,540	16,746,628	5,770,963	122,932,131

9.2 Write-off

The Bank may write-off financial assets that are still subject to enforcement activity while the Bank still seeks to recover amounts it is legally owed in full. According to BOT regulations the Bank required to charge off credit accommodation and other assets that has been remained in loss category for four (4) consecutive quarters. Total of TZS 1,934,496 million was written off for conventional loans and Islamic financing during the year ended 31 December 2024.



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NOTES (CONTINUED)

9 FINANCIAL RISK MANAGEMENT (CONTINUED)

9.3 Investment securities

The investment securities held by Bank comprise of private corporate bonds, and treasury bills and bonds issued by the Government Tanzania, refer to Note 13. All these investments were considered to be under Stage 1. These investment securities are held with the Government or institutions with good financial standing and no history of default. They are not rated

9.4 Repossessed collateral

During the year, the Bank did not obtain assets by taking possession of collateral held as security. Repossessed properties are usually sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness.

Concentration of risks of financial assets with credit risk exposure

Credit risk exposures relating to on-balance sheet and off-balance sheet assets are as follows:



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NOTES (CONTINUED)

9 FINANCIAL RISK MANAGEMENT (CONTINUED)

Concentration of risks of financial assets with credit risk exposure

(a) Geographical Sector (continued)

	TZS '000	TZS '000	TZS '000
At 31 December 2024			
Balances with the Bank of Tanzania		157,296,622	157,296,622
Placement and balances with other Banks		760,083,340	760,083,340
Government securities at Amortised cost		164,216,087	164,216,087
A. Sub Total		1,081,596,049	1,081,596,049
Loan and Advances to customers:			
- Personal loans		843,538,122	843,538,122
- Staff Loans		7,742,916	7,742,916
- Mortgage loans		2,646,686	2,646,686
- Commercial loan and overdraft		188,577,064	188,577,064
- Others loans and advances		18,734,109	18,734,109
B. Sub Total		1,061,238,897	1,061,238,897
Islamic Financing Loan:			
- Murabaha		107,322,655	107,322,655
- Salam Financing		60,000	60,000
- Ijara Services		59,354	59,354
- Istitna Personal		123,849	123,849
- Tawarruq		40,356,947	40,356,947
- Commodity Murabah		34,840,881	34,840,881
- Qard Hassan(SMIDA)		3,958,408	3,958,408
- Un authorized OD		9,667	9,667
Total loan and financing		186,731,762	186,731,762
Provision for impairment		(1,065,200)	(1,065,200)
Islamic Investment in Sukuk		(11,438,285)	(11,438,285)
Deferred profit and unearned profit receivable		(40,319,754)	(40,319,754)
C. Net Total loan and financing		156,785,093	156,785,093
D. Other assets (excluding prepayments)		17,128,119	17,128,119
Total (A+B+C+D)		2,316,758,158	2,316,758,158
Off-balance sheet assets:			



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NOTES (CONTINUED)

- Guarantees and indemnities (Note 45)*
- Undrawn commitments (Note 45)*
- Acceptances and letters of credit (Note 45)*
- Total Off-balance sheet assets**

7,774,437	7,774,437
898,048	898,048
70,444,921	70,444,921
79,117,406	79,117,406

At 31 December 2023

- Balances with the Bank of Tanzania
- Placement and balances with other Bank
- Government securities at Amortised cost

	TZS '000	TZS '000
	569,891,740	569,891,740
	188,830,910	188,830,910
	88,994,762	88,994,762
A Sub Total	847,717,411	847,717,411

Loan and Advances to customers:

- *Personal loans*
- *Staff Loans*
- *Mortgage loans*
- *Commercial loan and overdraft*
- *Other loans and advances*

	847,078,369	847,078,369
	9,835,314	9,835,314
	669,571	669,571
	68,749,062	68,749,062
	15,785,902	15,785,902
B Sub Total	942,118,218	942,118,218

Islamic finance

- *Murabaha*
- *Salam Financing*
- *Ijara Services*
- *Istisna Personal*
- *Tawarruq*
- *Commodity Murabah*
- *Qard Hassan(SMIDA)*
- *Un authorized OD*

	95,429,717	95,429,717
	60,000	60,000
	113,446	113,446
	208,191	208,191
	20,597,771	20,597,771
	2,156,078	2,156,078
	4,363,307	4,363,307
	3,621	3,621
	1,065,050,348	1,065,050,348
	(9,123,093)	(9,123,093)
	17,279,439	17,279,439
	1,038,647,816	1,038,647,816

C Total loan and financing

D ECL amount

Other assets excluding prepayments

Off-balance sheet assets:

- Guarantees and indemnities (Note 45)
- Undrawn commitments (Note 45)
- Acceptances and letters of credit (Note 45)
- Total Off-balance sheet assets**

12,418,095	12,418,095
1,439,771	1,439,771
858,681	858,681
14,716,547	14,716,547



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9 FINANCIAL RISK MANAGEMENT (CONTINUED)

Concentration of risks of financial assets with credit risk exposure

(b) Industry sector

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorized by the industry sectors (Amounts in TZS)

Year 2024	Financial institutions	Manufacturing	Trading & commercial	Transport & communication	Agriculture	Individual	Construction	Others	Total
Balances with BOT	157,296,622	-	-	-	-	-	-	-	157,296,622
Placement & balance with banks	759,077,381	-	-	-	-	-	-	-	759,077,381
Govt securities at amort cost	164,216,087	-	-	-	-	-	-	-	164,216,087
Loan and Advances	-	-	-	-	-	-	-	-	-
Personal loans	-	-	-	-	-	843,538,122	-	-	843,538,122
Staff Loans	-	-	-	-	-	7,742,916	-	-	7,742,916
Mortgage loans	-	-	-	-	-	-	2,646,686	-	2,646,686
Commercial loan and overdraft	-	-	6,992,759	4,411,669	-	79,622,352	150,171,745	-	241,198,525
Other loans and advances	-	-	-	-	2,100	-	-	18,652,387	18,734,110
Islamic Financing loan	-	-	-	-	-	-	-	-	-
Murabaha	-	-	15,732,381	39,510,128	-	86,921,027	-	-	142,163,536
Salam Financing	-	-	-	-	60,000	-	-	-	60,000
Ijara Services	-	-	-	-	-	152,381	-	-	152,381
Istisna Personal	-	-	-	-	-	123,849	-	-	123,849
Tawarruq	-	-	281,442	-	-	40,075,505	-	-	40,356,947
Qard Hassan (SMIDA)	-	53,541	1,852,255	-	145,500	1,823,751	-	-	3,958,408
Other asset (less prepayments)	17,128,119	-	-	-	-	-	-	-	17,128,119
	17,128,119	53,541	17,866,078	39,510,128	205,500	129,096,513	-	-	186,731,760
Undrawn Commitments	898,048	-	-	-	-	-	-	-	898,048
Acceptances & letter of credits	70,444,921	-	-	-	-	-	-	-	70,444,921
	79,117,406								79,117,406



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NOTES (CONTINUED)

9 FINANCIAL RISK MANAGEMENT (CONTINUED)

Concentration of risks of financial assets with credit risk exposure

(b) Industry sector

2023	Financial institutions	Manufacturing	Trading & commercial	Transport & communication	Agriculture	Individuals	Construction	Others	Total
Balances with BOT	569,891,740	-	-	-	-	-	-	-	569,891,740
Placement & balance with banks	188,830,909	-	-	-	-	-	-	-	188,830,909
Govt securities at amort	88,994,762	-	-	-	-	-	-	-	88,994,762
Loan and Advances									
Personal loans	-	-	-	-	-	847,078,369	-	-	847,078,369
Staff Loans	-	-	-	-	-	-	9,835,314	-	9,835,314
Mortgage loans	-	-	-	-	-	-	669,571	-	669,571
Commercial loan and overdraft	-	-	63,869,566	778,344	-	-	3,703,131	398,021	68,749,062
Other loans and advances	-	-	-	-	3,834,972	-	-	11,950,930	15,785,902
Islamic Financing loan									
Murabaha	-	28,225.00	7,233,651	3,599,406	200,644	86,158,875	-	10,971	97,546,014
Salam Financing	-	-	-	-	60,000	-	-	-	60,000
Old Ijara	-	-	-	-	-	321,637	-	-	321,637
Tawarruq	-	-	-	-	-	-	-	20,597,771	20,597,771
Murabah staff commodity	-	-	-	-	-	1,791,084	-	-	1,791,084
Qard Hassan	-	-	-	-	-	-	-	4,363,307	4,363,307
Un authorized OD	-	-	-	-	-	-	-	3,621	3,621
ECL loan and financing	-	-	-	-	-	-	-	(9,123,093)	(9,123,093)
Other asset (less prepayments)	17,279,439	-	-	-	-	-	-	-	17,279,439
	864,996,850	28,225	71,417,459	4,377,750	4,095,616	933,558,881	14,208,016	28,241,308	1,920,924,105
Off-balance sheet assets:									
Guarantees and indemnities	12,418,095	-	-	-	-	-	-	-	12,418,095
Undrawn Commitments	1,439,771	-	-	-	-	-	-	-	1,439,771
Acceptances and LC's	858,681	-	-	-	-	-	-	-	858,681
Total	14,716,547	-	-	-	-	-	-	-	14,716,547



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NOTES (CONTINUED)

9 FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The Bank classifies exposures to market risk into either trading (the Trading book) or non-trading (the Banking book) portfolios and manages each of those portfolios separately.

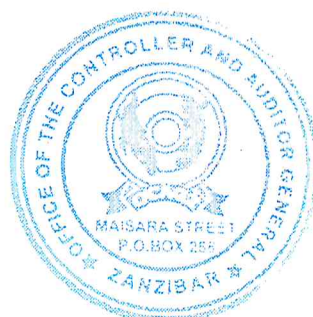
Market risk – trading (trading book) includes financial assets and financial liabilities designated at fair value through profit or loss. Market risk (Banking book) is the Bank's primary business model to collect deposits and use these funds to provide loans and other funding products and debt instruments to its customers. Interest rate risk is the impact that changes in interest rates could have on the Bank's margins, profit or loss, and equity. Interest risk arises from the mismatch of interest payable on the Bank's liabilities and the interest earned on its assets.

The Bank's risk management strategy for its Banking book is different for each of the following categories of market risk as Interest rate risk and Currency risk.

All trading instruments are subject to market risk, i.e. the risk that future changes in market conditions may make an instrument less valuable. The instruments are evaluated on daily basis at fair value and all changes in market conditions directly affect trading income. The Bank manages its portfolios in response to changing market conditions. Exposure to market risk is managed in accordance with limits formally set for managing foreign currency assets

Interest rate risk

The Bank is exposed to various risks associated with the effect of fluctuations in the prevailing levels of market interest rates on its financial position cash flows. The table below summarizes the exposure to interest rate risks. Included in the table are the Bank's assets and liabilities at carrying amounts, categorized by the earlier of contractual reprising or maturity dates. The Bank does not bear an interest rate on off balance sheet items. All figures are in millions of Tanzania Shilling.



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NOTES (CONTINUED)

9 FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk (continued)

At 31 December 2024	Non-interest bearing	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Assets							
Cash and balances with BOT	198,086,634	-	-	-	-	-	198,086,634
Balance with other Banks	88,002,061	672,081,278	-	-	-	-	760,083,339
Government securities at amortized cost	-	-	-	-	40,000,000	124,216,087	164,216,087
Cheques and Items for Clearing	-	445,313	-	-	-	-	445,313
Loan and advances	-	4,081,562	618,411	26,483,876	456,386,681	568,539,553	1,056,110,083
Islamic Financing	-	112,732,862	3,210,796	540,621	702,330	39,598,484	156,785,093
Equity investment at FVOCI	-	-	-	-	-	4,451,610	4,451,610
Other assets*	-	165,183,271	-	-	-	-	165,183,271
Total assets	286,088,695	954,524,286	3,829,207	27,024,497	497,089,011	736,805,734	2,505,361,430
Liabilities							
Deposits to customer (Conventional)	807,556,389	200,790,431	23,371,741	171,911,371	124,584,087	-	1,328,214,019
Deposits to customers (Islamic)	452,825,172	13,283,868	15,325,462	68,564,525	-	-	549,999,027
Special deposits	74,457,581	-	-	-	-	-	74,457,581
Other liabilities	78,744,816	-	-	-	-	-	78,744,816
Borrowings	-	203,326,661	-	10,000,000	10,000,000	-	203,326,661
Total liabilities	1,416,515,396	417,400,960	38,697,203	250,475,896	134,584,087	-	2,257,673,542
Total interest sensitivity gap	(1,130,426,701)	537,123,326	(34,867,996)	(223,451,399)	362,504,924	736,805,734	247,687,888



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NOTES (CONTINUED)

9 FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk (continued)

At 31 December 2023	Non- interest bearing	Up to 1 month	1 - 3 month	3 - 12 month	1 - 5 years	Over 5 years	Total
Assets							
Cash and balances with BOT	640,969,430	-	-	-	-	-	640,969,430
Balance with other Banks (gross)	188,830,909	-	-	-	-	-	188,830,909
Government securities at amortized cost	-	-	-	6,000,000	8,000,000	74,994,762	88,994,762
Cheques and Items for Clearing	-	615,087	-	-	-	-	615,087
Loan and advances (Gross amount)	-	-	-	1,153,641	8,954,416	672,650,791	252,816,938
Islamic Financing (Gross amount)	-	-	5,396,610	1,352,868	96,595,987	-	103,345,465
Equity investment at FVOCI	-	-	-	-	-	3,413,598	3,413,598
Other assets*	-	90,673,770	-	-	-	-	90,673,770
Total assets	829,800,339	90,673,770	6,550,251	16,307,284	777,246,778	331,225,298	2,051,803,720
Liabilities							
Deposits to customer (Conventional)	997,024,369	10,536,424	52,217,868	33,602,543	104,613,465	-	1,197,994,669
Deposits to customers (Islamic)	383,784,515	10,678,000	19,957,636	-	-	-	414,420,151
Special deposit	119,497,882	-	-	-	-	-	119,497,882
Other liabilities	17,795,723	-	-	-	-	-	17,795,723
Borrowings	-	90,139,938	-	10,000,000	10,000,000	-	110,139,938
Total liabilities	1,518,102,489	111,354,362	72,175,504	43,602,543	114,613,465	-	1,859,848,363
Total interest sensitivity gap	(688,302,150)	(20,680,592)	(65,625,253)	(27,295,259)	662,633,313	331,225,298	191,955,357



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NOTES (CONTINUED)

9 FINANCIAL RISK MANAGEMENT (CONTINUED)

Currency risk (2024)

Assets	USD	GBP	EURO	KES	UGX	AED	ZAR	SAR	OMR	TOTAL
Cash	11,339,850	394,203	3,733,695	134,477	128,927	115,688	842,411	6,204	209,817	16,905,272
Balance with Bank of Tanzania	47,518,905.00	-	-	48,656	282	-	-	-	-	47,567,843
Deposits from other Bank	80,015,345.00	770,345	7,211,726	-	-	-	-	-	-	87,997,416
Cheque and items for clearing	104,765	-	-	-	-	-	-	-	-	104,765
Inter Bank placement	417,110,842	-	-	-	-	-	-	-	-	417,110,842
Loans and advances	253,374,762	-	744	-	-	-	-	-	-	253,375,506
Equity investment at FVOCI	2,425,808	-	123,052	-	-	-	-	-	-	2,548,860
Other assets	818,316,307	192,528	12,331,018	35,656	22,163	-	-	6,204	209,340	831,113,216
Total foreign Asset	1,630,206,584	1,357,076	23,400,235	218,789	151,372	115,688	842,411	12,408	419,157	1,656,723,720
Liabilities										
Customers' Deposits	951,276,883	837,769	12,588,652	-	-	-	-	-	-	964,703,304
Other Liabilities	678,929,699	519,307	10,811,588	218,789	151,372	209,689	842,411	12,408	419,157	692,114,420
Total Foreign Currency Liabilities	1,630,206,582	1,357,076	23,400,240	218,789	151,372	209,689	842,411	12,408	419,157	1,656,817,724
Net Balance sheet position	2	-	(5)	-	-	(94,001)	-	-	-	(94,001)
Off balance sheet exposure - LC	70,444,921									70,444,921



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NOTES (CONTINUED)

9. FINANCIAL RISK MANAGEMENT (CONTINUED)

Currency risk (2024)	USD	GBP	EURO	KES	UGX	AED	ZAR	SAR	OMR	CYN	TOTAL
Assets											
Cash	43,082,250	618,895	4,432,798	297,083	101,563	13,693	631,472	4,694	75,807	127	49,258,382
Balance with Bank of Tanzania	403,433,462	-	-	122,101	3,228	-	-	-	-	-	403,558,791
Deposits from Other Bank	180,391,798	894,810	8,382,973	-	-	-	-	-	-	-	189,669,581
Cheque and items for clearing	27,890	-	-	-	-	-	-	-	-	-	27,890
Inter Bank placement	23,810,800	-	-	-	-	-	-	-	-	-	23,810,800
Loans and advances	76,480,514	-	809	-	-	-	-	-	-	-	76,481,323
Equity investment at FVOCI	2,169,887	-	129,131	-	-	-	-	-	-	-	2,299,018
Other assets	830,090,714	1,075,718	12,268,609	41,346	10,709	11,444	46,599	4,694	75,318	127	843,625,278
Total foreign Asset	1,559,487,315	2,589,423	25,214,320	460,530	115,500	25,137	678,071	9,388	151,125	2541,588,731,063	
Liabilities											
Customers' Deposits	799,008,261	1,470,161	13,861,150	-	-	-	-	-	-	-	814,339,572
Other Liabilities	733,501,456	1,119,263	11,351,552	460,530	115,500	25,137	678,071	9,389	151,125	254	747,412,277
Total Foreign Currency Liabilities	1,532,509,717	2,589,424	25,212,702	460,530	115,500	25,137	678,071	9,389	151,125	2541,561,751,849	
Net Balance Sheet Position	26,977,598	(1)	1,618	-	-	-	-	(1)	-	-	26,979,214
Off balance sheet exposure	858,681	-	-	-	-	-	-	-	-	-	858,681



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NOTES (CONTINUED)

9 FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk

Liquidity risk is defined as the risk that the Bank does not have sufficient liquid financial resources to meet obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due because of mismatches in the timing of the cash flows under both normal and stress circumstances.

Such scenarios could occur when funding needed for illiquid asset positions is not available to the Bank on acceptable terms. To limit this risk, management has arranged for diversified funding sources in addition to its core deposit base and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity daily.

a) Liquidity risk management process

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations from financial liabilities. The Assets and Liabilities Committee (ALCO), a management committee is tasked with the responsibility of ensuring that all foreseeable funding commitments and deposits withdrawals can be met when due, and that the Bank will not encounter difficulty in meeting obligations from its financial liabilities as they occur. ALCO relies substantially on the Bank's Treasury section to coordinate and ensure discipline across the Bank, certify sufficient liquidity under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation

b) Funding approach

The Bank's major source of funding is customer deposits. To this end, the Bank maintain a diversified and stable funding base comprising current/demand, savings and time deposits. The Bank places considerable importance on the stability of these deposits, which is achieved through the operations Banking activities and by maintaining depositor confidence in the Bank's business strategies and financial strength.

The Bank borrows from the inter-Bank market through transactions with other Banks for short term liquidity requirements. As part of the contingency funding plan, the Bank has also long-term funding as bond from pension funds for long term liquidity assurance

c) Financial Assets and liability held for managing liquidity risk

The Bank's assets held for managing liquidity risk comprise:

- Cash and balances with the Bank of Tanzania (excluding SMR).
- Investment in government securities; and
- Placements with other Banks:

In the normal course of business, a proportion of customer loans contractually repayable within or will be extended. The Bank would also be able to meet unexpected net cash outflows by selling securities and accessing additional funding sources such as asset-backed markets.



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NOTES (CONTINUED)

9 FINANCIAL RISK MANAGEMENT (CONTINUED)

9.1 Liquidity Risk (continued)

9.1.7 Financial Assets and Liability held for managing liquidity risk

LIQUIDITY RISK

At 31 December 2024

	Up to 1 month TZS' 000'	1 to 3 months TZS '000'	3 to 12 months TZS '000'	Over 1 year TZS'000'	Total TZS'000'
Assets					
Cash	40,762,383	-	-	-	40,762,383
Balance with Bank of Tanzania	157,296,622	-	-	-	157,296,622
Balance with other banks and financial institutions	88,002,061	-	-	-	88,002,061
Interbank Loans Receivable	-	672,081,278	-	-	672,081,278
Investment in Debt Securities	-	-	-	164,216,087	164,216,087
Total Asset	286,061,066	672,081,278	-	164,216,087	1,122,358,431
Liabilities					
Deposits to customers (Conventional)	1,008,346,820	23,371,741	171,911,371	124,584,087	1,328,214,019
Deposits to customers (Islamic)	466,109,040	13,283,868	15,325,462	68,564,525	549,999,027
Lease liability	-	-	-	7,726,895	7,726,895
Other liabilities (excluding non-financial liabilities)	-	-	-	71,017,921	71,017,921
Total liabilities	1,474,455,860	36,655,609	187,236,833	271,893,428	1,956,957,862
Net liquidity position	(1,188,394,794)	635,425,669	(187,236,833)	(107,677,341)	(834,599,431)



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FOR THE YEAR ENDED 31 DECEMBER 2024

NOTES (CONTINUED)

9. FINANCIAL RISK MANAGEMENT (CONTINUED)

LIQUIDITY RISK

As at 31 December 2023	Up to 1 month TZS' 000'	1 – 3 months TZS '000'	3 – 12 months TZS '000'	Over 1 year TZS'000'	Total TZS'000'
Assets					
Cash	71,077,690	-	-	-	71,077,690
Balance with Bank of BOT	569,891,740	-	-	-	569,891,740
Balance with other Banks and Financial Institutions	89,321,781	-	-	-	89,321,781
Interbank Loans Receivable	99,509,128	-	-	-	99,509,128
Investments in Debt Securities	-	-	6,000,000	82,994,762	88,994,762
	829,800,339	-	6,000,000	82,994,762	918,795,101

Liabilities

Deposits to customers (Conventional)	1,007,560,793	52,217,868	33,602,543	104,613,465	1,197,994,669
Deposits to customers (Islamic)	394,462,515	19,957,636	-	-	414,420,151
Lease liability	-	-	-	8,081,710	8,081,710
Other liabilities (excluding non-financial liabilities)	-	-	-	8,417,846	8,417,846
Total liabilities	1,402,023,308	72,175,504	33,602,543	121,113,021	1,628,914,376
Net liquidity position	(572,222,969)	(72,175,504)	(27,602,543)	(38,118,259)	(710,119,275)



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NOTES (CONTINUED)

9 FINANCIAL RISK MANAGEMENT (CONTINUED)

9.2 Off-balance sheet items

(a) Undrawn commitments, outstanding letters of credit, guarantee and indemnities

The dates of the contractual amounts of the Bank's off-balance sheet financial instruments that commit it to extend credit to customers and other facilities (Note 44) are summarised in the table below.

(b) Financial guarantees and other financial facilities

Financial guarantees (Note 45) are also included below based on the earliest contractual maturity date.

	No later than 1 year TZS'000'	1 – 5 years TZS' 000'	Total TZS' 000'
At 31 December 2024			
Guarantee and indemnities	7,774,437	-	7,774,437
Undrawn commitments	898,048	-	898,048
Acceptance and letter of credit	70,444,921	-	70,444,921
Total	79,117,406	-	79,117,406
At 31 December 2023			
Guarantee and indemnities	12,418,095	-	12,418,095
Undrawn commitments	1,439,771	-	1,439,771
Acceptance and letter of credit	858,681	-	858,681
Total	14,716,547	-	14,716,547

9.3 Fair value of financial assets and liabilities

9.3.1 Fair value estimation

IFRS 13 requires the Bank to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The Bank specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

This hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible. There were no transfers between the levels during the year.



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NOTES (CONTINUED)

9 FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair value of financial assets and liabilities that are not measured at fair value

Cash and balances with Bank of Tanzania

The carrying amount of cash and balances with Bank of Tanzania is a reasonable approximation of fair value.

Investment in government securities

Investment in government securities includes treasury bonds and treasury bills. The fair value of government securities has been determined by discounting the estimated future cash flows expected cash flows at current market yields as observed from rates of similar bills and bonds traded by Bank of Tanzania.

Loans and advances to banks

Loans and advances to Banks include inter-Bank placements and items during collection.

The carrying amount of floating rate placements and overnight advances is a reasonable approximation of fair value. The estimated fair value of fixed interest-bearing advances is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

Loans and advances are net of charges for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

Deposits from Banks and customers

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand.

The estimated fair value of fixed interest-bearing deposits not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity

Borrowings

Significant portion of borrowing is benchmarked to SOFR and therefore reprices at balance sheet date. Management has considered the impact of borrowings with fixed interest rate as insignificant to the total fair value of borrowings. The fair value of borrowings therefore approximates its carrying value.



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NOTES (CONTINUED)

9 FINANCIAL RISK MANAGEMENT (CONTINUED)

9.3.2 Financial assets and liabilities measured at amortised cost

		2024	2023
	Hierarchy level	TZS'000'	TZS'000'
Financial assets			
Cash and balances with Bank of Tanzania	Level 2	198,059,005	640,969,430
Government securities at amortised cost (Treasury bonds)	Level 1	160,454,125	83,006,670
Government securities at amortised cost (Treasury bills)	Level 2	-	4,731,557
Placement and balances with other Banks	Level 2	759,077,381	188,830,909
Loans and advances to customers	Level 3	1,056,110,083	935,575,786
Other assets (excluding prepayment)	Level 3	17,128,119	17,279,439
		2,190,828,713	1,870,393,791
Financial liabilities			
Deposits from customers	Level 3	1,952,670,626	1,731,912,702
Deposits from Banks	Level 2	253,852	170,475
Subordinated debt	Level 3	20,418,171	20,418,171
Borrowings	Level 3	203,326,661	90,139,938
Other liabilities (Excluding non-financial other liability)	Level 3	78,744,816	16,499,556
		2,255,414,126	1,859,140,842

Fair value of financial assets and liabilities that are measured at fair value through other comprehensive income is as follows:

Debt Instrument at FVOCI	Level 1	Level 2	Level 3	Total
Equity investment	4,451,610	-	-	4,451,610
Total Assets	4,451,610	-	-	4,451,610

Reconciliation of Level 3 - Equity investments	2024	2023
	TZS'000'	TZS'000'
At January 2024	3,413,598	5,703,440
Revaluation gain	1,161,064	-
Revaluation Loss	(123,052)	(2,289,842)
Purchases	-	-
At 31 December 2024	4,451,610	3,413,598



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NOTES (CONTINUED)

10 CASH AND BALANCE WITH BANK OF TANZANIA

	2024	2023
	TZS'000	TZS'000
Local and foreign cash in hand	40,762,382	71,077,690
Current account with BOT	37,305,921	489,566,398
Deposit with BOT (SMR balance)	120,018,330	80,614,362
	198,086,633	641,258,450
Less Allowance for ECL	(27,629)	(289,020)
Total cash and balance with other bank	198,059,004	640,969,430
Maturity Analysis		
Current	198,059,004	640,969,430
Non-Current	-	-
Total	198,059,004	640,969,430

Deposit with the BOT represents mandatory Statutory Minimum Reserve (SMR) reserve deposits which is not available for use in the Bank's Day-to-day operations.

In accordance with Sections 4 and 71 of the Banking and Financial Institutions Act, 2006; the Bank is required to maintain SMR on its total deposit liabilities and funds borrowed from the public. The SMR deposit should be at least 6% of customers' total deposits and borrowings from the general public and 40% of government's deposits. The SMR deposit is therefore excluded from cash and cash equivalents for the purpose of the statement of cash flows (Note 42). Balances with Central Banks are non-interest-bearing assets.

Movement of Expected Credit Loss allowance:	Stage 1	Total
	TZS'000	TZS'000
ECL allowance as at 1 January 2024	289,020	27,099
Net recovery through P&L during the year	(261,921)	261,921
ECL allowance as at 31 December 2024	27,629	289,020



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NOTES (CONTINUED)

11 PLACEMENTS WITH OTHER BANKS

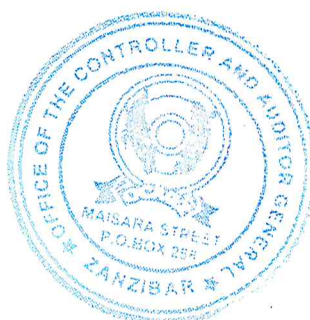
	2024	2023
	TZS'000	TZS'000
Balance with local banks	1,253,767	1,284,023
Foreign Banks - Nostro accounts	86,748,294	88,135,386
Conventional Inter-Bank placements	671,075,320	99,509,128
Sub total	759,077,381	188,928,537
Add Interest receivable	1,101,340	22,401
Less: Allowance for ECL	(95,382)	(120,029)
	<hr/>	<hr/>
Total Placement	760,083,339	188,830,909
	<hr/> <hr/>	<hr/> <hr/>

Maturity Analysis

Current	198,059,004	640,969,430
Non-Current	-	-
	<hr/>	<hr/>
Total	198,059,004	640,969,430
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Movement of ECL allowance:

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	TZS'000	TZS'000	TZS'000	TZS'000
ECL as at 1 Jan 2024	(120,030)	-	-	(120,030)
Net charge through profit or loss	24,648	-	-	24,648
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ECL as at 31 Dec 2024	(95,382)	-	-	(95,382)
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NOTES (CONTINUED)

12 GOVERNMENT SECURITIES AT AMORTISED COST

	2024	2023
	TZS'000	TZS'000
Treasury bills	-	5,000,000
Treasury bonds	160,454,126	83,006,670
Total Treasury bill and bonds	160,454,126	88,006,670
Discount earned not due on treasury bills	-	(268,443)
Interest Receivable on treasury bonds	4,939,400	2,256,364
Sub Total	165,393,526	89,994,591
Less: Allowance for ECL	(1,177,439)	(999,829)
Net Investment in securities	164,216,087	88,994,762

Movement of ECL allowance

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	TZS'000	TZS'000	TZS'000	TZS'000
ECL Allowance as at 1 January 2024	999,829	-	-	999,829
Net charge through profit or loss in the year	177,610	-	-	177,610
ECL allowance as at 31 December 2024	1,177,439	-	-	1,177,439



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NOTES (CONTINUED)

12 GOVERNMENT SECURITIES AT AMORTISED COST (CONTINUED)

Investment in debt securities by maturity:

	2024	2023
	TZS'000	TZS'000
(a) Treasury bills		
Maturing within 3 months	-	-
Maturing after 3 months but within 12 months	-	5,000,000
	-	5,000,000
(b) Treasury bonds		
Maturing within 3 months	-	-
Maturing after 3 months but within 12 months	-	-
Maturity after 1 year but within 5 years	160,454,125	83,006,670
	160,454,125	83,006,670

The maturity analysis is based on the remaining periods to contractual maturity from year end.



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NOTES (CONTINUED)

13 LOAN AND ADVANCES TO CUSTOMERS

Personal Loans	843,538,122	847,078,369
Staff Loan	7,742,916	9,835,314
Mortgage Loans	2,646,686	669,571
Commercial loan and overdraft	188,577,064	68,749,062
Other Loan and Advance	18,734,109	15,785,902
Sub total	1,061,238,897	942,118,218
Add: Accrued interest	8,894,442	5,283,088
Less: Interest in Suspense	(4,462,122)	(3,544,434)
	1,065,671,217	943,856,872
Less: Allowance for ECL	(9,561,134)	(8,281,086)
	1,056,110,083	935,575,786

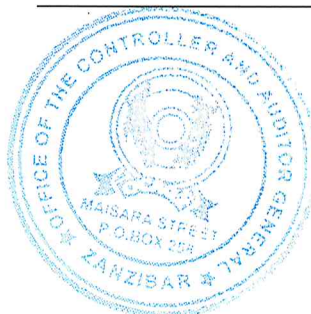
Maturity Analysis

Current	31,183,848	335,110,924
Non-Current	1,024,926,235	600,464,862
Total	1,056,110,083	935,575,786

Analysis by geographical location

Zanzibar (Unguja)	495,681,677	373,641,206
Zanzibar (Pemba)	76,786,977	69,902,300
Dar es Salaam	345,858,154	359,797,602
Mtwara	63,982,561	67,893,876
Dodoma	78,828,303	70,883,234
Mwanza	95,821	-
Total gross loans and advances	1,061,238,897	942,118,218

	2024	2023
Movement of ECL allowance	TZS'000	TZS'000
Opening ECL provision	8,281,086	9,736,020
Write off during the year	(1,837,530)	(2,653,322)
Recovery of loan and Advances	(1,577,592)	(2,673,532)
Additional provision during the year	4,695,169	3,871,920
ECL allowance as at 31 December 2024	9,561,134	8,281,086



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NOTES (CONTINUED)

14 ISLAMIC FINANCING AND INVESTMENT TO CUSTOMERS

	2024	2023
	TZS'000	TZS'000
Murabaha	142,163,537	97,585,795
Tawarruq	40,356,947	20,597,771
Ijarah Personnel Financing	59,354	110,363
Salam Financing	60,000	60,000
Istisna Personnel	123,849	208,191
Qard Hassan	3958408	4,363,307
Old Ijarah	-	3,083
Unauthorized OD	9,667	3,621
Total Islamic Financing	186,731,762	122,932,131
Sukuk Investment	11,200,000	8,000,000
Profit receivable (sukuk)	238,285	116,158
Total Sukuk Investment	11,438,285	8,116,158
Less: Deferred profit	(40,243,830)	(26,727,253)
Less: Unearned profit receivable	(75,924)	(133,564)
Gross financing and investment	157,850,293	104,187,472
Less Allowance for ECL	(1,065,200)	(842,007)
Net Islamic Financing and Investment	156,785,093	103,345,465

Maturity Analysis

Current	146,430,948	95,416,651
Non-Current	10,354,145	7,928,814
Total	156,785,093	103,345,465

Analysis by geographical location

	2024	2023
	TZS'000	TZS'000
Zanzibar (Unguja)	137,454,029	85,297,161
Zanzibar (Pemba)	20,660,428	16,174,902
Dar es Salaam	19,648,972	16,148,969
Mtwara	2,620,534	2,095,209
Dodoma	6,347,799	3,215,890
Total gross loans and advances	186,731,762	122,932,131



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NOTES (CONTINUED)

14 ISLAMIC FINANCING AND INVESTMENT TO CUSTOMERS

	2024	2023
Movement of ECL allowance	TZS'000	TZS'000
Opening ECL provision	842,007	1,354,055
Write off during the year	(96,966)	(1,201,339)
Recovery of loan and Advances	(347,190)	(527,005)
Additional provision during the year	667,350	1,216,295
ECL allowance as at 31 December 2024	1,065,200	842,007



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NOTES (CONTINUED)

15 EQUITY INVESTMENTS

INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2024	2023
	TZS'000	TZS'000
Afrexim Bank (Headquarter in Egypt)	2,425,808	2,169,887
TMRC Company	1,013,750	1,013,750
UMOJA SWITCH	889,000	100,831
SWIFT Company	123,052	129,131
Mucoba Bank Plc	5,000,000	5,000,000
Sub-Total	9,451,610	8,413,599
Allowance for Equity impairment	(5,000,000)	(5,000,000)
Net Equity investment at fair value	4,451,610	3,413,599
Impairment charge movement		
At start of the year	5,000,000	2,000,000
Charge for the year	-	3,000,000
At end of year	5,000,000	5,000,000

- The Bank interest in AFREXIM Bank is of 37 Class B ordinary shares at cost of USD 489,810 (TZS 1,228 million) called up at 2 out of 5 instalments had been paid. The NAV per share unaudited financial statement as at 30 September 2024 was USD 66,881 per share. The Equity investment is measured at FVOCI, 2024 revalued investment amount reached TZS 2,426 million because of fair value gain of TZS 255 million as shown in statement of comprehensive income and statement of change in equity.
- Investment in TMRC Co Ltd. (Tanzania Mortgage Refinancing Company) was made in year 2012 and during year 2019 the Bank invested additional 125,000 share ordinary through right issue. As at 31 December 2024, the Bank total investment was 625,000 shares valued at TZS 1,622 per share each fully paid up.
- Investment in UMOJA SWITCH Company was made in year 2012. This company established and incorporated in Tanzania owned by member Banks in UMOJA SWITCH network. The Bank invests 39 shares each TZS 1,000,000 per value and fully paid up. In 2024, the Bank invested an additional 850 shares, fully paid up at a price of TZS 1,000,000 each, amounting to a total cost of TZS 850 million. As of the end of 2024, the total value of the Bank's shares in UMOJA SWITCH Company was TZS 889 million.
- Investment in SWIFT Company was made in April year 2018. The Bank invests 6 shares each EURO 4,665 per value and fully paid up. The share valuation made at the end of year 2024 was EURO 8,040 per share. The valuation loss was TZS 6 million.

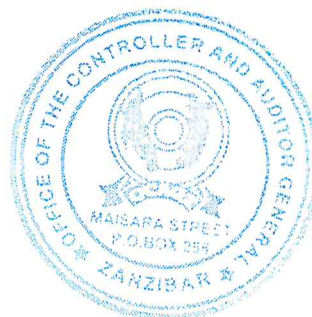


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NOTES (CONTINUED)

16 OTHER ASSETS

	2024	2023
	TZS'000	TZS'000
Dividend Receivable	104,272	-
Staff Advances	234,034	170,059
Imprest	-	17,317
Stationery, Computer and printing matter	582,488	528,032
Islamic Financing advance Payment	85,337,617	14,017,431
Cash shortage, misappropriation & forgery	272,257	222,405
UBX Future investment account	-	800,399
Suspense Miscellaneous	11,990,910	12,132,044
Entries in transit Local	-	215,284
Prepaid Expenses	2,324,366	1,532,115
Accounts Receivables	8,903,490	5,265,807
MNO Receivables	4,265,135	4,077,050
Sub total	114,014,569	38,977,943
Less: Allowance for ECL	(13,498,565)	(13,059,401)
Total	100,516,004	25,918,542
(Charge) /relief for the year	439,164	(86,913)
At end of year 2024	13,498,565	13,059,401



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NOTES (CONTINUED)

17 PROPERTIES AND EQUIPMENT

Particulars	Land and Building	Leasehold Property	Furniture	Equipment and Other Machinery	Computers	Motor Vehicles and Cycles	Capital WIP*	Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Year ended 31 Dec 2024								
Cost / Valuation:								
At 1.1.2024	17,348,642	10,346,927	1,768,447	16,905,319	2,542,125	2,918,446	3,195,400	55,025,306
Transfer from WIP	1,185,787	1,419,736	-	14,850	-	-	(2,620,373)	-
Disposal	-	-	(141,763)	(516,692)	(143,699)	(411,850)	-	(1,214,004)
Additions (Cost)	81,939	355,423	258,475	2,181,845	317,461	647,400	1,245,530	5,088,073
Adjustment	-	(1,802)	-	-	-	-	(156,052)	(157,854)
At 31.12.2024	18,616,368	12,120,284	1,885,159	18,585,322	2,715,887	3,153,996	1,664,505	58,741,521
Depreciation:								
At 1.1.2024	1,512,598	5,270,451	1,255,883	11,512,854	2,085,866	1,562,605	-	23,200,257
Charge on disposal	-	-	(131,767)	(489,176)	(137,136)	(323,704)	-	(1,081,783)
Charge for the year	351,768	786,547	194,217	1,756,088	232,354	326,844	-	3,647,818
Total	1,864,366	6,056,998	1,318,333	12,779,766	2,181,084	1,565,745	-	25,766,292
At 31.12.2024	16,752,002	6,063,286	566,826	5,805,556	534,803	1,588,251	1,664,505	32,975,229

Note: Capital Work in progress (WIP) relates to investment in fixed assets projects includes buildings which are in construction process.



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NOTES (CONTINUED)

17 PROPERTIES AND EQUIPMENT (CONTINUED)

Particulars	Land and Building	Leasehold Property	Furniture	Equipment & Other Office Machinery	Computers	Motor Vehicles & Cycles	Capital WIP*	Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Year ended 31 Dec 2023	16,390,571	9,550,939	1,634,715	15,845,299	2,428,286	2,903,446	911,528	49,664,784
Cost / Valuation:								
At 1.1.2023								
Transfer from WIP	8,071	669,279	-	-	-	-	(677,350)	-
Disposal	-	-	(45,921)	(651,586)	(123,906)	-	-	(821,413)
Additions (Cost)	950,000	126,709	179,653	1,711,607	237,745	15,000	2,969,875	6,190,589
Adjustment	-	-	-	-	-	-	(8,654)	(8,654)
At 31.12.2023	17,348,642	10,346,927	1,768,447	16,905,320	2,542,125	2,918,446	3,195,399	55,025,306
Depreciation:								
At 1.1.2023	1,194,510	4,559,731	1,102,336	10,299,419	1,943,393	1,232,997	-	20,332,386
Charge on disposal	-	-	(43,160)	(631,075)	(121,244)	-	-	(795,479)
Charge for the year	318,088	710,720	196,707	1,844,510	263,717	329,609	-	3,663,351
Total	1,512,598	5,270,451	1,255,883	11,512,854	2,085,866	1,562,606	-	23,200,258
At 31.12.2023	15,836,044	5,076,476	512,564	5,392,466	456,259	1,355,840	3,195,399	31,825,048



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NOTES (CONTINUED)

18 RIGHT ON USE ASSET (ROU)

	2024	2023
	TZS'000	TZS'000
At start of the year 'Cost' (b/d)	14,874,297	13,140,847
Additions	1,765,715	1,733,540
Closing Cost for the year	16,640,012	14,874,297
Accumulated Depreciation (b/d)	(6,620,272)	(5,130,858)
Depreciation ROU for the year	(1,799,327)	(1,489,414)
Closing Accumulated Depreciation for the year	(8,419,599)	(6,620,272)
Net Book Amount at the end of year	8,220,413	8,254,025



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NOTES (CONTINUED)

19 INTANGIBLE ASSETS

	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
	Swift software	K-Printer Checker Module	AML Solution for CBS	Mobile Bank Solution	ICSF Financial system (Banks)	Interface between BR and Swift system (SSTP)	Soft Net (Call Centre)	Auto backup Software	Cheque Clearing Software	Others	Total					
At 01.01.2024	30,557	16,707	186,441	60,984	6,147,397	160,919	45,090	55,846	75,020	7,032,558	13,811,519					
Transfer from WIP int	-	-	-	-	-	-	-	-	-	-	-					
Adjustment	-	-	-	-	-	-	-	-	-	-	-					
Additions for the year	-	-	-	-	-	-	-	-	-	856,570	856,570					
At 31.12.2024	30,557	16,707	186,441	60,984	6,147,397	160,919	45,090	55,846	75,020	7,889,128	14,668,089					
Amortization																
Charge for the year	2,037	1,114	12,429	4,066	395,946	10,728	2,322	3,723	5,001	341,214	778,580					
Balance as 31.12.2024	2,037	1,114	12,429	4,066	395,946	10,728	2,322	3,723	5,001	341,214	778,580					
Net book value																
At 31.12.2024	28,520	15,593	174,012	56,918	5,751,451	150,191	42,768	52,123	70,019	7,547,914	13,889,509					



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NOTES (CONTINUED)

19 INTANGIBLE ASSETS (CONTINUED)

	Swift software	K-Printer Checker Module	AML Solution for CBS	Mobile Bank Solution	ICSF Financial system (Banks)	Interface between BR and Swift system (SSTP)	Soft (Call Centre)	Net	Auto backup Software	Cheque Clearing Software	Others	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
At 01.01.2023	32,594	17,821	198,870	65,050	6,396,615	171,647	-	59,569	80,021	6,787,618	13,809,805	
Transfer from WIP intangible	-	-	-	-	-	-	46,445	-	-	-	(46,445)	-
Adjustment	-	-	-	-	-	-	-	-	-	-	(149,193)	(149,193)
Additions for the year	-	-	-	-	146,256	-	-	-	-	-	754,264	900,520
At 31.12.2023	32,594	17,821	198,870	65,050	6,542,871	171,647	46,445	59,569	80,021	7,346,244	14,561,132	
Amortization												
At 01.01.2023												
Charge for the year	2,037	1,114	12,429	4,066	395,474	10,728	1,355	3,723	5,001	313,686	749,613	
Balance as 31.12.2023	2,037	1,114	12,429	4,066	395,474	10,728	1,355	3,723	5,001	313,686	749,613	
Net book value												
At 31.12.2023	30,557	16,707	186,441	60,984	6,147,397	160,919	45,090	55,846	75,020	7,032,558	13,811,519	

*Adjustment figure related to refund from Master Card for overcharging licence cost.



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NOTES (CONTINUED)

20 DEPOSITS DUE TO CUSTOMERS

	2024	2023
	TZS'000	TZS'000
Conventional Banking:		
Current Accounts Deposits	635,214,887	840,612,867
Savings Deposits	172,341,502	156,411,502
Time Deposits	510,384,853	196,356,415
Matured time deposit	420	420
Accrued Interest on Time Deposits	78	73
Accrued Interest on Saving Deposits	10,272,279	4613392
Subtotal conventional banking	1,328,214,019	1,197,994,669
Special Deposits:		
Letter of credit & Guarantees Cash Cover	72,165,196	12,695,346
Special deposit account	2,292,384	106,802,536
Subtotal Special Deposits	74,457,580	119,497,882
Total Conventional & Special deposits	1,402,671,599	1,317,492,551
Islamic Banking:		
Current Accounts Deposits:		
Al wadiah	291,360,913	243,134,189
Mudharaba	1,311,708	9,099
Qard Current	2,593	21,778
Total current deposit	292,675,214	243,165,066
Savings Deposits		
Al wadiah	160,149,958	140,619,449
Total saving deposit	160,149,958	140,619,449
Fixed Deposit:		
Mudharaba	616,104	843,099
Islamic time deposit intermediate	93,543,195	29,244,599
Profit payable Mudharaba	3,014,556	547,938
Fixed Deposit	97,173,855	30,635,636
Total Islamic Deposits	549,999,027	414,420,151



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NOTES (CONTINUED)

20 DEPOSITS DUE TO CUSTOMERS (CONTINUED)

	2024	2023
	TZS'000	TZS'000
Current	1,952,670,626	1,731,912,702
Non-Current	-	-
Total deposit	1,952,670,626	1,731,912,702

21 OTHER LIABILITIES

Payment Order Outwards & transfers payable	49,789	144,509
Accrual Expenses Payable	1,301,376	1,161,807
Provisions	429,278	2,536,348
Employee Retirement Benefit Provision	1,425,974	1,546,671
Accounts and other Payable	3,760,445	870,122
Cheques & Drafts Issued	549,740	438,165
Treasury Spot deal payable	-	138,692
Entries In Transit (Local)	741,867	-
Withholding tax	1,999,341	1,267,206
Other Islamic financing	*60,510,907	297,180
CM supplier payable-Corporate	10,000	-
Miscellaneous Suspense (Liability)	239,203	17,146
	71,017,921	8,417,846

	2024	2023
	TZS'000	TZS'000
Current	316,238	96,780
Non-Current	1,952,354,388	1,731,815,922
Total deposit	1,952,670,626	1,731,912,702

*The balance in the other Islamic financing is highly contributed by recognition of SHIPCO financing contract for purchasing two passenger boat for USD 27 million (TZS 66,169 million) of which USD 2.5 million paid in December 2024 and remained amount were USD 24.50 million equivalent to TZS 60,042 million which is payable to supplier on instalment basis.



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NOTES (CONTINUED)

22 LEASE LIABILITIES

	2024	2023
	TZS'000	TZS'000
At start of the year	8,081,710	8,047,117
Additions	1,765,715	1,881,951
Finance cost	751,830	550,808
Payment during the year-Principal	(2,826,375)	(2,398,166)
Adjustment during the year	(45,985)	-
At the end of year	7,726,895	8,081,710

23 DEBT SECURITIES AT AMORTIZED COST

11.40%, 7 years Corporate Bond to ZSSF	10,000,000	10,000,000
12%, 7 years Corporate Bond to ZSSF	10,000,000	10,000,000
Accrued interest on bond	418,171	418,171
	20,418,171	20,418,171

24 BORROWING

Balance 1 January	90,139,938	153,108,903
Loans received during the year	414,793,079	-
Loan repaid during the year	(303,401,222)	(63,479,975)
Accrued interest on borrowing	1,794,866	511,010
	203,326,661	90,139,938



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NOTES (CONTINUED)

25 DEFERRED TAX ASSET

	2024	2023
	TZS'000	TZS'000
As at beginning	(10,249,548)	(9,860,850)
(Charge)/release for the year	639,802	(388,698)
Deferred tax asset at year end	(9,609,746)	(10,249,548)

Deferred income tax is calculated on all temporary differences under the liability method using a principal tax rate of 30%. The movement on the deferred income tax account is as follows:

	1 Jan 2024	Current year	Prior years	31 Dec 2024
Deferred tax assets				
Property, Plant and Equipment	296,744	(278,851)	-	17,893
Provision for loan impairment	(2,736,928)	(450,972)	-	(3,187,900)
Other Provision	(4,340,484)	(99,221)	-	(4,439,705)
Other temporary difference	(23,378)	(678,600)	-	(701,978)
Regulatory Reserves	(3,445,503)	2,147,447	-	(1,298,056)
Deferred tax Asset	(10,249,549)	639,803		(9,609,746)

	1st Jan 2023	Current year	Prior years	31st Dec 2023
Deferred tax assets				
Property, Plant and Equipment	465,902	(169,158)	-	296,744
Provision for loan impairment	(3,327,023)	590,095	-	(2,736,928)
Other Provision	(4,749,920)	409,436	-	(4,340,484)
Other temporary difference	(1,204,544)	1,181,166	-	(23,378)
Regulatory Reserves	(1,045,266)	(2,400,237)	-	(3,445,503)
Deferred tax Asset	(9,860,850)	(388,698)	-	(10,249,548)



**THE PEOPLE'S BANK OF ZANZIBAR LIMITED (PBZ)
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NOTES (CONTINUED)

26 SHARE CAPITAL

	2024	2023
	TZS'000	TZS'000
Authorised share capital		
600,000,000 Ordinary Share of TZS 100 each	60,000,000	60,000,000
Issued and fully paid-up share capital		
310,000,000 Ordinary Shares TZS 100 each	31,000,000	31,000,000

27 GOVERNMENT GRANT

	2024	2023
	TZS'000	TZS'000
ChakeChake building	340,160	340,160
Forodhani Building	139,160	139,160
Motor Trade building (Malindi)	2,160,000	2,160,000
Wete Hotel Building (Wete Pemba)	158,400	158,400
Makunduchi Building	206,689	206,689
Kiembe samaki (Mazizini) Land	396,000	396,000
Makunduchi Land	21,225	21,225
Sub total	3,421,634	3,421,634
Amortization as at 1 January 2024	(145,933)	(128,471)
Amortization during the year	(17,462)	(17,462)
Sub total	(163,395)	(145,933)
Carrying amount	3,258,239	3,275,701

Government grant represents asset assisted by the Revolutionary Government of Zanzibar.



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NOTES (CONTINUED)

28 REGULATORY RISK RESERVE

Provision for non-performing assets is computed using both IFRS 9 (ECL) approach and BOT regulatory approach. ECL provision is charged to the profit or loss. Where the ECL provision is less than BOT provision, then the excess over ECL provision is taken to a non-distributable reserve known as Regulatory Risk Reserve. During the period under review the provisions using both approaches were as follows:

	2024	2023
	TZS'000	TZS'000
Opening balance of reserve	11,485,009	3,484,219
(Decrease) / Increased of reserve in the year	(7,158,156)	9,212,103
	4,326,853	11,485,009
Analyzed as:		
Provision per BOT regulations	14,953,186	20,608,102
ECL Provision	(10,626,333)	(9,123,093)
Excess over ECL provision impact to Regulatory risk reserve	4,326,853	11,485,009

The Regulatory Risk Reserve is not part of the Bank's core capital.

29 RETAINED EARNINGS

	2024	2023
	TZS'000	TZS'000
Opening balance of reserve	144,111,296	107,236,086
(Decrease) / Increased of reserve in the year	69,838,989	43,461,192
Release to Retained earnings	(7,000,000)	(6,585,982)
	206,950,285	144,111,296

30 OTHER RESERVES

Other reserves comprise of the following:

Fixed assets revaluation reserve	700,015	877,442
Fair value reserve	1,452,497	1,205,909
	2,152,512	2,083,351



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NOTES (CONTINUED)

30 OTHER RESERVES (CONTINUED)

Fixed Assets Revaluation Reserve

The Bank maintains a Fixed Assets Revaluation Reserve to account for revaluation surpluses. If an asset carrying amount increases because of revaluation, the increase is credited directly to Fixed Asset Revaluation Reserve. However, the increase is recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss. If an asset's carrying amount decreases because of revaluation, the decrease is recognized in profit or loss. However, the decrease is debited directly to Fixed Assets Revaluation Account to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The Fixed Assets Revaluation Reserve is not part of the Bank's core capital. The Bank opted revaluation model in measurement of building and motor vehicle categories in the PPE.

Fixed assets Revaluation Reserve movement during the year is shown below:

	2024	2023
	TZS'000	TZS'000
Particulars		
Opening balance	877,442	1,054,868
Revaluation surplus on derecognized assets transferred to retained earnings	(177,427)	(177,426)
Closing balance	700,015	877,442
31 INTEREST AND SIMILAR INCOME		
Interest on loan and advances:		
Interest on commercial loan and overdrafts	11,073,909	4,564,331
Interest on personal Loan	114,926,922	104,683,244
Sub total	126,000,830	109,247,575
Interest on other Investment:		
Income on Treasury Bills	268,443	242,900
Income on Treasury Bonds	14,102,547	8,476,857
Interest on Foreign Placements	841,906	259,999
Interest on Inter-Bank Lending	19,994,089	3,477,823
Sub total	35,206,986	12,457,579
Total	161,207,816	121,705,154



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NOTES (CONTINUED)

32 INTEREST AND SIMILAR EXPENSES

	2024	2023
	TZS'000	TZS'000
Interest on deposit from customers:		
Savings Deposits	3,504,445	3,124,864
Time Deposits – Local	16,606,391	8,342,513
Trust current account – Local	2,402,983	1,369,028
	22,513,818	12,836,405
Interest on borrowing:		
Interest on Corporate Bond	2,340,000	2,340,000
Interest on borrowings	18,950,900	5,461,606
	21,290,900	7,801,606
Interest on leasing (IFRS 16)	751,830	550,808
Total interest expenses	44,556,549	21,188,819
33 FEES AND COMMISSION (NET)		
Fees and commission income (Note 33.1)	25,080,325	19,045,215
Fees and commission expenses	(4,807,588)	(3,790,511)
	20,272,737	15,254,704
33.1 Fees and commission income		
Bank Commissions	18,691,983	12,233,477
Ledger Fees	723,982	662,894
Sales of Cheque Books	216,145	191,921
Loans application and authorization fees	5,448,215	5,956,923
	25,080,325	19,045,215



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NOTES (CONTINUED)

34 INCOME FROM FINANCING AND INVESTMENT RECEIVABLE (NET)

Income from Islamic Financing (Note 34.1)	18,086,004	11,987,054
Cost of Fund Islamic Deposits	(6,494,930)	(1,460,211)
	11,591,074	10,526,843

	2024	2023
	TZS'000	TZS'000
Personal Murabaha	8,602,890	8,418,157
Commercial Murabaha	2,228,834	1,230,072
Educational (Personal)	19,505	21,393
Salam Income/loss individuals	4,961	-
Ijarah Personal (Old)	52,243	78,477
Profit Rcvd Tawarruq	5,211,930	1,104,801
Profit income received intebank lending	1,075,890	518,870
Profit received from SUKUK	889,751	615,285
	18,086,004	11,987,055

35 FOREIGN CURRENCY EXCHANGE INCOME

Foreign exchange gain	8,717,259	6,656,340
Revaluation loss	(2,615,144)	(435,871)
	6,102,115	6,220,469

36 OTHER OPERATING INCOME

Sundry Income	543,468	390,179
Dividend Income (Equity Investment)	136,052	79,414
Gain/Loss on disposal of fixed assets	(84,349)	2,996
Recovery from Charged off Debtors	1,581,552	586,585
Amortization of Grants	17,462	17,462
	2,194,186	1,076,636

Note: Item of sundry income mostly comprised of realization of long term unclaimed (liability) suspense accounts, over-the-counter withdrawal charge and disbursement fee.



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NOTES (CONTINUED)

37 MOVEMENT AND RECOVERY OF ECL

Year ended 31 Dec 2024

Conventional loan:

Conventional Loans

ECL Provisions 1 Jan 2024 TZS'000	Write off/adjustment during the year TZS'000	ECL provision after write off TZS'000	ECL Provisions 31 Dec 2024 TZS'000	Profit& Loss impact TZS'000
8,281,086	(1,678,746)	2,958,794	9,561,133	(2,958,794)
8,281,086	(1,678,746)	2,958,794	9,561,133	(2,958,794)

Islamic Financing:

Islamic Financing

842,007	-	223,193	1,065,200	(223,193)
842,007	-	223,193	1,065,200	(223,193)

Charge/(Recovery) of ECL – Advance loan and Islamic financing

9,123,093	(1,678,746)	3,181,987	10,626,334	(3,181,987)
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NOTES (CONTINUED)

37 MOVEMENT AND RECOVERY OF ECL (CONTINUED)

Year ended 31 Dec 2024	ECL Provisions 1 Jan 2024 TZS'000	Write off/adjustment during the year TZS'000	ECL provision after write off TZS'000	ECL Provisions 31 Dec 2024 TZS'000	Profit & Loss impact TZS'000
Other assets:					
Other assets	13,059,401	-	489,786	13,549,187	(489,786)
Mucoba Plc	5,000,000	-	-	5,000,000	-
Total	18,059,401	-	489,786	18,549,187	(489,786)
Placements & Investments:					
Current balances with other Banks	114,182	-	(19,433)	94,749	19,433
Placements with other Banks	5,848	-	(5,214)	634	5,214
Balances with Bank of Tanzania	289,021	-	(261,392)	27,629	261,392
Government securities	999,829	-	177,610	1,177,439	(177,610)
Total	1,408,880	-	(108,429)	1,300,451	108,429
Change/(Recover) of ECL - other assets	19,468,281	-	381,357	19,849,638	(381,357)



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NOTES (CONTINUED)

37 MOVEMENT AND RECOVERY OF ECL (CONTINUED)

Year ended 31 Dec 2023	ECL Provisions 1 Jan 2023 TZS'000	Write off/adjustment during the year TZS'000	ECL provision after write off TZS'000	ECL Provisions 31 Dec 2023 TZS'000	Profit & Loss impact TZS'000
Conventional loan:					
Conventional Loans	9,736,020	(2,054,016)	599,083	8,281,087	(599,083)
	9,736,020	(2,054,016)	599,083	8,281,087	(599,083)
Islamic Financing:					
Islamic Financing	1,354,055	(1,250,753)	738,704	842,007	738,704
	1,354,055	(1,250,753)	738,704	842,007	738,704
Charge/(Recovery) of ECL Loans and advances	11,090,075	-3,304,769	1,337,787	9,123,093	(1,337,787)



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NOTES (CONTINUED)

37 MOVEMENT AND RECOVERY OF ECL (CONTINUED)

Year ended 31 Dec 2023	ECL Provisions 1 Jan 2023 TZS'000	Write off/adjustment during the year TZS'000	ECL provision after write off TZS'000	Provisions 31 Dec 2023 TZS'000	Profit & Loss impact TZS'000
Other assets:					
Other assets	13,146,314	(133,780)	46,867	13,059,401	(46,867)
Mucoba Plc	2,000,000	-	3,000,000	5,000,000	(3,000,000)
Total	15,146,314	(133,780)	3,046,867	18,059,401	(3,046,867)
Placements & Investments					
Current balances with other Banks	38,126	-	76,056	114,182	(76,056)
Placements with other Banks	130,073	-	(124,225)	5,848	124,225
Balances with Bank of Tanzania	27,099	-	261,922	289,021	(261,922)
Government securities	491,453	-	508,376	999,829	(508,376)
Total	686,751	-	722,129	1,408,880	(722,129)
Change/(Recover) of ECL - other assets	15,833,065	(133,780)	3,768,996	19,468,281	(3,768,996)



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NOTES (CONTINUED)

38 ASSETS WRITTEN OFF

	2024	2023
	TZS'000	TZS'000
- Loan and advance	-	(10,149)
Total	-	(10,149)

39 PERSONNEL EXPENSES

Salaries and Allowances to staff	16,832,298	16,976,561
Pension Contribution (14%)	1,392,656	1,327,400
Skills and Development Levy	693,843	689,266
Training Expenses	856,676	712,239
Staff Housing Allowances	900,856	-
ZHSF-Zanzibar Health service Fund	594,515	-
Staff Uniform	408,857	207,736
Long-term Service Award	23,462	53,327
Employees Vacation Leave	47,120	49,100
Employees Medical Care (Medical Insurance)	544,453	1,140,388
Total	22,294,737	21,156,016

40 GENERAL AND ADMINISTRATION EXPENSES

Fax Internet and swift expenses	1,156,899	1,162,929
Fuel Expenses	1,585,498	1,466,889
Marketing and Advertisement Expenses	2,552,331	2,568,906
Sponsor Expenses	1,998,864	1,552,418
Depreciation (PPE, LHP and ROU asset)	5,447,144	5,152,765
Amortization of Intangible Assets	778,582	749,612
Travelling Expenses and Allowance	1,318,346	1,121,835
Repair and maintenance	4,359,308	2,976,221
Audit fees	362,468	342,652
Board Directors fees & allowances	616,048	513,160
Insurance expense	1,177,936	959,120
Security expenses	1,951,544	1,654,833
Other Administrative expenses	1,603,682	1,530,002
Total	24,908,650	21,751,342



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NOTES (CONTINUED)

41 OTHER OPERATING EXPENSES

Sundry expenses (Note 41.1)	9,216,040	7,566,159
Office expenses	1,890,440	1,690,499
Currency Transportation Expenses	73,947	76,788
Contribution to Deposits Insurance Fund	2,073,026	1,381,994
Stationeries expenses	705,284	792,749
Total	13,958,737	11,508,189

41.1 Sundry Expenses

	2024	2023
	TZS'000	TZS'000
Gratuity expense	34,859	59,981
Loan Insurance cover	2,332,383	3,134,405
Cheques Printing Expense	102,702	115,988
Incidental Expenses	3,771,144	1,152,834
Agent Commission Expenses	789,124	675,973
ATM Card/PIN Mailer Printing (Instant Issuing)	395,221	831,104
Other Expenses	1,790,606	1,597,874
	9,216,040	7,566,159

42 INCOME TAX EXPENSE

	2024	2023
	TZS'000	TZS'000
Current tax charge for the current year	28,659,416	23,166,651
Current tax charges for prior year	283,287	-
Deferred tax asset for the year (note 25)	639,803	(388,698)
Income Tax Expense for the year	29,582,506	22,777,952

The tax in the Bank's profit before income tax differs from the theoretical amount that would arise using the statutory tax rate as follows:

Accounting profit before income tax	92,085,911	74,062,508
Tax calculated on statutory income tax rate of 30%	27,625,773	22,218,752
Current tax charges for prior year	283,287	-
Tax effect of:		
Permanent differences	1,673,445	559,200
Income Tax Expense	29,582,506	22,777,952



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NOTES (CONTINUED)

43 CORPORATE TAX PAYABLE

	2024	2023
	TZS'000	TZS'000
Tax payable brought forward	707,521	864,895
Tax paid for the year 2024	(707,521)	(824,024)
Current tax charge for the year 2024	28,659,416	23,166,650
Tax paid for the year 2024	(26,400,000)	(22,500,000)
	<hr/>	<hr/>
Tax Payable at the end of the Year	2,259,416	707,521
	<hr/> <hr/>	<hr/> <hr/>

44 RELATE CASH AND CASH EQUIVALENTS

	2024	2023
	TZS'000	TZS'000
Local and foreign currencies (11)	40,762,383	71,077,690
Current account with BOT (Note 11)	37,305,921	489,566,398
Placements with Other Banks (Note 12)	760,083,339	188,830,909
Cheques & Items for Clearing	445,313	615,087
Mobile money balance	3,175,546	3,689,705
	<hr/>	<hr/>
Cash and cash equivalents	841,772,501	753,779,789
	<hr/> <hr/>	<hr/> <hr/>



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NOTES (CONTINUED)

45 RELATED PARTY DISCLOSURES

Parties are related if one party could control the other party or exercise significant influence over the other party in making financial and operating decisions. The bank is controlled by the revolutionary government of Zanzibar, which owns 100% of ordinary shares. All transactions with the Government Ministries and Government owned institutions are considered transactions with related parties. Several banking transactions were entered with related parties in the normal course of business. These included loans, deposits and foreign currency transactions. The volume of related party transactions, outstanding amounts and related expense and income for the period ended 31st December 2024 were as follows:

Zanzibar Government and its institutions deposits, loans and other transactions.

	2024 TZS'000	2023 TZS'000
Deposits:		
Local currency deposits	349,382,918	177,664,808
Foreign currency deposits	586,032,279	246,010,908
	<u>935,415,197</u>	<u>423,675,716</u>
Loan and advances		
Local currency overdraft	140,851,970	28,151,368
	<u>140,851,970</u>	<u>28,151,368</u>
Interest		
Interest on loans earned by the Bank	4,298,846	3,756,407
Interest paid by the bank	8,340,465	-
	<u>12,639,311</u>	<u>3,756,407</u>
Other transactions:		
Rent paid to Shirika la Nyumba	10,800	-
Rent paid to Zanzibar Social Security Fund (ZSSF)	240,038	21,591
Rent paid to ZRA	37,156	-
Rent paid to Zanzibar Airport Association (ZAA)	53,357	-
Rent paid to Zanzibar Insurance Corporation (ZIC)	230,497	188,832
	<u>571,848</u>	<u>210,423</u>

A list of members of the Board of Directors is shown on note 6. For the period ended 31st December 2024, the director's fee paid TZS 24.9 million (2023: TZS. 19 million).

Key Management Personnel Benefits

For the period ended 31st December 2024 key management personnel as indicated in page 13 above, were advantaged for short term benefit of TZS 1,437 million (2023: TZS 1,454 million)



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NOTES (CONTINUED)

46 CONTINGENT LIABILITIES AND COMMITMENTS

	2024	2023
	TZS'000	TZS'000
Local and foreign guarantees	7,774,437	12,418,095
Letter of credit	70,444,921	858,681
Undrawn unexpired overdraft facilities	898,048	1,439,771
	<hr/>	<hr/>
Total	79,117,406	14,716,547
	<hr/> <hr/>	<hr/> <hr/>

47 CHEQUES AND ITEMS FOR CLEARING

As at 31st December 2024 the Cheque and items for clearing is TZS 445 million as compared to TZS 615 million for the ended December 2023.

48 CAPITAL ADEQUACY

The Bank monitors the adequacy of its capital using ratios established by the Bank of Tanzania. These ratios measure capital adequacy by comparing the Bank's eligible capital with its balance sheet assets, off-balance sheet commitments and market and other risk positions at a weighted amount to reflect their relative risk. The Bank maintains an actively managed capital base to cover risks inherent in the business and is meeting the capital adequacy requirements as per BOT supervision. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision (BIS rules/ratios) and adopted by the BOT. The Bank has complied in full with all its externally imposed capital requirements over the reported period.

Capital management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of statement of financial positions, are:

- To comply with the capital requirements set by the Bank of Tanzania (BoT);
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

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



**THE PEOPLE'S BANK OF ZANZIBAR LIMITED (PBZ)
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NOTES (CONTINUED)

48 CAPITAL ADEQUACY (CONTINUED)

Capital management (continued)

The Bank of Tanzania requires each Bank to:

- a) Hold a minimum level of core capital of TZS 15 billion.
- b) Maintain a ratio of core capital to the risk-weighted assets plus risk-weighted off-balance sheet assets or above the required minimum of 10%; and
- c) Maintain total capital of not less than 12% of risk-weighted assets plus risk-weighted off-balance sheet items.

Maintain a capital conservation buffer of 2.5% of risk-weighted assets and off-balance sheet exposures from August 2018. The capital conservation buffer is made up of items that qualify as tier 1 capital.

When the Bank is holding capital conservation buffer of less than 2.5% of risk-weighted assets and off-balance sheet exposures but is meeting its minimum capital requirements that Bank:

- Shall not be distribute dividends to shareholders or bonuses to senior management and other staff members until the buffer is restored to at least 2.5%.
- Shall submit a capital restoration plan to Bank of Tanzania within a period specified by BoT, indicating how the Bank is going to raise capital to meet its minimum requirement including capital conservation buffer within a specified period of time; and
- If BoT does not approve the capital restoration plan, it may direct the Bank to raise additional capital within a specified time period in order to restore its capital conservation buffer.

The Bank's regulatory capital as managed by its Finance Department is divided into two tiers:

- **Tier 1 capital:** means permanent shareholders' equity in the form of issued and fully paid ordinary shares, and perpetual non-cumulative preference shares, capital grants and disclosed reserves less year to date losses, goodwill organization, pre-operating expenses, prepaid expenses, deferred charges, leasehold rights and any other intangible assets.
- **Tier 2 capital:** means general provisions, which are held against future, presently unidentified losses and are freely available to meet losses, which subsequently materialize, subordinated debts, cumulative redeemable preferred stocks and any other form of capital as may be determined and announced from time to time by the Bank.

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



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FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2024

NOTES (CONTINUED)

48 CAPITAL ADEQUACY (CONTINUED)

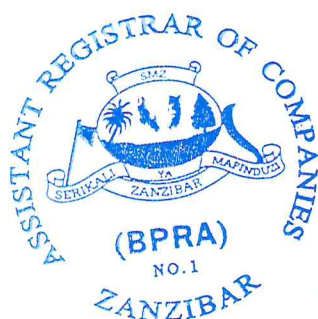
Capital management (continued)

The table below summarizes the composition of regulatory capital and the ratios of the Bank for the year ended 31 December 2024 and year ended 31 December 2023.

	2024 TZS' 000	2023 TZS' 000
Tier 1 capital		
Share capital	31,000,000	31,000,000
Retained earnings	144,446,879	92,826,741
Qualify year to date profit	62,503,405	51,284,555
Capital grant	3,258,239	3,275,701
Less: Prepaid expenses	(2,324,366)	(1,532,115)
Less Deferred tax assets	(9,609,746)	(10,249,548)
Total qualifying Tier 1 capital (A)	229,274,411	166,605,334
Tier 2 capital		
Subordinated debt	14,000,000	16,000,000
Maximum Tier 2 capital allowed (2% of Risk Weighted assets – (C) ^(c))	14,000,000	16,000,000
Total regulatory capital (D) = [(A) + Lower of (B) or (C)]	243,274,411	182,605,334
Risk-weighted assets		
On-balance sheet ^(d)		
Off-balance sheet	853,813,772	653,508,104
Market risk	14,714,797	8,306,347
Operational risk ^(e)	84,901,495	67,368,647
Total risk-weighted assets (E)	953,430,064	729,183,098
	Bank's (%)	Bank's (%)
Tier 1 capital	24.05	22.85
Tier 1 + Tier 2 capital	25.52	25.04

49 EVENT AFTER REPORTING PERIOD

There was no event after reporting period which required adjustment or disclosure in the Bank financial statements.



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24.10.2025