DCB COMMERCIAL BANK PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

TABLE OF CONTENTS **PAGE**

DCB COMMERCIAL BANK PLC

ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

CORPORATE INFORMATION

REGISTERED OFFICE	DCB House Plot No. 182 Block R Magomeni Mwembechai P.O Box 19798 Dar es Salaam
MAIN BANKERS	Bank of Tanzania P.O Box 2939 Dar es Salaam
	NMB Bank Plc P.O Box 9213 Dar es Salaam
	CRDB Bank Plc P.O Box 268 Dar es Salaam
	Diamond Trust Bank P.O Box 115 Dar es Salaam
COMPANY SECRETARY	Ms. Regina Mduma DCB House Plot No. 182 Block R Magomeni Area P.O Box 19798 Dar es Salaam
AUDITORS	PricewaterhouseCoopers Limited Certified Public Accountants (Tanzania) 369 Toure Drive, Oysterbay, P.O. Box 45 Dar es Salaam

LIST OF ABBREVIATIONS

AGM	Annual General Meeting
ALCO	Asset and Liability Committee
BOT	Bank of Tanzania
DSE	Dar es Salaam Stock Exchange
EAD	Exposure at time of default
ECL	Expected Credit Losses
EPS	Earnings per Share
FTE	Full Time Employees
FVOCI	Fair Value through Other Comprehensive Income
IASB	International Accounting Standards Board
IESBA	International Ethics Standards Board for Accountants
IFRS	International Financial Reporting Standards
ISA	International Standards on Auditing
LC	Letters of credit
LDR	Loan to Deposit Ratio
LGD	Loss Given Default
OCI	Other Comprehensive Income
PD	Probability of Default
POCI	Purchased or originated credit-impaired
SICR	Significant Increase in Credit Risk
SGL	Solidarity Group Lending
SME	Small and Medium Enterprises
SMR	Statutory Minimum Reserve
SPPI	Solely Payments of Principal and Interest
SPV	Special Purpose Vehicles
TMRC	Tanzania Mortgage Refinance Company Limited
TZS	Tanzanian Shillings
USD	United States Dollars
ROUA	Right of Use Assets

DCB COMMERCIAL BANK PLC

REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2021

1. INTRODUCTION

The Directors submit their report together with the audited financial statements for the year ended 31 December 2021, which disclose the state of affairs of DCB Commercial Bank Plc ('the Bank').

2. INCORPORATION

The Bank was incorporated in 2001 under the Companies Ordinance, Cap 212 (later repealed by the Companies Act No 12 of 2002) and is listed at the Dar es Salaam Stock Exchange. The Bank of Tanzania under the Banking and Financial Institutions Act, 2006, licenses the bank.

3. PRINCIPAL ACTIVITIES

The principal activities of the Bank are taking deposits on demand, providing short term and medium-term credit facilities and other banking services allowed under Banking and Financial Institutions Act, 2006.

4. DIVIDENDS

Due to change in regulatory requirement for the bank to pay dividend, the Directors do not propose payment of dividend for the year 2021 (2020: NIL).

5. PERFORMANCE FOR THE YEAR

The Bank has managed to record a profit before tax of TZS 1.06 billion for the year ended 31 December 2021 (2020: Profit before tax - TZS 1.02 billion) which translates to the total comprehensive income after tax of TZS 798 million being a 29% growth compared to 2020 position of TZS 617 million. During the year enormous efforts were done to recover from the effects of Covid-19 pandemic to the industry and economy at large, where the bank's profitability increased because of aggressively pursuing new business lines and continuing to offer competitive services.

Investment initiatives conducted during the year resulted into a 25% increase in net-interest margins. Net interest income grew year on year to reach TZS 16.15 billion from TZS 12.92 billion in 2020. The increase in net interest income is a result of increase in loans by TZS 19.33 billion to TZS 117.40 billion (YTD 2020: TZS 98.07 billion). Interest from investment in securities grew by TZS 2.91 billion from TZS 2.86 billion in 2020 to TZS 5.77 billion in 2021.

Interest and similar expense increased by 17.7% in 2021 compared to 2020, a stunted growth compared to growth rate in 2019/2020. The cumulative interest and similar expenses by year end stood at TZS 11.46 billion from 2020 level of TZS 9.74 billion; the increase was spurred by deposit growth of 25.9% (TZS 26 billion) year on year from TZS 99.50 billion in 2020 to TZS 125.29 billion in 2021, of which TZS 13.8 billion was Time Deposits. Despite this increase in deposits, the average cost of fund for time deposits decreased to 10.8% from 12.4% in 2020. Efforts to reprice time deposits to match market rates as well as relief from BOT borrowing rates allowed a relief in the interest expenses incurred during the year.

The bank's non-interest income grew significantly during the year from TZS 4.64 billion in 2020 to TZS 7.18 billion by end of year 2021. With the re-instatement of correspondence banking in June 2021, the bank launched fully fledged trade financing services that include guarantees, letters of credit as well as international transfers. A total of TZS 341 million earned in 2021, a 537% increase compared to TZS 54 million in 2020. As a result of this, the bank's foreign exchange trade also increased to reach TZS 277 million by the end of 2021 being 84% Growth compared to TZS 152 million in 2020. Facility fees also increased as a direct result of increased loan disbursements during the year.

Customer deposits grew from TZS 99.50 billion in 2020 to TZS 125.29 billion in 2021 – a 25.9% growth, reflecting improved liquidity environment in the banking industry, coupled with the bank's measures in mobilizing stable and long-term funding options to fuel the predicted balance sheet growth. The bank has continued to strengthen its deposit base by launching new and innovative digital products that are tailored to the customer needs. Loans and Advances to customers increased by TZS 19.33 billion to reach TZS 117.40 billion (YTD 2020: TZS 98.07 billion) reflecting the bank's initiatives to strengthen the business ties it has with the customers by providing credit related solutions.

5. PERFORMANCE FOR THE YEAR (CONTINUED)

KEY PERFORMANCE INDICATORS

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

Performance indicator	Definition and calculation method	2021	2020
Return on equity	Net income/Total equity	3%	2%
Return on assets	Net income/Total assets	0.4%	0.3%
Cost to income ratio	Operating costs/Net income	79%	96%
Interest margin on earning assets	Total interest income/(Government securities + inter-Bank loan receivables + investments in other securities + net loans, advances and overdrafts)	19%	17%
Non - interest income to Gross income	Non - interest income/total income	21%	17%
Earnings per share	Basic earnings/number of ordinary shares in issue	8	5
Non - performing loans to gross loans	Non-performing loans/gross loans and advances	7%	12%
Earning assets Ratio	Earning assets/Total assets	77%	79%
Growth on total assets	(Current year total assets/ prior year total assets) - 1*100%	12%	22%
Growth on loans and advances to customers	(Current year net loans and advances/prior year net loans and advances) – 1*100%	20%	16%
Growth on total deposits	(Current year total deposits/prior year total deposits) - 1*100%	26%	17%
Capital adequacy			
Tier 1 Capital	Risk Weighted assets including off-statement of financial position items/Core Capital	18.2%	16.5%
Tier 1+Tier 2 Capital	Risk Weighted assets including off-statement of financial position items/Total Capital	18.5%	17.0%

6. CORPORATE GOVERNANCE

The Bank is committed to the principles of effective corporate governance. The Directors also recognize the importance of integrity, fairness, transparency, and accountability. The Bank closed the year with 8 Directors including the Managing Director. Apart from the Managing Director no other Director holds an executive position in the Bank.

The Board has an oversight responsibility for the Bank, including responsibility for setting the risk appetite for the bank, considering, and monitoring investment decisions, considering significant financial matters, approving, and reviewing the business performance and budget. The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative, and compliance with sound corporate governance principles.

The Board is required to meet at least four times a year. The Board delegates the day-to-day management of the business to the Managing Director assisted by the management team. The management team is invited to attend Board meetings and facilitate the effective control of all the Bank's operational activities, acting as a medium of communication and coordination between all the various business units.

The Board of Directors

The Board of Directors act as stewards of the bank in governing the present times and providing guidance and direction for the future. The BoD shall delegate, implementation of the bank strategy, management, and day-to-day operations of the bank to the Managing Director. The management shall regularly provide reports to the Board and relevant Board committees. The management shall be accountable for providing information requested by the Board and the Board committees in a timely, transparent, and accurate manner.

6. CORPORATE GOVERNANCE (CONTINUED)

Roles and Responsibilities of the Board

The board of directors' responsibilities are as set out below:

- The Board shall be responsible for providing oversight on all affairs of the bank.
- To approve the bank's vision, mission, business ethics, code of conduct, goals, strategic business plans and annual budget as well as monitor the management to ensure the business operations in line with the policies set forth.
- To perform its duty in compliance with relevant laws, regulations, and regulatory requirements to ensure that the bank's business operation is accurate, transparent, and free from corruption.
- To ensure that the bank has in place efficient risk management policy, procedure, and report, and provides adequate risk management tools covering all risk areas. The Board shall ensure that all employees operate within the agreed risk appetite and risk limits.
- The Board Audit and Risk Compliance Committee is assigned by the Board to regularly monitor the internal control and assess the efficiency
- To monitor and ensure that the bank has stable and adequate capital funds.
- To appoint the Managing Director, the Company Secretary and executive management members of the bank. The Board shall ensure that there is a proper mechanism in place for the nomination and development of the managing director and key executives to ensure that they possess the knowledge, skills, experience, and characteristics necessary for the company to achieve its objectives.
- Ensure that all credit facilities granted to insiders and him or his related parties by the bank are given at an arm's length basis
- The Board shall set appropriate performance and remuneration standards for senior management consistent with the long- term strategic objectives and the financial soundness of the bank.
- The Board shall ensure there is appropriate succession plan for senior management position

DCB COMMERCIAL BANK PLC

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

6. CORPORATE GOVERNANCE (CONTINUED)

Members charged with Governance

The Directors of the Bank at the date of this report, who have served in office since 1 January 2021, except where otherwise stated, are:

Name	Position	Age	Nationality	Qualification/ discipline	Remarks
Mr. Maharage A. Chande	Chairman	46	Tanzanian	Master's in business leadership and Bachelor of science in Electronics and Communications	Appointed on 12th December 2020
Ms. Zawadia J. Nanyaro	Vice Chairman	49	Tanzanian	MBA (Finance), B. Com (Hons) in accounting, holder of CPA (T) in Public Practice (CPA –PP) and Certified Information System Auditor –CISA.	Appointed on 20th October 2016
Ms. Sipora J. Liana	Member	58	Tanzanian	Masters in Community Economic Development and Bachelor of Agriculture Education and Extension.	Appointed on 28th May 2016
Mr. Aron T. Kagurumjuli	Member	58	Tanzanian	Master's degree in education administration, Planning and Policy Studies, Bachelor of Education in Political Science and Public Administration and Diploma in Adult Education.	Appointed on 28th May 2016
Ms. Pamela F. Nchimbi	Member	40	Tanzanian	MBA, Bachelor of Commerce (Corporate Finance), holder of ACI dealing certificate, Authorized Dealer's Representative, Level 1 Candidate in the Chartered Financial Analyst program, Fundamental Securities Certificate.	Appointed on 27th May 2017
Mr. Alexander Sanga	Member	43	Tanzanian	Master of Business Administration, Bachelor of Science in Computer Science, Certified Information Systems Audit (CISA) – ISACA, Certified Information Manager (CISM) – ISACA, Agile Expert Certified Credential (AEC), Scrum Master Certified Credential (SMC), Balance Score Card Professional (BSP), Certified and Information Systems Control (CRISC) – ISACA and Certified in Governance of Enterprise IT (CGEIT) – ISACA	Appointed on 17th April 2020
Dr Amina Baamary	Member	45	Tanzanian	PHD in Business Administration majoring in Microfinance Groups and SMEs Development), Master of Business Administration, Bachelor of Commerce (with Honors) Majoring in Cooperate Finance and Diploma in Accountancy.	Appointed on 12th June 2021
Mr. Cliff Maregeli	Member	41	Tanzanian	Masters' degree in Computer Engineering, Bachelor's degree in Computer Engineering and IT and Professional Certificates in areas of Project Management, IT Governance, Procurement and IT Infrastructure technologies, IT networks and applications.	Appointed on 12th June 2021
Mr. David Shambwe	Member	48	Tanzanian	Bachelor of Commerce in Marketing and various courses on business.	Appointed on 12th June 2021
Mr. Francis Kafuku	Alternate Member	41	Tanzanian	Postgraduate Diploma in Accountancy, Advanced Diploma in Accountancy, Advanced Tally Accounting Package, CPA(T), Certified in Accountancy (CA) and Accountant Technician Level One (ATEC)	Appointed on 12th June 2019
Mr. Godfrey Ndalahwa	Managing Director	45	Tanzanian	CPA (T), Bachelor of Commerce (in accounting)	Appointed on 1st January 2018

6. CORPORATE GOVERNANCE (CONTINUED)

Directors' interest in the Bank's shares

Name of the director	Number of shares held 2021		Number of shares held 2020
Mr. Maharage A. Chande	243,883		243,883
Ms. Zawadia J. Nanyaro	21,832		21,832
Ms. Pamela F. Nchimbi	101,597		4,885
Mr. Godfrey P. Ndalahwa	113,208		113,208
Ms. Sipora J. Liana	10,000		10,000
Total shares held by directors	**490,520**		**393,808**

The Board of Directors meetings

During the year the Board held five (5) ordinary meetings and six (6) extra ordinary meetings. The attendance is as shown in the table below:

No	Name	Position	Total Meeting	No. of meetings attended
1	Mr. Maharage A. Chande	Chairman	9	9
2	Ms. Zawadia J. Nanyaro	Vice Chairperson	11	11
3	Ms. Sipora J. Liana[2]	Member	6	6
5	Ms. Pamela F. Nchimbi	Member	11	11
6	Mr. Alexander M. Sanga	Member	11	10
7	Dr Amina A. Baamary[3]	Member	3	3
8	Mr. Cliff N. Maregeli[4]	Member	3	3
9	Mr. David M. Shambwe[5]	Member	2	1
10	Mr. Francis G. Kafuku[1]	Alt. Member	2	1
11	Mr. Godfrey P. Ndalahwa	Member	11	11

Note

1. Mr. Francis Kafuku was an alternate Board Member representing Temeke Municipal Council, he resigned in May 2021 after being transferred to another municipality.
2. Ms. Sipora J. Liana resigned on 1st August 2021 representing Kinondoni Municipal Council after presidential appointment as the Municipal Director for Tanga City Council.
3. Dr Amina A. Baamary – New Board Member, started attending meetings after clearance by the BOT in August 2021
4. Mr. Cliff N. Maregeli - New Board Member, started attending meetings after clearance by the BOT in August 2021
5. Mr. David M. Shambwe - New Board Member, started attending meetings after clearance by the BOT November 2021

Board Committees

Each Committee has a charter to govern the roles and responsibilities as well as the efficiency and effectiveness of board performance. During the year, the Board had the following Board sub-committees to ensure a high standard of corporate governance.

a. Board Audit, Risk and Compliance Committee (BARCC)

The BARCC held four (4) ordinary meeting and three (3) extra ordinary meetings whose attendance is as shown in the table below:

No	Name	Position	Total Meeting	No. of meetings attended
1	Ms. Zawadia J. Nanyaro	Chairperson	7	7
2	Mr. Aron T. Kagurumujuli	Member	0	0
3	Ms. Pamela F. Nchimbi	Member	7	7
4	Mr. Alexander M. Sanga	Member	3	3
5	Dr Amina A. Baamary	Member	2	2
6	Mr. Cliff N. Maregeli	Member	2	2
7	Mr. David M. Shambwe	Member	1	1

6. CORPORATE GOVERNANCE (CONTINUED)

Board Committees (continued)

b. Board Nomination and Human Resources Committee (BNHRC)

The BNHR Committee held four (4) ordinary meetings. The attendance is as shown in the table below:

No	Name	Position	Total Meeting	No. of meetings attended
1	Dr Amina A. Baamary	Chairperson	1	1
2	Ms. Zawadia J. Nanyaro	Member	4	4
3	Ms. Sipora J. Liana	Member	3	3
4	Mr. Alexander M. Sanga	Member	1	1
5	Mr. Cliff N. Maregeli	Member	1	1
6	Mr. Francis G. Kafuku	Member	2	2

c. Board Strategy & Credit Committee

The BSC Committee held four (4) ordinary meetings and one (1) extra ordinary meeting. The attendance is as shown below:

No	Name	Position	Total Meeting	No. of meetings attended
1	Mr. David M. Shambwe	Chairperson	1	1
2	Ms. Zawadia J. Nanyaro	Member	5	5
3	Ms. Pamela F. Nchimbi	Member	5	5
4	Mr. Alexander M. Sanga	Member	5	5
5	Dr Amina A. Baamary	Member	2	2
6	Mr. Cliff N. Maregeli	Member	2	2

7. MANAGEMENT TEAM

As at 31 December 2021, the management of the Bank was under the Managing Director, assisted by the following:

No	Position	Name
1	Managing Director	Mr. Godfrey Ndalahwa
2	Chief Manager – Finance	Mr. Constantine Mtumbuka
3	Chief Manager – Technology & Operations	Mr. Nelson Swai
4	Chief Manager – Credit	Mr. Isidori Msaki
5	Chief Manager - Risk & Compliance	Ms. Doreen Joseph
6	Chief Internal Auditor	Mr. Deogratius Thadei
7	Ag. Chief Manager - Human Resources & Administration	Mr. Meshack Kayila
8	Chief Manager - Legal Affairs & Company Secretary	Ms. Regina Mduma
9	Chief Manager – Commerce	Mr. Zacharia Kapama
10	Chief Manager – Microfinance	Ms. Haika Machaku

8. CAPITAL STRUCTURE AND CASHFLOWS

STOCK EXCHANGE INFORMATION

The bank is listed at the Dar es Salaam Stock Exchange, and it is actively trading in the exchange. The performance of the Bank’s shares in the secondary market was as follows: Market capitalization as at 31 December 2021 was TZS 18.55 billion (2020: TZS 24.48 billion); Average price per Bank’s share was TZS 221.50 (2020: TZS 283.33) and the closing share price as at 31st December 2021 was TZS 190 (2020: TZS 265) per share.

8. CAPITAL STRUCTURE AND CASHFLOWS(CONTINUED)

STOCK EXCHANGE INFORMATION(CONTINUED)

The Bank's capital structure for the year under review is as below:

Authorized	400,000,000 ordinary shares of TZS 250 each.
Called up and fully paid	97,646,913 ordinary shares of TZS 250 each.
*Call in arrears	6,816,417 ordinary shares of TZS 250 each.

The above is before considering rights issue expenses
**Call in arrears represent shares which have been subscribed for but have not been paid for as 31st December 2021*

THE SHARE HOLDERS OF THE BANK

The total number of shareholders as of 31 December 2021 was 7,343 (2020: 7,277 shareholders). The shares of the Bank are as follows:

Name	No. of shares	Value of shares TZS	% Holding
UTT-AMIS	23,211,479	5,802,869,750	23.69
Dar es Salaam City Council	10,228,320	2,608,023,500	10.65
Ilala Municipal Council	7,866,859	1,989,356,500	8.12
National Health Insurance Fund	6,000,000	1,500,000,000	6.12
Kinondoni Municipal Council	5,625,019	1,406,254,750	5.74
Temeke Municipal Council	3,422,252	855,563,000	3.49
Ubungo Municipal Council	2,877,367	725,002,250	2.96
Kigamboni Municipal Council	2,281,502	570,375,500	2.33
Other 7,335 members	36,134,115	9,033,528,750	36.89
Total share capital	**97,646,913**	**24,490,974,000**	**100.00**

As at 31 December 2020

Name	No. of shares	Value of shares TZS	% Holding
UTT-AMIS	23,211,479	5,802,869,750	25.13
Dar es Salaam City Council	6,832,094	1,708,023,500	7.40
Ilala Municipal Council	6,357,426	1,589,356,500	6.88
National Health Insurance Fund	6,000,000	1,500,000,000	6.50
Kinondoni Municipal Council	5,625,019	1,406,254,750	6.09
Temeke Municipal Council	3,422,252	855,563,000	3.71
Ubungo Municipal Council	2,500,009	625,002,250	2.71
Kigamboni Municipal Council	2,281,502	570,375,500	2.47
Other 7,273 members	36,134,115	9,033,528,750	39.12
Total share capital	**92,363,896**	**23,090,974,000**	**100.00**

Note

The bank shareholding structure has changed after registering of paid-up shares of Dar es Salaam City Council, Ilala Municipal Council and Ubungo Municipal Council.

8. CAPITAL STRUCTURE AND CASHFLOWS(CONTINUED)

FUNDING MIX

The bank funding mix as at 31 December 2021 is as below

Details	31 December 2021 TZS'000	31 December 2020 TZS' 000
Equity		
Share Capital	24,141,149	22,741,149
Share premium	4,104,046	4,104,046
Advance to share capital	-	1,400,000
Accumulated losses	(229,899)	(2,217,315)
Other Reserves	2,234,117	3,569,078
Debt		
Customer Deposits customers	125,291,419	99,503,846
Deposits from bank and financial institution	24,749,752	27,513,654
Borrowings	8,426,352	10,920,248
Other liabilities	2,358,942	2,162,805

The bank made a profit before tax of TZS 1.06 billion during the year which reduced the negative retained earnings balances as result of cumulative prior period losses.
The bank liquidity is at a stable level with increase in customer deposits by TZS 26 billion during the year. The bank fully paid the TZS 1.88 billion borrowing from Self Microfinance during the year.
Highly liquid assets classified as cash and cash equivalents increased by 45% from TZS 9.51 billion in 2020 to TZS 13.77 in 2021. This demonstrates the banks stable liquidity position.

Capital management

The banks' regulatory capital improved during the year and remained above the regulatory required levels. The Tier 1 Capital ratio stood at 18.2% (2020: 16.5%). Tier 2 Capital closed at 18.6% (2020:17.0%). Note 6.5 on financial risk management disclosures details the components of Tier 1 and 2 capitals as at 31 December 2021 as compared to 31 December 2020.

9. LIQUIDITY

Liquidity risk is defined as the potential for loss to the bank arising from either its inability to meet its obligations as they fall due or to fund increased in assets without incurring unacceptable cost or losses.

Successful liquidity management assures the bank of business continuity and command respect from the market. Treasury has the responsibility of managing liquidity risk and at the same time be able to meet its entire obligation when fall due. Poor management of the liquidity may result into interest rate risk hence affect the net interest income of the bank. For proper Liquidity management the limits shall be established to the extent to which DCB can take liquidity risk as established in Risk Management Program. The size of the limit will greatly depend on bank's capital, depth of the market, the Bank's experience level, the stability of the liabilities and the liquidity of the assets.

Basically, the Asset Liability Management Committee (ALCO) manages the liquidity by dealing with the following:

- Maintain an effective liquidity management to ensure that trust and confidence is maintained in the Bank to avoid liquidity crisis.
- Ensure that the agreed commitments to the Bank's creditors can be met in the long term (solvency) and at the right time (liquidity)
- Maintain an adequate level of liquidity at all times for both expected and unforeseen obligations, and/or, contingent needs. Never hold too much never hold too little.
- Ensure that cash needs can always be met at a reasonable cost, too much cash is a cost to the bank, but also too little cash is a risk to the bank, so we should establish optimal level.

9. LIQUIDITY (CONTINUED)

- Maintain combined liquidity reserves of cash and securities and unused bank lines of credit as a buffer just in case.
- Maintain access to the financial market.
- Ensure that its assets and liabilities are diversified across currencies, geographic areas, and businesses.
- Observe the funding mix.

The ALCO guided by Treasurer reviews the current and prospective funding requirements for the Bank, analyze the maturity structures of both assets and liabilities considering all funding obligations, especially deposits and borrowings.

10. BUSINESS OBJECTIVES AND STRATEGIES

Bank's vision

The vision of DCB Commercial Bank Plc is to be the preferred financial services provider in Tanzania.

Bank's mission

The mission of DCB Commercial Bank Plc is to provide convenient, excellent, and innovative financial services to our esteemed customers, while contributing to the social and economic development and generating value to shareholders.

Bank's values

- ***Integrity***

We possess the courage to do and say the right things.

- ***Teamwork***

We are committed to achieving common goals based on open and honest communication while showing concern and support for each other.

- ***Respect***

We understand and encourage diversity of views among our employees and stakeholders.

- ***Responsibility and Accountability***

We are accountable for failure as well as success, and do not play the blame game.

- ***Creativity and Innovation***

We are the pioneers of innovation and better ways to do things.

- ***Excellence***

We are passionate about leaving things better than they were found.

Bank's behaviours

- ***Speed in Execution***

We are proactive and prioritize our duties, we say no to procrastination

- ***Time Management***

We respect and value time, we are accountable not to waste time.

- ***Ownership***

We hold ourselves accountable.

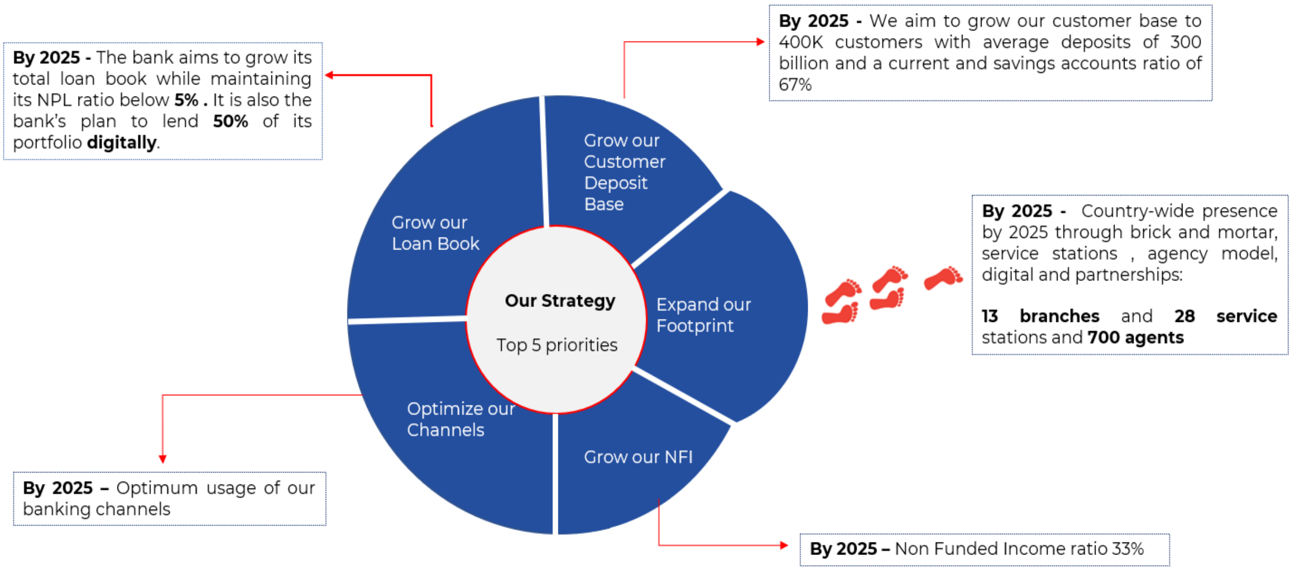
10. BUSINESS OBJECTIVES AND STRATEGIES

Bank's service principles

- **Knowledge:** DCB Bank products and service
- **Friendly:** Active listening and courtesy
- **Timely:** Respond promptly and keep our word
- **Value Add:** Go the extra mile / be a solution provider

Our Strategy

DCB Board of directors approved the bank's five-year plan (2021-2025) in December 2020 with a focus on 5 key areas; Success in these areas is expected to propel the bank towards achieving the desired profitability by addressing the cost of funding, non-funded income ratio, footprint agenda and our presence in the digital space.



• Customer Deposit Base Growth – the bank is targeting a current and savings accounts ratio of 67% by 2025 with average customer deposit at TZS 300 billion. Initiatives to achieve this level of growth are ongoing, where the Bank provides tailored solutions to prospective customers to attract cheap deposits.

• Loan Book Growth – Our business segments (Commercial, Personal banking and Microfinance) continue to make headway lending to the various sectors within the country. The bank is focused on financing ongoing government projects through our trade financing solutions, as well as other sectors of focus include trading, real estate, transportation, energy, communication, and agriculture. Together with efforts to grow our loan portfolio, management is keen on monitoring and recovery of the non-performing loans with expectations to meet required level of NPL 5% by end of 2022. The ongoing efforts to digitize the bank have seen roll-out of short-term loans on mobile (Digital Salary Advance); in the long-term, the bank is partnering with MNOs an FinTech's to further extend digital loans to the masses targeting 50% of our portfolio going digital by 2025.

• Channel Optimization – After assessing our position in 2020 the bank set out to 'catch-up' with the industry in terms of services offered. During the year 2021 the bank onboarded VISA services, launched internet banking services and is currently in the final stages of completing its state-of-the-art mobile application. Apart from only 'catch-up' the bank went further to enhance its services, offering more than the basics including Mastercard-QR, mobile interbank transfers and MNO interoperability. Efforts are ongoing to ensure all customers are digitized and sensitized to increased usage of our channels growing our fees and deposits targeting a digital customer base of at least 152,000 customers – being 38% of the population.

10. BUSINESS OBJECTIVES AND STRATEGIES (CONTINUED)

Our Strategy (continued)

• Non-Funded Income - is targeted to reach 33% of total income by 2025. Efforts are underway to ensure this is achieved with a spotlight on payment solutions offered to our customers. the bank has designed innovative solutions to tap into e-commerce businesses, day to day payment needs of every individual and ultimately become the go-to payment bank - attracting transactional fees and cheap deposits.

• Footprint – DCB bank aims to have 13 branches and 28 service stations by 2025. These branches are to be opened in strategic locations across the country to support the bank’s service stations according to the bank’s hub and spoke expansion plan – expected to drive down CIR to the envisaged 55%.

Business growth initiatives are already underway including rebranding and positioning the bank will ensure the realization of the five-year ambitions given the existing competitive market landscape. The primary focus is to build a strong customer base that is digitally active to achieve sustainable and profitable growth. The bank’s digital transformation journey is well on its way, in terms of investment in the necessary technology and delivery channels to expand our outreach. We plan to continue leveraging on our enhanced delivery channels – mobile banking, agency banking, strategic partnerships with payment gateways, and minimal brick and mortar branch expansion.

In the next four years (2022-2025) we are looking at accelerated growth having positioned ourselves as the go to partner in the market. Key stakeholders including MNOs and FinTech’s have been engaged on several levels and enhanced products and services are expected to be launched in the second quarter of 2022. The bank through these partnerships is offering convenience, flexibility, and simplified access to financing to existing DCB customers and potential customers countrywide.

ACTUAL PERFORMANCE AGAINST BUDGET

INCOME STATEMENT

The bank recorded a Profit before tax (PBT) of TZS 1.06 billion cumulatively, ahead of the comparative period last year PBT of TZS 1.02 billion which translates to an achievement of 35% (TZS 3.03 billion) against budget.

Key performance indicator	Actual 2021 TZS billion	Budget 2021 TZS billion	% Budget Achievement	Actual 2020 TZS billion
Interest income	27.61	28.53	97%	22.70
Interest expense	11.46	11.35	100%	9.64
Net interest margin	16.15	17.19	94%	13.03
Non funded income	7.18	6.83	105%	4.64
Total operating cost	18.5	19.18	97%	16.9
Loan loss provision charge/(release)	3.83	1.80	213%	(0.26)
PBT	**1.06**	**3.02**	**35%**	**1.02**

BALANCE SHEET

The bank continued to balance its profitability goals and liquidity compliance through efficient management of its balance sheet, achieving an 4% growth in earning assets from 2020 position of TZS 143 billion to TZS 148 billion by December 2021.

10. BUSINESS OBJECTIVES AND STRATEGIES (CONTINUED)

BALANCE SHEET (CONTINUED)

Key performance indicator	Actual 2021 TZS billion	Budget 2021 TZS billion	% Budget Achievement	Actual 2020 TZS billion
Investment in Government Securities	28,617	41,410	69%	33,709
Interbank loan receivables	-	3,000	0%	2,568
Loans and Advances to customers	117,399	123,233	95%	98,071
Equity Investments	2,040	1,804	113%	1,823
Earning Assets	**148,056**	**169,447**	**85%**	**142,909**
Deposits from Customer	125,291	140,161	89%	99,504
Due to banks and financial institutions	24,750	26,889	92%	27,514
Borrowings	8,426	13,851	61%	10,920
Interest bearing liabilities	**158,467**	**180,901**	**88%**	**137,938**

11. FUTURE PROSPECTS

In its performance forecast, the bank intends to take advantage of the growth opportunities in its key priority areas – customer deposit base growth, loan book growth, non-funded income growth, Footprint expansion and its alternative channels optimization. The bank's strategic plan 2021-2025 requires the bank to grow its total assets from the current TZS 124.9 billion to TZS 155.7 billion in 2022 (2025: 290.2 B) and customer's deposits from TZS 137.6 billion to TZS 161.7 billion in 2022 (2025: 255.4 B). In the longer term, the Bank shall continue to leverage on its strategic expansion of delivery channels through digital platform, agency banking, strategic partnerships, and branch expansion.

The ongoing business transformation and growth initiatives include rebranding, repositioning, and aligning the bank's overall structure to ensure the realization of these ambitions given the existing competitive market landscape. The primary focus is to build a strong digitally active customer base to achieve sustainable and profitable balance sheet growth. The bank's digital transformation journey is well on its way, in terms of investment in the necessary technology and delivery channels to expand our outreach for sustainable growth.

In the next four years (2022-2025) we are looking at accelerated growth having positioned ourselves as the go to partner in the market. Key stakeholders including MNOs and FinTech have been engaged on several levels and new products and services to be launched in the first and second quarter are evidence. The bank through these partnerships is offering convenience, flexibility, and simplified access to financing to both DCB customers and potential customers countrywide.

12. OPERATING ENVIRONMENT

The Tanzanian shilling (TZS) remained relatively stable against the currencies of major trading partners in 2021. Thanks to our regulator, the continued implementation of an expansionary monetary policy, saw persistent recovery of the economy with real GDP projected to grow 4.1% in 2021 and 5.8% in 2022, due to improved performance of the tourism sector and the reopening of trade corridors. As the economy continued to improve from the effects of COVID-19 pandemic, inflation remained low in the year 2021, bolstered by subdued prices of both food and non-food consumer goods and services. The inflation outturn was within the target range and in line with EAC and SADC convergence criteria of 3-5 percent for 2021 and regional (EAC and SADC) convergence benchmarks. For the whole of 2021, headline inflation averaged 3.7 percent compared with 3.3 percent in 2020.

Banking profitability has improved, with ROE and ROA increasing from 3% to 2% and 0.4% to 0.3% respectively from 31 December 2020 to 31 December 2021. Stronger profitability signifies a stronger banking sector that is more willing to lend. Profitability will be further supported by improving asset quality: the ratio of non-performing loans (NPLs) to gross loans fell from 12.0 % in December 2020 to 7.3 % in December 2021, and we expect this ratio to see further decline with the regulator's support, as is evident with measures introduced in November 2021. Although the asset quality in Tanzania's banking sector has not returned to 2015 NPL levels of 6.4% of total assets, loan impairments are likely to gradually reduce over the coming quarters as the impact of the Covid-19 pandemic lessens and the impact of the BoT's measures to address NPLs.

12. OPERATING ENVIRONMENT (CONTINUED)

The Tanzanian banking sector's funding structure has improved over recent months (from an already relatively strong position), after having deteriorated slightly over 2019 and 2020. The sector's Loan to deposit ratio sat at 89.0% in September 2021 – just below its five-year average of 90.0%, and comfortably below the 100.0% mark. This implies that Tanzania's banks are predominantly domestically funded, less reliant on external financing and thus less exposed to external shocks.

13. OPERATING MODEL

We offer banking services to Individuals, Small to Medium sized Businesses, as well as large corporate clients. We have a wide branch network of over 8 branches, over 1000 DCB Wakala Agents and over 280 Umoja switch ATMs serving over 3 million customers across the country.

Our key client servicing segments are Personal banking, Group banking, Business banking, Corporate banking and Treasury services.

Personal banking

Our personal banking segment offers a wide range of products to individual customers. A wide range of personal banking products ranging from multiple savings accounts, time deposits and loans. Customers have access to digital deposit accounts and digital lending platforms.

Group lending

This segment offers banking solutions to solidarity groups. The products are structured to align with the business needs and cashflows from small business ventures engaged by solidarity group members. Customers are given access to financial wellbeing knowledge through well trained bank officers.

Business banking

Our small and medium sized business customers are offered banking solutions tailored to their needs. Innovative banking products covering sole proprietors, partnerships and companies' customer segments are tailored to give our customers a world class banking experience and solutions.

Corporate banking

Premium products for our corporate and high net worth clients to meet their business and personal banking needs. First class access to our business and sector specific knowledge and expertise tailored to their unique business needs.

Treasury services

The segment offers foreign currency services and money market services to individuals, groups, and businesses.

14. PRINCIPAL RISKS, UNCERTAINTIES AND OPPORTUNITIES

Risk management framework

The management of risk lies at the heart of business. The Bank's major risks arise from extending credit to customers through our trading and lending operations. The Bank is also exposed to a range of other risk types such as market, liquidity, operational, reputational, and other risks that are inherent to Bank's strategy, product range and geographical coverage. Effective risk management is fundamental to being able to generate profits consistently and sustainably and is thus an integral part of the financial and Bank's operational management.

14. PRINCIPAL RISKS, UNCERTAINTIES AND OPPORTUNITIES (CONTINUED)

Risk governance

The ultimate responsibility for setting our risk appetite and for the effective management of risk rests with the Board. Acting within an authority delegated by the Board, The Board Audit, Risk and Compliance Committee (BARCC) has responsibility for oversight and review of prudential risks including but not limited to credit, market, capital, liquidity and operational. It reviews the bank's overall risk appetite and makes recommendations thereon to the Board. It's responsibilities also include reviewing the appropriateness and effectiveness of the Bank's risk management systems and controls, considering the implications of material regulatory change proposals, ensuring effective due diligence on material transactions. The BARCC reviews regular reports on risk management, policies, stress testing, liquidity, and capital adequacy, and is authorized to investigate or seek any information relating to an activity within its terms of reference.

The Board accepts final responsibility for the risk management and internal control systems of the Bank. It is the task of the Directors to ensure that adequate internal financial and operational control systems are developed and maintained on an ongoing basis. 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 miss-statement 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 is of the opinion that they met accepted criteria. The Board carries out risk and internal control assessment through the Board Audit, Risk and Compliance Committee.

Risk Management Culture

The Bank is cognizant of the fact that people are its most asset and are core to the establishment of a positive and responsible risk management culture. To that end, the Bank continues to invest in the capability of its people through carefully designed initiatives and programs towards embedding a positive risk management culture in the Bank. Roles and responsibilities for risk management are defined under two lines of defence model. Each line of defence describes a specific set of responsibilities for risk management and control:

First line of defence: This compose of management and internal controls; operational managers own and manage risks. They also are responsible for implementing corrective actions to address process and control deficiencies.

Second line of defence: This comprises the independent risk function and is responsible for ensuring that the risks remain within the Bank's risk appetite.

Third line of defence: The independent assurance provided by the Internal Audit Department. Its role is defined and overseen by the Board Audit Committee.

In servicing its clients DCB Commercial bank Plc assumes numerous risks. Principal risks that the Bank is exposed to are:

14. PRINCIPAL RISKS, UNCERTAINTIES AND OPPORTUNITIES (CONTINUED)

Risk	Mitigation Actions
Credit Risk Risk of loss arising from failure of customers to meet their contractual obligations when they fall due. These obligations can be financial and non-financial.	• Enhanced customer onboarding procedures with increased scrutiny on customer's past credit performance and present capacity. • Recovery process monitoring and reporting on monthly basis. • Proper loan monitoring procedures to flag out customers with elevated credit risk for quicker actions and remediation plans.
Compliance Risk Potential risk of penalties, sanctions, reputational damage and material loss resulting from failure to adhere to regulatory requirements.	• Periodic assessment of the bank's compliance with existing regulatory requirements. • Assessment of the adequacy of the bank's internal controls put in place to mitigate and manage compliance risk.
Strategic Risk Strategic risk can have severe consequences that impact organizations in the long term. Unmanaged strategic risks pose a risk to the bank. As such the bank manages its strategic risks in order to ensure that long term objectives are achieved.	• Formulation of a strategic plan that maps out the strategic activities and initiatives that are taken by the bank. • Monitoring of key performance indicators quarterly and discussed during the meeting of the Board Audit Risk and Compliance Committee. • Develop a performance evaluation system that tracks progress towards achieving both financial and non-financial targets. • Proper succession plan for the board of directors critical positions (Chairman of the Board and the Managing Director) and management succession plan.
Liquidity Risk Inability of the bank in meeting its repayment obligations in full when they fall due or from being unable to do so at a sustainable cost.	• Ensure that the agreed commitments to the Bank's creditors can be met in the long term (solvency) and at the right time (liquidity). • Maintain combined liquidity reserves of cash and securities and unused bank lines of credit as a buffer just in case. • Ensure that the bank's assets and liabilities are diversified across currencies, geographic areas and business.
Operational Risk The risk of loss resulting from inadequate or failed internal processes, people, and systems, or external events	• Risk transfer through outsourcing and insurance. • Establishment of controls through policies and procedures. • Business Continuity Planning by ensuring Disaster Recovery Site is in place and all core systems are replicated at the site.
Market Risk The risk of adverse movement of interest rates, foreign exchange fluctuations and or commodities prices.	• Hedging of foreign currency. • Timely evaluation and monitoring of market interest rates and prices movements.
Technology and Cyber Risk Risk of inability to manage Confidentiality of information, integrity of data, protection of physical IT assets and system availability which could results in loss of data, reputational damage and significant financial loss.	• Enhancement of modules in the core banking system. • Enhancement of the resilience of system security • Improvement of system stability.

15. TECHNOLOGY AND INNOVATION

The organization has gone through a phenomenal transformation in the past year, in the respective key areas mainly in its "Processes, Technology & Governance" in the effort to ensure a "healthy" environment to facilitate business growth. In July 2019 we laid down a "road-map" to the bank's digital transformation, that was divided into three main phases.

- Information Gathering Phase:
This involved understanding the bank's key pain points at the time and all the possible remediations.
- Stabilization & Catch-Up Phase:
This entailed stabilizing the bank's technology environment to foster business growth and catching up with the market in terms of the products the bank is offering.
- Business Growth Phase:
To grow the business through building more "use-cases" and advanced services and the in the process creating diversified revenue streams for the bank and creating a delightful customer experience to our customers.

Phase 1& 2 have been completed and we are now in the "Business Growth Phase" today, we are running a much stronger bank, with a stronger brand equity, better & advanced services with our profits more assured as we deliver value to our shareholders.

The 2022 strategy is a continuation of the 2021-2025 five-year plan, that is focused on the five strategic pillars, Customer Deposit Growth, Channels Optimization, Growth of our Loan Book, NFI Growth & Footprint Expansion.
Our role is to support the business in bringing this strategy to reality by ensuring there a technology ready environment to foster innovations, guaranteed operational efficiency while observing controls & governance and costs, and in addition, perfecting whatever that was done in 2021.

These innovative ambitions shall be achieved through the strategic initiatives already in place to strengthen the bank's Cyber security environment and governance, continued infrastructure development, creating a conducive development environment to foster new product innovation and speed to market.

16. STAKEHOLDER RELATIONSHIP

Being a bank that is rooted to servicing the community, we are deeply connected to the society we serve. Our capacity and ability to provide services and create value is reliant on how we relate and contribute to the wellbeing of our stakeholders.

Stakeholder	**Needs and expectations**	**How we delivered value**
Shareholders	• Sustainable growth of business • Minimised business risks • Compliance with regulatory requirements • True and fair financial reporting • Return on investment • Competent experienced management	• Maintaining a strong balance sheet to protect against downside risk. • Investing in profitable minimal risk assets and growing our client base • Investing in people sustainability
Employees	• Safe working environment • Trustworthy relationship • Fair remuneration • Talent Retention programs	• Value based reward program • Encouraging our employees to embrace digital changes and further their careers to improve our services and products
Customers	• Real time customer service support • Innovative multiple banking channels and enhanced digital products which are easily accessible. • One-on-one interactions with relationship managers and senior management for corporate and MSME segment customers.	• Provide credit in a responsible manner that enables wealth creation, sustainable development, and job creation in line with the current industrialisation initiative by the government. • Safeguarding banks' liquidity while growing returns • Enabling financial inclusion by offering unbanked population access to affordable banking channels. • Developing innovative banking solutions that meet our customers' unique needs

16. STAKEHOLDER RELATIONSHIP (CONTINUED)

Stakeholder	Needs and expectations	How we delivered value
Regulators	• Full compliance with regulatory requirements • Active engagement with regulatory bodies on reforms and new initiatives that help to maintain the integrity of the banking industry.	• Sustainable banking practices and regulatory compliance which is key to promoting a safe banking environment. • Active participation and engagement with regulatory bodies and policy makers.
Society	• Sustainable support on development of the community • Supporting social enterprises and promoting financial inclusion	• Providing financial education and advice • Engaging in impactful corporate social responsibility activities.

17. ENVIRONMENTAL, SOCIAL AND GOVERNANCE

In 2021, the Bank set up The DCB Foundation as a social arm of the Bank, to design and implement programs that provide solutions to societal problems, particularly socio-economic challenges that affect Tanzanian communities such as unemployment and poverty. It is the Foundation's fundamental belief that when the society thrives at the community level, it will inevitably lead to economic growth and prosperity at the national level.

The Foundation's VISION is A thriving, productively engaged community prospering socially and economically, while its MISSION is: To transform the lives and livelihoods of Tanzanian Communities through high impact, sustainable socio-economic programs.

The DCB Foundation's key thematic areas where it is focused to make an impact include:

i. Economic Development. The Foundation designs and executes community programs that are geared towards supporting the growth and sustainability of livelihoods at the community level. The Foundation also provides capacitation in areas such as VETA skilling, financial training, business development support services, market linkages and micro-financing.

ii. Education. The Foundation designs and executes programs that enable both formal and technical training for The Youth, particularly those that are from lower social-economic backgrounds. This is done through the provision of scholarships.

iii. Natural Resource Management: The Foundation designs and implements programs that foster a symbiotic, resilient, and sustainable relationship between communities and the environment, whilst creating socio-economic and livelihood opportunities. To this end, The Foundation plans to implement programs that attract financial capital investments through nature-based solutions such as conservation and other measures that mitigate and adapt to climate change challenges.

After we have built the capacity of the communities in these three areas the bank will provide access to finance to the businesses in the communities.

18. EMPLOYEE WELFARE

Management and employees' relationship

The Bank has adequate number of employees with pre-requisite competency and experience in key positions to manage the banking operations as well as pursuing the business objectives. As of 31 December 2022, the number of employees were 234, of which full time employees were 222 (2020: 206).
There has been a good working relationship between management and employees as well as employees and their supervisor's/line managers. Complaints are resolved through meetings and discussions. Work morale is good and there were no unresolved complaints from employees. During the year, there were no new cases referred to the Commission for Mediation and Arbitration (CMA), however there were 2 ongoing cases from 2015.

18. EMPLOYEE WELFARE (CONTINUED)

Management and employees' relationship (continued)

The Bank is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribes, religion, and disability which does not impair ability to discharge duties.

Training

During the year, the Bank spent TZS 42.9 million for training of its staff (2019: TZS 32.5 million). Training programs have been and are continually being developed to ensure employees are adequately trained at all levels. All employees received training to upgrade skills and enhance productivity.

Staff loans and advances

The Bank provides mortgage and personal loans to staff as well as salary advances to enable them to overcome financial needs and promote their personal development. Staff loans and advances are based on specific terms and conditions approved by the Board of Directors. During the year, the Bank issued staff loans of TZS 5.47 billion to 228 employees (2019: TZS 4.07 billion to 168 employees) and the outstanding staff loans balance at year end was TZS 6.71 billion (2020: TZS 6.08 billion).

Medical and group life insurance benefits

The Bank pays medical expenses for all members of staff and their family dependents as part of the bank's policy through medical insurance arrangement.

Retirement benefits

The Bank makes contributions in respect of staff retirement benefits to statutory pension schemes namely Public Service Social Security Fund (PSSSF). The Bank's obligations in respect of these contributions are limited to 15% of the employees' monthly salary while the employee contributes 5% making a total of 20% contribution as per The Public Service Social Security Fund Act,2018. Total contribution of TZS 1.25 billion in year 2021 (2020: TZS 1.22 billion).

19. GENDER PARITY

The Bank is an equal opportunity employer. As at 31 December 2021, the Bank had the following distribution of employees by gender.

Gender	**2021**	**%**	**2020**	**%**
Female	154	56.0	120	48.3
Male	121	44.0	112	51.7
Total	**275**	**100**	**232**	**100**

20. RELATED PARTY TRANSACTIONS

All related party transactions and balances are disclosed in Note 39 to these financial statements.

21. POLITICAL AND CHARITABLE DONATIONS

The Bank did not make any political donations during the year. The Bank participates actively in community activities and development programs; contribution through corporate social responsibility for the year ended 31 December 2021 reached TZS 30 million (2020: TZS 20 million) and the amount was directed to government to fund royal tour campaign by president Samia Suluhu Hassan.

22. AUDITOR

The auditors, PricewaterhouseCoopers have expressed their willingness to continue in office. A resolution proposing the appointment of auditor of the Bank for financial year 2021 will be tabled at the Annual General Meeting.

23. RESPONSIBILITY OF THOSE CHARGED WITH GOVERNANCE

The members charged with governance accept responsibility for preparing these financial statements which show a true and fair view of the Company to the date of approval of the audited financial statements, in accordance with the applicable standards, rules, regulations and legal provisions. The members also confirm compliance with the provisions of the requirements of TFRS 1 and all other statutory legislations relevant to the Bank.

BY ORDER OF THE BOARD

Mr. Maharage A. Chande
Chairman

Ms. Zawadia J. Nanyaro
Vice Chairperson

......14/04/......2022

DCB COMMERCIAL BANK PLC

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

The Companies Act, No.12 of 2002 requires Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Bank as at the end of the financial year and of the profit or loss for the year. It also requires the Directors to ensure that the Bank and its subsidiary keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Bank. They are also responsible for safeguarding the assets of the Bank and hence taking reasonable steps for the prevention and detection of fraud, error and other irregularities.

The Directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, No.12 of 2002.

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

Signed on behalf of the Board of Directors by:

Mr. Maharage A. Chande	Ms. Zawadia J. Nanyaro
Chairman	**Vice Chairperson**

..........14/04/.........**2022**

DCB COMMERCIAL BANK PLC

DECLARATION OF THE 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 Chief Financial Officer responsible for the preparation of financial statements of the entity concerned.

It is the duty of a Professional Accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing a true and fair view of the entity's financial position and performance in accordance with applicable International Financial Reporting Standards (IFRS) and statutory financial reporting requirements. Full legal responsibility for the preparation of financial statements rests with the Board of Directors' as per the Statement of Directors' Responsibility on page 21.

I, Constantine Mtumbuka, being the Head of Finance of DCB Commercial Bank Plc hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2021 have been prepared in compliance with the International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, No.12 of 2002 and Banking and Financial Institutions Act (BFIA), 2006 and its regulations.

I thus confirm that the financial statements give a true and fair view of the financial performance of DCB Commercial Bank Plc for the year ended on 31 December 2021 and its financial position as on that date and that they have been prepared based on properly maintained financial records.

Constantine Mtumbuka
Chief Manager – Finance
NBAA Membership No.: GA 8267
..........14/04/.........**2022**

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF DCB COMMERCIAL BANK PLC

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of DCB Commercial Bank Plc (the Company) as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act, No. 12 of 2002.

What we have audited

The financial statements of DCB Commercial Bank Plc as set out on pages 28 to 104 comprise:

- statement of financial position as at 31 December 2021;
- statement of comprehensive income for the year then ended;
- statement of changes in equity for the year then ended;
- statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the National Board of Accountants and Auditors (NBAA) that are relevant to our audit of the financial statements in Tanzania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the NBAA.

Key audit matters

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

Key audit matters (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the Key audit matter</th></tr>
<tr><td>
<u>Impairment of loans and advances to customers</u>

Management exercises judgement when determining both when and how much to record as loan impairment provisions. Judgement is applied to determine the appropriate parameters and assumptions used to estimate the provisions in the following areas:
• Quantitative and qualitative criteria for classification of loans and advances based on assessment of factors contributing to significant increase in credit risk and default;
• Determination of the probability of defaults (both 12 months and lifetime);
• Determination of the forward-looking parameters to be incorporated in the estimation of expected credit losses; and
• Estimation of the expected cash flows (including from collateral realization) used in the determination of the loss given default.

These judgements together with the value of gross loans and advances to customers (TZS 121,734 million) and impairment provision (TZS 4,338 million) make this a key audit matter.

Further detail on loans and advances have been disclosed in the Note 5 (a), Note 6.1.3 and Note 23 of the financial statements.
</td><td>
• We tested the reasonableness of the quantitative and qualitative criteria used in the classification of loans and advances including consideration of the impact of restructure due to Covid-19.
• As the quantitative basis of classification of loans and advances is reliant on information systems, we understood and tested key information technology general and application controls including the accurate calculation of the number of days past due.
• We tested management's application of the qualitative criteria in classification of loans and advances.
• We tested the reliability of information used for estimating probability of default and loss given default.
• We tested the reasonability of the forward-looking parameters considered by management including taking into account the impact of Covid-19.
• We challenged management's basis for establishing the correlation between forward looking parameters and the bank's non-performing loan trends.
• We agreed the collateral values used in the impairment model to valuation reports.
• We challenged management assumptions regarding recovery periods used to estimate the recoverable amount of collateral for secured facilities.
.
</td></tr>
</table>

Other information

The directors are responsible for the other information. The other information comprises the corporate information, list of abbreviations, Report by those charged with governance, statement of directors' responsibilities and declaration of head of finance to the financial statements but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies Act, No. 12 of 2002, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

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

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, action taken to eliminate threats or safeguards applied.

Auditor's responsibilities for the audit of the financial statements (continued)

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

Report on the other legal and regulatory requirements

This report, including the opinion, has been prepared for, and only for, the company's members as a body in accordance with the Companies Act, No. 12 of 2002 and for no other purposes.

As required by the Companies Act, No. 12 of 2002 we are also required to report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if the financial statements are not in agreement with the accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed. In respect of the foregoing requirements, we have no matter to report.

Zainab Salome Msimbe (FCPA 1708)
For and on behalf of PricewaterhouseCoopers
Certified Public Accountants

Dar es Salaam

Date: 22 April 2022

DCB COMMERCIAL BANK PLC

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2021 TZS'000	2020 TZS'000
Interest and similar income	8	27,617,664	22,665,249
Interest and similar expense	9	(11,464,293)	(9,744,070)
Net interest income		**16,153,371**	**12,921,179**
Credit impairment losses and write offs	23	(3,826,267)	264,727
Net interest income after loan impairment		**12,327,104**	**13,185,906**
Fees and commission income	10	5,116,990	3,736,713
Foreign exchange income	11	280,258	151,697
Other operating income	12	1,783,505	747,231
Total non-interest income		**7,180,753**	**4,635,641**
Total operating income		**19,507,857**	**17,821,547**
Operating expenses			
Staff costs	13	(9,765,285)	(9,442,075)
General administrative expenses	14	(6,157,918)	(4,986,355)
Depreciation and amortization	15	(2,524,021)	(2,376,540)
Total operating expenses		**(18,447,224)**	**(16,804,970)**
Profit before income tax		**1,060,633**	**1,016,577**
Income tax charge	19	(262,497)	(563,271)
Profit for the year		**798,136**	**453,306**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Fair value gain on FVOCI debt instrument net of tax		-	163,681
Total comprehensive income for the year		**798,136**	**616,987**
Earnings per share (basic and diluted)	35	**8**	**5**

DCB COMMERCIAL BANK PLC

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Notes	2021 TZS'000	2020 TZS'000
Assets			
Cash and balances with Bank of Tanzania	20	20,053,560	13,423,746
Government securities – FVOCI	22	-	9,619,053
Government securities – Amortized cost	22	28,616,539	24,089,738
Equity investment at FVOCI	24	2,040,200	1,823,200
Balances due from other banks	21	2,286,048	3,179,930
Loans and advances to customers	23	117,399,011	98,071,452
Corporation tax recoverable	28	2,085,029	1,939,384
Deferred income tax asset	30	4,401,696	4,421,346
Other assets	27	2,478,335	1,886,105
Right of use asset	38	6,305,536	6,079,060
Property and Equipment	25&4(r)	3,845,698	3,323,646
Intangible assets	26&4(r)	5,110,821	5,031,472
Total assets		**194,622,473**	**172,888,132**
Liabilities			
Due to other banks	29.a	24,749,752	27,513,654
Deposits from customers	29.b	125,291,419	99,503,846
Borrowings	31	8,426,352	10,920,248
Other liabilities	32	2,358,942	2,162,805
Lease liabilities	38	3,546,595	3,172,621
Total liabilities		**164,373,060**	**143,273,174**
Equity			
Share capital	33	24,061,904	22,741,149
Share premium	34(a)	4,183,291	4,104,046
Advance toward share capital	34(b)	-	1,400,000
Accumulated losses		(229,900)	(2,217,315)
Regulatory banking risk reserve		1,755,178	2,944,457
Fair valuation reserve		478,940	642,621
Total equity		**30,249,413**	**29,614,958**
Total liabilities and equity		**194,622,473**	**172,888,132**

The financial statements on pages 28 to 104 were approved and authorized for issue by the Board of Directors on 14 April 2022 and signed on its behalf by:

Mr. Maharage A. Chande
Chairman

Ms. Zawadia J. Nanyaro
Vice Chairperson

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021	Share capital TZS'000	Share premium TZS'000	Advance toward share capital TZS'000	Accumulated losses TZS'000	**Regulatory banking risk reserve TZS'000	Fair valuation reserve TZS'000	Total equity TZS'000
At 1 January 2021	22,741,149	4,104,046	1,400,000	(2,217,315)	2,944,457	642,621	**29,614,958**
Transfer of realised gain on FVOCI government securities	-	-	-		-	(93,532)	**(93,532)**
Deferred tax on fair value gains realised during the year	-	-	-		-	(70,149)	**(70,149)**
Profit for the year	-	-	-	798,136	-	-	**798,136**
Total comprehensive income	-	-	-	-	-	-	-
Transfer to/(from) regulatory risk reserve**	-	-	-	1,189,279	(1,189,279)	-	-
Transaction with owners							
Issue of shares	1,320,755	79,245	(1,400,000)	-	-	-	-
At 31 December 2021	**24,061,904**	**4,183,291**	**-**	**(229,900)**	**1,755,178**	**478,940**	**30,249,413**

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

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Year ended 31 December 2020	**Share capital**	**Share premium**	**Advance toward share capital**	**Accumulated losses**	****Regulatory banking risk reserve**	**Fair valuation reserve**	**Total equity**
	TZS'000	**TZS'000**	**TZS'000**	**TZS'000**	**TZS'000**	**TZS'000**	**TZS'000**
At 1 January 2020	22,741,149	4,104,046	750,000	(580,333)	1,354,169	478,940	28,847,971
Fair value gain on FVOCI debt instrument	-	-	-	-	-	233,830	233,830
Deferred tax on fair value gain	-	-	-	-	-	(70,149)	(70,149)
Profit for the year	-	-	-	453,306	-	-	453,306
Total comprehensive income	-	-	-	453,306	-	163,681	616,987
Transfer to /(from) regulatory risk reserve**	-	-	-	(1,590,288)	1,590,288	-	-
Transaction with owners							
Dividend paid				(500,000)	-	-	(500,000)
Advance toward share capital	-	-	650,000	-	-	-	650,000
At 31 December 2020	**22,741,149**	**4,104,046**	**1,400,000**	**(2,217,315)**	**2,944,457**	**642,621**	**29,614,958**

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

STATEMENT OF CASH FLOWS

	Notes	2021	*2020
Cash flows from operating activities		**TZS'000**	**TZS'000**
Profit before income tax		**1,060,634**	**1,016,577**
Adjusted for:			
Net interest income		(16,153,371)	(12,921,179)
Depreciation and amortization	15	2,524,021	2,376,540
Interest expense on borrowings		833,544	1,071,573
Dividend received		(34,779)	-
Finance cost on Lease liability	9	277,493	276,712
Exchange (gain)/loss in cash and cash equivalent		(32,442)	27,686
Write off of fixed assets	25	140,521	-
Cash flow from operating activities before changes in operating assets and liabilities		**(11,384,379)**	**(8,152,091)**
Changes in operating assets and liabilities:			
Change in statutory minimum reserve	20	(1,475,233)	(443,485)
Change in loans and advances to customers		(19,327,505)	(13,746,589)
Change in other assets		(678,882)	(1,052,450)
Change in deposits from banks		(2,765,176)	15,889,387
Change in deposits from customers		25,272,265	14,314,990
Change in other liabilities		196,137	(378,348)
Change in government securities		4,425,104	(19,701,599)
Cash generated/(used) in operations		**5,646,710**	**(5,127,094)**
Interest received		28,052,203	22,665,249
Interest paid		(10,948,985)	(9,504,756)
Income tax paid		(318,345)	(221,639)
Net cash generated from/(used in) operating activities		**11,047,204**	**(340,331)**
Cash flows from investing activities			
Purchase of property and equipment	25	(1,549,673)	(913,956)
Purchases of intangible assets	26	(826,310)	-
Investment in shares		(217,000)	(19,000)
Dividend received		34,779	-
Net cash used in investing activities		**(2,558,204)**	**(932,956)**
Cash flows from financing activities			
Dividend Paid		-	(500,000)
Proceeds from borrowing		-	2,500,000
Capital received		-	650,000
Lease payment-principal	38	(655,810)	(565,368)
Lease payment-interest	38	(277,493)	(276,712)
Principal repayments of borrowings		(2,425,651)	(1,871,911)
Interest repayments		(901,789)	(1,038,680)
Net cash used in financing activities		**(4,260,743)**	**(1,102,671)**
Increase/(decrease) in cash and cash equivalents		**4,228,257**	**(2,371,845)**
Cash and cash equivalents at the beginning of the year		9,514,961	11,914,492
Exchange gain/(loss) in cash and cash equivalent		32,442	(27,686)
Cash and cash equivalents at the end of the year	**36**	**13,775,660**	**9,514,961**

* Where deemed appropriate, classification for comparative numbers has been adjusted to align with current year's presentation. Refer to further details in note 4(r).

1. GENERAL INFORMATION

DCB Commercial Bank Plc is a Public Limited Company and is incorporated and domiciled in the United Republic of Tanzania. The Bank is listed on the Dar es Salaam Stock Exchange (DSE). The address of its registered office and principal place of business are disclosed in the corporate information on page 1 of this report. The principal activities of the Bank are described in the report of the Directors.

2. BASIS OF PREPARATION

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

The Bank's financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, 2002; the Banking and Financial Institutions Act, 2006 and National Board of Accountants and Auditors Technical Pronouncements.

The financial statements comprise the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the notes. The measurement basis applied in the preparation of these financial statements is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Tanzania shillings (TZS).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Directors to exercise judgement in the process of applying the Bank's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. The Directors believe that the underlying assumptions are appropriate and that the Bank's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

3. CHANGES IN ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below.

i) New and amended standards adopted by the Bank

Interest rate benchmark reform – phase 2: amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (ibor) is replaced with an alternative nearly risk-free interest rate (rfr). The amendments include the following practical expedients:

- a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by ibor reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- provide temporary relief to entities from having to meet the separately identifiable requirement when an rfr instrument is designated as a hedge of a risk component.

These amendments had no impact on the financial statements of the Bank. The Bank intends to use the practical expedients in future periods if they become applicable.

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

i) New and amended standards adopted by the Bank (continued)

Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid -19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid -19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Bank has not received Covid-19-related rent concessions but plans to apply the practical expedient if it becomes applicable within allowed period of application.

The adoption of the amended standards did not have an impact to the Bank.

ii) New and revised standards and interpretation which have been issued but are not effective.

Certain new accounting standards and interpretations have been published that are not mandatory for this reporting period and have not been early adopted by the Bank. The Bank's assessment of the impact of these new standards and interpretations is set out below:

International Financial Reporting Standards, interpretations and amendments issued but not effective		
Title	**Effective date**	**Key requirements**
IFRS 17, 'Insurance contracts'	Annual periods beginning on or after 1 January 2023 Early application is permitted for entities that apply IFRS 9, 'Financial Instruments', and IFRS 15, 'Revenue from Contracts with Customers', at or before the date of initial application of IFRS 17. (Published May 2017)	The IASB issued IFRS 17, 'Insurance contracts', and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators. Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognized over the coverage period. Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contracts, including those with a coverage period of one year or less. For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognized in profit or loss in the period in which they occur but over the remaining life of the contract.

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

ii) New and revised standards and interpretation which have been issued but are not effective (continued)

International Financial Reporting Standards, interpretations and amendments issued but not effective		
Title	**Effective date**	**Key requirements**
IFRS 17, Insurance contracts Amendments	Annual periods beginning on or after 1 January 2023 (Published June 2020)	In response to some of the concerns and challenges raised, the Board developed targeted amendments and several proposed clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and ease transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard or unduly disrupt implementation already underway.
Amendments to IAS 16 'Property, Plant and Equipment': Proceeds before Intended Use	Annual periods beginning on or after 1 January 2022 (Published May 2020)	The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly). The proceeds from selling such items, together with the costs of producing them, are recognized in profit or loss.
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets on Onerous Contracts— Cost of Fulfilling a Contract	Annual periods beginning on or after 1 January 2022 (Published May 2020)	The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract.
Annual improvements cycle 2018 -2020	Annual periods beginning on or after 1 January 2022 (Published May 2020)	These amendments include minor changes to: • IFRS 1, 'First time adoption of IFRS' has been amended for a subsidiary that becomes a first-time adopter after its parent. The subsidiary may elect to measure cumulative translation differences for foreign operations using the amounts reported by the parent at the date of the parent's transition to IFRS. • IFRS 9, 'Financial Instruments' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation. • IFRS 16, 'Leases', amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives.
Amendment to IAS 1 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current	Annual periods beginning on or after 1 January 2022 (Published Jan 2020)	The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant).

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Tanzania shillings (TZS), rounded to the nearest thousands, which is the Bank's functional currency.

(ii) Transactions and balances

Transactions in foreign currencies during the year are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currency are translated with the closing rate as at the end of the reporting period. Non-monetary items measured at historical cost denominated in a foreign currency are translated at the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

(a) Foreign currency translation (continued)

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

(b) Interest income and expense

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

i) Purchased or originated credit-impaired (POCI) financial assets, for which the original credit – adjusted effective is applied to the amortised cost of the financial asset.

ii) Financial assets that are not 'POCI' but have subsequently become credit-impaired (or stage 3), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

(c) Fee and commission income and expense

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Bank to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Bank does not designate loan commitments as financial liabilities at fair value through profit or loss.

Fees and commission are generally recognized on an accrual basis when the service has been provided. Commitment fees for loans that are likely to be drawn down are deferred and recognized as an adjustment to the effective interest rate on the loan. Commissions and fees arising from various services offered by the Bank are recognized upon completion of underlying transaction on which the bank will have satisfied the performance obligation.

(d) Financial assets and financial liabilities

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instruments. Regular way purchases and sales of financial assets are recognised on trade – date on which the Bank commits to purchase or sell the asset.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Financial assets and financial liabilities (continued)

At initial recognition, the Bank measure a financial asset or financial liability at its fair value plus or minus in the case of a financial asset or financial liability not a fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debts instruments measured at FVOCI, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

(a) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

(b) In all other cases, the difference is deferred, and the timing or recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement

<u>Financial Assets</u>

(i) Classification and subsequent measurement

The Bank classifies its financial assets in accordance to IFRS 9 and in the following measurement categories:

- Fair Value through other comprehensive income (FVOCI); or
- Amortised cost.

Classification and subsequent measurement of debt instruments depend on:

(i) The Bank's business model for managing the asset; and
(ii) The cash flow characteristics of the asset.

Based on these factors, the Bank classifies its debt instruments into one of the following three categories:

- Amortised cost: Assets that are held for collection for contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 6. Interest income from these financial assets is included in 'Interest and similar income' using effective interest rate method. Loans and advances to customers, financial assets held to collect (such as government securities), cash and balances with BOT, placement with other banks and other assets fall under this classification.

- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principals and interest, and that are not designated at FVPL, re measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit and loss. When the financial asset is derecognised in 'Net Investment income'. Interest income from these financial assets is included in 'interest income' using the effective interest rate method.

Business model: the business model reflects how the Bank manages the assets in order to generate cash flows. That is, whether the Bank's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of the assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model for a Bank of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and Reported to key management personnel, how risks are assessed and managed and how managers are compensated.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Financial assets and financial liabilities (continued)

Financial Assets (continued)

(ii) Classification and subsequent measurement (continued)

For example, the Bank's business model for the mortgage loan book is to hold to collect contractual cash flows, with sales of loans only being made internally to a consolidated SPV for the purpose of collateralising notes issued, with no resulting derecognition by the bank.

Another example is the liquidity portfolio of assets, which held by the Bank as part of liquidity management and is generally classified within the hold to collect and sell business model. Securities held for trading are held principally for the purposes of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of Short-term profit taking. These securities are classified in the 'other' business model and measured at FVPL.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments' cash flows represent solely payments or principals and interest (the SPPI test'). In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposures to risk or volatility that are inconsistent with a basic lending arrangement, the related financial assets are classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principals and interest.

The Bank reclassifies debts investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent, and none occurred during the period.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Example of equity instruments include basic ordinary shares.

The Bank subsequently measures all equity investments at fair value through profit or loss, except where the Bank's management has elected, at initial recognition, to irrevocably designated an equity investment at fair value through other comprehensive Income. The Bank's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Bank's right to receive payments is established. Gains and losses on equity investments at FVPL are included in the 'Net trading income' line in the statement or profit or loss.

(i) Impairment

The Bank assesses on a forward –looking basis the expected credit losses ('ECL') associated with its debt instruments assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Bank recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability – weighted amount that is determined by evaluating a range of possible outcomes.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Financial assets and financial liabilities (continued)

Equity instruments (continued)

(i) Impairment (continued)

- The time value of money; and
- Reasonable and supportable information that is available without undue cost or efforts at the reporting date about past events, current conditions and forecast of future economic conditions

(ii) Modification of loans

The Bank sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Bank assess whether the new terms are substantially different to the original terms. The Bank does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantially new terms are introduced, such as a profit share/equity- based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant changes in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affects the credit risk associated with the loan.

If the terms are substantially different, the Bank derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of the initial recognition for impairment calculation purposes, including for the purposes of determining whether a significant increase in credit risk has occurred. However, the Bank also assessed whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as gains or loss on derecognition. If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

(ii) Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Bank transfers substantially all the risks and rewards of ownership, or (ii) the Bank neither transfers nor retains substantially all the risks and rewards of ownership and the Bank has not retained control.

The Bank enters transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards.

These transactions are accounted for as 'pass through' transfers that result in derecognition if the Bank:

i) Has no obligation to make payments unless it collects equivalent amounts from the assets.
ii) Is prohibited from selling or pledging the assets; and
iii) Has an obligation to remit any cash it collects from the assets without material delay

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Financial assets and financial liabilities (continued)

Equity instruments (continued)

(ii) Derecognition other than on a modification (continued)

Collateral (shares and bonds) furnished by the Bank under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Bank retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Bank retains a subordinated residual interest

Financial Liabilities

(i) Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to Changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Bank recognises any expense incurred on the financial liability; and
- Financial guarantee contracts and loan commitments
- Lease liabilities: Financial obligations to make payments arising from a lease, measured on a discounted basis. Lease liability is calculated using the present value of the lease payments over the lease term discounted, typically, using the lessee's incremental borrowing rate.

(ii) Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Bank and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Financial assets and financial liabilities (continued)

<u>Financial Liabilities</u> (continued)

(ii) Derecognition (continued)

Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specific payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debts instrument. Such financial guarantees are given to banks, financial institutions, and others on behalf of customers to secure loans, overdraft and other banking facilities.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:
- The amount of the loss allowance; and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

Loan commitments provided by the Bank are measured as the amount of the loss allowance. The Bank has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision.

However, for contracts that include both a loan and an undrawn commitment and the Bank cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as provision.

(e) Income tax

Income tax expense is the aggregate of the charge to the statement of profit or loss comprehensive income in respect of current income tax and deferred income tax. Current income tax is the amount of income tax payable on the taxable profit for the period determined in accordance with the Tanzanian Income Tax Act.

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

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

(f) Provisions

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Property and equipment

Property and equipment are stated at cost, less accumulated depreciation, and any accumulated impairment in value. Depreciation is calculated on the 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 rates in use are:

	Year 2021	Year 2020
Office machinery and equipment	20.0%	20.0%
Furniture, fixtures, and fittings	20.0%	20.0%
Computers and IT equipment	25.0%	25.0%
Generator	12.5%	12.5%
Motor vehicles	25.0%	25.0%
Leasehold improvements	10.0%	10.0%
Computer software	10.0%	10.0%

The assets residual values and useful lives are reviewed and adjusted, if appropriate, at the end of the reporting period. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

(h) Leases -Lease liability and right of use Asset

The Bank leases office space in various parts of the region. Rental contracts are typically made for fixed periods of 5 to 10 years but may have extension options. Lease terms are negotiated on an individual basis, but lease agreements do not impose any covenants, and leased assets may not be used as security for borrowing purposes.

Contracts may contain both lease and non-lease components. The Bank allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Bank is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component. Until the 2019 financial year, leases of office space were classified as operating leases. From 1 January 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Bank. Each lease payment is allocated between the liability and finance cost.

The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

To determine the incremental borrowing rate, the Bank:

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Leases -Lease liability and right of use Asset (continued)

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Extension and termination options are included in several property leases contracts. These terms are used to maximize operational flexibility in terms of managing contracts.

(i) Intangible assets

Acquired computer software licenses are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Intangible assets are amortized over the useful economic life of 10 years.

(j) Cash and cash equivalents

Cash and cash equivalents as referred to in the statement of cash flows comprises cash on hand, deposits held at call with Banks and investments in money market instruments with maturity periods of three months. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and all cash equivalent items original maturing within 90 days from the date of acquisition including non-restricted balances with the Bank of Tanzania, treasury bills, loans and advances to other banks, amounts due from other Banks and short-term investment securities. Cash and cash equivalents exclude the cash reserve requirement held with the Bank of Tanzania. Interest income and expense other than from borrowings is considered as cash from operating activities. Interest expense on borrowings is treated cash from financing activities.

(k) Employees' benefits

Short-term employment benefits such as salaries, social security contributions, and leave fare assistance are recognized in profit or loss when they fall due.

(i) Post retirement benefits

The Bank operates a defined contribution plan whereby each of its employees and the Bank contribute 5% and 15% respectively, of the employees' monthly salaries to the Managed Statutory Fund, namely the Public Service Social Security Fund (PSSSF). The Bank has no further commitments or obligations to the Funds, and it has no other post-retirement benefit scheme. The contributions are charged to profit or loss in the year to which they relate.

(ii) Other employee benefits

The Bank provides free medical treatment to staff and their eligible dependents. The cost is charged to profit or loss. The estimated monetary liability for employees' accrued leave entitlement at the statement of financial position date is recognized as an expense accrual. The Bank provides severance pay which is 14 days pay per year to maximum of 10 years.

(l) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(m) Share capital

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

Dividends on shares

Dividend payable is recognized as liability in the period in which it is declared. Proposed dividends are disclosed as a separate component of equity. Before recommending any dividend, the Board of Directors may set aside out of the profits of the Bank, such sums as they think proper, to a reserve fund or reserve account, which shall at the discretion of the Board, be applicable for any purpose for which the profits of the Bank may lawfully be applied. Whenever dividend is declared, the amount shall not exceed 50% of the annual profit after tax.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Statutory credit risk reserve

The statutory credit risk reserve includes the amount by which the Central bank of Tanzania requires in addition to the IFRS impairment provision. Changes in this reserve are accounted for as transfers to and from retained earnings as appropriate.

(o) Fair valuation reserve

The fair valuation reserve includes the fair value gains (losses) on financial instruments held at FVOCI net of deferred tax asset (liability) on the same.

(p) Earnings per share

The Bank presents basic and diluted earnings per share (EPS) in the consolidated and Bank financial statements. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of shares outstanding for the effects of all dilutive potential ordinary shares.

(q) Segment reporting

The Bank has the following operating segments: Treasury, Retail Banking and other. Following the management approach to IFRS 8, operating segments are reported in a manner consistent with the internal reporting to the Bank's management team, which is responsible for allocating resources to the reportable segments and assessing their performances. All operating segments used by the Bank meet the definition of a reportable segment under IFRS 8.

(r) Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information. Where deemed appropriate, classification for the comparative numbers has been adjusted to align with current year's presentation.

i. Statement of Cash Flows

Description	As previously stated	Adjustment	As restated
	TZS '000	TZS '000	TZS '000
Net interest income	-	(12,921,179)	(12,921,179)
Interest received	-	22,665,249	22,665,249
Interest paid	-	(9,504,756)	(9,504,756)
Net cash used in operating activities	575,532	(239,314)	336,218

Note
During the year management changed the presentation of the cashflow statement to disclose interest received and interest paid separately in line with the requirements of IAS 7- Statement of Cashflows. This has resulted in the change in presentation of the comparatives. This impact is as shown above.

ii. Work in Progress under Property and Equipment and Intangible assets

Description	As previously stated	Reclassification	As restated
	TZS '000	TZS '000	TZS '000
Property and equipment	3,719,268	(395,622)	3,323,646
Intangible assets	4,635,848	395,622	5,031,472

Note

In the prior period, management incorrectly classified work in progress related to intangible assets within property and equipment, this has now been corrected by restating the comparatives by reclassification of the work in progress from property and equipment to intangible assets. The impact is as presented above

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Bank's accounting policies.

This note provides an overview of the areas that involve a higher degree of judgement or complexity, and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year. Detailed information about each of these estimates and judgements is included in the related notes together with information about the basis of calculation for each affected line item in the financial statements.

a) Measurement of the expected credit loss allowance

The Bank measurement of the expected credit loss allowance for financial assets measured at amortized cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g., the likelihood of customers defaulting and the resulting losses). The Bank uses several significant judgements in applying the accounting requirements for measuring ECL, such as:

- Determination criteria for significant increase in credit risk.
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Estimating Probability of default, Exposure at Default and Loss Given Default
  Detailed information about the judgement and estimates made by the Bank are explained under note 6.1.
- Sensitivity of probably weightings and macros analysis for expected credit losses per segment has been done under note 6.1.3.4.

a) Useful lives of Property and equipment, leased premises refurbishments and intangible assets

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

b) Taxes

The Bank is subjected to several taxes and levies by various government and quasi- government regulatory bodies. As a rule of thumb, the Bank recognizes liabilities for the anticipated tax /levies payable with utmost care and diligence.

However, significant judgment is usually required in the interpretation and applicability of those taxes /levies. Should it come to the attention of management, in one way or the other, that the initially recorded liability was erroneous, such differences will impact on the income and liabilities in the period in which such differences are determined.

The recognition of deferred tax asset relies on an assessment of the probability and sufficiency of future taxable profit, future reversals of existing taxable temporary differences and ongoing tax planning and strategies. The deferred tax recognized in the Bank's statement of financial position as of 31 December 2021 was TZS 4.1 billion (2020: TZS 4.4 billion). The judgment takes into consideration the effect of both positive and negative evidence, including historical financial performance, projections of future taxable income and future reversals of existing taxable temporary differences

d) Provisions and Contingent liabilities

The Bank has contingent liabilities arising out of pending legal cases. Professional expert advice is taken on establishing litigation provisions. Provisions for legal proceedings and regulatory matters typically require a higher degree of judgements than other types of provisions. When cases are at an early stage, accounting judgements can be difficult because of the high degree of uncertainty associated with determining whether a present obligation exists because of a past event, estimating the probability of outflows and making estimates of the amount of any outflows that may arise.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

As matters progress through various stages of the cases, Management together with legal advisers evaluate on an ongoing basis whether provisions should be recognized, and the estimated amounts of any such provisions, revising previous judgements and estimates as appropriate. At the year-end not legal cases that amount for recognition.

e) Leases

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

- If there are significant penalties to terminate (or not extend), the Bank is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Bank is typically reasonably certain to extend (or not terminate).
- Otherwise, the Bank considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset. Most extension options in offices and vehicles leases have not been included in the lease liability, because the Bank could replace the assets without significant cost or business disruption.

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

In applying IFRS 16 the Bank has used the following permitted practical expedients:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics for which TZS leases rate use is 11 percent and USD leases rate use is 4 percent
- the accounting for operating leases with a lease term of less than 12 months and lease of low value.
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- The use of hindsight in determining the leases term where the contract contains options to extend or terminate the lease.

DCB Commercial Bank has also elected not to apply IFRS 16 to contracts that were not identified as containing a lease under IAS 17 and IFRIC 4 Determining whether an arrangement contains a Lease.

6. FINANCIAL RISK MANAGEMENT

The Bank's business involves taking on risks in a targeted manner and managing them professionally. The core functions of the Bank's risk management are to identify all key risks for the Bank, measure these risks, manage the risk positions and determine capital allocations. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice.

The Bank's aim is to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Bank's financial performance. The Bank defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors

The Bank's risk management policies are established to identify and analyses the risks faced by the Bank, 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 Bank, 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 Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign-exchange risk, interest-rate risk, credit risk, and liquidity risk. Risk management is carried out by the Risk and Compliance Department under policies approved by the Board of Directors. The risk and compliance department evaluate financial risk in close co-operation with the operating units.

6.1. Credit risk

The Bank takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss to the Bank by failing to discharge an obligation. Credit risk is the most important risk for the Bank's business. Management, therefore, carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities that bring debt securities and other bills into the Bank's asset portfolio. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. The credit risk management and control are centralized in the credit risk management team of the Bank and reported to the Board of Directors and heads of department regularly.

6.1.1 Credit risk measurement

Loans and advances (including loan commitments and guarantees)

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Bank uses general approach in measuring credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) by taking into consideration 12-month credit loss unless significant increase in credit risk occurs then lifetime credit loss is measured. This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9.

Risk portfolios

The segmentation into risk portfolios is based on Bank's segments at industry and product levels. For impairment assessment, the Bank's total exposure are segmented along product lines. The Bank is of the opinion that these segmentations share similar credit risk characteristics and can be monitored collectively for credit risk. These segments are:

- Corporate and SME Loans
- Housing and Mortgage loans
- Salaried loans
- Microfinance (SGL) loans

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.1 Credit risk measurement (continued)

Risk portfolios (continued)

The Bank uses internal credit risk grading that reflect its assessment of the probability of default of individual counterparties. The Bank use internal rating models tailored to the various categories of counterparty. Borrower and loan specific information collected at the time of application (such as disposable income, and level of collateral for retail exposures; and turnover and industry type for wholesale exposures) is fed into this rating model. This is supplemented with external data applied in forward looking scenarios. In addition, the models enable expert judgement from the Credit Risk Officer to be fed into the final internal credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model.

Each risk portfolio is further divided into risk groups based on:
- Days Past Due (DPD) intervals (applicable only for non-defaulted exposures and defaulted exposures),
- Internal client rating.

On the default identification approach, days past due (DPD) are examined at the transaction for retail portfolio and at the client level for corporates where the following conditions are considered:

- DPD at the transaction level is counted from the date, on which any part of the exposure becomes due, regardless of the amount of due exposure.
- DPD at the client level is the maximum DPD out of all exposures to the client.

The bank segment of Risk Groups (RGs) by categories in the ECL model is as shown below:

	Salaried, Corporate and SME, Housing and Mortgage loans	**Microfinance (SGL)**
Risk Group	**Number of days past due**	**Number of days past due**
Risk Group 1 (RG1)	Not due	Not due
Risk Group 2 (RG2)	1-30 days	1-5 days
Risk Group 3 (RG3)	31 - 60 days	6-15 days
Risk Group 4 (RG4)	61-90 days	16 - 30 days
Default Risk Group (RG5)	Above 90 days	Above 30 days

Exposure at Default for term loans is estimated as contractual rundown on the loans. For the off-balance sheet items, the exposure at default is estimated by determining a credit conversion factor (CCF).
For regulatory purposes and for internal monitoring of the quality of the loan portfolio, all the customers are segmented into five rating classes as shown below:

Bank's rating	**Risk Group**	**Description of the grade**
1	RG1	Current
2	RG2	Current
3	RG3	Current
4	RG4	Especially mentioned
5	RG5	Sub-standard, Doubtful and Loss

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)
6.1.1 Credit risk measurement (continued)

Treasury products

For debt securities in the treasury portfolio, balances with central bank, balances due from other banks and other assets, external rating agency credit grades are used. These published grades are continuously monitored and updated. The PD's associated with each grade are determined based on realized default rates over the prior 12 months, as published by the rating agency.

6.1.2 Risk limit control and mitigation policies

The Bank manages limits and controls concentrations of credit risk wherever they are identified. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to group of borrowers.

The Board has delegated responsibility for the management of credit risk to the Board Audit and Risk Compliance Committee responsible for overseeing of the Bank's credit risk including:

- Formulating credit policies, covering collateral requirements, credit assessment, risk grading, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorization structure of the approval and renewal of the credit facilities. Authorization limits are allocated to various officers at different levels. Larger facilities require approval by Board of Directors.
- Reviewing and assessing credit risk. Credit department assesses all credit exposures prior to facilities being committed to customers concerned. Renewals and reviews of facilities are subject to the same review process
- Reviewing compliance of business units with agreed exposure limits. Regular reports are provided to Board through Board Audit and Compliance Committee in respect of the quality of loan portfolio; and
- Providing advice, guidance and specialist skills to business units to promote best practice in the management of credit risk.

Regular audits of credit department processes are undertaken by internal audit department. The internal rating scale assists Directors to determine whether there is significant increase in credit risk, based on the following criteria set out by the Bank:

- Delinquency in contractual payments of principal or interest.
- Cash flow difficulties experienced by the borrower.
- Breach of loan covenants or conditions; and
- Deterioration in the value of collateral.

The Bank's policy requires the review of individual financial assets regularly and monitoring is on weekly basis for SGL product, while for the remaining portfolio which is largely made up of salaried loans is on monthly basis.

The most traditional of these is the taking of security for funds advanced, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation.

The principal collateral types for loans and advances are:

- Mortgages over residential properties
- Charges over business assets such as inventory and accounts receivable
- Charges over financial instruments such as debt securities and equities and
- Cash Covers

Corporate and SME, Housing and Mortgage and Microfinance (SGL) are generally secured while Salaried (Workers) loans are unsecured

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.2 Risk limit control and mitigation policies (continued)

Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit - which are written undertakings by the Bank on behalf of a customer authorizing a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions - are collateralized by the underlying shipments of goods to which they relate.

Undrawn commitments represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on undrawn commitments, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most undrawn commitments are contingent upon customers maintaining specific credit standards. The 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.

6.1.3 Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Bank.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit impaired. Refer to note 6.1.3.1 for a description of how the Bank determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to note 6.1.3.2 for a description of how the Bank defines credit-impaired and default.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to note 6.1.3.3 for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Note 6.1.3.4 includes an explanation of how the Bank has incorporated this in its ECL models.

Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition, their ECL is always measured on a lifetime basis (Stage 3).

Further explanation is also provided of how the Bank determines appropriate groupings when ECL is measured on a collective basis (refer to note 6.1.3.5).

The following diagram summarizes the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.3 Expected credit loss measurement (Continued)

Change in credit quality since initial recognition		
Stage 1	**Stage 2**	**Stage 3**
Initial recognition	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12 month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

6.1.3.1: Significant increase in credit risk (SICR)

The Bank decision on whether expected credit losses are based on 12-month expected credit losses or lifetime expected credit losses depends on whether there has been a significant increase in credit risk since initial recognition. An assessment of whether credit risk has increased significantly is made at each reporting date. When making the assessment, the Bank uses the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses. This forms the basis of stage 1, 2 and 3 classification and subsequent migration.
The Bank applies qualitative and quantitative criteria for stage classification and for its forward and backward migration.

Quantitative factors:

The bank monitors the performance based on aging and therefore uses days past due criteria in line with the Bank on Tanzania. The table below shows the stages assigned to various risk groups depending on the number of days past due which is a measure of the significant increase in credit risk: The bank also uses 30 days' rebuttable presumption that credit risk has increased significantly when repayment is on monthly basis and 5 days when repayment is on weekly basis.

	Salaried, Corporate and SME, Housing and Mortgage loans	**Microfinance (SGL)**	
Risk Group	**Number of days past due**	**Number of days past due**	**Staging based on IFRS 9**
Risk Group 1 (RG1)	Not due	Not due	Stage 1
Risk Group 2 (RG2)	1-30 days	1-5 days	Stage 1
Risk Group 3 (RG3)	31 - 60 days	6-15 days	Stage 2
Risk Group 4 (RG4)	61-90 days	16 - 30 days	Stage 2
Default Risk Group (RG5)	Above 90 days	Above 30 days	Stage 3

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.3 Expected credit loss measurement (continued)

6.1.3.1: Significant increase in credit risk (SICR) (continued)

Qualitative factors

There are other factors that are considered by the bank policies in the determination of significant increase in credit risk. They include but not limited to the following:

Significant changes in the terms of the same instrument if it were issued at the reporting date that indicate a change in credit risk since initial recognition, e.g., increase in credit spread; more stringent covenants; increased amounts of collateral or guarantees; or higher income coverage.

Significant changes in external market indicators of credit risk for the same financial instrument (or similar instrument of the borrower), E.g., credit spread; credit default swap prices; length of time or the extent to which the fair value of a financial asset has been less than its amortized cost; other market information related to the borrower, such as changes in the price of a borrower's debt and equity instruments; or external credit rating (actual or expected).

Changes in the Bank's credit management approach in relation to the financial instrument (e.g., based on emerging indicators of changes in the credit risk of the financial instrument, the bank's credit risk management practice is expected to become more active or focused on managing the instrument, including the instrument becoming more closely monitored or controlled, or the bank specifically intervening with the borrower).

Actual or expected adverse changes in business, financial or economic conditions significantly affecting borrower's ability to meet its debt obligations (e.g. increase in interest rates or unemployment rates); operating results of the borrower e.g. declining revenues or margins, increasing operating risks, working capital deficiencies, decreasing asset quality, increased balance sheet leverage, liquidity, management problems or changes in the scope of business or organizational structure (such as the discontinuance of a segment of the business) that results in a significant change in the borrower's ability to meet its debt obligations; or regulatory, economic, or technological environment of the borrower that results in a significant change in the borrower's ability to meet its debt obligations (e.g. a decline in the demand for the borrower's sales product because of a shift in technology).

Significant changes in the value of collateral or in the quality of third-party guarantees or credit enhancements, which are expected to reduce the borrower's economic incentive to pay or otherwise effect the probability of default (e.g. if the value of collateral declines because house prices decline, borrowers in some jurisdictions have a greater incentive to default on their mortgages); or quality of a guarantee provided by a shareholder (or an individual's parents) if the shareholder (or parents) have an incentive and financial ability to prevent default by capital or cash infusion.
Expected changes in the loan documentation (e.g., breach of contract leading to covenant waivers or amendments, interest payment holidays, interest rate step-ups, requiring additional collateral or guarantees).

Significant changes in the expected performance and behavior of the borrower, including changes in the payment status of borrowers in the group (e.g., increase in delayed contractual payments or number of credit card borrowers expected to approach or exceed their credit limit or who are expected to be paying the minimum monthly amount).

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.3 Expected credit loss measurement (continued)

6.1.3.2: Definition of default and credit impaired assets

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

Quantitative
The Bank considers a term loan to be in default if the repayments on the loan are more than 90 days past due for all Corporate Loans, Housing and Mortgage, Salaried loans and SME Loans. Term loans under the SGL are in default if the repayments on the loans are more than 30 days past due. See the table in section 6.1.3.1 above.

Qualitative criteria
The borrower meets unlikeliness to pay criteria, which indicates he is in significant financial difficulty. These are instances where the borrower is in long-term forbearance, deceased, insolvent, in breach of financial covenant(s), an active market for that financial asset has disappeared because of financial difficulties, Concessions have been made by the lender relating to the borrower's financial difficulty, or it is becoming probable that the borrower will enter bankruptcy.

6.1.3.3: Measuring ECL — Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Bank expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Bank includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- Loss Given Default (LGD) represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis. The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.3 Expected credit loss measurement (continued)

6.1.3.4: Forward-looking information incorporated in the ECL models

The calculation of ECL incorporate forward-looking information. The Bank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

In the expected credit losses models, the Bank relies on a broad range of forward-looking information as economic factors, which includes:

- Interest rate.
- Gross domestic product GDP.
- Population.
- Employment, Labor force.
- Money supply.
- Exchange rate.
- Household spending.
- Foreign reserve.
- Inflation.

The bank tested correction between macroeconomic variables and Historical data per segments, the highest correction selected and applied to a specific segment to forecast the future probability of default, recovery rate and cure rate. The Historical and forecasted economic variables have been adopted from among of the big three credit rating agencies in the world with the most recent forecast made in 2020.

Sensitivity Analysis

The bank has sensitized the assumptions affecting the ECL allowance based on weightings and macro-economic variables applied.

Weightings assigned to each economic scenario into Base line (80%), Best Case (10%) and worst case (10%), by taking Base line (50%), Best Case (25%) and worst case (25%) the bank ECL would change as indicated below:

Year ended 31 December 2021			
Segment	**Base line (80%), Best Case (10%) and worst case (10%)**	**Base line (50%), Best Case (25%) and worst case (25%)**	**Impact of changing weightings**
Corporate and SME	232,318,183	232,339,027	(20,844)
Housing and Mortgage loans	11,483,611	13,919,997	(2,436,386)
Microfinance (SGL)	536,577,454	526,432,572	10,144,882
Salaried loans	3,554,504,966	3,793,689,725	(239,184,759)
Total	**4,334,884,215**	**4,566,381,321**	**(231,497,106)**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.3 Expected credit loss measurement (continued)

6.1.3.4: Forward-looking information incorporated in the ECL models (continued)

Year ended 31 December 2020			
Segment	**Base line (80%), Best Case (10%) and worst case (10%)**	**Base line (50%), Best Case (25%) and worst case (25%)**	**Impact of changing weightings**
Corporate and SME	260,290,106	260,290,106	-
Housing and Mortgage loans	15,553,710	15,553,710	-
Microfinance (SGL)	1,231,333,478	1,241,864,770	(10,531,292)
Salaried loans	5,230,299,935	5,000,110,702	230,189,233
Total	**6,737,477,229**	**6,517,819,288**	**219,657,941**

The bank tested correction between macroeconomic variables and historical data per segments, the highest correction selected and applied to a specific segment to forecast the future probability of default, recovery rate and cure rate. The following table indicates the impact of increasing each macroeconomic variable selected per segment by 5% per annual

Segment	**ECL at 31 December 2021**	**ECL after increase of 5% for each highest correlated variable per segment**	**Impact of Changing each Macroeconomic variable by 5% pa**
Corporate and SME	232,318,183	232,318,659	(476)
Housing and Mortgage loans	11,483,611	11,608,345	(124,734)
Microfinance (SGL)	536,577,454	537,318,875	(741,421)
Salaried loans	3,554,504,966	3,578,618,366	(24,113,400)
Total	**4,334,884,215**	**4,359,864,245**	**(24,980,031)**

Segment	**ECL at 31 December 2020**	**ECL after increase of 5% for each highest correlated variable per segment**	**Impact of Changing each Macroeconomic variable by 5% pa**
Corporate and SME	260,290,106	260,290,106	-
Housing and Mortgage loans	15,553,710	15,553,710	-
Microfinance (SGL)	1,231,333,478	1,231,071,724	261,754
Salaried loans	5,230,299,935	5,238,515,295	(8,215,360)
Total	**6,737,477,229**	**6,745,430,835**	**(7,953,606)**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.3 Expected credit loss measurement (continued)

6.1.3.5 Grouping of instruments for losses measured on a collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous. According to IFRS, the Bank shall group its financial assets into homogenous groups with similar credit risk characteristics for the purpose of credit risk parameters calculation. In the Methodology the process of grouping the portfolio is further referred to as portfolio segmentation.

For the purpose of practical implementation, it is assumed that exposures with similar risk profile are allocated to the same *risk portfolio*, and further to the same *risk group* within the portfolio. A single risk group within is assumed to be the homogenous group of assets according to the IFRS definition.

The segmentation criteria used by the Bank are primarily based on expert judgment and experience of the Bank's employees, supported by statistical verification of historical data where necessary. The general segmentation criteria are presented below:

- **Corporates and SME Loans** - The corporate loans include all overdraft, and all commercial loans granted for duration not exceeding three years for working capital purposes as revolving line of credit, expansion or modernization of the plant and facilities. Except overdraft, Corporate loans & SME loans duration is to a maximum of three years, the corporate commercial loans are for working capital and investment. Both overdraft and corporate commercial loans are secured by legal mortgage or against own fund. This Loans have monthly, quarterly, or semiannual repayment of both principal and interest unlike overdraft where repayment depend on account operations.

- **Housing and Mortgage loans** - The loans are granted for the purpose of house purchase, renovation, and construction. The house finance by the bank is pledged as security. Loans tenure up to 5 years for housing microfinance and 15 years for mortgage with monthly instalment of principal and interest. All housing microfinance is for residential purposes and mortgage for both commercial and residential purposes.

- **Salaried Loans** - This Credit scheme intends to cater for salaried employees' financial needs and in particular to assist salaried employees to gain financial home needs for both public and private sectors employees. A Collective Guarantee Agreement between the bank and the employer shall act as a security for the loan, for loans above TZS 50 million the borrower should pledge security. Employers deduct loans instalment on monthly basis from employees monthly earning. This loan has maximum of 7 years' tenures. The maximum loans amount for is TZS 500 Million for secured and TZS 50 million for unsecured facility.

- **Microfinance (SGL)** - These loans granted to self-employed households and youth, small amount which security is based on group guarantee with weekly regular re-payments and deposits. Loan amounts range from TZS 350,000 to TZS 5,000,000 with loan tenure to maximum of 1 year (12 months). Weekly cash deposit and Group guarantee are the main collateral for this product.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.4 Credit risk exposure (continued)

6.1.4.1: Maximum exposure to credit risk – Financial instruments subject to impairment

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognized. The gross carrying amount of financial assets below also represents the Bank's maximum exposure to credit risk on these assets

(a) Corporates and SME Loans

2021	**ECL Staging**			
Amounts in TZS'000	**Stage 1** 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
Credit grade (Risk Group)				
RG 1	28,317,600	-	-	28,317,600
RG 2	1,462,562	-	-	1,462,562
RG 3	-	1,238,357	-	1,238,357
RG 4	-	1,406,006	-	1,406,006
RG Default	-	-	3,093,415	3,093,415
Gross Carrying amount	**29,780,162**	**2,644,362**	**3,093,415**	**35,517,940**
Loss allowance	(1,818)	-	(230,500)	(232,318)
Carrying amount	**29,778,344**	**2,644,362**	**2,862,915**	**35,285,622**

2020	**ECL Staging**			
Amounts in TZS'000	**Stage 1** 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
Credit grade (Risk Group)				
RG 1	16,988,152	-	-	16,988,152
RG 2	2,028,223	-	-	2,028,223
RG 3	-	92,696	-	92,696
RG 4	-	651,277	-	651,277
RG Default	-	-	3,238,535	3,238,535
Gross Carrying amount	**19,016,375**	**743,973**	**3,238,535**	**22,998,883**
Loss allowance	-	-	(260,290)	(260,290)
Carrying amount	**19,016,375**	**743,973**	**2,978,245**	**22,738,593**

(b) Housing and Mortgage loans

2021	**ECL Staging**			
Amounts in TZS'000	**Stage 1** 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
Credit grade (Risk Group)				
RG 1	9,997,051	-	-	9,997,051
RG 2	1,085,889	-	-	1,085,889
RG 3	-	377,663	-	377,663
RG 4	-	344,066	-	344,066
RG Default	-	-	1,449,800	1,449,800
Gross Carrying amount	**11,082,940**	**721,729**	**1,449,800**	**13,254,469**
Loss allowance	(1,501)	(9,424)	(559)	(11,484)
Carrying amount	**11,081,439**	**712,305**	**1,449,241**	**13,242,985**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.4 Credit risk exposure (continued)

6.1.4.1: Maximum exposure to credit risk – Financial instruments subject to impairment (Continued)

(b) Housing and Mortgage loans (*Continued*)

2020	**ECL Staging**			
Amounts in TZS'000	**Stage 1** 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
Credit grade (Risk Group)				
RG 1	7,353,544	-	-	7,353,544
RG 2	1,170,841	-	-	1,170,841
RG 3	-	483,205	-	483,205
RG 4	-	223,110	-	223,110
RG Default	-	-	1,147,432	1,147,432
Gross Carrying amount	**8,524,385**	**706,315**	**1,147,432**	**10,378,132**
Loss allowance	-	-	(15,554)	(15,554)
Carrying amount	**8,524,385**	**706,314**	**1,131,878**	**10,362,578**

(c) Salaried loans

2021	**ECL Staging**			
Amounts in TZS'000	**Stage 1** 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
Credit grade (Risk Group)				
RG 1	58,460,434	-	-	58,460,434
RG 2	1,131,008	-	-	1,131,008
RG 3	-	323,560	-	323,560
RG 4	-	405,467	-	405,467
RG Default	-	-	3,065,576	3,065,576
Gross Carrying amount	**59,591,442**	**729,027**	**3,065,576**	**63,386,045**
Loss allowance	(1,124,045)	(347,308)	(2,083,153)	(3,554,505)
Carrying amount	**58,467,397**	**381,719**	**982,423**	**59,831,540**

2020	**ECL Staging**			
Amounts in TZS'000 Credit grade (Risk Group)	**Stage 1** 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
RG 1	53,941,511	-	-	53,941,511
RG 2	914,223	-	-	914,223
RG 3	-	255,984	-	255,984
RG 4	-	498,577	-	498,577
RG Default	-	-	4,675,392	4,675,392
Gross Carrying amount	**54,855,734**	**754,561**	**4,675,392**	**60,285,687**
Loss allowance	(1,761,426)	(433,822)	(3,035,052)	(5,230,300)
Carrying amount	**53,094,308**	**320,739**	**1,640,340**	**55,055,387**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.4 Credit risk exposure (continued)

6.1.4.1: Maximum exposure to credit risk – Financial instruments subject to impairment (continued)

(d) Microfinance

2021	**ECL Staging**			
Amounts in TZS'000 Credit grade (Risk Group)	**Stage 1** 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
RG 1	6,467,831	-	-	6,467,831
RG 2	683,951	-	-	683,951
RG 3	-	970,135	-	970,135
RG 4	-	133,217	-	133,217
RG Default	-	-	1,323,674	1,323,674
Gross Carrying amount	**7,151,781**	**1,103,352**	**1,323,674**	**9,578,807**
Loss allowance	(20,601)	(10,476)	(505,501)	(536,577)
Carrying amount	**7,131,181**	**1,092,876**	**818,173**	**9,042,230**

2020	**ECL Staging**			
Amounts in TZS'000 Credit grade (Risk Group)	**Stage 1** 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
RG 1	6,728,899	-	-	6,728,899
RG 2	553,225	-	-	553,225
RG 3	-	548,240	-	548,240
RG 4	-	153,101	-	153,101
RG Default	-	-	3,162,817	3,162,817
Gross Carrying amount	**7,282,124**	**701,341**	**3,162,817**	**11,146,282**
Loss allowance	(12,252)	(6,335)	(1,212,747)	(1,231,333)
Carrying amount	**7,269,872**	**695,006**	**1,950,070**	**9,914,949**

(e) Off balance sheet exposures

2021	**ECL Staging**			
Amounts in TZS'000	**Stage 1** 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
Credit grade (Risk Group)				
RG 1	8,372,759			8,372,759
Gross Carrying amount				
Carrying amount	**8,372,759**			**8,372,759**

2020	**ECL Staging**			
Amounts in TZS'000	**Stage 1** 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
Credit grade (Risk Group)				
RG 1	3,584,723	-	-	3,584,723
Gross Carrying amount	3,584,723	-	-	3,584,723
Carrying amount	**3,584,723**	**-**	**-**	**3,584,723**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.4 Credit risk exposure (continued)

6.1.4.1: Maximum exposure to credit risk – Financial instruments subject to impairment (continued)

(f) Other financial instruments

Other financial assets are in stage 1. ECL was determined to be immaterial and therefore has not been recorded. See the summary of the maximum exposures below.

	2021	2020
Amounts in TZS'000	**Total**	**Total**
Financial Asset	**12-month ECL**	**12-month ECL**
Cash balances with Bank of Tanzania	15,923,620	10,399,650
Amounts due from other Banks and financial institutions	2,286,048	3,179,930
Other assets	336,289	570,021
Government securities	28,616,539	33,708,791
Gross carrying amount	**47,162,496**	**47,858,392**
Loss allowance	-	-
Carrying amount	**47,162,496**	**47,858,392**

6.1.4.2 Collateral and other credit enhancements

The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and are updated when the loan is up for renewal or when the loan is individually assessed as impaired.

For loans and advances to customers, 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 SGL, the security is group guarantee, cash cover as well as movable assets.
- For micro and small medium enterprises (MSME); collateral over residential properties.
- For salaried loans; employers' guarantees.
- For housing micro finance and mortgages; over residential properties.
- For Corporate loans, collateral over residential properties.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, except for asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

The Bank's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Bank since the prior period. The Bank closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Bank will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.4.2 Collateral and other credit enhancements

As at 31 December 2021	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
Credit-impaired assets (stage 3)	**TZS'000**	**TZS'000**	**TZS'000**	**TZS'000**
Corporates and SME Loans	3,093,415	230,500	2,862,915	7,271,027
Housing and Mortgage loans	1,449,800	559	1,449,241	3,290,773
Salaried loans	3,065,576	2,083,153	982,424	432,625
Microfinance (SGL)	1,323,674	505,501	818,173	72,933
Total credit impaired assets	**8,932,466**	**2,819,713**	**6,112,753**	**11,067,358**

As at 31 December 2020	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
Credit-impaired assets (stage 3)	**TZS'000**	**TZS'000**	**TZS'000**	**TZS'000**
Corporates and SME Loans	3,238,535	260,290	2,978,245	5,660,064
Housing and Mortgage loans	1,147,432	15,554	1,131,878	2,918,638
Salaried loans	4,675,392	3,035,052	1,640,340	155,125
Microfinance (SGL)	3,162,817	1,212,747	1,950,069	24,263
Total credit impaired assets	**12,224,176**	**4,523,643**	**7,700,532**	**8,758,090**

6.1.5: Gross carrying amount

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

- New loans booking/disbursements which increases stage 1, the bank do not have purchased credit impaired.
- Write off loans gross caring amount which resulted to decrease in impairment for stage 3 and
- Restructuring of credit accommodation/ Modification of contractual cash flows of financial assets.

The following table further explains changes in the gross carrying amount of each segmented portfolio to help explain their significance to the changes in the loss allowance for the same portfolio.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.5: Gross carrying amount

(a) Corporates and SME Loans	Stage 1	Stage 2	Stage 3	
Amounts in TZS'000	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Total**
As at 1 January 2021	**19,016,375**	**743,973**	**3,238,535**	**22,998,883**
Movements				
Financial assets derecognized during the period other than write-offs	(14,140,648)	(244,115)	(925,408)	(15,310,171)
Transfer from stage 1 to stage 2	(603,809)	603,809	-	-
Transfer from stage 1 to stage 3	(655,969)	-	655,969	-
Transfer from stage 2 to stage 1	29,449	(29,449)	-	-
Transfers from stage 2 to stage 3	-	(697,477)	697,477	-
Transfer from stage 3 to stage 2	-	719,057	(719,057)	-
New financial assets originated or purchased	26,134,765	1,548,565	149,380	27,832,709
Write-offs	-	-	(3,481)	(3,481)
Gross carrying amount as at 31 December 2021	**29,780,162**	**2,644,362**	**3,093,415**	**35,517,940**

	Stage 1	Stage 2	Stage 3	
Amounts in TZS'000	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Total**
As at 1 January 2020	**9,034,861**	**1,540,314**	**2,930,832**	**13,506,007**
Movements				
Financial assets derecognized during the period other than write-offs	(6,947,767)	(1,152,210)	(421,866)	(8,521,843)
Transfer from stage 1 to stage 2	(321,183)	321,183	-	-
Transfer from stage 1 to stage 3	(384,720)	-	384,720	-
Transfer from stage 2 to stage 1	-	-	-	-
Transfers from stage 2 to stage 3	-	(34,555)	34,555	-
New financial assets originated or purchased	17,635,184	69,241	456,738	18,161,163
Write-offs	-	-	(146,444)	(146,444)
Gross carrying amount as at 31 December 2020	**19,016,375**	**743,973**	**3,238,535**	**22,998,883**

(b) Housing and Mortgage loans	Stage 1	Stage 2	Stage 3	
Amounts in TZS'000	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Total**
As at 1 January 2021	**8,524,385**	**706,314**	**1,147,434**	**10,378,132**
Movements				
Transfer from stage 1 to stage 2	(413,590)	413,590	-	-
Transfer from stage 1 to stage 3	(401,839)	-	401,839	-
Transfer from stage 2 to stage 1	435,617	(435,617)	-	-
Transfers from stage 2 to stage 3	-	(137,098)	137,098	-
Transfer from stage 3 to stage 1	53,551	-	(53,551)	-
Transfer from stage 3 to stage 2	-	16,309	(16,309)	-
New financial assets originated or purchased	5,603,934	342,775	218,238	6,164,947
Financial assets derecognized during the period other than write-offs	(2,719,119)	(184,545)	(276,868)	(3,180,531)
Write-offs	-	-	(108,078)	(108,078)
Gross carrying amount as at 31 December 2021	**11,082,940**	**721,729**	**1,449,800**	**13,254,469**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.5: Gross carrying amount

(b) Housing and Mortgage loans	Stage 1	Stage 2	Stage 3	
Amounts in TZS'000	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Total**
As at 1 January 2020	**6,986,082**	**677,551**	**1,353,533**	**9,017,165**
Movements	-	-	-	-
Transfer from stage 1 to stage 2	(111,425)	111,425	-	-
Transfer from stage 1 to stage 3	(188,574)	-	188,574	-
Transfer from stage 2 to stage 1	74,093	(74,093)	-	-
Transfers from stage 2 to stage 3	-	(337,022)	337,022	-
Transfer from stage 3 to stage 1	25,599	-	(25,599)	-
Transfer from stage 3 to stage 2	-	53,329	(53,329)	-
Financial assets derecognized during the period other than write-offs	4,398,842	534,012	195,576	5,128,430
New financial assets originated/purchased	(2,660,232)	(258,888)	(755,962)	(3,675,082)
Write-offs	-	-	(92,381)	(92,381)
Gross carrying amount as at 31 December 2020	**8,524,385**	**706,314**	**1,147,434**	**10,378,132**

(c) Salaried loans	Stage 1	Stage 2	Stage 3	
Amounts in TZS'000	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Total**
As at 1 January 2021	**54,855,735**	**754,561**	**4,675,392**	**60,285,687**
Movements				
Transfer from stage 1 to stage 2	(782,934)	782,934	-	-
Transfer from stage 1 to stage 3	(1,673,297)	-	1,673,297	-
Transfer from stage 2 to stage 1	73,311	(73,311)	-	-
Transfers from stage 2 to stage 3	-	(532,211)	532,211	-
Transfer from stage 3 to stage 1	121,323	-	(121,323)	-
Transfer from stage 3 to stage 2	-	91,718	(91,718)	-
New financial assets originated	25,563,535	141,127	80,806	25,785,469
Financial assets derecognized during the period other than write-offs	(18,566,231)	(435,791)	(532,017)	(19,534,039)
Write-offs	-	-	(3,151,072)	(3,151,072)
Gross carrying amount 31 Dec 2021	**59,591,442**	**729,027**	**3,065,576**	**63,386,045**

	Stage 1	Stage 2	Stage 3	
Amounts in TZS'000	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Total**
As at 1 January 2020	**53,832,823**	**612,406**	**5,590,096**	**60,035,325**
Movements				
Transfer from stage 1 to stage 2	(499,294)	499,294	-	-
Transfer from stage 1 to stage 3	(1,301,260)	-	1,301,260	-
Transfer from stage 2 to stage 1	235,987	(235,987)	-	-
Transfers from stage 2 to stage 3	-	(293,344)	293,344	-
Transfer from stage 3 to stage 1	243,037	-	(243,037)	-
Transfer from stage 3 to stage 2	-	240,336	(240,336)	-
Financial assets derecognized during the period other than write-offs	23,045,692	144,427	64,964	23,255,084
Financial asset originated/purchased	(20,701,251)	(212,571)	(503,121)	(21,416,943)
Write-offs	-	-	(1,587,778)	(1,587,778)
Gross carrying amount 31 Dec 2020	**54,855,734**	**754,561**	**4,675,392**	**60,285,688**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.5: Gross carrying amount

(d) Microfinance (SGL)	**Stage 1**	**Stage 2**	**Stage 3**	
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	**Total**
As at 1 January 2021	**7,282,123**	**701,342**	**3,162,817**	**11,146,282**
Movements				
Transfer from stage 1 to stage 2	(15,618)	15,618	-	-
Transfer from stage 1 to stage 3	(1,235,370)	-	1,235,370	-
Transfer from stage 2 to stage 1	121	(121)	-	-
Transfers from stage 2 to stage 3	-	(195,999)	195,999	-
New financial assets originated or purchased	7,150,108	1,102,747	724,756	8,977,611
Financial assets derecognized during the period other than write-offs	(6,029,582)	(520,235)	(1,031,085)	(7,580,903)
Write-offs	-	-	(2,964,182)	(2,964,182)
Gross carrying amount 31 Dec 2021	**7,151,782**	**1,103,352**	**1,323,675**	**9,578,808**

As at 1 January 2020	**7,245,370**	**216,933**	**3,348,030**	**10,810,333**
Movements				
Transfer from stage 1 to stage 2	(22,056)	22,056	-	-
Transfer from stage 1 to stage 3	(216,944)	-	216,944	-
Transfer from stage 2 to stage 1	1,116	(1,116)	-	-
Transfers from stage 2 to stage 3	-	(23,615)	23,615	-
Financial assets derecognized during the period other than write-offs	7,226,937	691,997	163,689	8,082,623
New financial assets originated/purchased	(6,952,356)	(204,912)	(374,736)	(7,532,003)
Write-offs	-	-	(214,726)	(214,726)
Gross carrying amount as at 31 December 2020	**7,282,067**	**701,343**	**3,162,816**	**11,146,227**

6.1.6: Loss allowance

The loss allowance recognized in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL.
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period.
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models.
- Impacts on the measurement of ECL due to changes made to models and assumptions.
- Discounts unwind within ECL due to the passage of time, as ECL is measured on a present value basis.
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period).

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.6: Loss allowance (continued)

(a) Corporates and SME Loans	**Stage 1**	**Stage 2**	**Stage 3**	
Amounts in TZS'000	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Total**
As at 1 January 2021	-	-	260,290	260,290
Movements				
Transfer from stage 3 to stage 2	-	110,493	(110,493)	-
New financial assets originated or purchased	1,649	-	-	1,649
Financial assets derecognized during the period other than write-offs	169	(110,493)	84,184	(26,140)
Write-offs	-	-	(3,481)	(3,481)
Net (release)/charge to profit or loss	**1,818**	**(110,493)**	**84,184**	**(24,491)**
As at 31 December 2021	**1,818**	**-**	**230,500**	**232,318**

(b) Corporates and SME Loans	**Stage 1**	**Stage 2**	**Stage 3**	
Amounts in TZS'000	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Total**
As at 1 January 2020	**2,489**	**2,430**	**237,224**	**242,144**
Movements				
Financial assets derecognized during the period other than write-offs	(2,489)	(2,430)	169,510	164,590
Write-offs	-	-	(146,444)	(146,444)
Net (release)/charge to profit or loss	**(2,489)**	**(2,430)**	**169,510**	**164,590**
As at 31 December 2020	**-**	**-**	**260,290**	**260,290**

(c) Housing and Mortgage loans	**Stage 1**	**Stage 2**	**Stage 3**	
Amounts in TZS'000	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Total**
As at 1 January 2021	**-**	**-**	**15,554**	**15,554**
New financial assets originated or purchased	1,501	-	-	1,501
Financial assets derecognized during the period other than write-offs	-	9,424	93,084	102,508
Write-offs	-	-	(108,078)	(108,078)
Net (release)/charge to profit or loss	**1,501**	**9,424**	**93,084**	**104,008**
As at 31 December 2021	**1,501**	**9,424**	**560**	**11,484**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.6: Loss allowance (continued)

Housing and Mortgage loans	**Stage 1**	**Stage 2**	**Stage 3**	
Amounts in TZS'000	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Total**
As at 1 January 2020	**17,834**	**36,291**	**68,503**	**122,627**
Movements				
Transfer from stage 1 to stage 2	(8)	8	-	-
Transfer from stage 1 to stage 3	(105)	-	105	-
Transfer from stage 2 to stage 1	323	(323)	-	-
Transfers from stage 2 to stage 3	-	(21,866)	21,866	-
Transfer from stage 3 to stage 1	339	-	(339)	-
Transfer from stage 3 to stage 2	-	1,711	(1,711)	-
Financial assets derecognized during the period other than write-offs	(18,384)	(15,820)	19,512	(14,692)
Write-offs	-	-	(92,381)	(92,381)
Net (release)/charge to profit or loss	**(17,834)**	**(36,291)**	**39,432**	**(14,692)**
As at 31 December 2020	**-**	**-**	**15,554**	**15,554**

(d) Salaried loans	**Stage 1**	**Stage 2**	**Stage 3**	
Amounts in TZS'000	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Total**
As at 1 January 2021	**1,761,426**	**433,822**	**3,035,052**	**5,230,300**
Movements				
Transfer from stage 1 to stage 2	(20,244)	20,244	-	-
Transfer from stage 1 to stage 3	(62,707)	-	62,707	-
Transfer from stage 2 to stage 1	44,185	(44,185)	-	-
Transfers from stage 2 to stage 3	-	(295,583)	295,583	-
Transfer from stage 3 to stage 1	78,712	-	(78,712)	-
Transfer from stage 3 to stage 2	-	59,505	(59,505)	-
New financial assets originated or purchased	500,255	86,028	51,192	637,475
Financial assets derecognized during the period other than write-offs	(1,177,583)	87,476	1,927,909	837,803
Write-offs	-	-	(3,151,072)	(3,151,072)
Net charge (release) to profit or loss	**(677,327)**	**173,504**	**1,979,101**	**1,475,277**
As at 31 December 2021	**1,124,045**	**347,308**	**2,083,153**	**3,554,505**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.6: Loss allowance (continued)

Salaried loans	**Stage 1**	**Stage 2**	**Stage 3**	
Amounts in TZS'000	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Total**
As at 1 January 2020	**1,035,625**	**187,159**	**4,704,495**	**5,927,279**
Movements				
Transfer from stage 1 to stage 2	(7,300)	7,300	-	-
Transfer from stage 1 to stage 3	(14,515)	-	14,515	-
Transfer from stage 2 to stage 1	79,669	(79,669)	-	-
Transfers from stage 2 to stage 3	-	(88,754)	88,754	-
Transfer from stage 3 to stage 1	146,842	-	(146,842)	-
Transfer from stage 3 to stage 2	-	207,740	(207,740)	-
New financial assets originated or purchased	742,293	76,864	42,604	861,761
Financial assets that have been derecognised	(221,187)	123,181	127,044	29,038
Write-offs	-	-	(1,587,778)	(1,587,778)
Net charge (release) to profit or loss	**725,801**	**246,663**	**(81,665)**	**890,799**
As at 31 December 2020	**1,761,426**	**433,821**	**3,035,052**	**5,230,300**

(e) Microfinance (SGL)	**Stage 1**	**Stage 2**	**Stage 3**	
Amounts in TZS' 000	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Total**
As at 1 January 2021	**12,252**	**6,335**	**1,212,747**	**1,231,333**
Movements				
Transfer from stage 1 to stage 2	(91)	91	-	-
Transfer from stage 1 to stage 3	(3,921)	-	3,921	-
Transfer from stage 2 to stage 1	4	(4)	-	-
Transfers from stage 2 to stage 3	-	(2,264)	2,264	-
New financial assets originated or purchased	20,429	10,476	269,877	300,782
Financial assets that have been derecognised	(8,072)	(4,158)	1,980,874	1,968,644
Write-offs	-	-	(2,964,182)	(2,964,182)
Net charge/(release) to profit or loss	**12,357**	**6,318**	**2,250,750**	**2,269,426**
As at 31 December 2021	**20,601**	**10,476**	**505,501**	**536,577**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.6: Loss allowance (continued)

(e) Microfinance (SGL)	Stage 1	Stage 2	Stage 3	
Amounts in TZS' 000	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**Total**
As at 1 January 2020	**17,464**	**3,116**	**2,730,904**	**2,751,484**
Movements				
Transfer from stage 1 to stage 2	(69)	69	-	-
Transfer from stage 1 to stage 3	(914)	-	914	-
Transfer from stage 2 to stage 1	1	(1)	-	-
Transfers from stage 2 to stage 3	-	(478)	478	-
New financial assets originated or purchased	12,173	6,322	62,015	80,510
Financial assets that have been derecognised	(16,403)	(2,693)	(1,366,838)	(1,385,934)
Write-offs	-	-	(214,726)	(214,726)
Net charge/(release) to profit or loss	**(5,213)**	**3,218**	**(1,303,430)**	**(1,305,425)**
As at 31 December 2020	**12,252**	**6,335**	**1,212,747**	**1,231,333**

6.1.7 Concentration of risks of financial assets with credit risk exposure

The following table breaks down the Bank's credit exposure at carrying amounts, as categorized by the industry sectors of the Bank's counterparties. The bank's financial assets are all confined within Tanzania and therefore no separate disclosure for geographical segmentation was considered necessary.

	Financial institution	Wholesale and retail trade	Individual	Other	Total
2021 (TZS'000)					
Balances with Bank of Tanzania	15,923,620	-	-	-	15,923,620
Balances due from other banks	2,286,048	-	-	-	2,286,048
Government securities	28,616,539	-	-		28,616,539
Other assets	-	-	-	336,289	336,289
Equity investments at FVOCI	2,040,200	-	-	-	2,040,200
Loans and advances to customers	-	35,285,621	82,113,390	-	117,399,011
Total on balance sheet	**48,866,407**	**35,285,621**	**83,557,267**	**336,289**	**166,601,707**
Guarantees and indemnities	**-**	6,821,408	**-**	**-**	6,821,408
Commitments to extend credit	**-**	1,551,351	**-**	**-**	1,551,351
Total off-balance sheet	**-**	**8,372,759**	**-**	**-**	**8,372,759**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.7 Concentration of risks of financial assets with credit risk exposure

2020 (TZS'000)	**Financial institution**	**Wholesale and retail trade**	**Individual**	**Other**	**Total**
Balances with Bank of Tanzania	10,399,650	-	-	-	10,399,650
Balances due from other banks	3,179,930	-	-	-	3,179,930
Government securities	33,708,791	-	-	-	33,708,791
Other assets	-			570,021	570,021
Equity investments at FVOCI	1,823,200	-	-	-	1,823,200
Loans and advances to customers	-	33,115,898	64,955,554	-	98,071,452
Total on balance sheet	**49,111,571**	**33,115,898**	**64,955,554**	**570,021**	**147,753,044**
Guarantees and indemnities	**-**	2,120,702	**-**	**-**	2,120,702
Commitments to extend credit	**-**	1,464,021	**-**	**-**	1,464,021
Total off-balance sheet	**-**	**3,584,723**	**-**	**-**	**3,584,723**

6.1.8 Repossessed collateral

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

6.1.9 Write-off policy

The Bank writes off loans as and when the Board of Directors approves after accepting 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. During the year TZS 6.2 billion was written off for loans qualifying for write off as per regulatory requirements. The bank is still enforcing recovery measures on the balance.

6.2 Market risk

The Bank 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 rate and currency, 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. The Bank separates exposures to market risk into either trading or non-trading portfolios. The market risks arising from trading and non-trading activities are concentrated in the Bank's treasury department and monitored regularly. Regular reports are submitted to the Board of Directors and heads of department.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Market risk (continued)

Market risk measurement techniques

The objective of market risk measurement is to manage and control market risk exposures within acceptable limits while optimizing the return on risk. The principal measurement technique used to measure and control market risk is the stress tests as outlined below.

6.2.1 Foreign exchange risk

Stress tests

Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by the Bank covers: interest rate, credit, foreign exchange, and liquidity risks, where stress movements are applied to each risk category to assess the overall impact and the Bank's capital resilience to different market risk factor shocks. The results of the stress tests are reviewed by the Asset and Liability Management Committee (ALCO) and reported to the Board of Directors. Below are the results of stress test in relation to foreign exchange, interest rate, credit and liquidity risks as at 31 December 2021.

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency which is monitored daily. The Bank's net foreign currency exposure as at 31 December 2021 was TZS 387 million (2020: TZS 1.2 billion). The bank stress test for forex exchange fluctuation is shown in the below table

Year	**Risk category**	**Impact on statement of profit or loss and other comprehensive income**	**Impact on core capital**
2021	Exchange rate: fluctuates by 10%	decrease/increase profit by TZS 175 million.	Reduce/increase profit by TZS 175 million.
2020	Exchange rate: fluctuates by 10%	decrease/increase profit by TZS 117 million.	Reduce/increase profit by TZS 117 million

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Market risk (continued)

6.2.1 Foreign exchange risk (continued)

The Bank is exposed mainly to USD currency for which as at 31 December 2021 the exposure is summarized in the table below (All amounts expressed in equivalent Tanzanian Shillings).

2021	TZS'000	USD '000	GBP '000	EURO '000	ZAR '000	Total '000
Assets						
Cash and balances with Bank of Tanzania	15,165,284	4,564,478	46,050	138,248	139,500	20,053,560
Balances due from other banks	1,373,694	632,751	9,392	266,613	3,598	2,286,048
Government securities held to maturity	28,616,539	-	-	-	-	28,616,539
Equity investment	2,040,200	-	-	-	-	2,040,200
Loans and advances to customers	110,790,371	6,608,640	-	-	-	117,399,011
Other assets exclude prepayment and stationaries	336,289	-	-	-	-	336,289
Total financial assets	**158,322,377**	**11,805,869**	**55,442**	**404,861**	**143,098**	**170,731,647**
Liabilities						
Deposits due to banks	22,317,974	2,431,778	-	-	-	24,749,752
Deposits due to customers	114,981,946	10,308,846	-	277	350	125,291,419
Borrowings	8,426,352	-	-	-	-	8,426,352
Lease liability	2,137,747	1,408,848				
Other liabilities	694,972	13,689	-	-	-	708,661
Total financial liabilities	**148,558,990**	**14,163,161**	**-**	**277**	**350**	**162,722,779**
Net gap of foreign exchange risk	**9,763,387**	**(2,357,292)**	**55,442**	**404,584**	**142,748**	**8,008,868**

The bank manages foreign exchange gaps by using currency swap instrument and short-term interbank borrowings.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Market risk (continued)

6.2.1 Foreign exchange risk (continued)

	TZS'000	USD '000	GBP '000	EURO	ZAR '000	Total '000
Off Balance sheet						
Guarantees and indemnities	6,821,408	-	-	-	-	**6,821,408**
Commitments to extend credit	1,551,351	-	-	-	-	**1,551,351**
Total off-balance sheet	**8,372,759**	-	-	-	-	**8,372,759**
Net off balance sheet	**8,372,759**	**-**	**-**	**-**	**-**	**8,372,759**

2020	TZS'000	USD '000	GBP '000	EURO '000	ZAR '000	Total '000
Assets						
Cash and balances with Bank of Tanzania	10,359,230	2,863,041	15,575	64,988	120,912	**13,423,746**
Balances due from other banks	818,272	2,339,828	9,331	10,336	2,163	**3,179,930**
Government securities held to maturity	33,708,791	-	-	-	-	**33,708,791**
Equity investment	1,823,200	-	-	-	-	**1,823,200**
Loans and advances to customers	98,071,452	-	-	-	-	**98,071,452**
Other assets exclude prepayment and stationaries	565,908	-	-	-	-	**565,908**
Total financial assets	**145,346,853**	**5,202,869**	**24,906**	**75,324**	**123,075**	**150,773,027**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Market risk (continued)

6.2.1 Foreign exchange risk (continued)

	TZS'000	USD '000	GBP '000	EURO	ZAR '000	Total '000
Liabilities						
Deposits due to banks	23,571,831	3,941,823	-	-	-	**27,513,654**
Deposits due to customers	96,920,713	2,582,512	-	280	342	**99,503,846**
Borrowings	10,920,248	-	-	-	-	**10,920,248**
Lease liability	2,340,353	832,268				**3,172,621**
Other liabilities	614,737	5,383	-	-	-	**620,120**
Total financial liabilities	**134,367,882**	**7,361,986**	**-**	**280**	**342**	**141,730,489**
Net gap of foreign exchange risk	**10,978,971**	**(2,159,117)**	**24,906**	**75,044**	**122,734**	**9,042,538**
The bank manages foreign exchange gaps by using currency swap instrument and short-term interbank borrowings.						
Off Balance sheet						
Guarantees and indemnities	2,081,842	38,859	-	-	-	**2,120,702**
Commitments to extend credit	1,464,021	-	-	-	-	**1,464,021**
Total off-balance sheet	**3,545,863**	**38,859**	-	-	-	**3,584,723**
Net off balance sheet	**3,545,863**	**38,859**	**-**	**-**	**-**	**3,584,723**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Market risk (continued)

6.2.2 Interest rate risk

The Bank 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 because of changes in the prevailing levels of market rates but may also decrease or create losses if unexpected movements arise. The Board sets limits on the level of mismatch of interest re-pricing that may be undertaken. Consequently, the interest sensitivity effects on profit or loss would not be significant given the re-pricing frequency.

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the bank's financial assets and financial liabilities to various standard and non-standard interest rate scenarios. Aggregate non-trading interest rate risk positions are managed by treasury, which uses investment securities, advances to banks, deposits from banks and derivative instruments to manage the positions.

The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market rates on its financial position and cash flows. The table below summarizes the exposure to interest rates risks. Included in the table are the Bank's assets and liabilities at carrying amounts categorized by the earlier of contractual re-pricing or maturity dates. The Bank does not bear an interest rate risk on off balance sheet items. The stress test for interest rate risk summaries below.

Year	Risk category	Impact on statement of profit or loss and other comprehensive income	Impact on core capital
2021	Interest rate risk: stress reduce interest margin by 5%	Reduce profit by TZS 413 million	Reduce profit by TZS 413 million
2020	Interest rate risk: stress reduce interest margin by 5%	Reduce profit by TZS 187 million	Reduce profit by TZS 187 million

The table presented here in shows the exposure to interest rate risks.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2. Market risk (continued)

6.2.2 Interest rate risk (continued)

As at 31 December 2021	Up to 1 Month TZS'000	1 - 3 Months TZS'000	3 - 12 Months TZS'000	Over 1 year TZS'000	Non-interest Bearing TZS'000	Total TZS'000
Assets						
Cash and Bank balances with Bank of Tanzania	-	-	-	-	20,053,560	**20,053,560**
Loans and balance to banks	-	-	-	-	2,286,048	**2,286,048**
Equity investment	-	-	-	-	2,040,200	**2,040,200**
Loans and advances to customers	7,134,222	4,391,878	17,220,291	88,652,619	-	**117,399,011**
Government securities	-	-	845,776	27,770,764	-	**28,616,539**
Other assets	-	-	-	-	336,289	**336,289**
Total assets	**7,134,222**	**4,391,878**	**18,066,067**	**116,423,383**	**24,716,097**	**170,731,647**
Liabilities						
Due to other banks	8,475,077	5,279,275	10,995,400	-	-	**24,749,752**
Deposit from customers	35,658,642	12,025,218	35,061,488	18,285,036	24,261,035	**125,291,419**
Borrowings	-	-	701,815	7,724,537	-	**8,426,352**
Lease liability	-	-	980,311	2,566,284	-	**3,546,595**
Other liabilities	-	-	-	-	708,661	**708,661**
Total liabilities and equity	**44,133,719**	**17,304,493**	**47,739,014**	**28,575,857**	**24,969,696**	**162,722,779**
Interest sensitivity gap	**(36,999,496)**	**(12,912,615)**	**(29,672,948)**	**87,847,526**	**(253,599)**	**8,008,868**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2. Market risk (continued)

6.2.2 Interest rate risk (continued)

As at 31 December 2020	Up to 1 Month TZS'000	1 - 3 Months TZS'000	3 - 12 Months TZS'000	Over 1 year TZS'000	Non-interest Bearing TZS'000	Total TZS'000
Assets						
Cash and Bank balances with Bank of Tanzania	-	-	-	-	13,423,746	**13,423,746**
Loans and balance to banks	-	3,179,930	-	-	-	**3,179,930**
Equity investment	-	-	-	-	1,823,200	**1,823,200**
Loans and advances to customers	8,357,409	1,909,252	16,818,765	70,986,027	-	**98,071,452**
Government securities	-	-	2,035,919	31,672,872	-	**33,708,791**
Other assets	-	-	-	-	565,908	**565,908**
Total assets	**8,357,409**	**5,089,182**	**18,854,684**	**102,658,899**	**15,812,854**	**150,773,027**
Liabilities						
Due to other banks	17,141,602	500,267	9,265,657	-	606,128	**27,513,654**
Deposit from customers	22,788,086	19,305,762	35,258,429	12,860,408	9,291,162	**99,503,846**
Borrowings	-	3,160,759	-	7,759,489	-	**10,920,248**
Lease liability	-	-	640,886	2,531,735	-	**3,172,621**
Other liabilities	-	-	-	-	620,120	**620,120**
Total liabilities and equity	**39,929,687**	**22,966,788**	**45,164,971**	**23,151,632**	**10,517,410**	**141,730,489**
Interest sensitivity gap	**(31,572,278)**	**(17,877,606)**	**(26,310,288)**	**79,507,267**	**5,295,444**	**9,042,538**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3 Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend. Analysis of the Bank's assets and liabilities into relevant maturity groupings is set out in note 6.3.3.

6.3.1 Liquidity risk management

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its obligations when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Institution's reputation.

Treasury department maintains a portfolio of short-term liquid assets, largely made up of short-term liquid Government securities, deposits from institutions and other inter-Bank facilities, to ensure that sufficient liquidity is maintained within the institution as a whole. All liquidity policies and procedures are subject to review by Assets and Liabilities Committee and approval by the Board.

The Bank 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, Directors ensure that the mismatch is controlled in line with allowable risk levels and includes:

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

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

6.3.2 Funding approach

Sources of liquidity are regularly reviewed by the Bank to maintain a wide diversification by currency, provider, product and term.

6.3.3 Non-derivative financial liabilities and assets held for managing liquidity risk

The table below presents the cash flows payable by the Bank under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual cash flow as at 31 December 2021. The bank does not manage liquidity based on undiscounted cash-flows.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3. Liquidity risk (continued)

6.3.3 Non-derivative financial liabilities and assets held for managing liquidity risk (Continued)

At 31 December 2021	Due on Demand	Up to 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 - 5 Years	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Due to other banks	-	8,475,077	5,279,275	-	10,995,238	-	24,749,590
Deposits from customers	59,919,677	738,370	13,269,567	1,350,847	36,559,987	18,285,036	130,123,484
Borrowings	-	-	-	-	609,301	7,724,537	8,333,838
Lease liability	-	-	-	-	980,311	2,566,284	3,546,595
Other liabilities	318,477	390,184	-	-	-	-	708,661
Total liabilities	**60,238,154**	**9,603,631**	**18,548,842**	**1,350,847**	**49,144,837**	**28,575,857**	**167,462,168**
Cash and Bank balances with Bank of Tanzania	20,053,560	-	-	-	-	-	20,053,560
Loans and balance to banks	2,286,048	-	-	-	-	-	2,286,048
Equity investment	-	-	-	-	-	2,040,200	2,040,200
Loans and advances to customers	-						
Government securities	-	-	-	845,776	2,675,798	27,770,764	31,292,337
Other assets	-		-	-	-	336,289	336,289
Total assets	**22,339,608**	**-**	**-**	**845,776**	**2,675,798**	**30,147,253**	**56,008,434**
Net liquidity gap	**(37,898,546)**	**(9,603,631)**	**(18,548,842)**	**(505,071)**	**(46,469,039)**	**1,571,396**	**(111,453,734)**
Off Balance Sheet							
Guarantees and indemnities	-	-	-	-	5,418,408	1,403,000	6,821,408
Commitments to extend credit	-	-	-	-	1,551,351		1,551,351
Capital commitments	-	-	-	-	70,740	-	70,740
Total	**-**	**-**	**-**	**-**	**7,040,499**	**1,403,000**	**8,443,499**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3. Liquidity risk (continued)

6.3.3 Non-derivative financial liabilities and assets held for managing liquidity risk (Continued)

At 31 December 2020	Due on Demand	Up to 1 Month	1 - 3 Months	3 - 6 Months	6 - 12 Months	1 - 5 Years	Total
Liabilities							
Due to other banks	606,128	17,141,602	500,267	-	9,265,657	-	**27,513,654**
Deposits from customers	32,079,248	-	19,305,762	-	35,258,429	12,860,408	**99,503,846**
Borrowings	-	-	3,160,759	-	-	7,759,489	**10,920,248**
Lease liability	-	-	-	-	640,886	2,531,735	**3,172,621**
Other liabilities	392,637	227,483	-	-	-	-	**620,120**
Total liabilities	**33,078,013**	**17,369,085**	**22,966,788**	**-**	**45,164,971**	**23,151,632**	**141,730,489**
Cash and Bank balances with Bank of Tanzania	13,423,746	-	-	-	-	-	**13,423,746**
Loans and balance to banks	-	-	3,179,930	-	-	-	**3,179,930**
Equity investment	-	-	-	-	-	1,823,200	**1,823,200**
Loans and advances to customers	-	8,357,409	1,909,252	5,139,319	11,679,445	70,986,027	98,071,452
Government securities	-	-	-	-	2,035,919	31,672,872	33,708,791
Other assets	-	565,908	-	-	-	-	565,908
Total assets	**13,423,746**	**8,923,317**	**5,089,182**	**5,139,319**	**13,715,364**	**104,482,099**	**150,773,027**
Net liquidity gap	**(19,654,267)**	**(8,445,768)**	**(17,877,606)**	**5,139,319**	**(31,449,607)**	**81,330,467**	**9,042,538**
Off Balance Sheet							
Guarantees and indemnities	-	-	-	-	2,120,702	-	2,120,702
Commitments to extend credit	-	-	-	-	1,464,021	-	1,464,021
Capital commitments	-	-	-	-	99,591	-	99,591
Total	**-**	**-**	**-**	**-**	**3,684,314**	**-**	**3,684,314**

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3. Liquidity risk (continued)

6.3.4: Assets held for managing liquidity risk

The Bank holds a diversified portfolio of cash and high-quality liquid securities to support payment obligations and contingent funding in a stressed market environment. The Bank's assets held for managing liquidity risk comprise:

- Cash and balances with the Bank of Tanzania (excluding SMR);
- Government securities
- Placements with other banks; and
- Loans and advances to customers.

In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended, accordingly the behavioral pattern does not necessarily follow the contractual pattern. The Bank would also be able to meet unexpected net cash outflows by selling investment securities and accessing additional funding sources such as asset-backed markets.

The bank performs the following to manage its liquidity positions:

- Based on its judgement of financial market trends, the Bank actively adjusts its business strategies to manage liquidity risk.
- The bank performs periodic cash flow projections considering its impact on internal and regulatory limits.
- The bank control of non-earning assets proportion to manage its impact on the Bank's overall financial position.
- Conduct regular liquidity stress tests including testing of contingency plans.
- Monitor diversification of funding sources in order to control concentration risk and ensure a satisfactory funding mix.
- Monitoring the level of undrawn commitments.
- Regular conduct of the Asset and Liability management Committee (ALCO) meetings which focuses on:
    - Establishing policies and tolerance levels, from both risk and return perspectives, for liquidity, interest rate and balance sheet valuation management.
    - Manage the intra-day liquidity position to ensure that payment and settlement obligations are met on a timely basis.
    - Strategic financial position planning from both risk and return perspective.
    - Strategically coordinate the management of the Bank's financial position in consideration of changing economic conditions.

6.4 Fair value of financial assets and liabilities

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

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

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

Valuation technique used is comparison with similar instruments for which observable market prices exist. This technique requires use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.4. Fair value of financial assets and liabilities (continued)

Financial instruments not measured at fair value:

Bank's financial assets and financial liabilities that are measured at fair value on recurring basis

2021	Level 1	Level 2	Level 3
Assets	**TZS '000**	**TZS '000**	**TZS '000**
Equity Investments	-	2,040,200	-
Total assets	**-**	**2,040,200**	**-**

2020	Level 1	Level 2	Level 3
Assets	**TZS '000**	**TZS '000**	**TZS '000**
Equity Investments	-	1,823,200	-
Government securities – FVOCI	-	9,619,053	-
Total assets	**-**	**11,442,253**	**-**

The valuation of equity investments is based

Financial instruments not measured at fair value:

The following table analyses within the fair value hierarchy the Bank's assets and liabilities measured at amortized cost at 31 December 2021.

31 December	2021			2021	
	Level 1	Level 2	Level 3	Total fair values TZS'000'	Total carrying value TZS'000
Cash and balances with Bank of Tanzania	-	20,053,558	-	**20,053,558**	**20,053,558**
Loans and balance to banks	-	2,286,048	-	**2,286,048**	**2,286,048**
Government securities	-	28,616,539	-	**28,616,539**	**28,616,539**
Loans and balance with customers	-	117,399,011	-	**117,399,011**	**117,399,011**
Other assets (excluding prepayments)	-	-	336,289	**336,289**	**336,289**
Total assets	-	168,355,156	336,289	**168,691,445**	**168,691,445**
Due to other banks	-	24,749,752	-	**24,749,752**	**24,749,752**
Deposit from customers	-	125,291,419	-	**125,291,419**	**125,291,419**
Borrowings	-	8,426,352	-	**8,426,352**	**8,426,352**
Lease liabilities	-	-	3,546,595	**3,546,595**	**3,546,595**
Other liabilities (excluding statutory deductions)	-	-	708,661	**708,661**	**708,661**
	-	158,467,523	4,255,256	**162,722,779**	**162,722,779**

The fair values and carrying values are the same since most of the financial assets and liabilities are predominantly short term in nature.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.4. Fair value of financial assets and liabilities (continued)

Financial instruments not measured at fair value (continued):

31 December		**2020**		**2020**	
	Level 1	**Level 2**	**Level 3**	**Total fair values TZS'000'**	**Total carrying value TZS'000**
Cash and balances with Bank of Tanzania	-	13,423,746	-	13,423,746	13,423,746
Loans and balance to banks	-	3,179,930	-	3,179,930	3,179,930
Government securities	-	33,708,791	-	33,708,791	33,708,791
Loans and balance with customers	-	98,071,452	-	98,071,452	98,071,452
Other assets (excluding prepayments)	-	-	565,908	565,908	565,908
Total assets		148,383,919	565,908	148,949,827	148,949,827
Due to other banks	-	27,513,654	-	27,513,654	27,513,654
Deposit from customers	-	99,503,846	-	99,503,846	99,503,846
Borrowings	-	10,920,248	-	10,920,248	10,920,248
Lease liabilities	-	3,172,621	-	3,172,621	3,172,621
Other liabilities (excluding statutory deductions)	-	-	620,120	620,120	620,120
		141,110,369	620,120	141,730,489	141,730,489

6.5 Capital management

The Bank of Tanzania has set, among other measures, the rules, and ratios to monitor adequacy of a Bank's capital, monitored daily and monthly, for supervisory purposes. In implementing current capital requirements, the Bank of Tanzania requires maintenance of a prescribed ratio of total capital to total risk-weighted assets in two tiers:

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

Various limits are applied to elements of the capital base; qualifying tier 2 capital cannot exceed tier 1 capital; and qualifying term subordinated loan capital may not exceed 50 percent of tier 1 capital. Tier 1 capital (Core capital) is also subjected to various limits like limitation in risk weighted assets by 12.5% and investments in movable and immovable assets not to exceed 70% of core capital.

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

- To comply with the capital requirements set by the Bank of Tanzania (BOT) while safeguarding the Bank's ability to continue as a going concern
- To maintain strong capital base and a strong credit rating to support the development of its business

Below is the composition of regulatory capital and the ratios of the Bank.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

6.5 Capital management

REGULATORY CAPITAL	**2021**		**2020**
Tier 1 Capital	TZS'000		TZS'000
Share capital	24,141,149		22,741,149
Share premium	4,104,046		4,104,046
Advance toward share capital	-		1,400,000
Accumulated losses	(229,899)		(2,217,315)
Less: Prepaid expenses	(1,540,079)		(879,480)
Less: Deferred income tax asset	(4,401,696)		(4,421,346)
Total qualifying Tier 1 Capital	**22,073,521**		**20,727,054**
Tier 2 capital	478,940		642,621
Total regulatory capital	**22,552,461**		**21,369,675**
Risk - weighted assets			
On balance sheet	102,597,117		111,659,080
Off balance sheet	8,372,759		3,584,722
Total risk - weighted assets	**110,969,876**		**115,243,802**
Minimum capital for market risks	869,621		1,396,007
Minimum capital for Operational risks	10,033,392		9,104,059
Total adjusted risk weighted assets	**121,872,889**		**125,743,868**
Bank Ratios			
Tier 1 (BoT Minimum 12.5%)	18.2%		16.5%
Tier 1+Tier 2 (BoT Minimum 14.5%)	18.5%		17.0%

7. SEGMENT REPORTING

The segment reporting format is determined by Bank's risks and rates of returns based on products and services offered. The Chief Operating Decision Maker (CODM) as at 31 December 2021 was the managing director who is responsible for the day to day running of the business.

The business banking segment have credit facilities include business loans and credit lines that earns both interest income and fees from the loans, trade finance and ledger fee and insurance business that drives revenue.

The Personal Banking deals with personal loans, salary advance, mortgage and housing that drive interest income and facility fees, ATM cards fee, monthly ledger fee and transaction fee over several bank channels.

Microfinance segment offers small loans in group, the loans resulted to earning in interest income and fees from facilities.

Treasury segment deals with investment in bond and bills, interbank placement payable and receivable that drives interest income; Foreign exchange trading and bond trading that contributed to fee and commission.

The geographical areas where the bank operates are 8 branches in Dar es Salaam (2020: 7 branches) and 1 branch in Dodoma. The head office of the bank is located in Dar es Salaam.

7. SEGMENT REPORTING (CONTINUED)

The segment information provided to Bank's senior management for the reportable segments for the year ended 31 December 2021 is as follows:

	Business Banking	Personal Banking	Microfinance	Treasury	Other	Total
Statement of profit or loss and other comprehensive income	**TZS'000**	**TZS'000**	**TZS'000**	**TZS'000**	**TZS'000**	**TZS'000**
Interest income	6,470,517	10,764,633	4,567,154	5,815,360	-	27,617,664
Interest expense	(3,925,643)	(5,011,017)	(10,735)	(2,239,405)	(277,493)	(11,464,293)
Fees, commission, and other income	1,763,236	2,367,481	689,415	-	296,859	5,116,990
Foreign exchange income	-	-	-	280,258	-	280,258
Other operating income	-	-	-	1,223,690	559,815	1,783,505
Income	**4,308,110**	**8,121,097**	**5,245,833**	**5,079,904**	**579,180**	**23,334,125**
Expenses						
Loan impairment credit (charge)	(81,564)	(1,475,277)	(2,269,426)	-	-	(3,826,267)
Personnel expenses	(690,851)	(198,654)	(977,625)	(368,479)	(7,529,676)	(10,457,659)
Administrative and other operating expenses	(2,236,851)	(359,945)	(1,851,147)	(51,421)	(1,605,269)	(6,157,918)
Depreciation and amortization	(916,845)	(150,830)	(775,696)	(21,547)	(657,971)	(2,524,021)
Total expenses	**(3,926,110)**	**(2,193,364)**	**(5,918,417)**	**(442,684)**	**(9,792,916)**	**(22,273,491)**
Profit (Loss) before tax	**382,000**	**(5,927,733)**	**(672,583)**	**4,637,221**	**(9,213,736)**	**1,060,634**
Income tax charge	-	-	-	-	(262,497)	(262,497)
Profit for the year	**382,000**	**(5,927,733)**	**(672,583)**	**4,637,221**	**(9,476,233)**	**798,136**

The geographical areas where the bank operates are 8 branches in Dar es Salaam and 1 branch in Dodoma. The head office of the bank is located in Dar es Salaam.

7. SEGMENT REPORTING (CONTINUED)

31 December 2020	**Business**	**Personal**				
	Banking	**Banking**	**Microfinance**	**Treasury**	**Other**	**Total**
Statement of profit or loss and other comprehensive income	**TZS'000**	**TZS'000**	**TZS'000**	**TZS'000**	**TZS'000**	**TZS'000**
Interest Income	4,665,089	9,810,782	4,539,442	3,096,819	553,118	22,665,249
Interest Expense	(2,945,007)	(4,575,798)	(56,334)	(1,784,642)	(276,712)	(9,638,493)
Fees, commission, and other income	828,559	1,666,154	342,652	-	899,349	3,736,713
Foreign exchange income	-	-	-	151,697	-	151,697
Other operating income	-	-	41,210	228,003	478,018	747,231
Income	**2,548,641**	**6,901,136**	**4,866,969**	**1,691,877**	**1,653,773**	**17,662,397**
Expenses						
Loan impairment credit (charge)	(155,477)	(887,227)	1,307,432	-	-	264,727
Personnel expenses	(690,851)	(198,654)	(977,625)	(244,795)	(7,435,727)	(9,547,652)
Administrative and other operating expenses	(343,887)	(257,915)	(1,332,560)	(64,479)	(2,987,514)	(4,986,355)
Depreciation and amortization	(163,899)	(122,924)	(635,110)	(30,731)	(1,423,875)	(2,376,540)
Total expenses	**(1,354,114)**	**(1,466,720)**	**(1,637,863)**	**(340,005)**	**(11,847,117)**	**(16,645,820)**
Profit before tax	**1,194,528**	**5,434,417**	**3,229,107**	**1,351,872**	**(10,193,344)**	**1,016,577**
Income tax charge	-	-	-	-	(563,271)	(563,271)
Profit for the year	**1,194,526**	**5,434,417**	**3,229,106**	**1,351,873**	**(10,756,615)**	**453,306**

The geographical areas where the bank operates are 7 branches in Dar es Salaam and 1 branch in Dodoma. The head office of the bank is located in Dar es Salaam.

7. SEGMENT REPORTING (CONTINUED)

Statement of financial position as at 31 December 2021 in TZS'000	Business Banking	Personal Banking	Microfinance	Treasury	Other	Total
Assets						
Cash and balances with Bank of Tanzania	-	-	-	20,053,560	-	20,053,560
Loans and balances to banks	-	-	-	2,286,048	-	2,286,048
Government securities	-	-	-	28,616,539	-	28,616,539
Equity investment	-	-	-	-	2,040,200	2,040,200
Loans and advances to customers	42,656,589	65,414,114	9,328,309	-	-	117,399,011
Property and Equipment	-	-	-	-	4,285,360	4,285,360
Intangible assets	-	-	-	-	4,671,161	4,671,161
Corporate tax recoverable	-	-	-	-	2,176,370	2,176,370
Right of use Assets	-	-	-	-	6,305,536	6,305,536
Deferred tax asset	-	-	-	-	4,401,696	4,401,696
Other assets	-	-	-	-	2,478,335	2,478,335
Total assets	**42,656,589**	**65,414,114**	**9,328,309**	**50,956,147**	**26,238,299**	**194,622,473**
Equity						
Share capital	-	-	-	-	24,061,904	24,061,904
Share premium	-	-	-	-	4,183,291	4,183,291
Advance toward share capital	-	-	-	-	0	1,400,000
Accumulated losses	-	-	-	-	(229,899)	(229,899)
General banking risk reserve	-	-	-	-	1,755,177	1,755,177
Fair valuation reserve	-	-	-	-	478,940	478,940
Total equity	**-**	**-**	**-**	**-**	**30,249,413**	**30,249,413**
Liabilities						
Deposit from banks	-	-	-	24,749,752	-	24,749,752
Deposits from customers	54,992,143	66,388,076	3,911,200	-	-	125,291,419
Borrowings	-	-	-	8,426,352	-	8,426,352
Lease liability	-	-	-	-	3,546,595	3,546,595
Other liabilities	-	-	-	-	2,358,944	2,358,944
Total liabilities	**54,992,143**	**66,388,076**	**3,911,200**	**33,176,104**	**5,905,539**	**164,373,060**
Total Equity and liabilities	**54,992,143**	**66,388,076**	**3,911,200**	**33,176,104**	**36,154,953**	**194,622,473**

Items reported under other are those, which are used by all segment and cannot be specifically allocated to any of the segments.

7. SEGMENT REPORTING (CONTINUED)

Statement of financial position as at 31 December 2020 in TZS'000	**Business Banking**	**Personal Banking**	**Microfinance**	**Treasury**	**Other**	**Total**
Assets						
Cash and balances with Bank of Tanzania	-	-	-	13,423,746	-	13,423,746
Loans and balances to banks	-	-	-	3,179,930	-	3,179,930
Government securities	-	-	-	33,708,791	-	33,708,791
Equity investment	-	-	-	-	1,823,200	1,823,200
Loans and advances to customers	28,500,652	59,390,630	10,180,169	-	-	98,071,452
Property and Equipment	-	-	-	-	3,719,268	3,719,268
Intangible assets	-	-	-	-	4,635,848	4,635,848
Corporate tax recoverable	-	-	-	-	1,939,384	1,939,384
Right of use Assets	-	-	-		6,079,060	6,079,060
Deferred tax asset	-	-	-	-	4,421,346	4,421,346
Other assets	-	-	-	-	1,886,107	1,886,107
Total assets	**28,500,652**	**59,390,630**	**10,180,169**	**50,308,354**	**24,508,326**	**172,888,132**
Equity						
Share capital	-	-	-	-	22,741,149	22,741,149
Share premium	-	-	-	-	4,104,046	4,104,046
Advance toward share capital	-	-	-	-	1,400,025	1,400,025
Accumulated losses	-	-	-	-	(2,612,756)	(2,612,756)
General banking risk reserve	-	-	-	-	2,944,457	2,944,457
Fair valuation reserve	-	-	-	-	642,621	642,621
Total equity	**-**	**-**	**-**	**-**	**29,614,958**	**29,614,958**
Liabilities						
Deposit from banks	9,872,985	-	-	17,640,669	-	27,513,654
Deposits from customers	40,297,497	55,450,742	3,755,607	-	-	99,503,846
Borrowings	-	-	-	10,920,248	-	10,920,248
Lease liability	-	-	-	-	3,172,621	3,172,621
Other liabilities	-	-	-	-	2,162,805	2,162,805
Total liabilities	**50,170,482**	**55,450,742**	**3,755,607**	**28,560,917**	**5,335,426**	**143,273,174**
Total Equity and liabilities	**50,170,482**	**55,450,742**	**3,755,607**	**28,560,917**	**34,950,384**	**172,888,132**

Items reported under other are those, which are used by all segment and cannot be specifically allocated to any of the segments.

	2021 TZS 000	2020 TZS 000
8. INTEREST INCOME		
Loans and advances	21,802,304	19,568,430
Government securities	5,768,054	2,936,794
Placements	47,306	160,025
	27,617,664	**22,665,249**
9. INTEREST EXPENSE		
Time deposits	8,478,050	7,428,638
Long term borrowing	1,405,861	1,071,572
Interbank borrowing	833,544	712,210
Savings deposits	147,024	128,196
Current accounts	81,747	21,165
Finance cost lease liability	277,493	276,712
Commission expense on deposits	240,574	105,577
	11,464,293	**9,744,070**
10. FEES AND COMMISSION INCOME		
Loan commitment fees	1,670,991	1,262,583
Ledger fees	1,050,985	1,021,971
Commission on insurance fees	598,627	432,108
Withdrawal fees	235,947	163,383
Commission charged on transfers	79,723	15,121
Commission on Western Union Transfers	26,652	12,091
Commission on ATM withdrawal charges	25,430	12,293
Commission on mobile banking	310,088	263,210
Other fees and commissions	740,282	485,652
Drafts and transfers	29,545	14,030
Guarantee and indemnities	348,720	54,271
	5,116,990	**3,736,713**
11. FOREIGN EXCHANGE INCOME		
Foreign exchange dealings gains	**280,258**	**151,697**
12. OTHER OPERATING INCOME		
Gain on sale of bonds	1,223,690	228,003
Other income	559,815	519,228
	1,783,505	**747,231**
13. STAFF COSTS		
Wages and salaries	6,031,437	5,809,367
Pension and retirement benefits	1,219,330	1,217,783
Other staff costs	2,514,518	2,414,925
	9,765,285	**9,442,075**

		2021 TZS '000	2020 TZS '000
14.	**GENERAL AND ADMINISTRATIVE EXPENSES**		
	Lending expenses	710,581	659,284
	Bank charges	74,133	48,280
	Legal expenses	25,314	29,595
	Consultancy expenses	278,088	48,111
	Security expenses	507,970	480,221
	Electricity expenses	205,336	252,312
	Cleaning, gardening, and water expenses	170,799	145,530
	Telephone expenses	195,214	184,812
	Insurance expenses	250,218	226,849
	Office rent expenses	398,251	290,993
	Stationery and consumables	382,741	292,107
	Auditors' remuneration	218,147	158,210
	Donations & subscriptions	117,374	84,930
	Recruitment expenses	5,519	7,174
	Write off of PPE	13,180	-
	Maintenance expenses (Note 16)	1,597,471	1,458,239
	Charge/(release) for other assets provisions/allowance	206,368	20,000
	Marketing and promotion (Note 17)	519,833	387,214
	Corporate governance (Note 18)	280,466	209,990
	Other expenses	915	2,504
		6,157,918	**4,986,355**
15.	**DEPRECIATION AND AMORTISATION**		
	Amortization of leasehold improvement	298,983	292,834
	Depreciation of motor vehicles	72,664	114,684
	Depreciation of Computer and IT equipment	158,835	152,720
	Depreciation furniture & fittings and Machinery	356,615	400,326
	Depreciation Right of Use Assets	889,963	791,864
	Amortization of intangible assets	746,961	624,112
		2,524,021	**2,376,540**
16.	**MAINTENANCE EXPENSES**		
	Maintenance premises, furniture & equipment	143,308	151,468
	Motor vehicle fuel and repair	233,161	218,233
	Software maintenance expenses	1,173,635	1,075,732
	Computer & IT equipment	47,367	12,806
		1,597,472	**1,458,239**
17.	**MARKETING AND PROMOTION**		
	Publications	50,239	44,356
	Advertisement	5,830	10,512
	Magazine and journal	11,173	13,137
	Promotion	452,591	319,209
		519,833	**387,214**

	2021 TZS'000	2020 TZS'000
18. CORPORATE GOVERNANCE		
Shareholder's meeting expenses	135,780	60,743
Directors' fees	144,686	149,247
	280,466	**209,990**

19. INCOME TAX CHARGE

	2021 TZS'000	2020 TZS'000
Income tax expense:		
Current income tax- current year (AMT)	163,673	136,504
- prior year under provision	9,025	104,576
Deferred income tax - current year (note 30)	89,799	322,191
- prior year over provision (note 30)	-	-
	262,497	**563,271**
Reconciliation of accounting profit to tax charge:		
Accounting profit before income tax	1,060,634	1,016,578
Tax charge at 30%	318,190	304,973
Disallowed expenditure	(228,932)	17,217
Prior year under provision of income tax	9,025	104,577
Prior year over provision of deferred tax	541	-
Alternative Minimum Tax (AMT)	163,673	136,504
	262,497	**563,271**

20. CASH AND BALANCES WITH BANK OF TANZANIA

	2021 TZS'000	2020 TZS'000
Cash in hand	4,125,826	3,019,983
Balance with Bank of Tanzania	7,257,282	3,199,655
Mobile Money Float	4,114	4,113
Cheques in the-course of collection	102,390	111,280
Statutory minimum reserve (SMR)	8,563,948	7,088,715
	20,053,560	**13,423,746**
Current	**20,053,560**	**13,423,746**

The SMR deposit is not available to finance the day-to-day operations and is hence excluded from cash and cash equivalents for the purpose of the statement of cash flows (see Note 36). Cash in hand and balances with Bank of Tanzania and SMR are non-interest bearing.

21. BALANCES DUE FROM OTHER BANKS

	2021 TZS'000	2020 TZS'000
Balances with other banks	2,286,048	3,178,656
Accrued interest	-	1,274
	2,286,048	**3,179,930**
Current	**2,286,048**	**3,179,930**

22. GOVERNMENT SECURITIES AT AMORTISED COST

	2021 TZS'000	2020 TZS'000
Treasury bills and bonds with more than three months original maturity	27,278,640	22,572,383
Accrued interest	1,337,899	1,517,355
	28,616,539	**24,089,738**
Current	**2,122,013**	**2,035,919**
Non-current	**26,494,526**	**22,053,819**
GOVERNMENT SECURITIES AT FAIR VALUE OCI		
Treasury bills and bonds with more than three months original maturity	-	9,129,197
Accrued interest	-	256,026
Fair value gain	-	233,830
	-	**9,619,053**
TOTAL GOVERNMENT SECURITIES	**28,616,539**	**33,708,791**

As at 31 December 2021, the bank had pledged treasury bonds of TZS 12.9 billion to obtain interbank short-term borrowings and long-term borrowings with maximum tenure of 2 months and 5 years respectively. No conditions have been attached on these collaterals.

23. LOANS AND ADVANCES TO CUSTOMERS

Loans to individuals and corporates	104,497,532	88,575,325
Loans to solidarity groups	9,578,724	11,385,915
Overdraft facility	7,657,639	4,847,690
	121,733,895	**104,808,930**
Allowance for credit losses	**(4,334,884)**	**(6,737,478)**
At 31 December	**117,399,011**	**98,071,452**
Loan Maturity analysis		
With maturity of 3 months or less	11,526,101	10,266,661
With maturity of between 3 months and 1 year	17,220,291	16,818,765
With maturity of more than 1 year	88,652,619	70,986,026
	117,399,011	**98,071,452**

Movement in allowance for impairment of loans and advances is as follows

At 1 Jan	6,737,478	9,043,535
Impairment charge/(release)	3,826,267	(264,727)
Write offs	(6,228,860)	(2,041,330)
At 31 December	**4,334,884**	**6,737,478**

23. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Additional provision as per Bank of Tanzania Regulations

	2021	2020
Regulatory Impairment	**Regulatory Banking risk reserve**	**Regulatory Banking risk reserve**
At the beginning of the year	**2,944,457**	1,354,169
Provision increase/ (decrease) during the year	(1,189,279)	1,590,288
At the end of the year	**1,755,178**	**2,944,457**

General banking risk reserve represent additional allowance for losses charged to retained earnings. The reserve is not available for distribution.

24.	EQUITY INVESTMENTS AT FVOCI	Interest held	2021 TZS'000	2020 TZS'000
	Tanzania Mortgage Refinancing Company	5.0%	1,784,200	1,784,200
	Umoja Switch Co. Ltd	37.54%	256,000	39,000
			2,040,200	**1,823,200**

The Bank has investments in ordinary shares in Tanzania Mortgage Refinancing Company Limited (TMRC) valued at Fair value and Umoja Switch Co. Ltd being founder member of the Switch.

These shares do not have a quoted market price in an active market. The Bank uses share price information provided by TMRC and Umoja Switch to determine the fair value of the investments at the reporting date.

25. PROPERTY AND EQUIPMENT

	Machinery and equipment	Furniture, fixture and fitting	Computers and IT equipment	Generator	Motor vehicle	Leasehold improvement	WIP	Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Cost								
As at 1 January 2021	2,564,961	692,736	1,333,891	380,480	793,564	3,312,892	562,787	**9,641,311**
Additions	225,171	174,161	543,597	20,252	-	340,784	245,707	**1,549,672**
Transfer in/(out)	34,494	42,723	120,164	-	-	125,419	(322,800)	**-**
Written off	-	(2,355)	(45,330)	-	-	-	(127,369)	**(175,055)**
At 31 December 2021	**2,824,626**	**907,265**	**1,952,322**	**400,732**	**793,564**	**3,779,095**	**358,325**	**11,015,928**
Depreciation								
As at 1 January 2021	**1,886,061**	**594,824**	**1,073,500**	**353,929**	**708,452**	**1,700,901**	**-**	**6,317,667**
Charge for the year	298,181	45,804	158,835	12,630	72,636	298,983	-	887,069
Written off	-	(1,452)	(33,054)	-	-	-	-	(34,506)
At 31 December 2021	**2,184,242**	**639,176**	**1,199,281**	**366,559**	**781,088**	**1,999,884**	**-**	**7,170,230**
Net Book Value	**640,385**	**268,090**	**753,039**	**34,172**	**12,476**	**1,779,211**	**358,325**	**3,845,698**

Work in progress (WIP) includes assets relating to unfinished projects i.e., Kondoa service center lease improvement and Royal branch renovations cost. These projects are still in progress as at 31 December 2021.

25. PROPERTY AND EQUIPMENT (CONTINUED)

	Machinery and equipment	Furniture, fixture and fitting	Computers and IT equipment	Generator	Motor vehicle	Leasehold improvement	WIP*	Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Cost								
As at 1 January 2020	**2,055,847**	**640,274**	**1,169,316**	**380,480**	**793,564**	**3,307,562**	**450,037**	**8,797,080**
Additions	101,348	27,189	131,630	-	-	-	584,065	**844,232**
Transfer in/(out)	407,766	25,273	32,946	-	-	5,330	(471,315)	**-**
At 31 December 2020	**2,564,961**	**692,736**	**1,333,892**	**380,480**	**793,564**	**3,312,892**	**562,787**	**9,641,312**
Depreciation								
As at 1 January 2020	1,558,836	537,582	920,780	338,071	593,768	1,408,066	-	5,357,103
Charge for the year	327,225	57,242	152,720	15,858	114,684	292,834	-	960,563
At 31 December 2020	**1,886,061**	**594,824**	**1,073,500**	**353,929**	**708,452**	**1,700,900**	**-**	**6,317,666**
Net Book Value	**678,900**	**97,912**	**260,392**	**26,551**	**85,112**	**1,611,992**	**562,787**	**3,323,646**

* Where deemed appropriate, classification for the comparative numbers has been adjusted to align with current year's presentation. Refer to further details in note 4(r)

26. INTANGIBLE ASSETS

	Intangible assets TZS'000	Work in progress TZS'000	Total TZS'000
COST			
At 1 January 2021	**8,552,891**	**395,624**	**8,948,515**
Additions	**386,650**	**439,660**	**826,310**
Work in progress capitalized	**395,624**	**(395,624)**	**-**
At 31 December 2021	**9,335,165**	**439,660**	**9,774,825**
ACCUMULATED AMORTIZATION			
At 1 January 2021	**3,917,043**	**-**	**3,917,043**
Amortization for the year	**746,961**	**-**	**746,961**
At 31 December 2021	**4,664,004**	**-**	**4,664,004**
Net book value	**4,671,161**	**439,660**	**5,110,821**

Work in progress (WIP) includes assets relating to unfinished projects i.e., Internet banking, Rebranding cost and Visa Integration. These projects are still in progress as at 31 December 2021.

	Intangible assets	Work in progress*	Total
COST			
At 1 January 2020	7,420,990	1,254,743	8,675,733
Additions	-	272,782	272,782
Work in progress capitalized	1,131,901	(1,131,901)	-
At 31 December 2020	8,552,891	395,624	8,948,515
ACCUMULATED AMORTIZATION			
At 1 January 2020	3,292,931	-	3,292,931
Amortization for the year	624,112	-	624,112
At 31 December 2020	3,917,043	-	3,917,043
Net book value	4,635,848	395,624	5,031,472

* Where deemed appropriate, classification for the comparative numbers has been adjusted to align with current year's presentation. Refer to further details in note 4(r)

27. OTHER ASSETS

Prepaid expenses	1,540,079	879,480
Stationery and consumables	601,967	440,717
Sundry assets	806,391	829,641
	2,948,437	**2,149,838**
Allowance for other assets	(470,102)	(263,733)
	2,478,335	**1,886,105**
Current	**2,478,335**	**1,886,105**

28. INCOME TAX RECOVERABLE

At 1 January	1,939,384	1,958,826
Under provision of tax in prior period	(9,025)	(104,577)
Alternative minimum tax charge	(163,673)	(136,504)
Corporation tax paid	318,343	221,639
At 31 December	**2,085,029**	**1,939,384**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29. DEPOSITS

	2021 TZS'000	2020 TZS'000
29.a DUE TO OTHER BANKS		
Term deposits	24,438,605	26,889,514
Savings	13,813	18,012
Call deposits	297,334	606,128
	24,749,752	**27,513,654**
29.b DEPOSITS FROM CUSTOMERS		
Current accounts	24,261,035	9,291,162
Savings deposits	27,838,027	26,341,108
Time deposits	73,192,357	63,871,575
	125,291,419	**99,503,846**
Current	113,615,184	86,643,438
Non-current	11,676,235	12,860,408
	125,291,419	**99,503,846**

30. DEFERRED INCOME TAX ASSET/(LIABILITY)

Deferred income taxes are calculated on all temporary differences under the liability method, using the enacted tax rate of 30%

	2021 TZS'000	2020 TZS'000
The net deferred tax assets/(liabilities) is attributable to the following:		
Accelerated capital allowances	432,148	468,331
Provisions (loans and other assets)	1,440,870	2,100,364
Loss carried forward	2,244,631	1,637,761
Revaluation loss on equity Investment (FVOCI)	(205,260)	(205,260)
Revaluation loss on Bonds (FVOCI)	-	(70,149)
Commitment fee	364,657	360,910
IFRS 16 temporary differences	124,650	129,389
At end of the year	**4,401,696**	**4,421,346**

The movement on the deferred tax account is as follows as 31 December 2021	December 2020 in TZS'000	Charged to profit or loss in TZS'000	December 2021 in TZS'000
Deferred tax assets/(liabilities) in relation to:			
Property and equipment	468,331	(36,183)	432,148
Provisions – Loans	2,021,244	(721,405)	1,299,839
Provisions – other assets	79,120	61,911	141,031
Loss carried forward	1,637,761	606,870	2,244,631
Commitment fee	360,910	3,747	364,657
IFRS 16 temporary differences	129,389	(4,739)	124,650
	4,696,755	**(89,799)**	**4,606,956**
Transferred to reserves/accumulated loss			
Revaluation gain on equity investment	(205,260)	-	(205,260)
Revaluation gain on bonds (FVOCI)-transferred to	(70,149)	70,149	-
	4,421,346	**(19,024)**	**4,401,696**

Management has done an assessment on the recoverability of the deferred tax asset recognised as at 31 December 2021. Management is comfortable that future tax profits will be available to utilise the tax assets. During the year the bank met 35% of the budgeted profit and the movement of temporary differences have been realised in the P&L.

		2021	2020
31.	**BORROWINGS**	**TZS'000**	**TZS'000**
	Tanzania Mortgage and Refinance Corporation (TMRC) (a)	3,500,000	3,500,000
	BOT term loan (b)	3,000,000	3,000,000
	Self-Microfinance (c)	-	1,875,000
	CRDB Bank (d)	1,833,837	2,384,489
	Interest accrued	92,515	160,759
		8,426,352	**10,920,248**
	Current	701,815	3,160,759
	Non - Current	7,724,537	7,759,489
		8,426,352	**10,920,248**

The bank pledged government bonds worth TZS 7.4 billion to secure the borrowing, all borrowings are fully covered except TMRC loans worth TZS 3.5 billion with bond collateral of TZS 1.0 billion. Detailed analysis for each loan is as provided herein below:

a) TMRC term loan

On 15 July 2019, the Bank renewed a mortgage refinancing loan from TMRC of TZS 2.0 billion. The tenor of the loan is five years and bears interest of 7.50% maturing on 15 July 2024. The Bank also renewed another loan of TZS 1.5 billion from TMRC on 26 February 2019 at the annual interest rate of 9.00% with maturity date of five years to 26 February 2024. The bank is servicing interest on the loans where principal is fully paid on maturity.

	2021	2020
	TZS'000	**TZS'000**
At 1 January	3,500,000	3,500,000
Accrued Interest	45,781	45,781
At 31 December	**3,545,781**	**3,545,781**

b) BOT term loan

On 31 June 2020, the bank rolled over a housing microfinance loan of TZS 1 billion from the Bank of Tanzania bearing annual interest rate of 10% with maturity date of 31 July 2024. On 31 March 2021 the bank obtained another loan of TZS 2 billion with maturity of 5 years with interest rate of 10% maturing on 31 March 2024 was rebooked too. Effective from August 2021 the BoT reduced the borrowing rate from 10% to 6% prospectively.

	2021	2020
	TZS'000	**TZS'000**
At 1 January	3,000,000	3,000,000
Accrued Interest	10,685	16,712
At 31 December	**3,010,685**	**3,016,712**

31. BORROWINGS (CONTINUED)

c) SELF MICROFINANCE term loan

The Bank received a loan of TZS 2 billion on 17 September 2018 with interest rate of 8.7% repayable quarterly. The loan was for three years ended on 17 September 2020. The bank fully repaid the balance in 2020 and borrowed a new loan TZS 2.5 billion for 2 years with quarterly repayment at a rate of 8.5 percent from 3rd April 2020 to 3rd April 2022. This loan was fully liquidated before the year end.

	2021 TZS'000	2020 TZS'000
At 1 January	1,875,000	750,000
Loan received	-	2,500,000
Accrued Interest	-	51,393
Repayment	(1,875,000)	(1,375,000)
At 31 December	**-**	**1,926,393**

d) CRDB bank - term loan

On 22 July 2019 the Bank received loan of TZS 3 billion from CRDB bank Plc, the loan carries an annual variable interest rate of 182 T-Bill plus 5% margin (Approx. 10.25% pa) for 5 years repayable on Quarterly basis. The facility maturity date is 22 July 2024. Of this amount, the unpaid principal at year end was TZS 1.83 billion.

	2021 TZS'000	2020 TZS'000
At 1 January	2,384,489	2,881,400
Accrued Interest	36,049	-
Repayment	(550,652)	(496,911)
At 31 December	**1,869,886**	**2,384,489**

As at 31 December 2021, the bank was compliant with all debt covenants attached to the loans.

32. OTHER LIABILITIES

	2021 TZS'000	2020 TZS'000
Accrued expenses	298,581	195,283
Withholding tax	136,178	144,369
Sundry creditors	182,448	97,650
Deferred commitment fees	1,215,522	1,203,033
Dividend payable	318,477	392,637
Account's payables	207,736	129,833
	2,358,942	**2,162,805**

33. SHARE CAPITAL

Authorized		
400,000,000 (2020:400,000,000) ordinary shares of TZS 250/= each	100,000,000	100,000,000
Issued and fully paid ordinary shares		
97,646,913 (2020: 92,363,896) shares of TZS 250/= each	24,411,729	23,090,974
Rights issue expenses	(349,825)	(349,825)
Share capital as per the statement of financial position	**24,061,904**	**22,741,149**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

34. a) SHARE PREMIUM

	2021 TZS'000	2020 TZS'000
97,646,913 (2020: 92,363,896) shares issued at a premium of TZS 15@	4,183,291	4,104,046
Rights issue expenses	-	-
Share premium as per the statement of financial position	**4,183,291**	**4,104,046**

b) ADVANCE TOWARDS SHARE CAPITAL

Advance towards share capital	**-**	**1,400,000**

This relates to funds received from the shareholders as deposit for shares. These are non – refundable.

35. EARNINGS PER SHARE

Basic earnings/(loss) per share

Basic earnings/ (loss) per share amounts are calculated by dividing net profit/(loss) for the year attributable to ordinary equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year. The calculation is based on:

	2021	2020
Profit/(loss) attributable to ordinary shareholders (TZS'000)	798,136	453,306
Weighted average number of ordinary shares	97,646,913	92,363,896
Basic earnings/(loss) per share - TZS	**8**	**5**

Diluted earnings per share was the same as basic earnings per share as the Bank had no potentially dilutive ordinary shares in issue.

36. CASH AND CASH EQUIVALENTS

	2021 TZS'000	2020 TZS'000
Cash and balances with Bank of Tanzania (excluding SMR) (Note 20)	11,387,222	6,219,638
Balances with other banks (Note 21)	2,286,048	3,179,930
Cheques in the course of collection (Note 20)	102,390	111,280
	13,775,660	**9,510,848**

37. NET DEBT RECONCILIATION

The analysis and movement of the Bank's net debt is as follows;	2021 TZS'000'	2020 TZS'000'
Cash and cash equivalents (Note 36)	13,775,660	9,510,848
Due to other banks	(24,749,752	(27,513,654)
Borrowings repayable after one year	(7,724,537	(7,759,489)
Net debt	**(18,698,629)**	**(25,762,295)**
Cash and cash equivalents (Note 36)	13,775,660	9,510,848
Gross debt – fixed interest rate	(32,474,289)	(35,273,143)
Net debt	**(18,698,629)**	**(25,762,295)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

37. NET DEBT RECONCILIATION (CONTINUED)

	Assets	Liabilities from financing activities		
	Cash and cash equivalents	Due to other banks	Borrowings	Total
	TZS'000	TZS'000	TZS'000	TZS'000
At 1 January 2021	**9,510,848**	**(27,513,654)**	**(7,759,489)**	**(25,762,295)**
Net cash flows	4,264,812	2,763,902	34,952	7,063,666
Net debt	**13,775,660**	**(24,749,752)**	**(7,724,537)**	**(18,698,629)**
At 1 January 2020	11,914,492	(11,624,268)	(10,253,881)	(9,963,657)
Net cash flows	(2,403,644)	(15,889,386)	2,494,392	(15,798,638)
Net debt	**9,510,848**	**(27,513,654)**	**(7,759,489)**	**(25,762,295)**

38. LEASES

	2021	2020
	TZS' 000	TZS' 000
(i) Right-of-use assets		
At start of the year	7,781,361	7,781,361
Additions	1,116,412	-
At the end of year	**8,897,773**	**7,781,361**
Accumulated Depreciation		
At start of the year	1,702,310	910,436
Depreciation charge for the year	889,963	791,865
	2,592,273	**1,702,310**
NBV at the end of year	**6,305,500**	**6,079,060**

(ii) Lease liabilities

	2021	2020
At start of the year	3,172,621	3,737,989
Additions	1,029,784	-
Finance cost (included in interest expense)	277,493	276,712
Payment during the year	(933,303)	(842,080)
At the end of year	**3,546,595**	**3,172,621**
Current	980,311	640,886
Non-current	2,566,284	2,531,735
	3,546,595	**3,172,621**

39. RELATED PARTY DISCLOSURES

The Bank is owned by UTT AMIS (23.69%), Dar es Salaam City Council (10.65%), Ilala Municipal Council (8.12%), Kinondoni Municipal Council (5.74%), Temeke Municipal Council (3.49%), National Health Insurance Fund (6.12%), Ubungo Municipal Council (2.96%), Kigamboni Municipal Council (2.33%) and the General Public (36.89%).

	2021	2020
	TZS'000	**TZS'000**
Loans to key management personnel:		
Loans outstanding at the beginning of the year	**1,040,042**	**1,064,110**
Loan additions during the year	268,200	358,700
Loan repayments during the year	(392,139)	(382,768)
Loans outstanding at the end of the year	**916,103**	**1,040,042**
Interest income earned	**73,288**	**83,203**
Deposits from Directors and key management personnel:		
Deposits at the beginning of the year	**84,733**	**271,490**
Deposits received during the year	1,662,377	1,639,762
Deposits repaid during the year	(1,620,497)	(1,826,519)
Deposits as at the end of the year	**126,613**	**84,733**
Interest expense	**1,899**	**1,695**
Deposits from shareholders		
Deposits at the beginning of the year	**4,435,522**	**16,939,447**
Deposits received during the year	17,315,676	12,058,820
Deposits repaid during the year	(12,326,716)	(24,562,745)
Deposits as at the end of the year	**9,424,482**	**4,435,522**
Interest expense	**141,367**	**88,710**
Key management compensation		
Salaries and other short-term benefits	1,662,377	1,639,762
Post-employment benefits – Social security costs	247,304	243,843
	1,909,681	**1,883,605**

Key management personnel are described as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly.

Business relationship with the anchor shareholders

The Bank continues to strengthen its relationship with the Municipal Councils, UTT and NHIF via different deposits products. Deposits received and paid from these shareholders during the year is as indicated above.

39. RELATED PARTY DISCLOSURES (CONTINUED)

	2021 TZS'000	2020 TZS'000
Directors' remuneration		
Directors' remuneration- short term benefits	**144,686**	**149,247**

40. CONTINGENT LIABILITIES AND COMMITMENTS

	2021 TZS'000	2020 TZS'000
Contingent liabilities		
Guarantees and indemnities	6,821,408	2,120,702
Undrawn balance	1,551,351	1,464,021
	8 372 759	**3,584,723**
Capital expenditure	**70,740**	**99,591**

Capital commitment for the year 2021 comprises capital expenditure software.

Commitments to extend credit and guarantees

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.

Legal claims

Litigation is a common occurrence in banking industry due to the nature of the business. The Bank has established protocol for dealing with such legal claims. Once professional advice has been obtained and the number of damages reasonably estimated, the bank adjusts account for any adverse effects which the claims may have on its financial standing. At year end the bank had no legal claims that can be reasonably estimated (2020: 20 million)

41. DIVIDEND PER SHARE

Dividends are not recognized as a liability until they have been approved at the Annual General Meeting. In 2021 no dividend is proposed (2020: NIL).

42. IMPACT OF COVID-19 PANDEMIC

COVID-19 has affected both countries and companies causing disruptions by interrupting operations, dwindling demand which led to implementation of measures such as quarantine, travel bans and total lockdowns in many parts of the world. The cost of mitigating COVID-19 and measures implemented by governments globally led to financial challenges and impacted a wide range of industries, including the financial sector.

The bank has assessed the impact of the pandemic on the amounts represented on the statement of financial position and concluded that no material impact that warrants further adjustment will be required for FY 2021 financial statements.

43. IMPACT OF THE RUSSIA/UKRAINE CONFLICT

The Russian invasion of Ukraine ('the invasion'), alongside the imposition of international sanctions, have a pervasive economic impact, not only on businesses within Russia and Ukraine, but also globally where businesses engage in economic activities that might be affected by the recent developments. This necessitates careful consideration of the resulting accounting implications by entities who are affected by these developments.

The bank has assessed the current impact of the Russia and Ukraine war that is impacting the world's economy. The war will not have a significant adverse impact on the bank's operations. The directors are of the view that the bank has capacity to withstand the possible economic shocks that may arise from the crisis.