



CHINA DASHENG BANK  
中華大盛銀行

APRIL 2024

**CHINA DASHENG BANK LIMITED**

**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

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## **CHINA DASHENG BANK LIMITED**

### **ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

#### **LIST OF ABBREVIATIONS**

BOT	Bank of Tanzania
BRELA	Business Registration and Licensing Authority
CPA-PP	Certified Public Accountant in Public Practice
EAD	Exposure at Default
ECL	Expected Credit Loss
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
LGD	Loss Given Default
LTECL	Lifetime Expected Credit Loss
NBAA	National Board of Accountants and Auditors
PD	Probability of Default
SIC	Standard Interpretation Committee
TFRS	Tanzania Financial Reporting Standard
TIN	Tax Identification Number
TZS	Tanzanian Shillings
FDI	Foreign Direct Investment

## **CHINA DASHENG BANK LIMITED**

### **ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

#### **BANK INFORMATION**

**Name of organization** China Dasheng Bank Limited

**Registered office** China Dasheng Bank Limited  
Extelecoms House  
Mezzanine Floor  
Samora Avenue  
PO Box 388  
Dar es Salaam  
Tanzania

**Principal bankers** Bank of Tanzania  
Head Office  
PO Box 2939  
Dar es Salaam  
Tanzania

EQUITY Bank Tanzania Limited  
Head Office  
PO Box 110183  
Dar es Salaam  
Tanzania

**Corresponding bankers** UBA New York  
A United bank of Africa Plc  
America, New York Branch: 575  
5<sup>th</sup> Avenue, 32<sup>nd</sup> Floor New York  
NY 10017

Shanghai Pudong Development  
Bank  
F/11 Eastern Tower 689 Beijing  
Road (East)  
Shanghai, 200001, P.R. China

**Tax advisors** Auditax International  
PPF Tower, 7th Floor  
PO Box 77949  
Dar es Salaam  
Tanzania

**CHINA DASHENG BANK LIMITED**

**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**BANK INFORMATION (Continued)**

<b>Legal advisors</b>	Arbor Law Chambers Plot no.211, Kimweri Avenue Msasani PO Box 105092 Dar es Salaam Tanzania
<b>Auditors</b>	Ernst & Young Certified Public Accountants Plot No. 162/1, Mzinga Way 14111 Oysterbay PO Box 2475 Dar es Salaam, Tanzania Email: <a href="mailto:info.tanzania@tz.ey.com">info.tanzania@tz.ey.com</a> Web: <a href="http://www.ey.com">www.ey.com</a>
<b>Branches</b>	Samora Branch Extelecom House Mezzanine Floor Samora Avenue PO Box 388 Dar es Salaam Tanzania  Kariakoo Branch Plot No. 15, Block No. 75 Aggrey street, Kariakoo P. O. Box 388 Dar es salaam Tanzania

## **CHINA DASHENG BANK LIMITED**

### **REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2023**

#### **1. INTRODUCTION**

Those charged with governance are pleased to present their report together with the audited financial statements of China Dasheng Bank Limited (“the Bank”) for the financial year ended 31 December 2023, which disclose the state of affairs of the Bank. This report has been prepared in accordance with the Tanzania Financial Reporting Standard (TFRS) No. 1, Report by those charged with governance issued by the National Board of Accountants and Auditors (NBAA).

#### **2. ESTABLISHMENT**

China Dasheng Bank Limited was incorporated as private limited liability company under the Tanzanian Companies Act, 2002 on 1 March 2017 and issued with a certificate of registration number 133554. Bank of Tanzania (BOT) issued provisional license to China Dasheng Bank on 25 November 2017 that granted approval to carry out banking business as a commercial bank subject to fulfillment of the conditions set forth by the BOT. The Bank was then issued with a permanent banking business license number CBA00066 by the Bank of Tanzania on 8 November 2018 and started banking operations on 26 November 2018.

#### **3. MISSION AND VISION**

##### **(i) MISSION**

To become the bridge of economic cooperation between China and Tanzania by providing swift and convenient international banking services; to satisfy various requirements of Chinese and Tanzanian customers by providing quality products and highly efficiency financial services.

##### **(ii) VISION**

To become multinational bank of China – Tanzania economic cooperation by providing comprehensive financial solutions.

#### **4. PRINCIPAL ACTIVITIES**

The principal activity of China Dasheng Bank Limited is to provide banking and related services as stipulated by the Banking and Financial Institutions Act, 2006. These include but are not limited to provision of general banking services (like deposit taking, foreign exchange dealings, bank guarantees, construction financing, and treasury products). The primary market for the bank will include 4 major sectors as follows;

- Construction
- Transport and Logistics
- Manufacturing and
- Traders.

#### **5. CORPORATE VALUES**

- Efficiency
- Innovation
- Pragmatism
- Excellency
- Customer centricity

## **CHINA DASHENG BANK LIMITED**

### **REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023**

#### **6. OBJECTIVES AND STRATEGIES**

The main objectives of the Bank are to build the China Dasheng Bank into a world class bank in the new era by enabling advancement through the technology, driving development through innovation, delivering performance through transformation and enhancing strength through reforms. The following are priority strategies established by the bank to achieve its objectives.

##### **Compliance and stable operation of the bank**

This strategy is the overall requirement and guidance of bank's operation. As a professional financial institution, it ensures long-term and stable operation under the premise of ensuring legal and compliance. This strategy starts from the top level and involve whole bank management and all staffs.

For top level, the bank should enhance effective corporate governance. For management, statutory and compliance requirement should be the red line that no one can override. This is also a guarantee for the existence and continued operation of the bank.

##### **Continuous business growth**

In order to enhance yields to shareholder value, the bank looks forward to increasing its business. This ambition is backed up by the changes of government's policies. The current government policies support FDI, strengthen private sector and international corporations. Chinese firms' projects are increasing in Tanzania i.e., constructions and trade. Industrialization agenda remained key to drive GDP growth. Monetary policy is anticipated to improve liquidity flow geared by massive government strategic investments, payments of local suppliers and investments in local governments. This strategy commits to continuous growth of business in the coming 5 years.

##### **Sound financial position**

The bank with initial capital of 40 million dollars and at the beginning the majority invested in Treasury bonds. The bank's initial strategy was conservative, and the risk appetite is averse and avoid. But for the coming 5 years' strategy, it will be a bit aggressive. The bank decided to expand and get public deposits do more business. The achievement of this new strategy needs the support of a sound finance position.

##### **Sound internal control and risk management**

The level of internal control and risk management is the most important factor which reflects the management level of a bank. This runs through the entire process of bank operation. Good internal control and risk management can prevent and effectively reduce different risks encountered by the bank and ensure the safety of bank assets and people.

##### **Digital transformation**

Technology has changed traditional banking completely and for the bank to succeed in the current environment it must embrace technological solutions in offering products and services. This strategy singles out digital transformation as the core priority of our bank's five-year strategic plan. We are committed to enhancing our systems to be able to digitalize our internal process, to fasten our service delivery as well as to add alternative business channels to enable customer to transact whenever and wherever they are. We commit to partner with various fintech companies and other banks to tap the maximum potential available in the market. This strategy sets out the need to build our technological infrastructure to match and if possible, surpass the leading bank in the market.

## **CHINA DASHENG BANK LIMITED**

### **REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023**

#### **6. OBJECTIVES AND STRATEGIES (Continued)**

##### **People oriented and customer centric.**

Human resources are the bank's most precious resource. All strategies and plan goals need to be achieved by dedicated professionals. The bank will focus on maximizing the potential of employees, improving their abilities, and providing space and assistance for their long-term career development.

Meantime, Tanzanian banking services is blessed with highly competitive banks as well as innovative services. This competitive landscape pushes banks to be more responsive to customers' needs and services. Therefore, offering better products and exceptional services remained key. This strategy is committed to implement our core values of being customer oriented and focused as well as pragmatic on dealing with our customers. We commit to implement a system which will whatever we do will lead to customer satisfaction.

#### **7. CORPORATE GOVERNANCE**

As at 31 December 2023, China Dasheng Bank Limited Board of Directors consists of Eight (8) members (2022: Eight (8) members). No other member holds an executive position in the Bank except the Chief Executive Officer who is also an Executive Director. The Board is responsible for safe custody and investment of depositors' funds. Consequently, the Board commits sufficient time in the oversight of affairs of the Bank including identification of key risk areas, considering significant financial matters, reviewing the performance of management business and ensuring a comprehensive system of internal control policies and procedures is operative in compliance with sound corporate governance principles. An effective oversight by the Board for the overall responsibility of the Bank entails possession of necessary skills to make sound and independent judgments and be able to apply immediate remedial measures.

The Board is required to meet at least four times in a year and delegates the day-to-day management of the business to the Chief Executive Officer assisted by senior management team. The China Dasheng Bank Limited is committed to the principles of effective corporate governance recognizing the importance of integrity, transparency, and accountability.

The Bank shall continue its endeavor to enhance its shareholders' value by protecting their interest by ensuring performance at all levels and maximizing returns with optimal use of the existing resources.

The Bank shall comply with not only the statutory requirements, but also voluntarily formulate and adhere to a set of strong corporate governance practices. The Bank believes in setting high standards of ethical values, transparency and a disciplined approach to achieve excellence in all its spheres of activities. The Bank shall strive hard to best serve the interests of its stakeholders comprising shareholders, customers, government and society at large.

In connection with effective oversight, the Board of China Dasheng Bank Limited during the year had a responsibility to ensure high standard of corporate governance through establishment and effective functioning of various board committees and management in key areas.

The Board formed sub-committees to ensure a high standard of corporate governance throughout the Bank.



## **CHINA DASHENG BANK LIMITED**

### **REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023**

#### **7.1 CORPORATE GOVERNANCE (Continued)**

Good Corporate Governance practice is an important ingredient in creating and sustaining shareholder value and ensuring that behavior is ethical, legal and transparent. The Board Charter which was approved by the board is an important component of the framework that defines our Corporate Governance practice within China Dasheng Bank and is designed to provide guidance to directors and external audiences as to how we approach this critical issue within China Dasheng Bank.

The bank's corporate governance approach is focused on a set of values and behaviors that underpin the bank's operations, and are designed to promote transparency, fair dealing, and the protection of stakeholders' interests, including our customers, our shareholders, our employees, and our community. It includes aspiring to the highest standards of corporate governance, which China Dasheng Bank sees as fundamental to the sustainability of our business and our performance.

##### **7.1.1 Principal on appointment of board members**

The appointment of new Directors to the Board is overseen by the Remuneration Committee (REMCO). All Directors are availed a letter of appointment setting out the terms of their appointment to the Board. Criteria for the desired experience and competencies of new Directors is recommended by the REMCO who review the expertise of each potential new director before their appointments are recommended to the Board. After recommendation to the Board, the Board will endorse the appointment and recommend it to the shareholders for final decision.

##### **7.1.2 Responsibility of the Board**

The Board is responsible to shareholders for creating and delivering sustainable shareholder value through the management of China Dasheng Bank's business in particular in relation to the triple bottom line of social, economic and environmental performance. Therefore, the board should determine the strategic objectives and policies of China Dasheng Bank so as to deliver such long-term value, providing overall strategic direction within a framework of rewards, incentives and controls. The Board ensures that management strikes an appropriate balance between promoting long-term sustainable growth and delivering short-term performance.

##### **7.1.3 Independence of the Board members.**

The Board considers the following criteria and the issue of independence on an annual basis to determine the independence of non-executive Directors. The Board has also concluded that the following behaviors are essential for the Board to consider a director to be independent and will assess non-executive Directors against these criteria:

- Provides objective challenge to management.
- Is prepared to challenge others' assumptions, beliefs or viewpoints as necessary for the good of the bank.
- Questions and debates matter in a constructive manner.
- Is willing to stand up to defend their own beliefs and viewpoints in order to support the ultimate good of the bank; and
- Has a good understanding of the bank's businesses and affairs to enable them to properly evaluate information and responses provided by management.

## **CHINA DASHENG BANK LIMITED**

### **REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023**

#### **7 CORPORATE GOVERNANCE (Continued)**

##### **7.1.4 Principal for the age limit of the board members**

The board has adopted the age mix of directors as provided under the Companies Act, 2002 where the minimum age for a person to serve as a director, both executive directors and non-executive directors is twenty-one years of age. To give a wider spectrum of experience and knowledge the board has not limited the maximum age one can serve as a director, rather focus is on their ability to suit the directors' role.

##### **7.1.5 Governance and audit**

The Board is also responsible for ensuring that management maintains a system of internal control which provides assurance of effective and efficient operations, internal financial controls and compliance with law and regulation. In addition, the Board is responsible for ensuring that management maintains an effective risk management and oversight process. In carrying out these responsibilities, the Board must have regard to what is appropriate for China Dasheng Bank business and reputation, the materiality of the financial and other risks inherent in the business and the relative costs and benefits of implementing specific controls.

The Board is the decision-making body for all other matters of such importance as to be of significance to China Dasheng Bank Limited as a whole because of their strategic, financial or reputational implications or consequences. Delegation to committees or to management in no way mitigates or dissipates the discharge by the Board and its Directors of their responsibilities.

##### **7.1.6 Right of the Government and other stakeholders.**

The board ensures that the relationship with the government agencies is well maintained. The board ensures that the tax and other deductions due to the government are calculated and remitted accordingly.

##### **7.1.7 Stakeholders' relations**

The board of Directors acts in a way they consider, in good faith, would promote the success of the company for the benefit of the shareholders as a whole and, in doing so, have regard (amongst other matters) to: -

- the likely consequences of any decision in the long-term.
- the interests of China Dasheng Bank employees.
- the need to foster China Dasheng Bank business relationships with suppliers, customers and others.
- the impact of China Dasheng Bank Limited operations on the community and the environment.
- the desirability of China Dasheng Bank Limited in maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between shareholders of China Dasheng Bank.

##### **7.1.8 Ethics and social responsibility (Responsibility, Accountability, fairness and transparency)**

The Board has a duty to act in accordance with its powers and Directors must not use the position of director, or any information obtained while acting in the capacity of a director:

## CHINA DASHENG BANK LIMITED

### REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

#### 7 CORPORATE GOVERNANCE (Continued)

##### 7.1.9 Ethics and social responsibility (Responsibility, Accountability, fairness and transparency (Continued))

- To gain an advantage for the director, or for another person other than China Dasheng Bank or
- To knowingly cause harm to China Dasheng Bank. A director must communicate to the Board at the earliest practicable opportunity any information that comes to the director's attention, unless the director reasonably believes that the information is immaterial to China Dasheng Bank or generally available to the public or known to the other directors; or is bound not to disclose that information by a legal or ethical obligation of confidentiality.

China Dasheng Bank Limited has Executive and Non-executive Directors who share the same responsibilities and are subject to the same constraints. Directors owe both duty of care, duty of loyalty and general duties of reasonable care, skill and diligence to the company as a whole. The duties of Directors include:

- i. Only exercising powers within the authority given and acting in accordance with the company's constitutive documents.
- ii. At all times acting not only in good faith and honesty, but also in the bank's best interests and to promote the success of the company for all its members, whilst having regard to the likely consequences of any decision in the long-term, the interests of employees, the need to further relationships with suppliers and customers, the impact on the community and the environment, and the need to act fairly as between members of the company;
- iii. Exercising independent judgment in carrying out their duties.
- iv. Exercising reasonable care, skill and diligence in carrying out their duties commensurate with their knowledge and experience.
- v. Avoiding conflict of interest between their personal interests and their duties to the company.

##### 7.1.10 Risk management and Internal Control.

To assist the China Dasheng Bank Limited Board in the implementation of its Risk management and Internal Control responsibilities the board has delegated its powers to the Board Risk and Compliance Committee (BARCC) whose primary functions are:

- To review the bank's accounting policies, the contents of the financial reports, disclosure controls and procedures, management's approach to internal controls, the adequacy and scope of the external and internal audit functions, compliance with regulatory and financial reporting requirements, oversee the relationship with the bank's external auditors and to provide assurance to the Board that executive management's control assurance processes are implemented and are complete and effective.
- To ensure that the bank has implemented and manages an effective risk management plan and set of policies that will support the bank's ability to achieve its strategic objectives;
- To ensure that the bank has effective capital and liquidity processes in place and their management is effective and optimal on an ongoing basis.

## **CHINA DASHENG BANK LIMITED**

### **REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023**

#### **7 CORPORATE GOVERNANCE (Continued)**

##### **7.1.11 Board Charter**

The bank has a board charter which sets out the key values of the board directors of the bank. It provides specific responsibilities of the board and how it shall operate within the applicable and regulatory framework. It specifies powers of the board and its committee's separation of roles between board and management and practice of the board in relation to corporate governance

related matters. The charter is being reviewed annually or on need to ensure it remains adequate, consistent and relevant with the board purpose. Changes are subject to approval by the board of directors.

##### **7.1.12 Restriction on insider trading**

The board has put in place a policy for Restrictions on Insider Dealing where all dealings to insiders or related parties, major shareholders, subsidiaries, affiliate companies and directors shall require Board approval and will be on terms no more favorable than would be available to others. Lending to any one Insider will not exceed 5% of core capital while the aggregate insider lending will not exceed 25% of core capital. Such credits shall be notified to the Bank of Tanzania within 7 days of approval.

##### **7.1.13 Training and Development of the members of the board**

Training to the bank's directors is crucial in order to ensure that the Board keeps abreast with current developments in the market. In 2023 a number of trainings were held for the Directors. These included Board Leadership and Corporate Governance, Director's duties and the changing role of the Board of Directors during unprecedented times. The training includes Board Induction Training organized by Institute of Directors Tanzania (IoDT).

##### **7.1.14 Succession planning**

China Dasheng Bank Remuneration and Human Resources Committee is responsible for conducting an annual review of succession planning for the board of directors.

##### **7.1.15 Conflict of Interest and related party transactions**

Board members are expected to observe the requirements of The Banking and Financial Institutions (Corporate Governance) Regulations, 2021 the Companies Act, 2002, and all applicable laws and regulations and the Memorandum and Articles of Association as well as the requirements of their letters of appointment in dealing with disclosures of real or perceived conflict of interests.

##### **7.1.16 Board and committees' evaluation**

The Board itself regularly undergoes self-assessment and evaluation in order to improve the internal Governance of the Board and its Committees.

## CHINA DASHENG BANK LIMITED

### REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

#### 7 CORPORATE GOVERNANCE (Continued)

##### 7.1.17 Whistle blowing policy

Whistleblowing is defined as an act that draws the attention of an authority figure or the public to perceived wrongdoing or unethical activities. It is done to safeguard the interest of the public as well as the society for whom the company is functioning. Whistle blowing is committed to the highest standards of openness, probity, and accountability. In line with that commitment the bank expects employees, and others that deal with it, who have serious concerns about any aspects of the bank's work to come forward and voice those concerns. It is recognized that most cases will have to proceed on a confidential basis. In line with the Laws, Rules and bank Code of Conduct, all employees are required to disclose acts related to Fraud, Corruption, or any other Misconduct that come to their attention without fear of reprisal.

Any staff member who reports an irregularity, provided that this is done in good faith and in compliance with the provisions of this policy, shall be protected against any acts of retaliation.

##### 7.1.18 Information technology governance

To keep pace and in line with the bank's strategic objectives, the Information technology department has continued its relentless efforts to finetune and improve its core business processing systems, establish new digital platforms such as internet banking, development of regulatory compliance systems, and continuous efforts to strengthen the infrastructure security as well as cybersecurity space of the bank. All of these have significantly contributed to the overall performance of the bank. Digital transformation initiatives as are still in progress for the bank to have more digital service channels.

##### 7.1.19 Bank culture, ethics and organisational values

Our core values are our guiding principles that form a solid foundation of the bank, what we believe, and what we want to be going forward. Together, the core values of the management and employees in the workplace, along with their experiences, upbringing, and training, meld together to form our culture. We believe in the right mix of inputs that will deliver the best offering to our clients to bring efficiency, we challenge assumptions; always ask 'why?' Be curious; create and anticipate change. Encourage ideas; make it safe to bring ideas forward it's okay to fail, and it's also okay to succeed.

As a bank our customers are at the center of all that we do by doing business differently and embracing a new approach to customer engagement. Continuous improvement and having simple but effective solutions for our customers.

In our people and places strategy it is clear that we want to shift from the "where" to the "how". At the heart of this will remain the question of how we lead, collaborate and learn. We have an opportunity to evolve our mindset from asking our people to work on something, to encouraging our people to work towards something – linked to a clear sense of belonging, a purpose and focusing on the "why".

## CHINA DASHENG BANK LIMITED

### REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

#### 8. COMPOSITION OF BOARD OF DIRECTORS

The Board of Directors is comprised of eight (8) members. All members are non-executive with the exception of the Chief Executive Officer who is the executive director of the bank.

Directors who served during the year and up to the date of this report are:

S/n	Name	Position	Age	Qualification/ Discipline	Nationality	Date of appointment
1	Mr. Bao Dongqiang	Chairman	57	Academic: Master of Business Administration degree certificate. Professional: Intermediate of Finance and Economy	Chinese	1 March 2017
2	Mr. Huang Jianfang	Member	55	Management Certificate from United University of America	Chinese	12 October 2017
3	Mr. Jimmy Medard Mrosso	Member	45	Bachelor of Laws (LL. B) University of Dar es salaam. Master of Laws (LL.M) University of Dar es salaam.	Tanzanian	29 March 2019
4	Mrs. Poniwoa Andrew Mbisse	Member	46	Bachelor of Commerce (Finance), University of Dar es Salaam. Certified Risk analyst, International Academy of Business and Financial Management, Certified Public Accountant (CPA) NBAA	Tanzanian	9 June 2021
5	Mr. Xu Zheng	Member	45	Academy Graduation Certificate; Self-taught higher education examination certificate; Professional Accountant; Senior Economist	Chinese	21 January 2021
6	Mr. Liu Guolin	Member	60	Bachelor's degree in law; Master's degree in civil and commercial Law, East China University of Political Science and Law. Advanced program in Intellectual Property and commercial law, Queen Mary University - London	Chinese	17 September 2021

**CHINA DASHENG BANK LIMITED**

**REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**8. COMPOSITION OF BOARD OF DIRECTORS (Continued)**

S/n	Name	Position	Age	Qualification/ Discipline	Nationality	Date of appointment
7	Mr. Wei Yong	Member	60	College Degree Accounting- Nanjing Railway Transportation School; College Degree Accounting- Jiangsu Radio and Television University, Nanjing, China; Certified Accountant of the People's Republic of China Minister Treasury.	Chinese	14 September 2022
8	Cheng Ji	Chief Executive Officer	49	Master of Professional Accounting (MPACC); Shanghai national Accounting Institute and Shanghai University of Finance and Economics September 2008  Bachelor of Economics; International Business School, Shanghai University; July 1998	Chinese	14 September 2021

*The Company secretary during the year was Mr. Frank M. Ntabaye.*

**8.1 BOARD COMMITTEES**

**i. Audit, Risk and Compliance Committee**

S/n	Name	Position	Qualification
1	Mrs. Poniwoa Andrew Mbisse	Chairperson	Bachelor of Commerce (Finance), University of Dar es Salaam. Certified Risk analyst, International Academy of Business and Financial Management, Certified Public Accountant (CPA) NBAA
2	Mr. Xu Zheng	Member	Academy Graduation Certificate; Self-taught higher education examination certificate; Professional Accountant; Senior Economist
3	Mr. Liu Guolin	Member	Bachelor's degree in law; Master's degree in civil and commercial Law, East China University of Political Science and Law. Advanced program in Intellectual Property and commercial law, Queen Mary University – London

## CHINA DASHENG BANK LIMITED

### REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

#### 8. COMPOSITION OF BOARD OF DIRECTORS (Continued)

##### 8.1 BOARD COMMITTEES (Continued)

###### ii. Credit Committee

S/n	Name	Position	Qualification/Discipline
1	Mr. Huang Jianfang	Chairman	Management Certificate from United University of America
2	Mr. Wei Yong	Member	College Degree Accounting- Nanjing Railway Transportation School; College Degree Accounting- Jiangsu Radio and Television University, Nanjing, China; Certified Accountant of the People's Republic of China Minister Treasury.
3	Mr. Jimmy Medard Mrosso	Member	Bachelor of Laws (LL. B) University of Dar es salaam. Master of Laws (LL.M) University of Dar es salaam.

###### iii. Remuneration and Human Resources Committee

S/n	Name	Position	Qualification/Discipline
1	Mr. Jimmy Medard Mrosso	Chairman	Bachelor of Laws (LL. B) University of Dar es salaam. Master of Laws (LL.M) University of Dar es salaam.
2	Mr. Huang Jianfang	Member	Management Certificate from United University of America
3	Mr. Wei Yong	Member	College Degree Accounting- Nanjing Railway Transportation School; College Degree Accounting- Jiangsu Radio and Television University, Nanjing, China; Certified Accountant of the People's Republic of China Minister Treasury.

#### 8.2 ATTENDANCE OF THE BOARD AND COMMITTEE MEETINGS

##### i) Members of Board Attendance

The Board held four (4) meetings during the year under review. The attendance to these meetings by Those charged with governance in 2023 is tabulated below:

S/n	Name	Position	Meeting held 10/02/2023	Meeting held 21/04/2023	Meeting held 21/07/2023	Meeting held 18/10/2023
1	Bao Dongqiang	Chairman	√	N/A	√	√
2	Huang Jianfang	Member	√	√	√	√
3	Mr. Jimmy Medard Mrosso	Member	√	√	√	√



## CHINA DASHENG BANK LIMITED

### REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

#### 8. COMPOSITION OF BOARD OF DIRECTORS (Continued)

##### 8.2 ATTENDANCE OF THE BOARD AND COMMITTEE MEETINGS (Continued)

###### i) Members of Board Attendance (Continued)

S/n	Name	Position	Meeting held 10/02/2023	Meeting held 21/04/2023	Meeting held 21/07/2023	Meeting held 18/10/2023
4	Mrs. Poniwoa Andrew Mbisse	Member	√	√	√	√
5	Mr. Xu Zheng	Member	√	√	√	√
6	Mr. Liu Guolin	Member	√	√	√	√
7	Mr. Wei Yong	Member	√	√	√	√

In the meetings conducted during the year, the committee or board must discuss the following:

#### 1. Strategy, Control Environment and Risk Management

- Approval of the strategy, business plans and annual budget and of any subsequent material changes in strategic direction or material deviations in business plans or budget;

#### 2. Structure & Capital

- Major changes to corporate structure (excluding internal reorganizations which may be approved by the chief executive officer).
- Recommendation to shareholders of any increase, reduction or alteration to the share capital of the company and the allotment, issue or other disposal of shares of the company

#### 3. Legal & Regulatory Requirements

- Recommending amendments to the Memorandum or Articles of the company
- Recommending resolutions for approval by shareholders at general meetings
- Approving the notice and agenda of general meetings of shareholders

#### 4. Board membership and Board committees

- Reviewing and approve Board structure, size and composition including the appointment and removal of executive and non-executive directors.
- Succession planning of non-executive directors.
- Appointment of board committees and approval of the membership and Terms of Reference of the committees
- Role profiles of Chairman, CEO, non-executive directors

## CHINA DASHENG BANK LIMITED

### REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

#### 8. COMPOSITION OF BOARD OF DIRECTORS (Continued)

##### 8.2 ATTENDANCE OF THE BOARD AND COMMITTEE MEETINGS (Continued)

###### ii) Members of Board Attendance (Continued)

#### 5. Corporate governance

- Performance evaluation process of the board and board committees and review of the findings
- Determination of the independence of non-executive directors
- Approval of the corporate governance statement in the annual report
- Approval of the annual board plan for the year ahead
- Review of the information requirements of directors
- Adoption of a formal dispute resolution policy (internal and external)
- Ensuring the production of an annual integrated report
- Ensuring the maintenance of an effective corporate governance structure within China Dasheng Bank in line with best practice
- Appointment or removal of CEO
- Appointment or removal of any Executive Director
- Appointment, replacement or removal of Company Secretary

###### ii) Members of Board Credit Committee Attendance

The Committee held Four (4) meetings during the year under review. The attendance to these meetings by Those charged with governance in 2023 is tabulated below:

S/n	Name	Position	Meeting held 06/02/2023	Meeting held 17/04/2023	Meeting held 17/07/2023	Meeting held 18/10/2023
1	Mr. Huang Jianfang	Chairman	√	√	√	√
2	Mr. Wei Yong	Member	√	√	√	√
3	Mr. Jimmy Medard Mrosso	Member	√	√	√	√

## CHINA DASHENG BANK LIMITED

### REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

#### 8. COMPOSITION OF BOARD OF DIRECTORS (Continued)

##### 8.3 ATTENDANCE OF THE BOARD AND COMMITTEE MEETINGS (Continued)

###### iii) Members of Remuneration and Human Resource Attendance

The Committee held Four (4) meetings during the year under review. The attendance to these meetings by Those charged with governance in 2023 is tabulated below:

S/n	Name	Position	Meeting held 06/02/2023	Meeting held 17/04/2023	Meeting held 17/07/2023	Meeting held 18/10/2023
1	Mr. Jimmy Medard Mrosso	Chairman	√	√	√	√
3	Mr. Wei Yong	Member	√	√	√	√
3	Mr. Huang Jianfang	Member	√	√	√	√

In the meetings conducted during the year, the committee or board must discuss the following

###### 1. Board membership and Board committees

- Succession planning for Executives.

###### 2. Remuneration

- non-executive director remuneration
- Approval of the remuneration of executive directors
- Approval of significant changes to the rules and amendments of the retirement fund, group life benefit fund and medical aid fund
- Approval of bonus pools for incentive payments

###### 3. Corporate governance

- Appointment or removal of China Dasheng Bank CEO
- Appointment or removal of any Executive Director
- Appointment, replacement or removal of Company Secretary

###### iv) Members of Board Audit, Risk and Compliance Committee

The Committee held four (4) meetings during the year under review. The attendance to these meetings by Those charged with governance in 2023 is tabulated below

S/n	Name	Position	Meeting held 08/02/2023	Meeting held 19/04/2023	Meeting held 20/07/2023	Meeting held 17/10/2023
1	Mrs. Poniwoa Mbisse	Chairperson	√	√	√	√
2	Mr. Xu Zheng	Member	√	√	√	√
3	Mr. Liu Guolin	Member	√	√	√	√

## CHINA DASHENG BANK LIMITED

### REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

#### 8. COMPOSITION OF BOARD OF DIRECTORS (Continued)

##### 8.3 ATTENDANCE OF THE BOARD AND COMMITTEE MEETINGS (Continued)

In the meetings conducted during the year, the committee or board must discuss the following;

###### 1. Strategy, Control Environment and Risk Management

- Approval of Risk Management framework & structure:
  - Risk Appetite and risk tolerance levels
  - Liquidity Risk Appetite
- Approval of Control environment & structure.

###### 2. Structure & Capital

- Approval of capital plans
- Approval of any interim and final dividends

###### 3. Legal & Regulatory Requirements

- Approval of interim and annual financial statements
- Approval of the Annual Report
- Approval of any significant change in accounting policies or practices
- Approval of the going concern concept
- Recommendation to the shareholders of the appointment or removal of auditors
- Approval of the content and format of the profit and dividend announcements
- The valuation of unlisted investments
- Approval of entities/investments to be specifically excluded from China Dasheng Bank Audit, Risk and Compliance Committee's scope of activities.
- Approval of securitization programmed from time to time.
- Consideration of business rescue proceedings or other turnaround mechanisms as soon as China Dasheng Bank is financially distressed as defined in the Companies Act, 2002,
- Monitoring continuously the solvency and liquidity of China Dasheng Bank
- Recommending for approval of shareholders any share incentive schemes, the rules applicable to such scheme and any significant amendment to such rules
- Appropriation of Profits

###### 4. Transactions

- Approval of capital projects, investments, acquisitions, mergers or disposals or replacement of individual items of infrastructure as per the China Dasheng Bank Chart of Authorization
- Agreement to capital projects, investments, acquisitions, mergers or disposals or replacement of individual items of infrastructure as per the China Dasheng Bank Chart of Authorization
- Agreement to the acquisition of another bank following approval by shareholders.

## CHINA DASHENG BANK LIMITED

### REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

#### 8. COMPOSITION OF BOARD OF DIRECTORS (Continued)

##### 8.3 ATTENDANCE OF THE BOARD AND COMMITTEE MEETINGS (Continued)

###### Key Decisions made during the year under review

During the year under review, the Board focused on reviewing The China Dasheng Bank Five Years Strategic Plan (2022-2026) which among other things set the bank's strategic direction for the coming Five Years. Also, other and relevant strategic activities were done which includes, reviewing and approving governance policies; overseeing performance; risk management; and approval of the budget.

Additionally, The Board has put in place key Management Committees with defined terms of reference and scope of authority and reporting structure. The key Management Committees include the following: Asset and Liability Committee (ALCO) which is responsible for the overall management of assets and liabilities, which are capital adequacy, interest rates structures, liquidity, foreign exchange exposure, and funds investment; Operational Risk Committee (ORCO) which is responsible for Operational Risk Governance; Management Credit Committee (MCC) which is responsible for Lending and recovery management and governance; Management Procurement Committee (MPC) which is responsible for procurement and the Management Committee (MANCO) which meets weekly to determine daily management matters.

###### Key

- √ Attended the meeting
- N/A Did not attend the meeting.

In addition to the above committees, there are senior management whose frequency of meetings are weekly, monthly and quarterly.

##### 8.4 COMPANY SECRETARY

The Bank's Company secretariat function provides support and advice to those charged with Governance by ensuring that those charged with Governance are equipped with accurate and appropriate information to make informed decisions, preparing board meeting agendas, minutes, and resolutions, as well as ensuring that board members receive training and information to support their roles. Also ensuring that all company secretarial functions are conducted in compliance with legal and regulatory requirements. This includes maintaining company registers, filing annual returns and other statutory documents, and ensuring that the bank's articles of association are up to date and comply with all relevant regulations.

##### 8.5 REMUNERATION POLICY

The Bank remunerates its directors as follows; basic fee as ordinary remuneration on an annual basis; sitting allowance for every meeting attended; and an additional fee for any special service as a Board member. The Board, on an annual basis based on the recommendation of the Remuneration Committee, conducts reviews on the level of remuneration paid to the directors.

## **CHINA DASHENG BANK LIMITED**

### **REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023**

#### **8. COMPOSITION OF BOARD OF DIRECTORS (Continued)**

##### **8.5 REMUNERATION POLICY (Continued)**

###### **2.1.1 Directors' remuneration**

- The Board, on an annual basis based on the recommendation of REMCO, will review the level of remuneration paid to the directors.
- The Chairman of the Board will be paid an additional fee to his normal fee as a non-executive director.
- Non-executive Board members will be paid as follows:
  - basic fee as ordinary remuneration on annual basis.
  - sitting allowance for every meeting attended; and
  - an additional fee for any special service as a Board member.
- The Board should satisfy itself that Directors' remuneration scheme does not encourage undue risk taking by the directors.

##### **8.6 COMPANY SECRETARY**

The Bank's Company secretariat function provides support and advice to those charged with Governance by ensuring that those charged with Governance are equipped with accurate and appropriate information to make informed decisions, preparing board meeting agendas, minutes, and resolutions, as well as ensuring that board members receive training and information to support their roles. Also Ensuring that all company secretarial functions are conducted in compliance with legal and regulatory requirements. This includes maintaining company register documents and returns and other statutory documents, and ensuring that the bank's articles of association are up to date and comply with all relevant regulations.

#### **9. DIRECTORS' INTEREST IN THE SHARES OF THE BANK**

All Directors of the Bank do not have direct interest in the Bank's issued and paid-up shares.

#### **10. MANAGEMENT**

Management of the China Dasheng Bank Limited is under the leadership of the Chief Executive Officer (CEO), and is organized in the following nine-line departments:

- Risk and Compliance
- Internal Audit
- Human Resources and Administration
- Credit and Recovery
- Operations
- Finance, Treasury and Trade Finance
- Business Development
- Legal and Company Secretary
- Information Technology

## CHINA DASHENG BANK LIMITED

### REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

#### 11. CAPITAL STRUCTURE

The Bank's capital structure for the year is disclosed under Note 24 to the financial statements. Details of capital management, regulatory capital and capital structure are disclosed under Note 4.6 of the financial statements.

##### 1.1. Funding mix

The Bank's primary source of funding during the year was equity, which forms 90% of the total funding. There was slight change in the funding mix from 2022, deposit from customers increased from TZS 8.09 billion in 2022 to TZS 9.92 billion in 2023. The balance debt and equity were as follows.

	<b>2023</b>	<b>2022</b>
	<b>TZS '000</b>	<b>TZS '000</b>
<b>Debt</b>		
Customers deposits	9,920,829	8,085,403
Borrowings - current	11,694,750	12,428,500
Borrowings interest payable	61,572	270,220
	<b>21,600,536</b>	<b>20,784,123</b>
<b>Equity</b>		
Share capital	89,040,000	89,040,000
Regulatory banking reserve	694,131	636,932
Retained earnings	9,242,348	7,571,399
	<b>98,976,479</b>	<b>97,248,332</b>
	<b>120,577,015</b>	<b>118,032,455</b>

#### 12. SHAREHOLDERS OF THE BANK

The Bank has only one class of ordinary shares which carries no right to fixed income. They carry one vote per share at the annual general meeting of the Bank and a right to dividends as and when declared by the Bank. All ordinary shares rank equally which regards to the Bank's residual assets. The following is a list of shareholders of the Bank:

<b>Names</b>	<b>No. of shares held at reporting date</b>	<b>Value of shares TZS '000</b>	<b>Percentage shareholding</b>
Shanghai Huahu Equity Investment Co. Ltd	8,000,000	17,808,000	20.00%
Suzhou New District Hi-Tech Industrial Co. Ltd	7,500,000	16,695,000	18.75%
Changzhou Sanyou Real Estate Developing Co. Ltd	7,000,000	15,582,000	17.50%
Shanghai Jinfengyu Cereals Industry Co. Ltd	6,500,000	14,469,000	16.25%
Jiangsu Overseas Group Corporation	5,000,000	11,130,000	12.50%
Nanjing New city Shopping Mall Development Co. Ltd	6,000,000	13,356,000	15.00%
<b>Total</b>	<b>40,000,000</b>	<b>89,040,000</b>	<b>100.00%</b>

## **CHINA DASHENG BANK LIMITED**

### **REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023**

#### **13. RESULTS AND DIVIDENDS**

During the year under review the Bank reported a profit of TZS 1.83 billion (2022: TZS 4.37 billion). Those charged with governance have not declared dividends with respect to the year ended 31 December 2023 (2022: TZS 3.28 billion).

#### **14. SOLVENCY**

Those charged with governance have reviewed the current financial position of China Dasheng Bank Limited. On the basis of this review together with the current business plan, those charged with governance are satisfied that the Bank is a solvent going concern within the meaning ascribed by the Companies Act No. 12 of 2002 of the laws of Tanzania, the Banking and Financial Act 2006 and International Financial Reporting Standards (IFRSs).

#### **15. GOING CONCERN ASSUMPTION**

Directors confirm that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. Directors has reasonable expectation that the China Dasheng Bank Limited has adequate resources to continue in operational existence for the foreseeable future.

#### **16. RISK MANAGEMENT AND INTERNAL CONTROL**

The Board accepts ultimate responsibility for the risk management and internal control function of the China Dasheng Bank Limited. It is the responsibility of the Management to ensure that adequate internal control systems are developed and maintained on an on-going basis in order 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 efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance of such measures by staff. Whilst no system, of internal control can provides absolute assurance against misstatement or losses, the Bank system is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively.

The Board assessed the internal control systems throughout the year ended 31 December 2023 and is of the opinion that they met accepted criteria.

#### **17. PRINCIPAL RISKS, UNCERTAINTIES AND OPPORTUNITIES**

The Bank's activities expose it to a variety of financial risks including credit risk, liquidity risk, market risks, operational risks and interest rate risks. The Bank's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Bank's financial performance. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign-exchange risk, interest-rate risk, credit risk, and liquidity risk. More details of the financial risks facing the Bank are provided in Note 4 to the financial statements.



## CHINA DASHENG BANK LIMITED

### REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

#### 17. PRINCIPAL RISKS, UNCERTAINTIES AND OPPORTUNITIES (Continued)

##### 17.1 Credit risk

Credit risk is defined as the probability that a Bank borrower or counterparty will fail to meet its obligations in accordance with agreed terms.

##### Management of credit risk

The Credit Risk Department of the Bank is responsible for developing and implementing appropriate systems for credit risk identification, measurement and mitigations. The credit risk management process is part of the overall operational risk management framework of the Bank and is reviewed continually with respect to its accuracy and appropriateness. The Bank mitigates risk concentration through policy and portfolio diversification in regard to loan products, economic sectors or geographical location.

##### 17.2 Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting maturing obligations from its financial liabilities.

##### Management of liquidity risk

Liquidity, or the ability to fund increases in assets and meet obligations as they come due, is crucial to the ongoing viability of any banking organisation.

The Bank has put in place the following guidelines as tolerance levels for effective management of liquidity risk.

- Liquid assets to be not less than 50% of customer deposits with a maturity of 30 days or less
- Liquid assets to be not less than 20% of demand liabilities plus projected net cash outflows in the following four business weeks.
- Maturity gap to be not more than 100% of total capital with maturity gap defined as liabilities falling due within 90 days [including the portion of any indebtedness falling due within that period] less the aggregate of assets which mature or are payable to the Bank on demand or within 90 days.

The Bank was in compliance with the above guidelines as at the reporting date.

##### 17.3 Market risk

Market risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market prices. Broadly, the Bank is concerned with two main components under market risk:

- Interest rate risk is the risk that the value of an interest rate sensitive instrument will fall as a result of a change in market interest rates.
- Foreign exchange risk is the risk of loss due to adverse changes in foreign exchange rates.

##### Management of market risk

The Asset and Liability Committee oversees the management of market risk inherent in the Bank. The objective of market risk management is to manage and control market risk exposure within acceptable levels, while optimizing on the return on the risk.

## **CHINA DASHENG BANK LIMITED**

### **REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023**

#### **17. PRINCIPAL RISKS, UNCERTAINTIES AND OPPORTUNITIES (Continued)**

##### **17.1 Compliance risk**

Compliance risk is the current or prospective risk to earnings, capital and reputation arising from violations or non-compliance with laws, rules, Risk Management Guidelines for Banks and Financial Institutions, 2010 regulations, agreements, prescribed practices, or ethical standards, as well as from incorrect interpretation of relevant laws or regulations.

##### **Management of compliance risk**

The Risk and Compliance Department of the Bank is responsible for developing and implementing appropriate systems for compliance risk identification, measurement and mitigations. The Bank mitigates the compliance risk by having the compliance risk policy, banks compliance checklist, and various tools such as Self assessments, risk indicators and risk mapping.

##### **17.2 Operational risk**

Operational risk is the current and prospective risk to earnings and capital arising from inadequate or failed internal processes, people and systems or from external events.

##### **Management of operational risk**

The Risk and Compliance Department of the Bank is responsible for developing and implementing appropriate systems for operational risk identification, measurement and mitigations. The Bank mitigates the operational risk by having the operational risk policy, and various tools such as Self assessments, risk indicators, risk events and risk mapping.

##### **17.3 Strategic risk**

Strategic risk is the current and prospective impact on earnings, capital, reputation or good standing of an institution arising from poor business decisions, improper implementation of decisions or lack of response to industry, economic or technological changes.

##### **Management of strategic risk**

The Management team of the Bank is responsible for developing and implementing appropriate systems for strategic risk identification, measurement and mitigations. The Bank mitigates the strategic risk by ensuring compliance with the strategic risk policy and the banks corporate strategy.

## CHINA DASHENG BANK LIMITED

### REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

#### 17 PRINCIPAL RISKS, UNCERTAINTIES AND OPPORTUNITIES (Continued)

##### 17.4 Reputational risk

Reputational risk through imposition of penalties or fines because of not adhering to applicable laws, rules and regulations and good market practice (including ethical standards). The bank's risks and compliance function proactively seek to enhance reputation risk management and the supporting control framework.

##### Management of reputational risk

The management team through Risk and compliance department monitors this risk through reference to metrics relevant to the bank, review of incident reports and assessments, risk and control assessments pertaining to the first and second lines of defense functions, results of regulatory assessments, and review of results internal audit and external audit reports. Remediation of controls is conducted in a timely manner.

#### 18. KEY PERFORMANCE INDICATORS

The following Key Performance Indicators (KPIs) are effective in measuring the delivery of the Bank's strategy and managing the business.

Key performance indicators	Definition and calculation method	Bank's ratios	
		2023	2022
Return on equity	Net profit/Total equity	2%	4%
Return on assets	Net profit/Total assets	1.5%	3.6%
Cost to income ratio	Operating expenses/Operating income	74%	54%
Gross loans to customers deposits	Loans to customers/Deposits from customers	157%	161%
Growth in total assets	Trend (increase in total assets / 2021 total assets)	3%	0%
Non-performing loans to total Loans	(Non-performing Loans/ Gross Loans & Advance) *100%	3.4%	0%
Growth in deposits	Trend (increase in deposits/2019 total deposits)	23%	-34%
<b>Capital adequacy:</b>			
Tier 1 Capital ratio	Core capital/Risk weighted assets including off balance sheet items	156.03%	200.24%
Tier 1 + Tier 2 Capital ratio	Total capital / Risk weighted assets including off balance sheet items	157.14%	201.56%

## **CHINA DASHENG BANK LIMITED**

### **REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023**

#### **19. PERFORMANCE FOR THE YEAR**

##### **Statement of profit of loss and other comprehensive income**

The Bank has reported a profit of TZS 1.83 billion during the year ended 31 December 2023 (2022: TZS 4.37 billion). The profit is mainly attributed by interest income from loans and advances, interbank placements and investment in government securities totaling to TZS 14.05 billion (2022: TZS 13.13 billion). The interest income generated by the Bank during the year under review was sufficient to cover operating expenses amounting to TZS 10.38 billion whereas a major part of expenses incurred by the Bank during the year was staff cost which was around TZS 4.08 billion (2022: TZS 3.05 billion).

##### **Statement of financial position**

As at 31 December 2023, the Bank had total assets amounting to TZS 123.63 billion (2022 TZS 120.50 billion). A significant part of assets in investment in government securities amounting to TZS 66.27 billion which is equivalent to 54% of total assets owned by the Bank, the Bank also managed to issue new loans and advances and the balance at year end stood at TZS 29.21 billion (2022: TZS 25.87 billion). As at year end the Bank had received deposits from customers amounting to TZS 9.92 billion (2022: TZS 8.09 billion).

##### **Statement of cashflow**

Investment activities, such as lending to customers and accepting deposits from customers are the major factors explaining the Bank's movement in cash flow generated from operations. The Bank continues to maintain a sound liquidity position to enable it to meet its cash flow commitments.

The audited financial statements for the year are set out on pages 40 to 43.

#### **20. KEY ACHIEVEMENT DURING THE YEAR**

During the year ended December 2023 the bank achieved to earn a profit of TZS 1.83 billion, total assets reached TZS 123.63 billion with customer deposits of TZS 9.92 billion and have managed to grant loan facilities to different sector such as Real estate, Manufacturing, Trade, Health and Personal loan totaling TZS 29.21 billion of which helped to grow country's economy in each respective sector.

#### **21. FUTURE DEVELOPMENTS PLANS**

As per the Bank's business objectives, the Bank intends to increase its customer base, give support to local and international customers, expand inside and outside the boundaries of Tanzania and secure profit of the shareholders.

#### **22. RELATED PARTY TRANSACTIONS AND BALANCES**

Transactions during the year with related parties were conducted at terms and conditions similar to those offered to other clients and in the normal course of business. Details of transactions and balances with related parties are included in Note 26 to the financial statements.

## CHINA DASHENG BANK LIMITED

### REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

#### 23. ETHICAL BEHAVIOUR AND ORGANIZATION INTERGRITY

China Dasheng Bank Limited's corporate governance structure involves managing and controlling relationships amongst different stakeholders, Board of Directors, employees, customers, suppliers and the community at large. The Board and all employees of the Bank observe values and ethical business in all its business interactions and relationships to stakeholders.

#### 24. RELATIONSHIP WITH STAKEHOLDERS

In fulfilling their responsibilities, Directors believe that they govern the Bank in the best interests of shareholders, whilst having due regard to the interests of other stakeholders in the bank including customers, employees, regulators and suppliers. The Bank continues to maintain good relationship with all stakeholders. Set out below are the key stakeholders with whom the bank engages on regular basis and the means of engagement.

<b>Stakeholder group</b>	<b>Management of stakeholders' relationship</b>
Employees	<ul style="list-style-type: none"><li>-Career development and advancement opportunities</li><li>-Challenging work, with opportunities and make difference</li><li>-Employment at company with strong brand</li><li>-An empowering and enabling environment that embraces diversity and inclusivity</li><li>-Fair remuneration, effective performance management and recognition</li><li>-A safe and healthy work environment</li></ul>
Customers	<ul style="list-style-type: none"><li>-Innovative financial solutions and services</li><li>-Convenient access to banking services through digital channels</li><li>-Excellence in client service</li><li>-Value for money banking that is competitive and transparent in pricing</li></ul>
Suppliers	<ul style="list-style-type: none"><li>-Fair bidding and timely payments</li></ul>
Trade unions	We don't have
Shareholders	<ul style="list-style-type: none"><li>-Shareholders value creation through share price appreciation and an attractive and sustainable dividend stream</li><li>-Continuous engagement to inform their investment decisions</li></ul>

## CHINA DASHENG BANK LIMITED

### REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

#### 24. RELATIONSHIP WITH STAKEHOLDERS (Continued)

Regulatory authorities	-Compliance with all legal and regulation requirements -Being a responsible taxpayer in all jurisdictions where we conduct business. -Active participation and contribution to industry and regulatory working groups
Government	-Regular interactions through Government relations and regulatory affairs team
Communities	China Dasheng Bank provide access to relevant financial solutions that help to achieve desired outcomes for individuals, their families their business and their communities
Media	Interactions via press release, local TV, Radio magazines and blogs and articles to create brand awareness and reach target audience

#### 25. LOCAL AND INTERNATIONAL RELATIONS

The Board through its mission statement which is to become the bridge of economic Cooperation between China and Tanzania by Providing Swift and convenient international banking services, and to satisfy various requirement of Chinese and Tanzania customers by providing quality products and highly efficient financial service brings home the local and international relations.

In order to enhance yields to shareholder value, the bank looks forward to increasing its business. This ambition is backed up by number of factors including the following according to World Bank's data:

- Country's GDP by 5.1% in 2023, up from 4.6% in 2022, and is expected to rise to 5.6% in 2024
- Growth of value of Tanzania's GDP to USD 75.5 billion in 2023 at the current price, according to World Bank.
- The increase of GDP per capita by 1.4% in 2023.

#### 26. EMPLOYEES WELFARE

##### Management and employees' relationship

Management took measures to build strong workplace relations by ensuring that employees lived up to the standards of the Bank's culture and values while maintaining effective communication at all levels.

The Bank is an equal opportunity employer. It 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, tribes, religion and disability which does not impair ability to discharge duties.

## CHINA DASHENG BANK LIMITED

### REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

#### 26. EMPLOYEES WELFARE (Continued)

##### Training

There is a training plan, all staff attended different trainings as per plan. During the year the Bank spent TZS 96.30 million (2022: 99.70 million) on staff training in order to improve employees' technical skills and hence effectiveness.

##### Medical assistance

All staff have medical insurance which also covers their families up to a maximum of four members. The Bank provides medical assistance to its employees through an external medical insurance company, whereas the Bank is responsible for paying annual insurance premiums.

##### Health and safety

All staff have medical insurance and also trained in security issues.

##### Financial assistance to staff

Staff are provided with personal loans with favorable interest rate.

##### Persons with disabilities

Our policy gives equal employment opportunity to every person provided that one has the required qualifications.

##### Employees benefit plan.

All eligible employees are members of approved pension funds. The Bank makes contributions to publicly administered pension plans on a mandatory basis which qualifies to be defined contribution plans with the Bank having no legal or contractual obligations to pay further top ups or contributions.

##### Staff leave.

All staff are entitled to 28 days annual leave, women staff have 90 days maternity leave for one child or 100 days for twins, men have 3 days paternity leave when their wives get kids, 7 days compassionate leave on the event of death of parents, spouse, brother/sister and children and 14 days study leave provided the Bank approved the same studies.

##### Compensation benefits

The Bank has a compensation plan which provide refund to some issues like employee development, provided that studies are approved and beneficial to the Bank.

##### Nondiscrimination and harassment

#### 27. GENDER PARITY

The Bank gives equal opportunities to all Tanzanians during recruitment and filling of positions provided they have the required qualifications and ability. The following is the distribution of employees by gender:

Gender	2023	2022
Female	16	13
Male	24	22
<b>Total</b>	<b>40</b>	<b>35</b>

## **CHINA DASHENG BANK LIMITED**

### **REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023**

#### **28. POLITICAL AND CHARITABLE DONATIONS**

The Bank contributed IoDT TZS 2 million, AICT Diocese of Pwani TZS 15 million, Sponsorship TAWCA 6th Women's Leadership Conference by tune of TZS 5 million, Chinese business chamber of Tanzania TZS 5 million, Contribution to AGITF (Tanzania Bankers Association) TZS 15 million and provided opportunity on training for graduate students from universities so that they get to know how banking Industry performs, provided transport allowance to them, TZS 4.37 million (2022: TZS 6.45).

#### **29. FIDUCIARY RESPONSIBILITY**

Members of the Board of Those charged with governance as stewards of public trust always acted for the good of the bank rather than for the benefit of themselves throughout the period. Reasonable care was exercised in all decisions taken by the bank without placing the Bank under unnecessary risks.

#### **30. ENVIRONMENTAL CONTROL PROGRAMME**

In its mission to support the Government efforts on environmental protection programs the Bank usually supports business activities that are environment friendly. The bank has made efforts that prohibit, in addition, lending to activities that are environmentally unfriendly, which in this regard is also highly discouraged. The Bank when making a lending decision, should always insist on a Certificate of Compliance from bodies charged with the responsibility of managing the environment when considering facilities that appear to be environmentally unfriendly.

#### **31. LEGAL AND REGULATORY REQUIREMENTS**

The board ensures that the bank is able to discharge its duties and comply with the requirements of statutory/regulatory bodies that affect the functioning and responsibilities of the bank:

- Annually review and approve the Compliance Plan and ensure the necessary resources and budget available.
- Review and confirm the unrestricted access to key personnel and no undue restrictions have been placed on scope.
- Review compliance practices and procedures for enabling the Directors of the Company to discharge their regulatory and reporting responsibilities.
- Review the relationship and material communications, with the Company's regulators, including annual compliance statements.
- Satisfy itself that the Head of Compliance provides regular information on the level of compliance with laws and regulations or supervisory requirements and annually reports to the Committee on the overall status of compliance and any significant breakdowns that caused or may cause material loss or penalty.
- Consider any significant compliance risk matters reported by the Head of Compliance and monitor progress in rectifying these matters.



## CHINA DASHENG BANK LIMITED

### REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

#### 32. RESOURCES

##### 1.1 Human Resources

The Bank has skilled and experienced employees who are considered as key resource in pursuing its business objectives. As at 31 December 2023 the number of employees were 40 of which 16 were females and 24 males.

##### 1.2 Financial resources

The bank is financed by Ordinary share capital which comprises six companies' shareholding namely: Shanghai Huahu Equity Investment Co. Ltd, 20.00%; Suzhou New District Hi-Tech Industrial Co. Ltd, 18.75%; Changzhou Sanyou Real Estate Developing Co. Ltd, 17.50%; Shanghai Jinfengyu Cereals Industry Co. Ltd, 16.25%; Jiangsu Overseas Group Corporation, 12.50%; Nanjing New City Shopping Mall Development Co. Ltd, 15.00%.

##### 1.3 Intellectual Resources

China Dasheng Bank has sourced from the market the best candidates for all managerial position who have necessary education qualifications ranging. The bank has employed not only educated candidates but rather candidates with many years of experience and knowledge of the local market and banking industry as well. Apart from educated and experienced candidates' sources from the market, the bank has also recruited graduates from universities and put them through well planned induction program to equip them with the values of the bank and later on exposed to external trainings.

##### 1.4 Manufactured resources.

Our physical and digital infrastructure through which we conduct business activities. It includes our branch network, digital platforms, and IT estate which we are in the process of enhancing and simplifying.

##### 1.5 Social and relationship resources

China Dasheng Bank has sourced from the market the best candidates for all managerial position who have necessary education qualifications ranging. The bank has employed not only educated candidates but rather candidates with many years of experience and knowledge of the local market and banking industry as well. Apart from educated and experienced candidates' sources from the market, the bank has also recruited graduates from universities and put them through well planned induction program to equip them with the values of the bank and later on exposed to external trainings.

##### 1.6 Natural resources

The environmental resources used throughout the bank's operations. We are committed to reducing our carbon footprint by remaining conscious to our materiality.

## **CHINA DASHENG BANK LIMITED**

### **REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023**

#### **32. RESOURCES**

##### **1.7 Other resources**

Our bank is well positioned in the market we provide competitive and innovative financial solutions through digital transformation, to achieve distinctive customer experience, while caring for our people, and delivering a sustainable contribution to the society. The Bank ensure compliance in all legal and regulatory requirements in providing the financial services to customers. Those charged with governance ensure the availability, quality, and affordability of the above resources to produce flows to meet the customer expectation and future demand.

#### **33. STATEMENT OF COMPLIANCE**

The Report by those charged with governance has been prepared in compliance with the Tanzania Financial Reporting Standard No. 1 (The Report by those charged with governance). This standard replaces TFRS 1 on Directors report that was issued by NBAA on 1 January 2010. The standard becomes operative for financial statements covering accounting periods beginning on or after 1st January 2021.

#### **34. RESPONSIBILITY OF AUDITORS**

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

#### **35. INDEPENDENT AUDITORS**

Details

The information of the Company's auditors for the period covered by the report is:

Ernst & Young  
EY House  
Plot No. 162/1, Mzinga way  
14111 Oysterbay  
P.O. Box 2475  
Dar es Salaam, Tanzania  
Tel: +255 22 292 4040 | Fax: +255 22 292 4034  
Website: <http://www.ey.com>  
Firms' registration Number: 151  
TIN number: 100-149-222

The engagement partner who was in charge of the audit of the Company during the period has PF Number: FCPA 1227.

**CHINA DASHENG BANK LIMITED**

**REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

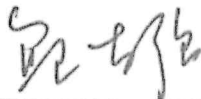
**35. INDEPENDENT AUDITORS (Continued)  
Appointment process**

The process of appointing the Company's External Auditor is done in accordance with Section 170 and 174 of the Companies Act, 2002 and Banking and Financial Institutions (External Auditors) Regulations, 2014 of Tanzania.

**Appointment for 2024**

The auditor, Ernst & Young, has expressed willingness to continue in office as auditor and is eligible for re-appointment. A resolution proposing the re-appointment of Ernst & Young as auditor of the Bank for the 2024 financial year will be tabled for shareholders' approval at the next Annual General Meeting.

Approved by Board of Directors for issue on 04/04/2024 and signed on its behalf by:



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**Bao Dongqiang**  
Chairperson



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**Cheng Ji**  
Chief Executive Officer

**CHINA DASHENG BANK LIMITED**

**REPORT BY THOSE CHARGED WITH GOVERNANCE  
FOR THE YEAR ENDED 31 DECEMBER 2023**

The Companies Act of Tanzania requires the Directors to prepare financial statements for each financial year, which present fairly the state of affairs of the Bank as at the end of the financial year and of the operating results of the Bank for that year. It also requires the Directors to ensure that the Bank keeps proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Bank. They are also responsible for safeguarding the assets of the Bank and hence taking reasonable steps for the prevention and detection of fraud, error and other irregularities.

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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 International Financial Reporting Standards and the requirements of the Companies Act of Tanzania and Banking and Financial Institutions Act, 2006 of Tanzania. 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 operating results. The Directors further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

Approved by Board of Directors for issue in and signed on its behalf by:

Approved by Board of Directors for issue on 04/04/2024 and signed on its behalf by:



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**Bao Dongqiang**

**Chairperson**



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**Cheng Ji**

**Chief Executive Officer**

**CHINA DASHENG BANK LIMITED**

**DECLARATION BY THE HEAD OF FINANCE  
FOR THE YEAR ENDED 31 DECEMBER 2023**

The National Board of Accountants and Auditors (NBAA) according to the power conferred, under the Auditors and Accountants (Registration) (Amendment) Act 2021, requires financial statements to be accompanied with 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 its responsibility of preparing financial statements showing true and fair view of the entity financial position and performance in accordance with applicable International Financial Reporting Standards and statutory financial reporting requirements. Full legal responsibility for the preparation of financial statements rests with the Board of Directors of China Dasheng Bank Limited as indicated under the statement of directors' responsibilities.

I, **Guydon G. Chihwalo** being the Head of Finance at China Dasheng Bank, hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2023 have been prepared in compliance with applicable accounting standards and statutory reporting requirements.

I, thus confirm that the financial statements of China Dasheng Bank Limited for the year ended 31 December 2023 give a true and fair view position as on that date and that they have been prepared based on properly maintained financial records.

Signed by:



Position:

Head Of Finance, Treasury and Trade Finance

NBAA Membership No:

ACPA 4339

Date:

04/04/2024

## INDEPENDENT AUDITOR'S REPORT

### To the shareholders of China Dasheng Bank Limited REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinion

We have audited the financial statements of China Dasheng Bank Limited (the "Bank") set out on pages 40 to 92, which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2023, and the financial performance and cash flows of the Bank for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act, 2002 and the Banking and Financial Institutions Act, 2006 of Tanzania.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Tanzania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

#### Key Audit Matters

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

For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provided the basis for our audit opinion on the accompanying financial statements.

**INDEPENDENT AUDITOR'S REPORT**

**To the shareholders of China Dasheng Bank Limited  
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

No.	Key audit matter	How our audit addressed the key audit matter
1.	<b>Credit risk and impairment of loans and advances from customers</b>	
	<p>As disclosed in Note 16 to the financial statements, as at 31 December 2023, the Bank has an allowance for expected credit losses of Tzs 178 million (2022: Tzs 9 million) charged on gross loans and advances to customers of Tzs 29,786 million (2022: Tzs 25,672 million). The related charge for the year to the income statement was Tzs 168 million (2022: Tzs 6 million) as disclosed in Note 6 to the financial statements.</p> <p>The expected credit losses are based on a forward-looking approach that recognizes impairment loss allowances in accordance with IFRS 9 <i>Financial Instruments</i>.</p> <p>The estimation of expected credit losses requires the Bank to make significant judgements in the consideration of the following variables:</p> <ul style="list-style-type: none"> <li>• Allocation of loan facilities due from customers to stages 1, 2 and 3 in accordance with IFRS 9 based on:</li> <li>• Credit exposures for which there has been a significant increase in credit risk since initial recognition, and for which a loss allowance is recognised over the remaining life of the exposure (life-time ECL); and</li> <li>• Credit exposures for which there has been no significant increase in credit risk, and for which a loss allowance is recognised for default events that are possible within the next 12-months (12-month ECL).</li> <li>• Stratification of assets under different credit portfolio on the basis of the associated credit risk.</li> <li>• Assessment of Probability of Default (PD) and Loss Given Default (LGD).</li> <li>• Application of historical and forward-looking information, including macro-economic factors in the assessment of the PDs.</li> <li>• 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.</li> </ul>	<p><b>Our audit procedures included, but were not limited to:</b></p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of management's process and controls over credit origination, credit monitoring, credit remediation and expected credit loss modelling.</li> <li>• Reviewed the accounting policies for compliance with IFRS 9 requirements.</li> <li>• Reviewed the ECL models including whether the assumptions applied, and the functioning and application of the models were accordance with IFRS 9.</li> <li>• Reviewed the allocation of loans and advances to customers to stages 1, 2 and 3 for compliance with IFRS 9 basing on the performance of the loans and the available information.</li> <li>• Evaluated the assumptions made to factor expected future cash flows into the ECL computations taking into account market conditions and the post-reporting date performance of the loan facilities.</li> <li>• We evaluated the reliability of data sources including collateral valuation used in the ECL calculations. This included reviewing loan files to check where appropriate, if the inputs agreed to the supporting documentation.</li> <li>• For non-performing loans (NPLs or Stage 3) ECL models:</li> </ul> <p>Due to the significance of the amounts and significant judgements and related estimation uncertainty involved, the assessment of ECLs has been considered a key audit matter. The complexity of these estimates requires management to disclose the key judgments and the key inputs into the ECL computations.</p>

## INDEPENDENT AUDITOR'S REPORT

### To the shareholders of China Dasheng Bank Limited REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

No.	Key audit matter	How our audit addressed the key audit matter
1.	<b>Credit risk and impairment of loans and advances from customers</b>	
	<ul style="list-style-type: none"> <li>• Consideration of the impact on default rates of correlated forward looking macroeconomic factors.</li> <li>• Expected utilisation of overdraft and other lending commitments over the lifetime of the commitments.</li> <li>• Application of additional overlay adjustments to reflect factors that are not considered in the applied expected credit loss models.</li> </ul>	<p>These disclosures include those in Notes 2 and 3 to the financial statements provide information about the Bank's ECL models and the related accounting policies, key assumptions and judgements.</p> <ul style="list-style-type: none"> <li>• We tested the completeness of the NPLs identified by management by inspecting the loan register that all loans meeting the NPL criteria are included in the schedule of NPLs.</li> <li>• We understood the ECL models and the key inputs and selected a sample for testing, taking into consideration both quantitative and qualitative factors.</li> <li>• For the selected sample of NPLs, we 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.</li> <li>• We evaluated whether the basis for determining the expected net cash flows from the loans was reasonable in the circumstances.</li> <li>• We evaluated whether necessary adjustments to the expected cash flows were considered including a reasonable estimate of the costs expected to be incurred to recover the expected cash flows.</li> <li>• For Stage 1 and 2 ECL models, the ECL balances determined by management were evaluated by assessing whether they were within the range of estimates recomputed using available inputs.</li> <li>• We assessed whether disclosures made in the financial statements agreed to the audited balances and information and whether they were in accordance with IFRS 9.</li> </ul>

#### Other matter

The financial statements of the Bank for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on those financial statements on 31 March 2023.

#### Other Information

The directors are responsible for the other information. The other information comprises the information included in Directors' Report, Statement of Directors' Responsibilities, and the Declaration by the Head of Finance. The other information does not include the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance thereon.



## **INDEPENDENT AUDITOR'S REPORT**

### **To the shareholders of China Dasheng Bank Limited REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

#### **Responsibilities of the Directors for the Financial Statements**

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

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2002 and Banking and Financial Institutions Act, 2006 of Tanzania, 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 financial statements, the directors are responsible for assessing the Company'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 Company or to cease operations, or have no realistic alternative but to do so. The directors are responsible for overseeing the Company's financial reporting processes.

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

## INDEPENDENT AUDITOR'S REPORT

### To the shareholders of China Dasheng Bank Limited REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We 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 we identify during our audit. We also provide the directors with a statement that we 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 our independence, and where applicable, related safeguards.

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

#### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

This report, including the opinion, has been prepared for, and only for, the Bank's members as a body in accordance with the Companies Act, 2002 of Tanzania and for no other purposes.

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

- We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
- In our opinion, proper books of account have been kept by the Bank, so far as appears from our examination of those books;
- The Directors' Report is consistent with the financial statements;
- Information specified by law regarding directors' remuneration and transactions with the Bank is disclosed; and
- The statements of financial position and statements of profit or loss and other comprehensive income are in agreement with the books of account.

As required by the Banking and Financial Institutions (External Auditors) Regulations, 2014 of Tanzania, we report to you, based on our audit, that;

- In our opinion, the capital adequacy ratios as presented in Note 20 to the financial statements have been computed in accordance with the Banking and Financial Institutions Act, 2006, and the Banking and Financial Institutions (Capital Adequacy) Regulations, 2014 of Tanzania.

The engagement partner on the audit resulting in this independent auditor's report is Neema Kiure (FCPA 1227)

Signed by: Dr. Neema Kiure (FCPA 1227) 

For and on behalf of Ernst & Young

Certified Public Accountants

Dar es Salaam

Date: 09 April 2024

**CHINA DASHENG BANK LIMITED**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2023**

		<b>2023</b>	<b>2022</b>
	Note	<b>TZS 000</b>	<b>TZS 000</b>
Interest income calculated using the effective interest method	5	12,693,196	13,126,660
Interest expenses calculated using the effective interest method	5	(952,790)	(734,044)
<b>Net Interest income</b>		<b>11,740,405</b>	<b>12,392,616</b>
Fees and commission income	7	458,306	232,634
Net foreign exchange gain	8	154,431	96,653
Other income	9	139,720	24
Net gain on sale of Government securities	9	1,501,686	1,509,181
Credit loss expense on financial assets	6	(142,989)	(20,372)
<b>Net operating income</b>		<b>13,851,558</b>	<b>14,210,735</b>
Employee benefits expenses	10	(4,075,246)	(3,050,480)
Administrative and other operating expenses	11	(4,185,434)	(2,607,928)
Depreciation and amortisation	13	(1,976,921)	(1,947,580)
<b>Total operating expenses</b>		<b>10,237,601</b>	<b>(7,605,988)</b>
Finance cost*	21	(146,138)	(192,762)
<b>Profit before income tax</b>		<b>3,467,820</b>	<b>6,411,986</b>
Tax charge	12	(1,641,034)	(2,046,321)
<b>Profit for the period</b>		<b>1,826,786</b>	<b>4,365,665</b>

\*The finance cost amounting to TZS 146 million has within the prior financial reporting period been aggregated and presented as part of the administrative and other operating expenses line item respectively and has now been reclassified to be presented separately on the face of the statement of comprehensive income in the current financial reporting period.

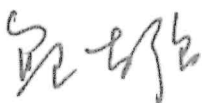
CHINA DASHENG BANK LIMITED

STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2023

	Note	2023 TZS 000	2022 TZS 000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	14	4,390,165	9,375,168
Placement with other banks	15	15,571,110	12,991,239
Loans and advances to customers	16	29,208,514	25,869,235
Investment in Government securities	17	66,561,267	64,548,377
Other assets	18	4,942,779	3,405,993
Tax receivable	12	168,500	98,983
Property and equipment	22	929,689	1,672,577
Intangible assets	23	500,955	1,391,649
Right of use assets	22	1,352,713	1,149,465
<b>TOTAL ASSETS</b>		<b>123,625,692</b>	<b>120,502,685</b>
<b>Liabilities and Equity</b>			
<b>Liabilities</b>			
Deposits from customers	19	9,920,829	8,085,403
Deposits from banks	20	11,756,322	12,698,720
Other liabilities	21	2,873,423	2,470,230
		<b>24,550,574</b>	<b>23,254,354</b>
<b>Total liabilities</b>		<b>24,550,574</b>	<b>23,254,354</b>
<b>Equity</b>			
Share Capital	24	89,040,000	89,040,000
Regulatory banking reserve	25	694,131	636,932
Retained earnings		9,340,987	7,571,399
		<b>99,075,118</b>	<b>97,248,332</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>123,625,692</b>	<b>120,502,685</b>


The financial statements were approved for issue by the Board of Directors on 04/04/2024

and signed on its behalf by:



**Bao Dongqiang**

**Chairperson**



**Cheng Ji**

**Chief Executive Officer**

**CHINA DASHENG BANK LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Share capital	Retained Earning	Regulatory reserve	Total
	TZS 000	TZS 000	TZS 000	TZS 000
<b>As at 01 January 2023</b>	89,040,000	7,571,399	636,932	97,248,332
Profit for the year	-	1,728,147	-	1,728,147
Regulatory reserve	-	(57,198)	57,198	-
<b>As at 31 December 2023</b>	<b>89,040,000</b>	<b>9,242,348</b>	<b>694,131</b>	<b>98,976,479</b>
<b>As at 01 January 2022</b>	89,040,000	6,561,619	586,678	96,188,297
Profit for the year	-	4,336,706	-	4,336,706
Dividend paid	-	(3,276,672)	-	(3,276,672)
Regulatory reserve	-	(50,254)	50,254	-
<b>As at 31 December 2022</b>	<b>89,040,000</b>	<b>7,571,399</b>	<b>636,932</b>	<b>97,248,332</b>

# CHINA DASHENG BANK LIMITED

## STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 TZS 000	2022 TZS 000
<b>Cash flow from operating activities</b>			
Profit before tax		3,467,820	6,411,985
<b>Adjustments for:</b>			
Depreciation and amortization	13	1,976,921	1,947,580
Depreciation of Right of Use	22	301,580	188,189
WIP written-off - PPE and Intangible	22	(32,312)	-
Gain on sale of property and equipment	9	(6,557)	-
Interest on lease liability	21	146,138	192,762
Impairment on loans	6	168,309	6,438
Impairment on Interbank Placements	6	(5,454)	10,528
Impairment on Government securities	6	(16,413)	(16)
Impairment of bank balance	6	(3,453)	3,422
Modification gains on lease	9	(132,655)	-
Gain/loss on forex	8	(115,069)	(67,270)
<b>Changes in working capital</b>			
Increase in loans and advances		(3,471,387)	(3,064,829)
Increase in other assets		(1,608,466)	(2,374,577)
Increase in placement with other banks		(2,574,417)	(4,386,470)
Increase in other liabilities		212,815	79,538
Increase in deposits from customers		1,835,426	7,260,697
(Decrease)/increase in deposits from banks		(942,398)	4,700,463
		<b>(799,573)</b>	<b>10,908,439</b>
Interest paid - lease liability	21	(39,234)	(37,916)
Tax paid	12	(1,710,552)	(2,075,280)
<b>Net cashflow from operating activities</b>		<b>(2,459,358)</b>	<b>8,795,243</b>
<b>Cash flows from investing activities</b>			
Acquisition of property and equipment	22	(43,197)	(925,486)
Acquisition of intangible assets	22	(31,944)	(88,043)
Proceeds from sale of property and equipment		7,627	-
Proceed from sale of government securities*	17	22,490,956	28,861,791
Acquisition of government securities*	17	(24,503,847)	(24,194,724)
<b>Net cashflow from investing activities</b>		<b>(2,080,405)</b>	<b>3,653,543</b>
<b>Cash flows from financing activities</b>			
Lease payment - principal	21	(355,240)	(272,772)
Contribution from Shareholders		-	(3,276,672)
		(355,240)	(3,549,444)
Net increase in cash and cash equivalent		<b>(4,985,003)</b>	<b>8,899,343</b>
Cash and cash equivalent at the start of the year		9,375,168	475,825
Cash and cash equivalent at the end of the year	13	<b>4,390,165</b>	<b>9,375,168</b>

\* The proceeds and acquisition of Government securities amounted to TZS 22 billion and TZS 24 billion respectively has within the prior financial reporting period been aggregated and presented under one line item as investment in Government securities and has now been reclassified to be presented separately on statement of cashflows as proceed and acquisition of government securities.

## **CHINA DASHENG BANK LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

#### **1. GENERAL INFORMATION**

China Dasheng Bank Limited is a limited liability company incorporated under Companies Act No. 2 of 2002 with Certificate of Incorporation No. 133554 and domiciled in the United Republic of Tanzania. The Bank was then issued with a permanent banking business license No. CBA00066 by the Bank of Tanzania on 8 November 2018 and started banking operations in December 2018. The Bank is engaged in providing banking and related services stipulated by the Banking and Financial Institutions Act, 2006. The address of its registered office is as follows:

China Dasheng Bank Limited  
Extelecoms House, Mezzanine Floor  
Samora Avenue  
PO Box 388  
Dar es Salaam

#### **2. MATERIAL ACCOUNTING POLICIES**

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

##### **2.1 Statement of compliance**

The financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS).

##### **2.2 Basis of preparation**

The financial statements of the Bank have been prepared in accordance with the International Financial Reporting Standards (IFRS). The standards also encompass the International Accounting Standards (IAS), International Financial Reporting Interpretation Committee (IFRIC) and the Standing Interpretation Committee (SIC). Additional information required by the Tanzania Companies Act 2002 were included where appropriate.

The financial statements comprise the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the notes. The measurement basis applied in the preparation of these financial statements is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Tanzania shillings rounded to the nearest thousands (TZS '000), which is the Bank's functional currency. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Those charged with governance to exercise judgment in the process of applying the Bank's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Those charged with governance 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 judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

## CHINA DASHENG BANK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

#### 2. MATERIAL ACCOUNTING POLICIES (Continued)

##### 2.3 Improvements to IFRSs

The Bank has not early 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 2023, but do not have significant impact on the Bank's financial statements.

##### a) New standards, amendments, and interpretations effective during the year

The below standards did not have a significant impact on the Bank's financial statements.

##### **Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12**

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability. The standard is effective for annual periods beginning on or after 1 January 2023, based on the assessment made by the bank, the amendment do not have significant impact .

##### **IFRS 17 – Insurance Contracts**

The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which were largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

IFRS 17 is effective for reporting periods starting on or after 1 January 2023, with comparative figures required.

This standard had no impact on the financial statements of the Bank as the they do not carry out insurance business.

##### **Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2**

The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant accounting policies' with a requirement to disclose 'material accounting policy information' and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.



## CHINA DASHENG BANK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

#### 2. MATERIAL ACCOUNTING POLICIES (Continued)

##### 2.4 Improvements to IFRSs

###### **Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2**

In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and their nature.

The amendments may impact the accounting policy disclosures of entities. Determining whether accounting policies are material or not requires use of judgement. Therefore, entities are encouraged to revisit their accounting policy information disclosures to ensure consistency with the amended standard. Entities should carefully consider whether 'standardized information, or information that only duplicates or summarizes the requirements of the IFRSs' is material information and, if not, whether it should be removed from the accounting policy disclosures to enhance the usefulness of the financial statements.

These amendments had an impact on the financial statements of the Company, the assessment has been made and no significant changes were noted after consideration of the require changes.

###### **Definition of Accounting Estimates - Amendments to IAS 8**

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors.

The amendments are intended to provide preparers of financial statements with greater clarity as to the definition of accounting estimates, particularly in terms of the difference between accounting estimates and accounting policies. The amendments do not have material impact on entity's financial statements.

###### **International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12**

The amendments clarify that IAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as 'Pillar Two legislation' and 'Pillar Two income taxes', respectively.

The amendments require, for periods in which Pillar Two legislation is (substantively) enacted but not yet effective, disclosure of known or reasonably estimable information that helps users of financial statements understand the entity's exposure arising from Pillar Two income taxes. To comply with these requirements, an entity is required to disclose qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period. The standard does not have an impact to the entity.

## CHINA DASHENG BANK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

#### 2. MATERIAL ACCOUNTING POLICIES (Continued)

##### 2.5 Improvements to IFRSs

###### **New and amended standard issued but not yet effective**

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are not expected to have a significant impact on the Company's financial statements.

The new standards and interpretations are listed below:

- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 - effective 1 Jan 2024
- Classification of Liabilities as Current or Non-current - Amendments to IAS 1 – effective 1 Jan 2024
- Lack of exchangeability – Amendments to IAS 21 – effective 1 Jan 2025
- Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7 [effective for annual periods beginning on or after 01 January 2024]

##### 2.4 Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognized within 'interest income' or 'interest expense' in the profit or loss account using the effective interest method. The effective interest method is a method of calculating the amortized 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 EIR (and therefore, the amortized cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest that was used to discount the future cash flows for the purpose of measuring the impairment loss.

Any accrued but uncollected interest on credit accommodations placed on non-accrual basis shall be reversed and placed in suspense.

The Bank calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', the Bank calculates interest income by applying the effective interest rate to the net amortized cost of the financial asset. If the financial assets is cured and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

## **CHINA DASHENG BANK LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023**

#### **2. MATERIAL ACCOUNTING POLICIES (Continued)**

##### **2.6 Fees and commission income**

Fees and commission income are recognized in the statement of profit or loss and comprehensive income on the accrual basis. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank, the stage of completion at the balance sheet date can be measured reliably, the costs incurred, or to be incurred, in respect of the transaction can be measured reliably and the revenue can be reliably measured.

The Bank's turnover is in respect of performance of services less discounts, allowances and value added tax. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognized as adjustment to the effective interest rate on the loan. Commission and fees arising from negotiating or participating in the negotiation of, a transaction for a third party –such as arrangement of the acquisition of shares or other securities or the purchase or sale of business are recognized on completion of the underlying transaction.

##### **2.7 Foreign currencies**

###### **(i) Functional and presentation currency**

Items included in the financial statements of the Bank are measured using the currency of primary economic environment in which the Bank operates ("the functional currency"). The financial statements are presented in Tanzania Shilling which is the Bank's functional and presentation currency.

###### **(ii) Transactions and balances**

Foreign currency transactions are translated into Tanzania Shillings using the exchange rates prevailing on 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 items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

###### **(iii) Functional and presentation currency**

Items included in the financial statements of the Bank are measured using the currency of primary economic environment in which the Bank operates ("the functional currency"). The financial statements are presented in Tanzania Shilling which is the Bank's functional and presentation currency.

###### **(iv) Transactions and balances**

Foreign currency transactions are translated into Tanzania Shillings using the exchange rates prevailing on 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 items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

## CHINA DASHENG BANK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

#### 2. MATERIAL ACCOUNTING POLICIES (Continued)

##### 2.8 Property and equipment

All categories of property, plant and equipment are initially recorded at historical cost. Subsequently, the assets are stated at historical costs, less accumulated depreciation and accumulated impairment if any.

Historical costs include expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. Costs of replacing part of the property and equipment and major inspection cost are capitalised if the recognition criteria are met as required by IAS 16. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss account during the financial year in which they occurred.

Depreciation is recognised in the profit or loss on a straight-line method over the estimated useful lives of each part of an item of property and equipment. Depreciation is charged on an annual basis as follows:

<b>Classes</b>	<b>Depreciation rate</b>
Motor vehicle	20%
Computers and related equipment	20%
Office equipment	20%
Furniture and fittings	20%
Leasehold improvements	20%
Right of use asset	Lease term

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period date. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other income in the profit and loss account. Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Gains and losses on disposal of property and equipment are determined by comparing proceeds with their carrying amount and are taken into account in determining operating profit.

## CHINA DASHENG BANK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

#### 2. MATERIAL ACCOUNTING POLICIES (Continued)

##### 2.9 Intangible assets

Intangible assets comprise computer software licenses and are recognized at cost. Costs associated with maintaining computer software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Bank are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured

Intangible assets are amortized using the straight-line method over their estimated useful economic life, generally not exceeding 5 years.

##### 2.10 Leasehold improvements

Leases of leasehold improvements are classified as operating leases; these include improvements made on leased Bank buildings for its head office and branch. The total payments made under operating leases are charged to profit or loss on a straight-line basis over the life of the lease period.

Leasehold improvements are stated at cost, less accumulated amortization and accumulated impairment in value. Leasehold improvements amortizations are calculated on straight line basis at annual rates estimated to write down the carrying values of the assets to their residual value over their expected useful lives which is currently 5 years.

##### 2.11 Leases

The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the organization by the end of the lease term or the cost of the right-of-use asset reflects that the organization will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment.

## CHINA DASHENG BANK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

#### 2. MATERIAL ACCOUNTING POLICIES (Continued)

##### 2.11 Leases (Continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the organization's incremental borrowing rate. Generally, the organization uses its incremental borrowing rate as the discount rate.

The organization determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the organisation is reasonably certain to exercise, lease payments in an optional renewal period if the organisation is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the organisation is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the organization's estimate of the amount expected to be payable under a residual value guarantee, if the organization changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The organization presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

##### 2.12 Share capital

The Bank has only one class of ordinary shares which is classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'Share premium' in equity.

## CHINA DASHENG BANK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

#### 2. MATERIAL ACCOUNTING POLICIES (Continued)

##### 2.13 Cash and cash equivalents

In the statement of cash flow, cash and cash equivalents comprises of cash on hand, demand and time deposits with banks whose original maturities do not exceed three months together with short term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

##### 2.14 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity, and a financial liability or equity instrument of another entity.

A financial asset or liability other than loans and advances to customers and balances due to customers are initially recognized when the Bank becomes party to the contractual provisions of the instrument (The trade date). For Loans and advances to customers are recognized when funds are transferred to the customers' accounts and the Bank recognizes balances due to customers when funds are transferred to the Bank.

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

- Amortised costs,
- Fair Value Through Profit and Loss (FVPL).

##### i. Financial instruments 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:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis
- .

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 with the exception of 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.

## CHINA DASHENG BANK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

#### 2. MATERIAL ACCOUNTING POLICIES (Continued)

##### 2.14 Financial instruments (Continued)

###### ii. Financial instrument at fair value through other comprehensive income.

Financial assets and liabilities are categorized as 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.

These instruments largely constitute those assets that had been previously classified as financial investments available for sale.

###### iii. Loans and advances to customers, financial investments at amortized cost.

The Bank only measures due from banks, loans and advances to customers and other financial investments at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order 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.

Interest on loans is included in the statement of profit or loss and is reported as 'Interest and similar income'. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in the statement of profit or loss as 'loan impairment charges'.

##### 2.15 Recognition of financial assets

Management determines the appropriate classification of its investments at initial recognition. The Bank uses trade date accounting for regular way contracts when recording financial asset transactions.

##### 2.16 Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quotes debt instruments. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

If the above criteria are not met, the market is regarded as being inactive. Indicators that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.



## CHINA DASHENG BANK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

#### 2. MATERIAL ACCOUNTING POLICIES (Continued)

##### 2.16 Determination of fair value (Continued)

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, LIBOR yield curve, FX rates, volatilities and counterparty spreads) existing at the balance sheet date.

In cases when the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less impairment.

The fair value for loans and advances as well as liabilities to banks and customers are determined using a present value model on the basis of contractually agreed cash flows, taking into account credit quality, liquidity and costs. The fair values of contingent liabilities and irrevocable loan commitments correspond to their carrying amounts.

##### 2.17 Financial liabilities

After initial recognition, the Bank measures all financial liabilities including customer deposits other than liabilities held for trading at amortized cost. Liabilities held for trading (financial liabilities acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin) are subsequently measured at their fair values.

##### 2.18 Derecognition of financial assets and liabilities

Financial assets are derecognized when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have been transferred, the Bank tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition). Financial liabilities are derecognized when they have been redeemed or otherwise extinguished.

##### 2.19 Classes of financial instruments

The Bank classifies the financial assets and liabilities into classes that reflect the nature of information and take into account the characteristics of those financial instruments. The classification made can be seen in note 4.5.3.

##### 2.20 Impairment of financial assets

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. The measurement of impairment losses both under IFRS 9 and IAS 39 across all categories of financial assets requires judgement, 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 a number of factors, changes in which can result in different levels of allowances. The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies.

## CHINA DASHENG BANK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

#### 2. MATERIAL ACCOUNTING POLICIES (Continued)

##### 2.20 Impairment of financial assets (Continued)

Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's internal credit grading model, which assigns PDs to the individual grades
- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment
- 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. Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

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

##### 2.21 Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets (if any) that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are 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.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of profit or loss and other comprehensive income. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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 amortization, if no impairment loss had been recognised.

## CHINA DASHENG BANK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

#### 2. MATERIAL ACCOUNTING POLICIES (Continued)

##### 2.22 Tax

Income tax expense is the aggregate of the charge to the statement of profit or loss and other comprehensive income in respect of current income tax and deferred income tax. Current income tax is the amount of income tax payable on the taxable profit for the period determined in accordance with the Tanzanian Income Tax Act, 2004. Deferred tax is a tax arising due to timing difference in the value of assets as per applicable accounting standards as booked in the financial statements and as per Income Tax Act.

Deferred income tax is provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred income tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit/loss, it is not accounted for.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.

##### 2.23 Employees' benefits

###### i. Short term benefits

The cost of all short-term employee entitlements to leave pay, medical aids, long service awards, other contributions etc. are recognized during the period in which the employees rendered the related services.

###### ii. Retirement contribution plan

The Bank's contributions in respect of retirement benefit costs are charged to the statement of profit or loss in the year to which they relate.

The Bank makes contributions to statutory defined contribution pension schemes. A defined contribution plan is a pension plan under which the Bank pays fixed contribution into a separate entity. The Bank has no obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and previous periods. The Bank's obligations under the schemes are limited to specific contributions legislated from time to time.

##### 2.24 General provision reserve

General provision is the banking risk reserve that represents the surplus of loan provision computed as per the Bank of Tanzania regulations over the impairment of loans and advances. This is a non-distributable reserve.

## CHINA DASHENG BANK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

#### 2. MATERIAL ACCOUNTING POLICIES (Continued)

##### 2.25 Comparatives

If the Bank changes the presentation or classification of items in its financial statements, it reclassifies comparative amounts unless reclassification is impracticable. When the Bank reclassifies comparative amounts, it discloses (including as at the beginning of the preceding period) the nature of the reclassification; the amount of each item or class of items that is reclassified; and the reason for the reclassification.

#### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the bank's accounting policies.

##### 3.1 Fair value of financial instruments

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates.

##### 3.2 Income taxes

Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

##### 3.3 Deferred tax asset

The recognition of a deferred tax asset relies on an assessment of the probability and sufficiency of future taxable profits, future reversals of existing taxable temporary differences and on-going tax planning and strategies. There were no deferred tax assets recognized by the Bank in year 2023 (2022: TZS Nil).

The judgments take into consideration the effect of both positive and negative evidence, including historical financial performance, projections of future taxable income, and future reversals of existing taxable temporary differences.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

**3.4 Determination of useful life of property, equipment and intangible assets**

Critical estimates are made by Those charged with governance in determining the useful lives of property, equipment and intangible assets as well as their residual values. The Bank reviews the estimated useful lives of property, equipment and useful lives at the end of each reporting period. 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. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'Other (losses)/gains – net' in profit or loss. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

**3.5 Impairment losses on loans and advances**

To estimate the amount of loan impairment, the Bank uses requirements of both Bank of Tanzania Management of Risks Regulation, 2014 as well as IFRS 9. Under BOT regulation all loans were categorized in current status no provision was taken as general provision, following changes in BOT requirements.

Under IFRS 9, the loans as at reporting date are categorized under Stage 1 as they have not yet fallen due and some (staff loans) under Stage 3 as they have significantly increased in credit risk. Under requirements of IFRS 9 an entity is required to make an ongoing assessment of Expected Credit Losses (ECL) and therefore requires earlier recognition of credit losses, ECL is derived as  $EAD \times PD \times LGD$ .

The key elements for ECL calculations 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, taking into account 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.
- LDG – 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 realisation of any collateral. It is usually expressed as a percentage of the EAD.

The Bank's LDG was zero as at reporting date due to the fact that the expected realization from collateral is greater than the EAD, hence no impairment loss was expected.

**3.6 Incremental borrowing rate**

In implementing IFRS 16 the Bank made various judgment and assumptions to determine the amount of Right of Use Asset and Lease liability to be recognized as per the requirements of the standard.

## CHINA DASHENG BANK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

#### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

##### 3.6 Incremental borrowing rate

The key judgments and assumptions made by the Bank are as follows;

- Lease contracts that are to be included in the computation of IFRS 16 needs to be of more than 12 months and of high value (More than USD 5000)
- The incremental borrowing rate used is 15.49% which is the interbank lending rate.
- The lease term has been established as twice of the current existing lease term with the judgment that the Bank is going to renew the existing lease contracts.
- There are no estimates of dismantling costs to be incurred after the end of the lease term.

#### 4 FINANCIAL RISK MANAGEMENT

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business.

The core functions of the Bank's risk management are to identify all key risks for the Bank, measure these risks, manage the risk positions and determine capital allocations. The Bank

regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice.

The Board of Those charged with governance has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign-exchange risk, interest-rate risk, credit risk, and liquidity risk.

The Bank has exposure to the following risks from its use of financial instruments:

- (a) Credit risk
- (b) Liquidity risk
- (c) Foreign exchange risk
- (d) Interest rate risk

This note presents information about the Bank's exposure to each of the above risks, its objectives, policies and processes for measuring and managing the risks.

##### 4.1 Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Bank's trade and other receivables.

The Bank's principal financial assets are cash and bank balances as well as accounts receivables. The credit risk on bank balances is limited because the China Dasheng Bank banks with established and well recognised banking institutions. Trade receivables comprise a limited customer base. Management evaluates credit risk relating to customers on an ongoing basis.

## CHINA DASHENG BANK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

#### 4 FINANCIAL RISK MANAGEMENT (Continued)

##### 4.1.1 Credit risk measurement

###### Loans and advances

In measuring credit risk of loan and advances to customers and to banks at a counterparty level, the bank reflects three 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 loss model'), are embedded in the Banks' daily operational management.

The operational measurements can be contrasted with impairment allowances required under IFRS 9, which are based on expected losses.

Customers of the Banks 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. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes.

Banking internal rating

Bank's rating	Past due (Days)	Description of grade	Provisioning rate
1	0-30	Current	Nil
2	31-90	Especially Mentioned	3%
3	91-180	Sub-standard	20%
4	181-360	Doubtful	50%
5	361-	Loss	100%

##### 4.1.2 Risk limit control and mitigation policies

The Bank manages limits and control concentrations of credit risk wherever they are identified in particular, to individual counterparties and groups, and to industries. The bank structure the levels of credit risk they undertake by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary.

The exposure to any one borrower including banks is further restricted by sub-limits covering on- and off-balance sheet exposures. Actual exposures against limits are monitored daily. Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Some other specific control and mitigation measures are outlined below.

###### Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

## CHINA DASHENG BANK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

#### 4 FINANCIAL RISK MANAGEMENT (Continued)

##### 4.1 Credit risk (Continued)

##### 4.1.2 Risk limit control and mitigation policies

- Mortgages over residential properties.
- Charges over business assets such as premises, inventory, and accounts receivable.
- Charges over financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimize the credit loss, the bank will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

2023	Max exposure	Cash	Property	Total collateral	Associated ECL
Corporate lending	13,507,105	-	Landed Properties	21,987,000,000	6,288,666
Small business lending	14,229,366	314,949,477	Cash + Landed Properties	25,580,410,477	130,737,640
Consumer lending	1,472,043	-		-	40,645,208
<b>Total</b>	<b>29,208,514</b>	<b>314,949,477</b>		<b>47,567,410,477</b>	<b>177,671,515</b>
Financial guarantees	22,027,215,798	117,540,994	Cash, Landed Properties, Director Personal Guarantee & Corporate Guarantee	22,027,215,798	6,277,756
<b>2022</b>					
	Max exposure	Cash	Property	Total collateral	Associated ECL
Corporate lending	16,236,950	-	Landed Properties	21,987,000,000	-
Small business lending	8,513,140	10,000,000	Cash + Landed Properties	10,641,425,870	7,635,170
Consumer lending	1,119,145	-		-	-
<b>Total</b>	<b>25,869,235</b>	<b>314,949,477</b>		<b>32,628,425,870</b>	<b>7,635,170</b>
Financial guarantees	8,591,036,979	516,000,000	Cash, Landed Properties, Director Personal Guarantee & Corporate Guarantee	8,591,036,979	



**CHINA DASHENG BANK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**4. FINANCIAL RISK MANAGEMENT (Continued)**

**4.1 Credit risk (Continued)**

**4.1.3 Impairment losses on loan and advances**

At each balance sheet date, all financial assets are subject to review for impairment. If it is probable that the Bank will not be able to collect all amounts due (principal and interest) according to the contractual terms of loans, receivables, or held-to-maturity investments carried at amortized cost, an impairment loss has occurred.

The amount of the loss is the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial instrument's original effective interest rate (recoverable amount). The carrying amount of the asset is reduced to its estimated recoverable amount. The amount of the loss incurred is included in the income statement for the period. If a loss on a financial asset carried at fair value (recoverable amount is below original acquisition cost) has been recognized directly in equity and there is objective evidence that the asset is impaired, the cumulative net loss that had been recognized directly in equity and there is objective evidence that the asset is impaired, the cumulative net loss that had been recognized directly in equity is removed from equity and recognized in the income statement for the period even though the financial asset has not been derecognized.

Impairment assumptions and calculations are as detailed under Note 3.5.

	Neither past due not impaired	Not past due but impaired	Past due and impaired	Total
<b>31 December 2023</b>	<b>TZS '000</b>	<b>TZS '000</b>	<b>TZS '000</b>	<b>TZS '000</b>
Cash and cash equivalents	4,390,165	-	-	4,390,165
Loans and advances to customers	-	28,383,475	825,039	29,208,514
Placement with other banks	-	15,571,110	-	15,571,110
Investment in Government securities	-	66,266,844	-	66,266,844
	<b>4,390,165</b>	<b>110,221,429</b>	<b>825,039</b>	<b>115,436,633</b>
	<b>9,375,168</b>	<b>103,408,850</b>	<b>-</b>	<b>112,784,019</b>
<b>31 December 2022</b>	<b>TZS '000</b>	<b>TZS '000</b>	<b>TZS '000</b>	<b>TZS '000</b>
Cash and cash equivalents	9,375,168	-	-	9,375,168
Loans and advances to customers	-	25,869,235	-	25,869,235
Placement with other banks	-	12,991,239	-	12,991,239
Investment in Government securities	-	64,548,377	-	64,548,377
	<b>9,375,168</b>	<b>103,408,850</b>	<b>-</b>	<b>112,784,019</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**4. FINANCIAL RISK MANAGEMENT (Continued)**

**4.2 Liquidity risk**

Liquidity risk is the risk that the Bank will not be able to meet its financial obligations as they fall due. The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. Liquidity is further managed by monitoring forecast cash flows to ensure that the Bank has adequate cash resources to meet its short-term commitments.

The Bank ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted. All liquidity policies and procedures are subject to review and approval by the Bank's board of Those charged with governance.

Banking operations are such that mismatches of assets and liabilities according to their maturity profiles cannot be avoided. However, those charged with governance ensure that the mismatch is controlled in line with allowable risk levels and includes:

- Day-to-day funding managed by monitoring future cash flows to ensure that requirements can be met. These include replenishment of funds as they mature or are borrowed by customers. The Bank maintains an active presence in money markets to enable this to happen;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring statement of financial position liquidity ratios against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of gap analysis, maturity ladder as well as cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

The table below analyses assets and liabilities into relevant maturity groupings based on the remaining period at 31 December 2023 to the contractual maturity date.

CHINA DASHENG BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2023

4. FINANCIAL RISK MANAGEMENT (Continued)

4.2 Liquidity risk (Continued)

	Up to 1 month TZS '000	1-3 months TZS '000	3-12 months TZS '000	Over 12 months TZS '000	Total TZS '000
<b>31 December 2023</b>					
<b>Assets</b>					
Cash and cash equivalent	4,390,165	-	-	-	4,390,165
Loans and advances to customers	119,662	439,346	8,749,749	19,899,757	29,208,514
Placement with other banks	11,971,110	2,600,000	1,000,000	-	15,571,110
Investment in Government securities	-	-	-	66,561,267	66,561,267
<b>Total financial assets</b>	<b>16,480,937</b>	<b>3,039,346</b>	<b>9,749,749</b>	<b>86,461,024</b>	<b>115,731,056</b>
<b>Liabilities</b>					
Deposits from customers	7,056,554	943,630	1,920,645	-	9,920,829
Deposits due to other banks	8,361,072	2,515,000	880,250	-	11,756,322
Other liabilities	-	-	942,458	-	942,458
Lease liabilities	-	16,599	403,327	1,452,093	1,872,019
<b>Total liabilities</b>	<b>15,417,626</b>	<b>3,475,229</b>	<b>4,146,680</b>	<b>1452093</b>	<b>24,491,628</b>
<b>Liquidity gap</b>	<b>1,063,311</b>	<b>(435,883)</b>	<b>5,603,069</b>	<b>85,008,931</b>	<b>91,239,428</b>

CHINA DASHENG BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2023

4. FINANCIAL RISK MANAGEMENT (Continued)

4.2 Liquidity risk (Continued)

31 December 2022	Up to 1 month TZS '000	1-3 months TZS '000	3-12 months TZS '000	Over 12 months TZS '000	Total TZS '000
<b>Assets</b>					
Assets					
Cash and cash equivalent	9,375,168	-	-	-	9,375,168
Loans and advances to customers	2,309,008	-	5,027,224	18,533,003	25,869,235
Placement with other banks	4,109,739	3,483,000	5,398,500	-	12,991,239
Investment in Government securities	-	-	-	64,548,377	64,548,377
<b>Total financial assets</b>	<b>15,793,915</b>	<b>3,483,000</b>	<b>10,425,724</b>	<b>83,081,380</b>	<b>112,784,019</b>
Liabilities					
Deposits from customers	7,343,762	731,641	10,000	-	8,085,403
Deposits due to other banks	4,022,220	3,517,500	5,159,000	-	12,698,720
Other liabilities	-	-	832,372	-	832,372
Lease liabilities		7,035	209,371	1,292,216	1,508,622
<b>Total liabilities</b>	<b>11,365,982</b>	<b>4,256,176</b>	<b>6,210,743</b>	<b>1,292,216</b>	<b>23,125,117</b>
Liquidity gap	<b>4,427,933</b>	<b>(773,176)</b>	<b>4,214,981</b>	<b>81,789,164</b>	<b>89,658,902</b>

## CHINA DASHENG BANK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

#### 4. FINANCIAL RISK MANAGEMENT (Continued)

##### 4.3 Foreign exchange risk

The Bank records transactions in foreign currencies at the rates in effect at the date of the transaction. The Bank retranslates monetary assets and liabilities denominated in foreign currencies at the rates of exchange in effect at the statement of financial position date. All the gains or losses arising from changes in the currency exchange rates are accounted for in the statement of profit or loss and other comprehensive income. The Bank takes on exposure to the effects of fluctuation in the prevailing foreign currency exchange rates in its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily.

The currency changes can result in unpredictable gains and losses to the Bank when receivables are converted or translated from a foreign currency into the local one. The Bank held foreign denominated net monetary assets worth TZS 18.3 billion as at 31 December 2023. If Tanzanian Shillings strengthened or weakened by 5% the reported gain or loss on foreign exchange would be higher or lower by TZS 204 million.

The Bank had the following currency exposure position (all amounts expressed in thousands).

	2023		2022	
	USD '000	TZS '000	USD '000	TZS '000
Exchange rate (TZS 2,515/USD)				
<b>As at 31 December</b>				
<b>Assets</b>				
Cash and cash equivalents	271	685,207	164	383,637
Loans and advances to customers	7,601	19,115,594	7,637	17,909,547
<b>Total financial assets</b>	<b>7,872</b>	<b>19,800,801</b>	<b>7,801</b>	<b>18,293,184</b>
<b>Liabilities</b>				
Deposits from customers	1,577	3,966,498	1,011	2,371,029
Deposit from other banks	4,674	11,756,322	5,433	12,740,269
Leases	390	980,850	206	249,136
<b>Total liabilities</b>	<b>6,641</b>	<b>16,703,670</b>	<b>6,650</b>	<b>15,360,434</b>
<b>Net open position</b>	<b>1,231</b>	<b>3,097,131</b>	<b>1,151</b>	<b>2,932,750</b>
<b>Gain or loss if TZS strengthened by 5%</b>		<b>154,857</b>		<b>146,638</b>

	Change in currency rate	2023	Effect on equity TZS' million	Change in currency rate	2022	Effect on equity TZS' million
		Effect on before after tax TZS' million			Effect on before after tax TZS' million	
USD	5%	155	108	5%	147	103

**CHINA DASHENG BANK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**4. FINANCIAL RISK MANAGEMENT (Continued)**

**4.4 Interest rate risk**

Interest rate risk is the risk that the future cash flows or the fair value of a financial instrument will fluctuate because of changes in market interest rates. The Bank take on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Bank's board sets limit on the level of mismatch of interest rate re pricing that may be undertaken, which is monitored daily by the Bank. The table below summarizes the Bank's exposure to interest rate risks.

31 December 2023	Up to 3 months TZS'000	Up to 6 months TZS'000	Up to 12 months TZS'000	1-5 years TZS'000	Total TZS'000
<b>Financial assets</b>					
Loans to customers	559,008	-	8,749,749	19,899,757	29,208,514
Placement with other banks	14,571,110	-	1,000,000		15,571,110
<b>Total Assets</b>	<b>15,130,118</b>	<b>-</b>	<b>9,749,749</b>	<b>19,899,757</b>	<b>44,779,624</b>
<b>Financial liabilities</b>					
Deposits from customers	1,516,815	-	1,920,645	-	3,437,459
Deposits from to other banks	10,876,072	-	880,250	-	11,756,322
Lease liabilities	-	16,599	403,327	1,452,093	1,872,020
<b>Total Liabilities</b>	<b>12,392,887</b>	<b>16,599</b>	<b>3,204,222</b>	<b>1,452,093</b>	<b>17,065,801</b>
Interest sensitivity gap	<b>2,737,231</b>	<b>(16,599)</b>	<b>6,545,527</b>	<b>18,447,664</b>	<b>27,713,823</b>
Interest sensitivity P/L impact	<b>6,817</b>	<b>(41)</b>	<b>16,303</b>	<b>45,947</b>	<b>69,026</b>
Interest sensitivity Equity impact	<b>4,772</b>	<b>(29)</b>	<b>11,412</b>	<b>32,163</b>	<b>48,318</b>

CHINA DASHENG BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2023

4. FINANCIAL RISK MANAGEMENT (Continued)

Interest rate risk (Continued)

31 December 2022	Up to 3 months TZS'000	Up to 6 months TZS'000	Up to 12 months TZS'000	1-5 years TZS'000	Total TZS'000
<b>Financial assets</b>					
Loans to customers	2,309,008	-	5,027,224	18,533,003	25,869,235
Placement with other banks	7,592,739	-	5,398,500	-	12,991,239
	<u>9,901,747</u>	<u>-</u>	<u>10,425,724</u>	<u>18,533,003</u>	<u>38,860,474</u>
<b>Financial liabilities</b>					
Deposits from customers	1,761,881	-	10,000	-	1,771,881
Deposits from to other banks	7,539,720	-	5,159,000	-	12,698,720
Lease liabilities		7,035	209,371	1,292,216	1,508,622
	<u>9,301,601</u>	<u>7,035</u>	<u>5,378,371</u>	<u>1,292,216</u>	<u>15,979,223</u>
<b>Interest sensitivity gap</b>	<u>600,146</u>	<u>(7,035)</u>	<u>5,047,353</u>	<u>17,240,787</u>	<u>22,881,251</u>
<b>Interest sensitivity P/L impact</b>	<u>1,495</u>	<u>(18)</u>	<u>12,571</u>	<u>42,942</u>	<u>56,990</u>
<b>Interest sensitivity Equity impact</b>	<u>1,047</u>	<u>(13)</u>	<u>8,800</u>	<u>30,059</u>	<u>39,893</u>

CHINA DASHENG BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2023

4. FINANCIAL RISK MANAGEMENT (Continued)

4.4 Interest rate risk (Continued)

31 December 2022	Up to 3 months TZS'000	Up to 6 months TZS'000	Up to 12 months TZS'000	1-5 years TZS'000	Non-interest bearing TZS'000	Total TZS'000
<b>Financial assets</b>						
Cash and bank balances	-	-	-	-	9,375,168	9,375,168
Loans to customers	2,309,008	-	5,027,224	18,533,003	-	25,869,235
Placement with other banks	7,592,739	-	5,398,500	-	-	12,991,239
	<u>9,901,747</u>	<u>-</u>	<u>10,425,724</u>	<u>18,533,003</u>	<u>9,375,168</u>	<u>48,235,642</u>
<b>Financial liabilities</b>						
Deposits from customers	1,761,881	-	10,000	-	6,313,523	8,085,403
Deposits from to other banks	7,539,720	-	5,159,000	-	-	12,698,720
Long term loans	-	-	-	-	-	-
Other liabilities(excluding Lease)	-	-	-	-	961,608	961,608
Lease liabilities	-	7,035	209,371	1,292,216	-	1,508,622
	<u>9,301,601</u>	<u>7,035</u>	<u>5,378,371</u>	<u>1,292,216</u>	<u>7,275,131</u>	<u>23,254,354</u>
<b>Interest sensitivity gap</b>	<u>600,146</u>	<u>(7,035)</u>	<u>5,047,353</u>	<u>81,789,164</u>	<u>2,100,037</u>	<u>24,981,288</u>
<b>Interest sensitivity P/L impact</b>	<u>6,817</u>	<u>(41)</u>	<u>16,303</u>	<u>45,947</u>	<u>(7,561)</u>	<u>61,465</u>
<b>Interest sensitivity Equity impact</b>	<u>4,772</u>	<u>(29)</u>	<u>11,412</u>	<u>32,163</u>	<u>(5,293)</u>	<u>43,026</u>



## CHINA DASHENG BANK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

#### 4. FINANCIAL RISK MANAGEMENT (Continued)

##### 4.5 Fair values of financial assets and liabilities

##### 4.5.1 Fair value of financial instruments

*The carrying amount of financial assets and liabilities approximate their fair values.*

##### 4.5.2 Fair value hierarchy and measurement

IFRS 13 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 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer/Bank of Tanzania quotes for similar instruments;
- Quoted prices for identical or similar assets or liabilities in markets that are not active.

All Bank's assets and liabilities are classified as level two and three as shown above.

##### 4.5.2 Categories of financial instruments

Item on balance sheet	Class	As 31/12/2023 TZS'000	As 31/12/2022 TZS'000
<b>Financial assets</b>			
Cash and cash equivalents	Amortized cost	4,390,165	9,375,168
Loans and advances to customers	Amortized cost	29,208,514	25,869,235
Placements in banks	Amortized cost	15,571,110	12,991,239
Investment in Government securities	Amortized cost	66,561,267	64,548,377
Other assets	Amortized cost	3,709,212	2,536,983
<b>Financial liabilities</b>			
Deposit from customers	Amortized cost	9,920,829	8,085,403
Deposit from bank	Amortized cost	11,756,322	12,698,720
Other liabilities	Amortized cost	942,458	832,372

## CHINA DASHENG BANK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

#### 4. FINANCIAL RISK MANAGEMENT (Continued)

##### 4.5 Capital management.

The primary objectives of the Bank's capital management 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.
- To maintain a strong capital base to support the development of its business.
- To ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business; and
- To maximize shareholders value.

##### Regulatory capital

The Bank of Tanzania sets and monitors capital requirements for the banking industry as a whole. The Bank of Tanzania has set among other measures, the rules and ratios to monitor adequacy of a Bank's capital. Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, employing techniques based on the guidelines, as implemented by the Bank of Tanzania (BoT), for supervisory purposes. The required information is filed with the BoT on a quarterly basis. In implementing current capital requirements, the Bank of Tanzania requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets.

The Bank's regulatory capital is analysed in two tiers:

- Tier 1 capital, which includes ordinary share capital, retained earnings, after deductions for intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capitals, which includes qualifying subordinated liabilities and the element of fair value reserve relating to unrealized gains on equity instruments classified as available for sale.

Various limits are applied to elements of the capital base; qualifying tier 2 capital cannot exceed tier 1 capital; and qualifying term subordinated loan capital may not exceed 50 percent of tier 1 capital. There are also restrictions on the amount of collective impairment allowances that may be included as part of tier 2 capital.

Tier 1 capital (Core capital) are also subjected to various limits like limitation in risk weighted assets by 10%, premises investments are not supposed to exceed 50% of core capital and movable assets are subjected to 20% limitation of core capital.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. The impact of the level of capital on shareholders' return is also recognized in addition to the need to maintain a balance between the higher returns and that may be possible with greater gearing and the advantages and security afforded by sound capital position.

The table below summaries the composition of regulatory capital and the ratios of the Bank for the year ended 31 December 2023, the Bank complied with all of the externally imposed capital requirements to which they are subject.

**CHINA DASHENG BANK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**4. FINANCIAL RISK MANAGEMENT (Continued)**

**4.6 Capital management (Continued)**

<b>Regulatory capital</b>	<b>2023</b>	<b>2022</b>
	<b>TZS '000</b>	<b>TZS '000</b>
<b>Tier 1 Capital</b>		
Share capital	89,040,000	89,040,000
Retained earnings	9,364,115	7,571,399
Prepaid expenses	(673,114)	(91,113)
<b>Total qualifying Tier 1 capital</b>	<b><u>97,731,001</u></b>	<b><u>96,520,286</u></b>
<b>Tier 2 Capital</b>		
Regulatory reserve	694,131	636,932
<b>Total qualifying Tier 2 capital</b>	<b><u>694,131</u></b>	<b><u>636,932</u></b>
<b>Total regulatory capital</b>	<b><u>98,425,131</u></b>	<b><u>97,157,218</u></b>
<b>Risk - weighted assets</b>		
On balance sheet position	50,895,095	40,850,892
Off balance sheet position	11,663,832	7,352,071
<b>Total risk - weighted assets</b>	<b><u>62,558,927</u></b>	<b><u>48,202,963</u></b>
	<b>2023</b>	<b>2022</b>
<b>Required ratios</b>	<b>Bank's ratio</b>	<b>Bank's ratio</b>
Tier 1 Capital	<b>12.5%</b>	156.22%
Tier 1 + Tier 2 Capital	<b>14.5%</b>	200.24%
	157.33%	201.56%

**CHINA DASHENG BANK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

	<b>2023</b>	<b>2022</b>
	<b>TZS '000</b>	<b>TZS '000</b>
<b>5. NET INTEREST INCOME</b>		
<b>Interest income calculated using the effective interest method</b>		
Interest income - Term Loan	1,243,151	1,217,921
Interest income - Overdraft	976,399	740,230
Interest income-Interbank	688,788	731,324
Interest income - Staff loans	118,354	138,600
Interest income- Government securities	9,666,504	10,298,585
	<u><b>12,693,196</b></u>	<u><b>13,126,660</b></u>
<b>Interest expenses calculated using the effective interest method</b>		
Interest expenses-Saving Account	(238)	9
Interest expenses-Fixed Deposits	(198,174)	114,194
Interest expense- Interbank Borrowing	(754,378)	619,841
	<u><b>(952,790)</b></u>	<u><b>734,044</b></u>
Net interest income	<u><u><b>11,740,405</b></u></u>	<u><u><b>12,392,616</b></u></u>
<b>6. CREDIT LOSS ON FINANCIAL ASSETS</b>		
Impairment on loans	168,309	6,438
Impairment movements on interbank placements	(5,454)	10,528
Impairment movements on Government securities	(16,413)	(16)
Impairment movements on bank balances	(3,453)	3,422
	<u><b>142,989</b></u>	<u><b>20,372</b></u>
<b>7. FEES AND COMMISSION INCOME</b>		
Fees and commission	458,306	232,634
	<u><b>458,306</b></u>	<u><b>232,634</b></u>
<b>8. NET FOREIGN EXCHANGE GAIN</b>		
Realized gain	39,362	29,383
Unrealized gain	115,069	67,270
	<u><b>154,431</b></u>	<u><b>96,653</b></u>
<b>9. OTHER INCOME</b>		
Gain on sale of T-bonds	1,501,686	1,509,181
Modification gains on lease	132,642	-
Gain on disposal of property and equipment	6,557	-
Other miscellaneous income	521	24
	<u><b>1,641,405</b></u>	<u><b>1,509,205</b></u>

## CHINA DASHENG BANK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

<b>10. EMPLOYEE BENEFIT EXPENSES</b>	<b>2023</b>	<b>2022</b>
	<b>TZS '000</b>	<b>TZS '000</b>
Salaries & wages	2,706,030	2,153,817
Pension expenses - PPF	320,327	255,493
Staff bonus	305,497	202,059
Team building/away day expense	85,435	31,716
Overtime	9,923	10,250
Vocational/education & training levy-SDL	119,534	102,197
Acting allowance	11,712	11,475
Workman Compensation Fund - WCF	16,016	13,947
Office expenses	22,888	-
Recruitment expenses	641	1,637
Electricity – staff	4,500	1,500
Telephone – staff	2,120	-
Maintenance - staff residence	-	295
Food And beverage	16,348	38,884
Medical expenses	129,549	111,422
Training expenses	96,341	99,705
Leave encashment	228,385	13,422
Staff uniforms	-	2,661
	<b><u>4,075,246</u></b>	<b><u>3,050,480</u></b>
<b>11. ADMINISTRATIVE EXPENSES</b>		
Communication fees	105,570	103,756
Consultation fee	313,319	31,719
Transport and accommodation expenses	170,352	97,938
Fuel expenses	55,990	19,605
Bank charges	24,840	13,719
Office cleaning expenses	66,137	41,406
Equipment repair & maintenance	269,097	19,944
Business promotion, advertisement & publicity	138,272	292,575
Directors' remuneration	492,196	385,393
Board expenses	219,168	60,427
Government fees	69,395	81,324
IT & Software costs	1,215,342	1,118,682
Auditors fee	30,570	29,587
Legal fees	138,747	39,792
Other expenses*	876,441	272,060
	<b><u>4,185,434</u></b>	<b><u>2,607,928</u></b>

\*Other expenses comprise of electricity costs, security expenses, insurance expenses, membership, and subscription expenses. The significant increase during the year is a result of penalties paid for prior year indirect taxes amounted to TZS 502 million.

**CHINA DASHENG BANK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**12. INCOME TAX**

	<b>2023</b>	<b>2022</b>
	<b>Tshs'000</b>	<b>Tshs'000</b>
<b>Income tax</b>		
Tax charge - current year	1,641,034	2,046,321
	<u><b>1,641,034</b></u>	<u><b>2,046,321</b></u>

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

Profit before income tax	3,467,820	6,411,986
Tax calculated at the statutory tax rate of 30% (2022: 30%)	1,040,346	1,923,596

**Tax effect of:**

Expenses not deductible for tax purpose	159,714	49,699
Deferred tax credit/(charge) not recognized	440,990	(70,026)
	<u><b>1,641,034</b></u>	<u><b>2,046,321</b></u>

**Current tax recoverable**

As at 1 January	(98,983)	(70,024)
Charge for the year	1,641,034	2,046,321
Tax paid	(1,720,364)	(2,075,280)
Tax refund	9,813	-
As at 31 December	<u><b>(168,500)</b></u>	<u><b>(98,983)</b></u>

**Deferred tax asset**

Accelerated capital allowance	1,000,849	1,122,106
Origination and reversal of other temporary differences	428,337	748,071
<b>As at 31 December</b>	<u><b>1,429,186</b></u>	<u><b>1,870,176</b></u>

**Reconciliation of deferred tax asset**

At 1st January	1,870,176	1,797,150
Deferred tax (credit)/charge not recognised	(440,990)	73,026
As at 31st December	<u><b>1,429,186</b></u>	<u><b>1,870,176</b></u>

Deferred tax asset has not been recognised due to uncertainty regarding the timing of future taxable profits against which the deferred tax asset can be utilized.

**CHINA DASHENG BANK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

	<b>2023</b>	<b>2022</b>
	<b>TZS '000</b>	<b>TZS '000</b>
<b>13. DEPRECIATION AND AMORTIZATION</b>		
Depreciation of property and equipment	1,086,595	1,014,334
Amortisation of intangible assets	890,326	933,246
	<u><b>1,976,921</b></u>	<u><b>1,947,580</b></u>
<b>14. CASH AND CASH EQUIVALENT</b>		
Cash in hand	829,076	887,171
Balance with Bank of Tanzania	2,973,493	7,521,381
Balance with other banks	587,680	970,154
ECL	(84)	(3,538)
	<u><b>4,390,165</b></u>	<u><b>9,375,168</b></u>
<b>ECL movement</b>		
Opening balance	3,537	115
(Decrease)/increase	(3,453)	3,423
Closing balance	<u><b>84</b></u>	<u><b>3,538</b></u>

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system, 12-month PD range and year-end stage classification. The amounts presented are gross of allowance for ECL

	<b>12 month</b>	<b>2023</b>	<b>2022</b>
<b>Internal rating grade</b>	<b>PD range</b>	<b>Stage 1</b>	<b>Stage 1</b>
High grade	0%	4,390,250	9,798,706
<b>Total</b>		<u><b>4,390,250</b></u>	<u><b>9,798,706</b></u>

	<b>2023</b>	<b>2022</b>
	<b>TZS '000</b>	<b>TZS '000</b>
<b>15. PLACEMENT WITH OTHER BANKS</b>		
Placement with other Banks	15,515,464	12,680,500
Interest receivable on placements	83,885	344,432
ECL	(28,239)	(33,693)
	<u><b>15,571,110</b></u>	<u><b>12,991,239</b></u>
<b>ECL movement</b>		
Opening balance	33,692	23,165
(Decrease)/increase	(5,453)	10,527
Closing balance	<u><b>28,239</b></u>	<u><b>33,692</b></u>

	<b>12 month</b>	<b>2023</b>	<b>2022</b>
<b>Internal rating grade</b>	<b>PD range</b>	<b>Stage 1</b>	<b>Stage 1</b>
High grade	0%	15,599,349	13,024,932
<b>Total</b>		<u><b>15,599,349</b></u>	<u><b>13,024,932</b></u>

**CHINA DASHENG BANK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**15. PLACEMENT WITH OTHER BANKS**

A reconciliation of changes in gross carrying amount and corresponding ECL allowances by stage for amounts/balances due from banks is as follows

	<b>Stage 1</b>			
	<b>2023</b>		<b>2022</b>	
	<b>Gross carrying amount</b>	<b>ECL</b>	<b>Gross carrying amount</b>	<b>ECL</b>
<b>1-Jan</b>	13,024,932	33,692	8,638,462	23,165
New assets originated	2,834,964	-	4,386,470	10,527
Payments and assets derecognized	(260,547)	(5,453)	(260,547)	
<b>As at 31 Dec</b>	<b>15,599,349</b>	<b>28,239</b>	<b>13,024,932</b>	<b>33,692</b>



**CHINA DASHENG BANK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

	<b>2023</b>	<b>2022</b>
	<b>TZS '000</b>	<b>TZS '000</b>
<b>16. LOANS AND ADVANCES TO CUSTOMERS</b>		
Term Loan	19,343,768	17,459,155
Overdraft	8,420,939	7,152,636
Staff Loan	1,427,745	1,109,274
ECL	(177,672)	(9,362)
	<b>29,014,780</b>	<b>25,711,702</b>
Interest receivable on Term loan	43,082	27,312
Interest receivable on Overdraft	131,771	120,350
Interest receivable on Staff loan	18,881	9,871
	<b>193,734</b>	<b>157,533</b>
	<b>29,208,514</b>	<b>25,869,235</b>
<b>ECL movement</b>		
Opening balance	(9,362)	(2,925)
Impairment charge	(168,309)	(6,438)
Closing balance	<b>(177,672)</b>	<b>(9,362)</b>

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system, 12-month PD range and year-end stage classification. The amounts presented are gross of allowance for ECL.

<b>Dec-23</b>					
<b>Internal rating grade</b>	<b>12 month PD range</b>	<b>Stage 1 TZS'000'</b>	<b>Stage 2 TZS'000'</b>	<b>Stage 3 TZS'000'</b>	<b>Total TZS'000'</b>
Current	0%	9,299,091	-	-	9,299,091
Especially Mentioned	3%	5,440,265	13,684,777	-	19,125,042
Substandard	20%	795,845	-	-	795,846
Doubtful	50%	-	-	-	-
Loss	100%			166,207	166,207
<b>Total</b>		<b>15,535,202</b>	<b>13,684,777</b>	<b>166,207</b>	<b>29,386,186</b>

**CHINA DASHENG BANK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**16. LOANS AND ADVANCES TO CUSTOMERS (Continued)**

Dec-22

	12 month PD range	Stage 1 TZS'000'	Stage 2 TZS'000'	Stage 3 TZS'000'	Total TZS'000'
Internal rating grade					
Current	0%	5,612,016	-	-	5,612,016
Especially Mentioned	3%	5,236,145	14,912,950	-	20,149,095
Doubtful	50%	91,395	-	-	91,395
Loss	100%			26,091	26,091
<b>Total</b>		<b>10,939,556</b>	<b>14,755,417</b>	<b>26,091</b>	<b>25,878,597</b>

A reconciliation of changes in gross carrying amount and corresponding allowance for ECL by stage is as follows

31 December 2023	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
	TZS'000'		TZS'000'		TZS'000'		TZS'000'	TZS'000'
As at 01 January	25,878,597	9,362	-	-	-	-	25,878,597	9,362
New assets originated	6,077,732	-	-	-	-	-	6,077,732	-
Payments and assets derecognized	(2,570,143)	-	-	-	-	-	(2,570,143)	-
Transfers to stage 2	(14,084,304)	(5,176)	14,084,304	5,176	-	-	-	-
Transfers to stage 3	(166,207)	(166,207)	-	-	166,207	166,207	-	-
Other changes	-	168,310	-	-	-	-	-	168,310
Amounts written off	-	-	-	-	-	-	-	-
	<b>15,135,675</b>	<b>6,288</b>	<b>14,084,304</b>	<b>5,176</b>	<b>166,207</b>	<b>166,207</b>	<b>29,386,186</b>	<b>177,672</b>

**CHINA DASHENG BANK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**16. LOANS AND ADVANCES TO CUSTOMERS (Continued)**

A reconciliation of changes in gross carrying amount and corresponding allowance for ECL by stage is as follows

31 December 2022	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
	TZS'000'		TZS'000'		TZS'000'		TZS'000'	TZS'000'
As at 01 January	22,810,843	2,925	-	-	-	-	22,810,843	2,925
New assets originated	3,283,744	-	-	-	-	-	3,283,744	-
Payments and assets derecognized	(215,990)	-	-	-	-	-	(215,990)	-
Transfers to stage 1	-	-	-	-	-	-	-	-
Transfers to stage 2	-	-	-	-	-	-	-	-
Transfers to stage 3	-	(9,363)	-	-	9,363	9,363	-	-
Other Changes	-	6,438	-	-	-	-	-	6,438
Amounts written off	-	-	-	-	-	-	-	-
<b>31-Dec -22</b>	<b>25,878,597</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,362</b>	<b>9,362</b>	<b>25,878,597</b>	<b>9,362</b>

**CHINA DASHENG BANK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

	<b>2023</b>	<b>2022</b>
	<b>TZS '000</b>	<b>TZS '000</b>
<b>17. INVESTMENT IN GOVERNMENT SECURITIES</b>		
Treasury bonds	64,243,994	62,705,714
Interest receivable on Treasury Bonds	2,317,755	1,859,558
Impairment	(482)	(16,895)
	<u><b>66,561,267</b></u>	<u><b>64,548,377</b></u>

**The movement for Treasury bonds is as follows:**

As at 1 Jan	64,548,377	69,215,433
Additions	24,504,329	24,211,629
Sale	(22,490,956)	(28,861,791)
As at 31 Dec	<u><b>66,561,750</b></u>	<u><b>64,565,271</b></u>

**ECL movement**

Opening balance	16,895	16,911
(Decrease)/increase	(16,412)	(16)
Closing balance	<u><b>482</b></u>	<u><b>16,895</b></u>

<b>31-Dec-23</b>	<b>12 month</b>	<b>2023</b>	<b>2022</b>
<b>Internal rating grade</b>	<b>PD range</b>	<b>Stage 1</b>	<b>Stage 1</b>
High grade	0%	66,561,750	64,565,271
<b>Total</b>		<u><b>66,561,750</b></u>	<u><b>64,565,271</b></u>

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system, 12-month PD range and year-end stage classification. The amounts presented are gross of allowance for ECL.

	<b>2023</b>		<b>2022</b>	
	<b>Stage 1</b>		<b>Stage 1</b>	
	<b>Gross carrying amount</b>	<b>ECL</b>	<b>Gross carrying amount</b>	<b>ECL</b>
<b>1-Jan</b>	64,548,377	16,895	69,215,433	16,911
New assets originated	24,504,329	-	24,211,629	-
Payments and assets derecognized	(22,490,956)	(16,412)	(28,861,791)	(16)
<b>As at 31 Dec</b>	<u><b>66,561,750</b></u>	<u><b>482</b></u>	<u><b>64,565,271</b></u>	<u><b>16,895</b></u>

**CHINA DASHENG BANK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

	<b>2023</b>	<b>2022</b>
	<b>TZS '000</b>	<b>TZS '000</b>
<b>18. OTHER ASSETS</b>		
Prepayment	673,114	91,113
Other receivables*	560,454	777,896
Premium on treasury bond	3,709,212	2,536,983
	<u><b>4,942,779</b></u>	<u><b>3,405,993</b></u>

\*Other receivables consist of other prepayments which were not allocated specific account code.

**19. DEPOSIT FROM CUSTOMERS**

Saving account	161,051	75,136
Current account	6,483,370	6,313,523
Fixed deposits	3,168,100	1,674,729
	<u><b>9,812,521</b></u>	<u><b>8,063,387</b></u>
Interest payable - saving account	-	2
Interest payable - fixed deposit	108,309	22,014
	<u><b>108,309</b></u>	<u><b>22,016</b></u>
	<u><b>9,920,829</b></u>	<u><b>8,085,403</b></u>

**20. DEPOSITS FROM OTHER BANKS**

To be settled within 12 months	11,694,750	12,428,500
Interest payable - deposits with other banks	61,572	270,220
	<u><b>11,756,322</b></u>	<u><b>12,698,720</b></u>

Deposits due to banks include financial instruments classified as liabilities at amortised cost with fixed interest rates. All the deposits due to banks are short term in nature with maturities of not more than 12 months from the reporting date. Bank have pledged no collateral for these deposits.

	<b>2023</b>	<b>2022</b>
	<b>TZS '000</b>	<b>TZS '000</b>
<b>21. OTHER LIABILITIES</b>		
Employee statutory liabilities	244,302	239,836
Tax payable - deposit interest	89,849	16,690
Others payable - accruals*	924,117	802,785
Lease liability**	1,493,532	1,303,154
Deferred income - fees – appraisal fees	103,282	78,177
Provision for audit fee	18,341	29,587
	<u><b>2,873,423</b></u>	<u><b>2,470,230</b></u>

\*The account records accruals for various services received from vendors.

\*\*The bank leases Head office, residential and branch offices under lease agreement. The lease terms are between five to ten years and most lease agreement are renewable at the end of the lease period at market rate. The carrying amount of lease liabilities and the movement during the year is shown as below.

**CHINA DASHENG BANK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**21. OTHER LIABILITIES (Continued)**

<b>LEASE LIABILITIES</b>	<b>2023</b>	<b>2022</b>
	<b>TZS'000</b>	<b>TZS'000</b>
As at 1 January	1,303,154	1,191,607
Additions	844,510	500,147
Disposal	-	(271,394)
Modification and lease reassessment	(238,953)	-
Accretion of interest	146,147	192,762
Interest paid	(39,234)	(37,196)
Principle paid	(355,240)	(272,772)
Forex impact	(166,842)	-
<b>As at 31 December</b>	<b><u>1,493,532</u></b>	<b><u>1,303,154</u></b>

**Maturity analysis of lease liabilities**

Less than one year	419,926	216,406
Between one and five years	1,452,093	1,292,216
	<b><u>1,872,020</u></b>	<b><u>1,508,622</u></b>

**At 31 December 2023:**

The following amounts have been recognized in the statement of comprehensive income in respect of lease

	<b>2023</b>	<b>2022</b>
	<b>TZS '000</b>	<b>TZS '000</b>
Depreciation charge for right of use assets (Note 12)	245,849	188,189
Interest expense on lease liabilities (Note 11)	215,828	192,762
Total lease expenses recognized during the year	<u>461,677</u>	<u>380,951</u>
Actual lease payment during the year	<b><u>397,283</u></b>	<b><u>359,644</u></b>

CHINA DASHENG BANK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2023

22. PROPERTY AND EQUIPMENT

	Leasehold improvement	Motor vehicles	Furniture , fittings & equipme nt	Computer s and related equipmen t	Work in progress	Total Property and Equipment	ROU Asset	Total PPE & ROU
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
<b>Cost</b>								
At 1 January 2022	869,516	309,114	312,520	2,485,691	-	3,976,841	1,529,590	9,483,272
Additions in 2022	462,145	92,000	280,409	46,318	44,615	925,486	500,147	925,486
Disposal	-	-	-	(17,227)	-	(17,227)	(271,394)	(305,848)
<b>At 1 January 2023</b>	<b>1,331,661</b>	<b>401,114</b>	<b>592,928</b>	<b>2,514,782</b>	<b>44,615</b>	<b>4,885,100</b>	<b>1,758,343</b>	<b>10,102,910</b>
Additions in 2023	-	-	11,402	16,194	15,601	43,197	611,144	160,213
Disposal	-	(31,000)	-	-	-	(31,000)	-	(31,000)
Transfer from WIP	-	-	60,216	-	(60,216)	-	-	-
Lease modification	-	-	-	-	-	-	(513,720)	387,812
<b>At 31 December 2023</b>	<b>1,331,661</b>	<b>370,114</b>	<b>664,546</b>	<b>2,530,976</b>	<b>-</b>	<b>4,897,297</b>	<b>1,855,767</b>	<b>7,160,469</b>
<b>Depreciation</b>								
At 1 January 2022	582,502	41,116	177,931	1,600,364	-	2,401,913	507,923	2,909,836
Depreciation charge	189,097	63,335	73,490	500,223	-	826,145	188,189	1,014,334
Disposal	-	-	-	(15,535)	-	(15,535)	(87,234)	(102,769)
<b>At 1 January 2023</b>	<b>771,599</b>	<b>104,451</b>	<b>251,421</b>	<b>2,085,051</b>	<b>-</b>	<b>3,212,523</b>	<b>608,878</b>	<b>3,821,401</b>
Depreciation charge	205,540	75,076	120,605	383,793	-	785,015	301,580	1,086,595
Disposal	-	(29,930)	-	-	-	(29,930)	-	(29,930)
Lease modification	-	-	-	-	-	-	(407,404)	-
<b>At 31 December 2023</b>	<b>977,139</b>	<b>149,597</b>	<b>372,027</b>	<b>2,468,845</b>	<b>-</b>	<b>3,967,608</b>	<b>503,054</b>	<b>4,878,067</b>
<b>Net Book Value</b>								
<b>At 31 December 2023</b>	<b>354,522</b>	<b>220,517</b>	<b>292,520</b>	<b>62,131</b>	<b>-</b>	<b>929,689</b>	<b>1,352,713</b>	<b>2,282,402</b>
<b>At 31 December 2022</b>	<b>560,062</b>	<b>296,663</b>	<b>341,507</b>	<b>429,730</b>	<b>44,615</b>	<b>1,672,577</b>	<b>1,149,465</b>	<b>6,281,509</b>

None of the Bank's property and equipment has been pledged as collateral against liabilities (2022: None).

**CHINA DASHENG BANK LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2023**

**23. INTANGIBLE ASSETS**

	<b>Computer software TZS '000</b>	<b>Software work in progress TZS '000</b>	<b>Total TZS '000</b>
<b>2023</b>			
<b>Cost</b>			
At the start of the year	4,924,121	261,681	5,185,802
Additions	31,944	-	31,944
Transfer from WIP	213,031	(213,031)	-
WIP written off	-	(32,312)	(32,312)
<b>At 31 December 2023</b>	<b><u>5,169,096</u></b>	<b><u>16,338</u></b>	<b><u>5,185,434</u></b>
<b>Amortization</b>			
At 1 January 2023	3,794,153	-	3,794,153
Charge for the year	890,326	-	890,326
<b>At 31 December 2023</b>	<b><u>4,684,479</u></b>	<b><u>-</u></b>	<b><u>4,684,479</u></b>
<b>Net Book value</b>			
<b>As at 31 December 2023</b>	<b><u>484,617</u></b>	<b><u>16,338</u></b>	<b><u>500,955</u></b>
<b>2022</b>			
<b>Cost</b>			
At the start of the year	4,616,387	481,371	5,097,758
Additions	88,043	-	88,043
Transfer from WIP	219,690	(219,690)	-
<b>At 31 December 2022</b>	<b><u>4,924,120</u></b>	<b><u>261,681</u></b>	<b><u>5,185,801</u></b>
<b>Amortization</b>			
At 1 January 2022	2,860,908	-	2,860,908
Charge for the year	933,246	-	933,246
<b>At 31 December 2022</b>	<b><u>3,794,154</u></b>	<b><u>-</u></b>	<b><u>3,794,154</u></b>
<b>Net Book value</b>			
<b>As at 31 December 2022</b>	<b><u>1,129,967</u></b>	<b><u>261,681</u></b>	<b><u>1,391,649</u></b>

Computer software represents the cost for the Oracle database system, the core banking i.e., SUNLINE CBS and SQL server.

Software reported as work in progress includes cost for development of aggregation of utility services in Mobile banking and Internet banking.



## CHINA DASHENG BANK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

<b>24. SHARE CAPITAL</b>	<b>2023</b>	<b>2022</b>
	<b>TZS '000</b>	<b>TZS '000</b>
<b>Authorized share capital</b>		
40,000,000 ordinary shares of TZS 2,226 each	<u>89,040,000</u>	<u>89,040,000</u>
<b>Issued and fully paid-up share Capital</b>		
40,000,000 ordinary shares of TZS 2,226 each	<u>89,040,000</u>	<u>89,040,000</u>
China Dasheng Bank Limited capital structure is made up with contribution from shareholders.		

### 25. REGULATORY RESERVE(SPECIFIC)

The statutory credit risk reserve represents amounts by which provision for loan losses determined in accordance with the Banking and Financial Institutions Act of 2006 exceeds those determined in accordance with IFRS. During the year under review the excess reserve was TZS 692.9million (2022: 636.93million)

Provision per BOT approach	906,886	700,420
Less: Provision per IFRS9	(212,755)	(63,488)
<b>Excess taken as statutory credit risk reserve</b>	<u>694,131</u>	<u>636,932</u>
At 1 January	636,932	586,678
Transfer from retained earnings during the year	57,198	50,254
<b>At 31 December</b>	<u>694,131</u>	<u>636,932</u>

### 26. RELATED PARTY TRANSACTIONS AND BALANCES

#### Identification of related parties

Parties are considered to be related if the party has the ability to 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 transactions are entered into with related parties i.e., key management personnel and Those charged with governance, these include loans and deposits.

#### a) Transactions with related parties

Transactions entered with related parties during the year, includes payments to Those charged with governance and key management personnel of the Bank. Key management personnel are described as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly, excluding Those charged with governance of the Bank. They comprise the Chief Executive Officer and heads of departments who are reporting directly to the Chief Executive Officer.

Key management personnel remuneration	2,553,750	2,096,041
Director's fee	346,127	306,633
Directors sitting allowance	99,396	78,760
Interest income-staff loans	115,706	138,600
	<u>3,114,978</u>	<u>2,620,034</u>

## CHINA DASHENG BANK LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2023

#### 26. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

##### Loans and advances

	2023	2022
Loans and advances	TZS '000	TZS '000
Staff loans	1,403,906	1,109,274
Interest receivable on staff loan	18,826	9,871
	<u>1,422,732</u>	<u>1,119,145</u>

The loans are fully secured by insurance covers. There were no guarantees or commitments (including undrawn loan commitments) made to related parties by the bank. Loans to staff were issued on commercial terms.

#### 27. COMMITMENTS AND CONTINGENCIES

##### 27.1 CAPITAL COMMITMENTS

As at 31 December 2023, the Bank had no capital commitments (2022: Nil). The Bank had no other outstanding commitments such as unutilized overdraft facilities, undrawn formal standby facilities or other commitments to lend as at the reporting date.

##### 27.2 CONTINGENT LIABILITIES

As at 31 December 2023 the Bank had four pending litigations which are not acknowledged as liabilities as follows;

- a) An ex-employee is suing the Bank. The ex-employee claims a total of TZS 258.7 million for unlawful termination of the contract. This case is in the arbitration stage.
- b) An ex-employee is suing the Bank. The ex-employee claims a total of TZS 75 million for unlawful termination of the contract. This case is in the arbitration stage.
- c) An ex-employee sued the Bank. The ex-employee claims a total of USD 1,235,810 equivalent to TZS 2.8 billion for unlawful termination of the contract. It was ordered that the bank pay the respondent sum of TZS 1,444,576,923 before tax being compensation for 64 months salaries for unfair termination. However, the bank has filed for appeal to the High court of Tanzania, Labor Division. This case is in the appeal stage.
- d) An ex-employee is suing the Bank. The ex-employee claims a total of TZS 30 million for unlawful termination of the contract. This case is in the arbitration stage.

The bank has reviewed all its pending litigations and proceedings and has disclosed the contingent liabilities, wherever applicable, in its financial statements. The Company does not reasonably expect the outcome of these proceedings to have a material impact on its financial statements.

#### 28. DIVIDEND DISTRIBUTION

The Bank has not declared dividend distribution during the year (2022: 3.3billion).

#### 29. EVENTS AFTER REPORTING DATE

There were no events or condition subsequent to the reporting date for the audited financial year ended 31 December 2023.