2021
ANNUAL REPORT

Supporting Industrialization and Export Drive

TIB DEVELOPMENT BANK
Your Partner for Growth

Industrialization and export drive

As a policy bank, TIB Development bank focuses on achieving National's development agenda focused on industrialization and export drive. Throught the FYDPIII, which aims to improve people's lives, creation of enabling environment for business success, improvement in the coubtry's export competitiveness and continuation of development of infrastructure.

Kagera Sugar Limited | Missenyi, Kagera.

CONTENTS

Vision Statement:
"To be the Premier Development Financier in Tanzania by 2025"

Mission Statement:
"To Provide Affordable Development Financing for an Inclusive, Diversified, Vibrant and Competitive National Economy"

Core Values: The bank guiding principles which portray our culture, togetherness, ways of delivery to our customers and stakeholders have been defined by the following Core Values:

- Integrity
- Team Spirit
- Innovation
- Excellence
- Customer Centricity
- Stakeholder Focus
- Accountability

PRODUCTS & SERVICES

CORPORATE INFORMATION

Registered office

Building No 3, Mlimani City Office Park
Sam Nujoma Road,
P.O Box 9373,Dar es Salaam.

Company Secretary

Menson Ngahatilwa
P.O. Box 9373,
Dar es Salaam.

Physical address

Mlimani City Office Park,
Building No. 3,
Sam Nujoma Road.

Other contact details

Tel: +255 22 2163600/601
Telefax: +255 22 2411095
E-mail: md@tib.co.tz
Website: www.tib.co.tz

Main bankers

Bank of Tanzania,
11884 Dar es Salaam
P.O. Box 2939,
Dar es Salaam, Tanzania

TCB Bank Plc,
Mlimani City Branch,
P.O. Box 9300,
Dar es Salaam, Tanzania

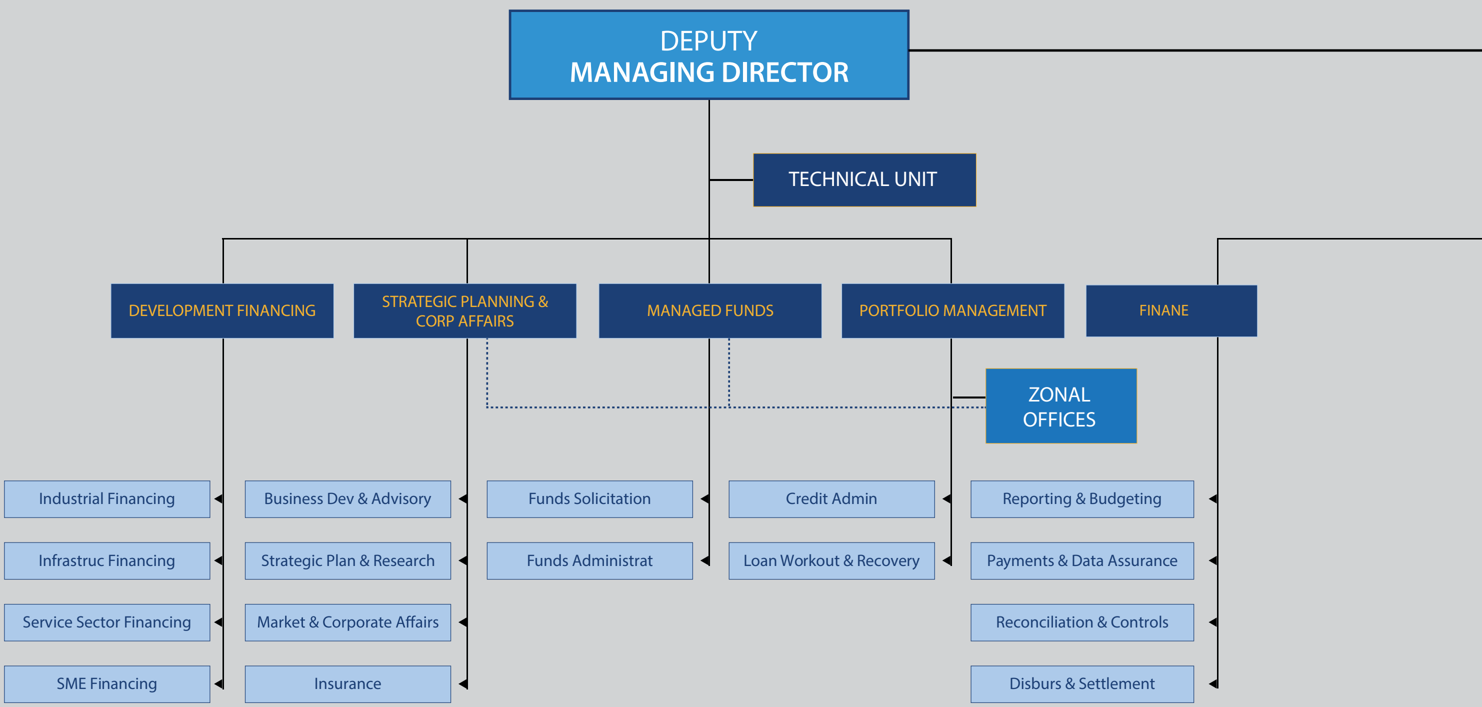
Azania Bank Ltd
Mwenge Branch
P.O. Box 32089
Dar es Salaam, Tanzania

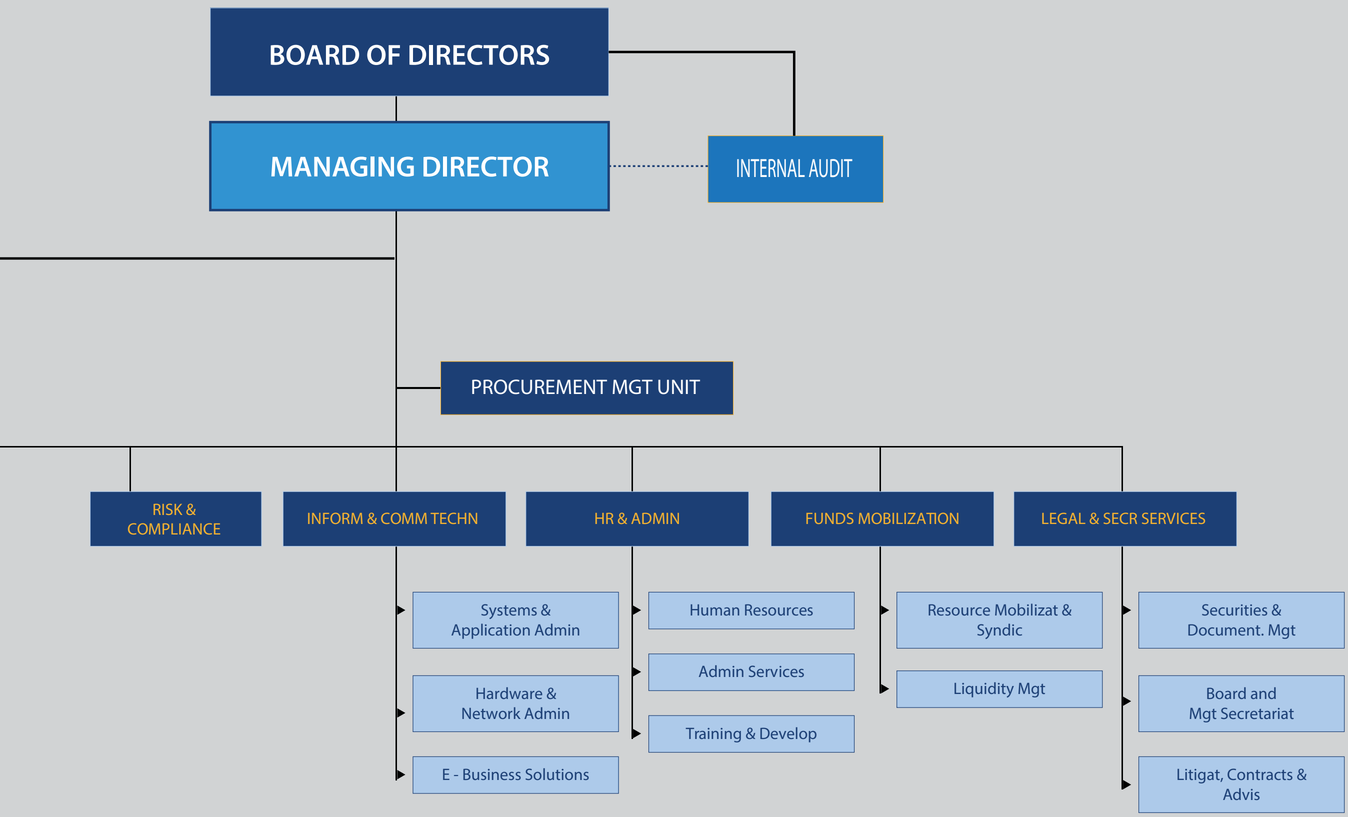
NBC Limited
Corporate Branch
P.O. Box 9062
Dar es Salaam, Tanzania

Auditors

The Controller and Auditor
General (CAG),
National Audit Office,
4 Audit Road,
P. O. Box 950,
41104 Tambukareli - Dodoma

ORGANIZATION STRUCTURE - TIB DFI




BOARD OF DIRECTORS
MANAGING DIRECTOR
INTERNAL AUDIT
PROCUREMENT MGT UNIT
RISK & COMPLIANCE
INFORM & COMM TECHN
HR & ADMIN
FUNDS MOBILIZATION
LEGAL & SECR SERVICES
Systems & Application Admin
Hardware & Network Admin
E - Business Solutions
Human Resources
Admin Services
Training & Develop
Resource Mobilizat & Syndic
Liquidity Mgt
Securities & Document. Mgt
Board and Mgt Secretariat
Litigat, Contracts & Advis

The off balance, the portfolio position stood at TZS 120.2 billion with a cumulative management fee 2009 - 2021

TZS 7.30 billion

"I am proud to report that as of December 31st 2021, the bank had an on-balance sheet gross portfolio amounting to TZS

652,947 million."

Dr. Maria S.H. Mashingo
Chairperson of the Board of Directors

Chairperson's Statement

On behalf of the Board of Directors of TIB Development Bank, I am delighted to present to you the Annual Report and Audited Financial Statements for the year ended 31st December 2021.

Operating Context

Our report is being presented at the time the world continues to face the impact of COVID 19 pandemic. During this period, the Bank of Tanzania (BOT) reports Real GDP growth was 4.9 percent in 2021 compared with the 4.8 percent in 2020, which was due to adverse impact of the pandemic. Private sector credit growth rebounded to pre-pandemic levels. Global economic activity improved in 2021 to 6.1 percent, after contracting in the previous year due to COVID-19 pandemic.

BOT reports that the Tanzania's macroeconomic framework remains stable, with low inflation and moderate external and fiscal vulnerabilities. The GDP growth rate is expected to average 5.2% in 2021 as compared to 4.40% recorded in 2020. Economic activities that contributed significantly to the economic growth include construction (18%), agriculture (15.1%), mining and quarrying (11.4%), manufacturing (8.6%), public administration (5.8%), and trade (4.0%). The Bank of Tanzania continued to implement accommodative monetary policies to support private sector growth.

BOT reports that in the year under review, the inflation remained, within the target of 3-5 percent throughout 2020/21. The rate was also in line with the East African Community (EAC) and Southern African Development Community (SADC) convergence criteria of not more than 8 percent and a range of 3-7 percent, respectively. Annual headline inflation averaged 3.3 percent compared with 3.5 percent in 2019/20, on account of low prices of food, and moderate increase in energy and fuel prices.

The financial sector remained stable, with banks having adequate capital and liquidity. Government fiscal operations were satisfactory but faced limited space due to tightened financial conditions in international markets.
During 2021, the banking sector rebounded from the COVID induced slowdown to register a robust uplift in total assets, loans, deposits, and profitability.

This was encouraged by the Bank of Tanzania to intensify accommodative monetary policy strategy that was on course to facilitate the recovery of economic activities through bank lending to private sector. The policy stance was implemented by scaling up the quantum of the usual monetary policy instruments, which were later in July 2021, complemented by additional liquidity injecting policy measures. These measures also were intended to facilitate lowering interest rates on loans, of which lending to agriculture was accorded a significant consideration.

Total capital of the sector composed of share capital (35.9%), retained earnings (35.7%), share premium (5.6%) and other capital items (22.8%). Total equity increased by 14.5% to TZS 6.2 trillion compared to TZS 5.4 trillion recorded in prior year, mainly on account of an increase in profitability by 67.9% to TZS 677 billion recorded during the review period. During the period under review, off-balance sheet items increased by 32.4% to TZS 11.7 trillion (2020: TZS 8.8 trillion). Off-balance sheet items included guarantees and indemnities, undrawn balances of loans and overdrafts, letters of credit, and other items. The off- balance sheet items represented about 29.8% of the total assets compared to 25.8% recorded in prior year.

Asset quality improved as reflected by the decrease in the ratio of non-performing loans (NPLs) to gross loans to 6.7% at the end of December 2021 compared with 7.5% reported in the corresponding period in 2020. Although the sector's NPLs ratio is above the BOT's benchmark ratio of 5.0%, leading banks have shown a notable improvement that led to the overall decline. During the review period, about 62.5% of the banks had an NPL ratio above 5.0%.

The ratio of non-performing loans (NPLs) to gross loans declined to 9.81 percent in April 2021 from 10.84 percent in June 2020. The Bank continued to take measures to reduce NPLs close 2 The level of reserves was within the country benchmark of at least 4.0 months and EAC convergence criteria of 4.5 months to the desired level of 5 percent. The measures include enforcement of risk based prudential requirements and requiring banks to improve credit underwriting standards by using reports from Credit Reference Bureaus in loan application assessment and granting process. In addition, the Bank has instituted mechanisms of monitoring banks in the implementation of strategies to reduce NPLs.

Bank performance

As of December 31st, 2021, the bank had an on-balance sheet gross portfolio amounting to TZS 652,947 million. The on-balance sheet portfolio comprises of 111 projects and 17 ex-staff accounts. Out of the total portfolios, Term Loans account for 87.1%, Overdraft Facilities account for 12.0% and Staff Loans account for 0.9%.In terms of promoters, public projects make up 7.5% of the entire portfolio, while private projects account is 91.6% and staff loans contribute 0.9% of the same.

During 2021, the bank continued to undertake projects appraisal and coordinate approval processes, structuring and control of related loans and other types of finance. The appraised credit applications processed within agreed time limits and were in line with the Third National Five-Year Development Plan (FYDP III) (2021/22 – 2025/26). The Bank appraised and approved funding of projects worth TZS 41.56 billion during 2021. This is a decrease of TZS 31.6 billion compared to TZS 73.2 billion approved in 2020.

The bank continued to strengthen relationships with regional and other multilateral development finance institutions such as World Bank, KfW, DBSA, IFC, AfDB, BADEA, NORSAD and PTA bank. Projects were jointly identified in various sectors such as water, power, transport, railways, airports, economic zones and municipal infrastructure. The bank participated in 8 developmental projects which have direct impact to the country through Fund Management services worth TZS 192.3 billion in different areas such as administration of Tanzania Energy Development Access Project (TEDAP) Credit Line, Tanzania Rural Electrification expansion program (TREEP) credit line, Promotion of bioethanol as clean alternative cooking fuel in Tanzania and Accelerating Solar Water Pumping via Innovative Financing.

Nevertheless, the bank liquidity, capital and non-performing loans remain to be a challenge to the financial performance during the year 2021. The bank continued to engage the Government on capitalization of the bank and improve its liquidity position by reducing operating and funding expenses supported by roll-over of matured deposits at lower rates. In efforts to reduce the cost of borrowing the bank has managed to renegotiate the interest rates for short term borrowings and deposits. The initiative has resulted into lowering of the weighted average interest rate from 17.6 percent in 2016 to 9.04 percent in 2021 for the deposits from public institutions. The move has contributed to lowering of the bank's interest expenses.

In the efforts to implement the presidential directive for banks to reduce interest rates in the market, the bank lowered interest rates to 10 percent for projects in social sector particularly in the water sector. The move is intended to improve the cashflow of water supply authorities and enhance water supply. The bank has also prepared and shared with the Ministry of Finance and Planning and the Bank of Tanzania, the proposal to access liquidity in the market to further lower the interest rates in the market.

Outlook and Appreciation

In the year ahead, the bank will work on the ongoing efforts on capitalization and improvement of liquidity, strengthen the bank's balance sheet and increase the inflow of resources for investment in productive projects and strategic public and private projects.

Continue lending to agricultural sector in supporting the Government to implement the Tanzania Development Vision 2025 that aims at transforming Tanzania from a low productivity to a semi-industrialised economy with a modern agricultural sector that is integrated into industrial and service activities conducted in both rural and urban areas.

Participating in transforming targeted water schemes owned by Community Based Water Supply Organizations (CBWSOs) in Dodoma, Singida, Shinyanga and Mtwara regions from using diesel generators as source of power to pump water from the bore

holes and manual collection of revenue at water fetching points, to solar and prepaid water meters respectively. This transformation is through the implementation of Accelerating Solar Water Pumping via Innovative Financing project in more than 101 CBWSOs which will ensure result in financial sustainability through cost saving and improved revenue management, as well as sustainability of the schemes.

Participating in the renewable energy project focusing on creating a market-enabling environment for the introduction of bioethanol fuelled stoves and the ongoing production and distribution of ethanol as a cooking fuel. Bioethanol as a cooking fuel in combination with a smart, safe and efficient stove has been identified and proven as an excellent modern energy service especially for middle income homes that support environmental protection and address health risks associated with use of charcoal.

I would like to extend my appreciation to the Government through the Ministry of Finance, the Office of Treasury Registrar and Bank of Tanzania on their support in attaining bank's mission: to provide affordable development financing for an inclusive, diversified, vibrant and competitive national economy.

I feel honoured to congratulate all Board Members for their steadfast support and obligation to all obligations assigned to us by the Government. I want to assure you that, the TIB Board will continue to work in strengthening its governance role to enrich shareholders' value. This includes working with BOT to improve regulatory environment for DFI's in Tanzania.

Indeed, my humbly gratitude to bank's management and staff for their commitment and continued teamwork that nurture innovations in developing effective financing solutions to serve our clients' needs. Let us continuously improve our ideas, solutions, and methods of work to be quick in converting ideas into plans, products, and projects for the social and economic wellbeing of our society.

I thank you!

Lastly, I wish our shareholders, customers, management, and other stakeholders a very fruitful and blessed year 2022.

Dr. Maria S.H. Mashingo
Chairperson of the Board of Directors
TIB Development Bank Limited

Board of Directors

Dr. Maria S. H. Mashingo
Board Chairperson

Mr. Charles G. Singili
Managing Director

Mr. Menson L. Ngahatilwa
Board Secretary

Mr. Agapiti E.B Kobello
Member

Mr. George I. Mnyitafu
Member

Mr. John A. Rubuga
Member

Dr. Arnold M. Kihaule
Member

Mr. Juma H. Reli
Member

Ms. Justina T. Mashiba
Member

Prof. Razack B. Lokina
Member

"The bank participated in developmental projects which have direct impact to the Country through management of 8 Funds worth TZS 192.3 billion in different sectors."

Mr. Charles G. Singili
Managing Director,
TIB Development Bank Limited

Managing Director's Statement

Bank operations

The bank continues to endure the adverse effects of the COVID-19 pandemic on the country's economy, that affected trade and investment; lowered productivity and limited growth of primary sectors; limited private sector participation in various development activities; and caused unprecedented surge in the world oil prices that affected the operation of various economic activities.

The bank's liquidity, capital and non-performing loans positions remain to be a challenge to the financial performance during the year 2021. The bank continued to engage the Government for additional capital injection and improve its liquidity position by reducing operating and funding expenses supported by roll-over of matured deposits at lower rates. In efforts to reduce the cost of borrowing the bank has managed to renegotiate the interest rates for short term borrowings and deposits. The initiative has resulted into lowering of the weighted average interest rate from 17.6 percent in 2016 to 9.04 percent in 2021 for the deposits from public institutions. The move has contributed to lowering of the bank's interest expenses.

In 2021, the bank took a great part in developing bank's Corporate Strategic Plan (CSP) 2021-25 that focuses on the Journey to a better future. The CSP focuses on supporting Government's initiatives for a self-reliant Tanzania. The bank believes that by supporting Government's initiatives will provide an opportunity for the bank to establish its competitive edge in achieving country's strategic milestones as addressed by Tanzania Development Vision 2025.

In tandem with negotiations for recapitalization, the bank has strengthened relationship with regional and other multilateral development finance institutions. The bank has initiated discussions with Afrieximbank for a line of credit of up to USD 50 million. There are ongoing discussions with BADEA for accessing of the undisbursed portion of USD 7.5 million.

In line with United Nations SDG 17 and Tanzania's Development Vision 2025, the bank collaborated with national and international institutions to finance and deliver development projects particularly in the energy and water supply industries. Our partnership with the World Bank and Rural Water Supply Authority (RUWASA) facilitated investment of USD 7.0 million in a blended finance arrangement to community-based water supply organizations (CBWSOs). The collaboration also had a dual effect of reducing cost of water supply and green-house gases emissions through replacement of diesel-powered water pumps with solar driven ones. Completion of this project will result access to reliable and affordable supply of clean water to 1.2 million residents in 400 villages within the targeted CBWSOs in Dodoma, Singida, Shinyanga and Mtwara regions.

Recognizing the effect of water in delivering gender equality and improving human health especially in 2021 when the world was still learning to live with COVID19, the bank participated in KfW supported IFF/OBA programe by providing countercyclical financing to the urban water supply and sanitation authorities in Tanzania. In a blended approach comprising KfWs output based aid and TIB's project term loans, 249,366
people in 7,453 households were supplied with clean water in various regions of Tanzania.

During the years, the bank participated in developmental projects which have direct impact to the Country through management of 8 Funds worth TZS 192.3 billion in different sectors

Financial performance

As of December 31st, 2021, the bank had an on-balance sheet gross portfolio amounting to TZS 652,947 million. The on-balance sheet portfolio comprises of 111 projects and 17 ex-staff accounts. Out of the total portfolios, Term Loans account for 87.1%, Overdraft Facilities account for 12.0% and Staff Loans account for 0.9%.

In terms of promoters, public projects account makes up 7.5% of the entire portfolio, while private projects account for 91.6% and staff loans contribute 0.9% of the same.

From a sectorial perspective, TIB Loan portfolio comprises of the following sectors: Mining and Quarrying 28.3%; Agro-processing and agriculture 25.5%; Manufacturing 10.7%; Hotel & Restaurant 2.2%; Real Estate 7.2%; Tourism 11.7%; Trade 4.1%; Electricity 2.4%; Education 2.3%; Financial Intermediaries 1.5%; Transportation and Communication 0.6%; Personal 1.0%; Building and Construction 0.6%; Other Services 0.4%; Leasing 0.1%, water 1.3 % and Fishing 0.1%.

By December 31st 2021, the portfolio under Loan Work out and Recovery had a total exposure of TZS 350,295 million including charged-off portfolio of TZS 175,451 million.

Further, the bank participated in developmental projects which have direct impact to the Country through management of 8 Funds worth TZS 192.3 billion in different sectors.

During 2021, the bank continued to undertake projects and coordinate approval processes, structuring and control of related loans and other types of finance. The appraised credit applications processed within agreed time limits and were in line with the Third National Five-Year Development Plan (FYDP III) (2021/22 – 2025/26). The bank appraised and approved funding of projects worth TZS 41.56 billion during 2021. This is a decrease of TZS 31.6 billion compared to TZS 73.2 billion approved in 2020.

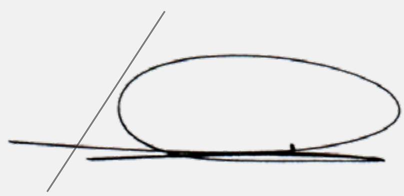
Among the major sectoral that where covered in 2021 are Business services and agriculture/ agro processing. New sector that the bank has starting to provide funding is Renewable Energy Sector through the Tanzania Rural Electrification Expansion Program(TREEP).

During December 2021 the bank was announced winner of the 2020 NBAA Best Presented Financial Statements (first winner, small and medium bank category). This promotes good corporate governance to the bank.

Appreciation

I would like to express my sincere gratitude to the Government through the Ministry of Finance, the Office of Treasury Registrar, Bank of Tanzania, and the Board of Directors for their support to the bank's efforts in stepping up projects with developmental impact in the country as kept into the new FYDP III. The bank earmarks to assist in achieving the Plan that focuses on achieving the goals of the National Development Vision.

Furthermore, I am grateful for the commitment and hard work of the whole staff who exhibited great resilience during the year in driving the bank's strategy. I also wish to thank our strategic partners just to mention few these include the World Bank, KfW, DBSA, IFC, AfDB, BADEA, NORSAD and PTA bank. Their support allowed us to oblige to our valued customers' needs, as well as our business partners and investors.



Mr. Charles G. Singili
Managing Director
TIB Development Bank Limited

Accelerating Solar Water Pumping via Innovate Financing

Juhudi COWSO | Iramba, Singida.

Management

Mr. Charles G. Singili
Managing Director

Ms. Lilian M. Mbassy
Director of Managed Funds

Mr. Patrick M. Mongella
Director of Strategic Planning and Corporate Affairs

Ms. Christine V. Mbonya
Director of Internal Audit

Ms. Esther N. Epaphra
Director of Development Financing

Mr. Robert J. Ndaki
Director of Information and Communication Technology (ICT)

Ms. Nyanso B. Masambaji
Director of Portfolio Management

Mr. Menson L. Ngahatilwa
Director of Legal and Secretarial Services

Ms. Mwasam S. Suleiman
Director of Finance

Mr. Kulwa S. Debeta
Director of Risk and Compliance

Mr. Oswald Leo
Director of Fund Mobilization

Mr. Daud M. Masele
Directorate of Human Resources and Administration

Ms. Alfredina A. Kyando
Technical Services Manager

Mr. Gaitan Banzi
Head of Procurement Management Unit

We are focusing on
the strengthening of technical colleges and universities

Mbeya University of Science and Technology | Mbeya - Tanzania.

Directorate of Strategic Planning and Corporate Affairs

Mr. Patrick M. Mongella
Director of Strategic Planning and Corporate Affairs

The Directorate of Strategic Planning and Corporate Affairs deploys its role in steering the bank vision and mission through coordinating and monitoring the activities of the entire bank that include but not limited to the leading the development of the corporate strategy and its subsequent implementation, monitoring, review, and refinement in line with bank's corporate strategic plan.

The directorate coordinates and supervises the annual plan reviews, including preparation of the mid-term reviews and ad hoc updates and reports to the management. In addition, the directorate scans, and analyses both internal and external economic trends to ascertain their implications on Bank's strategy and hence alerting management on the causes and what would be implications with presentation of potential solutions.

The directorate on matters related to policy developments, and on the Bank's response to emerging internal and external issues contribute to shape the Bank's relationships with its stakeholders and at the same time communicating the Bank's Strategy internally and outside the Bank with several stakeholders and regulators. Throughout the year under review, the directorate played a pivotal role in designing, harmonizing, and communicating the bank's five-year corporate plan anchored around the country's development plan centering on fostering industrialisation. This role was discharged through its departments, namely Business Development, Research and Strategic Planning and Marketing and Corporate Affairs. The duties of the Directorate of Strategic Planning and Corporate Affairs remained unaffected from the previous year. The directorate's core function is to plan and drive the strategic direction of the bank.

Business Development Department

The main purpose of the business development department is to build a strong pipeline of bankable development-oriented projects ready for the bank's financing thereby growing the DFI business. Through a diversified structure of six (6) business development personnel supported by the Zonal office teams, the department identified eligible projects from public and private sector and worked with developers to ensure that their projects are developed to a level that whets the bank's appetite for financing the projects. Focus on drumming up the business for the bank, meant the department attending various events and visiting different places around the country to orate the bank's desire to support development projects.

Business development endeavours during 2021 were influenced by the country's industrialization drive, which is articulated in the second Five Year

Development Plan as well as the glaring infrastructure gap, which poses a great hindrance to socio-economic development in Tanzania. Under this backdrop, and guided by the bank's strategic objectives, the department pursued targets around seven key areas. First and foremost was the identification and development of industrial and infrastructure projects at national and local government level. Working within the confinements of the countries prudential guidelines for development financial institutions, the department reviewed projects concepts guiding them through the process to achieve bankability.

The department played a key role as custodians of the bank's strategic risk, technical assistance and business development policies and frameworks. These guiding documents were reviewed and updated to suit the prevailing business and economic environment.

Year 2021 also found the bank strengthening relationships with regional and other multilateral development finance institutions such as World Bank, KfW, DBSA, IFC, AfDB, BADEA, NORSAD and PTA bank. Projects were jointly identified in various sectors such as water, power, transport, railways, airports, economic zones and municipal infrastructure.

International and domestic financial institutions played a key role in the department's endeavours to support the private sector, particularly small and medium scale enterprises, so as to ensure they gain access to finance and infrastructure for growth of their businesses. In this area, the bank continued its collaboration with KfW through the IFF-OBA initiative to develop and finance commercially viable projects in the water sector. The initiative was implemented through a financing program that involved provision of long-term financing solutions to urban water supply authorities across the country.

Despite the challenges posed by COVID-19, the department has actively participated in various meetings, conferences and seminars; where interactions with various stakeholders enabled the bank to identify key development challenges in various sectors and gained an opportunity to establish new contacts and relationships with potential customers.

As the year progressed towards the end, the department consolidated services to customers by assisting preparation of mining, industrial and energy infrastructure projects in various parts of the country and maintained the bank's role as the project promoters' partner for growth.

Strategic Planning and Research

The research and planning department supports the banks through analysis of strategic sectors that have been loaned by the bank to help decision making update with trend and update on what is happening within those sectors. This task involves data collection and analysis from diverse sources including regulators and other government agencies whose decision in one way or another could impact banks operations.

During 2021, the department provided support to banks zonal offices, by the way of providing business intelligence in different sectors including but not limited to graphite, industrial minerals, strategic crops in government priority list i.e., cashew nuts, edible oil and horticulture.

Similarly, the department on behalf of the bank coordinated participation in completing various country's surveys seeking bank's opinion one being the survey conducted by the central bank and AADFI on the impact of Covid -19 pandemic and what measures the banks thought were necessary in giving relieve to borrowers. Also the department was represented in various conferences and workshop organised by key stakeholders such as universities, regulators and development partners.

Marketing and Corporate Affairs Department

Department of Marketing and Corporate Affairs Department is one responsible for coordinating the public relations within and outside of the bank, marketing banks products and services, communications, corporate social responsibility, and corporate affairs of the bank. essential role of the department is to oversee and maintain good relations between the bank and its clients as well as the public.

The main highlight of the year 2021 includes: Managing the launching of the Solar Water Pumping via Innovative Financing Project (ASWPIF) in Zanka Village, Bahi – Dodoma. Furthermore, the department coordinated Customer Service Week event from 4th – 8th October 2021 where staff were reminded about value of giving clients the best services and living the bank's value "Customer Centricity" as well as Coordinated National Financial Services Week from 8th – 14th November 2021, Dar es salaam.

Several Corporate Social Responsibility (CSR) activities were coordinated by the department. A total of TZS 35,103267 was disbursed for various noble causes and TZS 130,000,000 for "Rebranding Tanzania" Initiative. These include:

1. CSR support for the handing over of 100 sets of chairs and 100 sets of tables aim to contribute to the improvement of the provision of secondary education in Missenyi District Council: 6,500,000
2. CSR support for Mbeya City Council for building materials for completion of education infrastructure for enrolment of selected students for form one, 2021; TZS 8,000,000
3. Support Kyanyari Ward with dispensary construction by contributing - TZS 3,000,000.
4. CSR to support the Kidenge Ward request to purchase the land to construct primary school at the tune - TZS 5,000,000.
5. CSR Support for hospital equipment support for new hospital in Kasulu District, Buhigwe District Hospital and Munzese Health Center in Kigoma region amounting - TZS 17,341,600
6. Contribution to purchase 50 desks for primary schools in Butiama in a call to support Father of the Nation's, Late Mwalimu Julius Nyerere's fight against ignorance - TZS 3,750,000.
7. Support and participate in the 44th Annual Scientific Conference for the Tanzania Society of Animal Production (TSAP) at the tune - TZS 3,000,000.
8. Support and participate in 'Twenzetu' Ulanga - Ulanga 'Iherepa' Investment Opportunity Promotion Campaign at the tune - TZS 3,000,000.
9. Sports Kits Support to Mbeya University of Science and Technology – TZS 2,100,000
10. Contribution TBA member to support Towards "Rebranding Tanzania" Initiative - TZS 130,000,000

Insurance Unit

Reporting to the Director of Strategic Planning and Corporate Affairs, the Insurance Unit is responsible for assisting the bank on all technical issues relating to Insurance in consideration of the fact that Insurance is among the compliance issues in the bank's portfolio. In the course of provision of its activities, the Insurance Unit also generates income for the through commission received from Insurance Companies where the risks are placed. In collaboration with monitoring officers the insurance unit assist to oversee insurance for assets pledged as security to the bank in the loans extended to its clients.

Provision of insurance services within the bank gives TIB Development Bank Ltd customers a complete set of financial services i.e from banking products to insurance products allowing market penetration of insurance services available through the bank's networks of offices i.e zonal offices.

During the period under assessment, the department supported that bank on all insurance matters including other insurance like the provision of a financial guarantee in respect of CATA Mining hence reduction of impairment for the bank in the respective year. This is a specialized insurance arrangement that the unit has offered to the bank's customers that lack security to support their loan coverage.

The department has provided insurance service to many of the bank's customers including MSAGARA INVESTMENT, SUMBAWANGA AGRICULTURAL AND ANIMAL FOOD INDUSTRY, GOMBA AGRICULTURAL INDUSTRIES LIMITED and many others.

Directorate of Finance

Ms. Mwasam S. Suleiman
Director of Finance

The directorate's main objective continued to be provision of Financial Accounting services to the bank with focus of communicating the bank's financial information to various stakeholders which follows International Financial Reporting Standards and other Regulatory requirements.

The directorate comprises of three departments namely, Payment and Data Assurance, Reporting and Budgeting and Reconciliation and Controls to support segregation of duties in performing its roles and hence promoting good control environment.

2021 Operations

The bank continued with good relationship with stakeholders and recorded among recognized professional work with the National Board of Accountants and Auditors (NBAA).

During December 2021 the bank was announced winner of the 2020 NBAA Best Presented Financial Statements (first winner, small and medium bank category). This promotes good corporate governance to the bank.

The bank liquidity, capital and non-performing loans remain to be challenge to the financial performance during the year 2021.

The way forward

Financial Sustainability will remain a key strategic agenda where continuous efforts on cost containment, income diversification, capital restoration, balance sheet strengthening, and liquidity management will be maintained.

The bank will continue its efforts to engage the Government on the capitalization proposals to improve its financial performance in the year forward.

Directorate of Portfolio Management

Ms. Nyanso B. Masambaji
Director of Portfolio Management

What we do

The Directorate of Portfolio Management manages on-balance sheet accounts, charged off accounts, ex staff loans, and Managed Funds accounts.It is made up of two functional departments namely Credit Administration and Loan Workout and Recovery.

The directorate also oversees four (4) zones which are Dar es Salaam Zone covering coastal and nearby regions; Arusha Zone covering northern regions; Mwanza Zone covering lake-zone regions; and Mbeya Zone covering southern highlands regions.

The Directorate is responsible for the management of the following:-

Projects Under Implementation:
In collaboration with in-house technical team, the main focus of this function is to ensure that projects implementation is carried out according to the approved terms and conditions that are stipulated in the loan agreements. This involves disbursements, monitoring of projects' progress against time, budget, and other resources inn line with approved financing plan, and other risk management instruments like Investment Policy, Portfolio Management Manuals, etc. This function is managed by Zones, and the Zonal Managers are overall in-charge.

Completed Projects:
This function is involves monitoring and supervising all completed projects. It entails revenues collection (interests, principals, and other income as per repayment schedules and loan contracts), ensuring compliances with all regulatory and non-regulatory covenants, work-out of deteriorating assets, and implementation of NPL Management/Reduction strategies. Zonal offices are also charged with the duty to manage this functional area of opeartions.

Credit Administration:
This is the area that provides administrative support to the lending activities of the bank. It deals with ensuring that documentation requirements are in compliance with loan agreement/letter of offer, checking whether the re-payments are done as per the loan agreement, loan classification is propperly done, and also ensuring that loans are properly booked. Further, Credit Administration is also responsible to oversee, assess, analyze and reporting in regards to the bank's portfolio performance. This is a centralized function at the head office, and the manager of the department is in-charge of the function.

Loan Recovery & Workout

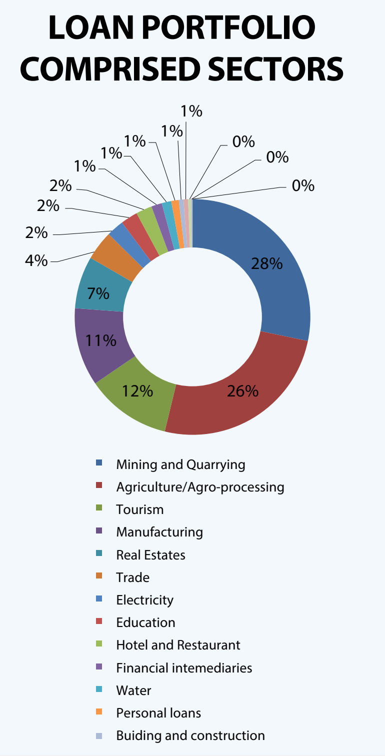
This functional area is responsible for all recovery measures relating to delinquent account; including liquidation of assets within the shortest time possible and at minimal cost. The department is stationed at the head office, and the manager of the department is in-charge of this function.

Achievements

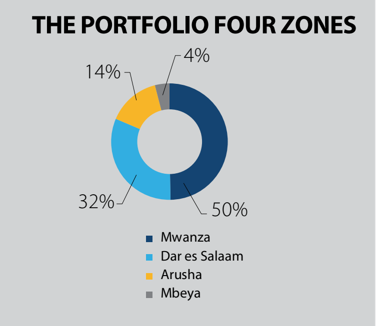
As at December 31st, 2021 the bank had an on-balance sheet gross portfolio amounting to TZS 652,947 million. The on-balance sheet portfolio comprises of 111 projects and 17 ex-staff accounts. Out of the total portfolios, Term Loans account for 87.1%, Overdraft Facilities account for 12.0% and Staff Loans account for 0.9%.

In terms of promoters; public projects account make up 7.5% of the entire portfolio, while private projects account for 91.6% and staff loans contribute 0.9% of the same.

From a sectorial perspective; TIB Loan portfolio comprises of the following sectors: Mining and Quarrying 28.3%; Agro-processing and agriculture 25.5%; Manufacturing 10.7%; Hotel & Restaurant 2.2%; Real Estate 7.2%; Tourism 11.7%; Trade 4.1%; Electricity 2.4%; Education 2.3%; Financial Intermediaries 1.5%; Transportation and Communication 0.6%; Personal 1.0%; Building and Construction 0.6%; Other Services 0.4%; Leasing 0.1%, water 1.3 % and Fishing 0.1%.



The portfolio is regionally distributed among four zones namely Dar-es-Salaam – 31.7%; Mwanza – 49.7%; Arusha - 14.6% and Mbeya - 4.0%.



By December 31st, 2021, the portfolio under Loan Work out and Recovery had a total exposure of TZS 350,295 million including charged-off portfolio of TZS 175,451 million. Total collections from Loan Workout and Recovery, was TZS 2,452 million including collection of TZS 379 million from charged-off accounts for the year 2021.

The Portfolio Management Directorate continued to face challenges on delays in project implementation arising from change in project concepts; long delays in fulfilment of conditions precedent (including obtaining some regulatory permits); and difficulties in recovery of bad debts (such as promoters rushing to Court to seek injunctions; time taken to secure auction permits; and low bids obtained in auctions owing to current liquidity challenges in the market).

On the other hand,some projects operated under tight liquidity positions, leading to failure to meet their regular repayment obligations leading to an increase in Non-Performing Loan (NPLs).

Directorate of Risk and Compliance

Mr. Kulwa S. Debeta
Director of Risk and Compliance

TIB business model inherently involves taking risks. Risks can be financial and non-financial include on and off-balance sheet risks . The macroeconomic, business, and operating environment has improved over the course of 2021 as the global economy experienced a positive recovery from the pandemic recession.

In financial risks, regular assessments are conducted on the potential impacts of risks on balance sheet and profitability through portfolio reviews and stress tests. Stress tests are also used to test the resilience of bank's balance sheet. The results of these tests are regularly reported to the Risk Management Committee and Board Audit and Risk and Compliance for deliberation and further guidance.

In Operational risk, in order to manage the broad range of sub-risk types underlying operational risk, the Operational Risk Management Framework provides a set of tools and processes that apply to all operational risk types across the bank. These enable the bank to determine operational risk profile ,to comprehensively identify operational risks and to define risk mitigating measures.

In 2021, we continued to mature the management of operational risks by further integrating fraud risk assessment tool in the risk management processes, in quarterly basis the results of fraud risk assessment are reported to Risk and Management Committee and there on to Board Audit Risk Committee for deliberation.

The Compliance function performs an independent second level control function that protects the bank's license to operate by promoting and enforcing compliance with the law and driving a culture of compliance and ethical conduct in the bank.

The Compliance function assists the business directorates and departments to comply with policies, procedures and manuals and works with bank of Tanzania and other regulators to establish and maintain a risk-based approach to the management of the bank's compliance risks and to help the bank detect, mitigate, and prevent breaches of laws, regulations, policies, and procedures.

The Compliance function performs the following principal activities: the identification, assessment, mitigation, monitoring, and reporting on compliance risk; performs second level controls and testing; assists Regulatory Affairs with regulatory engagement and management and acts as a trusted advisor. The results of these assessments and controls are regularly reported to the Risk Management Committee and Board Audit Risk and compliance.

Risk management policies and manuals are reviewed regularly to reflect changes in market conditions, products and services offered. All bank activities are managed through an approved policies, manuals, or procedures. All policies are complying with regulatory and supervisory requirements.

The Directorate of Risk and Compliance continued to implement its mandate, including reviews, risk assessment, reporting risks to the Risk Management Committee and Board Audit Risk that may have adversely affect realization business objectives and ensure compliance to all policies and manuals throughout all levels of the bank and continuous risk awareness trainings to staff.

Directorate of Fund Mobilization

Mr. Oswald Leo
Director of Fund Mobilization

The bank for the past five years has been focusing on balance sheet restructuring. During the year under review the bank engaged the Government for addition capital injection using innovative instruments that would not exert pressure on the Government budget. The dialogue with the Government focused on the amount of recapitalization that is commensurate with the role of TIB as a National Development Financing Institution. The Government is committed to ensure that the bank is adequately capitalized and can mobilize long term resources to finance long term development projects.

In tandem with negotiations for recapitalization, the bank has strengthened relationship with sub-regional development banks and domestic financial institutions. The bank has ensured timely repayment of lines of credit from the East African Development Bank and BADEA.

The bank has also initiated discussions with Afrieximbank for a line of credit of up to USD 50 million. There are ongoing discussions with BADEA for accessing of the undisbursed portion of USD 7.5 million. The bank has developed a pipeline of projects that will utilize the undisbursed portion of line of credit from BADEA. During the year under review the bank successfully met the project funding needs mostly by using collections from implemented projects. The successful restructuring of the balance sheet will result in improvement of resource mobilization efforts.

The bank, in partnership with the Government and stakeholders, has participated in developing the Alternative Project Financing Strategy. In the implementation of the strategy the bank has fostered partnerships in innovating financing by providing blended financing in the water sector. The bank has partnered with the Investment Finance Facility (IFF-OBA) to provide blended financing for water and sanitation authorities. In the arrangement the bank provided 100 percent of loan requirement to fund specified water project in the water sector. The authority, having implemented the project and achieved some output would request IFF-OBA for grant to cover 50 percent of the loan.

Since 2016 up until 2021, the bank continued to improve its liquidity position by reducing operating and funding expenses supported by roll-over of matured deposits at lower rates. In efforts to reduce the cost of borrowing the bank has managed to renegotiate the interest rates for short term borrowings and deposits. The initiative has resulted into lowering of the weighted average interest rate from 17.6 percent in 2016 to 9.04 percent in 2021 for the deposits from public institutions. The move has contributed to lowering of the bank's interest expenses.

In the efforts to implement the

presidential directive for banks to reduce interest rates in the market, the bank lowered interest rates to 10 percent for projects in social sector particularly in the water sector. The move is intended to improve the cashflow of beneficiary water supply authorities and improve water supply. The bank has also prepared, and shared with the Ministry of Finance and Planning and the Bank of Tanzania, the proposal to access liquidity in the market to further lower the interest rates in the market.

In the long run, the ongoing efforts on capitalization and improvement of liquidity will strengthen the bank's balance sheet and increase the inflow of resources for investment in productive projects and strategic public and private projects.

Do you know?

TIB Development Bank offers the lowest annual interest rates through Agricultural Financing Window.

5% for direct borrowers

4% for on-lenders*

*** Lending at no more than eight percent (8%) to farmers/their customers.**

Directorate of Information and Communication Technology

Mr. Robert J. Ndaki
Director of Information and Communication Technology (ICT)

OVERVIEW
The Information and Communication Technology (ICT) Directorate is a shared service centre supporting two entities (TIB Development Bank Ltd and TIB Rasilimali Ltd). It is responsible for preparing, implementing, monitoring, and evaluating ICT Strategic Plan for each entity to achieve its strategic business objectives. The Directorate manages ICT infrastructure to ensure reliable information is maintained to support business decisions and generate business value from ICT investments. Through effective and efficient use of ICT, entities will be able to achieve their strategic goals and realize business benefits by: -

i. Achieving operational excellence through use of reliable and efficient technology
ii. Maintaining ICT- related risks at acceptable level
iii. Optimizing costs of ICT services
iv. Complying with policies, laws, regulations, and contractual agreements.

The Directorate has three departments: Hardware and Network, Systems and Applications and e-Business solutions.

Hardware and Network
This department is responsible for maintaining ICT hardware, managing ICT infrastructure and ICT Security.

Systems and Applications
This department manages systems and core applications used by the bank to support business processes.

e-Business solutions
This department is responsible for business analysis and innovations of business solutions.

STRATEGIC OBJECTIVES
The Directorate strategic objectives are: -
i. Improve ICT knowledge and skills
ii. Improve Technology
iii. Improve communication
iv. Reduce ICT Related Risks
v. Enhance ICT Governance
vi. Improve management of ICT investment
vii. Enhance Customer Loyalty on ICT Services

ACHIEVEMENTS OVERVIEW
During the year under review, the Directorate continued to provide technical support to the two entities i.e., TIB Development Bank Ltd and TIB Rasilimali Ltd. Also, the bank started implementation of its five years (2021 – 2025) ICT Strategy which aims at providing reliable and innovative ICT services in a cost-effective manner.

In line with the implementation of ICT Strategy, the Directorate revamped the bank website to support online submission of Loan applications and Customer complaints, developed Risk Operation Management System for tracking audit issues and finalized implementation of e-Learning Management System to facilitate self-learning to employees.

In addition, the Directorate upgraded Microsoft office applications from Microsoft office 2010 to Microsoft office 365, enhanced surveillance infrastructure to all zonal offices to improve security. Also, in compliance to the e-Government Act 2019, the bank migrated its data recovery site to the Government owned facility.

Further, the directorate implemented the Local Area Network (LAN) and Wide Area Network (WAN) for new office of TIB Rasilimali Ltd.

Furthermore, the bank enhanced knowledge and skills to ICT staff by providing training on Programming, ICT Security and Systems Administration.

Directorate of Human Resources and Administration

Mr. Daud M. Masele
Director of Human Resources and Administration

1. What we do

The Directorate of Human Resources and Administration provides and support the bank through business partnering in the way of providing tools kits that guide in analyzing and managing its workforce to be more productive and effective. The current environment that bank operates is on digitalized form and stiff competitions, thus, the directorate will continue to support initiatives of accommodating, developing, and expanding digitalization of business operations through providing relevant training on accommodating technology awareness and applications specifically on the way analytics skills is embedded to our staff so that the bank will attain sound solutions based on prebuilt best practices of technology advancements.

Achievements

1. While implementing our strategy, as at 31st December 2021 , the Bank had 151 employees , the Directorate of Human Resources and Administration critically focused on capacity building by organizing various training to bridge required skills and knowledge for sustainable bank's performance, administer staff remuneration and other benefits to ensure availability of motivated high-performing workforce in the bank, provisions of strategic direction and advice to the bank's wide human resource and Administration policies such as Succession Planning, Talent Management, Career Development, Recruitment, Leadership, compensation and benefits, as well as delivery of quality general administrative services.

2. The Directorate implemented employee Succession plan and Talent Management programs. The program implemented through coordinating training programs to impart knowledge and skills to earmarked employees as creation of current and future leaders within the bank with due consideration of current and future operational requirement of the bank.

3. During the period under review, the directorate successfully administered staff benefits by ensuring that, salaries and other employee benefits are competitive in the industry and timely paid.

4. The Bank benefited from partnership in nurturing employee's knowledge and skills in which the bank partnered with the Japan International Cooperation Agency (JICA), Association of African Development Finance

Institutions (AADFI) for getting subsidized training opportunities.

5. Further, the Directorate managed to coordinate various professional training, compliance, and certification to its employees with necessary required knowledge to harness and support bank's operations. Through provision of these professional training, the bank is creating multi-skilled team capable of delivering bank's objectives with less supervisions and unnecessary errors. These training were conducted in-house, short-term, and long-term training locally, as well as foreign training specifically online whereby total number of 142 employees were trained in professional, compliance and certification programs.

6. The Directorate coordinated performance appraisal by using Balanced Scorecard System. The system was used to evaluate both Mid-Year and Year-End employees' performance evaluations. Whereas the results of Scorecards were communicated to respective employees in the way of counselling, mentoring and appreciations for those performed at acceptable standards.

7. Moreover, the Directorate provided timely general administrative services to ensure smooth, healthy, and conducive working environment to employees. This includes provision transport to visits customers, initiated projects, official meetings. Other services provided includes Estate maintenance, repairs and maintenance of motor vehicles, repair and purchasing of furniture's and equipment's, rentals, cleaning services, insurance, supporting local travels to staff and stationaries and supplies management.

Directorate focus for year, 2022

1. The Directorate will continue to drive employees' engagement initiatives in 2022 with general and specific expectations to enhance employee's innovation and productivity. In the year 2022, the Directorate will focus on coordinating and implementing the following.

2. Continue partnering with regional DFIs such Southern Africa Development Cooperation – Development Finance Resource Centre (SADC-DFRC), Japan International Cooperation Agency (JICA) and Association of African Development Finance Institutions (AADFI), the main target is to enjoy subsidized training costs vis-à-vis big numbers of employees to be trained opportunities

3. Administer the 2022 TIB Employee Engagement and Satisfaction Survey and disseminate results and action plan to bank management and employees, this exercise will enable the bank to benchmark itself against peer's competitors and general financial and banking sectors directions.

4. Continue to coordinate performance appraisal by ensuring employees performance evaluation conducted as per bank's policy.

5. Directorate will continue managing the Succession planning through the existing People Balance Sheet (PBS) and acquisition and management of talent that best fits today and future

6. Ensuring HR services support the bank's in delivering strategic objectives through optimal utilization of the available human resources through job rotation, internal transfers, coaching, mentoring, and counseling.

7. The Directorate will enhance proper Training Needs Assessment (TNA) plan so that the bank identifies training and development needs of its employees so that they can do their job effectively by filling gaps identified. The reason is that technology changes, customer demands, and stakeholder requirements are changing at a very fast pace, hence training and development needs of employees become a paramount requirement. In that regards the bank will identify key development areas of his/ her employees. In that level, the staff will be groomed to the next level and at the same time such act of grooming will act as motivation to staffs. Also, the proper identified Training Needs, then training and development will raise productivity to align with the Bank's objectives.

8. The Directorate will continue supporting the bank by providing timely general administrative services to ensure staff operates in healthy and conducive working environment. Includes Estate maintenance, maintenance of bank asset, motor vehicles, fuel management, furniture and equipment to staff, rentals, cleaning services, insurance, local travels to staff, stationaries, and supplies management. The focus is to operate within or less costs against annual approved budget.

Directorate of Legal and Secretarial Services

Mr. Menson L. Ngahatilwa
Director of Legal and Secretarial Services

Overview
The Division's main objectives continued to be provision of legal services to the Board and Management in all legal related matters as and when they arise or where the bank was part of that respective matter (be contract/ agreement or litigation) with the main objective of ensuring that the bank was legally protected and was operating in accordance with the laws of Tanzania; and to minimize legal risks which may arise during operations of the bank.

The Functions of the three Departments, each headed by a manager, are as follows:

a) Legal Advisory and Litigations
This Department is responsible for:

1. Overseeing, preparing court pleadings, and representing the bank in all litigations, receiverships/liquidations in the bank handled by in-house lawyers and by Office of the Solicitor General

2. Preparation of litigation reports and legal services policy and ensure adherence to the service level agreements (SLA) in respect of the matters assigned

3. Provision of legal advice to the bank on litigation matters

4. Provision of advisory services to all Divisions, Departments, and Units in the bank

During the year
During 2021 the Department handled all the Court cases where the bank was a party thereto by either representing the bank or working closely with the Office of the Solicitor General in prosecuting the cases. Some of these cases were successfully concluded in favour of the bank; while the rest are at different stages of prosecution and are being followed-up closely to ensure the bank's interest are well protected.

b) Board and Management Secretarial Services
The Department is responsible for:

1. Provision of secretarial services to the Board of Directors and its Committees, Management and its Committees

2. Maintaining the Board almanac and ensure implementation of Board and its Committees Charters, coordinate appointment, remuneration and all welfare of the Board of Directors

3. Provisions of secretarial services to the Board of Directors of the bank's subsidiaries, namely TIB Rasilimali Limited

4. Updating the records of the bank and Board of Directors at BRELA

During the year

1. During 2021 the Department (successfully) coordinated the Board and its Committees Meetings as well as Management Meetings.

2. Secretarial services were also offered to the Board of Directors of the bank's subsidiary i.e. TIB Rasilimali Limited. The Department further disseminated the resolutions/ decisions of the various forums herein before to the respective Members of staff for implementation.

3. The Department further updated the records of the bank at BRELA as required by the law

4. The department made follow up for appointment of the Board members to the appointing authorities

c) Contract Management

The Contract Management Department was responsible for all credit related matters of the bank as follows:

1. Conducting official searches in all registries, BRELA, Land Offices, TRA, etc.

2. Preparation of all legal loan documentation including registration of the same at the relevant registries

3. Ensuring safe custody of all securities and discharging them upon approval of the bank.

4. Support all loan recovery processes from issuing of statutory notices to the Borrowers and Guarantors

5. Provision of business advisory services and conducting due diligence of the borrowers during origination

6. Review and vetting of contract and agreements to be entered by the bank

During the year

During the year 2021, the Department carried out its activities as per the approved action Program.

The said activities included the preparation of various contracts/ agreements such as credit facility agreements, debentures, mortgage deeds, loan guarantees in respect of credit facilities granted to the bank's borrowers, security perfection, conveyancing, and registration of (the same) at various registries within the country; Memorandum of Understanding; service contracts with all service providers; agreements for staff related issues.

Members of the Division participated in various workshops organized by the Tanganyika Law Society and Ministry of Justice and Constitutional Affairs.

Directorate of Development Financing

Ms. Esther N. Epaphra
Director of Development Financing

The Directorate of Development Financing is the bank's central point in developing and maintaining the project finance business, including but not limited to medium- and long-term financing, syndications, co-financing, equity financing and related activities. Consequently, to undertake projects appraisal and coordinate approval processes, structuring and control of related loans and other types of finance. During 2021, the bank continued to undertake projects appraisal and coordinate approval processes, structuring and control of related loans and other types of finance. The appraised credit applications processed within agreed time limits and were in line with the Third National Five-Year Development Plan (FYDP III) (2021/22 – 2025/26). The Directorate appraised and obtained approval for funding of projects worth TZS 41.56 billion during 2021. This is a decrease of TZS 31.6 billion compared to TZS 73.2 billion approved in 2020.

Among the major sectoral that where covered in 2021 are Business services and agriculture/agro-processing as highlighted in table below. New sector that the bank has starting to provide funding is Renewable Energy Sector through the TREEP funding program.

Sectoral Approvals

Of the approved projects, 2021 realized a substantial amount of fund allocated in businesses services, where there was an increase in private Small and Medium Enterprise (SME) projects funding from 6.4% in 2020 to 8.9% in the year under review. This increase aimed at promoting the maximization of local content inputs. This is necessary to deepen domestic business and social entrepreneurs' participation in sectors with a high potential for broad-based inclusive participation including agriculture, mining, and tourism.

In 2021, the directorate with other directorates and units in the bank took a great part in developing bank's Corporate Strategic Plan (CSP) 2021-25 The that focuses on the Journey to the Better tomorrow. The CSP focuses on supporting Government's initiatives for a self-reliant Tanzania. To the bank, this offers a huge opportunity for financing of the outshoots of this significant Government investment. The bank believes that by supporting Government's initiatives will provide an opportunity for the bank to establish its competitive edge in achieving country's strategic milestones as addressed by Tanzania Development Vision 2025.

Outlook for 2022

The bank will focus on the implementation of the FYDP III for realizing Competitiveness and Industrialization for Human Development. The main emphasis will be on promoting and develop renewable energy technologies and projects (Biogas, Geothermal, LPG, Solar and wind Energies) particularly for rural households; and developing renewable energy sources for cooking to mitigate climate change. Further, the bank will facilitate funding for other sectors including infrastructure, mining, manufacturing, agro-processing as well as SME financing.

Directorate of Managed Funds

Ms. Lilian M. Mbassy
Director of Managed Funds

MANAGED FUNDS ROLE

The main objective of the directorate is to administer the bank's Agency Funds and related services on behalf of the fund owners. This objective is in-line with the bank's broad goals and strategic objectives. This entails:-

(i) To promote the National economic growth through provision of development financing.
(ii) To promote development of local entrepreneurship for a well-diversified economy.
(iii) To promote good corporate governance and efficient corporate services.

WHAT WE DO

To achieve the above objectives the roles of the Managed Funds Directorate among others include:-

(i) Solicitation of new business/ funds to manage.
(ii) Administering all disbursements to beneficiaries and ensure funds are utilized for the intended purposes.
(iii) Collection of non-interest income for the bank i.e. Management fees.
(iv) Monitoring and supervision of projects through our Zonal Offices to ensure that projects are implemented as per the intended purpose.
(v) Collection of loan repayments from the beneficiaries as per the loan agreements.
(vi) Preparation and submission of periodic reports to fund owners and other stakeholders.

ACHIEVEMENTS 2021

(i) The portfolio position stood at TZS 120.2 billion
(ii) Total collection from loan repayments for the year 2021 was TZS 4.06 billion
(iii) A cumulative management fee 2009-2021 is TZS 7.30 billion.
(iv) The bank participated in developmental projects which have direct impact to the Country through management of 8 Funds worth TZS 192.3 billion in different sectors as follows:

SN	PROJECT NAME	NAME OF FUND OWNER	SIZE OF FUND	BALANCE
1	Administration of Tanzania Energy Development Access Project (TEDAP) Credit Line	World Bank –IDA through Rural Energy Agency (REA).	USD 23 million equivalent to TZS 35.6 billion	TZS 821.7 million
2	Administration of Tanzania Rural Electrification expansion program (TREEP) CREDIT LINE	World Bank-IDA through Rural Energy Agency (REA)	USD 18 million equivalents to TZS 41.5billion.	USD 18.0 million
3	Agriculture Financing Window Fund	United Republic of Tanzania through Ministry of Finance and Planning	TZS 42 billion equivalent to USD 19 million	TZS 50.02 billion
4	Floriculture Financing	Ministry of Finance & Planningand Bank of Tanzania (BOT)	TZS 50.7 billion	TZS 58.41 billion
5	Sumbawanga Agricultural and Animal Food Industries Limited (SAAFI)	Ministry of Finance and Bank of Tanzania (BOT)	TZS 14 billion	TZS 30.44 billion
6	Promotion of bioethanol as clean alternative cooking fuel in Tanzania	UNIDO	USD 1.1 million	USD 1.02 million
7	Accelerating Solar Water Pumping via Innovative Financing	World Bank	USD 4.5 million	USD 3.41 million
8	Post liquidation of the Tanzania Housing Bank(THB)	Ministry of Finance & Planning	Collections from the borrowers and release of their title deeds.	TZS 798,517,070.11 and 1,090 tittle deeds

OUTLOOK FOR 2022

(i) Continue lending to agricultural sector in supporting the Government to implement the Tanzania Development Vision 2025 that aims at transforming Tanzania from a low productivity to a semi-industrialised economy with a modern agricultural sector that is integrated into industrial and service activities conducted in both rural and urban areas

(ii) Participating in transforming targeted water schemes owned by Community Based Water Supply Organizations (CBWSOs) in Dodoma, Singida, Shinyanga and Mtwara regions from using diesel generators as source of power to pump water from the bore holes and manual collection of revenue at water fetching points, to solar and prepaid water meters respectively. This transformation is through the implementation of Accelerating Solar Water Pumping via Innovative Financing project in more than 101 CBWSOs which will ensure result in financial sustainability through cost saving and improved revenue management, as well as sustainability of the schemes.

(iii) Participating in the renewable energy project focusing on creating a market-enabling environment for the introduction of bioethanol fueled stoves and the ongoing production and distribution of ethanol as a cooking fuel. Bioethanol as a cooking fuel in combination with a smart, safe and efficient stove has been identified and proven as an excellent modern energy service especially for middle income homes that support environmental protection and address health risks associated with use of charcoal.

(iv) Participating in the expansion of energy in the rural areas through financing the renewable energy projects.

We support Community Based Water Supply Organizations (CBWSOs)

Zanka CBWSO | Dodoma

Directorate of Internal Audit

Ms. Christine V. Mbonya
Director of Internal Audit

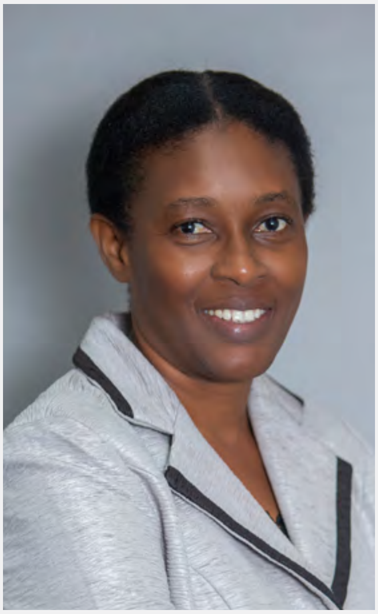
The Internal Audit Directorate provides independent, objective assurance and consulting services designed to add value and improve the bank's operations. The Internal audit activity helps the bank accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.

For the year 2021 the planned audit activities were aligned with the Bank's strategic objectives and therefore mainly focused on implementation of the bank strategy of strengthening corporate governance and Management aimed at improving accountability and transparency as well as improving compliance with the policies, regulations, legal and regulatory requirements and the accounting standards.

Specifically the internal audit activities for the year 2021 were maily of four types namely operational audit assignments, governance activities, financial audit, and other non-strategic activities. The focus of the audit work in all the four activities was on the identification of the existing and emerging risks that may impede achievement of the strategic objectives of the bank and ensure they are properly mitigated. The results of the audit work on all the activities were reported to the Board of Directors through Audit and Risk Committee of the Board for directives and guidance in line with good corporate governance principles and practices.

Follow ups on implementation status of recommendations that were made by Internal Auditors , External Auditors and BOT examiners for the purpose of improving internal controls were done and the results were also reported to BOT and Ministry of Finance and Planning on quarterly basis.

Technical Service Unit



Ms. Alfredina A. Kyando
Technical Service Manager

Technical Service Unit deals with Bank financed projects from inception to liquidation of the loan. During inception stage, the Unit assesses technical viability and Investment Costs of projects as well as security values of properties/assets pledged as collaterals. During monitoring stage of the Bank projects, the Unit plays a great role to verify projects investment progress or work done at site so as to achieve value for money. The Unit also assesses the values, nature and conditions of pledged securities/properties for various bank purposes. This also involves reviewing of valuation reports prepared and submitted by external valuers for the bank use.

Generally; Technical Service Unit (TSU) provides technical advice/inputs to core Business divisions and Departments of the Bank, to ensure that bank funded projects are planned and implemented efficiently and effectively to achieve Value for Money. To achieve its objective, the unit offers various technical expertise to the bank interms of Architectural design and civil engineering services, Quantity surveying services, Valuation services, Mechanical and Processing as well as environmental services to various bank funded projects

For the year 2021 the planned Technical Service Unit activities were aligned with the Bank's strategic objectives hence mainly focused on enhancement of customer loyalty, improve financial sustainability, grow asset base, strengthened relationship management, increase competitive products and services, improve technology and enhance knowledge and skills.

Specifically the Unit activities for the year 2021 were maily based on carrying out projects site visits to conduct physical verification, inspection, measurements, preparation of projects progress reports in collaboration with the respective directorates, provision of technical opinion/projects visits call reports for fourty seven (47) projects, preparation and reviewing of sixty nine (69) valuation reports for various bank collaterals or securities so as to ensure that the bank is full covered against offered loans, attending trainings identified by the Bank and reviewing manual and policies of the unit.

Procurement Managenement Unit

Mr. Gaitan Banzi
Head of Procurement Management Unit

The Procurement Management Unit (PMU) has been established by the state's procurement laws and regulations. PMU has been entrusted with the functional authority and responsibility for the bank's internal procurement. In carrying out this mandate, PMU is committed to obtaining the right goods, works at the right time, place, and cost; in a manner that balances the procurement principles of economy, efficiency, transparency, equal opportunity, accountability, and the needs of line management for flexibility and responsiveness to the particular operational circumstances.

In the financial year 2021, the unit has procured various goods, works and services to enhance bank's operations while ensuring compliance with the Public Procurement Act and the bank's procurement and outsourcing policies.

Principally, the unit successfully carried out the procurement process and onboarding of service providers for implementation of the water project "Accelerating Solar Water Pumping via Innovation Financing" phase II financed by the World Bank, TIB Development Bank Ltd in Mtwara, Tabora and Shinyanga which is currently under implementation.

Moreover, the unit has conducted on job training and organizing local training to various user departments staff on the application of Tanzania National e-Procurement System (TANePS) especially on bids evaluation through the system.

We Support Mining activities

as it is one of the sectors that contribute to 'export-led' economy growth.

CATA Mining | Butiama District, Mara.

List Of Supported Corporate Social Responsibility Projects – 2021

A total of TZS 35,103267 was disbursed for various noble causes and TZS 130,000,000 for “Rebranding Tanzania” Initiative. These include:

Health and Education

TZS 17,341,600
to purchase hospital equipment for new hospital in Kasulu District, Buhigwe District Hospital and Munzese Health Center in Kigoma region.

TZS 3,000,000
to support Kyanyari Ward with dispensary construction.

TZS 6,500,000
to purchase 100 sets of chairs and 100 sets of tables aim to contribute to the improvement of the provision of secondary education in Missenyi District Council.

TZS 8,000,000
to support Mbeya City Council to acquire building materials for completion of education infrastructure for enrolment of selected students for form one, 2021.

TZS 5,000,000
to support the Kidenge Ward request to purchase the land to construct primary school.

TZS 3,750,000
to purchase 50 desks for primary schools in Butiama in a call to support Father of the Nation’s, Late Mwalimu Julius Nyerere’s fight against ignorance.

"Rebranding Tanzania" Initiative

TZS 130,000,000
being a contribution to TBA member to support towards the "Rebranding Tanzania" Initiative.

Entrepreneurship and Employment Creation

TZS 3,000,000
to support the 44th Annual Scientific Conference for the Tanzania Society of Animal Production (TSAP).

TZS 3,000,000
to support 'Twenzetu' Ulanga - Ulanga 'Iherepa' Investment Opportunity Promotion Campaign.

TZS 2,100,000
to purchase Sports Kits Support for Mbeya University of Science and Technology.

1.0. REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2021

1.1 INTRODUCTION

Those Charged with Governance (TCWG) at the TIB Development Bank Limited present this report together with the audited consolidated and separate financial statements for the year ended 31 December 2021 which disclose the state of affairs of TIB Development Bank Limited ("the Bank") and its subsidiary TIB Rasilimali Limited (together, "the Group").

These consolidated and separate financial statements have been authorised to be issued by the Chairperson of the Board of Directors and can be amended by the Directors and regulatory bodies if found to be misleading after they have been issued to the public. The report has been prepared in compliance with TFRS 1 – The report by those charged with governance issued by NBAA and became effective on 1st January 2021.

The Group financial statements for the year ended 31 December 2021 were authorised for issue on July 15, 2022.

1.2. INCORPORATION

The Bank is incorporated in Tanzania under the Companies Act, 2002, and is licensed to undertake development banking business under Section 7 of the Banking and Financial Institutions Act, 2006.

The Bank has a 100% controlling interest in TIB Rasilimali Limited (TIB RSL) which is incorporated in Tanzania and licensed under Capital Markets and Securities Authority Act Cap 79, 1994 to deal with investment advisory, securities brokerage, and other related services.

1.3. VISION

To be the premier development financier in Tanzania by 2025.

1.4. MISSION

To provide affordable development financing for an inclusive, diversified, vibrant competitive national economy.

1.5. CORE VALUES

The bank guiding principles which portray our culture, togetherness, ways of delivery to our customers and stakeholders have been defined by the Seven Core Values described below:

- Integrity
- Team spirit
- Innovation
- Excellence:
- Customer centricity
- Stakeholder focus
- Accountability

1.6. PRINCIPAL ACTIVITIES

The principal activity of the Bank is the provision of developmental banking and related services as stipulated in the Banking and Financial Institutions Act, 2006. The subsidiaries is complementing developmental activities through commercial banking activities as well as through capital market business. The principal activities of the Bank include among others:

- Provision of Medium- and Long-term credit facilities as well as Equity Financing;
- Administration of Funds on behalf of the Government and other stakeholders;
- Provision of Technical support services to Small and Medium-Sized Enterprises (SMEs) e.g. through preparation of business plans and feasibility studies as well as by conducting training;
- Provision of Advisory services.

The activities of the Bank are discharged in collaboration with its subsidiary.

The Development Financing Institution's (DFI) principal function is to catalyse the process of national economic growth through provision of medium- and long-term financing for agribusinesses, agro-industries, and for infrastructure development in the country together with provisioning of technical support for efficient service delivery to economic sectors.

TIB RSL on the other hand provides investment services in the capital market space such as investment advisory, share dealings and stock brokerage. Other activities of the Company include issuing and trading in fixed income products such as bonds and commercial papers.

This structure enables the group to offer a wide range of services to its customers and other stakeholders.

1.7. BUSINESS OBJECTIVES AND STRATEGIES

The Bank's strategic plan has detailed the objectives of the Bank and its subsidiaries and strategies to achieve the objectives. Overall, the objectives aim at creating a profitable and sustainable institution making positive economic contribution to the country.

One of the key strategic objectives of the Bank in the current plan is to enhance customer and stakeholders' satisfaction through the impact of projects financed by the Bank and its subsidiaries and generation of profit and value creation to the shareholders. Other objectives of the Bank and its subsidiary are to increase access to development financing facilities, improving fund mobilization, improve quality and delivery of products and services ultimately increasing profitability of the Bank and its subsidiary.

The Board of Directors has approved strategies to achieve this long-term objective to create and preserve value of the Bank and its subsidiaries.

The strategies implementation is monitored by the Board on quarterly basis with corrective measures taken. Currently the focus of the Bank is to improve the quality of the loans already issued through close and proactive monitoring to ensure that implementation of the projects is completed as initially envisaged in order to receive repayments as planned.

Long term lending that the Bank is doing requires flexibility to adapt to the realities witnessed during projects implementation and as such the Bank adopts flexible but firm policies. Since some of the projects take long time to implement, the bank –re-assesses all business assumptions and aligns them to the reality at the time of completion in order to have realistic repayment plans.

1.8. BOARD OF DIRECTORS

Majority of the members of the Board of Directors are non-executive directors. The tenure of the Board is four years. The Chairperson of the Board and the Managing Director are presidential appointees, whereas all other members of the Board are appointed by the Minister for Finance and Planning.

The Board is comprised of Eight Directors and one executive Director who is also the Managing Director of the Bank. The Managing Director was appointed on 01 May 2016, Chairperson of the Board was appointed on 22 October 2018, and the remained seven Directors of the Board were appointed on 04 August 2021

Table 1: Members of the Board of Directors who served up to 31 December 2021

Full Name	Position	Age	Qualification	Nationality	Date of Appointment
Dr. Maria S.H. Mashingo	Board Chairperson	63	PhD in Animal Science	Tanzanian	22 October 2018
Mr. Charles G. Singili	Managing Director	64	BCOM – Accounting; CPA (T) (Certified Public Accountant) NBAA registered.	Tanzanian	1 May 2016
Mr. Agapiti E. Kobello	Director	66	MA in Development studies	Tanzanian	04 August 2021
Dr. Arnold M. Kihaule	Director	61	PhD in Economics and Finance	Tanzanian	04 August 2021
Ms. Justina T. Mashiba	Director	47	LLM Advocate Post Graduate Diploma in Leadership	Tanzanian	04 August 2021
Mr. Juma H. Reli	Director	65	Master of Business Administration	Tanzanian	04 August 2021
Prof. Razack B. Lokina	Director	53	Professor of Environmental & Resource Economics	Tanzanian	04 August 2021
Mr. John A. Rubuga	Director	61	Master of Economics	Tanzanian	04 August 2021
Mr. George I. Mnyitafu	Director	64	Masters of Public Administration B.A Commerce	Tanzanian	04 August 2021

1.9. COMPANY SECRETARY

During the year Mr. Menson Ngahatilwa, a qualified Lawyer and an admitted advocate of the High Court of Tanzania and subordinate courts except for Primary court, served as the Company Secretary.

1.10. CORPORATE GOVERNANCE

The Board of Directors had Chairperson of the Board and the Managing Director who is also a board member. The Board takes overall responsibility for the company, including responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters, and reviewing the performance of the company against approved strategies and targets. The

Board is also responsible for setting a robust system of internal control including ensuring that policies and procedures are in place and are adhered to in line with good corporate governance principles and best governance practices as well as ensuring that the institution has a motivated work force.

In order to perform its duties properly the Board Chairperson was dully overseeing on a wide range of issues including overall bank strategy, policy approvals, staffing issues, budget approvals, and financial reporting. The Board delegates the day to day management of the business to Managing Director assisted by Senior Management. Senior Management team is invited to attend Board meetings and facilitates the effective control of all the company's operations.

The Board is committed to the principles of good corporate governance and recognize the importance of integrity, competency, responsibility, fairness, transparency and accountability as well as the need to conduct the business in accordance with the generally accepted best practices. In so doing the Directors therefore confirm that:

- The Board of Directors met regularly throughout the year;
- They retain full and effective control over the Bank and monitor executive management;
- The positions of Chairperson and Managing Director are held by different people;
- The Chairperson of the Board of Directors is non-executive;
- The Board accepts and exercises responsibility for strategic and policy decisions, the approval of budgets and monitoring of the institution performance;
- The Board is not involved in day-to-day operations of the Bank the task which is vested to management team under Managing Director.

The Board has formed Committees which act on behalf of the Board in specific areas to direct the Bank effectively and accelerate the decision-making process.

1.11. BOARD AND COMMITTEE MEETINGS

The Board has three committees namely Board Investment Committee (BIC), Board Audit and Risk Committee (BARC) and Board Human Resources Committee (BHRC).

Table 2: The Board Committee Meetings

S/No	Name	Full Board	BIC	BARC	BHRC
	Total number of meeting held	5	-	1	1
1	Dr. Maria S. H.Mashingo	5		-	1
2	Mr. John B. Rubuga	5		1	-
3	Mr. Juma H. Reli	5	-	1	
4	Ms. Justina Mashiba	4		-	1
5	Mr. George I. Mnyitafu	5			1
6	Dr. Arnold Kihaule	4	-	1	
7	Prof. Razack B. Lokina	4	-	-	-
8	Mr. Charles G. Singili	5	-	1	1
9	Mr. Agapiti Kobello	5	-	-	-

1.12. BOARD INVESTMENT COMMITTEE

The function of the Committee is to assist the Board of Directors in fulfilling its responsibilities by providing oversight of the Bank's investment policies and management activities relating to the identification, assessment, measurement, monitoring, and management of the Bank's investment risk. The Committee provides oversight to the Bank's business that is non-funded, such as Fund Management and Advisory Services. In addition, the Committee reviews the Bank's investment strategy, liquidity, policies, trends in portfolio quality and adequacy of provision for investment losses and provide recommendations to the Board. Due to absence of sufficient members of the Board the Committee had no meeting.

Table 3: The Board Investment Committee Members

Name	Position	Nationality	Qualifications
Mr. Agapiti Kobello	Member	Tanzanian	MSc. Development Planning; BA Economics,
Ms. Justina Mashiba	Member	Tanzanian	Master of Laws
Prof. Razack B. Lokina	Member	Tanzanian	Professor of Environmental & Resource Economics

1.13. BOARD HUMAN RESOURCES AND REMUNERATION COMMITTEE

The primary function of this Committee is to assist the Board in fulfilling its oversight responsibility to shareholders by ensuring coherent remuneration policies and practices that fairly and responsibly reward staff. It considers and approves changes in philosophy and/or general composition of remuneration packages to staff and recommends to Treasury Registrar for changes of the Managing Director remuneration package and on fees and allowances to the members of the Board of Directors. It also considers and recommends appointments, retirements, resignation or dismissals of members of the Bank's Executive Management and oversees all human resource policies within the Bank.

The Human Resources and Remunerations Committee reports to the main Board and meets when there is an agenda to discuss. During the year the Committee conducted one meeting only.

Table 4: The Board Human Resources Committee Members

Name	Position	Nationality	Qualifications
Ms. Justina Mashiba	Member & Chairperson	Tanzanian	Masters of Laws
Dr. Maria Mashingo	Member	Tanzanian	PhD in Animal Science
Mr. George Mnyitafu	Member	Tanzanian	Masters of Public Administration

1.14. AUDIT AND RISK COMMITTEE

The functions of the Audit and Risk Committee are to assist the Board in meeting its responsibilities by setting an effective system of financial reporting, internal control and risk management; and to assist Board in discharging its responsibilities under the Banking and Financial Institutions Act, 2006 for keeping under review the internal financial controls of the Bank with a view to securing the proper conduct of its financial affairs.

The Committee is responsible for providing independent assurance to Board that the Bank's risk and control procedures are adequate.

The Committee, which meets regularly, has detailed terms of reference that include: receiving reports from, and reviewing the work of, the internal and external auditors; reviewing the annual financial statements prior to their submission to Board; reviewing the appropriateness of the bank's risk management framework and its implementation; considering the appropriateness of the accounting policies and procedures adopted and reviewing the Bank's risk matrix and specific business controls. Due to absence of members of the Committee there was no meeting held

Table 5 The Board Audit and Risk Committee Members

Name	Position	Nationality	Qualifications
Mr. Juma H. Reli	Member	Tanzanian	Masters of Business Administration
Dr. Arnold M. Kihaule	Member	Tanzanian	PhD (Economics and Finance)
Mr. John Rubuga	Member	Tanzanian	Masters of Economics

1.15. REMUNERATION POLICIES OF THE BOARD

The level of Directors fees and any other payments to the Board members are usually approved by the Annual General Meeting after which recommendations are sent to the Treasury Registrar for approval before they are implemented. The compensation of the management team is approved by the Board of Directors.

During the year the bank paid directors' fees to all Board members amounted to TZS 40. million as directed by Treasury Registrar. Other Board expenses, as well as compensation of management, are shown on Note 35 of the financial statements.

1.16. CAPITAL STRUCTURE AND SHAREHOLDING

1.16.1 Capital structure

The Bank's capital structure for the year ended 31 December 2021 is shown below.

Table 6 Authorised, called up and fully paid

	2021	2020
	TZS 'Million	TZS 'Million
Authorised share capital :1,000,000,000 ordinary shares of TZS 1,000 each	1,000,000	1,000,000
Issued and fully paid up shares: 219,137,661 shares @ TZS 1,000) – (2020: 219,137,661 shares @ TZS 1,000).	219,138	219,138

1.16.2 Shareholding

The Group had two shareholders during the year namely, Treasury Registrar (on behalf of the Government of Tanzania) and National Insurance Corporation of Tanzania Limited. Table 7 provides further details including the number and value of shares held by each shareholder during the year.

Table 7 List of Shareholders

	2021			2020		
Name of the shareholder	Number of Shares held	Value TZS Million)	%	Number of shares held	Value TZS Million	%
Treasury Registrar (on behalf of the Government of Tanzania)	219,127,661	219,128	99.9954	219,127,661	219,128	99.9954
National Insurance Corporation of Tanzania Limited	10,000	10	0.0046	10,000	10	0.0046
	219,137,661	219,138	100.0000	219,137,661	219,138	100.0000

None of the directors hold any share of the Bank.

As at the end of December 2021 the Bank's core capital stood at TZS 2218,857231 million which was below the regulatory minimum of TZS 50,000 million. The ratio of core capital to total risk weighted assets was 43.43% and was below the minimum regulatory requirement of 13%.

The Bank has engaged the regulator and agreed on remedial measures and therefore there is no negative impact expected. In the meantime, the bank is implementing strategies to improve the quality of loans which will release loan impairment provision and boost the capital. In addition, there is commitment of the shareholder to add the paid up capital of the bank.

As a long-term lender, the Bank primarily depends on capital and other long term funding sources. Given Tanzania's relatively shallow market in long term funding sources, in the interim, the Bank depends on capital from the shareholder.

1.17. MANAGEMENT OF THE BANK

The Bank is under the supervision of the Board of Directors and the day-to-day management is entrusted to the Managing Director who is assisted by the, Directors and Heads of independent departments and unit.

By end of 31 December 2021, organisational structure of the Bank comprised of the following directorates/independent departments/units.

Directorates:

- Strategic Planning and Corporate Affairs;
- Development Financing;
- Portfolio Management;
- Managed Funds;
- Fund Mobilization;
- Finance;
- Information and Communications Technology;
- Human Resources and Administration; and
- Legal and Secretarial.

Independent Directorates and units:

- Risk and Compliance;
- Internal Audit;
- Procurement Management Unit; and
- Technical Services Unit.

The Managing Director reports to the Board and in turn the Deputy Managing Director (DMD). Directorates responsible for business namely Strategic Planning and Corporate Affairs, Development Financing, Portfolio Management, Managed Funds and Technical Services Unit functionally report to the DMD.

During the year the post of DMD was still vacant and the directorates supposed to report to DMD reported directly to the Managing Director.

Internal Audit

The Bank has an independent internal audit department headed by the Director of Internal Audit who functionally reports to the Board Audit and Risk Committee and administratively to the Managing Director.

1.18. ACCOUNTING POLICIES

The accounting policies of the Bank are approved by the Board of Directors and are subject to annual reviews. The policies used in the preparation of the accounts are set on Note 6 of the financial statements and they are in line with the International Financial Reporting Standards (IFRS).

1.19. PERFORMANCE FOR THE YEAR

The financial statements show that the Group made a loss of TZS 11,266 million before tax (2020: profit of TZS 10,281 million). On the other hand, the Group assets fell to TZS 627,635 million compared to TZS 647,358 million in 2020 mainly due to decrease on loans and advances.

The performance of the Bank (DFI) shows that there was a loss of TZS 10,565 million before tax compared to a profit of TZS 10,579 million recorded in year 2020. The results have been largely driven by increase in impairment loss.

During the year, the Bank experienced balance sheet shrinkage whereby total assets decreased to TZS 629,081 million from TZS 645,182 million recorded in 2020.

Table 8: Summary of Performance in TZS million

	GROUP			BANK		
	2021	2020	Change	2021	2020	Change
Net Interest income	42,866	43,840	-2%	42,828	43,767	-2%
Non-interest income	914	2,090	-56%	694	1,590	-56%
Impairment provisions	(31,555)	(8,096)	290%	(31,555)	(8,096)	290%
Operating expenses	(23,490)	(27,553)	-15%	(22,532)	(26,683)	-16%
Profit (Loss) Before Tax	(11,266)	10,281	-210%	-10,565	10,579	-200%
Cash, Bank, Money market investments	18,228	32,994	-45%	17,214	28,559	-40%
Loans	453,318	466,921	-3%	453,197	466,782	-3%
Other Assets	156,090	147,443	6%	158,670	149,841	6%
Total Assets	627,635	647,358	-3%	629,081	645,182	-2%
Due to banks	110,443	121,874	-9%	110,443	121,874	-9%
Due to customers	211,370	205,319	3%	211,370	205,319	3%
Long Term Borrowing	25,301	35,751	-29%	25,301	35,751	-29%
Other Liabilities	62,935	42,978	46%	62,227	39,393	58%
Shareholders' fund	217,586	241,436	-10%	219,740	242,845	-10%
Total Liabilities and Capital	627,635	647,358	-3%	629,081	645,182	-2%

Detailed information on the financial performance is contained on the accompanied notes to the financial statements.

The Bank used the following key indicators to measure achievement of the Bank's strategies. The Board of Directors continued to place importance in the management of loans with the view to reduce the non-performing loans which have been impacting the performance of the bank due to high impairment provisions. The Board is implementing a strategy to improve the quality of the Bank's loans and formation of a new committee dealing with Investment decisions is part of that strategy.

The key performance ratios of the Bank are indicated hereunder:

Table 9: Key Performance Indicators

Indicator	GROUP			BANK		
	2021	2020	Change	2021	2020	Change
Return on Assets	-1.8%	1.4%	-229.2%	-1.7%	1.7%	-200.4%
Return on Equity	-11.1%	2.2%	-609.0%	-10.6%	2.2%	-578.6%
Non-interest income to Gross income	1.5%	3.8%	-60.5%	1.2%	3.1%	-62.9%
Interest Expense to Interest Income	28.0%	32.1%	-12.5%	28.1%	32.1%	-12.6%
Operating expenses to gross income	38.8%	-41.1%	-5.5%	-37.4%	-40.1%	-6.8%
Non-interest expense to gross income	13.3%	-28.3%	-52.9%	15.0%	-27.3%	-45.1%
Non-performing loans to total advances	51.5%	51.5%	0.0%	51.5%	51.5%	0.0%
Loans to total assets	72.2%	72.1%	0.1%	72.0%	72.3%	-0.4%
Growth of Loans and Advances	-2.9%	-26.0%	-88.8%	-2.9%	0.1%	-2808.7%
Growth of Assets	-3.0%	-24.4%	-87.5%	-2.5%	1.5%	-262.1%
Tier 1 Capital	4.4%	6.9%	-36.5%	4.4%	6.9%	-36.5%

1.20. THE FINANCIAL POSITION

The financial position of the Group shows that total assets declined to TZS 627,635 million from TZS 647,358 million reported in 2020.

1.21. CASHFLOW AND LIQUIDITY MANAGEMENT

(i) Cash flow

During the year most of the cash inflows resulted from loan repayments. The funds were mostly used to clear maturing funding obligations and other investments.

The DFI as a long-term lender is shifting from reliance on short term deposits to long term borrowing. As such during the year the Bank continued to engage different lenders with regards to long term borrowings. The Bank is also continuing to engage with the main shareholder to increase the paid-up share capital to enable the Bank to play a bigger role in development financing.

(ii) Liquidity Management

The Group places very high importance in liquidity management and details on liquidity risk management are covered under Note 39.

1.22. FUTURE DEVELOPMENT PLANS

The Group will continue to focus on the Government priorities especially industrialization which goes hand in hand with the development of enabling infrastructure to facilitate the industrialization process. The Bank has therefore taken the initiative to incorporate the Five-Year National Development Plan II (FYDP II) in its strategy and is expected to play a key role in the Government infrastructure development and industrialization programme.

The Group will continue to stimulate innovations and product offerings through continuous training and development of its staff and the use of cutting edge technology. This move will lead to increase of the products to the market, and improvement in service delivery, hence profitability and economic impact in the nation.

1.23. RESULTS AND DIVIDEND

During the year 2021, the Group recorded a loss after tax of TZS 25,461 million (2020: profit of TZS 5,015 million) while the Bank's operations recorded a loss after tax of TZS 24,623 million (2020: profit of TZS 5,313 million). The Board of Directors does not recommend payment of dividend for the year ended 31 December 2021 despite the performance improvement because the Group still requires more capital to build capacity to participate in bigger strategic industrial and enabling infrastructure projects per the new mandate of the Bank.

1.24. PRINCIPAL RISKS

The Group is inherently exposed to credit risk since lending activities form a bulk of its business. The other risks include liquidity risks and financial risks of interest rate and foreign exchange risks. In addition, the Group is exposed to operational risk.

Detailed information on these risks including definition and how the Bank manages these risks is covered in Note 39 of the accounts.

1.25. RISK MANAGEMENT AND INTERNAL CONTROL

The Board accepts final responsibility for the risk management and internal control system of the Bank and its subsidiaries. Management ensures that adequate internal financial and operational control systems are developed and maintained on an ongoing 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 provide absolute assurance against misstatement or losses, the Bank's 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 financial year ended 31 December 2021 and the Directors are satisfied that they met accepted criteria.

The Board carries risk and internal control assessment through its Audit and Risk Committee on quarterly basis.

1.26. ADMINISTRATION OF GOVERNMENT AND OTHER STAKEHOLDERS' FUNDS

During the year the Bank continued to manage different funds on behalf of the Government and different stakeholders and collected fees amounting to TZS 500 million compared to TZS 244 million in 2020. These fees are part of the Fees and commissions income shown in Note 9.

Details on the managed funds are included in Note 42.

1.27. SERIOUS PREJUDICIAL MATTER

As at the end of the reporting period the Group did not have any uncertain issue warranting reporting.

1.28. SOLVENCY

The Board of Directors confirms that applicable accounting standards have been followed and that the consolidated and separate financial statements have been prepared on a going concern basis. The Board of Directors has reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

1.29. RESOURCES

Motivated and skilled staff team is a key resource to the success of the Group. The Board will therefore ensure that the Group continues to attract and retain a motivated staff team while at the same time taking timely action against those who will be found to have acted unethically.

Modern technology is an important resource when operating in this competitive environment. The Bank boasts of one of the best banking technologies in the world which not only provide a scalable platform but also enables the Bank to provide timely and accurate reports.

Committed shareholder and other key stakeholders are also viewed to be an important resource to the Bank and its subsidiaries. Strategies are therefore in place to ensure that stakeholders' engagements continuously improve.

1.30. EMPLOYEES WELFARE

1.30.1 Relationship between management and employees

There were continuous good relations between employees and management as well as management with the Trade Union.

1.30.2 The Bank is an equal opportunity employer

The Bank, through its Human Resources policy gives an equal access to employment opportunities to all 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, ethnicity, religion or disability which does not impair ability to discharge duties.

1.30.3 Training

Training and development of staff capacity is one of the key priorities of the Bank as re-orientation to development banking continues. During the year the Bank spent TZS 283 million (Group TZS 284 million) to train staff on various programs compared to TZS 213 million spent in 2020 (Group TZS 213 million). The Bank will continue to train, re-train and develop staff in order to improve their service delivery and innovation in development financing.

1.30.4 Staff loans and advances

Loans are available to all employees depending on the assessment of the need and ability to pay in compliance with the Staff Loan Policy. The Bank also supports staff through provision of space and permission to run a Savings and Credit Cooperative Society (SACCOS) to assist in improving their welfare.

1.30.5 Medical facilities

All members of staff plus a maximum of four dependants for each employee are availed with medical insurance paid for by the Bank. During the year under review, these services were provided by the National Health Insurance Fund (NHIF).

1.30.6 Persons with Special Needs

Applications for employment by disabled persons are always considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Bank continues and appropriate training is arranged. It is the policy of the Bank that training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

1.30.7 Retirement benefits

The Group operated an unfunded lump-sum Gratuity Agreement with effect from June 2013. The arrangement is unfunded thus benefits are paid out of the Group's general revenues. Upon retirement and having more than 10 years of service, the arrangement provides a benefit of 12 times monthly Basic Salary.

1.30.8 Retirement benefits

The Bank also provides long service awards to permanent staff based on pre-determined formula approved by the Board.
In respect of Contract employees at the Bank, a benefit equal to 25% of the gross salary drawn by the respective employee during the contractual term is provided. No benefits are provided on withdrawn or death in service.

The Bank's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods. The calculation of defined benefit obligations is performed annually by a qualified actuary. The Group's obligation is disclosed under Note 36.

The Group also pays contributions to publicly administered pension plans on a mandatory basis which qualifies as a defined contribution plan.

This is a social security scheme established by the Government responsible for compensating workers who suffer occupational injuries or contract occupational diseases arising out of and in the course of their employment. Under this arrangement, TIB Development Bank Limited as a public institution is required to contribute to the fund 0.5% of the monthly basic salaries it has paid to its staff for which all the dues were settled by end of December 2020.

1.31. GENDER PARITY

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.
As at 31 December 2021 the Bank had the following distribution of employees by gender.

Table 10: Gender Parity

	GROUP		BANK	
Gender	2021	2020	2021	2020
Male	108	110	103	105
Female	51	54	50	53
Total	159	164	153	158

1.32. RELATED PARTY TRANSACTIONS

Transactions with related parties during the year as well as balances outstanding from those transactions as at 31 December 2021 are disclosed in Note 35 to the financial statements.

1.33. POLITICAL AND CHARITABLE DONATIONS

The Bank did not make any political donations during the year. In addition, the Bank did not make any charitable donation during the year other than those made under corporate social responsibility as reported under item 1.36 of the directors' report.

1.34. ENVIRONMENTAL CONTROL

The Group believes in pursuing development without compromising on the sustainability of the environment in which it operates. To that effect, the Bank has in place a Social and Environmental Policy which takes into account best practises in dealing with social and environmental sustainability.

The Bank operates according to the provisions of its Social and Environmental Policy and as such it requires an Environmental Impact Assessment report approved by the National Environment. Management Council (NEMC) for all projects considered to have an impact to the environment. The Bank monitors funded projects to assess their compliance to the environment policies. In order to remain up to date the Bank trains its staff on best practises and modern approach regarding social and environmental management issues.

1.35. TREASURY POLICIES AND OBJECTIVES

The Group is constantly exposed to market risks as most of its transactions are affected by changes in interest and foreign exchange rates.

As a result, the Group has put in place Assets and Liabilities Management policies to govern its operations which are prone to these changes. The policies ensure that the Bank does not take excessive risks which may impact its earnings and capital. Detailed analysis on how the policies were implemented is covered under risk management disclosures on Note 39.
The existence of high interest rates during the year continued to impact the Bank's interest expenses in addition to once again forcing postponement of the corporate bond issue plans.

1.36. CORPORATE SOCIAL RESPONSIBILITY

The Bank has a Corporate Social Responsibility (CSR) Policy whose approach to the funding of community development projects takes on a developmental approach in a manner that will upgrade the quality of life in under privileged communities. The aim is to develop an environment conducive to wealth creation, self-sufficiency and economic growth. The focus areas are Education, Health, Job Creation and Entrepreneurship.

During the year, the Bank made charitable donations amounting to TZS 1,374 million (2020: TZS 341 million).

1.37. RELATIONSHIP WITH STAKEHOLDERS

The Bank maintained a cordial relationship with all its stakeholders including staff, customers, shareholders, regulators and the public at large. The Group views this relationship with stakeholders as an important asset to be handled carefully in order to achieve its objectives and will therefore continue to cultivate good relationship with all its stakeholders.

1.38. EVENTS AFTER REPORTING DATE

There were no events after reporting period that had material impact to the financial statements.

1.39. AUDITORS

The Controller and Auditor-General (CAG) is the statutory auditor for the Bank pursuant to the provisions of Article 143 of the Constitution of the United Republic of Tanzania of 1977 (as revised in 2005) and Sections 30-33 of the Public Audit Act Cap 418. However, in accordance with Section 33 of the Act, M/s Ernst and Young was authorized to carry out the audit of the Bank Financial Statements for the financial year ended 31 December 2021 on behalf of The Controller and Auditor General.

BY ORDER OF

.... 15.07.......2022

Dr. Maria S. H. Mashingo
Chairperson of the Board

.... 15-07.......2022

Juma H. Reli
Director

.... 15/7.......2022

Ms. Lilian M. Mbassy
Ag. Managing Director

2.0 STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2021

The Company's Directors are responsible for the preparation of consolidated and separate financial statements that give a true and fair view of TIB Development Bank Limited and its subsidiary TIB Rasilimali Limited (together "the Group"), comprising the consolidated and separate statement of financial position as at 31 December 2021, and the consolidated and separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the Group and Bank financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2002 and Banking and Financial Institutions Act, 2006.

The Directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the Group and Bank to continue as going concern at least for the next twelve months from the date of approval of these financial statements

The auditors are responsible for reporting on whether the consolidated and separate financial statements give a true and fair view in accordance with the applicable financial reporting framework.

Approval of financial statements

The consolidated and separate financial statements of the Group and Bank, as identified in the first paragraph, were approved and authorised for issue by the directors on July 15, 2022

……………………………… 15.07. ……………………2022

Dr. Maria S. H. Mashingo
Chairperson of the Board

……………………………… 15-07 ……………………2022

Juma H. Reli
Director

……………………………… 15/7 ……………………2022

Ms. Lilian M. Mbassy
Ag. Managing Director

3.0 DECLARATION OF HEAD OF FINANCE FOR THE YEAR ENDED 31 DECEMBER 2021

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

It is the duty of a Professional Accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing true and fair view of the entity position and performance in accordance with applicable International Accounting Standards and statutory financial reporting requirements. Full legal responsibility for the preparation of financial statements rests with the Board of Directors/Governing Body as under Directors Responsibility statement on an earlier page.

I Mwasam S. Suleiman being the Director of Finance of TIB Development Bank Limited hereby acknowledge my responsibility of ensuring that the consolidated and separate financial statements for the year ended 31 December 2021 have been prepared in compliance with International Financial Reporting Standards and statutory requirements.

I thus confirm that the consolidated and separate financial statements of TIB Development Bank Limited and its subsidiary TIB Rasilimali Limited, comply with applicable accounting standards and statutory requirements as on that date and that they have been prepared based on properly maintained financial records.

Signed by: Mwasam S. Suleiman

Position: Director of Finance

NBAA Membership No.: ACPA 3654.

Date: 15/07/ 2022

4.0 INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL

Chairperson of the Board of Directors,
TIB Development Bank Limited,
Building No 3, Mlimani City Office Park,
Sam Nujoma Road,
P.O Box 9373,
Dar es Salaam.

4.1 REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

I have audited the consolidated and separate financial statements of TIB Development Bank Limited (the Group and Bank), which comprise the consolidated and separate statement of financial position as at 31 December 2021, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statement of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of TIB Development Bank Limited as at 31 December 2021, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act, 2002 and Banking and Financial Institutions Act, 2006.

Basis for Opinion

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the below section entitled, "Responsibilities of the Controller and Auditor General for the Audit of the Financial Statements". I am independent of the Group and Bank in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), together with the ethical requirements that are relevant to my audit of the consolidated and separate financial statements in Tanzania, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of my audit of the consolidated and separate financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. I have determined the matters described below to be the key audit matters to be communicated in my report.

key audit matter	How my audit addressed the key audit matter
Impairment loss on loans and advances to customers:	
Impairment is a subjective area due to the level of significant judgement applied by management in determining provisions. Measurement of impairment losses on loans and advances to customers is deemed a key audit matter because determination of expected credit losses is highly subjective and it involves significant level of judgement and estimate. The key areas where I identified significant levels of management judgement and therefore increased levels of audit focus on impairment charge on loans and advances to customers are: • Choosing appropriate models and assumptions for the determination of probabilities of default (PD), exposures at default (EAD) and loss given default (LGD) and ultimately measurement of Expected Credit Loss (ECL); • Quantitative and qualitative criteria used in determining significant increase in credit risk and default for classification of loans and advances to customers; • Application of time value of money in discounting the Expected Credit Loss; • Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated impact on Expected Credit Loss; • Estimation of cash flows from collateral realisation for secured facilities used in the determination of loss given default; • Establishing groups of similar financial assets based on the shared risk characteristics for the purposes of measuring general Expected Credit Loss ; and • Management judgement in determination of parameters and assumptions used to calculate impairment loss.	My audit procedures in this area included, among others: • Performing an independent assessment of the adequacy of the Bank's key credit process controls and whether these were effectively complied with during the period under audit. • Assessment of key controls over the approval, recording, and monitoring of loans and advances, and evaluating the methodologies, inputs and assumptions used by the Bank in calculating impairment losses. • Evaluating the applied Expected Credit Loss model to determine the impairment loss. This included challenging reasonability of management assumptions through among others evaluating prior year assumptions against actuals in the current year. • Performing procedures to evidence existence of customers including obtaining customers' confirmations, inspecting customers' correspondences and security files as well as obtaining an understanding and evaluating the management methodology for identifying non-performing loans. • Assessment of Bank's estimates and assumptions used including the consistency of judgement applied in the determination of the amount and timing of expected future cash flows and consideration of economic factors and historical default rates. • For specific impairment allowances, independently assessing the appropriateness of provisioning methodologies and policies for a sample of loans across the portfolio selected on the basis of risk. Assessing the provisions booked based on the detailed loan and counterparty information in the credit file and performing calculations within a sample of discounted cash flow models. • For collective allowances, independently assessing the appropriateness of the modelling and methodology used by reference to the accounting standards and market practices and model calculations testing through re-performance. • Evaluating the adequacy of the financial statements disclosures, including disclosures of key assumptions and judgements on determination of Expected Credit Loss.

Other Information

The directors are responsible for the other information. The other information comprises General Information, Directors' Report, the Statement of Directors' Responsibilities and the Declaration of the Director of Finance, but does not include the consolidated and separate financial statements and my auditor's report thereon.

My opinion on the consolidated and separate financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

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

Responsibilities of Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation of consolidated and separate financial statements that give a true and fair view in accordance with IFRSs and in the manner required by the Companies Act, 2002 and Banking and Financial Institutions Act, 2006, and for such internal control as directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, directors are responsible for assessing the Group's and Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern Basis of preparation unless directors either intend to liquidate the Group and/or Bank or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Group's and Bank's financial reporting process.
Responsibilities of the Controller and Auditor General for the Audit of the Consolidated and Separate Financial Statements
My objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 International Standards of Supreme Audit Institutions (ISSAIs) 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 consolidated and separate financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate 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 Group's and 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 preparation and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Bank's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusion is based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group and/or Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

4.2 REPORT ON COMPLIANCE WITH LEGISLATIONS

4.2.1 Compliance with Banking and Financial Institutions Act, 2006

As required by Banking and Financial Institutions Act, 2006 and its regulations I report to you based on my audit that:

- As included in Note 34 to the financial statements, the Bank has not fully complied with the minimum capital requirements as required by sections 19(2) of the Bank and Financial Institutions Act, 2006 and its regulations. The Bank's ratios of core and total capital to risk weighted assets amounted to 6.9% for each as compared to the required minimum capital ratio of 13% and 15% respectively.

- Except for the matter noted above, nothing has come to my attention that causes me to believe that the Bank has not complied with the Banking and Financial Institutions Act, 2006 and its Regulations.

4.2.2 Compliance with the Public Procurement Laws in Tanzania

Subject matter: Compliance audit on procurement of works, goods and services

I performed a compliance audit on procurement of works, goods and services in the TIB Development Bank for the financial year ended 31 December 2021 as per the Public Procurement Laws.

Conclusion

Based on the audit work performed, I state that procurement of works, goods and services of TIB Development Bank is generally in compliance with the requirement of the Public Procurement Laws.

Charles E. Kichere,
Controller and Auditor General,
National Audit Office,
Dodoma, United Republic of Tanzania.
July 2022

CONTROLLER AND AUDITOR GENERAL

5.0 FINANCIAL STATEMENTS

Consolidated and separate statement of profit or loss and other comprehensive income for the year ended 31 December 2021

		Group		Bank	
In TZS million	Notes	2021	2020	2021	2020
Interest revenue calculated using the effective interest method	7	59,575	64,617	59,537	64,544
Interest expense calculated using the effective interest method	8	(16,709)	(20,777)	(16,709)	(20,777)
Net interest income		**42,866**	**43,840**	**42,828**	**43,767**
Fee and commission income	9	1,543	1,435	1,323	934
Net fee and commission income		**1,543**	**1,435**	**1,323**	**934**
Credit loss expense on financial assets	19	(31,555)	(8,096)	(31,555)	(8,096)
Foreign currency dealing and exchange profit/(loss)	10	(629)	656	(629)	656
Gains on value of shares and investments	11	-	(1)	-	-
Net operating income		**12,225**	**37,834**	**11,967**	**37,261**
Personnel expenses	12	(14,388)	(14,998)	(13,905)	(14,526)
Depreciation of property, equipment and right-of-use assets	24	(927)	(293)	(884)	(251)
Amortization of intangible assets	25	(49)	(71)	(47)	(67)
Other operating expense	13	(8,127)	(12,190)	(7,696)	(11,839)
Total operating expenses		(23,490)	(27,553)	(22,532)	(26,683)
Profit (Loss) before tax		**(11,266)**	**10,281**	**(10,565)**	**10,579**
Income tax expense	26(a)	(14,195)	(5,266)	(14,058)	(5,266)
Profit (Loss) for the year		**(25,461)**	**5,015**	**(24,623)**	**5,313**
Other comprehensive income that will not be					
reclassified to the income statement					
Re-measurement (losses) / gains on employment benefit obligations	36	1,180	668	1,180	668
Valuation of Investments	26(c)	988	299	988	290
Income tax effect		(650)	(287)	(650)	(287)
Total items that will not be reclassified to the income					
Statement		**1,518**	**680**	**1,518**	**670**
Total comprehensive income for the year, net of tax		**(23,943)**	**5,695**	**(23,105)**	**5,983**

Consolidated and separate statement of financial position as at 31 December 2021

		Group		Bank	
In TZS million	Notes	2021	2020	2021	2020
Assets					
Cash and balances with Bank of Tanzania	14	5	4,157	5	4,157
Balance with other banks	15	1,052	5,123	737	1,039
Trading Assets	16	377	352	-	-
Investment securities measured at amortized cost	17	16,794	23,363	16,472	23,363
Loans and advances to customers	19	453,318	466,921	453,197	466,782
Accounts receivable and Prepayments	20	46,792	48,939	47,468	49,550
Investment securities designated at FVOCI-Equity investment	21	16,435	15,706	16,435	15,396
Investment in subsidiary	22	-	-	2,251	2,251
Investment property	23	34,200	34,200	34,200	34,200
Property and equipment and right-of-use assets	24	4,525	3,119	4,179	2,969
Intangible assets	25	57	108	57	104
Deferred tax asset	26(c)	54,081	45,371	54,081	45,371
Total assets		**627,635**	**647,358**	**629,081**	**645,182**
Liabilities and equity					
Due to banks	27	110,443	121,874	110,443	121,874
Due to customers	28	211,370	205,319	211,370	205,319
Payables and Accruals	29	11,308	9,222	10,560	5,496
Deferred Income	30	486	427	486	427
Borrowing	31	25,301	35,751	25,301	35,751
Current tax liabilities	26(d)	48,860	30,398	48,900	30,540
Employment benefit liabilities	36	2,281	2,930	2,281	2,930
Total liabilities		**410,049**	**405,922**	**409,341**	**402,337**
Shareholders' equity					
Share capital	33	219,138	219,138	219,138	219,138
Advance towards share capital		5,281	5,281	5,281	5,281
Retained earnings		(144,169)	(136,370)	(141,880)	(134,946)
Non distributable reserve		125,539	142,401	125,539	142,402
General Reserve		2,334	2,334	2,334	2,334
Fair Value Reserve		2,963	2,151	2,828	2,136
Technical assistance		6,500	6,500	6,500	6,500
Total equity		217,586	241,436	219,740	242,845
Total liabilities and equity		**627,635**	**647,358**	**629,081**	**645,182**

These financial statements were approved by the Board of Directors for issue on_____2022 and were signed on its behalf by:

....	....	....
Dr. Maria S. H. Mashingo	**Juma H. Reli**	**Ms. Lilian M. Mbassy**
Chairperson of the Board	**Director**	**Ag. Managing Director**

Consolidated statement of changes in equity for the year ended 31 December 2021

Group In TZS Million	Issued capital	Retained earnings	*Non – Distributable reserve	General Reserve	Fair Value Reserve	Asset Revaluation reserve	Technical assistance	Advance towards share capital	Total equity
At 01 January 2021	219,138	(136,370)	142,401	2,334	2,098	54	6,500	5,281	241,436
Profit for the year	-	(25,461)	-	-	-	71	-	-	(25,341)
Other comprehensive income	-	826	-	-	741	-	-	-	1,517
Transfer to regulatory reserve	-	16,863	(16,863)	-	-	-	-	-	-
Other Adjustment	-	(27)	-	-	-	-	-	-	(27)
As at 31 December 2021	**219,138**	**(144,169)**	**125,538**	**2,334**	**2,838**	**125**	**6,500**	**5,281**	**217,586**
At 01 January 2020	219,138	(155,608)	141,545	-	1,885	54	6,500	5,281	218,794
Profit for the year	-	5,038	-	-	-	-	-	-	5,038
Prior Year Adjustment	-	(333)	-	-	-	-	-	-	(333)
Other comprehensive income	-	467	-	-	213	-	-	-	680
Transfer to regulatory reserve	-	(23,833)	23,833	-	-	-	-	-	-
Elimination of TIB Corporate Bank LTD		37,899	(22,976)	-	-	-	-	-	14,923
Recognition of value of Land as deemed cost				2,334					2,334
As at 31 December 2020	**219,138**	**(136,370)**	**142,401**	**2,334**	**2,098**	**54**	**6,500**	**5,281**	**241,436**

Non distributable reserve represents an amount set aside to cover additional provision for loan losses required to comply with the requirements of Bank of Tanzania's prudential guidelines. This amount is not available for distribution and is excluded in calculation of the Bank's core capital.

General reserves relate to recognition of value of land as deemed cost. Fair value reserves relate to valuation of equity investment. Technical assistance fund support customers to prepare bankable projects documents.

Consolidated statement of changes in equity for the year ended 31 December 2021

Bank In TZS Million	Issued capital	Retained earnings	*Non – Distributable reserve	General Reserve	Fair Value Reserve	Technical assistance	Advance towards share capital	Total equity
At 01 January 2021	219,138	(134,946)	142,402	2,334	2,136	6,500	5,281	242,845
Profit for the year	-	(24,623)						(24,623)
Prior Year Adjustment								
Other comprehensive income		826			692			1,518
Transfer to regulatory reserve		16,863	(16,863)					
At 31 December 2021	**219,138**	**(141,880)**	**125,539**	**2,334**	**2,828**	**6,500**	**5,281**	**219,740**
At 01 January 2020	219,138	(116,560)	118,569	-	1,933	6,500	5,281	234,861
Profit for the year	-	5,313						5,313
Prior Year Adjustment		(333)						(333)
Other comprehensive income		467			203			670
Transfer to regulatory reserve	-	(23,833)	23,833					
Recognition of value of Land as deemed cost				2,334				2,334
At 31 December 2020	**219,138**	**(134,946)**	**142,402**	**2,334**	**2,136**	**6,500**	**5,281**	**242,845**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Consolidated and separate statement of cash flows for the year ended 31 December 2021

		Group		Bank	
In TZS Million	Notes	2021	2020	2021	2020
Operating activities					
Interest receipt	37	27,965	24,153	27,965	24,153
Interest payments	37	(11,995)	(19,350)	(11,995)	(19,350)
Proceeds from commissions and other income	37	1,217	(370)	1,928	(370)
Payments to employees and suppliers	37	(19,013)	(25,070)	(16,079)	(28,082)
Dividends received		107	17	47	17
Income tax paid	26	(3,850)	(1,678)	(3,850)	(1,669)
(Investments)/Repayments on loans and advances	37	13,390	30,515	13,390	30,514
(Investments)/Repayments on debt securities		6,875	(320)	6,891	(320)
Proceeds (repayment) of deposits		(10,244)	12,885	(10,244)	12,885
Lease payments-Interest		(726)	(160)	(726)	(160)
Net cash flows from operating activities		**3,726**	**20,621**	**7,328**	**17,618**
Investing activities					
Purchases of equipment	24	(255)	(526)	(88)	(526)
Proceeds from sale of property and equipment		-	267	-	-
Net cash flows used in investing activities		**(255)**	**(259)**	**(88)**	**(526)**
Financing activities					
Repayments of long-term borrowing	31	(12,278)	(13,461)	(12,278)	(13,461)
Lease payments-Principal		(155)		(155)	-
Net cash flows from/(used in) financing activities		**(12,433)**	**(13,461)**	**(12,433)**	**(13,461)**
Net Increase/(decrease) in cash and cash equivalents		(8,961)	6,901	(5,192)	3,631
Net foreign exchange difference		13	-	13	-
Cash and cash equivalents at 1 January		10,006	3,105	5,922	2,291
Cash and cash equivalents at 31 December	**18**	**1,057**	**10,006**	**742**	**5,922**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. CORPORATE INFORMATION

TIB Development Bank Limited is a limited liability company incorporated in Tanzania under the Companies Act 2002 and is domiciled in the United Republic of Tanzania. The Bank is regulated by the Bank of Tanzania. The Bank's registered office is at:

Mlimani City Office Park,
Building No. 3 Sam Nujoma Road,
Dar es Salaam.

These consolidated and separate financial statements comprise the Bank and its subsidiary TIB Rasilimali Limited (together knows as the "Group").

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments, other financial assets and liabilities held for trading and financial assets and liabilities designated at fair value through profit or loss (FVPL) and debt and equity instruments at fair value through other comprehensive income (FVOCI) all of which have been measured at fair value.

These consolidated and separate financial statements are presented in Tanzanian shillings, which is the Group and Bank's functional currency and presentation currency, and all values are rounded to the nearest million shillings, except when otherwise indicated.

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

a) Statement of compliance

These consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), the Tanzania Companies Act, 2002 and Banking and Financial Institutions Act, 2006.

b) Presentation of financial statements
The Bank and its subsidiary presents its statement of financial position in order of liquidity based on the Bank's intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in the notes

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations

The standard which are effective this year have no impact on financial statements of TIB Development bank Limited.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

International Financial Reporting Standards and amendments effective for the first time for December 2021 year-end	
Number	Executive summary
Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 7 'Financial Instruments: Disclosures', IFRS 4 'Insurance Contracts' and IFRS 16 'Leases'–interest rate benchmark (IBOR) reform (Phase 2) **Effective date** Annual periods beginning on or after 1 January 2021	Key amendments address issues that arise from the implementation of the reform of an interest rate benchmark.
IFRS 16, 'Leases' COVID-19-Related Rent Concessions Amendment **Effective date** Annual periods beginning on or after 1 April 2021.	The amendment provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.

1.1 Standards issued but not yet effective

International Financial Reporting Standards, interpretations and amendments issued but not effective	
Number	Executive summary
IFRS 17, 'Insurance contracts' **Effective date** Annual periods beginning on or after1 January 2023	IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. Current the Bank has no insurance contract but will keep on assessing the impact of adopting IFRS 17 on its financial statements in future when the plan to start Bancassurance is completed,
Amendment to IFRS 3, 'Business combinations' Asset or liability in a business combination clarity **Effective date** Annual periods beginning on or after1 January 2023	The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard. The amendment is effective for accounting periods beginning on or after 1 January 2022 and is not expected to have significant impact on the financial statements.
Amendment to IAS 1 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current **Effective date** Annual periods beginning on or after 1 January 2023	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendment to IAS 1 is effective for accounting periods beginning on or after 1 January 2023 and is not expected to have significant impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

IFRS 17, Insurance contracts Amendments **Effective date** Annual periods beginning on or after 1 January 2022	No Impact to the Bank since there were no Insurance contract.
Amendments to IAS 16 'Property, Plant and Equipment': Proceeds before Intended Use **Effective date** Annual periods beginning on or after 1 January 2022	
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' on Onerous Contracts—Cost of Fulfilling a Contract Effective date Annual periods beginning on or after 1 January 2022	The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendment to IAS 37 is effective for accounting periods beginning on or after 1 January 2022 and is not expected to have significant impact on the financial statements.
Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12 Effective for annual periods beginning on or after 1 January 2023	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. Amendment is not expected to have significant impact on the financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Annual improvements cycle 2018 -2020 Effective date	The Annual Improvements to IFRS Standards 2018–2020 makes amendments to the following standards:
Annual periods beginning on or after 1 January 2022	IFRS 1 – The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs. IFRS 9 – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. IFRS 16 – The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example. IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. The amendment to above standards is effective for accounting periods beginning on or after 1 January 2022 and is not expected to have significant impact on the financial statements.

4. BASIS OF CONSOLIDATION

(i) Subsidiaries

Subsidiaries are entities controlled by the Parent Company within the Group. Control exists when the holding company is exposed or has rights to; variable returns from its involvement with the subsidiaries and has the ability to affect those returns through its power over the subsidiaries. Subsidiaries are consolidated from the date on which the holding company acquires effective control. Consolidation is discontinued from the date that control over the subsidiary is lost.

(ii) Transactions eliminated on consolidation

Inter-company transactions, balances and any unrealised income and expenses arising from intra company transactions are eliminated on consolidation. Unrealised losses are eliminated on the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(iii) Managed funds

The Bank manages a number of government funds which are maintained off-the statement of financial position. Determination of whether the Bank controls such funds usually focuses on the assessment of the aggregate economic interest of the Bank and the Government rights to remove the fund manager.

All the risks and rewards arising from managed funds are directly channelled to the Ministry of Finance. As a result the Bank has concluded that it acts as an agent for the Government and therefore has not consolidated these funds.

Fees for managing government funds are disclosed under Note 9.

(iv) Loss of control

When the Group losses control over the subsidiary, it derecognises the assets and liabilities of the subsidiary. Any resulting gain or loss is recognised in the statement of profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

5. USE OF JUDGEMENTS AND ESTIMATES

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

(i) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated and separate financial statements is included in the following note:

- Leases: whether an arrangement contains a lease - Note 41

(i) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2021 is included in the following notes:

- Note 5(J) (viii) - impairment of financial assets
- Note 16, Note 21 and Note 38- determination of fair value of financial instruments
- Note 19 – impairment test: key assumptions underlying recoverable amounts;
- Note 26 – recognition of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be used;
- Note 36 – measurement of employment benefit obligation; key actuarial assumptions:
- Note 40 – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources;

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) Net interest income

Interest income and expense are recognised in profit or loss using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

(A) Net interest income
Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For information on when financial assets are credit-impaired, see Note 5 (j).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Presentation

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

- interest on financial assets and financial liabilities measured at amortised cost;
- interest on debt instruments measured at FVOCI;

Interest expense presented in the statement of profit or loss includes financial liabilities measured at amortised cost.

Effective interest rate

Interest income and expense were recognised in profit or loss using the effective interest method. The effective interest rate was the rate that exactly discounted the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimated future cash flows considering all contractual terms of the financial instrument, but not future credit losses

The calculation of the effective interest rate included transaction costs and fees and points paid or received that were an integral part of the effective interest rate. Transaction costs included incremental costs that were directly attributable to the acquisition or issue of a financial asset or financial liability

Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and OCI includes interest on financial assets and financial liabilities measured at amortised cost and interest on debt instruments measured at FVOCI.

Interest expense presented in the statement of profit or loss and OCI includes financial liabilities measured at amortised cost. Interest income and expense on all trading assets and liabilities were considered to be incidental to the Group's trading operations and were presented together with all other changes in the fair value of trading assets and liabilities in income. Interest income and expense on other financial assets and financial liabilities carried at FVTPL were presented in net income from other financial instruments at FVTPL.

Interest revenue and interest charges which are calculated using the effective interest method are separately presented in the statement of profit or loss and other comprehensive income. Interest on loans and advances at amortised cost, and debt instruments at fair value through other Comprehensive income, as well as the interest expense on financial liabilities held at amortised cost, is calculated using the effective interest rate method.

This results in the allocation of interest, and direct and incremental fees and costs, over the expected lives of the assets and liabilities.

The effective interest method requires the Group and Bank to estimate future cash flows, in some cases based on its experience of customers' behaviour, considering all contractual terms of the financial instrument, as well as the expected lives of the assets and liabilities. Due to the large number of products and types (both assets and liabilities), there are no individual estimates that are material to the results or financial position.

The Group and Bank presents Revenue from contracts with customers in "fees and commission income". Revenue from contracts with customers is measured based on the consideration specified in a contract with a customer and excludes amounts on behalf of third parties. The Group and Bank recognises the revenue from contracts with customer when it transfers control over to the customers.

Fees earned for the provision of services over a period of time:

Fees earned for the provision of services over a period of time such as from administration of Government Funds is recognised as revenue as the service is provided.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Commitment fees:
Commitment fees relate to loan commitments where it is not probable that the loan will be drawn. Such fees are regarded as a return for the provision of a service and are amortised over the commitment period. Commitment fees for loans that are likely to be drawn down are deferred and are recognized as an adjustment to the effective interest rate on the loan.

Fees and commission income and expenses that are integral to the effective interest rates on a financial asset or financial liability are included in measurement of effective interest.

Fees and commission income are recognised as follows;

- *Fee income earned from services that are provided over a certain period of time*
Fees earned for the provision of services over a period of time such as from administration of Government Funds are accrued over the respective period.

These fees include commission income, asset management, custody and other management and advisory fees. The fees are recognised as the related services are performed.

Loan facility fees are apportioned over the life of the loan facility. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate (EIR) on the loan.

When it is unlikely that a loan will be drawn down, the loan commitment fees are recognized over the commitment period on a straight-line basis.

Fee income from transaction services
Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

(B) Other income
Other income is recognized in the period in which it is earned.

Other income comprises gains and losses from changes in fair value and related interest income or expense and dividends for financial assets and financial liabilities held for trading. Furthermore gains on disposals of non-financial assets are also recognized in this class of income. Other income is recognized in the period in which it is earned.

(C) Dividend income
Dividend income is recognised when the right to receive income is established. Usually, this is the ex-dividend date for quoted equity securities. Dividends are presented in other income, net income from other financial instruments at FVTPL or other revenue based on the underlying classification of the equity investment.
Dividends on equity instruments designated as at FVOCI that clearly represent a recovery of part of the cost of the investment are presented in OCI.

Dividend income is recognised when the Group's right to receive the payment is established. Dividends are presented as other operating income based on the nature of investments currently held.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(D) Employees benefits

- ***Short term benefits***

Short-term employment benefits such as salaries, social security contributions, and leave fare assistance are recognized in the profit or loss in the period the employees render the services.

- ***Defined Contributions Pension obligations***

The Group operates a defined contribution plan whereby each of its employees and the Group contribute to the state owned and managed (statutory) funds namely the Public Service Social Security Fund (PSSSF). The Bank contributes 15% of basic salary while the employees contribute 5%. Apart from these monthly contributions, the Group has no further commitments or obligations to these funds. The contributions are charged to the profit or loss in the year to which they relate.

- ***Workers Compensation Fund***

This is a social security scheme established for compensating workers who suffer occupational injuries or contract occupational diseases arising out of and in the course of their employment. The Group as a public institution is required to contribute to the fund 0.5% of the monthly basic salaries. The Group remits the contributions on month to month basis and costs recognised in respective months.

- ***Defined benefit plan***

The Group operates an unfunded lump sum benefit plan with effect from June 2013. The arrangement is unfunded thus, benefits are paid out of the Group's general revenues. Upon retirement and having more than ten (10) years of service, the arrangement provides a benefit of 12 times monthly Basic Salary. The Group also provides long service awards to permanent staff. In respect of Contract employees at the Bank, a benefit equals to 25% of the gross salary drawn by the respective employee during the contractual term. No benefits are provided on withdrawn or death in service.

The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods. The calculation of defined benefit obligations is performed annually by a qualified actuary.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit actuarial valuation method. Re-measurements, comprising of actuarial gains and losses are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income (OCI) in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

The arrangement provides benefits of a defined benefit nature (i.e., salary and service related). Therefore, one of the main risks relating to the benefits under the arrangement is the rates of salary growth. As the benefits are based on the final salary, any changes in salary that differ from the salary escalation rate assumed will have a direct bearing on the benefits paid under the arrangement.

- ***Bonus plans***

The Group recognises a liability and expense for bonuses based on a formula that takes into account the profit attributable to the Government (the ultimate shareholder). The Group recognises a provision for bonuses when there is a contractual obligation or a past practice that has created a constructive obligation.

- ***Termination benefits***

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for restructuring. If benefits are not expected to be whole settled within 12 months at the reporting date, then they are discontinued.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

- Other employee benefits

The Bank provides free medical treatment to staff and their dependants. The cost is charged to the profit or loss. The estimated monetary liability for employees' accrued leave entitlement at the reporting date is recognized as an expense accrual.

(E) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the profit or loss net of any reimbursement.

• Bank levies

A provision for bank levies is recognised when the condition that triggers the payment of the levy is met. If a levy obligation is subject to a minimum activity threshold so that the obligating event is reaching a minimum activity, then a provision is recognised when that minimum activity threshold is reached.

(E) Provisions (continued)

- Financial guarantees (continued)

- Financial guarantees

Financial guarantees are contracts that require the Group or Bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of the underlying instrument. Loan commitments are firm promises to provide credit under specified terms and conditions.

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognized in the financial statements (within 'other liabilities') at fair value, being the premium received.

Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognized less, when appropriate, cumulative amortization recognized, and the best estimate of expenditure required settling any financial obligation arising as a result of the guarantee. Any increase in the liability relating to financial guarantees is recorded in the profit or loss in 'Impairment loss'. The premium received is recognized in the profit or loss in 'Other operating income' on a straight line basis over the life of the guarantee.

(F) Property and equipment

Property and equipment (including equipment under operating leases where the Group is the lessor) is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses.

• Recognition and Measurement

Items of property and equipment are measured at cost, which includes capitalised borrowing costs where applicable, less accumulated depreciation and any accumulated impairment losses.

If significant parts of the property or equipment have different useful lives then they are accounted for as separate items of property and equipment.

Any gain or loss on disposal of an item of property and equipment is recognised within other income in the statement of profit or loss.

(i) Subsequent Cost

Subsequent cost is expensed through the statement of profit or loss unless it is probable that the future economic benefits of the expenditure will flow to the Group. Ongoing repair and maintenance costs are expensed as incurred.

(ii) Depreciation

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

Description of items	Useful lives
Furniture and equipment	8 Years
Machinery and automation	4 Years
IT equipment	4 Years
Motor vehicles	4 Years
Buildings	25 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(G) Leases

The Bank has initially applied IFRS 16 from 1 January 2019. IFRS 16 introduced a single, on-balance sheet accounting model for leases. As a result, the bank, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

Bank as Leasee

The Group and Bank now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right of control the use of an identified asset for a period of time in exchange for consideration. The Group and Bank now assesses whether a contract is or contains a lease based on the definition of a lease.

The bank leases many assets, including head office building and Branches. As a lessee, the Bank previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the bank has recognised right of use asset which is depreciated on a straight line basis over 10 years and lease liabilities for most leases- i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the bank allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for leases of branches and office premises the bank has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

(a) Recognition

The Group and Bank assesses whether the contracts contain lease element and recognize assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value as guided by IFRS 16. Leases are recognised as right-of-use assets and liabilities at the date at which the leased assets are available for use by the Bank. Expenses relating to short term leases incurred in the year are stated in Note 41.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(b) Initial Measurement

(i) Right of Use Asset

The group and Bank measures right of use asset using cost model. Amount recognized as right of use asset at initial recognition takes into consideration; estimated incremental borrowing rate as a discount rate, any initial direct costs, disposal costs to be incurred during dismantling and removing of the underlying asset.

(ii) Lease liabilities

The Group and Bank measures the lease liability at the present value of all outstanding payments at the initial date including all lease payments to be settled in the future. At the initial recognition the Bank will apply incremental borrowing rate to ascertain present value of the lease payments. The lease payments are discounted using the incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. Payments associated with all short-term leases and leases of all low-value assets are recognised on a straight-line basis as an expense in profit or loss

(c) Subsequent measurement

(i) Right to Use Asset

Subsequently the Group and Bank will measure right to use asset assets at cost, this accommodates all adjustments including accumulated depreciation and any accumulated impairment losses that may arise during the lifetime of the lease.

The right-of-use assets are depreciated over the shorter of the remaining contractual time at recognition date, and the lease term on a straight-line basis. Periods covered by options to extend and terminate the lease are only included in the lease term if it is reasonably certain that the lease will be extended or not terminated.

(ii) Lease liabilities

After commencement date the Bank will measure lease liability by increasing the carrying amount to reflect interest on lease liability, reducing the carrying amount to reflect the lease payments made and re-measuring carrying amount to reflect lease modification, revised payments or other assessments. Lease liability is presented within payables and accruals in the statement of financial position.

(b) Presentation and disclosure

The Bank presents the right of use assets within Property plan and equipment and lease liability under payables and accruals line items in the notes of the financial statements. Lease interest expense is presented in profit or loss statement separate from other interest expenses. Cash payments for the carrying amount of lease assets are presented in cash flow statements as financing cost. Other information that gives the user of financial statement the basis for assessing effect of the lease is disclosed in the statement of cash flows and notes. Such information for the Bank as a lessee includes:

(i) Depreciation charge for right-of -use assets by class of underlying asset;
(ii) Interest expense on lease liabilities;
(iii) Total cash outflow for leases;
(iv) Additions to right-of-use assets;
(v) The carrying amount of right-of-use assets at the end of the reporting period by class of underlying assets

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

The Bank as a lessor

The bank leases out residential properties for its staff situated at Upanga area, Ilala municipal.

At inception or on modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of their relative stand-alone selling prices. When the Bank acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease. To classify each lease, the Bank makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Bank considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Leasehold improvements

These include improvements made on leased Group buildings for its head office and zones.

Leasehold improvements are stated at cost, less accumulated amortization and accumulated impairment losses. Leasehold improvement 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. The annual amortization rate in use is:

Description of items	Useful lives
Leasehold improvements	4 Years

Leasehold improvements
These include improvements made on leased Group buildings for its head office and zones.

Leasehold improvements are stated at cost, less accumulated amortization and accumulated impairment losses. Leasehold improvement 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. The annual amortization rate in use is:

Description of items	Useful lives
Leasehold improvements	4 Years

(H) Intangible assets

The Group's intangible assets include the value of Computer software.

- Recognition and Measurement

An intangible asset is recognized only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

- Amortization

The amortization expense on intangible assets with finite lives is recognized in the profit or loss in the expense category consistent with the function of the intangible asset. Amortization is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

Description of items	Useful lives
Computer software	4 years

The useful lives of intangible assets are assessed to be either finite or infinite. Intangible assets with finite lives are amortized over the useful economic life.

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortised but are tested for impairment. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable.

- Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

(I) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that non-financial asset (other than investment properties and deferred tax asset) may be impaired. If any indication exists, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU's) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. In determining fair value less costs to sell, an appropriate valuation model is used.

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(J) Financial instruments

i. Recognition and initial measurement

The Group initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL. In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise.

Business model assessment
The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Group's management;

- The risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed; how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;

- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse loans); and
- Features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

The Group holds a portfolio of long-term fixed-rate loans for which the Group has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Group has determined that the contractual cash flows of these loans are SPPI because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

(iii) Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

(iv) Derecognition
Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amounts of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

(v) Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, then the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired.

In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- Fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset;

- Other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Group plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented

Together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

Financial liabilities

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(vi) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

(vi) Fair value

(a) Measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on

initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price.

Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure. Portfolio-level adjustments – e.g. bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure – are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(vii) Impairment of financial assets

Policy applicable from 1 January 2018

The Group recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- lease receivables;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

Loss allowances for lease receivables are always measured at an amount equal to lifetime ECL.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group does not apply the low credit risk exemption to any other financial instruments.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);

- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;

- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised (see (iv)) and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing.

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI, and finance lease receivables are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Group considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through Voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'other income' in the statement of profit or loss and OCI. Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(K) Loans and advances

Loans and advances' captions in the statement of financial position include:

- loans and advances measured at amortised cost ; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- loans and advances mandatorily measured at FVTPL or designated as at FVTPL; these are measured at fair value with changes recognised immediately in profit or loss; and
- finance lease receivables.

When the Group purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo or stock borrowing), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the Group's financial statements.

'Loans and advances' were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market and that the Group did not intend to sell immediately or in the near term.

(L) Investment securities

The 'investment securities' caption in the statement of financial position includes:

- debt investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- debt and equity investment securities mandatorily measured at FVTPL or designated as at FVTPL; these are at fair value with changes recognised immediately in profit or loss;
- debt securities measured at FVOCI; and
- equity investment securities designated as at FVOCI.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest revenue using the effective interest method;
- ECL and reversals; and
- foreign exchange gains and losses.

(L) Investment securities

When debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

The Group elects to present in OCI changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.
Fair value gain and losses on such equity instruments are never reclassified to profit and loss and no impairment is recognized in profit and loss.

(M) Acceptances and letters of credit

Acceptances and letters of credit are accounted for as items not recognized in the statement of financial position and are disclosed as part of contingent liabilities off – balance sheet.

(N) Cash and cash equivalents

Cash and cash equivalents referred in the statement of cash flows comprise cash on hand, non-restricted current accounts with Bank of Tanzania, deposits held at call with banks with an original maturity of three months or less, due from banks on demand, held to maturity investments and investments with maturity periods of three months or less in money market instruments and are used in the management of short term commitments. These balances are measured at amortized costs.

(O) Foreign currency translation

Transactions in foreign currencies are initially recorded at the spot rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange at the reporting date. All differences arising on non–trading activities are taken to 'Other operating income' in the profit or loss, with the exception of differences on foreign currency borrowings that provide an effective hedge against a net investment in a foreign entity. These differences are taken directly to equity until the disposal of the net investment, at which time they are recognized in profit or loss.

Non–monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition. Non–monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined.

(P) Income Tax

Income tax expense comprises of current and deferred tax. It is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity or OCI.

(i) Current tax

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

(ii) Deferred tax

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Current tax and deferred tax relating to items recognized directly in equity are also recognized in equity and not in the profit or loss.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(iii) Value added tax

Revenues, expenses and assets are recognized exclusive of the amount of value added tax. The input taxes and output taxes are recognized in different account and the Bank submits VAT returns to Revenue Authority on monthly basis.

(P) Dividends on ordinary shares

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Bank's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Bank. Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

(Q) Capital and revenue grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. When the grant relates to an asset, it is recognized as deferred income and released as income in equal instalments over the expected useful life of the related asset.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

When the Bank receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the profit or loss over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual instalments.

When loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grants.

Grants received from donor agencies and other private organizations of revenue nature are dealt with in the profit and loss account over the period in which the related expense is incurred.

(R) Regulatory Reserve

Regulatory reserve represents an amount set aside to cover additional provision for loan losses required to comply with the requirements of Bank of Tanzania's prudential guidelines. This amount is not available for distribution. Regulatory reserves are excluded in calculations of the Bank's core capital.

(S) Fair value and asset valuation reserve

This reserve comprises the cumulative net change in the fair value of available for sale financial assets till the assets are derecognised or impaired and assets valuation reserve.

(T) Technical assistance reserve

This reserve was established by a resolution of the Bank's Board of Directors in 2007. The purpose of the reserve is to provide funds for financing technical support and training to new development projects whereby the government has identifies those projects are strategic project for national development and community support.

		GROUP		BANK	
	In TZS million	2021	2020	2021	2020
7	**INTEREST INCOME CALCULATED USING THE EFFECTIVE INTEREST METHOD**				
	Loans and advances to customers	56,491	61,237	56,453	61,223
	Debt instruments at amortised cost	3,084	3,380	3,084	3,321
	Total Interest income calculated using the effective interest method	59,575	64,617	59,537	64,544
8	**INTEREST EXPENSE CALCULATED USING THE EFFECTIVE INTEREST METHOD**				
	Due to banks	3,102	6,066	3,102	6,066
	Due to customers	11,604	11,479	11,604	11,479
	Debt issued and other borrowed funds	1,828	3,178	1,828	3,178
	Interest expense on lease liabilities (Note 41)	175	54	175	54
	Total Interest expense calculated using the effective interest method	16,709	20,777	16,709	20,777
9	**FEES, COMMISSIONS, AND OTHER INCOME**				
	Fee income from providing financial services at a point in time:				
	Income from Insurance brokerage	25	40	24	40
	Commission on TEDAP	50	137	50	137
	Fees from Flower Projects	-	43	-	43
	Fees income from Commodity Import Support	-	(3)	-	(3)
	Agency fees from Agricultural Window	42	36	42	36
	Results Based Management fee	211	149	211	149
	Fees income from THB liquidation	176	31	176	31
	Fee Income from UNIDO	21	-	21	-
	Rental income	19	28	19	28
	Write back over-accrued expenses	28	20	28	20
	Income From Grants	-	20	-	20
	Dividend Income	107	17	47	17
	Guarantees commissions	175	223	175	223
	Dealing and Agency Commissions	126	501	-	-
	Residual value of lease rentals	-	2	-	2
	Other income	563	191	530	191
	Net Fees, Commissions and Other income	**1,543**	**1,435**	**1,323**	**934**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

10 FOREIGN CURRENCY DEALING, GAINS ON VALUE OF SHARES AND EXCHANGE INCOME

Foreign currency dealing (buying and selling of forex)	(629)	656	(629)	656
	(629)	656	(629)	656

11 GAINS ON VALUE OF SHARES AND INVESTMENTS

Gain (loss) on Fair value of shares	-	(1)	-	-
	-	(1)	-	-

12 PERSONNEL EXPENSES

Wages and salaries	10,014	10,007	9,649	9,658
Social security costs (defined contribution expense)	1,412	1,419	1,371	1,374
Skills and Development levy	436	476	426	458
Sub-total	11,861	11,902	11,446	11,490
Training cost	284	213	283	213
Staff passage and leave allowances	804	1,192	774	1,165
Staff medical insurance	640	542	622	524
Staff transfer/1st appointments	37	1	37	1
Office sundries	108	121	108	121
Define benefit expenses (Note 36)	598	976	598	973
Other employment costs	56	51	37	39
Sub-total	2,526	3,096	2,459	3,036
Total	**14,388**	**14,998**	**13,905**	**14,526**

The number of employees at the end of the year for the Group was 159 (2020:164) while that for the bank was 153 (2020:158)

	GROUP		BANK	
In TZS million	2021	2020	2021	2020

13 OTHER OPERATING EXPENSES

Auditors' remuneration	401	193	365	168
Directors' emoluments	57	54	40	22
Board of Directors expenses	122	40	129	34
Correspondent Bank and SWIFT Charges	10	14	8	9
Communication costs	430	432	296	292
Travelling and accommodation	425	430	418	427
Local authority service charges	60	17	58	15
Insurance cost	273	639	273	639
Marketing and advertising cost	1,563	595	1,561	591
Printing, consumables and stationeries	194	165	184	162
Repairs and fuel motor vehicles	498	307	498	307
Security cost	157	161	154	157
System management fees and licence	400	447	400	447
Consultancy expenses	699	201	694	195
Regional integration costs	-	1	-	1
Subscription and contribution	69	96	69	96
TUICO and Workers council expenses	4	2	2	2
Borrowing costs	-	6	-	6
Excise duty	68	35	68	35
VAT expenses	452	392	452	392
Interest on late payment of withholding tax	1,520	6,627	1,520	6,627
Rent for Office premises	269	900	199	812
Repairs and maintenance bank premises and residential	150	136	150	136
Repairs and maintenance office Machine and automations	1	1	1	1
Repairs and maintenance office furniture & Equipment	9	98	9	97
Water and light	155	172	146	162
Insurance premium on electronic and office equipment	-	2	-	2
Other occupancy cost (land rent)	-	1	-	1
Other	142	26	2	4
	8,127	**12,190**	**7,696**	**11,839**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

In TZS million	Group		Bank	
	2021	2020	2021	2020
14 CASH AND BALANCES WITH BANK OF TANZANIA				
Balance with Bank of Tanzania				
Balance in local currency	4	2,264	4	2,264
Balance in foreign currency	1	1,893	1	1,893
	5	**4,157**	**5**	**4,157**
15 BALANCE WITH OTHER BANKS				
Balance in local currency	838	4,372	523	288
Balance in foreign currency	214	751	214	751
	1,052	**5,123**	**737**	**1,039**
ECL on balance with other banks is not significant				
16 TRADING ASSETS				
Financial Sector	-	95	-	-
Manufacturing Sector	377	231	-	-
Other Sectors	-	26	-	-
	377	**352**	**-**	**-**
17 INVESTMENT SECURITIES MEASURED AT AMORTIZED COST				
Treasury bonds-held to maturity				
Maturity period within three months	-	726	-	726
Interest receivable over three months	-	52	-	52
Maturity period within two years	-	10,948	-	10,948
Maturity period above two years	16,794	11,637	16,472	11,637
	16,794	**23,363**	**16,472**	**23,363**
Total	**16,794**	**23,363**	**16,472**	**23,363**

Fair value on Gain or loss on investment securities is not significant

		GROUP		BANK	
	In TZS million	2021	2020	2021	2020
18	**CASH AND CASH EQUIVALENTS**				
	Balances with Bank of Tanzania	5	4,157	5	4,157
	Balance with other banks	1,052	5,123	737	1,039
	Government securities held to maturity within 3 months-Note 17	-	726	-	726
		1,057	**10,006**	**742**	**5,922**
19	**LOANS AND ADVANCES TO CUSTOMERS**				
	Advances to customers (gross)	499,837	501,017	499,837	501,017
	Accrued interest receivable	146,402	127,127	146,402	127,127
		646,239	**628,144**	**646,239**	**628,144**
	Less: Allowances for losses on loans and advances	(197,976)	(166,088)	(197,976)	(166,088)
	Advances to customers net	**448,263**	**462,056**	**448,263**	**462,056**
	Loans and Advances to staff	6,285	6,095	6,164	5,956
	Accrued interest on staff loans	5	5	5	5
	Staff loans fair value provisions	(1,235)	(1,235)	(1,235)	(1,235)
	Net loans and advances	**453,318**	**466,921**	**453,197**	**466,782**
	Gross Loans				
	Advances to Customers (gross)	499,837	501,017	499,837	501,017
	Loans and Advances to Staff	6,285	6,095	6,164	5,956
	Accrued interest receivable (customers)	146,402	127,127	146,402	127,127
	Accrued interest on staff loans	5	5	5	5
	Total Gross Loans	**652,529**	**634,244**	**652,408**	**634,105**

Movement in allowance for impairment losses on loans and advances:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

At 01 January	166,088	161,288	166,088	161,288
Charge for the year	31,940	8,576	31,940	8,576
Amount charged off	(51)	(3,748)	(51)	(3,748)
Written-off loans	(1)	(28)	(1)	(28)
At 31 December	**197,976**	**166,088**	**197,976**	**166,088**
ECL change for the year	31,940	8,576	31,940	8,576
Recoveries from charged off loans	(385)	(480)	(385)	(480)
Total ECL income statement charge for the year	**31,555**	**8,096**	**31,555**	**8,096**

19 LOANS AND ADVANCES TO CUSTOMERS

Non - performing loans	350,584	327,297	350,584	327,297
NPL ratio	53.69%	51.52%.	53.69%	51.52%.

Lending concentration

Economic sector risk concentrations within the customers loan and advances portfolio as at 31 December 2020 and 2019 were as follows:

Agriculture and Agro processing	166,700	160,024	166,700	160,024
Oil Company and Gas	-	17,400	-	17,400
Electricity	15,576	22,378	15,576	22,378
Manufacturing	70,070	63,232	70,070	63,232
Real Estate	46,829	49,545	46,829	49,545
Building, Construction	4,161	3,784	4,161	3,784
Transport and communication	4,088	6,766	4,088	6,766
Tourism and Forestry	76,193	68,833	76,193	68,833
Trade	26,464	24,129	26,464	24,129
Mining and Quarrying	183,820	165,814	183,820	165,814
Education and Health	15,230	15,340	15,230	15,340
Hotel & Restaurants	14,429	16,730	14,429	16,730
Financial Intermediaries	9,551	9,432	9,551	9,432
Leasing	857	769	857	769
Individuals and SMEs	6,846	6,684	6,693	6,545
Fishing	335	285	335	285
Water	8,548	817	8,548	817
Other Services	2,987	2,280	2,866	2,280
	652,529	**634,244**	**652,408**	**634,105**

In TZS million	GROUP		BANK	
	2021	2020	2021	2020
20 Accounts receivable and prepayments				
Accounts receivable	53,889	56,489	53,624	56,369
Intercompany Receivables	-	-	951	810
Less: Allowances for losses	(7,419)	(7,951)	(7,419)	(7,951)
	46,470	**48,538**	**47,156**	**49,228**
Prepaid expenses	322	401	312	322
	46,792	**48,939**	**47,468**	**49,550**

In TZS million	GROUP		BANK	
	2021	2020	2021	2020
21 INVESTMENT SECURITIES DESIGNATED AT FVOCI-EQUITY INVESTMENTS				
Unquoted shares of Tanzania Mortgage Refinance Company Limited (TMRC)	2,191	1,478	2,191	1,478
Unquoted shares of Tanzania Mercantile Exchange (TMX)	215	381	215	381
Unquoted shares of Umoja Switch Company Limited	236	209	236	209
Unquoted shares of NORSAD Finance Limited	10,469	10,111	10,469	10,111
Preference shares of NORSAD Finance Limited	3,324	3,217	3,324	3,217
Unquoted corporate bond	-	310		
Total	**16,435**	**15,706**	**16,435**	**15,396**
Valuation of Norsad Finance Limited				
Fair Value of TIB Investments	13,793	13,328	13,793	13,328
Historical Value	13,379	12,991	13,379	12,991
Gain (Loss)	**414**	**337**	**414**	**337**
Valuation of TMRC Limited				
Fair Value of TIB Investments	2,191	1,478	2,191	1,478
Historical Value	1,478	1,451	1,478	1,451
Gain (Loss)	**713**	**27**	**713**	**27**
Valuation of TMX Limited				
Fair Value of TIB Investments	215	381	215	381
Historical Value	381	457	381	457
Gain (Loss)	**(166)**	**(76)**	**(166)**	**(76)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Valuation of Umoja Switch Company Limited				
Fair Value of TIB Investments	236	209	236	209
Historical Value	209	208	209	208
Gain (Loss)	**27**	**1**	**27**	**1**
Bond Valuation				
Fair Value of Rasilimali Investments	-	305	-	-
Historical Value	-	295	-	-
Gain (Loss)	**-**	**10**	**-**	**-**

The Bank holds unquoted equity shares in the Companies listed above. The amounts of investments are recorded at market value following their valuation by professional valuers at the end of the year following the same valuation at the end of last year. In 2021 there was no additional and or disposal of investments which were made. Changes are due to valuations

		GROUP		BANK	
	In TZS million	2021	2020	2021	2020
22	**Investment in subsidiary**				
	Investment in Rasilimali	-	-	2,251	2,251
		-	**-**	**2,251**	**2,251**

The Bank owns 100% of the issued and paid-up ordinary share capital of TIB Rasilimali Limited which is incorporated in Tanzania under the Tanzanian Companies Act, 2002. The principal activities of TIB Rasilimali Limited are securities dealing and Investment advisory services. During the year the Bank made no additional investment in subsidiary (2020: Nill).

		GROUP		BANK	
	In TZS million	2021	2020	2021	2020
23	**Investment property**				
	At 1 January (as previously stated)	34,200	34,200	34,200	34,200
	As at 31 December	**34,200**	**34,200**	**34,200**	**34,200**

There was no revaluation which was done during the year since there is no significant movement in fair vale. The last revaluation was done during the year 2020.

24: Property and equipment and right-of-use assets

Group In TZS million	Leasehold improvements	Land and Buildings	Motor vehicles	Machinery and automation	IT Equipment	Furniture And equipment	Work In Progress	Right of use (leasehold)	Total
Cost									
At 1 January 2020	5,917	252	3,116	248	4,155	3,302	700	3,397	21,088
Additions	-	2,334	-	5	15	7	-	499	2,860
Elimination of TIB Corporate Bank LTD	(3,764)		(1,293)		(1,494)	(2,091)	(700)	(3,397)	(12,740)
At 31 December 2020	2,153	2,586	1,823	253	2,676	1,217	-	499	11,208
Additions	-	168	-	3	156	1	-	1,361	1,688
Lease reassessment	-	-	-	-	-	-	-	1,676	1,676
Disposal	-	-	-	-	-	-	-	(606)	(606)
At 31 December 2021	**2,153**	**2,754**	**1,823**	**256**	**2,832**	**1,218**	**-**	**2,930**	**13,966**
Depreciation									
At 1 January 2020	(4,443)	(231)	(2,748)	(234)	(3,638)	(2,330)	-	(1,311)	(14,934)
Depreciation charge for the year	(19)	(10)	-	(7)	(62)	(71)	-	(125)	(293)
Elimination of TIB Corporate Bank LTD	2,339	-	926	-	1,087	1,475	-	1,311	7,139
At 31 December 2020	**(2,123)**	**(241)**	**(1,822)**	**(241)**	**(2,613)**	**(925)**	**-**	**(125)**	**(8,089)**
Depreciation charge for the year	(21)	(11)	-	(5)	(70)	(77)	-	(742)	(927)
Lease reassessment	-	-	-	-	-	-	-	(1,031)	(1,031)
Disposal	-	-	-	-	-	-	-	606	606
At 31 December 2021	**(2,144)**	**(252)**	**(1,822)**	**(246)**	**(2,683)**	**(1,002)**	**-**	**(1,291)**	**(9,441)**
Net book value									
At 31 December 2021	**9**	**2,502**	**1**	**10**	**149**	**216**	**-**	**1,639**	**4,525**
At 31 December 2020	**30**	**2,345**	**1**	**13**	**63**	**293**	**-**	**374**	**3,119**

24: Property and equipment and right-of-use assets (Continued)

Bank In TZS million	Leasehold improvements	Land And Buildings	Motor vehicles	Machinery And automation	IT Equipment	Furniture And equipment	Right of use (leasehold)	Total
Cost								
At 1 January 2020	2,153	252	1,822	249	2,586	1,020	-	8,082
Additions		2,334	-	5	15	7	499	2,860
At 31 December 2020	**2,153**	**2,586**	**1,822**	**254**	**2,601**	**1,027**	**499**	**10,942**
Additions				3	74	11	1,361	1,449
Lease reassessment							1,676	1,676
Disposal	-	-	-	-	-	-	(606)	(606)
At 31 December 2021	**2,153**	**2,586**	**1,822**	**257**	**2,675**	**1,038**	**2,930**	**13,460**
Depreciation								
At 1 January 2020	(2,104)	(231)	(1,822)	(234)	(2,518)	(813)	-	(7,722)
Depreciation charge for the year	(19)	(10)	-	(7)	(43)	(47)	(125)	(251)
At 31 December 2020	(2,123)	(241)	(1,822)	(241)	(2,561)	(860)	(125)	(7,972)
Depreciation charge for the year	(21)	(11)	-	(5)	(52)	(53)	(742)	(884)
Lease reassessment							(1,031)	(1,031)
Disposal							606	606
At 31 December 2021	**(2,144)**	**(252)**	**(1,822)**	**(246)**	**(2,612)**	**(914)**	**(1,291)**	**(9,281)**
Net book value								
At 31 December 2021	**9**	**2,334**	**(0)**	**11**	**63**	**124**	**1,638**	**4,179**
At 31 December 2020	**30**	**2,345**	**(0)**	**13**	**40**	**167**	**374**	**2,969**

		GROUP		BANK	
	In TZS million	2021	2020	2021	2020
25	**INTANGIBLE ASSETS**				
	Cost				
	At 1 January	3,179	3,179	3,163	3,163
	As at 31 December	**3,179**	**3,179**	**3,163**	**3,163**
	Amortisations				
	At 1 January	(3,073)	(3,000)	(3,059)	(2,992)
	Amortisation during the year	(49)	(71)	(47)	(67)
	As at 31 December	**(3,122)**	**(3,071)**	**(3,106)**	**(3,059)**
	Net book value				
	As at 31 December	**57**	**108**	**57**	**104**

		GROUP		BANK	
	In TZS million	2021	2020	2021	2020
26	**TAX**				
	a} Tax expense				
	Current year income tax	6,773	7,651	6,636	7,651
	Deferred tax -asse charged to profit or loss	(9,360)	(2,385)	(9,360)	(2,385)
	Prior year tax expense adjustment	16,782	-	16,782	-
		14,195	**5,266**	**14,058**	**5,266**
	b} Reconciliation of tax expense to tax based on accounting profit:				
	Accounting profit before taxation	**(11,266)**	**10,281**	**(10,565)**	**10,579**
	Tax applicable rate of 30%	(3,032)	3,174	(3,169)	3,174
	Permanently disallowed expenditure and income	445	2,092	445	2,092
	Prior Year tax expense Adjustment*	16,782	-	16,782	-
	Tax (income)/expense	**14,195**	**5,266**	**14,058**	**5,266**
	*The prior year tax expenses relate to under assessed tax in the previous year which relates to previous years.				

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

c} Deferred tax				
Opening balance	(148,855)	-	(148,855)	(144,227)
Prior Year Adjustment	(2,381)	-	(2,381)	-
Revised opening balance	(151,235)	-	(151,235)	(144,227)
Accelerated depreciation for tax purposes	85	134	85	134
Change in fair value of equity investment	988	290	988	290
Re-measurement gains on employment benefits actuarial valuation	1,180	668	1,180	668
General provisions	(31,087)	(152,315)	(31,087)	(8,041)
IFRS 16 (Lease)	(199)	(12)	(199)	(12)
	(180,268)	**(151,236)**	**(180,268)**	**(151,189)**
Deferred tax (assets)/ liability thereon	(54,081)	(45,371)	(54,081)	(45,371)
	(54,081)	**(45,371)**	**(54,081)**	**(45,371)**
Less: opening deferred tax	(45,371)	(43,269)	(45,371)	(43,269)
Deferred tax (asset) / liability release	**(8,710)**	**(2,102)**	**(8,710)**	**(2,102)**
Statement of profit or loss and other comprehensive income break-down				
Charged to profit or loss	14,058	5,266	14,058	5,266
Charged to other comprehensive income	650	287	650	287
	14,708	**5,553**	**14,708**	**5,553**
d} Tax recoverable				
Tax payable brought forward	30,681	18,104	30,540	18,236
Tax charge for the year	6,498	7,651	6,636	7,651
Tax payments during the year	(3,850)	(1,678)	(3,850)	(1,669)
Interest on under estimation and late payment	16,782	6,323	16,782	6,323
Transfer to Withholding Charges	(1,251)	-	(1,208)	-
Tax (recoverable)/ Payable	**48,860**	**30,398**	**48,900**	**30,540**

		GROUP		BANK	
	In TZS million	2021	2020	2021	2020
27	**DUE TO BANKS**				
	Banks and other financial institutions	109,115	121,289	109,115	121,289
	Interest payable	1,328	585	1,328	585
		110,443	**121,874**	**110,443**	**121,874**
28	**DUE TO CUSTOMERS**				
	Term deposits	200,376	198,446	200,376	198,446
	Interest payable	10,994	6,873	10,994	6,873
		211,370	**205,319**	**211,370**	**205,319**
29	**PAYABLES AND ACCRUALS**				
	Accruals	3,219	6,472	2,471	2,746
	Other liabilities	6,338	2,750	6,338	2,357
	Lease liability	1,751	-	1,751	393
		11,308	**9,222**	**10,560**	**5,496**
	Lease liabilities movement				
	As at 01 January 2021	393	-	393	-
	Addition	1,361	-	1,361	-
	Lease reassessment	704	-	704	-
	Interest expenses	175	-	175	-
	Payment - Principal	(155)	-	(155)	-
	Payment - Interest portion	(726)	-	(726)	-
	As at 31 December 2021	**1,751**	**-**	**1,751**	**-**
30	**DEFERRED INCOME**				
	Deferred fees income on loans	486	427	486	427
		486	**427**	**486**	**427**

Deferred Income on loans represents amount received as appraisal fee on long term loans, which is non refundable

31	**BORROWINGS**				
	Current potion				
	Principal	6,815	6,852	6,815	6,852
	Interest	1,527	1,992	1,527	1,992

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

	8,342	**8,844**	**8,342**	**8,844**
Noncurrent potion				
Principal Amount	16,820	26,619	16,820	26,619
Interest payable	139	288	139	288
	16,959	**26,907**	**16,959**	**26,907**
	25,301	**35,751**	**25,301**	**35,751**
Movement in Long Term Borrowing				
At the beginning of the period	35,751	49,040	35,751	49,040
New Loan facility	-	-	-	-
Interest accrued	1,828	3,178	1,828	3,178
Impact of exchange rate movement	-	-		
Principal Repayments	(10,036)	(13,461)	(10,036)	(13,461)
Interest repayments	(2,241)	(3,006)	(2,241)	(3,006)
At the end of the period	**25,301**	**35,751**	**25,301**	**35,751**

32 GOVERNMENT GRANTS

Capital Grants				
At the beginning of the period	(0)	20	(0)	20
Released to the statement of profit or loss	-	(20)	-	(20)
As at 31 December	**-**	**-**	**-**	**-**

Capital Grants are the IT equipment received from Prime Minister's Office in 2016 to support bank's operations. Capital grants are amortised to profit or loss based on estimated useful life assessed

		GROUP			BANK
	In TZS million	2021	2020	2021	2020
33	**SHARE CAPITAL**				
	Authorised share capital				
	The total authorised share capital of the bank is 1,000,000 shares of TZS 1,000 each.	1,000,000	1,000,000	1,000,000	1,000,000
	Authorised, called up and fully paid				
	219,137,661 ordinary shares of TZS 1,000 each (2019: 219,137,661 ordinary shares)	**219,138**	**219,138**	**219,138**	**219,138**
	Advance towards share Capital	**5,281**	**5,281**	**5,281**	**5,281**
34	**REGULATORY CAPITAL**				
	Share capital	219,138	219,138	219,138	219,138
	Retained earning	(141,880)	(134,946)	(141,880)	(134,946)
		77,258	**84,192**	**77,258**	**84,192**
	Add				
	Capital Grant	-	-	-	-
	Less:				
	Prepaid expenses	312	322	312	322
	Lease hold improvement	9	-	9	-
	Deferred tax assets	54,081	45,371	54,081	45,371
		54,401	**45,797**	**54,401**	**45,797**
	Core capital (Tier 1)	**22,857**	**38,395**	**22,857**	**38,395**
	Add: Supplementary capital (Tier 2)	-	-	-	-
	Tier 1 Capital & Tier 2 Capital	**22,857**	**38,395**	**22,857**	**38,395**
	Required capital	**50,000**	**50,000**	**50,000**	**50,000**
	Risk - weighted assets				
	On financial position	510,584	528,451	510,584	528,451
	Off financial position	10,610	27,320	10,610	27,320
	Total risk - weighted assets	**521,194**	**555,771**	**521,194**	**555,771**
	Bank Ratios				
	Tier 1 (BoT Minimum 13%)	4.4%	6.9%	4.4%	6.9%
	Tier 1 + Tier 2 (BoT Minimum 15%)	4.4%	6.9%	4.4%	6.9%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

35 RELATED PARTY DISCLOSURES

A number of transactions are entered into with related parties in the normal course of business. These include loans, deposits and foreign currency transactions and payments made on behalf of each other to be recovered later. The volumes of related party transactions, outstanding balances at the year end and the related expenses and income for the year are as follows:

		GROUP		BANK	
	In TZS million	2021	2020	2021	2020
a.	Loans to Key management personnel				
	At the beginning of the year	340	191	340	191
	Loans issued during the year	329	432	329	432
	Loan repayments during the year	(381)	(283)	(381)	(283)
	As at the end of the year	**288**	**340**	**288**	**340**
b.	Key management compensation				
	Salaries and other short-term benefits	2,276	2,596	2,276	2,596
	Contributions to Pension funds	267	335	267	335
		2,543	**2,930**	**2,543**	**2,930**
	Key management comprise of Managing Director, Directors and Independent Departmental Heads.				
	Directors' remuneration				
	Made up of:				
	Directors' emoluments (Note 14)	40	22	40	22
		40	**22**	**40**	**22**
c.	Accounts Receivables				
	TIB Rasilimali Limited	951	810	951	810
	As at the end of the year	**951**	**810**	**951**	**810**
d.	Fees received from the Government for managing projects				
	Managed funds Note 42	**268**	**244**	**268**	**244**

Transactions entered into with the related parties are at an arm's length in the ordinary course of business. These transactions are carried out on normal commercial terms and at prevailing market rates. Resources of the subsidiaries are not freely available for business operations of the parent company.

36 EMPLOYMENT BENEFIT OBLIGATION

	GROUP		BANK	
Assumptions:	2021	2020	2021	2020
Interest (p.a.)	16.0%	11.6%	16.0%	11.6%
Salary increases (p.a.)	3.0%	6.0%	3.0%	6.0%
Compulsory NRA	age 60	age60	age 60	age60

	GROUP		BANK	
In TZS million	2021	2020	2021	2020
Reconciliation of benefit obligation				
Opening benefits Obligation	2,930	2,827	2,930	2,827
Current service cost (employer)	129	527	129	527
Interest cost	469	434	469	434
Actuarial (gain) / loss	(1,180)	(668)	(1,180)	(668)
Benefit paid	(66)	(190)	(66)	(190)
Closing Benefit obligation	**2,281**	**2,930**	**2,281**	**2,930**
The amount recognised in the statement of financial position is as follows:				
Present value of unfunded obligation	2,281	2,930	2,281	2,930
Net underfunding in funded plan	2,281	2,930	2,281	2,930
Defined benefit obligation/(asset) recognised in the statement of financial position	**2,281**	**2,930**	**2,281**	**2,930**
The amount recognised in the statement of profit or loss are as follows:				
Service costs				
Current service cost (employer)	129	527	129	527
Total service costs	**129**	**527**	**129**	**527**
Interest cost				
Interest cost on defined benefit obligation	469	434	469	434
Net Interest cost on benefits sheet liability	**469**	**434**	**469**	**434**
Total included in profit and loss in respect of scheme	**598**	**961**	**598**	**961**
Re-measurement in the statement of other comprehensive income (OCI)				
Actuarial (gain) loss - financial assumptions	(979)	(246)	(979)	(246)
Actuarial (gain) loss - experience adjustment	(201)	(421)	(201)	(421)
Amount recognised in OCI in the financial year	**(1,180)**	**(667)**	**(1,180)**	**(668)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

37 CASH FLOW FROM OPERATING ACTIVITIES

	GROUP		BANK	
In TZS million	2021	2020	2021	2020
Interest Receipt				
Opening Balance Interest Receivable	127,933	104,912	127,933	104,912
Interest Income	59,537	64,544	59,537	64,544
Closing Balance Interest receivable	(147,086)	(127,933)	(147,086)	(127,933)
Interest charged off and written off	-	(5,910)		(5,910)
Less: Capitalised Interest	(12,419)	(11,460)	(12,419)	(11,460)
(a) Interest Receipt	**27,965**	**24,153**	**27,965**	**24,153**
Interest Payments				
Opening balance interest payable	7,747	19,379	7,747	19,379
Interest expenses	16,709	20,723	16,709	20,723
Less: Capitalised Interest	-	(13,005)		(13,005)
Closing Balance interest payable	(12,461)	(7,747)	(12,461)	(7,747)
(b) Interest Payments	**11,995**	**19,350**	**11,995**	**19,350**
Net fee commission receipts				
Opening Balance of Receivables	56,369	17,425	56,369	17,425
Fee Income	1,323	1,414	1,323	1,414
Less: Opening Balance of grants	-	(20)	-	(20)
Less: Closing Balance of Receivables - Note 20	(53,624)	(56,369)	(53,624)	(56,369)
Add: Closing Balance of deferred income	486	427	486	427
Less: Opening Balance of deferred income	(427)	(341)	(427)	(341)
Other non-cash adjustment	(2,910)	37,094	(2,200)	37,094
(c) Net fee commission receipts	**1,217**	**(370)**	**1,928**	**(370)**
Payments to employees and suppliers				
Opening balance Accounts Payable	5,496	5,693	5,496	5,693
Opening balance Prepayments	322	1,460	322	1,460
Cash Operating Expenses	21,601	26,259	21,601	26,259
Closing balance accounts payable - Note 29	(10,560)	(5,496)	(10,560)	(5,496)
Closing balance prepayments - Note 20	(312)	(3,334)	(312)	(322)
Other non-cash adjustment	(2,466)	488	(468)	488
(d) Payments to employees and suppliers	**19,013**	**25,070**	**16,079**	**28,082**

(e) Loans Principal Movement				
Closing Balance - Gross Loans	506,001	506,973	506,001	506,973
Add: Charged off loans	1	3,776	1	3,776
Less: Capitalised Interest	-	(11,460)		(11,460)
Less: Foreign Exchange Impact	(12,419)	(5,109)	(12,419)	(5,109)
Less: Opening Balance - Gross Loans	(506,973)	(524,695)	(506,973)	(524,695)
Disbursement (collection of principal loans)	**(13,390)**	**(30,515)**	**(13,390)**	**(30,514)**

*Interest Capitalized is the part of interest which is obtained after loan restructuring as the interest which was previously accrued had to be shifted to principal balance.

38. FAIR VALUE MEASUREMENT

Valuation methodology

The Bank establishes fair value for held to maturity financial assets using valuation technique that takes into account discount and interest earned at the reporting date. The current market information is available on the Bank of Tanzania website for market interest rates on loans and advances, deposits and borrowings

The Bank establishes fair value of available for sale financial assets based on the share prices of unquoted equity shares available from the issuer of the equity instrument at the reporting date. Fair values of held for trading financial assets are established based on prices/ market information of such instrument available on Dar es Salaam Stock Exchange website at the reporting date.

Fair value hierarchy

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 that the entity can access at the measurement date. This level includes listed equity securities and debt instruments on exchanges.

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, interest, and yield curves) or indirectly (that is, derived from prices Central Bank Auction prices for Government securities). There are three valuation techniques under IFRS 13 are:

a. Income approach
b. Market Approach
c. Cost Approach/ Net asset value approach

Given the nature of TIB investments and the information available, the relative valuation approach/ market approach and net asset valuation has been used to arrive at the fair value of those investments.

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs to valuation techniques).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Table 38.1: Fair value hierarchy

	GROUP		
	Level 1	Level 2	Level 3
31-Dec-21			
Financial investment held for trading – Note 16	377	-	-
Available-for-sale investment securities – Note 21	-	16,435	-
Investment property – Note 23			34,200
Land– Note 24			2,334
	377	**16,435**	**36,534**
31-Dec-20			
Financial investment held for trading – Note 16	352	-	-
Available-for-sale investment securities – Note 21	-	15,706	-
Investment property – Note 23			34,200
Land– Note 24			2,334
	352	**15,706**	**36,534**

	BANK		
	Level1	Level2	Level3
31-Dec-21			
Available-for-sale investment securities – Note 21	-	16,435	-
Investment property – Note 23	-	-	34,200
Land– Note 24	-	-	2,334
	-	**16,435**	**36,534**
31-Dec-20			
Available-for-sale investment securities – Note 21	-	15,396	-
Investment property – Note 23	-	-	34,200
Land– Note 24	-	-	2,334
	-	**15,396**	**36,534**

Financial instruments at amortized costs

The Group does not have a perfect basis for calculating the fair value of the other financial instruments at amortized cost. However, its overall assessment is that their fair values would not be significantly different from the amortized cost at which they are stated because the majority are short term or reprice in the short term.

Table 38.2: Financial Instruments at amortized cost

	GROUP	
In TZS million	2021	2020
	Carrying amount	Carrying amount
Financial assets		
Cash and balances with Bank of Tanzania – Note 14	5	4,157
Balance with other banks – Note 15	1,052	5,123
Loans and advances – Note 19	453,318	466,921
Government securities – Note 17	16,794	23,363
	471,169	**499,564**
Financial liabilities		
Deposits – Note 28	211,370	205,319
Payables and Accruals – Note 29	11,308	9,222
Long Term Borrowing – Note 31	25,301	35,751
	247,979	**250,292**

	BANK	
In TZS million	2021	2020
	Carrying amount	Carrying amount
Financial assets		
Cash and balances with Bank of Tanzania – Note 14	5	4157
Balance with other banks – Note 15	737	1,039
Loans and advances – Note 19	453,197	466,782
Government securities – Note 17	16,472	23,363
	470,411	**495,341**
Financial liabilities		
Deposits – Note 28	211,370	205,319
Payables and Accruals – Note 29	10,560	5,496
Long Term Borrowing – Note 31	25,301	35,751
	247,231	**246,566**

39. RISK MANAGEMENT

In the course of conducting its business, the Group is exposed to the following risks arising from financial instruments:

- Credit risk;
- Liquidity risk;
- Market risks; and
- Operational risk.

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The significance of risk is assessed within the context of the Group. The Group's risk management approach is that:

- All risks must be identified and managed, and that the returns must be commensurate with the risks taken, relative to the risk appetite;
- The effectiveness of risk management processes is ensured through formal governance and comprehensive regular reporting processes in a well-defined control environment; and
- It is the responsibility of each staff, relative to their position, to identify themselves with the declared priority of risk management, to recognize real or anticipated risk and to take appropriate action.

Risk management is guided by several principles, the most important being:

- The assignment of appropriate responsibility and accountability for all risks and resulting returns;
- The adoption of a Risk Management Framework for integrated risk management which applies across all business units and all risk types for the protection of the Group and Bank's reputation;
- Comprehensive risk assessment, measurement, monitoring and reporting;
- Independent review; and
- Formal risk governance processes.

The Group has been constantly evaluating its internal capacities to ensure a good balance between its corporate results and its mandate. In 2019 the Bank continued with program to implement team oriented approach in the credit process. More efforts were directed towards monitoring the already disbursed loans and as such no new approvals were made.

This note presents information about the Group's objectives, policies and processes for measuring and managing risk.

Risk Management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is ultimately responsible for all risks taken by the Group. The Board of Directors has established Risk and Compliance department, Fund Mobilization Division for the Bank and Asset and Liability Management Committee (ALCO) which are responsible for developing and monitoring risk management policies. The Group risks management policies are established to identify and analyse the risk faced by the Group.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The following paragraph provides more information related to risk management.

Board Audit and Risk Committee

The Board's Audit and Risk committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Board's Audit and Risk committee is assisted in its oversight role by Internal Audit and Head of Risk and Compliance.

The Group's policy is that risk management processes throughout the Group are audited annually by the internal audit function, which examines both the adequacy of the procedures and the Group's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Board Audit and Risk Committee. The committee provides guidance to the management as well as advising the Board of Directors on risk management and related issues.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Risk and Compliance Department

The Risk & Compliance department is responsible for implementing and maintaining risk related procedures to ensure an independent control process is maintained. The Risk Management Framework prescribes the periodic reports to be submitted to both the Management and the Board to ensure that these two organs execute their oversight responsibilities related to the risk management function in the Bank.

Fund Mobilization Directorate

The Development Bank within the Group is a long term loans provider and mobilizing adequate funding resources is a key ingredient for success. The Bank has therefore formed an independent division (whose head reports to the Managing Director) responsible for formulation of strategies on fund mobilization and monitoring their implementation. The division is charged with responsibility to manage the Bank's liquidity risk and ensuring that the Bank meets all its maturing obligations while at the same time providing resources for expansion of the Bank's lending activities.

Internal Audit

The Group's policy is that risk management processes throughout the Group are audited annually by the internal audit function, which examines both the adequacy of the procedures and the Group's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Board Audit and Risk Committee.

The Group's activities expose it to a variety of financial risks including credit risk, liquidity risk, market risks and operational risks. The Group'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.

a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's loans and advances to customers and other Banks and investment securities. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure.

The table below show the amounts of maximum credit exposures in the bank held products as at the end of the year.

Table 39.1: Maximum Credit Exposures

In TZS million	GROUP		BANK	
	2021	2020	2021	2020
Cash and balances with Bank of Tanzania	5	4,157	5	4,157
Balance with other banks	1,052	5,123	737	1,039
Government and Corporate securities held - to - maturity	16,794	23,363	16,472	23,363
Loans and advances	652,529	634,244	652,408	634,105
Accounts receivable and Prepayments	46,470	48,538	47,156	49,228
Total Credit Exposure	**716,849**	**715,425**	**716,778**	**711,892**

(i) Management of Credit Risk

The Board of Directors has delegated responsibility for the management of credit risk to the Management which in turn has assigned the role to the Development Finance Directorate which is responsible for appraisal function and Portfolio Management Directorate responsible for follow up of credit. These are two key directorates in the Investment and Portfolio Review Committees. The Risk and

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Compliance department, through its credit risk unit make an independent review of the credit risk taking transactions in the bank. These directorates are, among other things, responsible for:

a) Credit risk

- Formulating credit policies, covering collateral requirements, credit assessment, risk grading, documentary and legal procedures, and compliance with regulatory and statutory requirements;
- Ensure that the appraisal process is effective and informed;
- Establishing the authorization structure for the approval and renewal of credit facilities. Authorization limits are allocated to various officers at different levels with higher facilities requiring Board approval. Directorate of Development Financing assesses all credit exposures prior to facilities being committed to customers concerned. Renewals and reviews of facilities are subject to the same review process;
- Limiting concentrations of exposure. The delegated authority approved by the Board of Directors sets exposure limits to any group/sector;
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries and product types. Regular reports are provided to the Portfolio Review Committee, Board Investment Committee and the Board in respect of the quality of loan portfolio;
- Providing advice, guidance and specialist skills to business units to promote best practice in the management of credit risk.

The Group has a Technical Services Department which provides professional inputs in on specific areas especially engineering and related fields for effective appraisal and monitoring processes.
To ensure effective credit monitoring, Zonal offices have been assigned the task to monitor completed projects under their zones. The projects still under implementation continue to be jointly monitored by the zonal offices and the head office especially the Technical Services Department. Regular audits of both Development Finance and Portfolio Management divisions as well as Zonal Offices are undertaken by the Internal Audit Department.

Loans and advances
In measuring credit risk of loans 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;
(ii) current exposures to the counterparty and its likely future development, from which the Bank derive the 'exposure at default'; and
(iii) the likely recovery ratio on the defaulted obligations (the 'loss given default').

These credit risk measurements, which reflect expected loss (the 'expected loss model'), are embedded in the Bank's daily operational management. This is in line with impairment requirements of IFRS 9, which requires the bank to estimate its losses using expected loss model where a 12 months or lifetime horizon need to be put into consideration (Looking into the future).

(i) Probability default

The Bank assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. They have been developed internally and combine statistical analysis with credit officer judgment. Clients of the Bank are segmented into rating classes based on performance. 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. The rating tools are kept under review and upgraded as necessary. The Bank regularly validates the performance of the rating and their predictive power with regard to default events.

(ii) Exposure at default

Exposure at default is based on the amounts the Bank expects to be owed at the time of default. For example, for a loan this is the face value.

(iii) Loss Given Default (LGD)

Loss given default represent the Bank's expectation of the extent of the loss on a claim should a default occur. The ninety percent (90%) of the Bank's loans are secured against cash collaterals calculated as a percentage of disbursed amount. The percentage rate used depends on the product taken by the customer. The Bank's LGD is therefore computed per loan considering the cash collateral. The cash collateral is non-interest bearing. Since the collaterals are in cash, there is no discounting of the cash flows and also there are no transaction costs in realizing them. For loans not secured against cash collateral, the LGD is considered to be one hundred percent (100%).

Impairment and provisioning policies

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

The impairment provision shown in the statement of financial position at period-end is derived from each of the internal rating grades. However, the majority of the impairment provision comes from the bottom two grades. Details showing the percentage of the Bank's on-balance sheet items relating to loans and advances and the associated impairment provision for each of the Bank's internal rating categories are shown below.

The Bank's policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require.

Impairment provisions on individually assessed accounts are determined by an evaluation of expected credit losses at reporting date on a case-by-case basis and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account. Majority of the loans issued by the Bank, around ninety nine percent (99%) are secured with cash collateral equivalent to 10% of the loan amount. Since the collateral is in cash, there are no transaction costs in realizing this collateral. The cash collateral values fluctuate from period to period since the Bank offsets the same with overdue amounts for loans above 180 days past due hence cash collateral expected to be realized may be less than the original amount of 10% of the loan. The cash collateral is non-interest bearing. In arriving at the cash collateral to be realized, the Bank has used the actual outstanding amount of cash collateral per loan

Bank's rating	Staging	Description of the grade	Number of days past due
1	Stage 1	Current	0 to 180 days
2	Stage 1	Especially Mentioned	Doc deficiencies
3	Stage 2	Substandard	181 to 365 days
4	Stage 2	Doubtful	366 to 540 days
5	Stage 3	Loss	More than 541 days

The total impairment provision for loans and advances represents both individually impaired loans and loans assessed on a portfolio basis.

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Gross carrying amount of loans to customers and the corresponding ECL allowances are summarized as follows:

Loans and advances to customers*

In TZS million			Bank	
Internal rating grade	Stage 1	Stage 2	Stage 3	2021
Total				
Current	77,379	21,664	49,065	148,108
Especially mentioned	72,115	81,595	-	153,710
Substandard	4,175	-	2	4,177
Doubtful	-	-	63,993	63,993
Loss	2,204	-	280,216	282,420
Gross Carrying amount	**155,873**	**103,259**	**393,276**	**652,408**
ECL allowance	(2,511)	-	(95,615)	(98,125)
Interest In suspense	(46)	-	(99,806)	(99,851)
Staff Loan Fair valuation	(1,235)	-	-	(1,235)
Net Loans and advances to customers	**152,081**	**103,259**	**197,857**	**453,197**

			Bank	
Internal rating grade	Stage 1	Stage 2	Stage 3	2020
Total				
Current	76,896	18,902	45,202	141,000
Especially mentioned	59,671	98,518	7,619	165,809
Substandard	-	-	4,231	4,231
Doubtful	-	42,020	7,324	49,344
Loss	47	4,721	268,953	273,722
Gross Carrying amount	**136,614**	**164,161**	**333,329**	**634,105**
ECL allowance	(808)	(601)	(82,717)	(84,128)
Interest In suspense	(10)	(939)	(81,012)	(81,961)
Staff Loan Fair valuation	(1,235)	-	-	(1,235)
Net Loans and advances to customers	**134,561**	**162,621**	**169,600**	**466,782**

Loans and advances to customers*

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

In TZS million	Stage 1		Stage 2		Stage 3		2021 Total	
	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
01-Jan-21	136,614	808	164,161	601	333,328	82,718	634,104	84,128
New assets originated or purchased	14,922	1,704	3,633	(601)	3,141	12,896	21,696	13,999
Payments and assets derecognised	(37,519)		(8,279)		(6,310)		(52,108)	-
Accrued interest	41,856	-	6,485	-	8,112	-	56,453	-
Amounts written off	-	-	-		(52)	-	(52)	-
Transfers to								
Stage 3	-	-	(62,742)	-	62,742	-	-	-
Foreign exchange adjustments					(7,685)		(7,685)	-
Interest in Suspense								98,850
At 31 December 2021	**155,873**	**2,512**	**103,259**	**0**	**393,276**	**95,615**	**652,408**	**197,976**

In TZS million	Stage 1		Stage 2		Stage 3		2020 Total	
	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
01-Jan-20	208,941	44	143,130	408	276,733	64,306	628,804	64,759
New assets originated or purchased	9,113	763	799	193	311	18,412	10,223	19,368
Payments and assets derecognised	(25,789)		(25,715)		(5,593)		(57,096)	-
Accrued interest	36,885		14,792		20,932		72,610	-
Amounts written off					(9,026)		(9,026)	-
Transfers to Stage 1	(92,537)		47,121		45,415		-	-
Transfers to Stage 2			5,008		(5,008)		-	-
Transfers to Stage 3			(7,030)		7,030		-	-
Foreign exchange adjustments			(13,945)		2,535		(11,410)	-
Interest in Suspense								81,960
At 31 December 2020	**136,614**	**808**	**164,161**	**601**	**333,329**	**82,718**	**634,105**	**166,088**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(ii) Credit quality analysis

The credit quality of financial assets is managed by the Group using internal credit ratings. The table below set out information about the credit quality of the financial assets and allowances for impairment/loss held by the Group against those assets.

Table 39.2 (a): Credit quality

GROUP	Neither past due nor impaired						
In TZS million 2021	Current	Especially mentioned	Past due but not impaired	Past due And impaired	Total	Impairment	Carrying amount
Cash and balances with Bank of Tanzania	5	-	-	-	5	-	5
Balance with other banks	1,052	-	-	-	1,052	-	1,052
Trading Assets	377	-	-	-	377	-	377
Government and corporate securities held - to - maturity	16,794	-	-	-	16,794	-	16,794
Loans and advances	113,351	167,932	81,166	290,080	652,529	199,211	453,318
Equity investment-available for sale	16,435	-	-	-	16,435		16,435
Total	**148,014**	**167,932**	**81,166**	**290,080**	**687,192**	**199,211**	**487,981**
2020							
Cash and balances with Bank of Tanzania	4,157	-	-	-	4,157	-	4,157
Balance with other banks	5,123	-	-	-	5,123	-	5,123
Financial investment held for trading	352	-	-	-	352	-	352
Government and corporate securities held - to - maturity	23,363	-	-	-	23,363	-	23,363
Loans and advances	66,099	165,809	69,895	332,302	634,105	167,323	466,782
Equity investment-Available for sale	15,706	-	-	-	15,706		15,706
Total	**114,799**	**165,809**	**69,895**	**332,302**	**682,805**	**167,323**	**515,482**

BANK In TZS million	Neither past due nor impaired						
2021	Current	Especially mentioned	Past due but not impaired	Past due and impaired	Total	Impairment	Carrying amount
Cash and balances with Bank of Tanzania	5	-	-	-	5	-	5
Balance with other banks	737	-	-	-	737	-	737
Government and corporate securities held - to - maturity	16,472	-	-	-	16,472	-	16,472
Loans and advances	113,230	167,932	81,166	290,080	652,408	199,211	453,197
Equity investment-available for sale	16,435	-	-	-	16,435	-	16,435
Total	**146,879**	**167,932**	**81,166**	**290,080**	**686,057**	**199,211**	**486,846**
2020							
Cash and balances with Bank of Tanzania	4,157	-	-	-	4,157	-	4,157
Balance with other banks	1,039	-	-	-	1,039	-	1,039
Government and corporate securities held - to - maturity	23,363	-	-	-	23,363	-	23,363
Loans and advances	66,099	165,809	69,895	332,302	634,105	167,323	466,782
Equity investment-Available for sale	15,396	-	-	-	15,396	-	15,396
Total	**110,054**	**165,809**	**69,895**	**332,302**	**678,060**	**167,323**	**510,737**

Impaired loans and advances

The Group measures the loss allowance for a financial instrument at an amount equal to the lifetime expected losses if the credit risk on that financial instrument has increased significantly since initial recognition, if the credit risk has not increased significantly the entity shall measure the loss allowance at an amount equal to the 12 month expected losses.

The level of provision held for any facility will mostly rely on the facility's credit quality.

Loan and advances that are past due but not impaired

Loans and advances that are 'past due but not impaired' are those for which contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the level of security or collateral available and/or the stage of collection of amounts owed to the Group.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Loans and advances renegotiated

Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans, in particular project finance loans. Except where project is still under implementation, all rescheduled loans have been assigned a classification of substandard or worse as per Bank of Tanzania directive hence they form part of non-performing loans unless prior approval is given by the Bank of Tanzania. The internal rating scale assists management to determine whether objective evidence of impairment exists, based on the following criteria set out by the Group:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower;
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position and
- Deterioration in the value of collateral.

Charged off loans

The Group's policy requires the review of individual financial assets regularly and grading of accounts is done every month where provision on non-performing loans is raised based on the guidelines of the Bank of Tanzania.

Write-off policy

The Group writes off loans as and when the Board reviews and accepts the recommendations by the management that the loans are irrecoverable. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation or that proceeds from collateral will not be sufficient to pay back the entire exposure.

Recoveries of amounts previously written off are included in 'other income' in the statement of profit or loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

During the year an amount of TZS 0.42 million was written off (2020: 27.59 million) after it was established that the amount was uncollectable.

(iii) Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For securities lending and reverse repurchase transactions, cash or securities
- For commercial lending, charges over real estate properties, inventory and trade receivables
- For retail lending, mortgages over residential properties

The Group also obtains guarantees from Bank of Tanzania for loan issued to projects qualifying under the export or SME guarantee schemes. Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses. It is the policy of the Group to require a security cover of not less than 1.25 times.

It is the Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Group does not occupy repossessed properties for business use.

During the year there were no pledged securities repossessed by the Group and bank.
The Group can make use of master netting agreements with counterparties with whom a significant volume of transactions are undertaken. Such an arrangement provides for a single net settlement of all financial instruments covered by the agreement in the event of default on any one contract. Master netting arrangements do not normally result in an offset of financial position assets and liabilities unless certain conditions for offsetting apply.

Although master netting arrangements may significantly reduce credit risk, it should be noted that:

- Credit risk is eliminated only to the extent that amounts due to the same counterparty will be settled after the assets are realized;

- The extent to which overall credit risk is reduced may change substantially within a short period because the exposure is affected by each transaction subject to the arrangement.

(iii) Concentration of credit risk

Credit concentration risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

- ***Concentration risk by sector***

In order to avoid excessive concentrations of risk, the Group's credit policy and accompanying manuals include specific guidelines to focus on maintaining a diversified portfolio with limits set for each sector. Identified concentrations of credit risks are controlled and managed accordingly.

An analysis of concentration of credit risk by sector from loans and advances is shown below:

Table 39.3 (a): Credit Concentration

In TZS million GROUP	Financial Services	Agriculture & Fishing	Government	Energy & Mining	Manufacturing	Building & Construction	Transport & Communication	Services	Total
2021					TZS Millions				
Financial assets									
Cash and balances with Bank of Tanzania	-	-	5	-	-	-	-	-	5
Balance with other banks	1,052	-	-	-	-	-	-	-	1,052
Trading Assets	-				377		-		377
Government /Corporate securities HTM	71	-	16,723	-	-	-	-	-	16,794
Loans and advances	9,551	243,227	-	199,396	70,927	50,989	4,088	74,350	652,529
Investment securities designated at FVOCI-equity investments	16,435	-	-	-	-	-	-	-	16,435
	27,108	**243,227**	**16,728**	**199,396**	**71,304**	**50,989**	**4,088**	**74,350**	**687,192**
2020									
Financial assets									
Cash and balances with Bank of Tanzania	-	-	4,157	-	-	-	-	-	4,157
Balance with other banks	5,123	-	-	-	-	-	-	-	5,123
Deferred tax asset	95				231		26		352
Government /Corporate securities HTM	71	-	23,292	-	-	-	-	-	23,363
Loans and advances	9,432	229,142	-	205,592	64,001	53,330	6,766	65,842	634,105
Investment securities designated at FVOCI-equity investments	15,706	-	-	-	-	-	-	-	15,706
	30,427	**229,142**	**27,449**	**205,592**	**64,232**	**53,330**	**6,792**	**65,842**	**682,805**

Table 39.3 (b): Credit Concentration

In TZS million BANK Industry analysis	Financial Services	Agriculture And Fishing	Government	Energy And Mining	Manufacturing	Building and Construction	Transport And Communication	Services	Total
2021									
Financial assets									
Cash and balances with Bank of Tanzania	-	-	5	-	-	-	-	-	5
Balance with other banks	737	-	-	-	-	-	-	-	737
Government /Corporate securities HTM	-	-	16,472	-	-	-	-	-	16,472
Loans and advances	9,551	243,227	-	199,396	70,927	50,989	4,088	74,229	652,408
Investment securities designated at FVOCI-equity investments	16,435	-	-	-	-	-	-	-	16,435
	26,723	**243,227**	**16,477**	**199,396**	**70,927**	**50,989**	**4,088**	**74,229**	**686,057**
2020									
Financial assets									
Cash and balances with Bank of Tanzania	-	-	4,157	-	-	-	-	-	4,157
Balance with other banks	1,039	-	-	-	-	-	-	-	1,039
Government /Corporate securities HTM	-	-	23,363	-	-	-	-	-	23,363
Loans and advances	9,432	229,142	-	205,592	64,001	53,330	6,766	65,842	634,105
Investment securities designated at FVOCI-equity investments	15,396	-	-	-	-	-	-	-	15,396
	25,867	**229,142**	**27,520**	**205,592**	**64,001**	**53,330**	**6,766**	**65,842**	**678,060**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

- ***Concentration of credit risk by Geographical location***

Concentration of credit risk by geographical location is based on customer's country of domicile. The Group's exposure by geographical location is analysed below:

Table 39.4: Geographic Concentration

	GROUP				
In TZS million	Tanzania	Europe	America	Others	Total
2021					
Financial assets					
Cash and balances with Bank of Tanzania	5	-	-	-	5
Balance with other banks	1,052	-	-	-	1,052
Trading Assets	377				377
Government securities held to maturity	16,794	-	-	-	16,794
Loans and advances	453,318	-	-	-	453,318
Investment securities designated at FVOCI-equity investments	2,642	-	-	13,793	16,435
	474,188	**-**	**-**	**13,793**	**487,981**
2020					
Financial assets					
Cash and balances with Bank of Tanzania	4,157	-	-	-	4,157
Balance with other banks	5,123	-	-	-	5,123
Placements with other banks	-	-	-	-	-
Total assets	352				352
Government securities held to maturity	23,363	-	-	-	23,363
Loans and advances	466,921	-	-	-	466,921
Investment securities designated at FVOCI-equity investments	2,378	-	-	13,328	15,706
	502,293	**-**	**-**	**13,328**	**515,621**

Table 39.4: Geographic Concentration (continued)

	BANK				
In TZS million	Tanzania	Europe	America	Others	Total
2021					
Financial assets					
Cash and balances with Bank of Tanzania	5	-	-	-	5
Balance with other banks	737	-	-	-	737
Government securities held to maturity	16,472	-	-	-	16,472
Loans and advances	453,197	-	-	-	453,197
Investment securities designated at FVOCI-equity investments	2,642	-	-	13,793	16,435
	473,053	**-**	**-**	**13,793**	**486,846**
2020					
Financial assets					
Cash and balances with Bank of Tanzania	4,157	-	-	-	4,157
Balance with other banks	1,039	-	-	-	1,039
Government securities held to maturity	23,363	-	-	-	23,363
Loans and advances	466,782	-	-	-	466,782
Investment securities designated at FVOCI-equity investments	2,068	-	-	13,328	15,396
	497,409	**-**	**-**	**13,328**	**510,737**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

b) Liquidity risk

Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

(i) Management of liquidity risk

The Group'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 Group's reputation.

The Directorate of Funds Mobilization maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to institutions and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole. All liquidity policies and procedures are subject to review and approval by the Board of Directors after recommendation of the Board Audit and Risk Committee. The key elements of the Group's liquidity strategy are as follows;

- Maintaining a diversified funding sources in addition to the Group's core deposit base;
- Developing internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required;
- Maintaining a portfolio of highly marketable and diverse assets that assumed to be easily liquidated in the event of an unforeseen interruption of cash flow;
- In accordance with the Group's policy, the liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Bank.

The Group manages the liquidity structure of assets, liabilities and commitments so that cash flows are appropriately matched to ensure that all funding obligations are met when due. Banking operations are such that mismatch of assets and liabilities according to their maturity profiles cannot be avoided. However, management ensures that the mismatch is controlled in line with allowable risk levels.

The most important of these is to maintain limits on the ratio of net liquid assets to customer liabilities, to reflect market conditions. Net liquid assets consist of cash, short- term bank deposits and liquid debt securities available for immediate sale, less deposit for banks and other issued securities and borrowings due to mature within the next month.

As a lender of long term loans, the Bank depends on long term sources of funds. However, during the year the Bank continued to access short term deposits something that led to extended periods of liquidity pressure. The bank is now finalising its Corporate Bond issuance preparations and the Bond is expected to be issued by the third quarter 2020 to easy liquidity pressure.

In addition, as all other development banks do, the Bank depends on high capital from the shareholder to both provide liquidity as well as cushion for the higher credit risks underwritten. During the year the no additional capital was injected by the Government .The Government, as the main shareholder has made commitment to continue capitalizing the Bank.

(ii) Maturity analysis for financial assets and financial liabilities

The table below summarizes the remaining contractual maturities of the Group's and the Bank's financial assets and financial liabilities at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Table 39.5 (a): Liquidity Gaps

	GROUP					
In TZS million	Up to 1 month	Up to 3 months	Up to 6 months	Up to 12 months	Above 1 year	Total
2021						
Financial assets						
Cash and balances with Bank of Tanzania	5	-	-	-	-	5
Balance with other banks	1,052	-	-	-	-	1,052
Trading Assets				377		377
Government securities held to maturity	322	-	-	4,598	11,874	16,794
Loans and advances	232,058	143,723	1,770	1,883	273,095	652,529
Investment securities designated at FVOCI-equity investments	-	-	-	-	16,435	16,435
Total undiscounted financial assets	**233,437**	**143,723**	**1,770**	**6,857**	**301,404**	**687,192**
Financial liabilities						
Due to customers	156,754	6,497	34,346	12,620	1,153	211,370
Due to banks	82,416	28,027	-	-	-	110,443
Borrowing		-	1,581	5,373	18,347	25,301
Other Liability	9,557	-	-	-	-	9,557
Lease liability	96	289	578	482	482	1,926
	248,823	34,813	36,505	18,475	19,982	358,597
Net liquidity gap	(15,387)	108,911	(34,735)	(11,617)	281,422	328,594
Cumulative gap	(15,387)	93,524	58,789	47,172	328,594	-

2020						
Financial assets						
Cash and balances with Bank of Tanzania	4,157	-	-	-	-	4,157
Balance with other banks	5,123	-	-	-	-	5,123
Financial investment held for trading				352		352
Government securities held to maturity	802	-	-	7,154	15,407	23,363
Loans and advances	209,117	127,817	4,217	43,491	249,602	634,244
Equity investment-Available for sale	-	-	-	-	15,706	15,706
Total undiscounted financial assets	219,198	127,817	4,217	50,996	280,715	682,944

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Financial liabilities						
Due to customers	70,804	114,401	7,165	12,260	689	205,319
Due to banks	81,606	26,494	500	1,814	11,460	121,874
Borrowings		4,719	1,959	6,678	35,142	48,497
Other Liability	9,222	-	-	-	-	9,222
Lease liability	22	65	130	108	108	432
Total liabilities	**161,654**	**145,678**	**9,753**	**20,860**	**47,399**	**385,344**
Net liquidity gap	**57,544**	**(17,861)**	**(5,536)**	**30,136**	**233,316**	**297,600**
Cumulative gap	**57,544**	**39,683**	**34,147**	**64,284**	**297,600**	**-**

Table 39.5 (b): Liquidity Gaps

	BANK					
	Up to	Up to	Up to	Up to	Above	
In TZS million	1 month	3 months	6 months	12 months	1 year	Total
2021						
Financial assets						
Cash and balances with Bank of Tanzania	5	-	-	-	-	5
Balance with other banks	737	-	-	-	-	737
Government securities held to maturity	-	-	-	4,598	11,874	16,472
Loans and advances	231,937	143,723	1,770	1,883	273,095	652,408
Investment securities designated at FVOCI-equity investments	-	-	-	-	16,435	16,435
Total undiscounted financial assets	**232,679**	**143,723**	**1,770**	**6,480**	**301,404**	**686,057**
Financial liabilities						
Due to customers	156,754	6,497	34,346	12,620	1,153	211,370
Due to banks	82,416	28,027	-	-	-	110,443
Borrowing	-	-	1,581	5,373	18,347	25,301
Other Liability	8,809	-	-	-	-	8,809
Lease liability	96	289	578	482	482	1,926
Total liabilities	**248,075**	**34,813**	**36,505**	**18,475**	**19,982**	**357,849**
Net liquidity gap	**(15,396)**	**108,911**	**(34,735)**	**(11,994)**	**281,422**	**328,208**
Cumulative gap	**(15,396)**	**93,515**	**58,780**	**46,786**	**328,208**	**-**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2020						
Financial assets						
Cash and balances with Bank of Tanzania	4,157	-	-	-	-	4,157
Balance with other banks	1,039	-	-	-	-	1,039
Placements with other banks	-	-	-	-	-	-
Government securities held to maturity	802	-	-	7,154	15,407	23,363
Loans and advances	208,978	127,817	4,217	43,491	249,602	634,105
Equity investment-Available for sale	-	-	-	-	15,396	15,396
Total undiscounted financial assets	**214,975**	**127,817**	**4,217**	**50,645**	**280,406**	**678,060**
Financial liabilities						
Due to customers	70,804	114,401	7,165	12,260	689	205,319
Due to banks	81,606	26,494	500	1,814	11,460	121,874
Borrowings	288	6,739	1,449	1,976	25,298	35,751
Other Liability	9,890	-	-	-	-	9,890
Lease liability	22	65	130	108	108	432
Total liabilities	**162,610**	**147,698**	**9,244**	**16,158**	**37,556**	**373,266**
Net liquidity gap	**52,365**	**(19,880)**	**(5,027)**	**34,486**	**242,850**	**304,794**
Cumulative gap	**52,365**	**32,485**	**27,458**	**61,944**	**304,794**	**-**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

c) Market risk

Market risk is the risk that changes in market prices such as interest rates, equity prices, and foreign exchange rates will affect the Group's income or value of its holdings of financial instruments. The objective of the Group's market risk management is to manage and control market risk exposures within acceptable parameters to ensure the Group's solvency while optimizing the return on risk.

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rates and foreign currencies, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, and foreign exchange rates.

(i) Management of market risks

The Group separates its exposure to market risks between trading and non-trading portfolios.

The market risks arising from trading and non-trading activities are concentrated in the Group's treasury department and monitored regularly. Regular reports are submitted to the Board of Directors and Board Audit and Risk Committee. Trading portfolios include those positions arising from market-making transactions where the Group acts as principal with clients or with the market.

Non-trading portfolios primarily arise from the interest rate management of the entity's retail and commercial banking assets and liabilities.

(ii) Interest rate risk

Interest risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Management sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored daily and reports to Board Audit and Risk Committee on quarterly basis.

- ***Interest risk exposure***

The Group is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of changes in the prevailing levels of market rates but may also decrease or create losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest re-pricing that may be undertaken.

Consequently, the interest sensitivity effect on profit or loss would not be significant given the re-pricing frequency. The exposure to interest rates fluctuations on assets and liabilities denominated in currencies other than US dollar is minimal.

The table below summarizes the Bank's exposure to interest rate risks. It includes the Bank's financial instruments at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates. The Group does not bear any interest rate risk on off financial position item.

Table 39.6 (a): Interest rate Gaps

GROUP							
In TZS million	Up to 1 month	1 – 3 months	3 - 6 months	6 - 12 months	Over 1 year	Non-interest Bearing	Total
2021							
Assets							
Cash and bank balances with Bank of Tanzania	-	-	-	-	-	5	5
Balance with other banks	1,052	-	-	-	-	-	1,052
Trading Assets				377			377
Government and corporate securities HTM	322	-	-	4,598	11,874	-	16,794
Loans and advances	232,058	143,723	1,770	1,883	273,095	-	652,529
Investment securities designated at FVOCI-equity investments	-	-	-	-	-	16,435	16,435
Total assets	233,432	143,723	1,770	6,857	284,969	16,440	687,192
Liabilities							
Due to customers	156,754	6,497	34,346	12,620	1,153	-	211,370
Due to banks	82,416	28,027	-	-	-	-	110,443
Borrowing	-	-	1,581	5,373	18,347	-	25,301
Other liabilities	-	-	-	-	-	11,308	11,308
Total liabilities and equity	239,170	34,524	35,927	17,993	19,500	11,641	358,422
Interest sensitivity Gap	(5,700)	109,200	(34,157)	(11,136)	265,469	5,132	328,770
Cumulative Gap	(5,700)	103,461	69,304	58,169	323,638	328,770	
2020							
Assets							
Cash and bank balances with Bank of Tanzania	-	-	-	-	-	4,157	4,157
Balance with other banks	5,123	-	-	-	-	-	5,123
Financial investment held for trading				352			352
Government and corporate securities HTM	802	-	-	7,154	15,407	-	23,363
Loans and advances	209,117	127,817	4,217	43,491	249,602	-	634,244
Investment securities designated at FVOCI-equity investments	-	-	-	-	-	15,706	15,706
Total assets	215,041	127,817	4,217	50,996	265,010	19,863	682,944

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Liabilities							
Due to customers	70,804	114,401	7,165	12,260	689	-	205,319
Due to banks	81,606	26,494	500	1,814	11,460	-	121,874
Borrowing	288	6,739	1,449	1,976	25,298	-	35,751
Other liabilities	-	-	-	-	-	9,222	9,222
Total liabilities and equity	152,699	147,633	9,114	16,050	37,448	9,222	372,166
Interest sensitivity Gap	62,343	(19,815)	(4,897)	34,946	227,562	10,640	310,778
Cumulative Gap	62,343	42,527	37,630	72,576	300,138	310,778	

Table 39.6 (b): Interest rate Gaps

			BANK				
In TZS million	Up to 1 month	1 – 3 months	3 - 6 months	6 – 12 months	Over 1 year	Non-interest Bearing	Total
2021							
Assets							
Cash and bank balances with Bank of Tanzania	-	-	-	-	-	5	5
Balance with other banks	737	-	-	-	-	-	737
Government and corporate securities HTM	-		-	4,598	11,874	-	16,472
Loans and advances	231,937	143,723	1,770	1,883	273,095	-	652,408
Investment securities designated at FVOCI-equity investments	-	-	-	-	-	16,435	16,435
Total assets	**232,674**	**143,723**	**1,770**	**6,480**	**284,969**	**16,440**	**686,057**
Liabilities							
Due to customers	156,754	6,497	34,346	12,620	1,153	-	211,370
Due to banks	82,416	28,027	-	-	-	-	110,443
Borrowing	-	-	1,581	5,373	18,347	-	25,301
Other liabilities	-		-	-	-	10,560	10,560
Total liabilities and equity	**239,170**	**34,524**	**35,927**	**17,993**	**19,500**	**10,560**	**357,674**
Interest sensitivity gap	**(6,496)**	**109,200**	**(34,157)**	**(11,513)**	**265,469**	**5,880**	**328,384**
Cumulative Gap	**(6,496)**	**102,704**	**68,547**	**57,034**	**322,503**	**328,383**	

2020							
Assets							
Cash and bank balances with Bank of Tanzania	-	-	-	-	-	4,157	4,157
Balance with other banks	1,039	-	-	-	-	-	1,039
Government and corporate securities HTM	802			7,154	15,407	-	23,363
Loans and advances	208,978	127,817	4,217	43,491	249,602	-	634,105
Investment securities designated at FVOCI-equity investments	-	-	-	-	-	15,396	15,396
Total assets	**210,818**	**127,817**	**4,217**	**50,645**	**265,010**	**19,553**	**678,060**
Liabilities							
Due to customers	70,804	114,401	7,165	12,260	689	-	205,319
Due to banks	81,606	26,494	500	1,814	11,460	-	121,874
Borrowing	288	6,739	1,449	1,976	25,298	-	35,751
Other liabilities	-		-	-	-	5,496	5,496
Total liabilities and equity	**152,699**	**147,633**	**9,114**	**16,050**	**37,448**	**5,496**	**368,440**
Interest sensitivity gap	**58,120**	**(19,815)**	**(4,897)**	**34,594**	**227,562**	**14,057**	**309,620**
Cumulative Gap	**58,120**	**38,304**	**33,407**	**68,001**	**295,563**	**309,620**	

Interest rate sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, if there was an increase of interest rates by 200 basis points (bps) the Group's profitability would be increased by TZS 4,750 million (2020: TZS 337 million increase) due to increase in annual interest expense. The impact of this increase on capital of the Group is additional by TZS 3,325 million (2020: TZS 236 million additional.

Table 39.7: Impact of Interest rate movement

	GROUP		BANK	
In TZS million	2021	2020	2021	2020
Assets re-pricing after 6 months	274,978	325,027	291,450	320,804
Liabilities re-pricing after 6 months	37,493	308,175	37,493	308,175
Interest rate Gap	**237,484**	**16,851**	**253,956**	**12,628**
Impact of interest rate rise by additional 200 bps	4,750	337	5,079	253
Impact in Capital	3,325	236	3,555	177

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

(iii) Foreign currency risk

The Bank and its subsidiary operate within Tanzania and own investments in foreign currencies which are reported in the financial statements in local currency. As at the reporting date the Bank was not exposed to significant foreign currency exposure, although there are certain deposits and placements/bank balances that are denominated in United States dollars and euros. Foreign currency risk is managed at an operational level and monitored by the Fund Mobilization Directorate (Treasury directorate in the subsidiary). Exposure to losses from foreign currency deposits is managed through prompt settlement of the foreign currency denominated obligations.

It is the policy of the Group to limit exposure to foreign exchange risk by ensuring that foreign currency denominated funding sources are used to create foreign currency denominated assets.

As such, the Group maintains minimal net open position in line with the Bank of Tanzania regulations. According to the regulation, the Bank is not allowed to hold more than +/-7.5% of its core capital as a net open position.

The actual exposure for the group at the end of the year was TZS 95,532 million equivalents to 245% which is higher than the limit of +/-7.5%. The bank received temporary waiver for the excess which arose from a particular transaction.

- ***Foreign currency sensitivity analysis***

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Bank's operating activities (when revenue or expense is denominated in a different currency from the Bank's presentation currency).
The table below demonstrate the sensitivity to a reasonably possible change in USD, GBP, EURO and other Foreign currencies exchange rates, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities including non-designated foreign currency derivatives and embedded derivatives. The impact on the Company's equity is due to changes in the fair value of forward exchange contracts designated as cash flow hedges and net investment hedges. The Company's exposure to foreign currency changes for all other currencies is not material.

Based on the exposure carried by the group at the end of the year a 20% depreciation of the shilling would have resulted to a foreign exchange profit of TZS 19,106 million (2020: foreign exchange profit of TZS 18,827 million). A similar movement (20%) to the bank position would have resulted to a foreign exchange gain/profit of TZS 19,106 million (2020: foreign exchange profit of TZS 18,827 million). An opposite movement would have caused a loss of the same magnitude.

It is the view of the Board that any such movement will not significantly impair the total capital of the Group or Bank which stood at TZS 22,857 million (2020: TZS 38,358 million) see note 34 at the end of the year.

The table below shows the impact of foreign exchange movement.

Table 39.8: Impact of exchange rate movement

	GROUP		BANK	
In TZS million	2021	2020	2021	2020
Foreign Currency Denominated Assets	269,399	279,024	269,399	279,024
Foreign Currency Denominated Liabilities	173,867	184,890	173,867	184,890
Net open Position	**95,532**	**94,133**	**95,532**	**94,133**
USD/TZS Exchange rate	2,307	2,319	2,307	2,319
Impact of 20% Depreciation of the TZS against the USD	**19,106**	**18,827**	**19,106**	**18,827**

- ***Foreign currency exchange risk exposure -***

The Group maintains trade with the customers and other correspondent banks and its foreign currency exposure as at 31 December 2021 was a long position of TZS 95,532 million compared to short position of TZS 94,133 million in 2020. The bank's position was long position of TZS 95,532 million in 2021 and long position of TZS 94,133 million in 2020. The various currencies to which the Group is exposed at 31 December 2021 are summarised in the table below.

Table 39.9 (a): Foreign exchange Exposure

	GROUP		
In TZS million	TZS	USD	Total
2021			
Assets			
Cash and balances due from banks	843	214	1,057
Financial investment held for trading	377	-	377
Government and corporate securities held - to - maturity	16,794	-	16,794
Loans and advances	197,962	255,356	453,318
Equity investment-available for sale	3,107	13,328	16,435
Other Assets	141,735	501	142,235
	360,817	**269,399**	**630,216**
Liabilities			
Deposits	63,409	147,961	211,370
Borrowing	-	25,301	25,301
Payables and Accruals	11,703	605	11,308
Total liabilities	**74,112**	**173,867**	**247,979**
Net financial position	**286,706**	**95,532**	**382,237**
2020	TZS	USD	Total
Assets			

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Cash and balances due from banks	8,529	751	9,280
Placements with other banks	-	-	-
Financial investment held for trading	352	-	352
Government and corporate securities held - to - maturity	23,363	-	23,363
Loans and advances	211,565	255,356	466,921
Equity investment-available for sale	2,068	13,328	15,396
Other Assets	133,944	501	134,445
	379,820	**269,936**	**649,756**
Liabilities			
Deposits	57,358	147,961	205,319
Borrowing	-	35,751	35,751
Payables and Accruals	8,617	605	9,222
Total liabilities	**65,975**	**184,317**	**250,292**
Net financial position	**313,846**	**85,619**	**399,464**

Exchange rate during the year were as follows:	
	USD
On 01 January 2021	2,319.0
On 31 December 2021	2,306.5

Table 39.9 (b): Foreign exchange Exposure

	BANK		
2021	TZS	USD	Total
Assets			
Cash and balances due from banks	528	214	742
Government and corporate securities held - to - maturity	16,472	-	16,472
Loans and advances	197,841	255,356	453,197
Equity investment-available for sale	3,107	13,328	16,435
Other Assets	141,735	501	142,235
	359,683	**269,399**	**629,081**
Liabilities			
Deposits	63,409	147,961	211,370
Borrowing	-	25,301	25,301
Other Liabilities	12,722	605	13,327
Total liabilities	**76,130**	**173,867**	**249,998**
Net financial position	**283,552**	**95,532**	**379,084**
	TZS	USD	Total

2020			
Assets			
Cash and balances due from banks	4,445	751	5,196
Government and corporate securities held - to - maturity	23,363	-	23,363
Loans and advances	211,426	255,356	466,782
Equity investment-available for sale	2,068	13,328	15,396
Other Assets	133,944	501	134,445
	375,246	269,936	645,182
Liabilities			
Deposits	57,358	147,961	205,319
Borrowing	-	35,751	35,751
Other Liabilities	8,248	605	8,853
Total liabilities	**65,606**	**184,317**	**249,923**
Net financial position	**309,640**	**85,619**	**395,259**

Exchange rate during the year were as follows:	
	USD
On 01 January 2021	2,319.0
On 31 December 2021	2,306.5

40. CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities and commitments arise in the normal course of the Bank's business activities. To meet the financial needs of customers, the Group enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other un-drawn commitments to lend.

Even though these obligations may not be recognized on the statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Bank. Letters of credit and guarantees (including standby letters of credit) commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Guarantees and standby letters of credit carry a similar credit risk to loans.

Legal claims

Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. The Bank has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Bank makes adjustments to account for any adverse effects which the claims may have on its financial standing.

In addition, the Bank had no claims in 2020 (20119: no claims) in court cases related to defaulting customers whom the Bank is executing recovery measures. However the Bank does not expect the final outcome of any such case to have a material adverse effect on its financial position as the Bank has strong defence.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Off – balance sheet items

To meet the financial needs of customers, the Group enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognized on the statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Group.

Table 40.1: Off Balance sheet Exposure

	GROUP		BANK	
	2021	2021	2021	2020
Outstanding guarantees and indemnities (Foreign currency)	10,610	27,320	10,610	27,320
	10,610	**27,320**	**10,610**	**27,320**

Letters of credit, guarantees (including standby letters of credit) commit the Group and Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Guarantees and standby letters of credit carry the same credit risk as loans.

Table 40.2: Commitments

	GROUP		BANK	
In TZS million	2021	2020	2021	2020
Commitments to extend credit – undrawn balance	17,206	15,459	17,206	15,459
Capital commitments				
Capital expenditure that has been approved by the Board but not contracted for	4,095	3,925	4,095	3,925

Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiry dates, or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements. However, the potential credit loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific standards. The Group and Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. Capital commitments comprise capital expenditure for fixtures and equipment, computers and motor vehicles.

41. LEASES

See accounting policy in Note 5
The Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2021.

a) Right-of-use assets

Right-of-use assets relate to leased office premises that are presented in Note 24.

b) Lease liabilities

In TZS million	2021	2020
Lease liabilities - opening balance	**393**	
	1,965	
Additions during the year	1,361	499
Lease reassessment	704	-
Transfer from TIB CBL		(1,965)
Interest expense on Lease liability (Note 8)	175	54
Rent payments during the year (including prepayment)	(881)	(160)
Lease liabilities - closing balance	**1,751**	**393**

42. MANAGED GOVERNMENT AND OTHER STAKEHOLDERS' FUNDS

Among the principal activities of the Bank is to administer Government funds disbursed for special projects on behalf of the Government. Establishment, design and approval of special projects rests with the Government under the Ministry of Finance. All risks and rewards arising from special projects are directly channelled to the Ministry of Finance. The administrative activities in respect of those Funds among others include, vetting applications for advances received from eligible applicants, monitoring the performance of the advances provided as well as collection/and or recovery of the advances from the borrowers, except for grants.

Balances in these funds do not form part of the Bank financial statements but are maintained off balance sheet. The Bank receives management fees and agency fees from these projects at agreed rates. The table below summarises the Bank balance movement in the Funds /Grants accounts for the year ended 31 December 2021.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

	AFW	FF	RBF	CIS	TEDAP	SMDG	SAAFI	THB	UNIDO
Balance at 1 January 2021	16,256	1	78	5,637	0	68	9	302	206
Funds received during the year	-	2	2,148	-	11	-	-		-
Funds disbursed during the year	(2,565)	-	(2,119)	-	(0)	-	-		-
Funds collected from the customers	2,449	-	-	9	(0)	6	-	61	-
Management fees and other expenses	(111)	-	-	-	(11)	(1)	-	(10)	(145)
Interest earned and exchange gain	17	-	2	-	-	-	-		1
Fund transferred during the year	(95)	-	-	-	-	(73)	-		-
Balance at 31 December 2021	**15,951**	**3**	**108**	**5,646**	**0**	**1**	**9**	**353**	**62**
Balance at 1 January 2020	15,172	1	115	4,649	0	1,532	9	92	230
Funds received during the year	-	-	2,285	-	77	-	-		-
Funds disbursed during the year	(2,129)	-	(2,326)	-		-	-		-
Funds collected from the customers	3,266	-	-	987		75	-	214	-
Management fees and other expenses	(77)	-	(0)	-	(77)	1	-	(4)	(24)
Interest earned and exchange gain	25	-	4	-		4	-		-
Fund transferred during the year	-	-	-	-		(1,543)	-		-
Balance at 31 December 2020	**16,256**	**1**	**78**	**5,637**	**0**	**68**	**9**	**302**	**206**

KEY

FF	Floriculture Funds	TEDAP	Tanzania Energy Development and Access Expansion Programme	AFW	Agricultural Financing Window
REA	Rural Energy Agency	NEEC	National Economic Empowerment Council	CIS	Commodity Import Support
RBF	Results Based Fund	SAAFI	Sumbawanga Agricultural and Animal Food Industries Limited	SMDG	Miners Development Grant
THB	Tanzania Housing Bank	UNIDO			

43. SUBSEQUENT EVENTS

There were no events after reporting period that has material impact to the financial statements.

44. COMPARATIVES

Comparatives are consistent with the previous year; and where need be a restatement has been made.

We partner with the World Bank to address the inefficient diesel-powered pumps to clean and climate-friendly solar pumping systems that significantly reduce the cost of water extraction.

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