



Tanzania Banking Sub-Sector Report 2024

September 2025



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Executive Summary



Introduction

In Q4 2024, Tanzania's economy demonstrated resilience with a GDP growth rate of 5.2%. The banking sub-sector mirrored this positive trajectory, recording a 14.8% increase in total assets and a significant 40.9% growth in profitability between 2023 and 2024.

Asset quality improved notably, as the non-performing loan (NPL) ratio declined to 3.2% from 4.4% in 2023—marking the lowest level in recent years. This improvement was largely attributed to enhanced credit risk management practices and prudent provisioning, particularly among larger financial banks.

The financial year 2024 was marked by structural shifts within the banking sub-sector, including mergers, acquisitions, and asset transfers that reshaped institutional dynamics.

There were several regulatory actions that aimed to shape the future of the sub-sector. One of the key regulatory milestone was the amendment of the Banking and Financial Institutions Act through the Finance Act 2024, enabling the Bank of Tanzania (BoT) to regulate Islamic finance by replacing the term “interest rate” with “interest, profit, or return.”

The BoT also transitioned to an interest rate-based monetary policy framework, maintaining the Central Bank Rate at 6.0% for the quarter ending September 2024. Additionally, the central bank initiated the withdrawal of outdated currency notes as part of efforts to modernize the monetary system. These initiatives reflect a broader strategy to enhance financial sub-sector stability and operational efficiency.

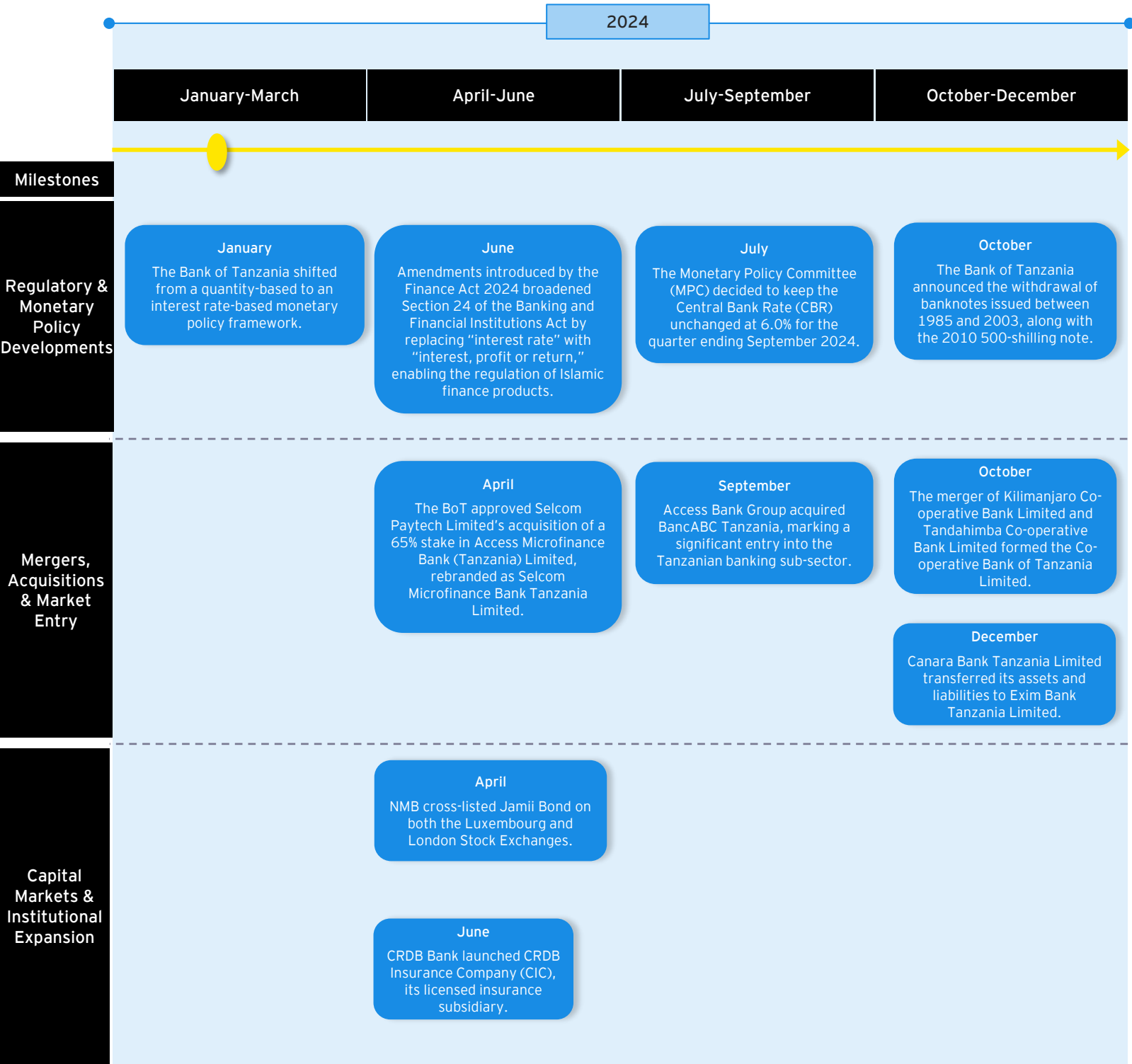
From structural perspective, large banks continued to dominate the sector, holding 88.6% of total assets—of which CRDB and NMB accounted for 47.5%. Medium-sized banks saw their share decline to 8.6%, while small and regional banks represented just 0.6%. This concentration underscores the strength of major players but also highlights the need for innovation and strategic support to bolster the competitiveness of smaller institutions.

This report provides an in-depth analysis of the banking sub-sector's performance in 2024, examining key developments, topical issue such as deposit mobilization strategies, Islamic financing and evolving capital requirements.



Joseph Sheffu
Country Leader
EY Tanzania

The 2024 Journey



Sector Overview

23.6% ROAE

Industry median
post-tax profit upon equity

Up by 3.6% from 20.1% in 2023

3.6% ROAA

Industry median
post-tax profit upon assets

Up by 0.6% from 3.0% in 2023

8.2% NIM

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

Up by 0.2 from 8.0% in 2023

37.4% CIR

Ratio of non-interest expense to
gross income (Cost to income ratio)

Down by 2.7% from 40.1% in 2023

92.0% LDR

Ratio of gross loans to deposits

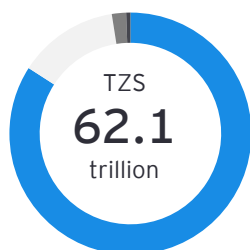
Up by 0.6% from 91.4% in 2023

3.2% NPLs

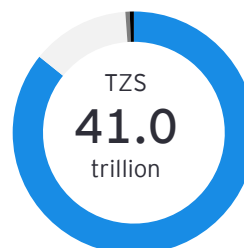
The median y-o-y percentage change
in NPLs

Down by 1.2% from 4.4% in 2023

Sector total assets

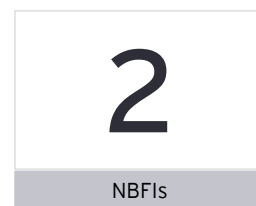
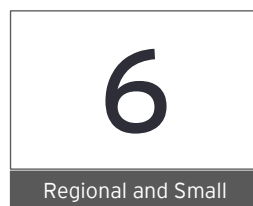
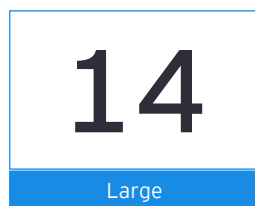


Sector customer deposits



Segmentation

The report segments banking institutions into four key groupings, i.e., large banks; medium banks; regional and small banks; and non-bank financial institutions (“NBFIs”). The peer groups are based on total asset size as laid out in the tables below.



Overview

- ▶ According to Bank of Tanzania (BOT's) Annual Report 2023/2024, as at the end of June 2024, the number of supervised institutions was 81. The supervised institutions comprised 44 banking institutions and 37 non-banking institutions. Banking institutions (deposit taking) comprised of 34 commercial banks, 5 regional and community banks, 3 microfinance institutions and 2 development finance banks.
- ▶ Due to the mergers and acquisitions during the year, up until December 2024, there were 33 commercial banks, 4 regional and community banks, 3 microfinance institutions and 2 development finance banks.
- ▶ Our review does not include microfinance banks and non-deposit taking institutions.
- ▶ Our review covered 39 licensed institutions comprising of 33 commercial banks, 2 development finance banks and 4 regional and community banks, all categorized as large, medium, regional and small, and non-bank financial institutions in our review.
- ▶ We have relied on financial statements at bank-level only, excluding all operations of subsidiary entities and/or at a group level.
- ▶ Our segmentation and categorization of banking institutions is based on the market value of total assets as at the end of 2024.
- ▶ Our analysis is based on the review of audited financial statements for the year ended 31st December 2024. Additionally, we have relied on the 2023 audited financial statements (income statement) of DCB Bank. As such, our analysis only presents indicative figures for the sector.
- ▶ The legal names for the adjacent entities are presented in the abbreviations section in appendices.

Large	Regional & Small
ABSA	Coop
Azania	GTB
CRDB	ICB
Citibank	MCB
DTB	MUCOBA
Exim	Uchumi
Equity	
KCB	
NBC	
NMB	
PBZ	
Stan Chart	
Stanbic	
TCB	

Medium	NBFIs
Akiba	TADB
Amana	TIB Development
Access	
BOA	
BOB	
BOI	
China Dasheng	
DCB	
Ecobank	
Habib	
I&M	
Letshego	
Maendeleo	
MHB	
Mkombozi	
NCBA	
UBA	

Navigating Financial Transformation: CIS Growth and the Future of Banking in Tanzania

- ▶ Tanzania's financial sector is progressing through a transformative phase of financial inclusion, propelled by digital innovation and the growing role of investment alternatives such as Collective Investment Schemes (CIS). As the economy continues to expand—with GDP growth projected to reach 6% in 2025 (source: Monetary policy report, 2025), banks must adapt to the evolving financial landscape.
- ▶ Tanzania's financial services have grown more dynamic, as while traditional banking remains relevant, customers are increasingly seeking higher returns, convenience, and diversified financial solutions. Mobile wallets, fintech platforms, and investment-linked products have become more popular, leading to changes in customer expectations.
- ▶ In this environment, CISs have emerged as a force in mobilizing long-term savings. Tanzania's CIS institutions among others include UTT Asset Management and Investor Services Plc (UTT); Watumishi Housing Investments (WHI); iTrust Finance; and National Investment Company Ltd (NICOL). These funds pool funds from both retail and institutional investors into professionally managed portfolios. These schemes enable Tanzanians to access a broader range of investment options that extend beyond conventional savings accounts.
- ▶ Although the number of CISs remain relatively small, these schemes have grown at a rate that is higher than overall customer deposit growth by banks. Using 6 schemes managed by UTT, it was observed that over the last 2 years, while customer deposits have grown by CAGR of 15.8% (TZS 30.6t in 2022 to TZS 41.1t in 2024), UTT has grown by CAGR of 44.9% (TZS 1.2t in 2022 to TZS 2.6t in 2024) in the similar period.
- ▶ During this period, UTT's investment in term deposits with banks and cash and cash equivalent was at an average of 4.9% of total assets. This raises questions such that:
 - ▶ With CISs such as UTT growing at a CAGR of 44.9%, nearly triple bank deposits, are investors shifting away from traditional banking?
 - ▶ With UTT placing only 4.1% of assets in bank term deposits, should banks view CISs as direct competition in capital mobilization?
 - ▶ How can banks adapt to compete with CISs for long-term retail and institutional savings?
- ▶ Banks can maintain a competitive edge over CISs by leveraging their core strength that is liquidity, credit provision, and custodial services. Acting as administrators or transaction facilitators for CISs creates additional income while staying central to the financial ecosystem, even as investors diversify into non-bank products.
- ▶ CRDB Bank Plc being UTT's custodian, show how large Tier I banks capture the bulk of CIS-related funds, leaving Tier II banks with limited participation. This concentration challenges smaller banks to innovate if they wish to attract such institutional deposits. Tier II banks could respond by offering investment-linked deposit products, competitive fixed deposit rates, and partnerships with fund managers. Building custodial and administrative capacity would position them to manage CIS assets directly, ensuring relevance as competition for institutional funds growth.

Unlocking Tanzania's Potential: Advancing Financial Inclusion Through Islamic Finance

- ▶ Islamic finance is experiencing unprecedented global growth. By 2024, assets in the sector had surpassed USD 5 trillion, reflecting a 12% increase from 2023 and a 43% increase since 2020 (Standard Chartered). This growth is driven by increasing demand for ethical and inclusive financial systems aligned with Islamic principles. Unlike conventional banking, Islamic finance prohibits interest (riba), excessive uncertainty (gharar), and investments in non-permissible sectors such as alcohol, pork, and gambling. Instead, it relies on asset-backed and profit-sharing models, using instruments such as Murabaha, Ijara, Diminishing Musharakah, and Sukuk to offer viable alternatives in trade, investment, and consumer finance.
- ▶ Tanzania entered the Islamic finance space in 2008 with KCB Bank's launch of the KCB Sahl window, followed by Amana Bank in 2011, the country's first and only fully-fledged Islamic bank. By 2023, other banks including PBZ (PBZ Ikhlas), NBC (La Riba), and CRDB (CRDB Al Barakah Banking) had introduced Islamic banking windows. Despite these developments, Islamic banking remains a niche. This limited reach underscores the need for broader institutional commitment and strategic expansion to tap the potential market.
- ▶ Historically, the Banking and Financial Institutions Act (BAFIA) of 2006, lacked provisions specific to Sharia-compliant products. This created legal uncertainty and constrained innovation. A major breakthrough came on 30th June 2024, when the government amended the Finance Act No. 6 of 2024, replacing the term "interest rate" with "interest, profit or return." This reform granted Islamic banks equal legal standing with conventional institutions, enabling the Central Bank to support Islamic finance through compliant mechanisms, facilitate Sukuk issuances, and enhance liquidity management frameworks.
- ▶ According to a 2020 Pew Forum survey, 34% of the population is Muslim, with high concentrations in Dar es Salaam and Zanzibar, regions with high per capita income. Yet, out of 44 banking institutions in the country, only five offer Sharia-compliant financial services. This suggests a significant gap in the market. The unmet demand for Islamic banking presents a strategic entry point for financial institutions to expand their reach and promote deeper financial inclusion through Sharia-compliant offerings.
- ▶ Recent developments in Islamic capital markets further signal growth. Imaan Finance issued a Sukuk in 2021, followed by other issuers including KCB (Fursa Sukuk, 2022). In 2023, the CMSA published guidelines for corporate and subnational Sukuk, formalizing the regulatory pathway for Sharia-compliant securities. Zanzibar's quasi-sovereign Sukuk and CRDB Bank's 2025 Al Barakah Sukuk—Tanzania's largest Sharia-compliant bond and first dual-currency Sukuk, reflect growing policy appetite and market innovation.
- ▶ To harness the momentum of Islamic finance, Tanzanian banks should act strategically. This includes developing Sharia-compliant products, investing in awareness, forming partnerships with scholars and fintechs, and using digital platforms to reach underserved groups. With supportive reforms and growing demand, Tanzania is well-positioned to lead regionally in Islamic finance by expanding access and promoting ethical financial inclusion.



02

Sector Overview

Balance Sheet

Amounts in TZS million	2020	2021	2022	2023	2024
Cash and balances with BOT	3 766 271	4 584 232	5 037 336	5 159 845	6 562 085
Balances w/other banks	1 777 547	2 466 953	1 923 223	3 022 525	3 016 824
Investment in government & debt securities	5 794 737	6 899 294	8 081 892	8 372 899	8 146 465
Loans, advances and overdrafts (net)	18 391 702	20 787 935	26 067 749	32 055 627	37 022 652
Other assets	4 463 826	4 451 161	4 842 451	5 510 611	7 401 589
Total assets	34 194 082	39 189 575	45 952 651	54 121 507	62 149 615
Customer deposits	23 497 112	27 519 786	30 648 061	36 075 070	41 080 796
Deposits from other banks	1 249 820	1 331 762	2 387 219	1 758 044	1 844 241
Other liabilities	4 052 266	4 163 579	5 992 889	8 258 068	9 385 706
Total liabilities	28 799 198	33 015 126	39 028 169	46 091 182	52 310 743
Paid up share capital	1 914 025	2 214 272	2 358 096	2 559 233	2 699 675
Retained earnings	1 863 736	2 202 250	2 938 494	3 387 800	4 456 251
Profit & loss account	419 531	527 037	929 267	1 470 325	1 992 614
Others	1 197 593	1 230 891	698 625	612 968	690 332
Total shareholders' funds	5 394 884	6 174 449	6 924 482	8 030 326	9 838 872
Total liabilities and shareholders funds	34 194 082	39 189 575	45 952 651	54 121 507	62 149 615

Key Metrics

Asset growth	6.3%	14.6%	17.3%	17.8%	14.8%
Customer deposit growth	4.8%	17.1%	11.4%	17.7%	13.9%
Shareholder fund growth	11.7%	14.5%	12.1%	16.0%	22.5%
Loans to total asset	53.8%	53.0%	56.5%	59.2%	59.6%
Customer deposits to total liabilities	81.6%	83.4%	78.5%	78.3%	78.5%

Key highlights

- In 2024, assets grew by 14.8%, driven by increased loans, advances, and overdrafts, supported by technology platforms enabling easy credit access and partnerships with MNOs for microloans. Growth was also boosted by rising green financing led by Tier 1 banks.
- Customer deposits rose by 13.9%, reflecting strong mobilization efforts, an expanded customer base, and special offerings such as Islamic financing products.

Income Statement

Amounts in TZS million	2020	2021	2022	2023	2024
Interest income	3 006 280	3 234 229	3 726 982	4 655 696	5 653 285
Interest expense	(748 294)	(760 177)	(934 249)	(1 293 120)	(1 631 516)
Net interest income	2 257 986	2 474 052	2 792 733	3 362 575	4 021 769
Bad debt provisions and write offs	(438 515)	(376 369)	(400 920)	(356 085)	(269 498)
Net income after provisions	1 819 472	2 097 683	2 391 813	3 006 491	3 752 271
Foreign exchange gain/loss	235 497	232 209	357 880	498 330	599 006
Fees, commissions & other income	705 754	811 125	797 187	1 104 193	1 316 044
Other Income	119 031	113 770	208 145	227 702	262 532
Non-interest income	1 060 281	1 157 104	1 363 212	1 830 225	2 177 582
Gross income	2 879 753	3 254 787	3 755 025	4 836 716	5 929 853
Non-interest expense	(2 215 585)	(2 199 827)	(2 298 228)	(2 600 623)	(2 932 274)
Profit/(loss) before tax	664 167	1 054 959	1 456 797	2 236 093	2 996 752
Income tax provision	(265 851)	(378 096)	(581 770)	(736 074)	(884 716)
Net income after income tax	403 155	676 863	875 027	1 500 019	2 112 863

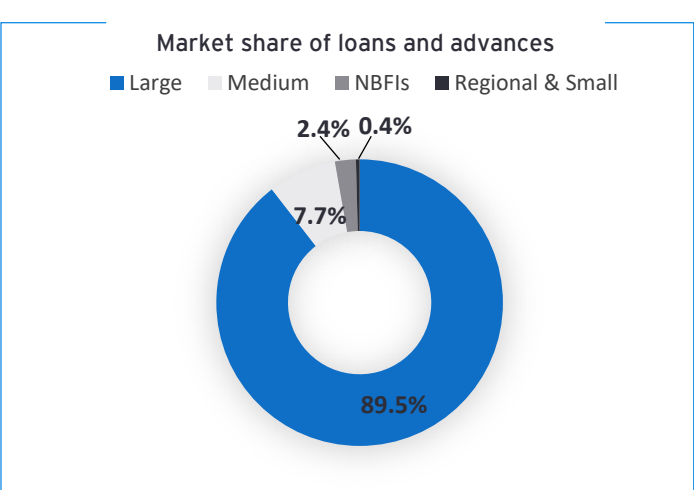
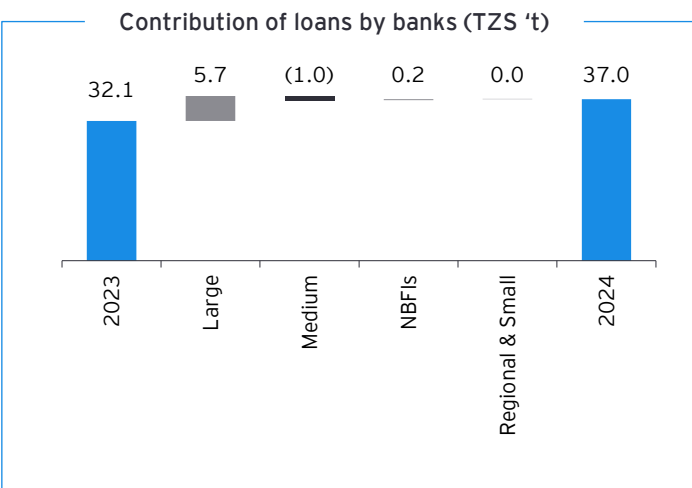
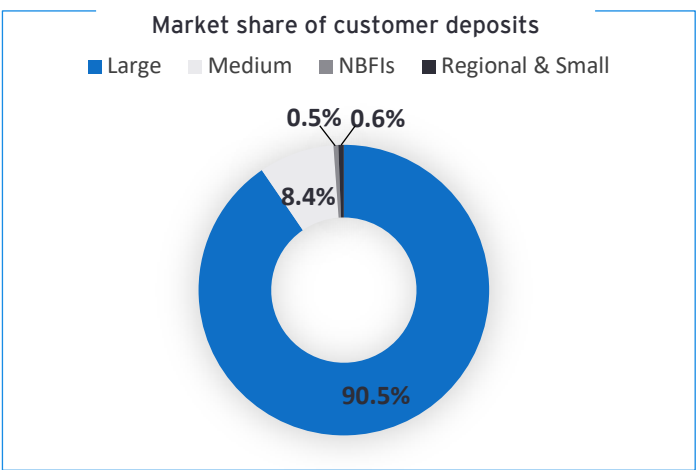
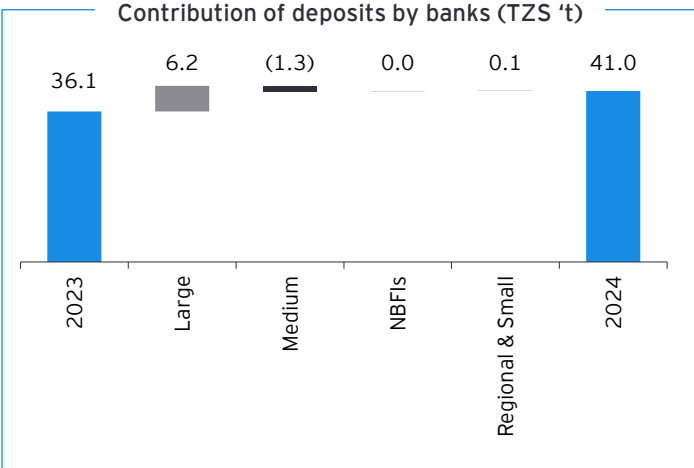
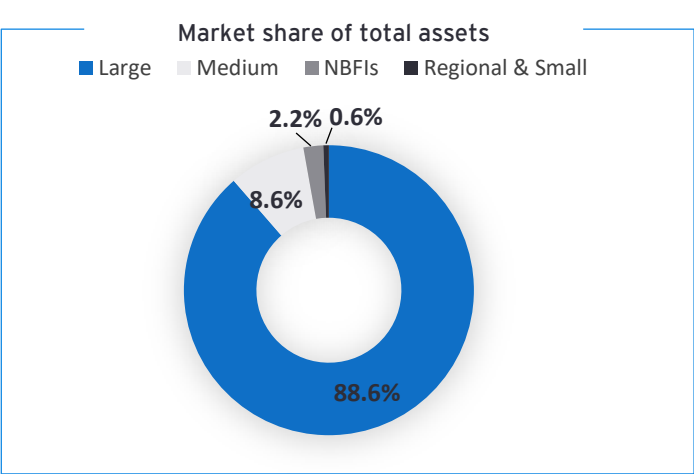
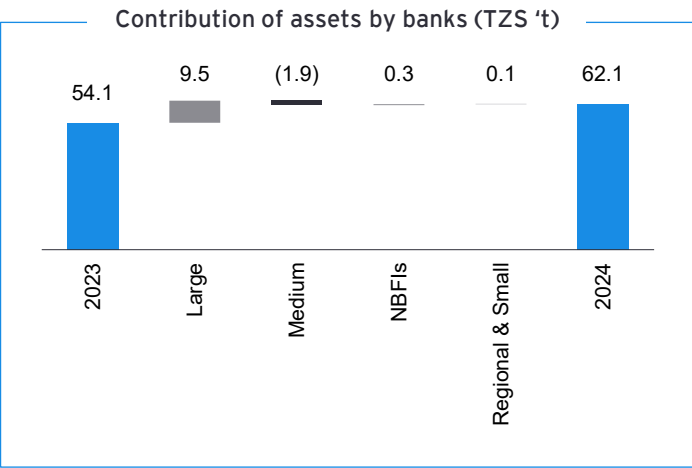
Key Metrics

<i>Net Interest Margin (NIM)</i>	8.5%	8.3%	8.0%	7.9%	8.2%
<i>Interest Margin to Gross Income</i>	55.5%	56.3%	54.9%	51.8%	51.4%
<i>Cost-to-Income Ratio</i>	54.5%	50.1%	45.2%	40.1%	37.4%
<i>ROAA</i>	1.2%	1.8%	2.1%	3.0%	3.6%
<i>ROAE</i>	7.9%	11.7%	13.4%	20.1%	23.6%
<i>Number of employees</i>	16 443	16 448	16 731	17 407	18 084
<i>Number of branches</i>	819	919	906	902	935

Key highlights

- The sector's profit after tax grew by a robust 40.9% in 2024, driven by substantial increases in both net interest income and non-interest income. Strong lending and deposit mobilization, coupled with improved credit quality, underpinned this sustained profitability.
- The branch network grew by 116 branches only (2020-2025), possibly driven by a strategic balance between physical expansion and digital channels such as mobile and agent banking, that enhanced reach and operational efficiency.

Competitive Landscape

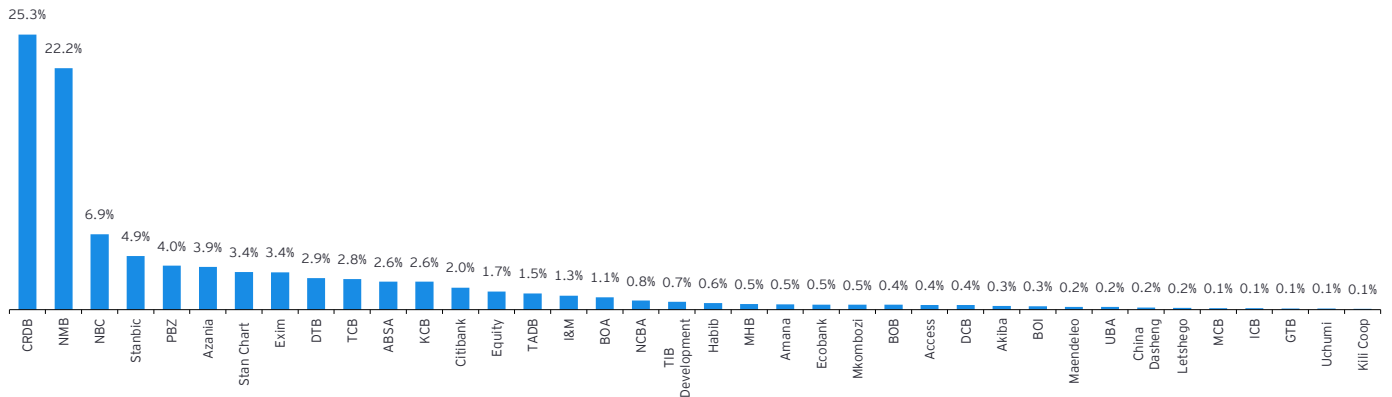


Key highlights

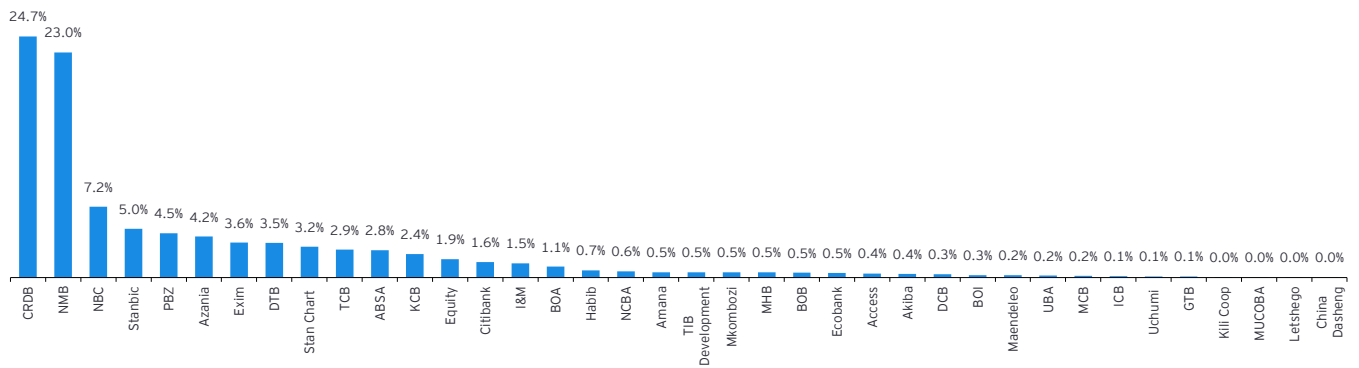
- The contribution of medium banks to total assets fell from 13.4% in 2023 to 8.6% in 2024, driven by Equity and Citibank moving to the large bank category and the merger of Canara with Exim Bank. Medium banks also experienced a TZS 1.3 trillion decline in total customer deposits.

Competitive Landscape

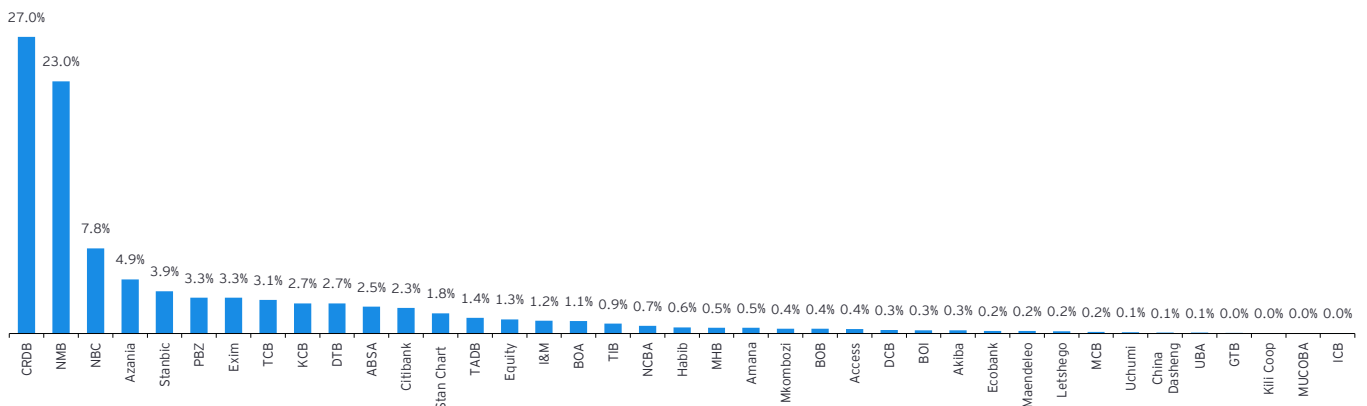
Composition of total assets



Market share of customer deposits



Market share of customer loans and advances



03

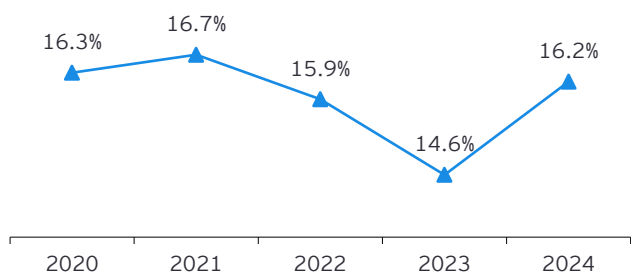
Sector Analysis



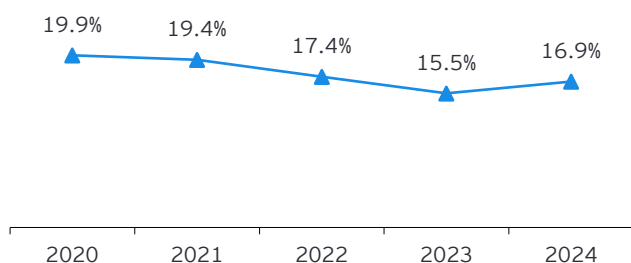
Capital Adequacy

Capital Adequacy Ratios

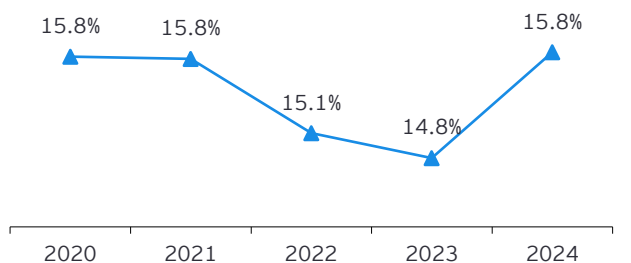
Core Capital to TRWAs



Total Capital to TRWAs

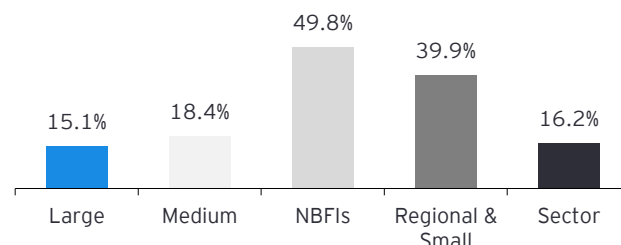


Shareholders' Funds to Total Assets

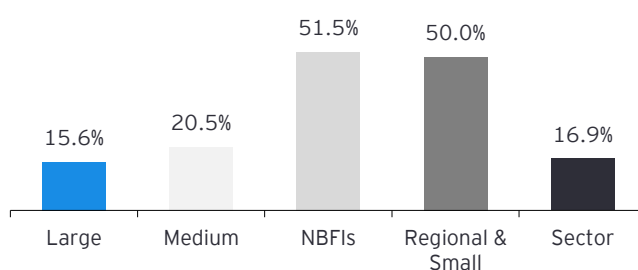


Capital Adequacy Ratios (2024)

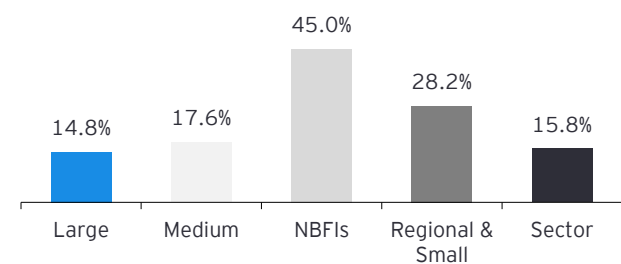
Core Capital to TRWAs



Total Capital to TRWAs



Shareholders' Funds to Total Assets



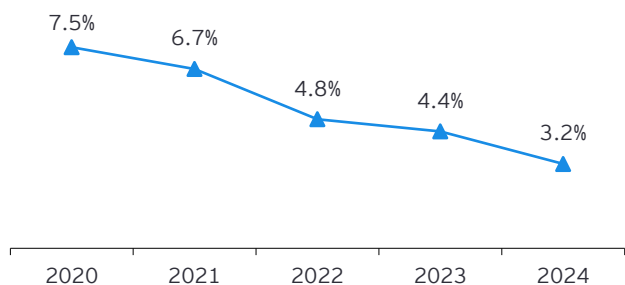
Key highlights

- In 2024, the Capital Adequacy Ratio (CAR) improved to 16.2% from 14.6%, driven by higher retained earnings across banks and capital injections—primarily by TADB, DCB (albeit at a discount), and MHB—which strengthened the sector's core capital base.
- While the ratios remain above the minimum regulatory requirements, questions remain about whether the sector is sufficiently capitalized to support large-scale lending for infrastructure projects and to finance investors in the manufacturing sector, aligned with the government's development vision.

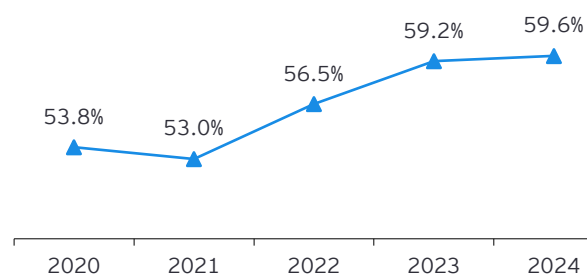
Asset Quality

Asset Quality

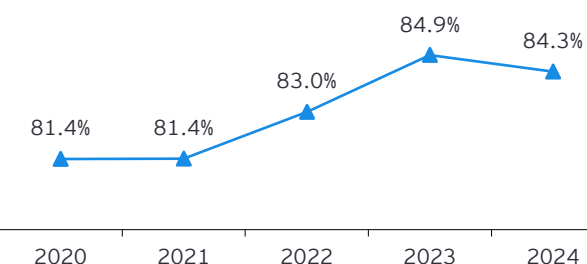
NPL Ratio



Loans and Advances to Total Assets

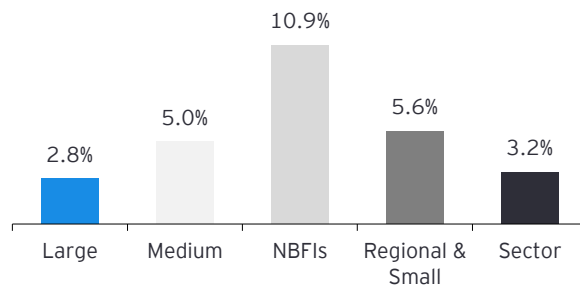


Earning Assets to Total Assets

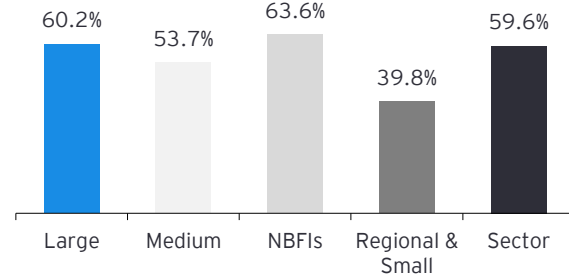


Asset Quality (2024)

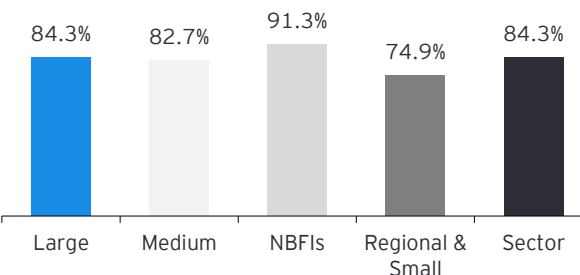
NPL Ratio



Loans and Advances to Total Assets



Earning Assets to Total Assets



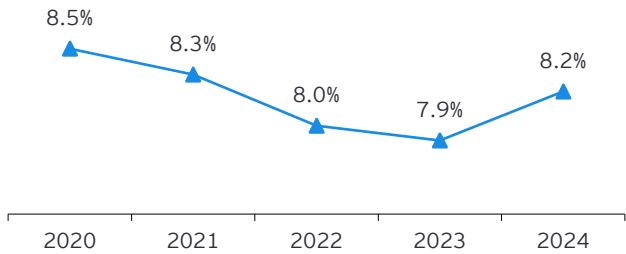
Key highlights

- The NPL ratio improved from 4.4% in 2023 to 3.2% in 2024, reflecting a reduction in non-performing loans. Large banks recorded the lowest NPL ratio at 2.8%, indicating stronger loan performance, while NBFIs had the highest at 10.9%, signalling elevated credit risk in the sector.
- This underscores the need for NBFIs to re-evaluate their credit quality and lending practices to ensure sustainability and reduce exposure to potential loan defaults.

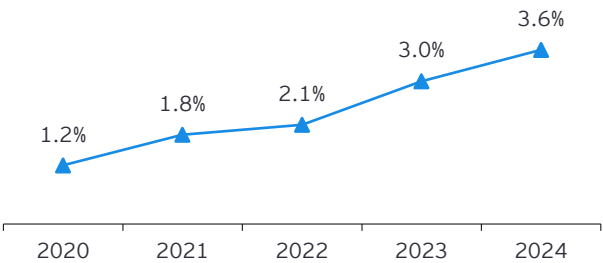
Earnings Quality

Probability Ratios

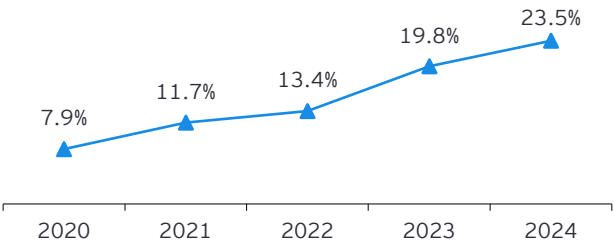
Net Interest Margin



ROAA

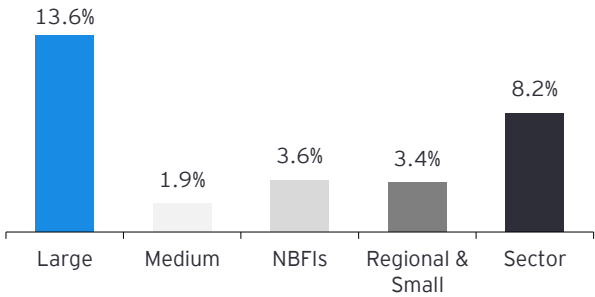


ROAE

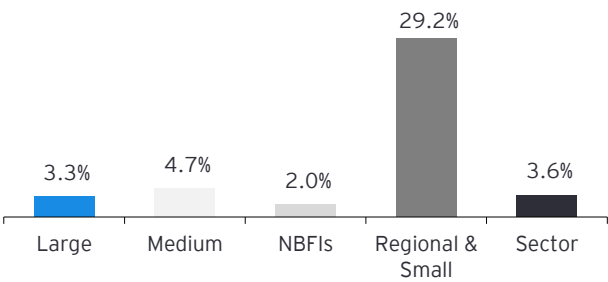


Probability Ratios (2024)

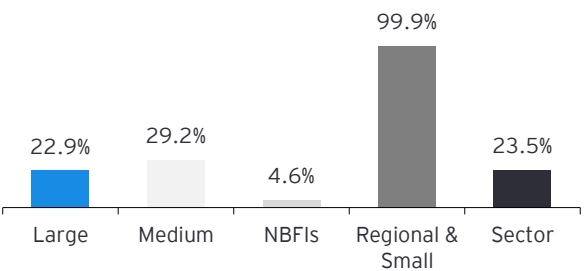
Net Interest Margin



ROAA



ROAE

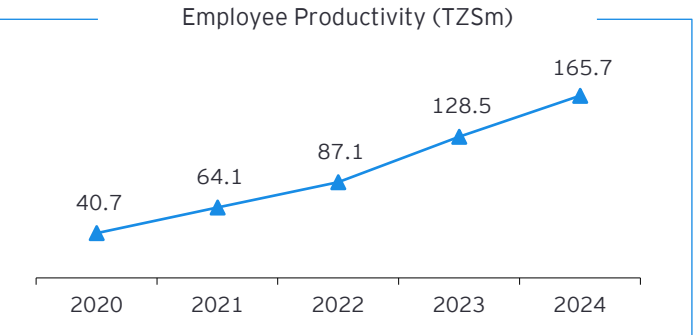
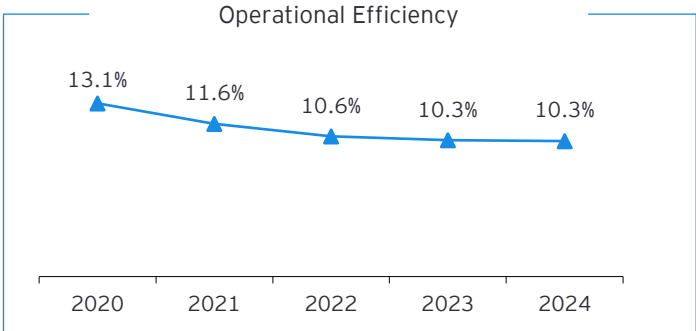
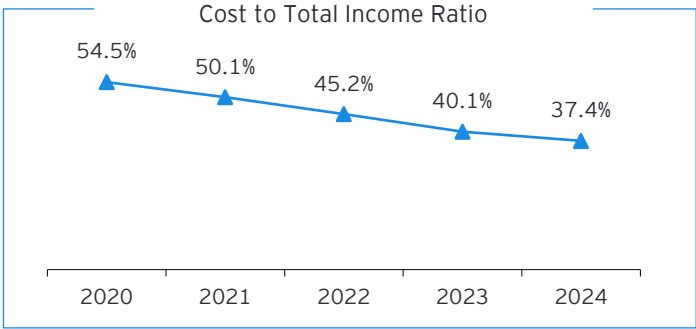


Key highlights

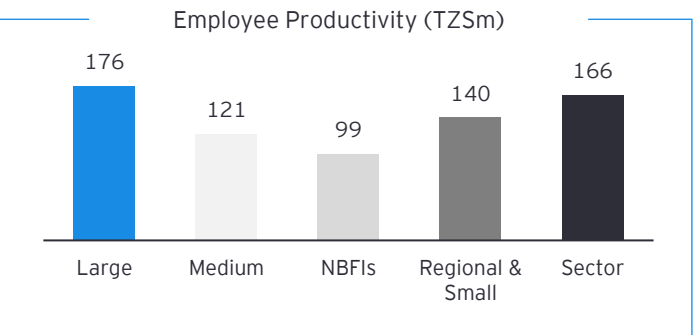
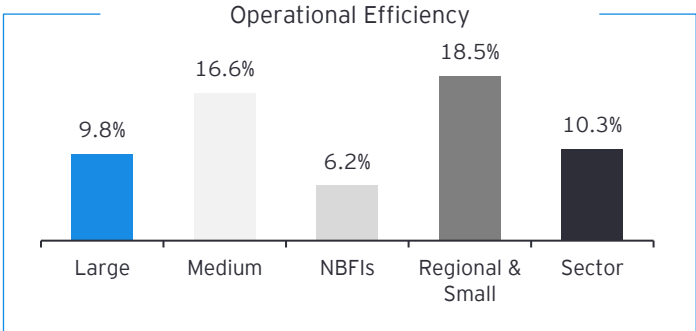
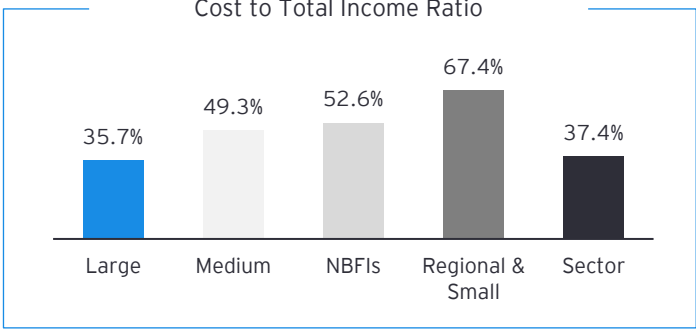
- Similarly to the prior years, the return on average assets (ROAA) improved significantly from 3.0% (2023) to 3.6% (2024), indicating enhanced profitability across the sector. NBFIs lagged with a low ROAA of 2.0% (2024), whereas Regional & Small banks achieved the highest ROAA at 29.2%, signalling efficient profit generation from their assets. This highlights the need for NBFIs to strengthen operational efficiency and asset utilization to improve profitability.
- The return on average equity (ROAE) also increased from 19.8% in 2023 to 23.5% in 2024, reflecting better shareholder returns across the sector.

Efficiency

Efficiency Ratios



Efficiency Ratios (2024)



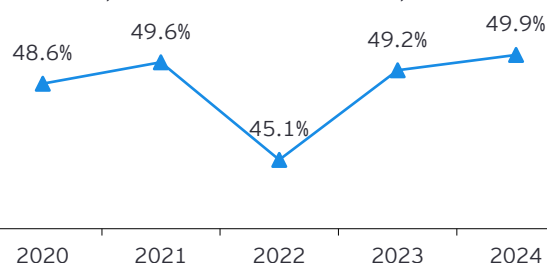
Key highlights

- Overall efficiency improved in 2024, with key metrics reflecting enhanced operational and productivity gains across the financial sector. The cost to total income ratio fell, indicating better cost management and income generation.
- Employee productivity saw significant growth, reflecting better output per employee, particularly in regional and small banks. However, there remains a gap between large and smaller banks, as regional and small banks continue to face higher cost burdens and operational inefficiencies.

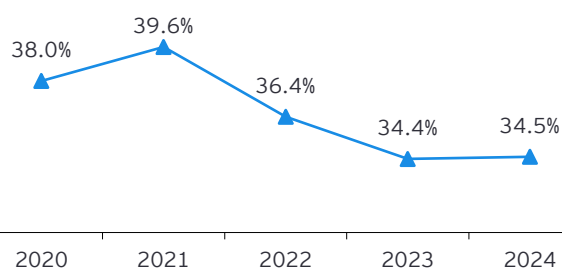
Liquidity

Liquidity Ratios

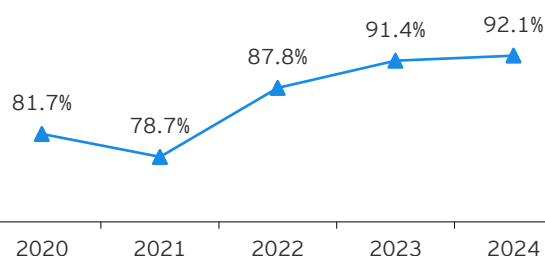
Liquid Assets to Customer Deposits



Liquid Assets to Total Assets

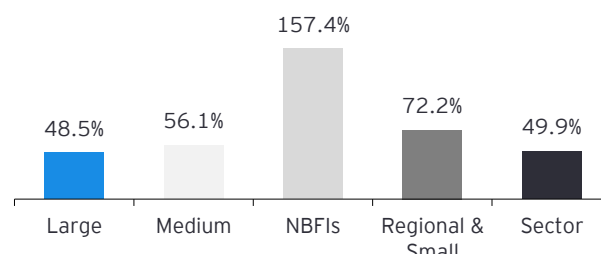


Gross Loans to Customer Deposits

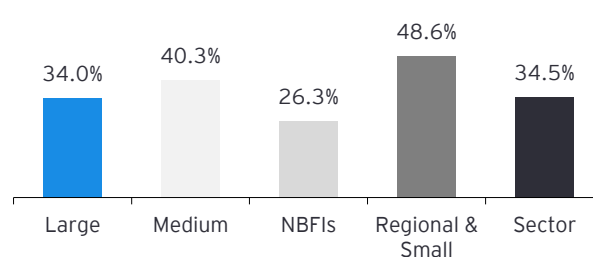


Liquidity Ratios (2024)

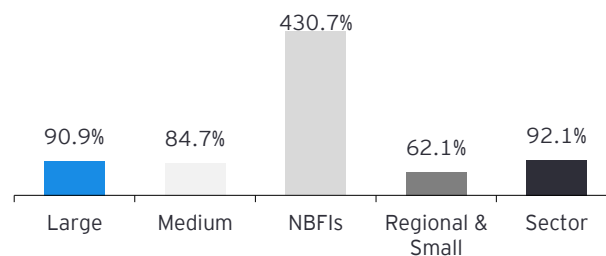
Liquid Assets to Customer Deposits



Liquid Assets to Total Assets



Gross Loans to Customer Deposits



Key highlights

- The liquid assets to customer deposits ratio remained stable at 49.9% in 2024, up slightly from 49.2% in 2023, reflecting sustained liquidity across the sector. Large banks recorded the lowest ratio at 48.5%, indicating relatively tighter liquidity.
- The gross loans to customer deposits ratio increased from 91.4% in 2023 to 92.1% in 2024, demonstrating higher lending activity, while regional and small banks had the lowest ratio at 62.1%, indicating a more conservative lending approach relative to deposits.

04

Appendix



Appendix A: List of financial institutions

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

Appendix B: Abbreviations

S/N	Abbreviation	Description
1	BOT	Bank of Tanzania
2	CAR	Capital Adequacy Ratio
3	CBR	Central Bank Rate
4	CIR	Cost-to-Income Ratio
5	CIS	Collective Investment Schemes
6	GDP	Gross Domestic Product
7	LDR	Loan to deposit Ratio
8	MPC	Monetary Policy Committee
9	NBFIs	Non-Banking Financial Institutions
10	NIM	Net Interest Margin
11	NPLs	Non-Performing Loans
12	ROAA	Return on Average Assets
13	ROAE	Return on Average Equity
14	TRWAs	Total Risk Weighted Assets
15	T-Bill(s)	Treasury Bills
16	T-Bond(s)	Treasury Bonds
17	TZS	Tanzania Shillings
18	TZSb	Tanzania Shillings in Billions
19	TZSm	Tanzania Shillings in Millions
20	TZSt	Tanzania Shillings in Trillions
21	USD	United States Dollar

Appendix C: Definition of selected ratios

Capital Adequacy Ratios

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

Asset Quality Ratios

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

Profitability and Earnings Ratios

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

Efficiency Ratios

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

Liquidity Ratios

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

Appendix D: Sources of information

Source of information

- ▶ All financial information is sourced from publicly available banks' financial statements
- ▶ Bank of Tanzania Annual Report For the Year Ended 30 June 2024
- ▶ Bank of Tanzania (BOT) (Source
- ▶ Bank of Tanzania Monetary Policy Statement, Mid-Year Review
- ▶ Capital Market and Securities Authority ([Home |Capital Market and Securities Authority](#))
- ▶ UTT AMIS ([UTT AMIS - UTT Asset Management And Investor Services PLC](#))

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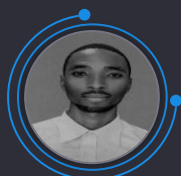
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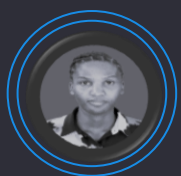
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