GUARANTY TRUST BANK (TANZANIA) LIMITED

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2021

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CORPORATE INFORMATION

Name	Age	Position	Qualification	Nationality	Appointment
Mr. Juma Alli Mohamed Muhimbi	68	Chairman	Certified Public Accountant	Tanzanian	24 June 2016
Mr. Julius Olusegun Kosebinu Agbaje	57	Director	MBA	Nigerian	24 June 2016
Mr. Hanish Chandaria	48	Director	MBA	British	24 June 2016
Dr. Florence Temu	50	Director	Public Health Specialist	Tanzanian	25 May 2018
Arch. Mbaraka Hussein Igangula*	50	Director	Master Degree of Engineering Management	Tanzanian	10 June 2021
Mr. Habibu Juma Suluo***	56	Director	Certified Public Accountant	Tanzanian	28 December 2021
Ms. Charity Mwakio****	52	Director	Certified Chartered Accountant	Tanzanian	18 January 2022
Mr. Jubril Adeola Adeniji	48	Director	MBA	Nigerian	24 June 2016
Mr. Ademola Ayodeji Odeyemi**	51	Director	Chartered Accountant	Nigerian	24 June 2016

* Joined the Board effective June 2021. ** Resigned from the Board effective April 2021.
***Joined the Board effective December 2021. ****Joined the Board effective January 2022.

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS
Plot 4, Regent Estate, Victoria, Bagamoyo Road,
P.O.Box 31111
Dar es Salaam
Tanzania

BANK SECRETARY
Mr. Edwin Mhande
P.O.Box 31111
Dar es Salaam
Tanzania

AUDITOR
Nexia SJ Tanzania
Certified Public Accountants (Tanzania)
1st Floor,Oyster Plaza,Haile Selassie Road
P.O.Box 12729
Dar es Salaam, Tanzania

GUARANTY TRUST BANK (TANZANIA) LIMITED

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST DECEMBER 2021

1 INTRODUCTION

The Directors present their report together with the audited financial statements of Guaranty Trust Bank (Tanzania) Limited (the "Bank") for the year ended 31st December 2021, which disclose the state of financial affairs of the Bank.

2 INCORPORATION

The Bank is a limited liability company incorporated under the Companies Act, 2002, domiciled in the United Republic of Tanzania and a subsidiary of Guaranty Trust Bank, Nigeria.

3 BANK'S VISION AND MISSION

Bank's vision

We are a team driven to deliver the utmost in customer service.

We are synonymous with innovation, building excellence and superior financial performance and creating role models for society.

Bank's mission

We are a high-quality financial services provider with the urge to be the best at all times whilst adding value to all stakeholders.

Core Values

Our style of operation, staff conduct and service delivery models are built on 8 core principles aptly dubbed; The Orange Rules in line with the Bank's vibrant Orange corporate colour.

Why Orange?

- Orange is a joyous colour
- Orange frees and releases emotion
- Orange evokes a feeling of warmth
- Orange demands attention
- Orange stimulates the mind
- Orange indicates a person who is sociable and loves to be in the company of others; a person who has loads of energy, exciting and fun to be with.
- Orange relates to a person who has great practical-hands on-skills.
- Orange personalities are friendly, ready smile, respond positively and fluent if not profound in speech. They are good-natured and gregarious and do not like to be left alone.

The Orange Rules are principles for progression, success, relationships and life. They guide our approach to banking and everything we do. These rules are: -

i. Simplicity
We are straightforward, direct and easy to deal with, making the complex uncomplicated.

ii. Professionalism
We are thorough and efficient, always inspiring confidence.

3 BANK'S VISION AND MISSION (CONTINUED)

iii. Service
This is our major strength; we're constantly improving on our ability to delight our customers.

iv. Friendliness
We enjoy working together to fulfil customers' needs, building mutually rewarding relationships.

v. Excellence
We stand out from the crowd, always refreshing, always beyond the ordinary.

vi. Trustworthiness
We are reliable, what we say is what we do; trust us to always do what is right.

vii. Social Responsibility
We care, we believe in building and sharing for the good of all.

viii. Innovation
We evoke inspiration and respect, our originality is second to none, we are bold, classy and always setting the pace.

Culture statement
Guaranty Trust Bank is a friendly brand that truly cares and this permeates through every sphere of our business. We have a value system that is hinged on professionalism, ethics, integrity, and superior customer service. We maintain a culture of excellence and go to great lengths to actualize the popular phrase; The Customer Is King. We are a Proudly African and Truly International institution.

4 NATURE OF OPERATIONS AND PERFORMANCE FOR THE YEAR

Nature of operations

Guaranty Trust Bank (Tanzania) Limited obtained a banking operating license from the Bank of Tanzania on 28th December 2017. The Bank is engaged in the business of providing solution to financial challenge, including the taking of deposits, granting loans and providing payment platform/services to the general public.

Business developments

During the year ended 31st December 2021, Guaranty Trust Bank (Tanzania) Limited recorded a pre-tax loss of TZS 1,577.08 million (2020: loss of TZS 2,519.79 million).

Total operating income increased by 32.77% to TZS 4,550 million (2020: TZS 3,426 million). The increase was significantly contributed by increased interest income as a result of enhanced earning assets volume predominantly from disbursed loans and advances to customers and fixed income securities investment. Impairment charges on loans and advances was TZS 116 million (2020: TZS 85 million). The Bank's net loan book was TZS 19,867 million as at 31st December 2021 (2020: TZS 13,123 million), being an increase of 51% over the previous year. The total balance sheet size increased by 45% to TZS 57,322 million (2020: TZS 39,550 million). Customers' deposits for the Bank stood at TZS 34,954 million as at 31st December 2021 (2020: TZS 17,073 million), being an increase of 105% over the previous year. Deposits from banks stood at NIL as at 31st December 2021 (2020: NIL).

4 PRINCIPAL ACTIVITIES AND PERFORMANCE FOR THE YEAR (CONTINUED)

Business developments (continued)

The following Key Performance Indicators (KPIs) are considered by the Directors as effective in measuring the delivery of the Bank's strategy and managing the business:

Performance indicator	**Definition/calculation method**	**2021**	2020
Return on equity	Net profit/Total equity	**-8.29%**	**-12.13%**
Return on assets	Net profit/Total assets	**-2.80%**	**-6.42%**
Cost to income ratio	Total costs/Net income	**-134.85%**	**-171.39%**
Interest margin on earning assets	Total interest income/(investment in government securities +balances with other financial institutions + interbank loan receivables + investments in other securities + net loans, advances and overdraft	**9.80%**	**9.50%**
Non - interest income to Gross income	Non - interest income/Total income	**42.40%**	**40.08%**
Gross loans to customers to customer deposits	Total loans to customers/Total deposits from customers	**56.84%**	**76.87%**
Non - performing loans to gross loans	Non - performing loans/Gross loans and advances	**1.52%**	**1.21%**
Earning assets to total assets	Earning assets/Total assets	**72.81%**	**60.75%**
Growth on total assets	Trend (2021 Total assets – 2020 Total assets/2020 total assets) *%	**44.94%**	**16.82%**
Growth on loans and advances to customers	Trend (2021 loans and advances – 2020)/2020 loans and advances) *%	**51.39%**	**49.50%**
Growth on customer deposits	Trend (2021 deposits – 2020 deposits/2020 deposits) *%	**104.73%**	**19.37%**
Capital adequacy			
Tier 1 Capital	Core capital/Risk weighted assets including Off balance sheet items	**50.72%**	**65.46%**
Tier 1+Tier 2 Capital	Total capital/Risk Weighted assets including off-balance sheet items.	**50.72%**	**65.46%**

4 PRINCIPAL ACTIVITIES AND PERFORMANCE FOR THE YEAR (CONTINUED)

Business developments (continued)

The monetary policy stance remained accommodative to December 2021, driven by the need to continue boosting credit flows to the private sector to support recovery of the economy from the adverse effects of COVID-19

The Bank's loan portfolio remained in current status due to the management's concerted effort on pre-disbursement and post disbursements monitoring during the period. The industrial average NPL ratio was 10.3% (based on fourth quarter publication 2021), while the bank closed with an impressive NPL Ratio of 1.52%. The credit selection, appraisal and approval processes, complemented by strong relationships with customers have ensured that no significant potential credit delinquencies were recorded during the period. This arrangement has proven to be beneficial to the Bank and its customers, especially in light of the challenges being faced due to prevailing difficult economic environment.

The Directors extend sincere gratitude to the Bank's customers for their continued support and loyalty, staff for their contribution to the Bank's growth and all stakeholders who acted as catalysts in bringing the Bank this far.

5 OBJECTIVES AND STRATEGIES

5.1 Objectives of the bank

The Bank's Core Objectives are to emerge as;

(a) the customer service differentiator in the Tanzania Banking Industry.
(b) One of the top three (3) most profitable (PBT) Tier III Banks by 2022.
(c) the most cost-effective bank in Tanzania with 40% Cost to Income Ratio.

5.2 Strategies for achieving objective

The Bank's well-groomed strategies aimed at achieving its set objectives are built around the following: -

(a) Targeted Customer Acquisition
Our entry into the market is based on acquiring customers within specific market segments, primarily Personal Banking, Small and Medium Scale Enterprises, Trade and Commercial Banking.

(b) Robust Technology
The deployment of the best and most modern Information Technology infrastructure remains critical to the achievement of the bank's global strategic intent, as it will provide consistent, efficient and effective approach to delivering exceptional service across all channels.

(c) Digital Channels
Sustained innovativeness is the most resilient source of competitive advantage in modern banking, as it elicits convenience and reliability thereby facilitating the achievement of ultimate customer satisfaction. Hence, we remain focused on deploying best in class digital channels in the market at all times.

5 OBJECTIVES AND STRATEGIES (CONTINUED)

5.2 Strategies for achieving objective (continued)

(d) Best Practice Personnel Management
Existence of an excellent work force remains a critical factor to achieving the bank's global intent. Therefore, adoption of best practice personnel management to attract and retain exceptional individuals, while developing them to become top notch professionals and role models with strong commitment to achieve their personal and organizational objectives.

(e) Effective Risk Management & Compliance Framework
Development of a successful bank is hinged on effective risk management and compliance framework for the prevention among others, regulatory penalties and sanctions, losses and reputational damage. The bank adheres to all regulatory risk thresholds cum local and international best practices with efficient electronic platform that monitor money laundering, terrorism financing and other transactional risks.

(f) Accentuate Cost Containment
Effective cost efficiency is a critical enabler for the bank's profitability objectives. Effective budgeting, stringent purchasing procedures, cost control and adoption of efficient technology are tools to achieving the desired cost to income ratio.

5.3 Managing operations for the Bank

The bank's operational activities are managed through four (4) management committees; Assets and Liability Management Committee, Management Credit Committee, Management Risk Committee and Criticized Assets Committee to ensure effective and good corporate governance at the management level.

These committees form the bedrock for the long-term professional management of the business of the Bank.

The committees meet in the minimum quarterly or more frequently in line with business exigencies.

6 OPERATING MODEL

For smooth and effective operations coupled with superior customer service, the Bank choose to focus on the following;

(a) Consistent deployment of innovative, convenient, reliable and user-friendly channels that enhances customer satisfaction.
(b) Establishment of an independent compliance unit equipped with latest electronic platforms to monitor money laundering, terrorism financing and other transactional risks aimed at avoiding regulatory sanctions, financial and reputational losses.
(c) Cost containment
(d) Creation of exceptional and unique customer experience through sustained personalized services that ensures consistent growth in customer acquisition and retention.
(e) Consistent provision of scalable and secured IT infrastructure and applications to support delivery of exceptional customer service across all channels.
(f) Establishment of a control environment in line with international standards for proactive transaction monitoring to achieve the Bank's objective of zero tolerance for fraud & losses.

6 OPERATING MODEL (CONTINUED)

(g) Achievement of 99% customer satisfaction with resolution of customer complaints within 24 hours.

(h) Attraction and development of exceptional individuals into top notch professionals and role models with strong commitment and determination to achieve personal and organizational objectives and

(i) Creation of a robust system that operates above all regulatory risk thresholds and conforms to local and international best practices.

6.1 INPUTS/RESOURCES

(a) Financial

(i) **Deposits**: The bank's deposits from customers during the period grew by 105% from TZS17.1Billion (2020) to TZS34.9Billion (2021). This is an absolute growth of TZS 17.92Billion, which resulted from delivery of innovative and exceptional services to our customers. A major enabler to the achieved growth is the bank's ability to deploy customized and reliable collection and payment digital platform to our customers. The strong deposit growth resulted in enhanced earning assets principally, loans and advances, interbank placements and strategic investment in government securities.

(ii) **Loans and Advances:** The bank's loans and advances during the period grew by 51% from TZS13.1Billion (2020) to TZS19.9Billion (2021). Despite the strong growth, the bank's careful and professional lending guidelines ensured best in class Non-performing Loans Ratio of 1.52% at the close of the year.

(iii) **Equity**: During the period under review, no capital injection was implemented by the bank. The bank continued to operate with very strong capital ratios above all statutory requirements in the industry.

(iv) **Borrowings**: The bank operated within well managed liquidity and cashflow positions that ensured nil borrowings within the review period.

(b) Intellectual innovations 2021

Best in class digital deployments achieved through consistent innovation remain the bank's competitive advantage. In the course of the year under review the bank deployed the following additional services to the market.

(i) Our Unstructured Supplementary Service Data (USSD) code (*150*97#) was enhanced for exceptional experience for our customers. Few of the added features include; Swahili Language option, Soft Token Generation (OTP) and Salary Advance Request Portal.

(ii) GTSACCOS, our customizable digital platform for the Savings and Credit Cooperative Societies (SACCOS) was enhanced to aid digitization of the savings and lending activities of SACCOS in the industry.

(iii) Jibakishie (Spend to Save) was launched on our personal banking internet banking and USSD platforms to encourage customers' save as they spend. Enrollment is fully automated for ease of adoption by customers.

(iv) GePG (Government Electronic Payment Gateway) integration was implemented on all digital channels to support Government digitized approach to revenue collection and at utmost ease of our customers.

6.1 INPUTS/RESOURCES (CONTINUED)

A. Human Capital

Our workforce remains our most valuable asset in meeting our vision of becoming the leading customer-centric global bank. As such, the health and safety of all our employees, customers, vendors and other stakeholders are of utmost priority to us. Our strategic policy is to continue to make our workplace conducive for all. In short, we continue to strive to create a safer and healthier working environment.

For our entire staff, we provided training on subject matters ranging from Cyber security, Corporate Governance, Customer Relationship Management, Compliance, Environmental and Social Risk Management, Leadership and Management, First Aid, CPR and Emergency Care Responses; among others.

B. Financial Capital

The bank maintains an optimal level of capital to meet the regulatory minimum capital requirement of TZS 15billion to support the business growth, and investment activities. During the year (2021) our core capital stood at TZS 18.87billion, a reduction from TZS 20.55billion (2020) due to resultant loss in the year of TZS 1.6billion. Nevertheless, the bank still has strong buffer above the minimum regulatory capital.

C. Social and Relationship Capital

We passionately believe that Corporate Social Responsibility embodies an ardent commitment and social pact with all the stakeholders. Thus, the Bank is committed to creating enduring partnerships for sustainable development whilst adding immense value to the diverse communities in which it operates. In the course of the year, the bank supported a malaria eradication focused medical camp (health initiative) in conjunction with Rotary Club of Dar es Salaam Oysterbay and Malaria Partners International (MPI) within the Ukonga settlement not too far from Dar es Salaam city. Over 1600 children and adults were accorded health checks by professional medical practitioners during the event.

D. Intellectual Capital

We are a team committed to providing exceptional financial services with the aim of continually surpassing our stakeholders' expectations.

We achieve this by:

- Continually improving the Quality Management System to ensure the effectiveness and efficiency of our processes
- Creating quality awareness within our organization
- Creating a conducive environment for innovative ideas
- Monitoring, benchmarking and continually improving our products, services and employees' performance
- Implementing a Quality Management System that meets the requirements of the ISO 9001:2015 quality standards.

E. Natural Capital

The bank through its parent holding Company, is also an organizational stakeholder at the Global Reporting initiative, our role is that of promoting research and development in the area of sustainability reporting.

Global reporting initiative is an international not-for-profit organization that provides sustainable reporting guidelines towards a sustainable global economy.

6.2 Operating activities

The operating activities of the bank is centered on:-

(a) Account Opening and Customer Profiling.
(b) Processing of customer transactions
(c) Activation of Customers on our Electronic Banking Channels
(d) Processing of Customers' Account Statements Requests
(e) Debit Cards issuance and Hot listing
(f) Balance Inquiry
(g) Collection, Recording and Resolution of Customer Complaints.

6.3 Outputs

Banking and finance are no one's favourite task, trust us we know. That's why we have a full set of services to make sure that banking does not get in the way of your lifestyle. The Bank offers two categories of the services: Banking Services and e-Banking Services.

(a) Banking Services

i. Treasury Banking

GTBank has a full-fledged Treasury team dedicated to providing innovative solutions for your foreign exchange needs and investment services, supported by the latest state-of-the-art infrastructure; proficient in meeting all treasury requirements.

The Treasury Team issues continuous market up-dates daily and a weekly summary to enable its corporate, trade and retail customers to keep abreast of the latest market news and currency trends.

- GTBank offers FX services.
- Competitive pricing.
- Real time market updates available

ii. Business Banking

a. Loans and Advances

i. Time Loans

This is a short-term usually less than 12 months asset-based business loan payable in few instalments. Time loans are commonly used to finance revenue generating assets (such as inventory) which provide the funds to pay back the loan.

ii. Invoice Discount Facility

Invoice Discount Facility is a short-term borrowing facility which will provide a quick cash flow support to Companies by freeing up cash tied up in outstanding invoices from an employer.

iii. Overdrafts

This is short term financing not exceeding 12 months intended to support working capital. It finances short term finance needs occurring during the intervals between receipt of proceeds and the payment period in the context of the asset conversion cycle.

6.3 Outputs (continued)

(a) Banking Services

ii. Business Banking

iv. Term Loans
This is a monetary loan that is repaid in regular payments over a set period of time. They are usually structured such as repayment can be covered in mid to long term. The ability to repay over a long period of time is attractive for new or expanding enterprises, as the assumption is that they will increase their profit over time, due to such an elongated tenor their charges are usually subject to changes in market conditions.

v. Post-Import Financing
The service helps importers who wish to match cash outflows with receivables. GTBank can arrange post import finance to pay-off import obligations allowing the importer concentrate on making sales to meet the re-scheduled settlement date(s).

vi. Trade Finance
GTBank Trade Finance products cater for the Export and Import clients. Our Relationship Managers who are in direct contact with customers provide solutions to meet our customer needs.

Served by seasoned personnel in Trade Finance, a variety of products are offered by the department, ably assisted by SWIFT and Treasury, equipped with Reuters on-line trading (Foreign Exchange Dealing Room). We additionally have correspondents in all major financial centres of the world.

iii. Personal Banking

a. Savings Account
Earn attractive interest on your daily balance whilst enjoying 24/7 banking and a personalised Tanzania Shillings Mastercard for cash withdrawals and online payments.

b. Smart Kids Save (SKS) Account - Start your children on the road to financial success
The Smart Kids Save account is designed to enable parents/guardians save for their children aged between 0 – 17 years, whilst also developing a savings culture in them. Teaching children the value of savings early can help them develop SMART financial habits for life.

c. Target Savings Account (GT Target) - Turn your goals into milestones
Whether you are saving towards your dream wedding, or have set sight on a new car, with GT Target, you are guaranteed to achieve your financial goals. To sign up to GT Target, all you need is to have an existing GTBank Account.

6.3 Outputs (continued)

(a) Banking Services

iii. Personal Banking

d. Salary Account

This is a special account for employees (salary earners) of identified reputable private and public organisations.

e. Seniors Account

The Seniors Account is a current account designed specifically for senior citizens who are aged 60 years and above.

(b) e-Banking Services

i. Online Banking

Guaranty Trust Bank's Internet banking platform is a robust channel designed with the state-of –the-art technology that gives you unlimited access to your accounts and allows customers conveniently perform over 90% of their bank transactions online real-time.

Internet Banking enable customers enjoy the convenience of managing finances quickly and easily at a time that suits them. Customers can bank safely and securely at work, home or abroad.

ii. GTWorld

Mobile Banking App that is seamlessly designed to cater for all that's important to you easily. The facial recognition feature means that you now have mobile banking App that recognizes you and adapts to how and when you want to bank.

iii. Simple Banking (*150*97#)

The platform permits customers to access selected mobile banking services by dialling a short code on their mobile phones, using basic feature mobile phones, with no need for mobile internet data to use the service.

6.4 Outcomes

(a) Investors

The bank's investment ratios continued to improve year on year, despite our loss-making position. The bank is now positioned for profitability in the subsequent years.

(i) **Return on Equity**:

The return on equity in 2021 was -8.29% while 2020 was -12.13%, an improvement of 3.84% year on year.

(ii) **Return on Assets:**

The return on assets in 2021 was -2.80% while 2020 was -6.42%, an improvement of 3.62%

(iii) **Earnings per share:**

The earnings per share in 2021 was TZS -1,048/share while 2020 was TZS -1,661/share, an improvement of TZS613/share year on year.

6.4 Outcomes (continued)

(b) Regulators

The bank continued to comply with all extant regulations in the course of the year. Highlights of our regulatory activities in the year are;

(i) Despite the loss-making status of the bank, we incurred Corporate Tax expense of TZS 25Million in the course of the reporting year.

(ii) We ensured continuous compliance with extant policies and regulations in the year, but unfortunately was sanctioned by the Bank of Tanzania (BOT) for delayed appointment of a substantive Treasurer. The position has been subsequently filled and approved by the BOT.

(c) Employees

At closure of the 2021, financial year, the bank had forty-one (41) full time employees distributed 21 Female and 20 Male. This ensured a gender distribution of 51.2%:48.8% Female to Male.

(d) Customers

We continue to serve customers, clients, communities and create value for stakeholders.

The Bank established 2,613 accounts in the year ended 31st December, 2021 compared to 2,208 accounts opened in the preceding year, representing an increase of 18%. The accounts are segmented into Individual Accounts, SKS Accounts, Salary Accounts, Senior Accounts, Commercial and Small and Medium Scale Enterprises Accounts, Sole Proprietors, SACCOS Accounts and GTCREA8 Accounts.

7 DIVIDEND

The directors do not recommend payment of dividend for the current year (2020: NIL).

8 DIRECTORS

The Directors of the Bank at the date of this report and who have been in office since 1st January 2021.

Directors	Position	Qualification	Nationality	Appointment/ resignation	Dates of Attendance
Mr. Juma Alli Mohamed Muhimbi	Chairman	Certified Public Accountant	Tanzanian	24 June 2016	24 February 2021 17 May 2021 13 August 2021 09 November 2021
Mr. Julius Olusegun Kosebinu Agbaje	Director	MBA	Nigerian	24 June 2016	24 February 2021 17 May 2021 13 August 2021 09 November 2021
Mr. Ademola Ayodeji Odeyemi**	Director	Chartered Accountant	Nigerian	24 June 2016/26 April, 2021	24 February 2021
Dr. Florence Temu	Director	Public Health Specialist	Tanzanian	15 May 2018	24 February 2021 17 May 2021 09 November 2021
Mr. Hanish Chandaria	Director	MBA	British	24 June 2016	24 February 2021 17 May 2021 13 August 2021 09 November 2021
Arch. Mbaraka Hussein Igangula*	Director	Master Degree of Engineering Management	Tanzanian	10 June 2021	13 August 2021 09 November 2021
Mr. Habibu Juma Suluo***	Director	Certified Public Accountant	Tanzanian	28 December 2021	N/A
Ms. Charity Mwakio****	Director	Certified Chartered Accountant	Tanzanian	18 January 2022	N/A
Mr. Jubril Adeola Adeniji	Managing Director	MBA	Nigerian	24 June 2016	24 February 2021 17 May 2021 13 August 2021 09 November 2021

* Joined the Board effective June, 2021.
** Resigned from the Board effective April 2021.
***Joined the Board effective December 2021.
****Joined the Board effective January 2022.

9 CORPORATE GOVERNANCE

9.1 Corporate Governance Statement

At the end of the reporting period, the Board of Directors consisted of 7 directors, including the Managing Director. Apart from the Managing Director, no other director holds an executive position in the Bank. 1 additional Director was appointed after the year end but before the signing of this report. The Board takes overall responsibility for the Bank, including responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters, and reviewing the performance of management business plans and budgets. The Board is also responsible for ensuring that a comprehensive system of internal control, policies and procedures is operative, and for 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 senior management. Senior management is invited to attend board committee meetings and facilitates 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 Bank is committed to the principles of effective corporate governance. The Directors also recognize the importance of integrity, transparency and accountability.

The Board is committed to the highest standards of business integrity, ethical values and governance; it recognises the responsibility of the Bank to conduct its affairs with transparency, prudence, fairness, accountability and social responsibility, thereby safeguarding the interests of all stakeholders.

During the year the Board of Directors of the Bank had the following board sub-committees to ensure a high standard of corporate governance throughout the Bank. All these committees report to the main Board of Directors.

i) Board Credit Committee

Name	Position	Nationality	Dates of Attendance
Mr. Hanish Chandaria	Non-executive, Chairperson	British	24 February 2021 17 May 2021 13 August 2021 09 November 2021
Mr. Julius Olusegun Kosebinu Agbaje	Non-executive, Member	Nigerian	24 February 2021 17 May 2021 13 August 2021 09 November 2021
Mr. Ademola Ayodeji Odeyemi**	Non-executive, Member	Nigerian	24 February 2021

** Resigned from the Board effective April 2021.

The committee met four times during the year.

REPORT OF THE DIRECTORS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2021

9 CORPORATE GOVERNANCE (CONTINUED)

9.1 Corporate Governance Statement (continued)

ii) Board Audit Committee

Name	Position	Nationality	Dates of Attendance
Mr. Ademola Ayodeji Odeyemi**	Non-executive, Chairperson	Nigerian	24 February 2021
Mr. Hanish Chandaria	Non-executive, Member	British	24 February 2021 17 May 2021 13 August 2021 09 November 2021
Dr. Florence Temu	Non-executive, Member	Tanzanian	24 February 2021 17 May 2021 13 August 2021 09 November 2021
Arch. Mbaraka Hussein Igangula*	Non-executive, Member	Tanzanian	13 August 2021 09 November 2021
Mr. Habibu Juma Suluo***	Non-executive, Member	Tanzanian	N/A
Ms. Charity Mwakio****	Non-executive, Member	Tanzanian	N/A

* Joined the Board effective June, 2021.
** Resigned from the Board effective April 2021.
***Joined the Board effective December 2021.
****Joined the Board effective January 2022.

The committee met four times during the year.

iii) Board Risk and Compliance Committee

Name	Position	Nationality	Dates of Attendance
Dr. Florence Temu	Non-executive, Chairperson	Tanzanian	24 February 2021 17 May 2021 09 November 2021
Mr. Julius Olusegun Kosebinu Agbaje	Non-executive, Member	Nigerian	24 February 2021 17 May 2021 13 August 2021 09 November 2021
Mr. Ademola Ayodeji Odeyemi**	Non-executive, Member	Nigerian	24 February 2021
Arch. Mbaraka Hussein Igangula	Non-executive Member	Tanzanian	13 August 2021 09 November 2021

** Resigned from the Board effective April 2021.

The committee met four times during the year.

10 CAPITAL STRUCTURE AND TREASURY POLICIES

The Bank's authorized share is 1,826,485 ordinary shares of TZS 21,900.00 each. Called up and fully paid up shares is 1,528,586 of TZS 21,900 each.

Guaranty Trust Bank, Ltd is the major shareholder of the Bank holding 76.20% of the shares, Dhanji Hansraj Chandaria owns 12.53% of the shares and Rameshkumar Manubhai Patel owns 11.27% of the shares.

The Bank maintains well-documented Market and Liquidity Risk Management Policies which outlines approved Treasury activities in the Bank and how various risks that arise from such dealings together with other banking activities are identified, measured and managed. These, among others, include interest rate risk, liquidity risk and Trading risk.

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

The following risks are covered in the Market and Liquidity Risk Policies

1. Interest Rate Risk Management
   This section is designed to provide written guidelines for the identification, measurement, monitoring, control and reporting of interest rate risk. With the increasing volatility of the global financial services industry, it has become even more imperative for Banks to continue to proactively monitor their vulnerability to changes in interest rates and react appropriately to those changes in order to produce adequate earnings on a consistent basis.

2. Liquidity Risk Management
   Liquidity Risk is the current and future risk to the bank's earnings & capital arising from its inability to meet its funding obligations and commitments as and when due, at a reasonable price.
   Poor or inadequate liquidity risk management could result in a funding crunch in which the bank could be unable to meet deposit withdrawals and loan funding requests from its customers. This inadequate management could further lead to litigations, loss of earnings, inability to seize new business opportunities, and eventual collapse of an institution.
   The Banks Liquidity Risk management process entails the following activities as monitored by Assets and Liabilities Committee.
   - Day-to-day funding, managed by monitoring future cash flows to ensure that daily obligations can be met. This includes replenishment of funds as they mature or borrowed by customers. The Bank maintains an active presence in money markets to enable this to happen;
   - Maintaining a portfolio of highly liquid and marketable securities that can easily be liquidated as protection against any unforeseen cash flows stress;
   - Monitoring of liquidity ratios, i.e., Liquid Asset Ratio (LAR), Loan to Deposit Ratio (LDR) against internal and regulatory limits
   - Managing the concentration of customer deposits and assets to avoid extreme mismatches
   - Performing liquidity stress and

- Maintaining a robust and effective contingency funding plan to support in cases of liquidity stress.

10 CAPITAL STRUCTURE AND TREASURY POLICIES (CONTINUED)

3. Trading Risk

Trading Risk, in this policy, is defined as the risk of losses in on and off trading positions arising from movements in market prices such as interest rates, foreign exchange rate, equity and commodity prices. This policy is developed for the Bank's liabilities and asset holdings in the domestic and foreign money market, bond market and foreign currencies
The specific goals and objectives of trading risk management are:

- Provide oversight and guidance relating to trading risk identification, measurement, monitoring, control and reporting.
- Detail trading risk sources relative to foreign exchange, interest rate, and equity and commodity prices
- Provide a format to ensure the appropriate management of all trading related risks to the bank.
- Report on all trading risk exposures within the bank's business Design, implement and use rate scenarios and stress testing models to assess the vulnerability of the Bank's trading portfolios to changes in market prices.
- Establish framework for estimating capital charge requirement for trading risk
- Establish measures for evaluating the economic value of the Bank's trading and investment portfolios susceptible to market prices
- Promote communication among employees, managements, and directors whose activities affect trading risk management activities.
- Ensure that appropriate levels of procedures, controls and self-monitoring techniques are implemented and properly administered

The Market and Liquidity Risk Policy, further outlines the roles and responsibilities of ALMAC, Risk management unit, senior management and in managing market and Liquidity risks for the Bank

11 SHAREHOLDERS OF THE BANK

The total number of shareholders during the year ending 31st December 2021 were 3 (2020 3 shareholders) as highlighted below;

SHAREHOLDERS OF THE BANK

The shares of the Bank are held as follows:

Name	Country of Incorporation	Number of shares	Value of Shares TZS
GUARANTY TRUST BANK LTD	Nigeria	1,164,776	25,508,611,500
DHANJI H. CHANDARIA	Kenya	191,606	4,196,164,000
RAMESHKUMAR M. PATEL	Kenya	172,203	3,771,236,000
Total share capital		**1,528,585**	**33,476,011,500**

12 MANAGEMENT

The management of the Bank is under the Managing Director and is organized in the following departments;

- Financial Control
- Legal and External Communications.
- Treasury.
- Digital Banking.
- Corporate Banking.
- SME (Small and Medium Enterprises) Banking.
- Retail Banking.
- Commercial Banking.
- Credit Administration.
- Risk and Compliance Management.
- Systems and Control (Internal Audit).
- Information Technology
- Human Resources and Administration
- Transaction Services

13 FUTURE DEVELOPMENT PLANS

The bank has concluded its fourth year of operations and sustained consistent growth and improved efficiency. These achievements are attributable to the bank's achieved market competitiveness through focus on exciting customer experiences across its distinct digital offerings and service delivery by its well-groomed employees. As the bank progresses into the fifth year of operations, focus is to achieve expanded market relevance through larger market share to facilitate achievement of its objective to be the market service differentiator. The bank's expanded digital channels will support achievement of the outlined broad stakeholders' objective as it is readily positioned to introduce an e-commerce payment platform, agency banking and a second physical branch in the new year to support growth.

In addition to the aforementioned additional service channels, the bank is endowed with a team that is constantly improving the existing channels. On the back drop of available differentiated digital offerings, customer acquisition will be greatly supported to boost market share in the focus sectors of personal and premium banking, small and medium enterprises banking and commercial banking. The bank currently participates in the activities of the corporate sector through support offered across their respective value chain.

The bank's primary focus for the subsequent year is to emerge profitable and commence expansion of its footprints across the country. The strategy for expansion will be primarily through partnerships and establishment of additional branches in strategic locations over the next three (3) years. In addition, as soon as the bank achieves profitability, capital will be deployed strategically towards enhancement of the technology infrastructure and digital channels primarily aimed at supporting deposit mobilization.

Tanzania is projected to return to strong growth based on the effective management of the Covid-19 pandemic impact on the economy and the accommodative stance of the Bank of Tanzania. In addition, investor receptiveness is at one of the highest levels in recent times which will foster growth of the economy and expansion of financial services. Despite, the highly competitive landscape, the bank is positioned to expand its scope of competitive advantage for effective growth of market share.

REPORT OF THE DIRECTORS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2021

13 FUTURE DEVELOPMENT PLANS (CONTINUED)

In light of key strengths and resources at the disposal of the Bank, the Directors believe that the Bank will achieve its objectives as highlighted above. Being affiliated to the renowned Guaranty Trust Holding Company Plc with presence in 11 countries worldwide, the Bank also enjoys considerable technological and intellectual capital from the Group experience garnered over the last thirty years. The Bank's focused drive to penetrate the market further will enhance its revenue streams, ably supported by the improving adoption of motivational and staff retention schemes which have resulted in a reliable and committed team to date.

14 PRINCIPAL RISKS, UNCERTAINTIES AND OPPORTUNITIES

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance with such measures by staff. Whilst no system of internal control can provide absolute assurance against misstatement or losses, the Bank's system is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively. The Board assessed the internal control systems throughout the financial year ended 31st December 2021 and is of the opinion that they met acceptable criteria.

15 STAKEHOLDER'S RELATIONSHIP

The Board and Management of the Bank ensure that communication and dissemination of information regarding the operations and management of the Bank to shareholders, stakeholders and the public is timely, accurate and continuous, to give a balanced and fair view of the Bank's financial and non-financial matters. Such information, which is in plain language, readable and understandable, is available on the Bank's website, http://www.gtbank.co.tz. The website is constantly updated with information as events occur. The website also has an Investors Relations portal where the Bank's financial Reports and other relevant information about the Bank is published and made accessible to its shareholders, stakeholders and the public. The main objective of the Bank's Communication Policy is to support the Bank in achieving the overall goals described in the Bank's core values which strengthens the Bank's culture of transparency in pursuit of best corporate governance practices.

REPORT OF THE DIRECTORS (CONTINUED) FOR THE YEAR ENDED 31ST DECEMBER 2021

16 CASHFLOWS

During the year, the Bank generated TZS 12.5 billion (2020 outflow: TZS 4.2 billion) in its operating activities. This was attributed to net cash inflow from customer deposits of TZS 17.8 billion (2020: TZS 2.7 billion) which was netted off by the growth of loans and advances by TZS 6.9 billion (2020: TZS 4.4 billion).

Other major use of the cash flow was payment of corporate taxes amounting to TZS 25.3 million (2020: TZS 28.4 million), investment in property plant and equipment of TZS 38 million (2020: TZS 48.3 million), investment in software of TZS 50.8 million (2020: TZS 21.2 million).

17 LIQUIDITY

The Board of Directors confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis.

The Board of Directors has strong expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future.

18 EMPLOYEE'S WELFARE

Management and Employees' Relationship

The Bank's achievements and financial results in such a challenging market are a testimony to good relationship between employees and management. The Bank continued to enjoy good relationship between employees and management for the year ended 31st December 2021. There were no unresolved complaints received by management from the employees during the year.

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, tribe, religion and disability which do not impair ability to discharge duties.

Training Facilities

For the Bank to achieve its business strategy, it needs talented people who deliver superior results. To support and enable our people to give their best, we provide an engaging and fulfilling environment with opportunities for personal and professional growth, maintain a competitive reward strategy and continuously enhance our people practices. Training programs have been and are continually being developed to ensure employees are adequately trained at all levels. All employees have some form of annual training to upgrade skills and enhance development.

Medical Assistance

All members of staff and a maximum number of four beneficiaries (dependants) for each employee were availed medical insurance guaranteed by the Bank. Currently these services are provided by Strategies Insurance Company Limited.

18 EMPLOYEE'S WELFARE (CONTINUED)

Persons with Disabilities

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

Employees Benefit Plan

The Bank pays contributions to publicly administered pension plans on mandatory basis which qualify to be a defined contribution plan. Publicly administered pension plans of which Banks' employees are members is National Social Security Fund (NSSF).

19 GENDER PARITY

The Bank had 41 employees as at 31st December 2021 out of which 21 were females and 20 were males (2020: had 47 employees of which 22 were females and 25 were males).

20 PREDUCIAL ISSUES

The Bank maintain a zero-litigation status at 31st December, 2021.

21 RELATED PARTY TRANSACTIONS

The Bank considers a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Bank, or vice versa. There were a number of transactions with the Banks related parties in the normal course of business. These include deposits, loans and advances, Directors emoluments, Key Management staff emoluments and foreign currency transactions. All related party transactions and balances are disclosed in note 32 of the financial statements.

22 SOCIAL AND ENVIRONMENTAL POLICY

The Bank recognizes that sustainable development is dependent upon a positive interaction between economic growth, social upliftment and environmental protection.

As a responsible corporate citizen, the Bank has a policy framework that is designed to ensure that all projects undertaken adhere to social and environmental regulations of the relevant local, national and international standards.

The policy framework commits the Bank to:

- Support business activities that contribute to the protection and improvement of the environment;
- Monitor the effects of the Bank's activities on the environment and work towards the improvement and pollution prevention;
- Comply with all applicable laws and regulations related to environmental protection and other requirements to which the Bank is subject to and subscribed to; and
- Provide financing to projects with minimal adverse impact on the environment while ensuring that those having potentially major adverse environmental and social impact are accompanied by adequate mitigation measures.

23 POLITICAL AND CHARITABLE DONATIONS

The Bank did not make any political or charitable donations during the year 2021 (2020: NIL).

24 CORPORATE SOCIAL RESPONSIBILITY

The Bank is committed towards giving back to the communities in which it is present by engaging in various corporate social responsibility activities that have a positive impact on the social, economic and cultural lives of the beneficiaries. The bank focuses in helping both education and health sectors.

25 STATEMENT OF COMPLIANCE

The report by those charged with governance is prepared in compliance with the new Tanzania Financial Reporting Standard No. 1 (TFRS No. 1) as issued by the National Board of Accountants and Auditors (NBAA) and became effective from 1st January, 2021.

26 STATEMENT OF RESPONSIBILITY BY THOSE CHARGED WITH GOVERNANCE

The Board is committed to the highest standards of business integrity, ethical values and governance; it recognizes the responsibility of the Bank to conduct its affairs with transparency, prudence, fairness, accountability and social responsibility, thereby safeguarding the interests of all stakeholders.

27 FUTURE PERFORMANCE OF SIGNIFICANT EVENTS AFTER REPORTING DATE

The bank hereby affirms, that no significant event worthy of reporting occurred after the reporting date.

28 AUDITORS

The Bank's auditor, Nexia SJ Tanzania, has a statutory responsibility to report to the stakeholders as to whether the financial statements of the Bank present fairly the financial position, financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRSs), the Tanzania Financial Reporting Standard (TFRS 1) and in the manner required by the Banking and Financial Institutions Act 2006 and Tanzania Companies Act 2002.

They have expressed their willingness to continue in office and are eligible for re-appointment. A resolution proposing the re-appointment of Nexia SJ Tanzania Limited, as auditor of the Bank for the year ending 31st December 2022 will be put to the Annual General Meeting.

GUARANTY TRUST BANK (TANZANIA) LIMITED

REPORT OF THE DIRECTORS (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 2021

29 BY ORDER OF THE BOARD

This report was approved and authorized for issue by the Board of Directors during its 17th meeting held on 23rd February, 2022 and signed on its behalf by:

Juma Alli .M.Muhimbi - Director

23rd February 2022
Date

Jubril Adeola Adeniji – Managing Director

23rd February 2022.
Date

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

The Directors are required in terms of the Companies Act of 2002 to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the Bank as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards, the Tanzania Financial Reporting Standards (TFRS 1), Bank and Financial Institutions Act, 2006 and the requirements of the Companies Act of 2002. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards, the Tanzania Financial Reporting Standards (TFRS 1), Bank and Financial Institutions Act, 2006 and the requirements of the Companies Act of 2002, and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Bank and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Bank and all employees are required to maintain the highest ethical standards in ensuring the Bank's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Bank is on identifying, assessing, managing and monitoring all known forms of risk across the Bank. While operating risk cannot be fully eliminated, the Bank endeavors to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and managed within predetermined procedures and constraints.

The Directors acknowledge that they are responsible for establishing appropriate policies and procedures to prevent non-compliance with laws and regulations (NOCLAR), including whistleblowing procedures as a necessary part of good internal governance.

The Directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Directors have reviewed the Bank's cash flow forecast for the year to 31 December 2022 and, in the light of this review and the current financial position, they are satisfied that the Bank has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Bank's financial statements. The financial statements have been examined by the Bank's external auditors and their report is presented on pages 26 to 31.

The financial statements set out on pages 32 to 93, which have been prepared on the going concern basis, were authorized and approved by the board on 23rd February 2022 and signed on its behalf by:

Juma Ali. M. Muhimbi	Jubril Adeola Adeniji
Director	**Managing Director**
23rd February 2022	23rd February 2022

GUARANTY TRUST BANK (TANZANIA) LIMITED

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

The National Board of Accountant 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 statement to be accompanied with a declaration issued by the Head of Finance responsible for the preparation of financial statements of the entity concerned.

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

I Peter Jonathan Mkande being the Head of Financial Control of Guaranty Trust Bank (Tanzania) Limited hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31st December 2021 have been prepared in compliance with applicable International Financial Reporting Standards (IFRS) and statutory requirements.

I thus confirm that the financial statements give a true and fair view position of Guaranty Trust Bank (Tanzania) Limited as on that date and that they have been prepared based on properly maintained financial records.

Signed by: Peter Jonathan Mkande ....

Position: Head Financial Control

NBAA Membership No: GA 4292

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GUARANTY TRUST BANK (TANZANIA) LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Guaranty Trust Bank (Tanzania) Limited, which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act, 2002 and the Banking and Financial Institutions Act, 2006 of Tanzania.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountant's Code of Ethics for Professional Accountants (IESBA Code) together with the National Board of Accountants and Auditors (NBAA) Code of Ethics and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 30 in the financial statements, which indicates that the Company incurred a net loss of TShs ('000) 1,602,484 during the year ended December 31, 2021 and as of that date the accumulated loss amounted to TShs ('000) 14,154,565. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. However, the Parent company and majority shareholder (Guaranty Trust Bank PLC) of Nigeria, has the ability and intent to support the subsidiary (GT Bank Tanzania Ltd) to ensure the subsidiary is adequately funded to meet its working capital and other requirements. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBERS OF GUARANTY TRUST BANK (TANZANIA) LIMITED

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

No.	Key audit matter	How our audit addressed the key audit matter
1.	**Impairment loss on loans and advances to customers**	
	Impairment is a subjective area due to the level of judgement applied by management in determining provisions. The Bank is required to calculate impairment of loans and advances in accordance with both the regulations of the Bank of Tanzania and IFRSs. We focused on the identification of impairment events, which differs based upon the type of lending product and customer. Judgement is required to determine whether a loss has been incurred. We also focused on the measurement of impairment losses, including the assessment of whether historical experience is appropriate when assessing the likelihood of incurred losses in respect to loans. As disclosed in under the *significant accounting policies,* judgement is applied in determining the appropriate parameters and assumptions used to calculate impairment. For example, the assumption of customer that will default, the valuation of collateral for secured lending and the expected future cash flows of loans. The disclosure associated with credit risk is set out in the financial statements, under Significant accounting policies point number (G)	• Our audit procedures included the assessment of key controls over the approval, recording and monitoring of loans and advances, and evaluating the methodologies, inputs and assumptions used by the Bank in calculating collectively assessed impairment losses, and assessing the adequacy of impairment allowances for individually assessed loans and advances. We compared the Bank's assumptions for impairment allowances to externally available industry, financial and economic data and our own assessment in relation to key inputs. As part of this, we assessed the Bank's estimates and assumptions used including the consistency of judgement applied in determination of the amount and timing of expected future cash flows, and consideration of economic factors and historical default rates. • We evaluated whether the Bank's assumption on the expected future cash flows, including the value of realisable collateral was based on up-to-date valuations and available market information. • We also assessed whether the financial statements disclosures appropriately reflect the Bank's exposure to credit risk. • We challenged management assumptions regarding the recovery rate of unsecured facilities.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBERS OF GUARANTY TRUST BANK (TANZANIA) LIMITED

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

No.	Key audit matter	How our audit addressed the key audit matter
2.	**Information control systems and controls over financial reporting in the financial statements.**	
	The banks financial and accounting and reporting systems are heavily dependent on complex systems. Significant reliance on IT systems presents a significant risk to the bank as the core banking system is considered complex due to multiple significant functionalities and interdependencies with other systems. We spent significant audit effort in the audit of these systems as part of the audit process, as it is critical for the control environment of the bank and therefore, we determined it to be a key audit matter.	Our audit procedures in this area included, among others the use of our IT auditors / specialists in: • Reviewing of IT Governance practices to access their adequacy, the existence of IT Risk assessment, and the role of IT Steering Committee (if any) and the Board of Directors; • Reviewing information systems within the financial institutions including core banking system, operating systems, applications, databases, servers and networking devices and confirm whether all the systems are robust enough to ensure data integrity, confidentiality and availability; • Performing application controls testing which include configuration controls, sensitive access and segregation of duties controls, interface controls, data integrity controls and obtain reasonable assurance on the accuracy and completeness of reports; • Reviewing and accessing whether balances resulting from all transactions and data processed within the institution's IT system are accurately captured and reported in the General Ledger, the Financial Statements and Returns submitted to the BOT; and • Reviewing IT security controls including application security, privileged access, audit trails, system monitoring and maintenance, vulnerability assessments and penetration testing, controls over program and system changes, integrity and systems ability to recover from unexpected shutdown`s and ability to recover from a disaster resulting in loss of data. The business continuity practice in its totality was reviewed.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBERS OF GUARANTY TRUST BANK (TANZANIA) LIMITED

Report on the Audit of the Financial Statements (continued)

Other Information

Other information consists of the information included in the corporate information, report of the directors, statement of directors' responsibilities and declaration of the head of finance, other than the financial statements and our auditor's opinion thereon.

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

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act, 2002 and the Banking and Financial Institutions Act, 2006 of Tanzania, and for such internal control as management determines 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, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank'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.

A further description of the auditor's responsibilities for the audit of the financial statements is given in the Appendix to Independent Auditor's report. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBERS OF GUARANTY TRUST BANK (TANZANIA) LIMITED

Report on the Audit of the Financial Statements (continued)

Report on Other Legal and Regulatory Requirements

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

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

(i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

(ii) in our opinion proper books of account have been kept by the Bank, so far as appears from our examination of those books; and

(iii) the Bank's statement of financial position and statement of comprehensive income are in agreement with the books of account.

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

- In our opinion, the capital adequacy ratios as presented in Page 3 of the financial statements have been computed in accordance with the Banking and Financial Institutions Act, 2006, and the Banking and Financial Institutions (Capital Adequacy) Regulations, 2014 of Tanzania.

Nexia S.J.

Nexia SJ Tanzania
Certified Public Accountants
1st Floor, Oyster Plaza, Haile Selassie Road
P.O. Box 12729,Dar es Salaam,Tanzania.

S. Jaffer

Sujata Jaffer
Engagement Partner
NBAA registration no. ACPA 718
Dar es Salaam
Ref: NSJ/07/2022

Date: 23/02/ **2022**

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBERS OF GUARANTY TRUST BANK (TANZANIA) LIMITED

Report on the Audit of the Financial Statements (continued)

Appendix to Independent Auditors Report

As part of an audit in accordance with ISAs, we exercise professional judgment 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 Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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

GUARANTY TRUST BANK (TANZANIA) LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2021

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2021 TZS'000	2020 TZS'000
Interest income	6	**3,122,195**	2,228,021
Interest expense	7	**(391,239)**	(207,072)
Net interest income		**2,730,956**	2,020,949
Loan impairment charges	8	**(115,846)**	(84,787)
Net interest income after loan impairment charges		**2,615,110**	1,936,162
Fee and commission income	9	**1,826,865**	1,315,027
Fee and commission expense		**(49,955)**	-
Net fee and commission income		**1,776,926**	1,315,027
Foreign exchange gain(net)	10	**132,715**	175,447
Total operating income		**4,524,751**	3,426,636
Personnel expenses	11	**(2,384,033)**	(2,418,014)
Operating lease expenses	12	**(114,064)**	(121,879)
Depreciation and amortization	13	**(1,534,858)**	(1,766,985)
Other operating expenses	14	**(2,068,869)**	(1,639,553)
Total expenses		**(6,101,824)**	(5,946,431)
Loss before income tax		**(1,577,073)**	(2,519,795)
Income tax expense	24	**(25,409)**	(18,683)
Loss for the year		**(1,602,482)**	(2,538,478)
Other comprehensive income		**-**	-
Total comprehensive loss for the year		**(1,602,482)**	(2,538,478)

GUARANTY TRUST BANK (TANZANIA) LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2021

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2021

	Notes	2021 TZS'000	2020 TZS'000
Assets			
Cash and balances with Bank of Tanzania	15	4,225,561	3,322,251
Balances with Banks	16	673,720	124,335
Loans and advances to banks	17	15,777,488	7,077,444
Loans and advances to customers	18	19,867,916	13,123,776
Government securities	19	6,091,841	3,826,653
Intangible assets	20	1,020,789	1,539,979
Property and equipment	21	6,758,031	7,659,031
Right of use of assets	22	1,705,956	1,732,450
Other assets	23	1,200,597	1,144,099
Total assets		57,321,899	39,550,018
Liabilities			
Deposits from banks	25	-	-
Deposits from customers	26	34,954,364	17,073,399
Lease obligation	27	940,681	878,494
Other liabilities	28	2,103,588	672,489
Current income tax payable	24	1,817	1,726
Total liabilities		38,000,450	18,626,108
Equity			
Share capital	29	33,476,012	33,475,991
Accumulated losses	30	(14,154,563)	(12,552,081)
Total equity		19,321,449	20,923,910
Total equity and liabilities		57,321,899	39,550,018

The financial statements on pages 32 to 93 were approved and authorised for issue by the Board of Directors on ____________ 2022 and signed on its behalf by:

Juma Alli M. Muhimbi

Director

Jubril Adeola Adeniji

Managing Director

GUARANTY TRUST BANK (TANZANIA) LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2021

STATEMENT OF CHANGES IN EQUITY

	Share Capital TZS'000	Retained Earnings TZS'000	Total TZS'000
Balance as at 01st January 2021	33,475,991	(12,552,081)	20,923,910
Conversion regularization (Note 29)	21	-	21
Total Comprehensive loss	-	(1,602,482)	(1,602,482)
Balance at 31st December 2021	33,476,012	(14,154,563)	19,321,449
Balance at 01st January 2020	26,558,000	(10,013,603)	16,544,397
Injection of capital (Note 29)	6,917,991	-	6,917,991
Total Comprehensive loss	-	(2,538,478)	(2,538,478)
Balance at 31st December 2020	33,475,991	(12,552,081)	20,923,910

STATEMENT OF CASH FLOW

	Notes	2021 TZS'000	2020 TZS'000
Cash flow from operating activities			
Loss before tax		(1,577,075)	(2,519,795)
Adjustment for non-cash Items			
Depreciation of property and equipment and right of use of an asset	21 & 22	964,802	1,108,379
Amortization of intangible assets	20	570,055	658,606
Asset classified to expenses	21	693	9,890
Impairment on loans and advances to customer	8	115,846	84,787
Finance cost lease obligation	27	62,187	56,960
Changes in operating assets and liabilities:			
Change In:			
Loans and advances to customers	18	(6,859,986)	(4,429,811)
Deposits from customers	26	17,880,965	2,770,350
Deposit from banks	25	-	(1,119,355)
Other assets	23	(56,498)	(782,761)
Other liabilities	28	1,431,099	(15,165)
Right of use	22	-	333,994
Lease Obligation	27	-	(368,681)
Tax Paid	24	(25,318)	(28,484)
Net cash generated from operating activities		12,506,772	(4,241,086))
Investing activities			
Purchase of property and plant	21	(38,001)	(48,335)
Purchase of intangibles assets	20	(50,865)	(21,218)
Net cash flow used in investing activities		(88,866)	(69,553)
Financing activities			
Proceed from issue of ordinary shares	29	21	6,917,991
Net cash flow generated from financing activities		21	6,917,991
(Decrease) / increase in cash and cash equivalents		12,417,927	2,607,352
Cash and cash equivalents at 1 January		14,350,683	11,743,331
Cash and cash equivalents at the end of the year	33	26,768,610	14,350,683

1. GENERAL INFORMATION

Guaranty Trust Bank (Tanzania) Limited (the "Bank") is a limited liability company incorporated in the United Republic of Tanzania under the Companies Act, 2002, and regulated by the Bank of Tanzania under the Banking and Financial Institutions Act, 2006. The details of the address of its registered office and principal place of business are disclosed on page 1 whilst its principal activities are described in the Report of the Directors.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

a) Statement of Compliance

The financial statements of Guaranty Trust Bank Tanzania Limited have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB).

b) Basis of preparation

The Bank financial statements have been prepared under the historical cost convention, as modified by the revaluation of debt and equity instruments designated at fair value through other comprehensive income.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Bank financial statements are disclosed in Note 5.

c) Changes in accounting policy and disclosures

i) *Standards adopted by the Bank*

Title	Key requirements
Amendments to IFRS 16 'Leases' – Covid-19 related rent concessions	As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. The amendment had no impact on the financial statements of the Bank.
Amendments to IFRS 17 and IFRS 4, 'Insurance contracts', deferral of IFRS 9	These amendments defer the date of application of IFRS 17 by 2 years to 1 January 2023 and change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9, Financial instrument until 1 January 2023. These amendments had no impact on the financial statements of the Bank.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

c) Changes in accounting policy and disclosures (Continued)

i) Standards adopted by the Bank (Continued)

Title	Key requirements
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2	The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. These amendments had no impact on the financial statements of the Bank.

ii) New standards and interpretations that are not yet effective and have not been early adopted.

Certain new accounting standards and interpretations have been published that are not mandatory for 31st December 2020 reporting periods and have not been early adopted by the Bank. These standards are not expected to have a material impact on the Bank in the current or future reporting periods and on foreseeable future transactions.

Title	Key requirements	Effective date
Ammendments to IAS 1 - Presentation of financial statements	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.	Effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.
Ammendments to IAS 16 — Property, Plant and Equipment	IAS 16 "Property, Plant and Equipment" outlines the accounting treatment for most types of property, plant and equipment. Property, plant and equipment is initially measured at its cost, subsequently measured either using a cost or revaluation model, and depreciated so that its depreciable amount is allocated on a systematic basis over its useful life.	Effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Ammendments to IAS 37 — Provisions, Contingent Liabilities and Contingent Assets	IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" outlines the accounting for provisions (liabilities of uncertain timing or amount), together with contingent assets (possible assets) and contingent liabilities (possible obligations and present obligations that are not probable or not reliably measurable).	Effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

c) Changes in accounting policy and disclosures (Continued)

ii) New standards and interpretations that are not yet effective and have not been early adopted (Continued).

Title	Key requirements	Effective date
Ammendments to IAS 41 — Agriculture	IAS 41 "Agriculture" sets out the accounting for agricultural activity – the transformation of biological assets (living plants and animals) into agricultural produce (harvested product of the entity's biological assets). The standard generally requires biological assets to be measured at fair value less costs to sell.	Effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Ammendments to IAS 8 — Accounting Policies, Changes in Accounting Estimates and Errors	IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" is applied in selecting and applying accounting policies, accounting for changes in estimates and reflecting corrections of prior period errors. The standard requires compliance with any specific IFRS applying to a transaction, event or condition, and provides guidance on developing accounting policies for other items that result in relevant and reliable information. Changes in accounting policies and corrections of errors are generally retrospectively accounted for, whereas changes in accounting estimates are generally accounted for on a prospective basis.	Effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Ammendments to IFRS 1 — First-time Adoption of International Financial Reporting Standards	IFRS 1 "First-time Adoption of International Financial Reporting Standards" sets out the procedures that an entity must follow when it adopts IFRS for the first time as the basis for preparing its general purpose financial statements. The IFRS grants limited exemptions from the general requirement to comply with each IFRS effective at the end of its first IFRS reporting period.	Effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
IFRS 17 — Insurance Contracts	IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.	Annual periods beginning on or after January 1, 2022.
Ammendments to IFRS 3 — Business Combinations	IFRS 3 "Business Combinations" outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger). Such business combinations are accounted for using the 'acquisition method', which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date	Effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

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

3. SIGNIFICANT ACCOUNTING POLICIES

(c) Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognized within 'interest and similar income' and 'interest and similar expense' in statement of profit or loss and other comprehensive income using the effective interest rate method.

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

(a) Purchased or originated credit-impaired financial assets for which the original credit-adjusted effective interest rate is applied to the amortized cost of the financial asset.

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

Interest accruing from non-performing credit accommodations is suspended from being recognized in the statement of profit or loss and other comprehensive income. When a credit accommodation is upgraded to a current status, the suspended interest is released to the statement of profit or loss and other comprehensive income.

(d) Fees and commission income

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 (together with related direct costs) and recognized as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognized as revenue when the syndication has been completed and the Bank has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party - such as the arrangement of the acquisition of shares or other securities, or the purchase or sale of businesses - are recognized on completion of the underlying transaction

Other fees and commission expenses relate mainly to transaction and service fees, which are incurred as the services are received.

(e) 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 Bank operates ("the functional currency"). The financial statements are presented in Tanzania Shillings (TZS) rounded to the nearest thousand, which is the Bank's functional and presentation currency.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Foreign currency translation (Continued)

(ii) Transactions and balances

Foreign currency transactions are translated into Tanzania Shillings using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currency are translated at the closing rate as at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

(f) Financial assets

Measurement methods

Amortized cost and effective interest rate

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

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

When the Bank revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognized in profit or loss.

Initial recognition and measurement

Financial assets and financial liabilities are recognized when the Bank becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets are recognized on trade-date, the date on which the Bank commits to purchase or sell the asset.

At initial recognition, the Bank measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at 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 financial 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 recognized for financial assets measured at amortized cost and investments in debt instruments measured at fair value through other comprehensive income (FVOCI), which results in an accounting loss being recognized in profit or loss when an asset is newly originated.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets (Continued)

Measurement methods (Continued)

Initial recognition and measurement (Continued)

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition the entity recognizes 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 recognized as a gain or loss.
(b) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortized over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realized through settlement.

Classification and subsequent measurement

Following the adoption of IFRS 9, the Bank classifies its financial assets into the following categories:

- Fair value through profit or loss (FVPL)
- Fair value through other comprehensive income (FVOCI); or
- Amortized cost.

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables.

The classification and subsequent measurement of debt instruments depends on:

(a) The Bank's business model for managing the assets; and
(b) The cash flow characteristics of the asset

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

(i) Amortised cost:

This category includes assets that are held for collection of contractual cash flows where those cash flows represent solely payment of principal and interest ('SPPI'), and that are not designated at fair value through profit or loss. The carrying amounts of these assets is adjusted by any expected credit loss allowance. Interest income from these assets is included in "interest and similar income" using the effective interest rate method. Loans and advances to customers, balances due from other banks, balances due from Bank of Tanzania and other assets fall under this classification.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets (continued)

Debt instruments (continued)

(ii) *Fair value through other comprehensive income (FVOCI)*

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in profit or loss. When the financial asset, except equity instruments designated at FVOCI, is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in 'Net Investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method. Government securities and equity investments fall under this classification.

(iii) Fair value through profit or loss (FVPL)

Assets that do not meet the criteria for amortized cost or FVOCI are measured at fair value through profit or loss.

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 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 and measured at FVPL. Factors considered by the Bank in determining the business model for a group 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.

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 of principal 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 exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets (continued)

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. Examples 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 designate 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 recognized 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 recognized in profit or loss as other income when the Bank's right to receive payments is established.

(g) Impairment of financial assets

The Bank assesses on a forward-looking basis the expected credit loss ('ECL') associated with its debt instrument assets carried at amortized cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Bank recognizes 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;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Modification of loans

The Bank sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Bank assesses whether or not the new terms are substantially different to the original terms.

If the terms are substantially different, the Bank derecognizes the original financial asset and recognizes 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 initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Bank also assesses whether the new financial asset recognized 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Impairment of financial assets (Continues)

Modification of loans (Continues)

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 recognizes 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 rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

(h) Financial liabilities

The Bank's holding in financial liabilities is mainly in financial liabilities at amortized cost. Financial liabilities are derecognized when extinguished.

Liabilities measured at amortized cost

Financial liabilities are recognised initially at fair value, generally being their issue proceeds net of transaction costs incurred. Financial liabilities are subsequently stated at amortised cost and interest is recognised over the period of the borrowing using the effective interest method.

(i) Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified 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 debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial guarantee contracts and loan commitments (continued)

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 recognized 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 recognized as a provision.

(i) Classes of financial instruments

The Bank classifies the financial instruments into classes that reflect the nature of information and take into account the characteristics of those financial instruments. The classification made can be seen in the table as follows: -

Financial assets	Category
Cash and balances with Bank of Tanzania	Amortized cost
Balances due from other banks	Amortized cost
Government securities	Fair value through other comprehensive income
Loans and advances to customers	Amortized cost
Other assets excluding prepayments	Amortized cost
Financial liabilities	
Balances due to other banks	Amortized cost
Deposits from customers	Amortized cost
Long term borrowings	Amortized cost
Other liabilities	Amortized cost

(j) Income tax

Income tax expense is the aggregate of the charge to the profit or loss in respect of current tax and deferred tax. Current tax is the amount of income tax payable on the taxable profit for the period determined in accordance with the Income Tax Act, 2004 and its regulations.

Deferred 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 or loss, it is not accounted for. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled. Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilized.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) 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.

(l) Property and equipment

Property and equipment are stated at historical cost less depreciation and accumulated impairment loss, if any. Depreciation is provided on the straight-line basis so as to allocate the cost of assets to their residual values over their useful economic lives, at the following annual rates:

	Percentage
Furniture and fittings	20
Motor vehicles	20
Computer Equipment	20

The cost of land and building is amortized over the period of remaining long-term lease. The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each end of the reporting period. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the assets fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are recognized in profit or loss.

(m) Investment property

Investment properties include buildings that are held for long term rental yields and/or for capital appreciation and land under operating leases that is held for capital appreciation, or for a currently indeterminate use. Investment properties are initially recognized at cost and subsequently carried at fair value, determined annually by independent professional valuers. Changes in fair values are recognized in profit or loss. On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Intangible assets

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

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.
- Core Banking Software recognized as intangible assets are amortized on a straight basis over their estimated useful life of 10 years while other Software costs are amortized on a straight basis over their estimated useful life of 5 years.

	Useful Life	Amortization rate
Computer software (Core banking system)	10 years	10%
Computer software (others)	5 years	20%

(o) Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. No non-financial assets were impaired at the end of the reporting period.

(p) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, including: cash and non-restricted balances with Bank of Tanzania, Government Securities and amounts due from other banks. Cash and cash equivalents exclude the cash reserve requirement held with the Bank of Tanzania.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Employee benefits

The Bank and its employees contribute to the National Social Security Fund (NSSF), which are statutory defined contribution scheme i.e short-term benefits and termination benefits (eg. wages and salaries, annual leave) as per IAS 19 Employee benefits (2011). Employees contribute 10% of their monthly emoluments while the Bank contributes 10% to the schemes. A defined contribution scheme is a pension plan under which the Bank pays fixed contributions into a separate entity. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years. The Bank's contributions to the defined contribution scheme are charged to profit or loss in the year to which they relate.

(r) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported on the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

(s) Contingent Liabilities

Acceptances, guarantees and letters of credit are accounted for as off-balance sheet transactions and disclosed as contingent liabilities.

(t) Share capital

Ordinary shares are classified as 'share capital' in equity. New shares are recorded at nominal value and any premium received over and above the par value of the shares is classified as 'share premium' in equity.

(u) Operating leases

These comprises leases of low value and short-term leases that are exempt of IFRS 16 requirements. Payments, including pre-payments, made under these leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Dividends on distribution

Dividend distribution to the Banks shareholders is recognized as a liability in the Banks financial statements in the period in which the dividends are approved by Banks shareholders.

(w) Statutory non-distributable reserves

IFRS 9 requires the bank to recognize an impairment loss when there is objective evidence that loans and advances are impaired. However, Bank of Tanzania prudential guidelines require the bank to set aside amounts as provision for losses on loans and advances in addition to those losses that have been recognized under IFRS 9. Any such amounts set aside represent appropriations of retained earnings and not expenses in determining profit or loss. The provision as per IFRS 9 is not less than the provision as per the Bank of Tanzania Guidelines.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES

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

Risk management is carried out by a risk management department under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, market risk (such as foreign exchange risk and interest rate risk), credit risk, and liquidity risk. In addition, internal audit is responsible for the independent review of risk management and the control environment. The most important risks are credit risk, liquidity risk and market risk. The risks arising from financial instruments to which the Bank is exposed are financial risks, which include credit risk, liquidity risk and market risk.

4.1 Credit risk

Credit risk is the risk of suffering financial loss, should any of the Bank's customers, clients or market counterparties fail to fulfill their contractual obligations to the Bank. Credit risk arises mainly from commercial and consumer loans and advances, credit cards, and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, financial guarantees, letters of credit, endorsements and acceptances.

The Bank is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities ('trading exposures'), including non-equity trading portfolio assets, derivatives and settlement balances with market counterparties and reverse repurchase loans.

Credit risk is the single largest risk for the Bank's business; the Directors therefore carefully manage the exposure to credit risk. The credit risk management and control are centralized in a credit risk management team, which reports to the Board of Directors and head of each business unit regularly.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES (CONTINUED)

4.1 Credit risk (continued)

4.1.1 Credit risk management

Loans and advances (incl. loan commitments and guarantees)

In measuring credit risk of loan and advances to customers and to banks at a counterparty level, the Bank reflects three components (i) the 'probability of default' (PD) by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development, from which the Bank derives the 'exposure at default'(EAD); and (iii) the likely recovery ratio on the defaulted obligations (the 'loss given default'-LGD). Exposure at default is based on the amounts the Bank expects to be owed at the time of default. For example, for a loan this is the face value. For a commitment, the Bank includes any amount already drawn plus the further amount that may have been drawn by the time of default, should it occur. 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 internal ratings scale

Bank's rating	Description of the grade	Equivalent IFRS 9 grading
1	Current	Stage I
2	Especially mentioned	Stage II
3	Substandard	
4	Doubtful	Stage III
5	Loss	

4.1.2 Risk limit control and mitigation policies

The Bank manages limits and controls concentrations of credit risk wherever they are identified and in particular, to individual counterparties and groups, and to industries. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product and industry sector are approved quarterly by the Board of Directors.

The exposure to any one borrower including banks is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items. Actual exposures against limits are monitored daily. Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES (CONTINUED)

4.1 Credit risk (continued)

4.1.2 Risk limit control and mitigation policies (continued)

The following are ways the Bank use to mitigate the credit risks.

(i) Collateral

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

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

Long-term finance and lending to corporate entities are generally secured.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured.

(ii) 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 and therefore carry less risk than direct loans. Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, 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 commitments to extend credit 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.

4.1.3 Expected credit loss measurement

The Banks follows a "three-stage" model for impairment based on changes in credit quality since initial recognition as follows:

- A financial instrument that is not credit impaired on initial recognition is classified in "Stage 1" and has it 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.
- If financial instrument is credit-impaired, the financial instrument is then moved to "stage 3".

4 FINANCIAL RISK MANAGEMENT OBJECTIVES (CONTINUED)

4.1 Credit risk (continued)

4.1.3 Expected credit loss measurement (Continued)

- 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.

A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward looking information such as inflation, interest rate, exchange rate, GDP
The Banks follows a "three-stage" model for impairment based on changes in credit quality since initial recognition as follows:

- A financial instrument that is not credit impaired on initial recognition is classified in "Stage 1" and has it credit risk continuously monitored by the Bank.
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- If the financial instrument is credit-impaired, the financial instrument is then moved to "stage 3".
- 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.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward looking information such as inflation, interest rate, exchange rate, GDP and unemployment.

4.1.3.1 Significant increase in credit risk (SICR)

4.1.3.1.1 Loans and advances to customers

The Bank considers both qualitative and quantitative criteria to determine whether a loan to customer has experienced a significant increase in credit risk.

Quantitative criteria

A financial instrument is considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments or in case of non-amortizing facilities, has an expired line or exposure above limit which has not been regularized for a period exceeding 30 days.

Qualitative criteria

A financial instrument is considered to have experienced a significant increase in credit risk If the borrower meets one or more of the following criteria:

- When client diverts funds to be used for another purpose instead of the approved purpose e.g. loan approved for working capital, but client used it for purchasing asset which is not generating enough cash flows.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES (CONTINUED)

4.1 Credit risk (continued)

4.1.3 Expected credit loss measurement (continued)

4.1.3.1 Significant increase in credit risk (SICR) (continued)

4.1.3.1.1 Loans and advances to customers (continued)

- Credit accommodations where corresponding promissory notes or credit agreements were signed by a person who is not authorized by the company/firm.
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates.
- Credit accommodations granted to companies not covered by authenticated board resolutions authorizing the borrowings.
- un-located certificate of title for the property securing the granted credit facility.

At the time of undertaking of restructuring necessitated by financial difficulties.

4.1.3.1.2 Balances due from other banks

The Bank considers both qualitative and quantitative criteria to determine whether a credit facility to other banks has experienced a significant increase in credit risk. This is done through internal rating system as shown in the following table

Internal rating criteria

No	Rating description	Score range	Credit risk	Staging
1	Very Good	1.0 - <2.0	Very low risk	Stage 1
2	Good	2.0 - <2.5	Low risk	Stage 1
3	Average	2.5 - <3.0	Relative low risk	Stage 1
4 & 5	Poor and Very poor	3.0 - <=5.0	Increase in credit risk	Stage 2
-	Defaulted	Any	Impaired	Stage 3

Interbank placements to counterparties between 1 and 3 are considered to have low credit risk at any point in time and at the reporting date unless they move to rating 4 & 5 or other factors which triggers significant increase in credit risk occurs. When a counterparty moves from upper category (1) to lower categories (2 or 3) it will not be considered as significant increase in credit risk since it does not depict significant changes in internal price indicators of credit risk, however when it is downgraded to category 4 & 5 will be considered as significant increase in credit risk.

Other qualitative factors considered as indicators of significant increase in credit risk are:

- Significant counterparty management restructuring or reorganization due to prolonged poor performance of the entity.
- Significant adverse change in the regulatory, economic, or technological environment of the borrower that results in a significant change in the borrower's ability to meet its debt obligations
- Significant reductions in financial support from a parent entity that resulted to significant adverse changes of operating results of the counterparty.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES (CONTINUED)

4.1.3.1 Significant increase in credit risk (SICR) (continued)

4.1.3.1.2 Balances due from other banks (continued)

Government securities

Government securities are considered to have experienced a significant increase in credit risk when at least one of the following factors has occurred:

- The government has received a low credit rating ("C") by the international rating agencies.
- The government has initiated debt restructuring process

4.1.3.2 Definition of default and credit-impaired assets

Loans and advances to customers

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

Quantitative criteria

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

Qualitative criteria

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

- Customer's business extinction or significant deterioration due to natural disaster or man-made factor with no business insurance recovery/reinstatement
- The borrower is deceased
- Customer business declared bankrupt, under liquidation, under supervisory management, or facing regulatory recovery that goes to rampant business closures.
- The borrower is in breach of financial covenant(s)
- Customer dealing with activities that are banned by current government policy i.e. change of government policy on particular activities or sector.
- The calling of the guarantee by the guaranteed third party, this to be applicable where the bank has issued a guarantee to back up its customer who is doing business with a third party.

Balances due from other banks

For balances from other banks below events are considered as default when they occur.

- When repayments of interest and principal are not done on time as per contractual schedules to the extent of 30 days' delay.
- When a counterparty is taken under management by Statutory Manager.
- When a counterparty license has been revoked by the Central bank.
- When the counterparty is declared bankrupt by responsible bodies like Registration, Insolvency and Trusteeship Agency (RITA) and Court.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES (CONTINUED)

4.1 Credit risk (continued)

4.1.3 Expected credit loss measurement (continued)

4.1.3.3 Measuring ECL – Explanation of inputs, assumptions and estimation techniques (continued)

4.1.3.3.1 Government securities

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

- When repayments of interest and principal are not done on time as per contractual schedules and that such delays considered are not those caused by operational issues.
- When the government is downgraded to below rating "C" status by international rating agency such as Moody's, S&P, or Fitch.

When the government is declared default/bankrupt by responsible agencies like World Bank or IMF.

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:

4.1.3.3.2 Loans and advances to customers

- 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 revolving products, the exposure at default is predicted by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. For fixed exposures EAD equate to current outstanding balance at the reporting date.

- Loss Given Default (LGD) represents the Banks'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 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed. For unsecured products, LGD's are assessed based on recovery experience.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES (CONTINUED)

4.1 Credit risk (continued)

4.1.3 Expected credit loss measurement (continued)

Measuring ECL – Explanation of inputs, assumptions and estimation techniques (continued)

Balances due from other banks

- The ECL model for interbank placements is built on key variables Exposure at Default (EAD), Loss Given Default (LGD) and Probability of default (PD)

- The PD refers to the likelihood of a default over a time horizon. It provides an estimate of the likelihood that a borrower will be unable to meet its debt obligations. PD for counterparties are assessed under the framework of internal rating system.
- The EAD defined as gross exposure in the event of obligor default over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). The bank assesses EAD at each deal/facility level. EAD is equivalent to the existing outstanding balance (including interest accrued at the reporting date).
- The LGD, this refers to the share of an asset that is lost if a borrower default. LGD for interbank investment is computed based on recovery rate that is assessed based on historical recovery experience of counterparties' experience in the market.

Government securities

- The ECL model for government securities is built on key variables Exposure at Default (EAD), Loss Given Default (LGD) and Probability of default (PD)
- The PD refers to the likelihood of a default over a time horizon. It provides an estimate of the likelihood that a government will be unable to meet its debt obligations.
- The EAD defined as gross exposure in the event of government default over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). The bank assesses EAD at each deal/facility level. EAD is equivalent to the existing outstanding balance (including interest accrued at the reporting date).
- The LGD, this refers to the share of an asset that is lost if the government default. LGD for government securities is computed based on collateral placed or recovery rate experience.

4.1.3.3 Forward - looking information incorporated in the model

Incorporation of forward-looking parameters in ECL calculation has been assessed and analyzed to the extent of their relevance in relation to the bank's credit facilities performance and default rates and their availability with reasonable cost.

Macro-economic factors were assessed to check their correlation and/or causal effect relationship with bank default rates and evolution. None of them demonstrated hypothetical based correlation with the bank's default rate evolution over a period under observation. Industry sectorial performance was the only reliably available variable which show reasonable correlation with Bank's default rate evolution in the time horizon considered. Industry performance is the underlying variable which affects and affected by range of Macro-economic variables in the economy at large in the country. Thus, industry sectorial performance is the only factor incorporated in the ECL calculation specifically in PD computation that builds up the forward-looking perspective.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES (CONTINUED)

4.1 Credit risk (continued)

4.1.3 Expected credit loss measurement (continued)

Sensitivity analysis

The most significant assumptions affecting the ECL allowance are as follows;

i) Market value of collaterals, given its impact on Loss Given Default (LGD)
ii) Realization period of re-possessed collaterals, given its impact on present value of the collaterals.
iii) Probabilities of default (PDs)
iv) Recovery rate for unsecured portfolio

Set out below are the changes to the ECL as at 31 December 2021 that would result from reasonably possible changes in these parameters from the actual assumptions used

	Change in probability of defaults (PDs)	
	Increase by 5% TZS'000	Decrease by 5% TZS'000
Increase/(decrease) in ECL allowance	5,863	(5,863)

4.1.3 Write-off policy

The Bank writes off financial assets where when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The decision to write off credit facility has to get approval by the Board of Directors.

4.1.5 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 recognized during the period, as well as releases for financial instruments de-recognized 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;
- Discount 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 derecognized during the period and write-offs of allowances related to assets that were written off during the period.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES (CONTINUED)

4.1 Credit risk (continued)

4.1.5 Loss allowance (continued)

ECL allowance reconciliation	Stage I 12 - Month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	Total
	TZS'000	**TZS'000**	**TZS'000**	**TZS'000**
Balance as at 01st January 2021	48,768	-	**95,032**	**143,800**
Transfers:				
-Transfer from stage 1 to stage 2	-	-	-	-
-Transfer from stage 1 to stage 3	15,342	-	(15,342)	-
-Transfer from stage 2 to stage 1	-	-	-	-
Allowance on new loans and advances	52,477	670	-	53,147
Changes in PDs/LGDs/EADs				
Balance as at 31st December 2021	**116,587**	**670**	**79,690**	**196,947**

ECL allowance reconciliation	Stage I 12 - Month ECL	Stage II Lifetime ECL	Stage III Lifetime ECL	Total
	TZS'000	**TZS'000**	**TZS'000**	**TZS'000**
Balance as at 01st January 2020	44,684	-	47,516	92,200
Transfers:				
-Transfer from stage 1 to stage 2	-	-	-	-
-Transfer from stage 1 to stage 3	(40,582)	-	40,582	-
-Transfer from stage 2 to stage 1	-	-	-	-
Allowance on new loans and advances	29,576	-	6,934	36,510
Changes in PDs/LGDs/EADs	15,090	-	-	15,090
Balance as at 31st December 2020	**48,768**	-	**95,032**	**143,800**

4.1.6 Maximum exposure to credit risk before collateral held or other credit enhancements

The maximum on balance sheet exposure to credit risk is as shown below:

	2021		2020	
	TZS'000	%	**TZS'000**	%
Cash and balances with Bank of Tanzania	**4,899,281**	10%	**3,446,586**	12%
Balances due from other banks	**15,777,488**	33%	**7,077,444**	24%
Government securities	**6,091,841**	13%	**3,826,653**	13%
Loans and advances to customers	**19,867,916**	41%	**13,123,776**	44%
Other assets	**1,200,597**	3%	**1,144,099**	7%
	47,837,123	100%	**28,618,558**	100%

4. FINANCIAL RISK MANAGEMENT OBJECTIVES (CONTINUED)

4.1 Credit risk (continued)

4.1.6 Maximum exposure to credit risk before collateral held or other credit enhancements (continued)

The table below show the profile of the loans and advances to customers analyses according to the internal ratings grading system.

	2021			
	Stage I 12 - Month ECL TZS'000	**Stage II Lifetime ECL TZS'000**	**Stage III Lifetime ECL TZS'000**	**Total TZS'000**
Current	**19,395,449**	**-**	**-**	**19,395,449**
Especially mentioned	**-**	**-**	**-**	**-**
Substandard	**-**	**334,316**	**-**	**334,316**
Doubtful	**-**	**-**	**-**	**-**
Loss	**-**	**-**	**335,098**	**335,098**
Gross carrying amount	**19,395,449**	**334,316**	**335,098**	**20,064,863**
ECL allowance	**(116,587)**	**(670)**	**(79,690)**	**(196,947)**
Net loans & advances	**19,278,862**	**333,646**	**255,408**	**19,867,916**

	2021 (%)		2020 (%)	
	Gross loans & advances	**Impairment provisions**	Gross loans & advances	Impairment provisions
Stage I	**96%**	**99%**	99%	99%
Stage II	**2%**	**-**	-	-
Stage III	**2%**	**1%**	1%	1%
	100%	**100%**	100%	100%

4. FINANCIAL RISK MANAGEMENT OBJECTIVES (CONTINUED)

4.1 Credit risk (continued)

4.1.7 Profile of financial assets subject to credit risk

	2021 (TZS'000)		2020 (TZS'000)	
	Loans and advances to customers	**All other financial assets subject to credit risk**	Loans and advances to customers	All other financial assets subject to credit risk
Stage I	**19,808,406**	**26,768,610**	13,149,253	14,350,683
Stage II	**210,958**	**-**	-	-
Stage III	**45,499**	**-**	118,323	-
Gross	**20,064,863**	**26,768,610**	13,267,576	14,350,683
Less impairment allowances:	**(196,947)**	**-**	(143,800)	-
	(196,947)	-	(143,800)	-
	19,867,916	**26,768,610**	13,123,776	14,350,683

4. FINANCIAL RISK MANAGEMENT OBJECTIVES (CONTINUED)

4.1 Credit risk (continued)

4.1.7 Profile of financial assets subject to credit risk (continued)

Analysis of all other financial assets subject to credit risk:

2021 (TZS'000)	Stage I	Stage II	Stage III	Specific impairment	Net
Cash and balances with Bank of Tanzania	**4,899,281**	-	-	-	**4,899,281**
Balances due from other banks	**15,777,488**	-	-	-	**15,777,488**
Government securities held at FVOCI	**6,091,841**	-	-	-	**6,091,841**
Other assets (excluding prepayments & stationeries)	**749,622**	-	-	-	**749,622**
	27,518,232	-	-	-	**27,518,232**

2020 (TZS'000)	Stage I	Stage II	Stage III	Specific impairment	Net
Cash and balances with Bank of Tanzania	3,446,586	-	-	-	3,446,586
Balances due from other banks	7,077,444	-	-	-	7,077,444
Government securities held at amortized cost	3,826,653	-	-	-	3,826,653
Other assets (excluding prepayments & stationeries)	774,718	-	-	-	774,718
	15,125,401	-	-	-	15,125,401

4. FINANCIAL RISK MANAGEMENT OBJECTIVES (CONTINUED)

4.1 Credit risk (continued)

4.1.7 Profile of financial assets subject to credit risk (continued)

At the end of the reporting period, the total impairment provision for loans and advances was TZS 196.95 million (2020: TZS 143.80 million). Further information of the impairment allowance for loans and advances to customers is provided in note 18.

At 31st December 2021, the Bank's total loans and advances to customers increased by 51.79% as a result of team effort during the year. When entering into new markets or new industries, in order to minimize the potential increase of credit risk exposure, the Bank focuses more on the business with clients or banks with good credit rating or retail customers providing sufficient collateral.

(a) *Stage I /neither past due nor impaired*

The portfolio of loans and advances that were classified as stage I in 2021: (Amounts are in TZS'000).

	Individual (retail)		**Corporate entities**			**Loans & advances to Banks**
	Overdraft	Term loans	Corporate customers	*SME	Total	
31-Dec-21 Stage I	-	8,751,260	11,116,656	-	19,867,916	15,777,488
	-	**8,751,260**	**11,116,656**	**-**	**19,867,916**	**15,777,488**
31-Dec-20 Stage I	-	6,530,299	6,593,477	-	13,123,776	7,077,444
	-	6,530,299	6,593,477	-	13,123,776	7,077,444

*SME - Small and Medium Enterprises.

(b) *Other financial assets stage I*

	2021 TZS'000	2020 TZS'000
Cash and balances with Bank of Tanzania	**4,899,281**	3,446,586
Balances due from other banks	**15,777,488**	7,077,444
Government securities held at FVOCI	**6,091,841**	3,826,653
Other assets (excluding prepayments & stationeries)	**749,622**	774,718
Total	**27,518,232**	15,125,401

4. FINANCIAL RISK MANAGEMENT OBJECTIVES (CONTINUED)

4.1 Credit risk (continued)

4.1.8 Concentration of risks of financial assets with credit risk exposure

(a) Geographical sectors

The following table breaks down the Bank's main credit exposure at their carrying amounts (without taking into account any collateral held or other credit support), as categorized by geographical region as of 31st December 2021. For this table, the Bank has allocated exposures to regions based on the country of domicile of its counterparties. (amounts are in TZS'000):

	Tanzania	Europe	America	Others	Total
Cash and balances with Bank of Tanzania	4,899,281	-	-	-	4,899,281
Balance due from other banks	3,001,466	12,776,022		-	15,777,488
Government securities	6,091,841	-	-	-	6,091,841
Loans and advances to customers					
To individuals:					
- Term loans	8,751,260	-	-	-	8,751,260
To corporate entities:					
- Corporate customers	11,116,656	-	-	-	11,116,656
- SMEs (Small and Medium Enterprises)					
Other assets (excluding prepayments & Inventories)	749,622	-	-	-	749,622
As 31st December 2021	**34,610,126**	**12,776,022**	-	-	**47,386,148**

	Tanzania	Europe	America	Others	Total
Credit risk exposures relating to off-balance sheet items are as follows:					
Undrawn formal stand-by facilities, credit lines and other commitments to lend	-	-	-	-	-
Outstanding guarantees and indemnities	2,175,486	-	-	-	2,175,486
Letters of credit	6,325,135	-	-	-	6,325,135
As 31st December 2021	8,500,621	-	-	-	8,500,621

NOTES (CONTINUED)

4. FINANCIAL RISK MANAGEMENT OBJECTIVES (CONTINUED)

4.1 Credit risk (continued)

4.1.8 Concentration of risks of financial assets with credit risk exposure

(a) Geographical sectors (continued)

	Tanzania	Europe	America	Others	Total
Cash and balances with Bank of Tanzania	3,446,586	-	-	-	3,446,586
Balance due from other banks	4,201,203	2,876,241		-	7,077,444
Government securities	3,826,653	-	-	-	3,826,653
Loans and advances to customers					
To individuals:					
- Term loans	6,530,299	-	-	-	6,530,299
To corporate entities:					
- Corporate customers	6,593,477	-	-	-	6,593,477
- SMEs (Small and Medium Enterprises)					
Other assets (excluding prepayments & Inventories)	774,718	-	-	-	774,718
As 31st December 2020	**25,372,936**	**2,876,241**	-	-	**28,249,177**

	Tanzania	Europe	America	Others	Total
Credit risk exposures relating to off-balance sheet items are as follows:					
Undrawn formal stand-by facilities, credit lines and other commitments to lend	-	-	-	-	-
Outstanding guarantees and indemnities	19,837,108	-	-	-	19,837,108
Letters of credit	745,686	-	-	-	745,686
As 31st December 2020	20,582,794	-	-	-	20,582,794

NOTES (CONTINUED)

4. FINANCIAL RISK MANAGEMENT OBJECTIVES (CONTINUED)

4.1 Credit risk (continued)

4.1.8 Concentration of risks of financial assets with credit risk exposure (continued)

a) *Industry sectors*

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorized by the industry sectors of its counterparties (amounts are in TZS'000):

	Financial institutions	Building & construction	Wholesale and retail trade	Individuals	Other	Total
Cash and balances with Bank of Tanzania	4,225,561	-	-	-	-	4,225,561
Balance with Financial institutions	673,720	-	-	-	-	673,720
Balance due from other banks	15,777,488	-	-	-	-	15,777,488
Government Securities	6,091,841	-	-	-	-	6,091,841
Loan and advances to customers						
To individual:						
- Term loans	-	1,521,027	1,547,967	11,041,121	5,757,801	19,867,916
Other assets	-	-	-	-	1,200,597	1,200,597
At 31st December 2021	**26,768,610**	**1,521,027**	**1,547,967**	**11,041,121**	**6,958,398**	**47,837,123**

Credit risk exposures relating to off-balance sheet items are as follows:

Outstanding guarantees and indemnities	-	2,175,486	-	-	-	2,175,486
Letters of credit	-	-	6,325,135	-	-	6,325,135
At 31st December 2021	**-**	**2,175,486**	**6,325,135**	**-**	**-**	**8,500,621**

NOTES (CONTINUED)

4. FINANCIAL RISK MANAGEMENT OBJECTIVES (CONTINUED)

4.1 Credit risk (continued)

4.1.8 Concentration of risks of financial assets with credit risk exposure (continued)

(b) *Industry sectors (continued)*

31st December 2020	Financial institutions	Building & construction	Wholesale and retail trade	Individuals	Other	Total
Cash and balances with Bank of Tanzania	3,322,251	-	-	-	-	3,322,251
Balance with Financial institutions	124,335	-	-	-	-	124,335
Balance due from other banks	7,077,444	-	-	-		7,077,444
Government Securities	3,826,653	-	-	-	-	3,826,653
Loan and advances to customers						
To individual:						
- Term loans				6,530,299	6,593,477	13,123,776
Other assets	-	-	-	-	1,144,099	1,144,099
31st December 2020	**14,350,683**			**6,530,299**	**7,737,576**	**28,618,558**

Credit risk exposures relating to off-balance sheet items are as follows:

	Financial institutions	Building & construction	Wholesale and retail trade	Individuals	Other	Total
Undrawn formal stand-by facilities, credit lines and other commitments to lend						
Outstanding guarantees and indemnities	-	19,837,108	-			19,837,108
Letters of credit		-	745,686			745,686
At 31st December 2020	**-**	**19,837,108**	**745,686**			**20,582,794**

4. FINANCIAL RISK MANAGEMENT OBJECTIVES (CONTINUED)

4.2 Market risk

The Bank takes on exposure to market risks. Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rates and foreign currencies, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, and foreign exchange rates. 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. Trading portfolios include those positions arising from market-making transactions where the Bank acts as principal with clients or with the market.

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

4.2.1 Foreign exchange risk

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 and in aggregate for both overnight and intra-day positions, which are monitored daily.

At 31st December 2021, if the functional currency had strengthened/weakened by 5% against the United States Dollar (USD) with all other variables held constant, post-tax loss for the year would have been TZS 47.90 million (2020: TZS 59.30 million) lower/higher mainly as a result of foreign exchange gains/losses on translation for USD denominated financial assets and liabilities, respectively.

At 31st December 2021, if the functional currency had strengthened/weakened by 5% against the Sterling Pound (GBP) with all other variables held constant, post-tax profit for the year would have been TZS 0.62 million (2020: 0.85 million) lower/higher mainly as a result of foreign exchange gains/losses on translation for Sterling Pound denominated financial assets and liabilities respectively.

At 31st December 2021, if the functional currency had strengthened/weakened by 5% against the Euro with all other variables held constant, post-tax profit for the year would have been TZS 2.02 million (2020: TZS 2.31 million) lower/higher mainly as a result of foreign exchange gains/losses on translation for Euro denominated financial assets and liabilities respectively.

The exposure to foreign currencies other than the USD, Euro and GBP is minimal.

NOTES (CONTINUED)

4. FINANCIAL RISK MANAGEMENT OBJECTIVES (CONTINUED)

4.2 Market risk (continued)

4.2.1 Foreign exchange risk (continued)

The table below summaries the Bank's exposure to foreign currency exchange rate risk at 31st December 2021 and 31st December 2020. Included in the table are the Bank's financial instruments at carrying amounts, categorized by currency (amounts are equivalent TZS"000).

At 31st December 2021	TZS	USD	GBP	EURO	Total
Assets					
Cash in Hand	578,690	27,483	843	45,233	652,250
Balances with Bank of Tanzania	3,214,422	358,889	-	-	3,573,311
Balances with Financial Institutions	673,720	-	-	-	673,720
Loans and advances to banks	3,001,466	12,776,022	-	-	15,777,488
Investment securities	6,091,841	-	-	-	6,091,841
Loans and advances to customers	18,319,639	1,548,277	-	-	19,867,916
Other assets	1,200,597	-	-	-	1,200,597
Total assets	**33,080,375**	**14,710,672**	**843**	**45,233**	**47,837,123**
Liabilities					
Deposits from banks	-	-	-	-	-
Deposits from customers	(20,004,975)	(14,949,389)	-	-	(34,954,364)
Other liabilities	(2,103,588)	-	-	-	(2,103,588)
Total liabilities	**(22,108,563)**	**(14,949,389)**	**-**	**-**	**(37,057,952)**
Net balance sheet position	**10,971,812**	**(238,717)**	**843**	**45,233**	**10,779,171**

NOTES (CONTINUED)

4. FINANCIAL RISK MANAGEMENT OBJECTIVES (CONTINUED)

4.2 Market risk (continued)

4.2.1 Foreign exchange risk (continued)

At 31st December 2020	TZS	USD	GBP	EURO	Total
Assets					
Cash in Hand	153,555	39,371	900	46,275	240,101
Balances with Bank of Tanzania	1,569,937	1,512,213	-	-	3,082,150
Balances with Financial Institutions	124,335	-	-	-	124,335
Loans and advances to banks	4,200,571	2,876,873	-	-	7,077,444
Investment securities	3,826,653	-	-	-	3,826,653
Loans and advances to customers	11,319,077	1,804,699	-	-	13,123,776
Other assets	1,144,099	-	-	-	1,144,099
Total assets	**22,338,227**	**6,233,156**	**900**	**46,275**	**28,618,558**
Liabilities					
Deposits from banks	-	-	-	-	-
Deposits from customers	(12,025,819	(5,047,580)	-	-	(17,073,399)
Other liabilities	(672,489)	-	-	-	(672,489)
Total liabilities	**(12,698,308)**	**(5,047,580)**	**-**	**-**	**(17,745,888)**
Net balance sheet position	**9,639,919**	**1,185,576**	**900**	**46,275**	**10,872,670**

NOTES (CONTINUED)

4. FINANCIAL RISK MANAGEMENT OBJECTIVES (CONTINUED)

4.2 Market risk (continued)

4.2.2 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. Management sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily. The table below summarizes the Bank's exposure to interest rate risk. It includes the Bank's financial instruments at carrying amounts, categorized by maturity dates. The Bank does not bear any interest rate risk on off balance sheet items. (amounts are TZS'000).

At 31st December 2021	Up to 1 month TZS'000	1 –3 Months TZS'000	3– 12 months TZS'000	Above 1 year TZS'000	Non-interest bearing TZS'000	Total TZS'000
Assets						
Cash in Hand	-	-	-	-	652,250	652,250
Balances with Bank of Tanzania	-	-	-	-	3,573,311	3,573,311
Balances with Financial Institutions	-	-	-	-	673,720	673,720
Loans and advances to banks	15,777,488	-	-	-	-	15,777,488
Investment securities	-	-	4,300,000	1,791,841	-	6,091,841
Loans and advances to customers	-	4,223,062	1,966,806	13,678,048	-	19,867,916
Other assets	-	-	-	-	1,200,597	1,200,597
Total assets	**15,777,488**	**4,223,062**	**6,266,806**	**15,469,889**	**6,099,878**	**47,837,123**
Liabilities						
Deposits from banks	-	-	-	-	-	-
Deposits from customers	-	27,396,454	7,557,910	-	-	34,954,364
Other liabilities	-	2,103,588	-	-	-	2,103,588
Total liabilities (Excluding non-financial liabilities)	**-**	**29,500,042**	**7,557,910**	**-**	**-**	**37,057,952**
Interest sensitivity gap	**15,777,488**	**(25,276,980)**	**(1,291,104)**	**15,469,889**	**6,099,878**	**10,779,171**

NOTES (CONTINUED)

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Market risk (continued)

4.2.2 Interest rate risk (continued)

At 31st December 2020	Up to 1 month TZS'000	1 –3 months TZS'000	3– 12 months TZS'000	Above 1 year TZS'000	Non-interest bearing TZS'000	Total TZS'000
Assets						
Cash in Hand	-	-	-	-	240,101	240,101
Balances with Bank of Tanzania	-	-	-	-	3,082,150	3,082,150
Balances with Financial Institutions	-	-	-	-	124,335	124,335
Loans and advances to banks	7,077,444	-	-	-	-	7,077,444
Investment securities	-	3,563,950	-	262,703	-	3,826,653
Loans and advances to customers	2,559,388	-	1,490,322	9,074,066	-	13,123,776
Other assets	-	-	-	-	1,144,099	1,144,099
Total assets (Excluding non-financial assets)	**9,636,832**	**3,563,950**	**1,490,322**	**9,336,769**	**4,590,685**	**28,618,558**
Liabilities						
Deposits from banks	-	-	-	-	-	-
Deposits from customers	-	14,792,201	2,281,198	-	-	17,073,399
Other liabilities	-	-	-	-	672,489	672,489
Total liabilities (Excluding non-financial liabilities)	**-**	**14,792,201**	**2,281,198**	**-**	**672,489**	**17,745,888**
Interest sensitivity gap	**9,636,832**	**(11,228,251)**	**(790,876)**	**9,336,769**	**3,918,196**	**10,872,670**

4. FINANCIAL RISK MANAGEMENT OBJECTIVES (CONTINUED)

4.2.2 Interest rate risk (continued)

The table below summarizes a range of effective interest rates by major currencies for monetary financial instruments for the year ended 31st December 2021 and 31st December 2020:

	2021		2020	
Assets	**TZS**	**USD**	**TZS**	**USD**
Loans and advances to customers	11%-19%	7.0%-9.0%	11%-19%	6.5%-8.5%
Loans and advances to banks	4.0%-5.0%	0.01%-2.5%	3.5%-4.5%	0.01%-1.5%
Liabilities				
Deposits from customers	3%-11%	0%	3%-11%	0%
Balances due from other banks	0%	0%	3.5%-4.5%	0%
Long term borrowings				

At 31st December 2021, if the interest rates on functional currency denominated assets and liabilities had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been TZS 5 million (2020: TZS 197 million) lower/higher, mainly as a result of fluctuations in interest income and interest expense.

At 31st December 2021, if the interest rates on USD denominated assets and liabilities had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been TZS 74 million (2020: post tax loss TZS 18 million) lower/higher, mainly as a result of fluctuations in interest income and interest expense. The exposure to interest rates fluctuations on assets and liabilities denominated in currencies other than USD is minimal.

4.2.3 Price risk

The Bank does not hold any financial instruments that is subject to price risk during the year 2021 (2020: None).

4.3 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 fulfill commitments to lend.

NOTES (CONTINUED)

4. FINANCIAL RISK MANAGEMENT OBJECTIVES (CONTINUED)

4.3 Liquidity risk (continued)

4.3.1 Liquidity risk management process

The Bank's liquidity management process, as carried out within the Bank and monitored by a separate treasury team, includes:

- Maintaining documented liquidity risk/crisis management plans which among other things defines situations which could precipitate liquidity crisis. Examples of such situations are: unusual activities at the branches, default by one or more large borrowers, devaluation of currency in which the Bank has large exposure and large litigation claim on the Bank.

- Maintaining adequate liquidity at all times and for all currencies, and hence to be in a position, in the normal course of business to meet all our obligations, to repay depositors, to fulfill commitments to lend and to meet any other commitment made. This takes the form of maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;

- Managing the concentration and profile of debt maturities;

- Presence of Liquidity Crisis Management Team (LCMT) whose purpose is to mitigate adverse effects of liquidity crisis. Among other things, it is tasked with: investigating causes of crisis, assess the timing and duration thereof; decide on preliminary remedial actions to mitigate the effects of the crisis; assessing market sentiments.

- The Bank also monitors unmatched medium-term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

4.3.2 Funding approach

Sources of liquidity are regularly reviewed by a separate treasury team to maintain a wide diversification by currency, geography, provider, product and term.

4.3.3 Minimum liquidity

Section 7 of the Banking and Financial Institutions (Liquidity Management) Regulations, 2014 requires that a Bank or financial institution shall maintain liquid assets amounting to not less than twenty percent (20%) of its demand liabilities. The Bank's liquidity ratio at the end of the period was 58.16% (2020: 62.19%).

4. FINANCIAL RISK MANAGEMENT OBJECTIVES (CONTINUED)

4.3 Liquidity risk (continued)

4.3.4 Non-derivative cash flows

The table below presents the cash flows payable by the Bank under non-derivative financial liabilities by remaining contractual maturities at end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flows, as the Bank manages the inherent liquidity risk based on expected undiscounted cash inflows.

At 31st December 2021	1 - 3 months TZS'000	6 Months TZS'000	12 months TZS'000	1 to 5 years TZS'000	More than 5 years TZS'000	Total TZS'000
Assets						
Cash in Hand	652,250	-	-	-	-	652,250
Cash and balances with Bank of Tanzania	3,573,311	-	-	-	-	3,573,311
Balances with Financial Institutions	673,720	-	-	-	-	673,720
Loans and advances to banks	15,777,488	-	-	-	-	15,777,488
Loans and advances to customers	4,223,062	1,192,067	774,739	13,678,048	-	19,867,916
Investment securities	-	4,300,000	-	1,791,841	-	6,091,841
Total financial assets	**24,899,831**	**5,492,067**	**774,739**	**15,469,889**	**-**	**46,636,526**
Deposits from customers	27,396,454	-	7,557,910	-	-	34,954,364
Deposits from Banks	-	-	-	-	-	-
Other liabilities	2,103,588	-	-	-	-	2,103,588
Total financial liabilities	**29,500,042**	**-**	**7,557,910**	**-**	**-**	**37,057,952**
Net liquidity gap	**(4,600,211)**	**5,492,067**	**(6,783,171)**	**15,469,889**	**-**	**9,578,574**

4. FINANCIAL RISK MANAGEMENT OBJECTIVES (CONTINUED)

4.3 Liquidity risk (continued)

4.3.4 Non-derivative cash flows (continued)

At 31st December 2020	1 - 3 months TZS'000	6 Months TZS'000	12 months TZS'000	1 to 5 years TZS'000	More than 5 years TZS'000	Total TZS'000
Assets						
Cash in Hand	240,101	-	-	-	-	240,101
Cash and balances with Bank of Tanzania	3,082,150	-	-	-	-	3,082,150
Balances with Financial Institutions	124,335	-	-	-	-	124,335
Loans and advances to banks	7,077,444	-	-	-	-	7,077,444
Loans and advances to customers	1,735,416	917,309	1,143,845	7,944,899	48,728	13,123,776
Investment securities	2,363,950	1,200,000	-	262,703	-	3,826,653
Total financial assets	**14,623,396**	**2,117,309**	**1,143,845**	**8,207,602**	**1,382,307**	**27,474,459**
Deposits from customers	4,346,646	3,889,752	8,837,001	-	-	17,073,399
Deposits from Banks	-	-	-	-	-	-
Other liabilities	672,489	-	-	-	-	672,489
Total financial liabilities	**5,019,135**	**3,889,752**	**8,837,001**	**-**	**-**	**17,745,888**
Net liquidity gap	**9,604,261**	**(1,772,443)**	**(7,693,156)**	**8,207,602**	**1,382,307**	**9,728,571**

4. FINANCIAL RISK MANAGEMENT OBJECTIVES (CONTINUED)

4.3 Liquidity risk (continued)

i. Non-derivative cash flows (continued)

31st December 2021	
Financial assets	
Balance due from other banks	15,777,488
Financial liabilities	
Other Liabilities	2,103,588
Net financial position	**13,673,900**

31st December 2020	
Financial assets	
Balance due from other banks	7,077,444
Financial liabilities	
Other Liabilities	672,489
Net financial position	**6,404,955**

4. FINANCIAL RISK MANAGEMENT OBJECTIVES (CONTINUED)

4.3 Liquidity risk (continued)

4.3.4 Non-derivative cash flows (continued)

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, balances with Bank of Tanzania, items in the course of collection and treasury bill, balance due from other banks and loans and advances to customers.

4.3.5 Fair values of financial assets and liabilities

The fair value of government securities are based on the last auction for treasury bills and bonds that was held at year end. The fair values of the Bank's other financial assets such as loans and advances to customers and financial liabilities such as deposits and interbank borrowings approximate the respective carrying amounts due to the generally short periods to maturity dates.

Deposits from banks and customers

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

Fair value hierarchy

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges and exchanges traded derivatives like futures.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The sources of input parameters are: LIBOR yield curve, Bloomberg and Reuters.
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

4. FINANCIAL RISK MANAGEMENT OBJECTIVES (CONTINUED)

4.3 Liquidity risk (continued)

4.3.5 Fair values of financial assets and liabilities (continued)

Fair value hierarchy (continued)

The table below shows the classification of financial instruments held at fair value into the valuation hierarchy set out below as at 31st December 2021and 2020:

	Level 1 TZS'000	Level 2 TZS'000	Level 3 TZS'000	Total fair value TZS'000
31st December 2021				
Assets				
Government securities (Note 19)	-	6,091,841	-	6,091,841
Equity investment	-	-	-	-
	-	6,091,841	-	6,091,841
Liabilities				
Derivative financial instruments	-	-	-	-
31st December 2020				
Assets				
Government securities (Note 19)	-	3,826,653	-	3,826,653
Equity investment	-	-	-	-
	-	3,826,653	-	3,826,653
Liabilities				
Derivative financial instruments	-	-	-	-

4. FINANCIAL RISK MANAGEMENT OBJECTIVES (CONTINUED)

4.3 Liquidity risk (continued)

4.3.5 Fair values of financial assets and liabilities (continued)

Fair value hierarchy (continued)

The table below analyses the fair value hierarchy the Bank's financial assets and liabilities (by class) not measured at fair value at 31st December 2021.

At 31st December 2021	Level 1 TZS'000	Level 2 TZS'000	Level 3 TZS'000	Total fair value TZS'000	Carrying value TZS'000
Assets					
Cash in Hand	-	652,250	-	652,250	652,250
Balances with Bank of Tanzania	-	3,573,311	-	3,573,311	3,573,311
Balances with Financial Institutions	-	673,720	-	673,720	673,720
Loans and advances to banks	-	15,777,448	-	15,777,488	15,777,488
Investment securities	-	6,091,841	-	6,091,841	6,091,841
Loans and advances to customers	-	19,867,916	-	19,867,916	19,867,916
Other assets	-	-	1,200,597	1,200,597	1,200,597
Total assets	**-**	**46,636,486**	**1,200,597**	**47,837,123**	**47,837,123**
Liabilities					
Deposits from banks	-	-	-	-	-
Deposits from customers	-	34,954,364	-	34,954,364	34,954,364
Other liabilities	-	-	2,103,588	2,103,588	2,103,588
Total liabilities	**-**	**34,954,364**	**2,103,588**	**37,057,952**	**37,057,952**

4. FINANCIAL RISK MANAGEMENT OBJECTIVES (CONTINUED)

4.3.5 Fair values of financial assets and liabilities (continued)

Fair value hierarchy (continued)

The table below analyses the fair value hierarchy the Bank's financial assets and liabilities (by class) not measured at fair value at 31st December 2020.

At 31st December 2020	Level 1 TZS'000	Level 2 TZS'000	Level 3 TZS'000	Total fair value TZS'000	Carrying value TZS'000
Assets					
Cash in Hand	-	240,101	-	240,101	240,101
Balances with Bank of Tanzania	-	3,082,150	-	3,082,150	3,082,150
Balances with Financial Institutions	-	124,335	-	124,335	124,335
Loans and advances to banks	-	7,077,444	-	7,077,444	7,077,444
Investment securities	-	3,826,653	-	3,826,653	3,826,653
Loans and advances to customers	-	13,123,776	-	13,123,776	13,123,776
Other assets	-	-	1,144,099	1,144,099	1,144,099
Total assets	**-**	**27,474,459**	**1,144,099**	**28,618,558**	**28,618,558**
Liabilities					
Deposits from banks	-	-	-	-	-
Deposits from customers	-	17,073,399	-	17,073,399	17,073,399
Other Liabilities	-	-	672,489	672,489	672,489
Total liabilities	**-**	**17,073,399**	**672,489**	**17,745,888**	**17,745,888**

4. FINANCIAL RISK MANAGEMENT OBJECTIVES (CONTINUED)

4.4 Capital management

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

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

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

The Bank of Tanzania (BoT) requires each bank or banking group to: (a) hold the minimum level of the regulatory capital of TZS 15 billion, and (b) maintain a ratio of total regulatory capital to the risk-weighted asset at or above the minimum of 14.5% and core capital 12.5%. The Bank's regulatory capital as managed by its Treasury Department and Finance Department is divided into two tiers

- Tier 1 capital: share capital, retained earnings and reserves created by appropriations of retained earnings. Prepaid expenses, deferred charges and intangible assets are deducted in arriving at Tier 1 capital; and
- Tier 2 capital: qualifying subordinated loan capital and unrealized gains arising on the fair valuation of equity instruments held as available for sale.

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

4. FINANCIAL RISK MANAGEMENT OBJECTIVES (CONTINUED)

4.4 Capital management (continued)

The table below summarizes the composition of regulatory capital of the Bank for the year ended 31st December 2021 and year ended 31st December 2020.

	Nominal Statement of financial position amounts 2021 TZS'000	Nominal Statement of financial position amounts 2020 TZS'000
Tier 1 capital		
Ordinary share capital	**33,476,012**	33,475,991
Less: Accumulated losses	**(14,154,563)**	(12,552,081)
	19,321,449	20,923,910
Less:		
Prepaid expenses	**(450,975)**	(369,381)
Core Capital	**18,870,474**	20,554,529
General Reserve		
Total regulatory capital	**18,870,474**	20,554,529
Risk-weighted assets		
On-balance sheet and Off-Balance sheet	**34,538,300**	29,539,592
Market risks	**622,431**	668,477
Operational risk	**2,044,885**	1,193,521
Total risk-weighted assets	**37,205,616**	31,401,590

The table below summarizes the composition of regulatory ratios of the Bank for the year ended 31st December 2021 and year ended 31st December 2020.

Bank ratios	2021	2020
Tier 1 (BOT Minimum required is 12.5%)	**50.72%**	65.46%
Tier 1 + Tier 2 (BoT Minimum required is 14.5%)	**50.72%**	65.46%

5. CRITICAL ACCOUNTING JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

(a) Impairment losses on loans and advances

The measurement of the expected credit loss allowance for financial assets measured at amortised 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).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

(b)Taxes

The Bank is subjected to numerous taxes and levies by various government and quasi- government regulatory bodies. As a rule of thumb, the Bank recognises 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.

(c) Property and equipment

Management reviews the useful lives and residual values of the items of property and equipment on a regular basis. During the year, the Directors determined no significant changes in the useful lives and residual values.

(d) Intangible assets

Management makes critical estimates in determining the amortization rates and carrying amounts for intangible assets.

NOTES (CONTINUED)

6 INTEREST INCOME

	2021 TZS '000	2020 TZS '000
Loans and advances to Customers	**2,735,097**	1,918,560
Loans and Advances to Banks	**86,312**	69,644
Investment in T bills	**300,786**	239,817
	3,122,195	2,228,021

7 INTEREST EXPENSE

Interest Expenses	**391,239**	207,072

8 LOAN IMPAIRMENT CHARGES

Collective impairment	**115,846**	84,787

9 FEES AND COMMISSION INCOME

Fees and commissions income	**1,826,865**	1,315,027
Fees and commissions expense	**(49,955)**	-
	1,776,926	1,315,027

10 FOREIGN EXCHANGE GAIN

Foreign exchange gain	**132,715**	175,447

11 PERSONNEL EXPENSES

Wages and salaries	**1,743,234**	1,635,116
Contributions to defined contribution plans	**536,912**	272,643
Other employee benefit	**103,887**	510,255
	2,384,033	2,418,014

12 OPERATING LEASE EXPENSES

Resident rents	**114,064**	121,879

13 DEPRECIATION AND AMORTIZATION

Amortization of Intangibles	**570,055**	658,606
Depreciation of Property, Plants and Equipment	**938,310**	1,025,464
Right of use of an asset	**26,493**	82,915
	1,534,858	1,766,985

		2021	2020
14	**OTHER OPERATING EXPENSES**	**TZS '000**	**TZS '000**
	Auditors' and tax remuneration	**61,531**	60,931
	Insurance Expenses	**65,868**	80,322
	Office expenses	**683,324**	525,012
	Professional fees	**27,141**	26,152
	Finance cost (Lease obligation)	**62,187**	56,960
	General Administrative expense	**1,168,818**	890,177
		2,068,869	1,639,553

15	**CASH AND BALANCES WITH BANK OF TANZANIA**		
	Cash at hand	**652,250**	240,101
	Balance with Central Bank (BOT)	**3,573,311**	3,082,150
		4,225,561	3,322,251

The central bank issued new directive in 2017 which instructed banks to merge statutory minimum reserve (SMR) and settlement account which enable banks to access and utilize all funds in excess of the required SMR at any time without making written request to director of banking supervision.

		2021	2020
16	**BALANCE WITH BANKS**	**TZS '000**	**TZS '000**
	Balances held with other banks	**673,720**	124,335
17	**LOANS AND ADVANCES TO BANKS**		
	Placement with local banks	**3,579,374**	4,201,203
	Placement with foreign banks	**12,198,747**	2,876,874
	Total Gross loan and advance to banks	**15,778,121**	7,078,077
	Less: Allowances for impairment on financial instruments	**(633)**	(633)
	Net Loan and Advance to banks	**15,777,488**	7,077,444
18	**LOANS AND ADVANCES TO CUSTOMERS**		
	Individual loans:	**11,041,122**	6,674,105
	Other Non-financial corporations	**9,023,741**	6,593,477
	Total Gross Loan	**20,064,863**	13,267,582
	Less: Allowances for impairment on loans and advances during the year	**(196,947)**	(143,806)
	Net Loans and Advances	**19,867,916**	13,123,776
	Current	**6,189,868**	3,791,705
	Non-current	**13,678,048**	9,332,071
		19,867,916	13,123,776

		2021	2020
19	**GOVERNMENT SECURITIES**	**TZS '000**	**TZS '000**
	Treasury bills maturing within 3 months	**4,300,661**	2,363,950
	Treasury bills and Treasury Bonds maturing after 3 months	**1,791,180**	1,462,703
	T bills and T Bonds Total	**6,091,841**	3,826,653
	All governments securities are current		
20	**INTANGIBLE ASSETS**		
	Net book amount at 01st January 2021	**3,300,103**	3,278,885
	Additions	**50,865**	21,218
	At the year end	**3,350,968**	3,300,103
	Amortization		
	Balance at 01st January 2021	**(1,760,123)**	(1,101,519)
	Accumulated Amortization for the year	**(570,056)**	(658,604)
	Balance as at 31st December 2021	**(2,330,179)**	(1,760,123)
	Net carrying value	**1,020,789**	1,539,979

21 PROPERTY AND EQUIPMENT

Cost	Leasehold improvement and buildings TZS'000	Furniture & equipment TZS'000	Motor vehicle TZS'000	Computer equipment TZS'000	Total TZS'000
Balance at 01st January 2021	6,921,349	2,805,405	660,685	347,940	10,735,379
Additions	-	38,001	-	-	38,001
Transfers	-	-	(2,191)	-	(2,191)
Balance at 31st December 2021	**6,921,349**	**2,843,330**	**658,494**	**347,940**	**10,771,189**
Depreciation					
Balance at 01st January 2021	(675,862)	(1,671,806)	(419,072)	(309,607)	(3,076,347)
Charge for the year	(231,032)	(563,749)	(125,319)	(18,209)	(938,309)
Transfers	-	-	1,498	-	1,498
Balance at 31st December 2021	**(906,894)**	**(2,235,555)**	**(542,893)**	**(327,816)**	**(4,013,158)**
Net book value at December 2021	**6,014,455**	**607,775**	**115,601**	**20,124**	**6,758,031**

21 PROPERTY AND EQUIPMENT (CONTINUED)

	Leasehold improvements and buildings TZS'000	Furniture & equipment TZS'000	Motor vehicle TZS'000	Computer equipment TZS'000	Total TZS'000
Cost					
Balance at 01st January 2020	6,930,951	2,792,166	660,973	312,844	10,696,934
Additions	-	13,239	-	35,096	48,335
Reclassification	(9,602)	-	(288)	-	(9,890)
Balance at 31st December 2020	**6,921,349**	**2,805,405**	**660,685**	**347,940**	**10,735,379**
Depreciation					
Balance at 01st January 2020	(445,680)	(1,111,776)	(286,950)	(206,477)	(2,050,882)
Charge for the year	(230,182)	(560,030)	(132,122)	(103,130)	(1,025,464)
Balance at 31st December 2020	**(675,862)**	**(1,671,806)**	**(419,072)**	**(309,607)**	**(3,076,347)**
Net book value at December 2020	**6,245,487**	**1,133,599**	**241,613**	**38,333**	**7,659,031**

		2021	2020
		TZS '000	TZS '000
22	**RIGHT OF USE OF AN ASSET**		
	Opening balance as at 01st January 2021	**1,732,450**	2,149,359
	Additional right of use asset arising from new contracts	**-**	-
	De-recognition	**-**	(333,994)
	Depreciation	**(26,494)**	(82,915)
	Closing balance	**1,705,956**	1,732,450
23	**OTHER ASSETS**		
	Prepayment for rent and insurance	**450,975**	369,381
	Others	**749,622**	774,718
	Other assets	**1,200,597**	1,144,099
	Current	**1,200,597**	1,144,099
	Non- Current	**-**	-
		1,200,597	1,144,099
24	**TAXATION**		
	(a) Income tax charge		
	Alternative minimum tax	**25,409**	18,683
		25,409	18,683

Reconciliation of income tax credit to expected income tax based on accounting loss

	2021	2020
Accounting loss before taxation	**(1,577,075)**	(2,519,795)
Tax credit at applicable rate (30%)	**(473,123)**	(755,939)
Tax on non-deductible expenses	**71,602**	62,566
Deferred tax credit not recognized	**374,558**	667,574
Other PPE adjustments	**(657)**	(3,584)
Tax effect of depreciation on non-qualifying assets	**27,620**	29,383
Over/(under) provision	-	-
Alternative minimum tax	**25,409**	18,683
	25,409	18,683

	2021	2020
(b) Tax movement		
At start of year	**1,726**	11,527
Charge for the year	**25,409**	18,683
Payments	**(25,318)**	(28,484)
At end of year	**1,817**	1,726

24 TAXATION (CONTINUED)

(c) Deferred income tax

	2021 TZS'000	2020 TZS'000
Depreciation on property and equipment	**1,508,366**	1,692,695
Non-deductible expenses	**238,673**	208,553
Tax losses for the year/period	**(1,331,362)**	(2,370,506)
Capital allowance	**(1,617,172)**	(1,803,564)
Adjusted taxable income	**(1,201,495)**	(2,272,822)
Deferred tax at the beginning	**(4,170,941)**	(2,625,258)
Deferred tax there on domestic tax 30%	**(399,409)**	(711,152)
Deferred tax asset on property and equipment	**59,604**	59,060
Deferred tax asset on provisions/loan impairment.	**(34,754)**	(15,482)
Under/(over) provision in prior year	**3,835**	(878,109)
	(4,541,664)	(4,170,941)

The normal procedure for agreeing final income tax liability in Tanzania involves the company filing its final income tax returns with the Tanzania Revenue Authority (TRA) followed by TRA performing their own review of the company's submissions and issuing their notice of tax assessments to the company. The final income tax liability as determined by TRA after review may differ from the liability determined by the company and procedures are in place for the company to object and appeal against such assessments. It is common that a timeframe from the company's own submission of its final tax returns and for TRA performing their review and issuing of notice of final tax assessment may take several months or years.

25 DEPOSITS FROM BANKS

	2021 TZS '000	2020 TZS '000
Other deposits from banks	-	-

All deposits from banks are current

26 DEPOSITS FROM CUSTOMERS

	2021	2020
Current accounts	**31,332,167**	14,112,187
Savings accounts	**1,176,888**	932,986
Term deposits	**2,445,309**	2,028,226
Deposits	**34,954,364**	17,073,399

All deposits are current, Saving and Term

27 LEASE OBLIGATION

	2021	2020
Opening balance	**878,494**	1,190,215
Initial recognition	-	-
De-recognition	-	(368,681)
Additional lease obligation arising from new contracts	-	-
Interest cost	**62,187**	56,960
Closing balance	**940,681**	878,494

28 OTHER LIABILITIES

	2021 TZS'000	2020 TZS'000
Deferred income	**211,413**	97,038
Suppliers payable	**58,478**	294,841
Sundry creditors and accruals	**1,833,697**	280,610
Other liabilities are payable within 12 months	**2,103,588**	672,489

29 SHARE CAPITAL

Authorized Share Capital (1,826,484 Ordinary shares @TZS 21900)	**39,999,999**	39,999,999
Paid up share Capital at December (1,212,695 Ordinary shares @ TZS 21900)	**33,475,991**	26,558,000
Conversion regularization	**21**	-
Capital Injection (315,890 Ordinary shares@ TZS 21900)	**-**	6,917,991
	33,476,012	33,475,991

30 ACCUMULATED LOSSES

At January	**(12,552,081)**	(10,013,603)
Transfer to retained earning	**(1,602,482)**	(2,538,478)
	(14,154,563)	(12,552,081)

The Bank has reported a net loss of TZS 1,602,482,000 (2020: TZS 2,538,478,000) for the year ended 31 December 2021.

The Bank has sufficient capability to meet day to day working capital requirements for its operations. Likewise, the parent Bank have confirmed their willingness to provide continued financial support to Guaranty Trust Bank (Tanzania) Ltd as and when required.

Based on these facts, the Directors consider it appropriate to prepare the financial statements on a going concern basis which assumes that the Bank will be in operational existence for the foreseeable future

31 CONTINGENT LIABILITIES AND COMMITMENTS

In common with other banks, the Bank conducts business involving acceptances, letters of credit, guarantees, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties.

	2021 TZS'000	2020 TZS'000
Contingent liabilities		
Outstanding letters of credit (foreign currency)	**2,175,486**	745,686
Outstanding guarantees and indemnities:		
- foreign currency	**1,185,077**	7,431,585
- local currency	**5,140,058**	12,405,523
	8,500,621	20,582,794

31 CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

Nature of contingent liabilities

Letters of credit commit the Bank to make payments to third parties, on production of documents, which are subsequently reimbursed by customers. Guarantees are generally written by the Bank to support performance by a customer to third parties. The Bank will only be required to meet these obligations in the event of the customers' default.

Other commitments	**2021 TZS'000**	**2020 TZS'000**
Undrawn formal stand-by facilities, credit lines and other commitments to lend	-	-

Nature of commitments

Commitments to lend are agreements to lend to a customer in future subject to certain conditions. Such commitments are normally made for a fixed period. The bank may withdraw from its contractual obligation for the undrawn portion of agreed overdraft limits by giving reasonable notice to the customer.

Capital commitments

At 31st December 2021, the Bank had capital commitments of TZS 38 million (2020: TZS 48 million) in respect of furniture and equipment. The Bank's management is confident that future net revenues and funding will be sufficient to cover this commitment.

Operating lease commitments

The Bank does not have any commitments in respect of non-cancellable lease commitments.

Other contingent liabilities

In the ordinary course of business, the Bank has contingent liability of **TZS 8,500,621,000** during the period. (2020: TZS 20,582,794,000)

32. RELATED PARTY TRANSACTIONS AND BALANCES

The related party transactions during the year and the balances due to the related parties were:

Deposits to directors and key management personnel

(a) Deposits	**2021 TZS'000**	**2020 TZS'000**
Deposits held at 31st December	**75,819**	126,513
Loans and advances outstanding as at 31st December	**198,863**	183,781

32. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Key management compensation	2021 TZS'000	2020 TZS'000
Salaries and other short-term employee benefits	**1,059,409**	753,181

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, including any director of the Bank.

(c) Directors' emoluments

Fees and other emoluments paid to directors of the Bank during the year are as follows:

	2021 TZS'000	2020 TZS'000
Directors travel cost shared with East Africa Counter party	-	1
Emoluments of directors in respects of services rendered (executive)	-	376
Emoluments of directors in respects of services rendered (non-executive)	**139,451**	128,684
	139,451	129,061

33. CASH AND CASH EQUIVALENT

Cash and cash equivalents	**4,899,281**	3,446,586
Loan and advances to banks	**15,777,488**	7,077,444
Government Securities	**6,091,841**	3,826,653
	26,768,610	**14,350,683**

34. EVENTS AFTER PERIOD END

At the date of signing the financial statements, the Directors are not aware of any other matter or circumstance arising since the end of the financial year, not otherwise dealt with in these financial statements, which significantly affect the financial position of the Bank and results of its operations.

35. FUNCTIONAL AND PRESENTATION CURRENCY

The functional currency of the Bank, which is also its presentation currency, is Tanzanian Shillings (TZS). Except where indicated otherwise, these financial statements are presented in Tanzania Shillings, rounded to the nearest thousand (TZS'000). Foreign currency transactions are translated into the functional currency using the ruling exchange rates at the closing date which are USD/TZS 2,306.52, GBP/TZS 3,055.26, EUR/TZS 2,604.77, ZAR/TZS 145.62 and KES/TZS 20.39.

36. COMPARATIVES

Where necessary, comparative amounts have been adjusted to conform with changes in presentation in the current year.